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A NOTE FROM THE EDITOR	111
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ARTICLES

Fallout from the global financial crisis: Credit rating agencies in the frame – Tony Ciro

The global financial crisis (GFC) which had its genesis in the United States housing bubble led to catastrophic financial consequences for the entire global economy. Similar to other crises in the past most notably, the Great Depression of the 1930s, the GFC had severe ramifications on the real economy. The fallout from the GFC also highlighted the role that credit rating agencies (CRAs) played in the GFC. CRAs were responsible for issuing credit assessments on a range of financial products that were linked with the US housing bubble and its subsequent collapse. Complex financial derivatives which included structured collateralised debt obligations (CDOs) were not well understood by a majority of end-users. Typically, the CDOs were rated by CRAs as AAA investment grade financial products. The assessment and issuance of the AAA rating was crucial in allowing financial intermediaries to market these products to end-users. Some of the end-users which included government agencies, pension funds and local government authorities were required to invest surplus funds in only AAA rated financial instruments. Unfortunately, some of these CDOs were not AAA rated investment grade and consequently led end-users to be exposed to considerable financial risk and financial loss. The recent Federal Court and Full Court case concerning *ABN AMRO Bank NV v Bathurst Regional Council* [2012] FCA 1200 and (2014) 224 FCR 1 highlights the risks involved in issuing misleading and negligent credit ratings with structured financial derivatives.

112

Pulling back the shades: Demystifying vulture funds – Adam Watterson

Despite the mystique that has surrounded vulture funds since their inception, there is a growing need for an understanding of these firms due to their increasing presence within the Australian insolvency and distressed debt markets. This article seeks to remove some of that mystique by providing insights into the objectives, investment strategies, corporate structures of vulture funds, as well as the commercial landscape in which these deals take place.

131

BANKING LAW AND BANKING PRACTICE – Dr Alan L Tyree and John Sheahan QC

Bitcoin's identity crisis – Alan Tyree	145
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COMMERCIAL AND FINANCE LAW – Patrick Lowden and Andrew Booth

Mandatory central clearing now in force for parties to OTC derivatives in Australia – Manoraj Karthigeyan and Sonia Goumenis	148
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SECURITIES AND MORTGAGES – <i>Angela Flannery and Paul Rogerson</i>	
Estoppel by convention and the “unresponsive” security – <i>Paul Rogerson</i>	150
Questions of Fraud: Consideration of Cassegrain – <i>Angela Flannery</i>	153
WEALTH MANAGEMENT – <i>Dr Lisa Butler-Beatty</i>	
When SMSF rectification comes too late – DC of T (Superannuation) v Ryan – <i>Heather Gray</i>	155
RECENT PUBLICATIONS – <i>Jason Harris and Sheila Rasanen</i>	
compiled by <i>Jason Harris</i>	158
UNITED KINGDOM AND EUROPE – <i>John Jarvis QC, Stuart Dutson, Michael Green, Kallun Willock and Matteo Solinas</i>	
Court of Justice of the European Union Judgment in Case C-362/14 Maximillian Schrems v Data Protection Commissioner – <i>Matteo Solinas</i>	159
SINGAPORE AND SOUTH EAST ASIA – <i>Kala Anandarajah</i>	
Recognition of Foreign Liquidators – Universalism in Singapore Insolvency Law – <i>Sim Kwan Kiat and Mark Cheng</i>	162