Future of the Securities Industry

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Role of the Financial System

Purpose of the financial system is to serve the financial needs of government, business and households:

• Financial intermediation (debt & equity)
• Payments
• Liquidity management
• Risk management
• Generate export income
Economic growth is related:

- **Positively to the savings rate**
  
  *Savings facilitate investment*

- **Positively to capital productivity**
  
  *Price signalling & capital allocation functions of the financial system are very important*

- **Negatively to financial intermediation costs** \((\alpha)\)
  
  *Investment = (1-\alpha)*Savings*
Securities markets are a key component of the financial system:

- Provide direct financing for government and business
- Provide investment opportunities (incl. liquid assets)
- Emit price signals (micro and macro)
- Complement financial institutions
- Provide competition in the financial system
- Support risk management products
Efficient securities markets promote economic growth

- More accurate price signals
- Better capital allocation
- Lower transactions costs
Drivers of Industry Change (1)

The future financial needs of the economy

Examples of economic change factors

• Demographic change
• Infrastructure needs
• Trade & investment flows
• Regional & global growth
• Financial deepening
Drivers of Industry Change (2)

Innovation & technology

• Competition between market venues
• New products and services development
• Product and service delivery processes
• Trading applications and systems
Drivers of Industry Change (3)

Regulation

• Market integrity rules
• Compliance costs & cost recovery
• Bank regulation – more ‘market based’ financing
• Growing prominence of global standards
• Extraterritorial reach of regulation and tax
Some Implications of Change

Responding to securities industry change that is:

• Transformational
• Evolutionary
• Global