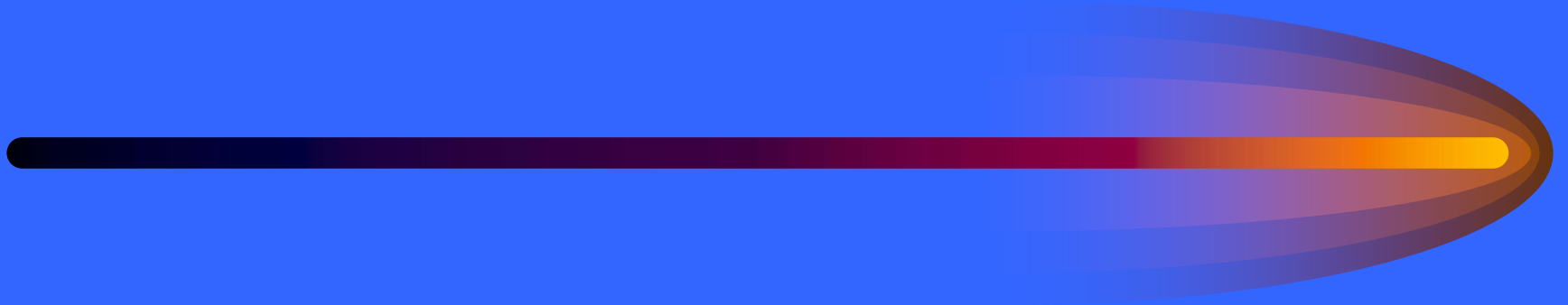
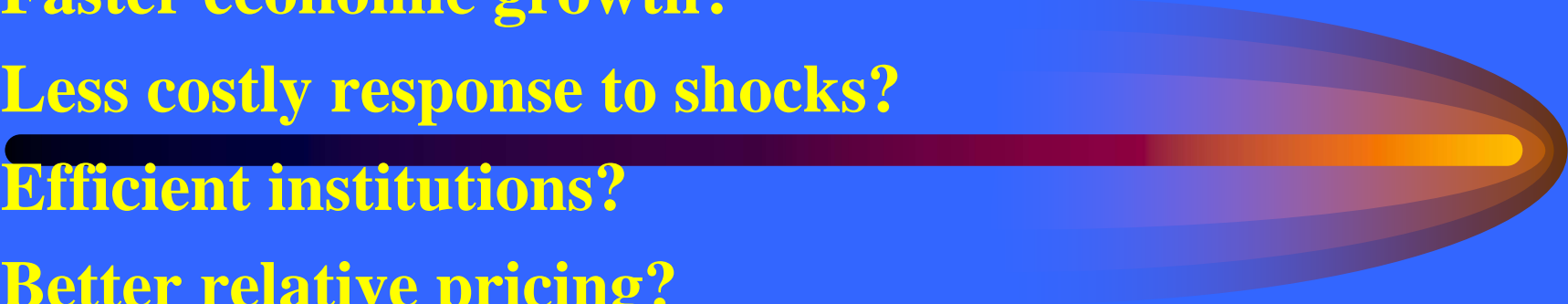


***FASHIONING FINANCIAL  
SYSTEMS: SOME LESSONS FROM  
AUSTRALIA: COMMENT***



**David G Mayes**  
*University of Auckland*

# *WHAT DO WE WANT FROM THE FINANCIAL SYSTEM?*

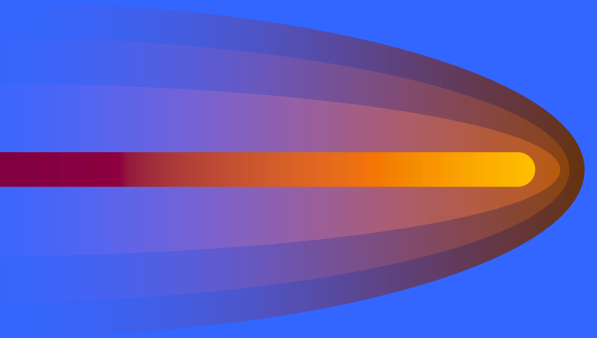
- **Faster economic growth?**
  - **Less costly response to shocks?**
  - **Efficient institutions?**
  - **Better relative pricing?**
  - **Fairness?**
  - **Protection of the more vulnerable in society?**
  - **Increased saving and provision for the future?**
  - **Efficient monetary policy?**
- 

# *WHY LOOK AT AUSTRALIA?*

- **Joint financial system**
- **Other small countries more relevant – European?**
- **Amalgamation**
- **International best practice**

# *ASPECTS*

- **Institutions**
- **Regulation**
- **Saving and taxation**



# *INSTITUTIONS*

- **A small country needs excellent external linkages because capital flows in both directions are proportionately more important**
  - **Stock exchanges linkage, CSDs**
  - **Alternative routings through the large international banks**
  - **Importance of technical efficiency**
- **NZ less financially developed than Australia, why?**
- **Deposit insurance/ Financial Services Compensation**

# *REGULATION*

- **FSAP review very positive**
- **Openness of stock market to gaming**
- **Is a CLERP needed in NZ?**
- **The problem of corporate bonds**
- **Disclosure approach vs detailed regulation**
- **ASIC vs APRA – the problem of advisors**
- **Is it sensible to have an unregulated/weakly regulated sector?**
- **Licensing of advisors – investment, mortgage?**

# *SAVING AND TAXATION*

- The problem of ‘insufficient’ saving
- Excess focus on housing – experience from Australian incentives (downturn in housing market likely to be counterproductive)
- Australian compulsory saving vs NZ incentives – too early to call
- Performance of providers
- Loss of reputation from collapse of finance company sector
- Do changes in NZ tax structure help?
- Anomalies in capital gains tax

# *QUESTIONS*

- **Why are households so leveraged?**
- **Why is there so much securitisation in Australia?**
- **Why is equity so much less developed in NZ?**
- **How good is SME finance?**
- **How much evidence do we have on the effectiveness of regulation?**