

February 09

news



Securities & Derivatives Industry Association | www.sdia.org.au

Dear SDIA Member

SDIA Delegation to China

Members may recall SDIA having led a delegation to China in September 2005, visiting Hong Kong, Shanghai and Beijing. There is a small window of opportunity to arrange for another group of SDIA members to tour China in September 2009. Places will be limited to 12–15 people. Please contact Julia Mullen at the SDIA via email jmullen@sdia.org.au to register your interest

SDIA Conference Early Bird Registrations

I would like to draw your attention to the forthcoming 12th Annual SDIA Conference, which will be held in Sydney on Thursday 28 & Friday 29 May 2009 at the Hilton Hotel. Members will receive 10 CPD hours for attending the SDIA Conference this year. Online registrations will be commencing soon. Conference registration fees will remain fixed at 2008 prices, which should be welcome news. The Early Bird Discount is valid until Thursday 9 April - Practitioner (Individual) Members \$1550, and Principal (Organisational) Members \$1780 inclusive of GST. Be sure to get your Practitioner Membership application in on time to qualify for the Practitioner Member rates. Contact Gauri Wallia at the SDIA on (02) 8080 3201 for membership enquiries.

SDIA Conference Group Discounts

SDIA is offering bigger incentives to groups registering to attend this year's conference. Member firms will save \$150 per person for groups of 6-10 people; \$200 per person for groups of 11-20 people; and \$250 per person for groups of 21 people or more. Member firms are also encouraged to appoint a 'conference coordinator' to manage all the conference registrations from the firm. This helps to ensure that all the registrations are received in one lot and that the largest group discount possible will apply.

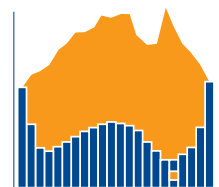
SDIA Charity Golf Day

Book now for the 6th Annual SDIA Charity Golf Day on Wednesday 27 May at St Michaels Golf Club in Sydney. Sincere thanks to Religare Technova Global Solutions for sponsoring the event again this year. Entry fees are \$220 per person, or \$880 per team of 4. Please refer to the booking form in this newsletter for further details.

David W Horsfield MSDIA
Managing Director/CEO

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Committee News

The **SDIA Profession Committee** is meeting on Wednesday 4 February 2009. Members seeking to upgrade their Practitioner Memberships are reminded to submit their completed applications prior to this date. The following SDIA Profession Committee Meeting will be held on Wednesday 22 April.

All enquiries regarding Practitioner Membership upgrades should be directed to Gauri Wallia at the SDIA on (02) 8080 3200 or email gwallia@sdia.org.au

Policy & Regulatory News

ASX Market 'Enhancements'

In November, ASX announced measures to improve equities execution including:

- ITS capacity
- Crossings: removal of 10 second rule
- Undisclosed volume orders above \$500,000 value
- Iceberg orders
- Block Specials: tiering of value thresholds
- Portfolio Specials: recognition of non-ASX listed products
- New execution service outside the CLOB (Centre Point orders & crossings and VolumeMatch).

SDIA has supported the overhaul of the crossings rules for some years. Some of these enhancements will provide better facilities for DMA and algorithmic orders, and will provide competition to the types of services offered by the newer market operators, including those who have applied to operate markets in Australia. ASX aims to make the above enhancements (subject to regulatory approvals) by mid-2009.

ASX Capital Requirements

a. Core Liquid Capital: In July, ASX announced (without prior consultation) that Core Liquid Capital for ACH Clearing Participants would be increased from \$100,000 in two stages:

- Stage 1. 1 Jan 09: from \$100,000 to \$2m, and
- Stage 2. 1 Jan 10: from \$2m to \$10m

In order to meet the new requirements, some Members will need to either a. increase capital, or b. outsource to a third party clearer.

Following concerns raised by a working group of SDIA member firms, in December, Senator Nick Sherry, Minister for Superannuation and Corporate Law – while not formally disallowing the rule changes – referred the matter to the RBA and ASIC for advice on what is the appropriate core liquid capital amount, and what is the best transitional timeframe for it to be introduced. The advice is due by 8 March.

b. Acceptable Collateral: In November, SDIA raised concerns with ASX about the announcement that Bank-owned clearers could not lodge that Bank's stock as collateral, even for client positions. We are awaiting an announcement by ASX as to its response.

Government refers Market Integrity issues to CAMAC

In November, Minister Sherry referred 4 matters to the Corporations and Markets Advisory Committee (CAMAC) for review, which it says impact on market integrity:

- Disclosure of margin lending by company executives
- Blackout trading by company executives
- Spreading false rumours, and
- Disclosure of sensitive information at Analyst Briefings.

SDIA will be taking part in the consultation process as soon as the CAMAC review commences. Obviously, we will be interested in the third and fourth matters in particular.

Credit Rating and Research Houses report

Following U.S. moves, in October the Treasury and ASIC issued a report on the regulation of Credit Rating and Research Houses in Australia.

The report specifically excludes research issued by stockbrokers and investment banks. It does not seek comments or consultation, but notes a number of possible regulatory issues with research houses, including:

- uncertainty over licensing requirements
- management and disclosure of conflicts of interest
- over-reliance by advisers
- unclear ratings systems
- quality of research, and
- monitoring and updating ratings.

SDIA part of AFCF process

In November, SDIA was invited to form part of the Government's Reference Group for the Australian Financial Centre Forum.

Following an election promise to develop Australia as a financial centre, the AFCF comprises industry and government representatives working on measures to enhance our position as a financial centre in the region.

In December, in response for submissions on initial steps that could be quickly taken, SDIA stressed building upon the following strengths:

- Markets of high integrity
- A strong banking and financial sector
- Strong regulation
- A skilled work force, and
- A stable political environment.

- **ASIC accepts SDIA call for review of Share Purchase Plan (SPP) limits**

Last year, SDIA approached ASIC to raise the limits of SPP's (currently \$5,000 p.a.) to \$20,000 to allow for meaningful investment by shareholders. Following this approach, in December ASIC announced a review of the SPP levels: ASIC Consultation Paper 103 Review of Share Purchase Plans December 2008. We will be contributing to the review.

- **Credit Reform**

Following on from the Green Paper consultation earlier in 2008, the Government has announced its plans for National Consumer Credit.

Phase One (expected mid-2009) will see:

- Margin Lending regulated as a financial product under the Corporations Act
- States giving up all credit regulation to the Commonwealth (UCC)
- Licensing for mortgage and credit brokers, including compulsory external complaints resolution.

Phase Two (expected mid-2010) will see:

- Further credit reform for small business
- Further regulation of investment loans, other than for residential property
- Further regulation of reverse mortgages.

For many years, SDIA has called for the regulation of investment property advice. It is disappointing that it appears to have been put off (again). Margin lending will be treated as a financial product, with all the consequences for retail services (FSG, SOA, PDS, FOS, etc), but consumers receiving advice on investment property loans will remain without any of the protections of the Corporations Act.

In January, Minister Sherry announced the commencement of work on short form standard margin lending documents. The project is to be completed by commencement of the new regime of national regulation of margin lending as a financial product under the Corporations Act (Cth) on 1 July 2009 (Media Release 004/2009).

- **Recent FOS Rulings**

- 18781 (24 December 2008); Stockbroking – failure of broker to close options spread positions – whether negligent or misleading – extent of duty of broker where issue raised but inadequate instructions given by client – complaint upheld – complainant awarded \$93,000 damages
- 19242 (29 December 2008); Stapled securities issuer; consumer failed to pay final instalment for partly paid units (stapled) in issuer member's schemes. Member sold consumer's units at public auction. Consumer claimed price at auction too low; that member could have used alternative methods to obtain payment; that legislation permitting

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forfeiture of units not intended to be used in this manner and must be reviewed; and that member's actions were unacceptable or morally bankrupt – complaint dismissed as lacking in substance.

▪ Money Laundering Update

Just before Christmas, AUSTRAC issued a draft Rule for public comment setting out proposed relief for stockbrokers in cases where a new client has an urgent requirement to transact securities. Under the proposed relief, a broker will be entitled to first transact the order and then have 5 days in which to carry out the required client identification and verification process. The proposed relief is subject to various conditions, including that the broker not release the securities or proceeds the subject matter of the transaction to the client until the identification process has been completed.

The proposed relief is the result of SDIA's submissions to AUSTRAC and subsequent negotiations, and SDIA is very pleased with the outcome. In the current volatile market, the relief should prove valuable to brokers dealing with new clients with time-urgent trading instructions.

The draft Rule is open for public comment until 30 January 2009.

▪ ASX Derivatives Market Reforms

SDIA lodged a submission with ASX regarding its proposals to effect changes to ETO Contracts to reduce the number of shares per contract from 1000 to 100, and to introduce the European 'Fair Value' Settlement Methodology in the instance of company takeovers in place of the existing Intrinsic Value methodology.

SDIA supported the former change on the grounds of the potential increase in turnover in the ETO market that is likely to result from the change. The latter change was supported on the grounds of harmonizing the local ETOs with products on comparable global derivative exchanges, although acknowledging that there was some opposition to the change on the grounds of value transfer.

SDIA called for a pro rata decrease in ASX charges to accompany the decrease in contract size.

▪ Short Selling Update

On 21 January, ASIC announced that the ban on short selling of financial stocks would not be lifted on 27 January 2009 as had been anticipated. Instead, ASIC has kept the ban in place until 6 March 2009. Australia is now the only jurisdiction with such a ban in place.

SDIA has expressed its view to ASIC that the current circumstances supported lifting the ban.

SDIA has been in regular liaison with ASIC on all issues relating to short selling. We have participated in industry round table

meetings, and have also organised separate meetings between the ASIC Commissioner Belinda Gibson and Institutional and Retail representatives of SDIA. SDIA has participated in discussions relating to the adequacy of the reporting regime for daily gross short sales introduced by ASIC, and the nature of any potential further reporting requirements to be introduced regarding the outstanding net short positions in listed stocks.

SDIA has also been participating in Reserve Bank of Australia round table discussions regarding proposals to introduce requirements for reporting of stock lending data as part of changes to the RBA Financial Stability Standard for licensed clearing and settlement facilities. The purpose of these changes is to reduce the risk of settlement failures. SDIA is endeavouring to minimise the potential for multiple layers of reporting obligations being introduced in relation to stock borrowing and short selling, and to minimise the resource costs of implementation of any such changes on stockbrokers.

On 23 December 2009, SDIA lodged a submission with ASIC seeking relief by way of regulation to assist certain forms of proprietary account short selling by stockbrokers, including in relation to client facilitation, hedging of ETO and OTC activity, DRP underwriting and DLC and index arbitrage, to take place without the added cost burden of borrowing of stock which is not ultimately utilised. The initial response from ASIC to that relief has not been positive, however discussions are continuing.

▪ SDIA Submissions

SDIA submissions are available to Members on our website: www.sdia.org.au

▪ Policy Enquiries

Doug Clark MSDIA, Policy Executive – dclark@sdia.org.au
Peter Stepek, Policy Consultant – pstepek@sdia.org.au

SDIA Professional Development

▪ SDIA Sydney Luncheon – 17 February

Limited places remaining. Don't forget to book your place at the SDIA luncheon briefing with the Hon. Chris Pearce MP Shadow Minister for Financial Services, Superannuation & Corporate Law in Sydney on Tuesday 17 February 2009. Please refer to the sdia website for bookings.

▪ SDIA Young Members Drinks

SDIA Young Members Drinks are scheduled for **Brisbane** on Thursday 2 April and **Sydney** on Thursday 23 April. **Melbourne** drinks will be arranged for sometime in May.

Please alert your younger staff members to these networking events and encourage them to come along. It's a great opportunity for your young staff to meet others working in the industry and in many cases to put a face to a name. RSVP online via the Events Calendar on the SDIA website.

▪ **SDIA Mining Tour**

Plans are progressing well for the SDIA Mining Tour departing on 19 June this year for 7/8 days. If you would like to join the tour and have not expressed your interest – please contact Julia Mullen on jmullen@sdia.org.au. Further information regarding the tour will be made available soon.

▪ **Proposed China Delegation 2009**

SDIA plans to take a delegation to China in September this year. Places are limited so please contact Julia Mullen on jmullen@sdia.org.au or phone: 02 8080 3203 to express your interest.

▪ **SDIA In-house Training**

Member firms and other service organisations are frequently using SDIA for tailored in-house training programs. Our expert presenters have a very thorough understanding of the industry and we can arrange workshops for your staff or new recruits in your offices or in any off-site location – at a date and time that is convenient to your business. Programs include Responsible Executive (RE) Training; Accreditation Preparation; Introduction to Stockbroking; Introduction to Options; Introduction to Warrants; Derivatives (ADA1), Futures and Financial Markets Overview. Courses can be specifically tailored to meet your firm's needs. Enquiries to Gillian Gilmore SDIAM: phone 02 8080 3200 or email education@sdia.org.au

▪ **RE Exam Preparation Workshop 'Short Course' – 4 CPD (Compliance)**

Are you (or your staff) about to sit for the ASX/ACH RE Exam?

This 4-hour intensive workshop is a condensed version of SDIA's 2-day Responsible Executive (RE) Exam Preparation Workshop. It covers the ACH/ASX RE exam syllabus in detail, with 7 subject areas and 2 assessments during class time.

Detailed course notes are provided upon registration for the workshop to help you self-study. SDIA Policy Executive, Doug Clark MSDIA presents each workshop.

Dates

Sydney – 16 February, Melbourne – 1 April

Fees*

Individual Members	\$434.50
Organisational Members	\$544.50
Non-Members	\$874.50

▪ **Responsible Executive Refresher – 4 CPD (Compliance)**

This NEW course provides a refresher on the ASX requirements applicable to Responsible Executives and reviews some of the main topics in the ASX Responsible Executive Exam. This workshop is intended as a refresher course for existing REs who have already passed the Exam, but could also be of interest to potential REs.

Topics include ASX RE Management & Supervision Requirements (& ASIC RM comparisons); ASX Capital Adequacy, Records, Trust; Dealing & Client relations rules; ASX Disciplinary Processes; Corporations Act requirements.

Dates

Sydney – 17 February, Melbourne – 2 April

Fees*

Individual Members	\$434.50
Organisational Members	\$544.50
Non-Members	\$874.50

▪ **SDIA Derivatives Workshop – 4 CPD**

This half day workshop is ideal preparation for the SDIA's Professional Program 'Derivatives Elective' exam candidates (and this workshop is also ideal for ASX ADA1 exam candidates too).

Class numbers are limited to 12 people to maximize learning opportunities and interaction. All SDIA workshop presenters are experts with extensive market and training experience.

Course outline

- Introduction to derivatives
- Options
- Warrants and other equity derivatives
- Derivatives trading and clearing
- Legal and tax considerations

Dates

Sydney – 10 March, Melbourne – 11 March

Fees*

Individual Members	\$544.50
Organisational Members	\$654.50
Non-members	\$984.50

▪ **Introduction to Stockbroking Workshop – 2.5 CPD**

You won't find a better course in the basics! This course is specifically for newcomers to the industry, back office, auxiliary and support personnel.

The workshop covers: operation of financial markets, financial products, taxation, broking operations, regulation, and an explanation of common acronyms & jargon.

Dates

Melbourne – 19 February, Sydney – 26 February, Brisbane – 19 March

Fees*

Individual Members	\$434.50
Organisational Members	\$544.50
Non-Members	\$764.50



▪ **RE Exam Preparation Workshop – 10 CPD (Compliance)**

Are you (or your staff) about to sit for the ASX/ACH RE Exam?

2 x 3-hour intensive workshops (conducted over 2 days) to cover the Responsible Executive exam syllabus in detail, ensuring that you are well prepared for the exam and know what to expect on the day. SDIA Policy Executive, Doug Clark MSDIA – presents each workshop. Detailed course notes are provided upon registration for the workshop to help you self-study.

The 12 ASX topics are divided into 7 mini workshops:

- Accounts, Audit, Capital Requirements and Surveillance
- Dealing (2 Sections)
- Client Relations (2 Sections)
- Participants & Supervision arrangements; Unprofessional Conduct
- Derivatives
- Clearing and Settlements
- Corporations Act: Conduct of Securities Business; Conduct in relation to Securities & other requirements

Dates

Melbourne – 25 & 26 March

Fees*

Individual Members	\$825.00
Organisational Members	\$990.00
Non-Members	\$1210.00

▪ **SDIA Professional Program – Core 1 Preparatory Workshop**

Are you (or your staff) about to sit for the SDIA Professional Program Core 1 Exam?

This 4 hour workshop covers all topic areas in the SDIA Professional Program Core 1 – Securities & Managed Investment Accreditation. Course notes will be provided upon registration for the workshop to help you with your self-study. Industry expert presenters and small class sizes for personal tuition. Earn up to 4 CPD hours (Compliance) for attending the workshop.

Details are subject to alteration, and achieving a minimum number of registrations. Registrants will be advised if details change. Sessions in other States can be arranged with sufficient demand.

Payment is required prior to place being confirmed at session. NB: SDIA also offers this workshop on an in-house basis for small groups.

Please contact SDIA education@sdia.org.au for further details.

Dates

Sydney – 18 February & 22 April, Melbourne – 21 April

Fees*

Individual Members:	\$434.50
Organisational Members:	\$544.50
Non-Members:	\$874.50

For further information, please contact SDIA on (02) 8080 3200 or education@sdia.org.au

▪ **Options Fundamentals Workshop – 2 CPD**

This 2 hour workshop on options fundamentals covers options pricing, basic strategies, and the mechanics of trading equity options on the ASX. The workshop is suitable for industry participants, including client advisers and back office staff, who have no previous options experience and who wish to acquire some understanding of options trading.

Dates

Sydney – 17 March, Melbourne – 18 March

Fees*

Individual Members	\$324.50
Organisational Members	\$434.50
Non-Members	\$764.50

* All prices include GST. Merchant fees apply to credit card payments: Visa (1.5%); Mastercard (1.5%), AMEX (3.1%) Diners Club (4%)

▪ **Education Enquiries**

For further information, please contact SDIA on (02) 8080 3200 or email education@sdia.org.au

John (Curly) Charlton – 80

Congratulations to John (Curly) Charlton – one of the greats of Brisbane stockbroking – who turned 80 on 30th November.

John began his career in Accountancy under the stewardship of Frank Chadwick (of Hall Chadwick fame) until January 1951, when he joined JB and Frank Charlton, a firm established by his grandfather in Gympie during the gold rush of the late 1800's. John became a partner and member of the Brisbane Stock Exchange in 1953. Charltons ultimately merged with Henderson Park Earnshaw and Petfield in 1990, and with Lance Jones in 1997, to create Henderson Charlton Jones Ltd. Credit Suisse became involved in 1997, and Challenger in 2000. In 2003 the firm was purchased by Bell Potter Ltd.

John has been working with ABN Amro Morgans since 2003, looking after his private clients, many of whom have been great lifelong friends. He still plays regular tennis and golf at Royal Queensland and has been a lifelong member of Rotary. Congratulations John!



6th Annual

SDIA Charity Golf Day

Wednesday 27 May 2009 – St. Michael's Golf Club – Little Bay – Sydney

The **Securities & Derivatives Industry Association** invites you to enter a team in the SDIA Charity Golf Day.

Sponsored by **Religare Technova Global Solutions**, the 6th Annual SDIA Charity Golf Day is to be held at St Michael's Golf Club at Little Bay. Rated in the top fifty courses in Australia, St Michael's offers spectacular 180° uninterrupted views of the Pacific Ocean, and is only 20 minutes from the CBD and Sydney airport.

The SDIA Cup will be awarded to the team that finishes in first place in this **Ambrose Competition**. Some fantastic individual prizes can also be won by those who also enter our fundraising competitions on the day.

SDIA Cup - 2008 Title Holder: Optus

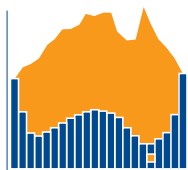
SDIA proudly supports the **Heartwell Foundation**, a community-based rehabilitation and education program for children with special needs. Heartwell empowers children to lead a better quality of life by developing their skills and improving their health, self esteem and confidence to participate with their peers.

Places are strictly limited - Book now!

Registration and player briefing at 9.00am. Shot gun start at 10.00am. Drinks and presentation of prizes following the game, concluding approximately 4.30pm.

Fees include electric cart hire, morning tea on arrival, lunch on course, snacks, and drinks and canapés following the game.

Equipment hire will be available at St Michael's on the day.



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Personal Details

Dr Mr Mrs Ms Miss

Name: _____

Surname: _____

Position: _____

Organisation: _____

Address: _____

City: _____

State: _____ Postcode: _____

Tel: _____

Fax: _____

Email: _____

Name of Players

1: _____

2: _____

3: _____

4: _____

Registration Fee	fee	gst	total
Individual	\$200	\$20	\$220
Team	\$800	\$80	\$880

Method of Payment

Attach cheque made payable to SDIA or provide credit card details:

Visa Mastercard AMEX Diners Club

Cardholders Name: _____

Card Number: _____

Total Amount*: \$ _____ Expiry Date: _____

Signature: _____

Cancellations: SDIA will only reimburse registration fees if the event is cancelled. SDIA is not responsible for any costs incurred.

ENQUIRIES PLEASE CALL SDIA ON (02) 8080 3200

Fax your completed registration to 02 8080 3299 or post to SDIA, PO Box R1461 Royal Exchange NSW 1225