AUGUST 2017
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Stockbrokers
And Financial Advisers MONTHLY

MEMBERSHIP
EVENTS
EDUCATION
POLICY &
REGULATORY ISSUES

Stockbrokers
And Financial Advisers
Association Limited

The conundrum of Ethics

Inside...

Stockbrokers
And Financial Advisers
Association Limited

Stockbrokers And Financial Advisers Association Limited ABN 91 089 767 706

(address) Level 6, 56 Pitt Street, Sydney NSW 2000

(tel) +61 2 8080 3200 (fax) +61 2 8080 3299 (email) info@stockbrokers.org.au

www.stockbrokers.org.au

Around the traps

Recently I had the pleasure of speaking with Sally Keyes who is a Senior Adviser with Ord Minnett in their Caloundra office, a role she has had for almost 20 years.

While not currently a member of SAFAA, Sally acknowledges the work that the Association does for advisers, and is planning to join up and beat the membership rush that is expected once membership of a Code Monitoring body becomes mandatory. (By 15 November 2019, all advisers must have nominated the compliance scheme that will cover them for code monitoring.)

During the conversation, Sally spoke about the administrative burden that is often placed on stockbrokers, especially when managing deceased estates.

She also mentioned the critical role advisers play in assisting clients, especially the elderly, in all aspects of their share investments.

At that juncture, I was able to Segway into a recent meeting that my colleague Peter Stepek and I had with Senator James McGrath, who is a Minister Assisting the Prime Minister, with a focus on red tape reduction.

At the meeting with Senator McGrath, we were able to talk about the difficulties created by S1071B of the Corps Act, which relates to the transfer of a deceased's securities.

We also raised with the Senator the anomalous prohibition on stockbrokers from contacting shareholders. (Financial planners and others are free to do so). This prohibition makes it very difficult for young advisers to build a book of business.

FASEA Code monitoring coming to you

Following our accreditation by the TPB as a Tax (Financial) Adviser Association, we intend to apply to ASIC to become a Code Monitoring body for the purposes of FASEA (Financial Adviser Standards & Ethics Authority).

Code monitoring will involve the Association monitoring compliance of advisers with FASEA's Code of Conduct, and this will include oversight of CPD.

In preparation for FASEA Code monitoring, the Association will need to expand its capabilities, and invest in new systems.

In order to cover the cost of the new systems, the board has reluctantly decided to increase annual membership fees by $100 effective from October 1st, 2017. The annual membership fee will still be significantly lower than most comparable Associations.

Professional Standards requirements

The Professional Standards regime requires all new Financial Advisers to:

- have a Bachelor's Degree
- pass a national exam
- complete a Professional Year
- earn CPD points
- be bound by a Code of Ethics and covered by a compliance scheme (by 15 November 2019).

Existing advisers need to comply with all the above except the Professional Year.

Advisers without degrees

If you are an existing adviser and do not have a degree, I am pleased to advise that we are developing a bespoke program that will enable you to achieve a degree. For further details, please contact our Head of Education & Member Engagement, Gillian Gilmore.

SAFAA 2018

We are delighted to announce that the following sponsors and exhibitors have already signed up for SAFAA 2018 to be held at the Crown Promenade on May 23rd & 24th. Slots are limited and are being sold on a first come basis.

- AMG Super
- ASX
- Australian Money Market
- Broadridge
- Chi-X
- DDH Graham
- IRESS
- Morningstar
- National Stock Exchange (NSX)
- Sydney Stock Exchange (SSX)


Andrew Green

Portfolio Construction – video-conference from Sydney to Melbourne and Perth

On 8th August, our Portfolio Construction program will be broadcast live via video-conference from Sydney to Melbourne and Perth.

The course will be over 3 days (one workshop per day over 3 weeks).

The program will be run out of the Patersons Securities office, Level 48, 264 George Street, Sydney, and will be broadcast via video-conference to Patersons offices in Melbourne and Perth.

Candidates can attend 1, 2 or 3 days.

Delivered by us in conjunction with Western Sydney Uni, Morningstar, and Leveraged, all candidates get 3 months free Morningstar Global Institutional Platform research.

It is small group collaborative learning (up to 15 students).

All attendees receive the Professional Certificate in Portfolio Construction upon successful completion of the three days. Candidates will also receive 7 hours of CPD for each of the first two days, and 6 hours for the third day.

We had excellent feedback from the last course, with participants immediately able to apply what they learned to what they were doing at work.

For further information, please email SAFAA's Head of Education and Member Engagement, Gillian Gilmore.

ASIC Consultation Paper CP 290 – Sell Side Research

ASIC RELEASED its much foreshadowed Consultation Paper **CP 290** on **Sell Side Research** on 30 June 2017.

CP 290 is accompanied by a Draft Guidance Note on setting out proposed ASIC guidance on compliance with its policies on the subject.

Topics dealt within the Consultation Paper include:

- Handling material non-public research
- Wall crossing practices
- Material changes to research
- Monitoring and controls
- Research conflicts during Capital Raisings – including pre-mandate, vetting, transaction vetting, pitching, and post-mandate
- Investor education reports
- Structure and funding of research.

SAFAA is analysing the Consultation Paper and Draft Guidance to identify any issues. We will communicate further with members in due course.

There is a reasonable period set aside for consultation, with a closing date for submissions of 31 August. SAFAA is interested to hear any feedback from members on the proposals in the CP and in the Regulatory Guide.

ASIC Consultation Paper CP 292 – Regulation of Financial Benchmark administration

ASIC HAS RELEASED a Consultation Paper **CP 292** on **Implementing the Financial Benchmark Regulatory Regime** on 17 July 2017.

CP 292 also contains draft Regulations setting out a regulatory regime for administrators of systemically significant financial benchmarks.

These rules have been prompted by concerns around the world about ensuring the integrity of financial benchmarks that are significant to the financial system, such as interest rate, currency and index benchmarks.

These concerns were exacerbated as a result of the enforcement action taken in various jurisdictions in relation to manipulation of interest rate indices and currency exchange rates.

There have been regulatory frameworks already adopted in other jurisdictions, including in the European Union. The proposed Australian framework is also designed to ensure that Australian benchmarks meet overseas regulatory standards, so that they may continue to be used by overseas entities in compliance with their applicable rules.

Under the ASIC framework, the following are considered to be significant benchmarks covered by the proposed regime:

(a) the BBSW
(b) Standard & Poor's (S&P)/ASX 200 index
(c) the ASX bond futures settlement price
(d) the cash rate (including the total return index derived from the cash rate) and
(e) the consumer price index.

Professional Standards regime – FASEA Board holds first meeting

THE BOARD OF the Financial Adviser Standards and Ethics Authority (FASEA) announced on 13 July 2017 that it had held its first Board Meeting.

FASEA is the entity delegated under the new Professional Standards legislation with the function of setting the educational and ethical standards to apply to retail financial advisers.

The most significant step facing the Board is to appoint a Chief Executive Officer to oversee the set up and operations of FASEA. The announcement also noted that an executive search had commenced to identify suitable candidates for CEO.

FASEA has a significant list of tasks to perform in a short period of time under the timetable for implementation of the Professional Standards Framework.

ASIC Industry Funding – Cost Recovery Regulations in place

THE REGULATIONS establishing the ASIC Industry Funding Model (IFM), to recover the cost of ASIC's total Budget, were made on 27 June 2017. They are titled *ASIC Supervisory Cost Recovery Regulations 2017*.

As previously reported, the key features of the IFM are:

- ASIC Market supervision costs will again be recovered from Market Participants by way of a direct levy on Participants, not on any trade based levy (as SAFAA had urged). The Participant levy is a combination of a flat fee ($9000 per Participant); a component based on the Participant's share of total transactions; and a component based on the Participant's share of message count.
- Cash equities and futures have been separated for the MP levy, with separate levy calculations for each product, to reflect the different nature of a trade and a message in each market.
- The retail financial adviser fee payable by licensees for the number of advisers who provide personal advice will be calculated based on the number of advisers in this category at 30 June as a percentage of the total number of retail advisers on the ASIC register. There is no fixed fee (the previous draft had set a fee of $960 per adviser).
- The retail personal advice fee is not payable in respect of a financial adviser who is employed by a Market Participant who only provides advice in respect of a listed product (cash equities, listed managed fund or futures) or a basic banking product. Hence, there is effectively a carve-out for vanilla stockbroking. Securities Dealers also receive the benefit of this carve-out.

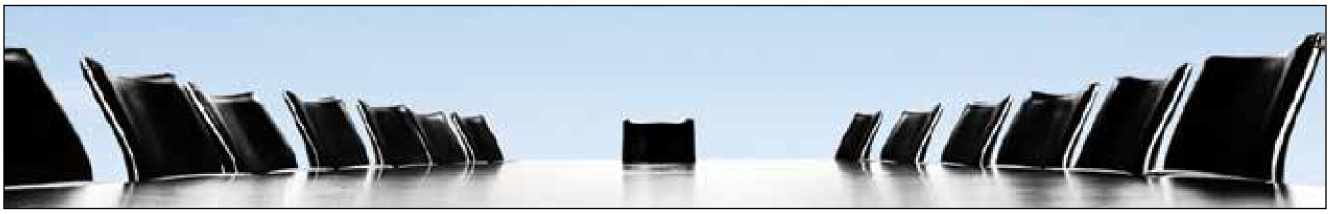
- Securities Dealers (i.e. non-Market Participants) are liable for a levy if they are responsible for more than $250,000 in transactions on a "large equity market". The levy consists of a $1000 flat fee plus a graduated levy based on the dealer's percentage of the total value of all transaction for that subsector (previously, it had been proposed as $0.34 per $10,000 annual trade value).
- There is a flat fee for providing general advice only, set at $1200 per licensee
- The proposed Investment Banking levy has been separated into a Corporate Advisory levy and an OTC Derivatives levy. This is in recognition of the very different nature of each activity.
- The Corporate Advice levy is to be based on Gross rather than Net income, and is calculated on the licensee's percentage of Total Gross Corporate Advice income earned by all leviable entities. It is impossible to estimate what the latter figure is likely to be.
- Corporate Advice income includes income from M&A, capital raising, underwriting and corporate advice. This appears to be broad enough to capture broker firm and stamping fees, which SAFAA had argued were in the nature of a selling commission and therefore should have been carved out.

The amounts of each of the levies, other than the flat fees, will only be known after the end of the Financial Year, when an invoice is issued.

In the Consultation documents, there was a reference to ASIC publishing "indicative" figures at some stage at the start of the financial year, to assist industry in provisioning for the annual levy, or to pass some or all of the cost through to users. SAFAA has been in contact with ASIC to ascertain when and if those indicative amounts will be released. ASIC was deliberating on that question at the time of writing.

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

POLICY ENQUIRIES | Peter Stepek, Policy Executive, pstepek@stockbrokers.org.au



Committee News

Recent meetings of the Stockbrokers And Financial Advisers Association – Committees, Working Groups and Advisory Panels:

DTR Working Group Meeting, Tuesday 25 July 2017

Chair: Silis Key, Chi-X Australia

Women in Stockbroking Meeting, Wednesday 26 July 2017

Chair: Morana Hunter

Cybercrime Working Group Meeting, Tuesday 1 August 2017

Chair: Melissa Nolan MSAFAA, Baillieu Holst

Derivatives Sub-Committee Meeting, Thursday 10 August 2017

Chair: Peter Tardent MSAFAA, Commonwealth Securities

Profession Committee Meeting, Tuesday 15 August 2017

Chair: Andrew Green, Stockbrokers And Financial Advisers Association

Directors Board Meeting, Wednesday 16 August 2017

Chair: Karl Morris MSAFAA, Ord Minnett

Institutional Broking Committee Meeting, Tuesday 22 August 2017

Chair: Andrew Green, Stockbrokers And Financial Advisers Association

Improving the integrity of sell-side research

The integrity of sell-side research directly affects the integrity of financial markets, particularly during the capital raising process.

Where material, non-public information is mishandled or conflicts involving research are not managed appropriately, there is an increased risk of information inequality. This can increase the risk of insider trading and damage investor confidence.

'Sell-side research is general financial advice prepared and distributed by Australian financial services (AFS) licensees to investors to help them make decisions about financial products'

We have recently published Consultation Paper 290 *Sell-side research*, setting out proposed guidelines to manage conflicts of interest at each stage of a capital raising transaction. Consultation Paper 290 also sets out general guidelines for the structure and funding of research teams and for the identification and handling of material, non-public information.

Our proposals follow an ASIC review of the handling of confidential information and conflicts of interest by market participants. Published last year, Report 486 *Sell-side research and corporate advisory: Confidential information and conflicts* raised concerns about current market practices.

The review showed that AFS licensees involved in providing research would benefit from more detailed guidance on managing material, non-public information and conflicts of interest. While ASIC Regulatory Guide 79 *Research report providers: Improving the quality of investment research* sets out a framework for a range of research issues – including the proper management of conflicts – the proposed guidance updates and supplements Regulatory Guide 79 in its application to sell-side research.

Our proposals are designed to help AFS licensees who provide research and corporate advisory services to comply with their obligations under the Corporations Act 2001. It also aims to address instances where the objectivity and independence of research analysts may be compromised at various points in the capital raising process.

To help us settle our final guidance, we want your feedback to our proposals on the following three areas.

1. Research analysts and material, non-public information

We propose to give guidance to help staff identify and manage material, non-public information in the context of sell-side research. This includes specific policies, procedures and training for research analysts – and approval and review processes for identifying material changes to research.

2. Managing research conflicts during capital raising

We propose to issue specific guidelines on how AFS licensees can manage conflicts between research and corporate advisory teams throughout a capital raising transaction. The proposed guidelines cover the pre-solicitation, transaction vetting, transaction pitching and post-mandate periods of a capital raising.

We also propose controls to prevent corporate advisory from:

- putting pressure on research analysts to help an AFS licensee secure a mandate to manage a corporate advisory transaction, and
- persuading research analysts to confirm their support for a transaction.

3. Structure and funding of research

We propose to provide guidance to ensure research independence is not compromised by the structure of business models or the funding of research teams. The proposed controls include:

- physical and technological segregation of research from sales and corporate advisory staff
- guidelines on the decision-making process for stock coverage, and
- disclosure of AFS licensees' conflicts in research.

What's next?

We want to hear from users and providers of sell-side research, including market participants, investment banks, independent corporate advisers, buy-side investors and other interested parties.

Comments on Consultation Paper 290 are due by **31 August 2017**. The final regulatory guide is expected to be published by December 2017. ■

AUSTRALIAN INVESTOR STUDY 2017

Emerging opportunities in the changing investor landscape

By Jackie Slee, Research Services Manager, ASX

Thirty years ago, 9.2% of adult Australians, or 1 million people, owned shares in listed companies or held unit trusts outside of superannuation. For most investors, it was a modest holding at best. Almost half of investors had a grand total of one share. Only a third had traded in the previous 12 months.

Today, 37% or 6.9 million adult Australians own shares outside of superannuation and 42% of share owners trade annually.

THE AUSTRALIAN Securities Exchange (ASX) has been monitoring and reporting on share ownership since 1986. Now known as the *Australian Investor Study (The Study)*, the 30th anniversary edition was released in May 2017.

Research was conducted in February 2017. A representative sample of 4,000 adult Australians were surveyed about their ownership of investments, trading behaviours, risk profiles and attitudes to investing outside of institutional or employer superannuation.

For the first time, the Study has positioned investing in an Australian and global context, examining factors which may shape decision-making by investors. The world of investing is fast-paced and responds to change quickly. As the underlying environment evolves, so too do the investments people choose and the way they invest. Megatrends such as the low interest rate environment, government policy changes, digital innovation and demographic shifts are influencing the way that the Australian investment market operates.

The Study also identified opportunities for the investment industry to adapt, be more responsive to customers and deliver improved outcomes. In spite of many years' efforts by industry to educate investors, improve transparency and enhance investment choices, knowledge gaps remain:

- the concept of diversification is

broadly understood yet investors continue to favour cash, shares and property
- there is a distinct mismatch between reported risk profiles and expectations for returns on investment.

Given the level of self-direction among investors, the two factors above may mean that investors are not making optimal choices for their needs.

This article outlines the major findings from the Study and poses questions for the investment industry to consider to drive its future success.

KEY RESULTS

- 60% of adult Australians (11.2 million people) hold investments outside their institutional super fund, such as cash, property and on-exchange investments
- 37% of adult Australians (6.9 million people) hold investments available through an exchange such as ASX – up from 36% in the last survey in 2014
- Ownership is higher among men (44%) than women (31%), and greater in metropolitan (40%) than regional areas (32%)
- Since 2012, the proportion of 18-24 year-olds investing has doubled from 10% to 20%, and the proportion of 25-34 year-olds has increased from 24% to 39%
- 81% of investors under 35 seek guaranteed or stable investment returns, while 41% of investors over 55 are comfortable with some variability in their returns
- 60% of all investors use some form of professional advice (financial planner, full-service broker, accountant and/or lawyer) to help them make investment decisions, and 45% use some form of financial advice (no accountant or lawyer involved)
- 15% of adult Australians claim to have a SMSF and 30% of those that don't are planning to set one up

Who is investing?

The Study found that 60% of Australians directly hold investments of some sort outside of their institutional superannuation fund, including cash, term deposits, investment properties and on-exchange products.

Today, 37% of Australians specifically hold investment products via a financial exchange like ASX. This could be shares or other products like A-REITs, listed investment companies (LICs), infrastructure funds, futures, options, exchange traded funds (ETFs), bonds, warrants and unlisted managed funds.

Ownership levels have stabilised in the last five years since falling from the peak of 55% in 2004. That peak was perhaps artificially reached by a raft of government privatisations and company demutualisations (CBA, AMP, Qantas, Telstra, NRMA, etc) in the 1990s to early 2000s.

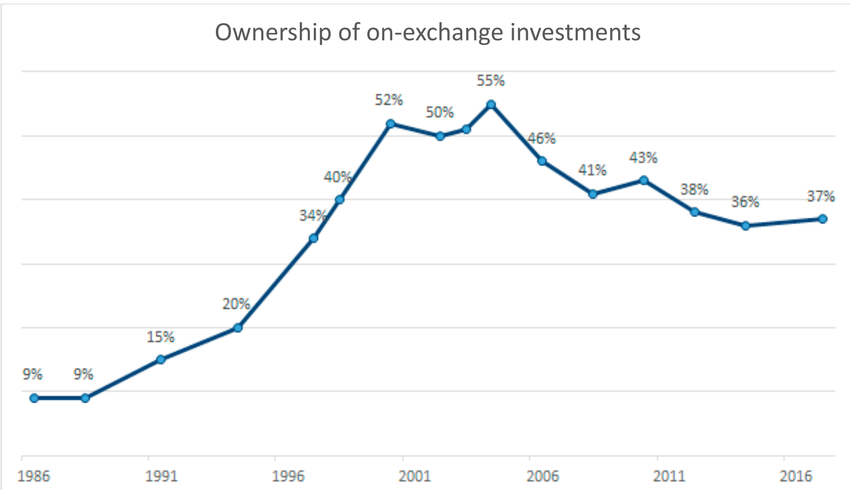
The significant growth in young people investing presents challenges and opportunities to the investment industry. This group is more digitally savvy and looking for new ways to connect with investment products and advice. While they may be low value customers at the moment, their investment balances will grow and attention paid to them now may pay off in later years.

How is the industry responding to this growth in young investors? Are you developing entry level products to cater for investors just starting out? How will you educate young investors about the pros and cons of investing and the value of financial advice? The investment industry could seek to better tailor products and advice to meet this growing demographic by, for example, providing education on risk management specifically for young investors.

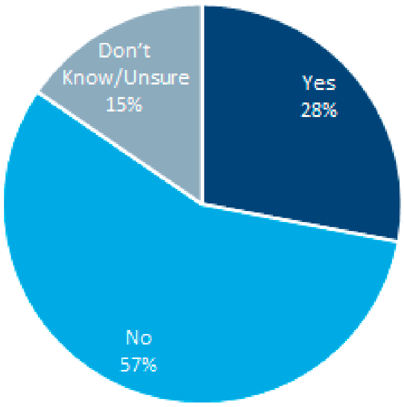
What goals are investors trying to achieve?

While most investors are long-term focused, their goals vary according to their demographic group. Next Generation investors, those aged 18-24 years, have a mix of short- and long-term goals such as saving for a home and travelling, as well as accumulating wealth. Wealth Accumulators (25-59 year olds) are predominantly long-term focused, planning for retirement and supplementing current or future income streams as they move towards their earning peak. Retirees, those aged 60 plus, have similar long-term goals to Wealth Accumulators, with a focus on both income and growth.

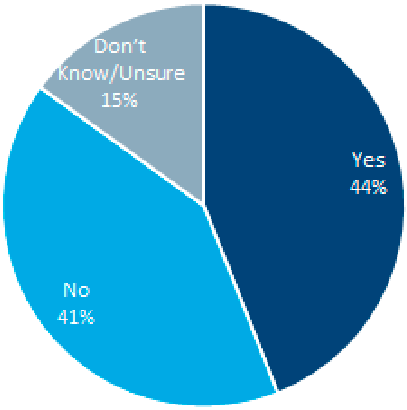
Online Investors, those who have traded online in the last 12 months, are most interested in building wealth, planning for retirement and supplementing incomes. When making decisions about where to invest, the potential return and risk of an



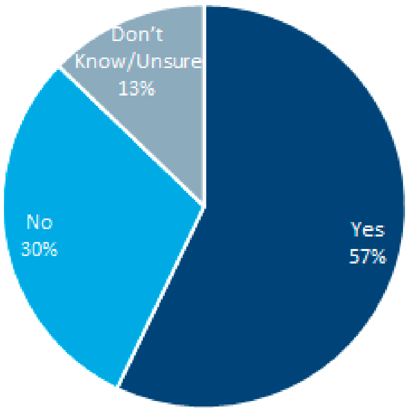
Next Generation



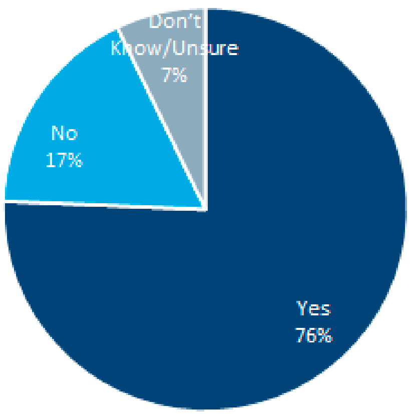
Wealth Accumulators



Retirees



Online Investors



investment are the two prime factors influencing their choices.

Are investors diversified?

In total, 46% of investors claim to be diversified, holding 2.7 investment products including cash, property, unlisted managed funds and on-exchange products. Investors who say they are not diversified hold only 1.6 products. The latter may be doing so by choice or may face barriers to diversification such as perceived high buy-in prices. Online investors hold an average of three products.

Next Generation, Wealth Accumulators, Retirees and Online Investors reported varying levels of diversification within their portfolios. While the latter three groups generally understand the typical methods of diversification like owning investments across a range of industry sectors, asset classes and geographic locations, Next Generation investors need to be educated on the basics.

Although the industry has taken steps to improve understanding of the benefits of diversification in recent years, many investors only hold one type of investment product, and this product often is shares. Compounding this lack of diversification, 75% of share owners only hold Australian shares.

For younger investors, the difficulty in bridging the gap between understanding diversification and implementing it within a portfolio is influenced by knowledge levels – 23% had not heard of any on-exchange investment product. Other investors cited a lack of funds, uncertainty over risk/return or unfamiliarity with how a product works as contributing to their lack of diversification.

A lack of confidence is also a significant barrier to diversification. Outside of cash, shares and property, investor confidence drops markedly for other listed investments, derivatives and unlisted managed funds.

The question for the investment industry is how can you engage with investors to improve their awareness and confidence with different financial products?

Disconnect between investor risk profiles and their return expectations

Surprisingly, the Study found young investors to be the most risk averse demographic. Among Next Generation investors, 81% are seeking guaranteed or stable returns while on average they expect investment returns of 8.2%. This compares with 60% of Retirees seeking guaranteed or stable returns and expecting returns of 8.0%. Wealth Accumulators want the highest investments returns at 9.2%.

Investors are unlikely to meet these return expectations while investing in perceived 'safe' products. Diversification across asset classes can help with spreading risk and reducing exposure to a single economic event.

Are you actively promoting the use of specific investments like exchange traded funds (where appropriate) to encourage diversification and improve returns to meet investors' expectations? Are you considering the development of your own technology or partnering with other organisations to increase the range of lower cost investment options for investors?

Future investment intentions

The predominance of products that investors feel most comfortable with, like cash, shares and property, is apparent in their buying intentions in the coming 12 months.

Despite the media attention on the property market, the largest proportion of investors intend to buy more shares (23%), followed by holding cash (20%). What's clear is that investors are missing out on potential opportunities for diversification by ignoring other on-exchange products and unlisted managed funds. These products would assist in generating the returns that investors are expecting as well as spreading risk.

Unsurprisingly, Next Generation investors are heavily focused on property, in line with their stated goals, while Online Investors show a preference for shares.

Trading behaviours

Just over 40% of on-exchange investors actively bought or sold in the last year, and of those 65% used an online broker to do so, up from 58% in 2014. While trading through online platforms dominated in every age category, it is interesting to note that younger investors were more likely to use a full service broker than older investors to place trades.

Among on-exchange investors, nearly 30% traded between 1-9 times in the last year. Almost 60% did not trade at all, consistent with long-term goals.

Online traders are the most engaged investors, with 77% reviewing their portfolios at least monthly. Among overall investors, only half reviewed their portfolios frequently.

Use of advice and the self-directed investor

Some 61% of investors use some form of professional advice when investing, including advice from a financial planner or adviser, stockbroker, accountant or lawyer. Only 45% use financial advice, i.e. a financial planner or full service broker.

At the same time, roughly 60% of investors conduct their own research.

The most common reasons for using financial advice were to receive advice tailored to personal circumstances (49%), for diversification and risk minimisation (40%), and for assistance with administrative and tax matters related to investing (37%).

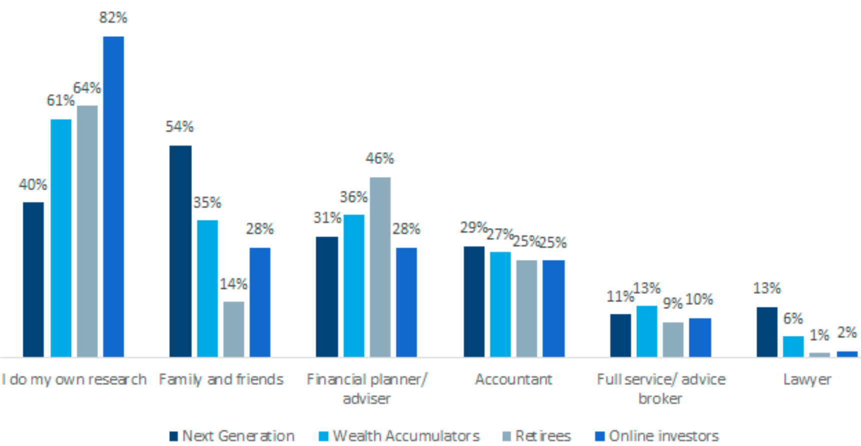
Online Investors were also focused on using financial advice to test or validate their investment ideas or to learn about investments to which they would not normally have access.

Investors not using professional advice commonly cited a preference for being in control of their investments (90%) as the driver. Of concern for the advice industry are the perceptions about a lack of value (56%), high costs (39%) and feeling that investments were too small to need advice (32%).

The growth of self-directed investors presents challenges and opportunities to the investment industry. These investors may not be averse to using advice, but it could be that the current form of advice does not suit their preferences. Innovations such as digital wealth advice, such as robo advice, may be more suitable for these investors.

Future Intentions

Seeking Advice



The ASX Australian Investor Study 2017 can be downloaded at www.asx.com.au/ASXInvestorStudy.

If you would like more information, please contact jackie.slee@asx.com.au.

Do options provide LIC investors with value?

By Peter Rae*

Between January 2013 and June 2017, 36 new listed investment companies (LICs) joined the ASX. With one exception, each of these LICs issued investors with options as part of the initial public offer (IPO). In most cases, investors received one 'free' option for each share, although there were some offers where the ratio was less than one-for-one. Why do LICs include options as part of their IPO structure and why are they seemingly popular with investors?

DUE TO THE expenses associated with an IPO, the initial NTA of a new LIC will be below the issue price of its shares, so a LIC with an offer price of $1.00 will have a starting NTA below $1.00. The discount to offer price will vary, but generally costs equate to 2-3% of the amount raised. By offering investors a 'free' option there is the perception of providing value to compensate for the IPO costs. The option initially has some 'time value' in that it allows the investor to subscribe for additional shares in the LIC at some time in the future, normally at the IPO issue price. Most options have expiry dates between 12 to 24 months after the IPO date. Theoretically, the market value of the option on listing will offset the reduced NTA arising from the IPO costs. In time, the option may also gain some intrinsic value if the price of the underlying shares rises above the offer price, driven by increases in NTA due to portfolio performance.

However, our analysis shows that options often expire without delivering any real value to LIC investors. Of the 36 LICs in our study, options for 17 of these LICs have already reached expiry. Eleven experienced take up rates of less than 50%, with eight achieving take up rates of 15% or less. So, a significant number of investors who acquired shares in these LICs received no

value for their options. Generally, options will not be exercised if the underlying shares are trading below the exercise price, as it makes no sense to acquire new shares at a higher price through an options exercise when they can be bought cheaper on-market. For Wealth Defender Equities (ASX:WDE), PM Capital Asian Opportunities Fund (ASX:PAF), Perpetual Investment Company (ASX:PIC), Argo Global Listed Infrastructure (ASX:ALI) and CBG Capital (ASX:CBC) almost all their options lapsed at expiry. Investors who sold their options in these LICs on-market would have been in a better position than those who let the options lapse at expiry.

Another issue for investors is that options exercised at a price below NTA will be dilutive to existing shareholders. There were six LICs in our study that achieved option take up rates above 50%. In each case, the new shares were issued at a discount to NTA. For investors who acquired shares in the IPO and exercised their options, this is not such an issue, as they would have received new shares at a discount to NTA. However, investors who did not exercise their options would have seen value transferred to those who did take up the options. Investors who acquired shares on-market in the period post-IPO would also have experienced dilution via a drop in NTA without receiving new shares at a discount as compensation. Two LICs in our study achieved higher option take up rates due to underwritten options shortfall arrangements, which effectively resulted in a transfer of value from those investors that did not take up their options to the new investors that took up shares as a result of the underwriting arrangements. Bailador Technology Investments (ASX:BTI) had 24.5m of its 31 March 2016 options underwritten, or 39% of the total options issue. The arrangement resulted in Washington Soul H. Pattinson becoming a 20% shareholder in BTI. The shares were issued at a large discount to NTA and we estimate the total dilutive impact of the options to be about 8%. Glennon Small Companies Fund (ASX:GC1) had 57% of its 18 August 2016 options underwritten with the new shares issued at a 16% discount to its prior month pre-tax NTA. We estimate the dilutive impact of the options to be about 6%.

Another reason LICs issue options is that it provides a potential opportunity for the Manager to increase the size of the LIC if the options are exercised. In the case of a one-for-one option issue, the LIC size will double if all options are exercised, resulting in a higher fee base for the Manager. Managers argue that a larger share base is also beneficial for LIC investors as it increases the market liquidity of the stock and reduces the potential for the LIC to trade at a discount to NTA.

Conclusion

LIC investors need to understand that so called 'free' options may not necessarily end up delivering them with any value as the historical experience has shown that many options expire worthless. Investors who sell IPO options on listing may lock in a gain that helps offset IPO costs, however, they forgo any potential upside if the LIC succeeds in growing NTA before the option expiry date. When buying LIC shares on-market, check to see if there are any options on issue and whether the exercise price is at a discount to NTA. If so, this will result in dilution when the options are exercised. The market price of LICs with large option overhangs can tend to trade at a discount to NTA until the options are exercised or lapse. The table above shows options outstanding for all new LICs listing between January 2013 and June 2017. This is not a comprehensive list of all LIC options outstanding as some existing LICs, including WAM Active (ASX:WAA) and Westoz Investment Company (ASX:WIC) have issued shareholders with bonus options.

The final word goes to Gareth Brown of Forager Funds Management. Forager listed its Australian Shares Fund (ASX:FOR) on the ASX in December 2016. As a listed investment trust we have not included it in our study above. However, we note that it did not issue options to its investors. In response to investor questions as to whether it would be issuing options, Gareth wrote an article highlighting the key issues surrounding options and reminded investors that "There is, after all, no such thing as a free lunch." ■

* PETER RAE is a Supervisory Analyst at Independent Investment Research. www.independentresearch.com.au

Company	ASX Code	Option Expiry Date	O/standing Options - m	Current Shares - m	Option Price ($) 30-Jun-17	Exercise Price ($)	Share Price ($) 30-Jun-17	Pre-tax NTA ($) 30-Jun-17
Future Generation Global Inv. Co.	FGG	15-Sep-17	271.8	277.8	0.007	1.10	1.080	1.150
Monash Absolute Inv. Company	MA1	29-Sep-17	52.5	51.9	0.001	1.00	0.750	0.875
WAM Leaders	WLE	17-Oct-17	305.6	411.5	0.012	1.10	1.115	1.170
Absolute Equity Performance Fund	AEG	16-Nov-17	70.5	92.4	0.020	1.10	1.125	1.113
Contango Income Generator	CIE	30-Mar-18	33.9	81.2	0.005	1.00	0.965	1.034
URB Investments	URB	07-Apr-18	72.9	72.9	0.030	1.10	1.065	1.040
Ellerston Global Investments	EGI	10-Apr-18	33.6	75.8	0.050	1.00	1.010	1.156
Henry Morgan	HML	31-Aug-18	4.5	30.6	Suspended	1.00	Suspended	n.a.
Antipodes Global Inv. Co.	APL	15-Oct-18	268.5	301.1	0.140	1.10	1.245	1.197
Duxton Water	D2O	31-Oct-18	64.0	64.0	0.021	1.10	1.090	1.100
Watermark Global Leaders Fund	WGF	16-Nov-18	82.8	82.8	0.015	1.10	1.020	1.080
Morphic Ethical Equities Fund	MEC	30-Nov-18	44.0	44.9	0.033	1.10	1.110	1.054
Ryder Capital	RYD	10-Dec-18	36.5	36.8	0.050	1.25	1.070	1.214
Ellerston Asian Investments	EAI	28-Feb-19	65.2	111.6	0.030	1.00	0.935	1.054
Fat Prophets Global Contrarian Fund#	FPC	22-Mar-19	44.1	44.1	Not listed	1.10	1.150	1.088
Plato Income Maximiser	PL8	29-Apr-19	296.3	296.3	0.012	1.10	1.095	1.038
Contango Global Growth	CQG	24-Jun-19	90.9	90.9	0.033	1.10	1.100	1.029
Benjamin Hornigold	BHD	28-Apr-20	20.0	20.0	0.190	1.00	0.990	0.992

Source: Company/ASX
* Outstanding options for LIC IPOs since January 2013
#FPC Loyalty options which do not vest until 22/3/18

The conundrum of ethics

By Nathalie Nuijens*

Ethics – or rather, a lack of it – has shaken off its "nice-to-have, touchy feely" reputation to become a prominent headline issue around the globe. Last week, the New York Times announced the departure of Walter Shaub as director of the Office of Government Ethics by quoting him saying that "the US is close to a laughing stock". Shaub's office was shaken up with the arrival of President Trump and an administration stocked with wealthy appointees who have ties to industries they now help regulate. Conflicts of interest are surfacing daily (e.g. Donald Trump Jr's meeting with a Russian lawyer who had some "dirt" on Hillary Clinton) and the country is finding its laws and standards are inadequate to hold their heads of state to moral account.

ASIC's strategic focus

Close to home, ethics is very much front-of-mind too. ASIC has renewed its strategic and long-term focus on the importance of corporate culture and how this relates to corporate values and ethics. ASIC chairman Greg Medcraft says, "ASIC is concerned about culture because it is a key driver of conduct within the financial industry. By focusing more on culture, we expect to get early warning signs where things might be going wrong to help us disrupt bad behaviour before it happens and catch misconduct early."

ASIC's tougher stance has already angered some. John Colvin, a former chief executive of the Australian Institute of Company Directors, warned ASIC against trying to regulate business culture. "Corporate culture is not a matter for black letter law. It is problematic, both in theory and practice, to regulate corporate culture," he wrote in The Australian Financial Review.

Many shades of grey

And that is, in a nutshell, the crux of the issue. Ethics is a decision-making process that is very difficult to legislate. A simplistic point of view claims laws as being black and white, however, must always be interpreted through an ethical lens: the outcome will always depend on circumstances. Making sure all employees have sound ethical-decision-making skills is the best protection an organisation can have in place to protect itself against misconduct and all negative consequences resulting from breaches.

Not so straightforward

One of the conundrums of ethical decision making is that many moral decisions seem straightforward on paper but turn out to be far more difficult to resolve in an actual day-to-day decision-making scenario. Sound ethics training will prove to be key to the panel's recommendations

One of the conundrums of ethical decision making is that many moral decisions seem straightforward on paper but turn out to be far more difficult to resolve in an actual day-to-day decision-making scenario.

FASEA and ethics

The government recognises this too. The recently created Financial Adviser Standards and Ethics Authority (FASEA) is the government's attempt to "professionalise" the scandal-ridden advice sector. The body will set mandatory educational and training requirements, develop and set a national exam and create a code of ethics to which all advisers must adhere.

FASEA officially started work on 1 July but already the FPA has taken a stance on the compulsory code of ethics. Chief executive Dante De Gori says that advisers must study ethics as professionals and planners must be held accountable for their ongoing education. "The licensee's job is to be there and provide content and time to do continuing professional development training. The fundamental shift is that individuals will be completely accountable for their CPD," De Gori said.

The Code of Ethics will commence on 1 January 2020, with all advisers being required to adhere to the code from that day forward.

as well as a minimum hourly training component per annum. De Gori adds, "I don't know how many [hours of CPD training] will be mandated by FASEA but there is going to be a strict number of hours on ethics that every single financial adviser in the country must complete going forward."

Training curriculum

For ethics training to be effective, it makes sense that the curriculum is relevant to the organisation. The more it is tailored towards a specific type of firm or job role, the more it will positively affect staff behaviour. Ethics training must consider the types of moral and ethical issues staff face at work. Research shows time and again that effective learning is learning that is relevant. In other words, if employees don't find the learning engaging, they are probably not going to act on it.

As a minimum, employees will need to have an understanding of business ethics and:

- know how to make sound ethical decisions at work
- identify challenging situations
- understand that personal and organisational ethics can be different
- be able to identify unethical behaviour
- know when to blow the whistle and where to find help.

SAFAA accredited e-learning

GRC Solutions have developed an Ethical Decision Making CPD course that is accredited by the Stockbrokers and Financial Advisers Association. The e-learning delves into the topics mentioned before and gives a well-rounded overview, including recent cases and FS-related examples. It has been developed with Australian retail and institutional stockbroking firms and investment banks in mind.

The learning platform easily connects to most learning management systems meaning all the benefits of personalised e-learning are there – including reporting capabilities. Individual subscriptions are available as well as a subscription package to a range of RG146 topics.

For further information, visit http://grcsolutions.com.au/CPD or email contactus@grcsolutions.com.au. ■

* NATHALIE NUIJENS is a Senior Consultant and Content Specialist for GRC Solutions. GRC Solutions is one of SAFAA's Education Partners.

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Tuesday 15 August 2017
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Two days	$1,300
One day	$650

CPD

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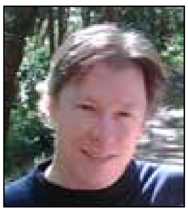

Robert Wixted
Robert started his career as a legislative aide to William Ratchford 5th in Connecticut in the US House of Representatives in Washington DC. His financial career began with Morgan Stanley Dean Witter and later Barclays Bank and Tullet and Tokyo. Robert currently consults to several hedge funds and various financial institutions as well as lecturing at Western Sydney University (WSU), University of Sydney, UTS and UNSW in post graduate finance subjects. Robert has a BA/MA in Economics from The American University Washington DC as well as a MComm from UNSW.

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Ransomware: Keeping Your Business Safe

Which cyber security processes would have kept you safe from NotPetya/GoldenEye?

By Peter Woollacott

Ransomware has plagued businesses for several years, but the recent outbreaks of WannaCry and NotPetya have marked the beginning of a new era of hybrid malware that combines multiple exploits into something much more dangerous. What can organisations do to remain safe when the cyber criminals are innovating so quickly?

GoldenEye

The cyber-attacks that are currently making the headlines, dubbed NotPetya or GoldenEye depending on who is taking credit for its analysis, don't appear to be typical with respect to their motivation of extortion. It may seem like a peculiar conclusion, given it is a ransomware virus, but researchers are now suggesting that its amateur ransomware capabilities were designed to cover the fact that it is a dangerous cyber weapon targeting the Ukraine. Furthermore, if its motive is cyber warfare rather than extortion, then it is reasonable to conclude that the perpetrator was a nation-state. The Ukraine's security service has publically stated its belief that Russia is behind the attack.

Some recognition should be given to the malware creators, given its virulence and efficacy when it takes hold in an organisation. However, if the Ukraine security services are correct, it seems it also backfired as it caused widespread damage in Russia as well as the Ukraine.

Nevertheless, businesses should have been prepared. The foreshadowing of the WannaCry attack a few weeks ago should have seen every business on the planet apply the Microsoft patch that resolved the vulnerability being exploited by EternalBlue.

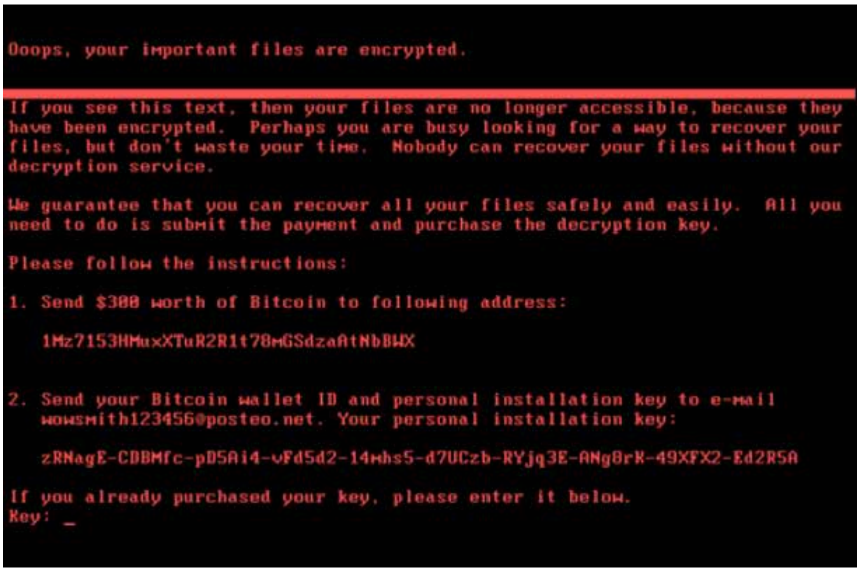

Figure 1 Submit your $300 bitcoin payment to get your files back

EternalBlue is an exploit that targets a vulnerability in Microsoft's Server Message Block (SMB) protocol. The vulnerability allows unpatched computers to accept a specially crafted network packet from an attacking system, allowing it to run the exploit code on the target system. EternalBlue was one of the building blocks of the two most recent ransomware attacks, known as WannaCry and GoldenEye.

Interestingly, GoldenEye was transmitted to targets from a compromised Ukrainian news site rather than via the usual ransomware vector of email. This suggests it was aimed at Ukrainian targets rather than being a widespread organised criminal attack. Furthermore, several researchers think that despite the screen demanding a ransom, shown in Figure 1, it does not save the victim's data. Thus there is no way to recover it. Before this, the basis of ransomware's success was that the criminals always got paid and then, nearly always, handed over the decryption keys. GoldenEye comes with no such promise, so word soon spreads that it is not worth paying up.

What Can You Do?

There is little doubt that if you are in the sights of an attacker, there is a limited amount you can do – this is especially true if the attacker has the resources of a nation-state. Many of GoldenEye's victims were collateral damage rather than specifically targeted. Collateral victims are not of concern to these attackers. If you practice good cyber security hygiene, in most cases it keeps your business safe. The following proactive operational security processes, if properly executed in your business, will assist in protecting you from most opportunistic or accidental malware infections[1]:

1. Patch everything as soon as you can;
2. Institute real-time vulnerability management;
3. Institute protective monitoring; and
4. Regular off site back-ups and operational testing.

Patching

Security experts say it time and time again: patch your operating systems, patch your applications and keep patching them as soon as the patches are available. Most malware strains need at least one unpatched vulnerability to exploit.

Real-time Vulnerability Management

A vulnerability management system gives you immediate, contextual feedback on where weaknesses and vulnerabilities exist in your enterprise. You can use a vulnerability management system to prioritise the work of your systems administrators to make sure security fixes are dealt with promptly.

Protective Monitoring

A modern and contemporary approach to security operations requires you gain better visibility of what's going on in your network. To do this, collect the security events from your operating systems, network devices, security devices, vulnerability management systems and administration systems into a security information and event management (SIEM) system so that your security analysts can correlate what they see on your networks and investigate for patterns of attacks.

Conclusion

We believe that these four processes can proactively assist in protecting your organisation from most attacks. If you remain patched and compliant, most malware is unable to access your enterprise. Even the most sophisticated malware and malware-free attacks still require vulnerabilities or configuration weaknesses, so the real-time feedback from a vulnerability management system helps you find and fix these issues before the bad guys exploit them.

Finally, if you want to gain visibility and want to know what's going on in your enterprise, integrate a SIEM into your security operations centre's activities and drive your security outcomes based on correlating patterns of attack with real operational data. ■

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Huntsman® fully supports the work of the Australian Signals Directorate (ASD) and the Strategies to Mitigate Cyber Security Incidents. This list contains eight strategies that organisations can undertake to make systems more secure: https://asd.gov.au/publications/protect/Essential_Eight_Explained.pdf www.huntsmansecurity.com

PETER WOOLLACOTT,
Chief Executive

Peter Woollacott is the CEO and founder of Huntsman Security. The driving force behind its success, he is an expert in cyber risk and security solutions.

With 25 years' experience in operational and risk management with companies like Lend Lease, CBA, AXA, EDS, PWC and Bain International. Peter holds Masters Degrees in Applied Finance and in Business Administration, and lectures in executive post-graduate education at Macquarie and Sydney Universities.

For further information, please contact us at www.huntsmansecurity.com/company/contact-us/

[1] These are all proactive measures rather than reactive or response-based. You also need to consider good backups, business continuity plans and security awareness training in your security programmes.

Dion wins *Best Innovation Award* at the Systems in The City Awards 2017

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DION GLOBAL SOLUTIONS won the award for the Best Innovative Solution at the prestigious *Systems in the City Awards* held in London on July 17th.

The awards recognise the leading software suppliers through an independent annual accreditation process.

With more than thirty years of experience in building software solutions for the wealth management industry, Dion Global Solutions won the *Best Innovative Solution* award for its recently launched Analytics module that enables firms to transform their data into actionable insights – providing quicker, and well-informed decision making – and giving them a competitive edge.

Dion's Global Head of Pre-Sales, Ms Suman Rao, also won the coveted title of *Best Product Manager*, acknowledging her significant contribution to help improve and grow her clients' business through the depth of her knowledge in the wealth management industry. Commenting on her victory, one of Dion's customers said, "Suman lives and breathes Portfolios. Her passion, energy and enthusiasm for it is endless and shines through to everyone she speaks to," said Glenn Cooper, Operations Director at Walker Crips Stockbrokers Ltd.

Commenting on the awards, Michel Borst, CEO, Dion Global Solutions said, "We are thrilled that, once again, our solutions and people have been recognised at the *Systems in the City Awards* this year.

"In today's competitive and dynamic regulatory environment, innovative technology plays a crucial role in helping our clients meet market demands and we work hard to provide them a competitive edge." ■

DION GLOBAL SOLUTIONS

Dion Global Solutions is a trusted global financial technology company with expertise in building solutions for wealth management & asset administration; retail & institutional trading and settlements; FATCA, CRS & other tax compliances; real time payments; bank connectivity & case management; data lifecycle management platform; and GRC audit. With a presence in over 17 cities across 12 countries for over two decades, Dion has built in-depth global fintech expertise to serve the specific and localised needs of financial services firms across the globe. Dion has over 500 clients in more than 85 countries supported by a worldwide staff of nearly 500, including more than 250 in product development. For more information, visit **dionglobal.com** or contact Vani Parmar +91 120 4894 866 | vani.parmar@dionglobal.com

Cyber security in focus following new report launch

A two-year study carried out by the Australian Transaction Reports and Analysis Centre (AUSTRAC) has revealed that a quarter of all suspicious matters reported to it from the securities and derivatives sector involved cyber-crime.

Arthur J. Gallagher

According to AUSTRAC, cyber-enabled fraud is swiftly on the rise with the sector being targeted by increasingly sophisticated hackers. The report also highlighted misuse of online trading accounts for money laundering.

Hot on the heels of the report, the Australian Securities and Investments Commission (ASIC) said it recommended smaller stockbrokers take a more active role in industry cyber security committees and forums in order to help improve cyber resilience.

ASIC has recently completed an audit of 120 securities companies as part of its wider efforts at protecting trading systems and customer accounts from cyber criminals. The audit highlighted the need for securities companies to treat cyber security as a whole-of-business issue, in which all staff, from CEO downwards, understand cyber exposures and how to minimise them.

2017 – the year of the ransomware epidemic

The AUSTRAC report comes in the wake of a series of major global cyber security breaches. May's WannaCry, in particular, was one of the biggest cyber incursions on record. More than 250,000 computers in 150 countries were affected, with malware spreading between interconnected devices.

More recently, June's Petya malware attack, which leveraged the same vulnerabilities as WannaCry but was harder to detect, reinforced the need for strong cyber security strategies.

Also taking place in June, a 'sustained cyber-attack' against the UK Parliament in an attempt to identify weak passwords (BBC News), plus hacking of government websites in Ohio, USA, took place.

Although Australian businesses avoided the worst of the attacks, **Robyn Adcock**, a cyber risk specialist from Arthur J. Gallagher Insurance Brokers, said that the threat is too severe to be ignored.

"We welcome ASIC's comments about small stockbrokers taking a more active role in sharing information about cyber security risks," she said. "At the same time, every business in Australia should be prioritising cyber security and data breach response plans ahead of the national mandatory data breach notification scheme coming into operation in the coming months."

The data breach notification scheme is expected to require Australian businesses to pass details of any eligible data breach to both the Australian Privacy & Information Commissioner and affected customers. Failure to do so could see businesses fined up to $1.8 million dollars. Individuals, meanwhile, could be hit with a maximum penalty of $360,000.

"As well as extensive costs attached directly to cyber-attacks, reputational damage is a very real risk for any business with poor cyber security resilience," added Ms Adcock. "On top of that, directors and officers are increasingly likely to be held liable for breaches. That's why it's so important to adopt best practice procedures in IT security, data breach response plans and staff training – and update and test them regularly."

Ms Adcock also recommends businesses consider adding specific cyber insurance cover to their business insurance program.

"A comprehensive cyber insurance solution that addresses the specific exposures faced by your business is a sensible precaution to take," she said. "Policies are increasingly available at competitive rates and can help cover any costs related to loss of business income brought about by an inability to trade throughout the duration of a cyber-attack." ■

How much is enough?

By Peter Grace

Clients often ask 'how much do I need to retire?' and there is no simple answer. It all depends on their age at retirement, likely life expectancy, willingness to accept investment volatility and, most importantly, their income needs in retirement.

A useful starting point to estimate income needs is the ASFA retirement standard derived from quarterly surveys of actual spending by retirees. For more details see www.superannuation.asn.au/resources/retirement-standard

THE RESULTS SHOW income needs for singles and couples living a modest and comfortable lifestyle in retirement. The results for retirees at age 65 at March 2017 were:

Age 65	Modest living	Comfortable living
Single	$24,250	$43,665
Couple	$34,855	$59,971

A second important issue is whether the clients will qualify for a full or part age pension. The interaction of the age pension and superannuation is a common source of confusion for clients.

As an example, take three client couples who each own their own home but have varying assets and money in superannuation. We assume they start an Account Based Pension (ABP) with their super. Using a present value formula and assuming they get a real (after inflation) return of 4% and live for 25 years in retirement, the ABP would pay them an inflation linked pension of 6.4% of their capital.

CLIENTS A have moderate assets and $150,000 in super. They are below the asset test threshold and qualify for a full age pension. Their income in retirement would be $44,421 indexed to inflation - $34,819 in age pension* and $9,601 from their ABP. This is 127% of the modest living standard.

CLIENTS B have more assets and $450,000 in super. They are over the asset test threshold and qualify for a part age pension. Their income in retirement would be $51,963 indexed to inflation - $23,158 in age pension * and $28,805 from their ABP. This is 149% of the modest living standard. Their age pension may increase in the future as their ABP is used up.

CLIENTS C have many more assets and $1,100,000 in super. They have too many assets to qualify for any age pension*. Their income in retirement would be $70,413 indexed to inflation from their ABP. This is 117% of the comfortable living standard. They may qualify for some age pension in the future as their ABP is used up.

So rather than answering the question 'how much do I need?', financial planners might start by asking 'how much do you need to live on?' ■

* Based on rates and thresholds to 20 September 2017

Our new and 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. Peter can be contacted on wordsandtraining@bigpond.com

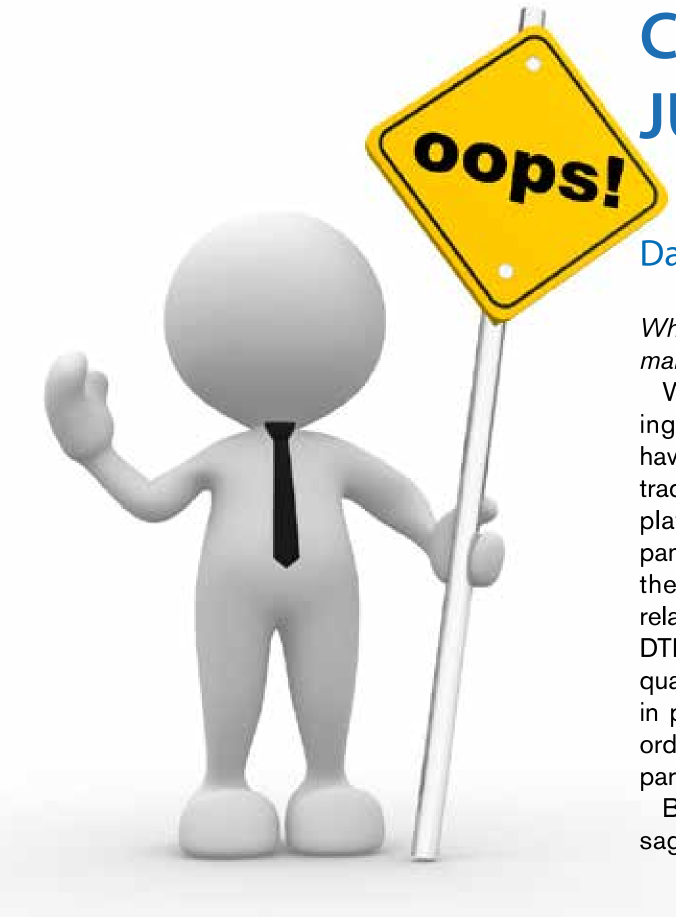
ACCREDITATION & TRAINING August, September & October 2017

Workshop	Dates
Responsible Executive (RE) Series Workshops	
RE REFRESHER – 4 CPD (COMPLIANCE) This workshop provides a refresher on the requirements applicable to REs and reviews some of the main topics in The ASIC Market Integrity Rules (ASX Markets) 2010 and/or The ASX Clear Operating Rules (Clearing & Settlement) Responsible Executive Examination. Intended as a refresher course for existing REs who have already passed the Exam(s), 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.	SYD: Mon 18 Sep | 9:00am – 1:00pm MELB: Wed 11 Oct | 9:30am – 1:30pm
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 exam(s) and know what to expect on the day, with sample questions and a practice exam.	SYD: Tues 29 & Wed 30 Aug | 9:00am – 12:00pm MELB: Mon 4 & Tues 5 Sep | 9:30am – 12:30pm
RE EXAM PREPARATION 'SHORT COURSE' – 4 CPD (COMPLIANCE) This 4-hour intensive workshop is a condensed version of the Stockbrokers And Financial Advisers Association 2-day RE Exam Preparation Workshop. It covers The ASIC Market Integrity Rules (ASX Markets) 2010 and/or The ASX Clear Operating Rules (Clearing & Settlement) Responsible Executive exam syllabuses in detail, with 7 subject areas and 2 assessments during class time.	SYD: Tues 19 Sep| 9:00am – 1:00pm MELB: Tues 10 Oct | 9:30am – 1:30pm
Professional Development Workshops	
MARKET MANIPULATION AND OTHER PROHIBITED CONDUCT – 4 CPD (COMPLIANCE) This workshop covers an in-depth examination of what constitutes market manipulation and other prohibited market conduct. Involving a mix of presentation and scenario-based discussion, it is designed to suit market professionals, both front and back office, including: Sales staff/client representatives; Proprietary Traders; DTRs; Investment banking; Settlement staff; and Compliance & Legal.	SYD: Thurs 26 Oct | 9:00am – 12:00pm
INSIDER TRADING – 4 CPD (COMPLIANCE) This workshop provides a thorough analysis of Insider Trading. Topics include: 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.	MELB: Thurs 19 Oct | 1:30pm – 4:30pm
REVIEW & REMEDIATION – 2 CPD (COMPLIANCE) This 2 hour workshop will cover the key components of review and remediation. The aim of review and remediation is to place the affected client in the position they would have been in had misconduct not occurred. This is an important area - to be ready and prepared to address complaints and issues that can arise from potential misconduct or deficient advice. The workshop will be of interest to all AFS licensees, no matter the size of the licensee. It will have value not just to those who have a current need to put a remediation/review program in place, it will also cover how the licensee assesses whether a program is required.	SYD: Thurs 7 Sep | 12:00pm – 2:00pm MELB: Thurs 14 Sep | 12:00pm – 2:00pm
A DAY IN THE LIFE OF A TRADE – 2 CPD (COMPLIANCE) This 2.5 hour short 'course in operations' focuses on the evolution of share and derivative trades from order placement through to execution to settlement (and later exercise/expiry where relevant) and reporting requirements. Designed for new or unfamiliar starters in the Industry or Markets, this workshop provides a comprehensive overview of the market and operational process. It provides an excellent foundation for retail desk assistants and would suit as a refresher for experienced staff as well as those staff in auxiliary and rotating roles: legal, IT, HR and other supporting roles associated with stockbroking. There is no assumed knowledge for participants of this workshop.	SYD: Wed 25 Oct | 9:00am – 11:30am MELB: Tues 31 Oct | 2:00pm – 4:30pm
CONDUCT RISK – 1.5 CPD (COMPLIANCE) In this lunchtime seminar hear from a Conduct Risk specialist on what it is; where Conduct Risk might go wrong; and where it belongs in the risk world. More importantly, learn how it will affect you.	SYD: Tues 10 Oct | 12:30pm – 2:00pm MELB: Tues 24 Oct | 12:30pm – 2:00pm

Introductory Series Workshops

UNDERSTANDING DERIVATIVES: OPTIONS AND WARRANTS – 4 CPD Derivatives are an established and essential component of global financial markets. Focusing on options and warrants, this workshop discusses how and why derivatives are used for leverage and/or manage risk. Key concepts are explained through worked examples, under the guidance of an experienced practitioner. This half day workshop is also ideal preparation for **Accredited Derivatives Adviser Level 1 - ADA1 candidates**.	SYD: Thurs 31 Aug | 9:00am – 1:30pm MELB: Thurs 7 Sep | 9:00am – 1:30pm
UNDERSTANDING OPTIONS: FEATURES, BENEFITS AND RISKS – 2 CPD This workshop focuses on equity options traded on the Australian Securities Exchange (ASX). Equity options offer investors an efficient means of managing the risks of adverse price movements in the share market. In addition, they give traders a vehicle by which to gain leveraged exposure to individual shares and selected indices. This workshop covers options pricing, basic strategies and the mechanics of trading options on the ASX.	SYD: Thurs 24 Aug | 9:00am – 11:00am
THE BUSINESS OF STOCKBROKING IN AUSTRALIA – 2.5 CPD This workshop provides an overview of Australia's financial markets and the critical role that stockbrokers play in both retail and institutional markets. A short history of broking in Australia sets the scene for explanation of the current market structure, operations and regulation..	SYD: Wed 20 Sep | 9:30am – 12:30pm
UNDERSTANDING WARRANTS: TYPES, DIFFERENCES AND RISKS – 2 CPD This 2 hour workshop covers the main types of warrants traded on the ASX with a particular focus on equity trading warrants and instalments. Basic warrant pricing will be discussed, and the role of the warrant issuer will be explained. Ideal for those who wish to acquire fundamental knowledge about the Australian warrants market.	MELB: Tues 12 Sep | 9:00am – 11:00am SYD: Thurs 14 Sep | 9:00am – 11:00am

For further information visit **www.stockbrokers.org.au**



CORRECTION TO PAGE 3 OF JULY ISSUE:

David Linden-Smith passes the DTR baton to Silis Key

While ASIC deems it no longer mandatory for firms to have DTRs....

We would like to clarify that trading participants are required to have at least one DTR that submits trading messages into the trading platform using a trading participant's system. DTR obligations in the ASIC market integrity rules relate to role, function and training. DTR's are required to be suitably qualified and experienced to deal in products that the DTR submits orders for, on behalf of the trading participant.

Before submitting trading messages, each DTR needs to demonstrate to the trading participant knowledge of:

- the rules governing the dealing and reporting of market transactions, and
- the relevant practices of the market operator. ■

ASIC
Australian Securities & Investments Commission