

foreword

frontiers in finance December 2009



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As a relative stability returns, we are starting to see the drivers in aiming to develop a new picture of financial services. Many governments and regulators are starting to act. Proposals are being enacted to break up certain financial institutions, especially where they have been saved from collapse only by direct government intervention. Many financial institutions are also divesting themselves of non-core assets, changing names and where possible seeking to distance themselves from further government involvement, through the capital markets.

However, it will take some time before we can see the new picture of financial services clearly. Some governments and international institutions are still struggling to agree how the banking and insurance sectors should be regulated in an effort to prevent a similar crisis in future. There seems to be a general consensus that finance needs to become simpler, less risky and more robust; and that the core business of deposit-taking and lending should be more clearly insulated from investment banking and speculative finance. But how political rhetoric will end up being translated into practical regulation – and what the impact will be on the business of finance – remains unclear. The financial services sector is therefore to some extent, waiting for the next stage in the development process.

This issue of *frontiers in finance* reflects the fact that we are in a period of transition. Developments in IFRS

implementation, and in the changing role of internal audit, will have to respond to the framework which eventually emerges. The second part of our research into the impact of the crisis on the insurance industry explores the implications for capital and risk management.

However, in the midst of this uncertainty, business must go on. Brendan Nelson, Global Chairman Financial Services' article on the emerging picture in financial services gives an overview on both the opportunities and the uncertainties. We also look at the implications of the significant government intervention in the banking sector since the crisis began, and at how investor confidence and reputation can be rebuilt.

The traditional challenges of implementing an effective strategy in a competitive financial services market are returning to the CEO agenda. This issue offers new perspectives on cost optimization, outsourcing and tax. And in the month of the Copenhagen meeting on climate change, it is timely to look at the prospects for the future of carbon trading.

In this, my first foreword to *frontiers in finance*, it would have been good to be able to offer a more uniformly upbeat collection of articles, but the fact that significant challenges remain perhaps makes the content of this issue more valuable. I hope so.

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