



Stockbrokers Monthly

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Dear Member

Welcome to the final edition of Stockbrokers Monthly for 2011. As the year draws to an end, and with this festive season now upon us, I would like to take this opportunity to thank you all for your ongoing support in 2011. I would specifically like to thank all those who have served on our various Committees and Working Groups. Your generous involvement is critical to the success of the Association and is very much appreciated.

It has indeed been a challenging year for our industry though certainly one of commendable success for the Association as we continue to actively represent our members interests. It has been a pleasure to work with you all in 2011 and I wish each of you a very happy Christmas and a safe and prosperous New Year.

Year-end Update

Last month we noted that it now seems traditional that in the lead-up to Christmas, the Government and ASIC release significant legislative and regulatory matters for consideration and comment by the industry over the holiday period. This year is no different. This includes 2 major ASIC consultation papers (market structure and research providers), 2 Parliamentary Inquiries into FOFA, and Government proposals on handling of client monies for OTC products and the development of the Corporate Bond Market. These matters, together with the major review by the Council of Financial Regulators into Financial Market Infrastructure, and a review of FOS legal proceedings once again make this a very busy lead-up to the year-end.

2012 Annual Stockbrokers Conference – Registrations Now Open!

Registrations are now being accepted for the 2012 Annual Stockbrokers Conference to be held at Crown Promenade Melbourne on Thursday 31 May & Friday 1 June 2012. Visit the Stockbrokers Association website at www.stockbrokers.org.au/conference to register

online at Early Bird rates (Early Bird discount is valid until Friday 27 April). Conference delegates will receive CPD hours for attending the Conference and group discounts are also available. If you are interested in being a sponsor or an exhibitor, please contact Melinda Coulston at mcoulston@stockbrokers.org.au for further information.

Bill Evans, Chief Economist of Westpac Banking Corporation to feature at our next Members Speaker Lunch in Sydney – Register Today!

Our next Members Speaker Lunch will be held in Sydney on Wednesday 15 February 2012 and will feature a private presentation from Bill Evans, Chief Economist of Westpac Banking Corporation.

Speaker Topic: The importance around the build-up of debt in developed economies

For more detailed information, or to register for either of these lunch events, please visit www.stockbrokers.org.au but hurry as places are limited.

Stockbrokers Association launches National DTR Accreditation

The Stockbrokers Association is delighted to have officially launched our brand new National DTR Accreditation this month. As Members will be aware, ASX no longer requires DTRs to be trained by or registered with them. However, ASIC now requires them to be suitably qualified, and to have demonstrated knowledge of the Dealing Rules and the relevant practices of the Market Operator. Our new National DTR Accreditation will assist you in ensuring your DTRs are suitably qualified to meet the new Market Integrity Rule and AFS License obligations as well as demonstrate the competence, business knowledge and integrity required to satisfy ASIC trading standards.

Upon successful completion of the National DTR Accreditation applicants then qualify to

apply to be added to the National Register of DTR Operators. This searchable register offers industry wide recognition for National DTR Accreditation holders and is an essential component for Market Participants to meet their recruitment and proficiency assessment obligations.

To find out more information or to register for this accreditation please visit our website at www.stockbrokers.org.au/dtr or email dtr@stockbrokers.org.au

Investing with Options in Self Managed Super Fund's (SMSF) Workshop

The Stockbrokers Association has received fantastic feedback on our Investing with Options in SMSFs workshop. This 2 hour workshop focuses on the use of options within a SMSF. Participants will learn how options can be incorporated as part of a SMSF share portfolio within the context of the Superannuation Industry Supervision Act as well as the do's and don'ts of strategies within a SMSF. To register for this course or for more information visit our website at www.stockbrokers.org.au

David W Horsfield MSAA
Managing Director & CEO

Key Dates for Your Diary...

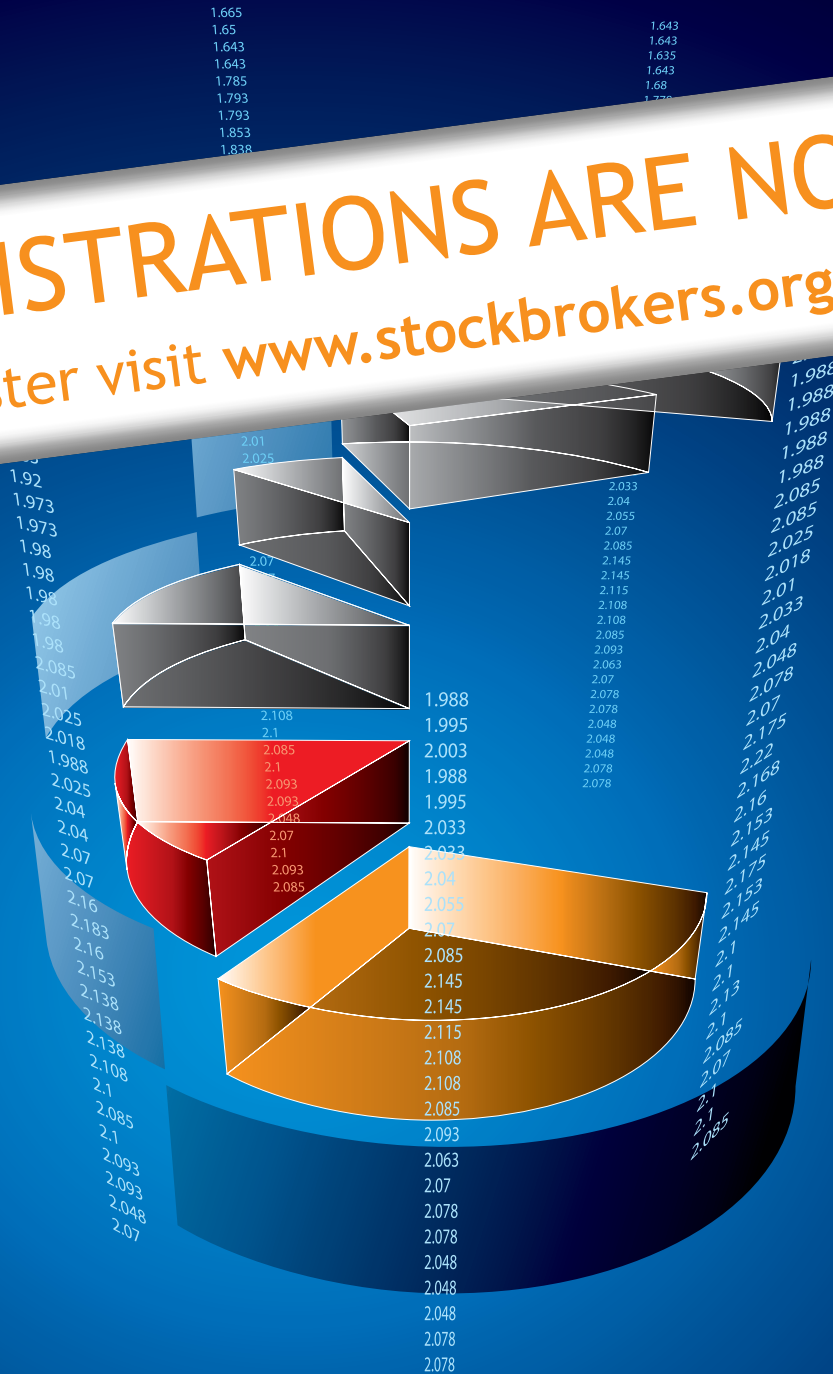
- ✓ Members Speaker Lunch featuring Bill Evans, Chief Economist, Westpac Banking Corporation
15 February 2012, Sydney
- ✓ Young Members Networking Lunch
29 February 2012, Sydney
- ✓ 9th Annual Stockbrokers Charity Golf Day
30 May 2012, Melbourne
- ✓ 2012 Annual Stockbrokers Conference
31 May & 1 June 2012, Melbourne

2012 Annual Stockbrokers Conference

DISCUSS. ENGAGE. CONNECT. CHALLENGE. CONFRONT.

31 MAY - 1 JUNE 2012 | CROWN PROMENADE, MELBOURNE

REGISTRATIONS ARE NOW OPEN
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Committee News

Recent meetings of Stockbrokers Association Committees, Working Groups and Advisory Panels, and major issues discussed:

DTR Working Group Meeting

Chair: David ‘Sushi’ Linden-Smith MESAA, BBY Ltd

- Tuesday 26 November 2011
- Tuesday 6 December 2011

Institutional Broking Committee Meeting – Tuesday 26 November 2011

Chair: Scott Webster MSAA, UBS Australia

- Welcome Scott Webster taking over Chairman role from Jonathan Gurnsey
- Two guest speakers from ASX, David Raper ASX developments and Paul Jones Equities Cash Margining
- Market competition update
- Council of Financial Regulations
- Treasury Discussion Paper – OTC Client Money

New Individual Practitioner Master (MSAA) Membership application approved:

- Andrew Farran MSAA, Credit-Suisse Equities (Australia) Ltd

New Individual Practitioner Associate (ASAA) Membership applications approved:

- Barton MacDonald ASAA, OneSteel Ltd

Market Competition Update

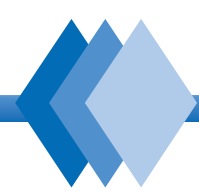
ASX PureMatch. ASX PureMatch commenced operations as scheduled on 28 November 2011. Initially, trading has been limited to 10 stocks. A decision will be made in the New Year with regards to extending trading to the ASX 200 constituent securities and other ETFs.

ASX has announced a Liquidity Provision Scheme, available from 12 December 2011 to be reviewed early in 2012. Under this scheme, Participants can register and be eligible for discounted trade fees on PureMatch on the condition that they provide two-way quotes which meet volume and spread requirements.

ASX PureMatch operates in parallel with ASX Tradematch, and is intended as an ultra low latency platform for trading ASX 200 and Index ETFs only. Order types will be restricted to market and limit orders only, with no crossings, iceberg, centrepoint or undisclosed orders.

ASIC has granted a waiver to Market Participants so that PureMatch data is not required to be included in national Best Bid/Offer data until 1 March 2012.

ASX Anomalous Order Thresholds. ASX Rule changes establishing the Anomalous Order Threshold were introduced on 28 November 2011. For stocks quoted on more than one order book, the ASX AOT is the same as the extreme limit of the No Cancellation range. Aggressive orders entered beyond the AOT will be rejected.



Under ASIC Market Integrity Rules, all market operators must have an AOT in place.

ASIC Market Rule Consultation – CP 168

Considerable work is being undertaken throughout the industry to analyse and prepare feedback on ASIC's second tranche of Market Integrity Rule Proposals contained in its Consultation Paper CP 168.

The proposals in CP 168 include those dealing with:

- automated trading, including algorithmic and high frequency trading, "kill switches" and requirements for testing algorithms;
- volatility controls for extreme price movements, including "limit up- limit down" proposals;
- enhanced data for market supervision by ASIC, including client data;
- expanding the product scope of best execution beyond listed equities; and
- pre-trade transparency and price formation in the market (relevant to crossings and Dark Pools).

Following on from the Member's Forum jointly convened by the Stockbrokers Association and ASIC on 8 November 2011 to hear from Senior ASIC staff regarding the Proposals and the rationale behind them, a further consultation meeting was held on 15 December between the Association's Market Supervision Working Group and ASIC.

The Association is in the course of completing a Draft Response to the CP 168 Proposals, which will be issued to Members for feedback shortly. We are encouraging members to look at CP 168 and let us know their thoughts on the Proposals so that their views can be incorporated into the Association response. If any members wish to participate in the Market Supervision Working Group, please contact the Association to be included.

Council of Financial Regulators Consultation Paper – Financial Market Infrastructure

On 9 December 2011, the Stockbrokers Association lodged a submission with Treasury in response to the range of proposals in the Council of Financial Regulators Consultation Paper dealing with Australia's Financial Market Infrastructure (FMI).

The Paper set out a range of proposals for additional powers for Australian regulators to ensure the smooth functioning and continuity of systemically significant components of Australia's FMI, including market operators and clearing and settlement facilities, including:

- greater regulatory powers in cases of breach of conditions of operator licences;

- capacity to make direct interventions in the operations of FMIs, including powers to issue directions;
- "step-in" powers to resolve a crisis situation in relation to a systemically important FMI, including powers to appoint a manager;
- powers to impose on-shore location requirements for systemically important FMI services;
- powers to require the making of listing rules;
- pre-approval of directors of FMI and parent entities to ensure they are fit and proper persons;
- client protection through portability of segregated client accounts;
- a review of the NGF, especially governance arrangements.

The Association was broadly supportive of additional powers that would ensure that key components essential to the integrity and smooth functioning of Australia's markets could be guaranteed to operate and were available to all participants free of anti-competitive influences.

The Association also noted that lessons needed to be learnt from examples such as the current developments concerning MF Global situation, where local operations can be significantly impacted by events overseas including those affecting offshore parent companies. The Association stressed however that regulatory responses should not act to discourage overseas entities from investing and participating in Australia's markets, or act to defeat Australia's objectives of being a regional financial centre.

A copy of the Association's Submission is available to members on the Association's website.

Cost Recovery Proposals for ASIC Market Supervision Costs

The legislation establishing the mechanism for Cost Recovery of ASIC's Market Supervision costs has been passed by Parliament and is now law.

As members may recall, the final version settled on by the Government will result in Market Participants being subject to a levy to recover approximately 84% (or \$22.2million) for the 18 month period from 1 January 2012 to 30 June 2013, with the remaining 16% to be recovered from Market Operators (ASX and Chi-X).

ASIC has held informal consultation with a sample of Market Participants and with the Stockbrokers Association covering the proposed process for determining the levy and billing arrangements. ASIC will shortly be writing to all Participants about the arrangements.

ASIC is proposing to send statements to each Participant in January and February 2012 illustrating the indicative fee that

the participant will be liable for, based on the market share and message count data generated in ASIC's systems, in order to assist participants to plan for the charge when it is eventually levied. The first invoice will be sent to Participants early in April 2012 covering the preceding quarter.

ASIC will also be issuing an INFO Sheet on its website dealing with the subject.

If any Participants encounter any issues with the levy that they would like taken up with ASIC on an industry-wide basis, the Stockbrokers Association remains in dialogue with ASIC on this issue, and will be happy to raise any questions on behalf of members.

Discussion Paper – Developing the Retail Corporate Bond Market

On 13 December, the Treasurer released a Discussion Paper entitled "Development of the Retail Corporate Bond Market: Streamlining Disclosure and Liability Requirements".

The paper seeks feedback on methods for encouraging the growth of the corporate bond market in Australia, particularly in relation to the retail sector. This is a timely review, in view of the perceived increase in demand for diversified investment products following the impact of the global financial crisis and the uncertainties surrounding offshore sources of credit for local borrowers.

The Government is highlighted in particular the question of reducing the regulatory burden on issuers bringing such product to market, whilst at the same time maintaining necessary protection for investors.

The Stockbrokers Association will be looking to put forward the views of members into this policy discussion, and invite members to provide us with their thoughts on the subject.

Future of Financial Advice (FOFA)

1. Ban on Conflicted Remuneration – Stockbrokers Carve-outs: As Members would be aware, we have since May been in discussions with Treasury (and ASIC) and made lengthy submissions concerning the impact of FOFA, particularly on:

- normal stockbrokers' remuneration arrangements (commission splitting); and
- 'stamping fees' on IPO's and new issues.

We were delighted to hear the announcement by Minister Shorten on 29 August that FOFA would not 'unduly impact' the traditional remuneration structures of stockbroking. The legislation which will enable the carve-outs (the Corporations Amendment (Further Future of Financial Advice Measures) Bill

2011) was introduced to Parliament on the last day of sittings 24 November 2011, but the precise detail of the carve-outs will not be known until the regulations underlying the legislation are released, some time after the Bill is passed, which we assume will be in the Autumn sittings in 2012. While we await the detail of the carve-outs, this is certainly a positive development, and an acknowledgement of the differences between stockbroking and financial planning and the importance of stockbrokers to capital raising in Australia.

The new FOFA changes will no doubt result in claims to FOS. While FOS does not normally hear complaints about fees, it does have a discretion to handle complaints about 'non-disclosure, misrepresentation or incorrect application of fees' (FOS Terms of Reference 5.1(b)(i)). It is hoped that the new provisions do not result in a substantial increase in the jurisdiction of FOS.

- 2. Best Interests Obligation and Opt-in:** In late August, the Government released the first FOFA amendment Bill for comment. This covers the new best interests obligation, opt-in and increasing ASIC's powers. In our Submission to Treasury in September, while we welcomed the decriminalising of the obligation to have a reasonable basis for personal advice to retail clients, we raised several issues, which may limit the availability of advice to retail clients, including:

Best Interests Obligation

- 'subject matter of advice' and arrangements where 'different' subject matter may be appropriate are concepts that are too wide and unworkable;
- the ability of advisers to rely on expert third parties for product recommendations should be retained in the existing form;
- tailored, limited advice may not be facilitated by the Bill;
- business models which use Authorised Representatives may need to be reviewed; and
- existing obligations of market participants often exceed those proposed, which needs to be accommodated;

Opt-in Obligation

- the opt-in obligation should be confined to arrangements for the giving of advice, and not to other financial services; and
- the consequences of a client's failure to respond to an opt-in request ought to be covered;

Expanded ASIC Powers

- while the provider (individual or firm) is responsible for their own actions, we fail to see why the new definition of 'provider' is required. ASIC already has sufficient powers against individuals; and similarly;
- we fail to see why the power to take action against

someone 'likely to breach' requirements is necessary, as the existing ASIC powers are sufficient.

The first FOFA Bill was introduced to Parliament in October, and while it did follow the draft, it also introduced a requirement to give a fee disclosure statement within 30 days of the first anniversary of the fee arrangement, and clarifying two matters: that the arrangement ceases as soon as the client gives notice of termination, and that if the adviser breaches the disclosure or opt-in obligations, the client has the right to sue for the fees paid.

The Best Interests Obligation has now been included in the Further Measures Bill, along with conflicted remuneration. It is pleasing to see that the requirement to warn the client if other products may be more appropriate have been removed from the Bill which was introduced into Parliament on 24 November. The Bill is also meant to facilitate 'scaled advice' on specific issues, not comprehensive 'holistic' financial advice.

Both FOFA Bills have been referred to the Parliamentary Joint Committee on Corporations and Financial Services which will hold hearings in January and is due to report to Parliament by 29 February 2011 and to the Senate Economics Committee which is due to report by 14 March 2012. The Association is appearing before and participating in both inquiries.

3. **Standards and Ethics:** A key aspect of the FOFA project is the examination of professional ethics and training standards.

In November 2010, the Minister announced an Advisory Panel to provide Government with views on professional and ethical standards, and training and competency requirements for the financial advisory industry. (ASIC has separately proposed new training proposals – see CP153 below). The Panel, on which the Association was represented, met for the final time in September, and made final recommendations to the Minister in October.

4. **Wholesale/Retail Client Definition Review:** In January 2010, the Government released an Options Paper on the definition of Wholesale and Retail clients under the Corporations Act. The 4 Options proposed were:
- Option 1 – Retain and update the current system;
 - Option 2 – Remove the distinction between wholesale and retail clients;
 - Option 3 – Introduce a 'sophisticated investor' test as the sole test;
 - Option 4 – Do Nothing.

In February 2010 the Association made a submission to the review, the main points of which were:

- the rationale of the proposals is not clear, and a wider review of the wholesale and retail definitions across the Corporations Act is recommended;
- there are serious concerns about the possibly detrimental effects of the proposals on capital raising in Australia, particularly in the small- and mid-cap sectors;

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- the asset value test is complicated, and the real question is what truly represents a 'sophisticated investor';
- the product value test proposal to move to \$1m may not achieve the aims of the review;
- the opportunity should be taken to revisit (or preferably remove) the superannuation trustee with assets of less than \$10m and the small business tests;
- there is no support for removing the wholesale/retail tests entirely, or for using the sophisticated investor test as the sole determinant;
- there is support for a proposal to give ASIC the power to ban complex, dangerous products, such as is being proposed in the United Kingdom; and
- before any of the options are adopted, more consultation will be necessary in order that our Members can analyse the effects on their businesses, and the likely benefits to clients.

We still await news of the results of this FOFA consultation on the definitions of 'retail' and 'wholesale' investors, as we do for those of Richard St John's inquiry into compensation arrangements (see below). Given the importance of the definitions review, it is hoped that the matter is settled prior to the commencement of the FOFA legislation in July 2012.

ASIC QFS150 Classification of Super Funds as retail: in a related matter, Members may recall that several years ago we raised issues with ASIC regarding its opinion, expressed in QFS150, that all funds under \$10m must be treated as retail. We are raising this point, and aggregation of assets, with ASIC again, and will advise the result.

Stronger Super: SMSF's and Off-Market Transfers

In September, the Government announced a package of reforms in response to the Cooper review of Superannuation arrangements, entitled Stronger Super. We have raised a serious issue with the Government in response to one of the Stronger Super reforms, namely the requirement that transactions involving related parties must be undertaken on-market. We have noted that the proposals may have the unintended consequence of facilitating transactions involving no change in beneficial ownership, or wash trades, which would result in serious breaches of the ASIC Market Integrity Rules and the Corporations Act.

The same would occur if the trade was broken into two matched trades rather than a single crossing. We have suggested appropriate relief be granted so that ideally such transactions can be undertaken on-market without serious consequences. This is much more efficient for transparency and settlement purposes, and is the preferred solution. The alternative is that off-market transactions be allowed to continue, with reference to the market price. We await the Government's response.

FOS Statistics FY2011 Released – Stockbrokers Continue to Shine

In December, FOS released statistics for the 2011 financial year which reflect very well on our industry. Some of the highlights were:

Total FOS Disputes received (all categories):

30,283 – up 27% on 2010

Total Investment Disputes* received:

1886 - up 247 or 15%

Total Disputes against Stockbrokers received:

66 - down 37 or 36%

**Stockbroking complaints generally fall under 'Investments'*

The break-up of the 66 Disputes against Stockbrokers was:

Securities:	44
Derivatives:	11
Margin Loans:	5
Managed Investments:	4
Other Investments:	1
Credit Cards:	1
TOTAL:	66

Stockbrokers account for relatively few complaints to FOS. Despite Total complaints to FOS overall rising by 27% and complaints about Investments rising by 15%, the Stockbroking Industry achieved a 36% reduction in complaints. This continues the trend that we have seen over the last few years. It is a testament to the high conduct and professionalism of our Members.

FSB Report on Australia – Securities Regulation

The international Financial Stability Board is a group formed by the G20 countries and the European Commission to promote international financial stability. Australia is a member of the FSB. The FSB conducts a programme of peer review of its member countries. A report of the peer review of Australia was released in September. The review found that Australia had weathered the financial crisis well and has a sound regulatory and supervisory framework. In relation to securities regulation, it recommended certain areas for improvement, including:

- removing the power of the Treasurer to direct ASIC to carry out an investigation;
- funding a proportion of ASIC's work via a direct levy on market participants, so as to reduce its reliance on special purpose Government funding;
- clarifying ASIC's powers to use evidence obtained via a search warrant;
- ASIC should be more specific in its expectations of market participants in relation to churning and underwriting agreements; and

- for non-APRA regulated market intermediaries, risk-based capital requirements should be enhanced to meet international norms and take account of systemic risk of large OTC exposures.

ASIC has already responded to a number of these recommendations (see RG223), which sets out its expectations on best execution in the multi-market environment.

ASIC Consultation Paper 171: Research Provider Regulation

In November, ASIC released CP171 Strengthening the regulation of research providers (including research houses). The paper, which ASIC has confirmed will apply to stockbrokers and investment banks, proposes a bi-annual compliance report to be lodged with ASIC, covering:

- research methodology and processes;
- conflicts management processes;
- disclosure of conflicts, and conflicts policy, to clients;
- publication and distribution of research;
- staff training;
- managing quality of research, including sign-offs and disclosures; and
- compliance and risk management.

We held a members forum with ASIC in December to discuss the proposals. Submissions are due 3 February 2012.

ASIC Consultation Paper 164: Additional Guidance on How to Scale Advice July 2011

In July, ASIC released CP164 on how to scale advice. The paper draws on research that a growing number of investors want advice on a piece-by-piece basis rather than comprehensive advice. ASIC's latest consultation paper addresses the issue of scaling financial advice and highlighting common financial advising situations, including stockbroking. In July, we commended ASIC for considering real-life situations which reflect the way stockbroking works, as most stockbroking clients only require advice on one or two transactions, not their entire portfolio.

We also noted that the applicable law on 'further advice' in the Consultation Paper was out-of-date. We met with ASIC in September, and submitted that, since the guidance does not consider the new FOFA 'best interests' obligation – which will significantly impact 'scaled advice' – finalisation of the guidance should await the final FOFA changes. In December, ASIC advised that scaled advice will be included as part of the guidance for FOFA generally, effective 1 July 2012. (ASIC AD294)

ASIC Consultation Paper 153: Licensing – Training and Assessment Framework for Financial Advisers March 2011

ASIC released CP153 on Training and Assessment. The three main components of the proposed framework are:

1. Initial Exam: All existing and new advisers have to pass the Financial Services Competency Certificate (FSCC) examination;
2. Supervision: All new advisers have to be subject to supervision by an adviser of 5 years + experience; and
3. Periodic Update Exam: All advisers have to pass the Knowledge Update Review (KUR) examination every 3 years.

Timing: The framework is proposed to commence 1 July 2012 -

- 1 July 2012: supervision for new advisers applies from this date; FSCC becomes available;
- 1 Jan 2013: new advisers must do FSCC;
- 30 June 2015: cut-off for all advisers to have done the FSCC;
- 1 July 2015: supervisors must have 5 years experience, FSCC + supervisor's module (if required);
- 1 July 2017: cut-off for all advisers to have done the KUR.

The framework only applies to Retail Advisers, although we have argued in the past that that it should cover all advisers, like the US FINRA Series 7 on which the framework is modelled. There is to be no grandfathering (unlike the introduction of PS146, where former ASX Members were exempt).

After consulting with Members, our June submission to ASIC made comments including:

- the desired outcome could be better achieved by improving and strengthening the current model of RG146, rather than introducing a whole new regime for competency training and assessment;
- the cost to the industry of preparing and undertaking the uniform examination and will be many millions;
- there is uncertainty at how the new proposals will fit with the existing RG146;
- the lack of a 'Recognition of Prior Learning' or 'grandfathering' mechanism;
- continuing education requirements could be better achieved by improving and strengthening the Continuing Professional Development requirements rather than introducing a new triennial Knowledge Update Review test; and
- there is uncertainty as to how the uniform examination will be appropriate for all advisers, and how specialist modules will be structured.

Recent discussions with ASIC suggest that, while the timing may change, the key parts of the proposals will proceed. However, we await clarification on the future of RG146 and a number of other

matters, including the future of specialist accreditations (ADA, DTRs, RE's etc).

Compensation Arrangements Review

One of the Government's actions after the Storm Inquiry was to investigate arrangements for retail client compensation, particularly where the financial services provider fails. The Government engaged Richard St John to lead the review, and a preliminary discussion paper was released in April, which suggests that compensation arrangements may be improved by

- improvements to professional indemnity insurance arrangements;
- greater financial literacy in clients;
- better financial resources of licensees;
- a 'last resort' compensation scheme for clients who have suffered loss that is not otherwise covered by failed licensees.

In our Submission to the inquiry in June, we commended Mr St John for taking a broad approach to the issue, looking at issues

other than just compensation. However, in relation to the proposal for a 'last resort' fund, we argued that any measures so far as they impact stockbrokers, must take into account our sector's excellent record in relation to client complaints and award recovery. To do otherwise would be to introduce the risk of 'moral hazard', where less ethical sectors obtain the benefit of protection from better regulated and more ethical sectors like stockbroking. We presented claims figures from the NGF and FOS to show that Stockbrokers have an excellent record and strong history in the area of investor protection, and should not have to subsidise less scrupulous operators.

Submissions

Members can view submissions at www.stockbrokers.org.au

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A Message from ASIC...

As 2011 draws to a close, it's timely to reflect on the milestones achieved through the course of the year, with the focus being the introduction of competition for market services.

In April, ASIC released a suite of regulatory reforms around market integrity rules that would provide the framework for the introduction of competition in equity exchange markets later in the year. Rules were also made for the incoming Chi-X market. Both packages – *ASIC Market Integrity Rules (Competition in Exchange Markets) 2011* (Competition MIRs) and *ASIC Market Integrity Rules (Chi-X Australia Market) 2011* (Chi-X MIRs), were set to commence on Monday 31 October 2011.

On October 31, we welcomed the successful launch of alternative stock market operator Chi-X. This new trading era opens up Australia's equity market to competition, which the government deems important for the continued development of Australia as a financial services centre.

Further to this, ASIC on 20 October released a second-phase consultation paper on equity market structure issues arising from recent and anticipated developments. Consultation Paper 168: *Australian equity market structure: Further Proposals* (CP168) seeks views on proposed market integrity rules relating to:

- automated trading including high frequency trading;
- volatility controls for extreme price movements;
- enhanced data for supervision
- the product scope of best execution; and
- pre-trade transparency and price formation in the market.

To enable industry additional time to analyse the issues and provide considered feedback, ASIC has decided to extend

the consultation period. The deadline for comment will now be Friday, 10 February 2012.

The extension of time is to help ensure the approach is manageable from both the perspective of ASIC and industry. ASIC intends to engage with the Stockbrokers Association of Australia and other industry members to receive feedback in December and January. We look forward to industry's contribution and co-operation in this important consultation process.

On 26 August, the Assistant Treasurer Hon. Bill Shorten released a proposed methodology for the recovery of funding provided to ASIC in the performance of its market supervision functions. The methodology was designed by the government with regard to ASIC's market supervision cost drivers, as well as the cost recovery approaches used by market regulators in other jurisdictions. The proposal will see stockbrokers, other market participants and market operators contribute to ASIC's costs to supervise Australia's equity markets, including those managed by the ASX and newcomer Chi-X. The cost recovery arrangements will replace the current interim arrangements from 1 January 2012.

ASIC takes this opportunity to thank its staff and industry participants who have assisted in delivering the milestones of 2011 and contributing to the continued fair and orderly operation of our financial markets.



Super Snippets

Our updated RG146 Superannuation Course is highly recommended for anyone who advises on securities in self managed or other superannuation funds. Each month we will be publishing a short article covering a current superannuation topic written by Peter Grace the author of our new course. ▼

Unwinding Collectibles

Here's a fictitious tale about a SMSF and a vintage car.

Sam is age 68 and retired. He is a member of an SMSF with his wife Marjorie and their son Dan.

For his Dad's 60th birthday Dan wanted to buy a FJ Holden wreck and he so Sam could restore it to mint condition. The wreck cost \$1,500 and Dan was a bit short of cash so they arranged to for the SMSF to buy it. After many hours of work and a lot of replacement parts the FJ is now Sam's pride and joy. Sam takes it for a spin on Sundays to make sure she stays in good condition. The car is estimated to be worth \$45,000 and is stored in a garage just behind their house.

In terms of compliance with SIS there are a few questions to be asked. Firstly did the investment meet the sole purpose test? On face value the fund bought the car as lifestyle asset rather than as an investment. The increase in value is incidental and not the main purpose.

Secondly the car is an in house asset because it is 'leased' to the members. In house assets must be less than 5% of the fund so if the fund value is under \$900,000 the fund must dispose of the car.

Thirdly, under the contribution rules if a fund asset is improved and the costs paid by the members, the labour and parts used to restore the car are non concessional contributions.

Lastly the rules on collectibles changed on 1 July 2011 and this will affect the FJ. A collectible is any asset used or kept for personal use and enjoyment'. They apply immediately for the investment in new collectibles and from 1 July 2016 for those currently owned by SMSFs.

It's all bad news for Sam. From 2016, the FJ cannot be used by Sam, Dan or family members and it cannot be stored at their home or at that of a family member. The car must be insured and they will need an independent valuation if they choose to buy it from the fund. The fund must document how the car is stored to ensure the value is maintained.

The aim of the new rules is to ensure assets are acquired for retirement investment purposes. Of course because Sam is over age 65 he can receive the car as an in specie benefit payment tax free.

Peter Grace

**Would you like to speak directly to the
Stockbroking Industry?**

Stockbrokers Association 2012 Media Pack Details

The Stockbrokers Association has finalised our communications and events calendar for 2012 and have a whole range of sponsorship and promotional opportunities available for you to effectively promote your product or service to the Australian Equities Market!

For more information please email Melinda Coulston via mcoulston@stockbrokers.org.au or phone 02 8080 3206



Stockbrokers
Association of Australia.



DTRs...ARE YOU INDUSTRY COMPLIANT?

Introducing the Stockbrokers Association National DTR Accreditation!

The Stockbrokers Association is very excited to offer a brand new national accreditation to the industry – the Stockbrokers Association National DTR Accreditation! Our market leading accreditation provides a national industry standard for Designated Trading Representatives and is Australia's only recognised professional qualification that satisfies Market Participant and Responsible Executive DTR skill and quality benchmarks.

COMPLIANCE STAFF! The new National DTR Accreditation will assist you in ensuring your DTR staff are suitably qualified to meet the new Market Integrity Rule and AFS License obligations as well as demonstrate the competence, business knowledge and integrity required to satisfy ASIC trading standards.

What is involved in the Stockbrokers Association National DTR Accreditation?

The National DTR Accreditation is comprised of 2 parts:

1. NATIONAL DTR ONLINE EXAMINATION

- ✓ Receive all necessary course materials
- ✓ Complete the examination online

2. ORAL DTR GOVERNORS ASSESSMENT

- ✓ One-on-one oral examination
- ✓ Assigned a Governor from National Governors Register

Upon successful completion of the National DTR Accreditation applicants then qualify to apply to be added to the National Register of DTR Operators (optional). This searchable register offers industry wide recognition for National DTR Accreditation holders and is an essential component for Market Participants to meet their recruitment and proficiency assessment obligations.

What are the Costs?

The Stockbrokers Association National DTR Accreditation can be purchased at an all inclusive price of \$590 (including GST).

How do I Register for the Stockbrokers Association National DTR Accreditation?

To register simply visit our website or contact the Stockbrokers Association via phone or email:

WEBSITE: www.stockbrokers.org.au/dtr

PHONE: (02) 8080 3200

EMAIL: dtr@stockbrokers.org.au



Stockbrokers
Association of Australia®

Accreditation & Training

RE SERIES WORKSHOPS

LOCATION	DATE	TIME
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RE REFRESHER WORKSHOP – 4 CPD (COMPLIANCE)

This workshop provides a refresher on the requirements applicable to REs and reviews some of the main topics in the ASIC/ASX Markets & ASX Clear (Clearing & Settlement) RE Exams. Intended as a refresher course for existing REs who have already passed the Exams, this workshop could also be of interest to potential REs. Topics include RE Management & Supervision Requirements (& ASIC RM comparisons); Capital Adequacy, Records, Trust; Dealing & Client relations rules; Disciplinary Processes; Corporations Act requirements.

Melbourne	Wed 22 Feb	9:30am – 1:30pm
Sydney	Tues 13 Mar	9:00am – 1:00pm

RE EXAM PREPARATION COURSE – 10 CPD (COMPLIANCE)

This 2 x 3-hour intensive workshop (conducted over 2 days) covers the ASIC/ASX Markets & ASX Clear (Clearing & Settlement) RE exam syllabus in detail, ensuring that candidates are well prepared for the exams and know what to expect on the day, with sample questions and a practice exam.

Sydney	13 & 14 Feb	9:00am – 12:00pm
Melbourne	20 & 21 Mar	9:30am – 12:30pm

RE EXAM PREPARATION 'SHORT COURSE' – 4 CPD (COMPLIANCE)

This 4-hour intensive workshop is a condensed version of the Stockbrokers Association 2-day RE Exam Preparation Workshop. It covers the ASIC/ASX Markets & ASX Clear (Clearing & Settlement) RE exam syllabus in detail, with 7 subject areas and 2 assessments during class time.

Melbourne	Tues 7 Feb	9:30am – 1:30pm
Sydney	Wed 14 Mar	9:00am – 1:00pm
Brisbane	Tues 27 Mar	9:00am – 1:00pm
Perth	Mon 30 Apr	9:00am – 1:00pm

INTRODUCTORY SERIES WORKSHOPS

LOCATION	DATE	TIME
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INTRODUCTION TO DERIVATIVES – 4 CPD

This half-day workshop is ideal preparation for the Professional Stockbrokers Program Derivatives Accreditation (and for ASX ADA1 exam candidates).

Sydney	Wed 22 Feb	9:00am – 1:30pm
Melbourne	Wed 7 Mar	9:30am – 2:00pm

INTRODUCTION TO STOCKBROKING – 2.5 CPD

Ideal for those returning to, and for newcomers to the industry, back office, auxiliary and support personnel, this workshop covers the operation of financial markets, financial products, taxation, broking operations, regulation and an explanation of common acronyms & jargon.

Sydney	Thurs 9 Feb	9:00am – 12:00pm
Melbourne	Thurs 1 Mar	9:30am – 12:30pm
Perth	Mon 30 Apr	2:00pm – 5:00pm

INTRODUCTION TO OPTIONS – 2 CPD

This 2-hour workshop covers options pricing, basic strategies and the mechanics of trading equity options on the ASX. This 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.

Melbourne	Tues 21 Feb	9:30am – 11:30am
Sydney	Thurs 8 Mar	9:00am – 11:00am
Brisbane	Tues 27 Mar	2:00pm – 4:00pm

INTRODUCTION TO WARRANTS – 2 CPD

This workshop covers the main types of warrants traded on the ASX, with particular focus on equity trading warrants and instalments. Basic warrant pricing is discussed and the role of the warrant issuer is explained. Ideal for those who wish to acquire some basic knowledge about the Australian warrants market.

Melbourne	Wed 15 Feb	9:30am – 11:30am
Sydney	Wed 18 Apr	9:00am – 11:00am

INTRODUCTION TO CONTRACTS FOR DIFFERENCE (CFD) – 3 CPD

This 3-hour workshop focuses on the class of derivatives known as Contracts for Difference (CFDs). In Australia, they are traded both directly with CFD providers and, since late 2007, on the ASX. This workshop covers the different types of CFDs, their uses, risks and potential rewards.

Sydney	Wed 28 Mar	9:00am – 12:00pm
Melbourne	Tues 24 Apr	9:30am – 12:30pm

PROFESSIONAL STOCKBROKERS PROGRAM – PREPARATORY WORKSHOPS

LOCATION	DATE	TIME
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CORE 1 (RG146) PREPARATORY WORKSHOP – 3 CPD (COMPLIANCE)

Are you undertaking the Professional Stockbrokers Program Core 1 (RG146) Securities & Managed Investments Accreditation Assessment? Then this half-day workshop is ideal for you. Learn the syllabus in detail and key areas to focus on for your studies. Industry expert presenters and small class size for personal tuition. The Professional Stockbrokers Program Core 1 (RG146) Securities & Managed Investments Accreditation meets ASIC RG146 requirements in generic and specialist knowledge and skills in Securities and Managed Investments.

Melbourne	Wed 18 April	9:30am – 1:00pm
Sydney	Thurs 19 April	9:30am – 1:00pm

PROFESSIONAL DEVELOPMENT WORKSHOPS

	LOCATION	DATE	TIME
MARKET MANIPULATION AND OTHER PROHIBITED CONDUCT WORKSHOP – 4 CPD (COMPLIANCE)			
This half-day workshop will cover an in-depth examination of what constitutes market manipulation and other prohibited market conduct. The workshop will involve a mix of presentation and scenario-based discussion. It is designed to suit the needs of market professionals, both front and back office, including: Sales staff/client representatives; Proprietary Traders; DTRs; Investment banking; Settlement staff; and Compliance & legal.	Sydney	Tues 7 Feb	9:00am – 12:00pm
	Melbourne	Tues 6 Mar	1:30pm – 4:30pm
	Brisbane	Thurs 15 Mar	1:30pm – 4:30pm
	Sydney	Tues 17 Apr	9:00am – 12:00pm
INSIDER TRADING WORKSHOP – 4 CPD (COMPLIANCE)			
This workshop provides a thorough analysis of the subject of Insider Trading and related issues in a stockbroking and investment banking context. Topics discussed include the elements of insider trading; statutory defences; insider trading and continuous disclosure; front running; dealing with rumours; management of confidential information; how to protect yourself, including Chinese walls, internal processes; and consequences of insider trading breaches. The Workshop is designed for sales staff/client representatives; proprietary traders; research analysts; investment banking; compliance and legal; and regulatory staff.	Melbourne	Thurs 2 Feb	1:30pm – 4:30pm
	Sydney	Thurs 1 Mar	9:00am – 12:00pm
INVESTING WITH OPTIONS IN SMSFs – 2 CPD			
This 2-hour workshop focuses on the use of options within a Self Managed Super Fund (SMSF). Participants will learn how options can be incorporated as part a SMSF share portfolio within the context of the Superannuation Industry Supervision Act. In addition to understanding the basic concepts of options, the do's and don'ts of strategies within a SMSF are expounded upon. This workshop does not assume prior knowledge in options and is a pre-cursor to learning more options strategies offered by the Advanced Options Course. This course is suitable for new options Advisers and Advisers, trustees and administrators of SMSFs.	Sydney	Tues 28 Feb	9:00am – 11:00am
ADVANCED OPTIONS STRATEGIES – 2 CPD			
The 'Advanced Options Strategies' course helps you discover strategies that work according to your views of the stockmarket and the underlying shares. You will not only uncover strategies, but also the risk management plan and defense strategies for your trading plan. Some basic knowledge of options is preferred. This course is suitable for options compliance personnel and ADA Levels 1 and 2 options Adviser.	Sydney	Thurs 22 Mar	9:00am – 11:00am
EXCHANGE TRADED FUNDS – 1 CPD			
This seminar is aimed at making a broker's life easier and informing brokers on how they can save time and money in their business by using ETFs. Key topics covered are: ETFs – the mechanics and how they work; Benefits of ETFs and how you can use ETFs in your business; and solutions to help save you time and money.	Melbourne	Wed 29 Feb	12:30pm – 1:30pm
	Sydney	Wed 7 Mar	12:30pm – 1:30pm
EFFECTIVE CLIENT COMMUNICATION – 2 CPD			
This workshop is designed for senior executives, directors, senior team members or any other staff members who communicate with clients on a regular basis. This highly interactive workshop focuses on proven techniques to lift your impact whether communicating by telephone, email and voicemail and is an absolute must for anyone looking to further strengthen their client relations and converse externally in a more successful manner. By the end of the workshop, attendees will be able to: prepare and deliver a structured, compelling telephone call; leave a focused, concise voicemail message; and structure and write an effective email which gets opened..	Sydney	Mon 26 Mar	9:00am – 11:00am

For further information visit www.stockbrokers.org.au



Register today for our next Members Speaker Lunch!

The Stockbrokers Association of Australia is delighted to introduce our next Members Speaker Lunch to be held in Sydney on Wednesday 15 February 2012.

The lunch event will feature a private presentation from Bill Evans, Chief Economist of Westpac Banking Corporation.

SPEAKER TOPIC: "The importance around the build-up of debt in developed economies".



MEMBERS SPEAKER LUNCH, SYDNEY

Speaker: Bill Evans, Chief Economist, Westpac Banking Corporation
Date: Wednesday 15 February 2012
Time: 12pm for 12.30pm
Venue: Radisson Blu Plaza Hotel, 27 O'Connell Street, Sydney
RSVP: Wednesday 8 February 2012

Cost: (all prices include GST)

Individual Member:	\$85.00	Non Member:	\$105.00
Organisational Member:	\$95.00	Corporate Table of 10:	\$900.00

Included: Two-course lunch with glass of wine or beer on arrival

FOR MORE DETAILED INFORMATION, OR TO REGISTER for this lunch event, please visit www.stockbrokers.org.au but hurry as places are limited.

www.stockbrokers.org.au

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