



Future of the Securities Industry

David Lynch - Executive Director

www.afma.com.au

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



Financial System & Economic Growth

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 (α)**

*Investment = $(1-\alpha)$ *Savings*



Role of Securities Industry

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



Securities Markets & Economic Growth

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**

