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Rethinking investor protection – the case for more regulatory intervention

Martin Wheatley last night made a strong case for greater regulatory intervention in retail and wholesale financial products in his International Distinguished Lecture to the Australian Centre for Financial Studies.

Martin Wheatley, CEO Securities and Futures Commission, Hong Kong and CEO designate of the UK Financial Conduct Authority (FCA) last night delivered a thoughtful presentation entitled "*Rethinking investor protection*".

He stated that "the global financial crisis had precipitated regulatory actions in immediate response to the massive problems that threatened to bring down the global financial systems." Then Wheatley noted that governments and regulators are now taking "a more considered approach to reforms".

In the words of Wheatley, soon to be one of the UK's most powerful regulators, "pivotal to the reform process" will be "enhancing investor protection regimes".

Wheatley acknowledged that "black letter" rules are not the perfect solution, but he noted that "you can't legislate ethical behaviour".

And "to rebuild investor confidence and to tackle the challenges posed by product markets featuring a much broader spectrum of complexity" will require "greater use of judgement, a forward-looking perspective, and pre-emptive actions to stem any potential build-up of risk before significant damage is done".

Mr Wheatley concluded that "financial markets are about managing and pricing risk, not its elimination".

Host of the International Distinguished Lecturer, ACFS Director Prof Deborah Ralston remarked that "in a period of global re-regulation it is important for Australian financial service firms, academics and policy-makers to pay close attention to developments major financial centres like London." She went on to say that while "the UK's emerging regulatory model appears to have taken on some of Australia's better features", that this was "no reason for complacency."

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The ACFS International Distinguished Lecture

As the 5th International Distinguished Lecturer Martin Wheatley joins a very select group of international finance sector thought leaders.

- **Mr Mervyn King**, Governor of The Bank of England (2006)
- **Dr. Robert Joss**, Dean of Stanford Business School and former CEO of Westpac Banking Corporation (2007)
- **John Fraser**, Chairman and CEO of UBS Global Asset Management (2008)
- **Jaime Caruana**, General Manager, Bank for International Settlements (2010).

About ACFS

The Australian Centre for Financial Studies (ACFS) facilitates industry-relevant and rigorous research and consulting, thought leadership and independent commentary. Drawing on expertise from academia, industry and government, the Centre promotes excellence in financial services. The Centre specialises in leading edge finance and investment research, aiming to boost the global credentials of Australia's finance industry; bridging the gap between research and industry and supporting Australia and Melbourne as an international centre for finance practice, research and education.

The Centre provides access to and links between academics, finance practitioners and government and draws on expertise and experience from across these groups, to facilitate knowledge creation and transfer. ACFS (previously known as the Melbourne Centre for Financial Studies) is a not-for-profit consortium of Monash University, the University of Melbourne, RMIT University and Finsia having commenced in 2005 with seed funding from the Victorian Government. Across the consortium partners ACFS has links with over 100 finance academics and over 200 postgraduate students engaged in finance research.

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