

# Stockbrokers

And Financial Advisers MONTHLY

JULY 2017  
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MEMBERSHIP  
iLEARNING  
EVENTS  
EDUCATION  
POLICY &  
REGULATORY ISSUES



Stockbrokers  
And Financial Advisers  
Association Limited

**Cybersecurity:**  
The human factor



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## New Flexi Portfolio Construction Program

In response to demand from busy advisers, our 2017 Portfolio Construction Program has been condensed into one, two or three day sessions. The course will be broadcast via video conferencing from Sydney to Melbourne and Perth.

The program is limited to just 14 students and will run for one day per week over three weeks starting Tuesday 8th August.

Prices are \$650 for one day, \$1300 for two days, and \$1,900 for all three days.

The course will be delivered by Rob Wixted from Western Sydney University in conjunction with Morningstar and Leveraged. It will be practitioner-led, small-group learning at its very best.

Rob Wixted commenced his career with Morgan Stanley and cut his teeth trading futures on the Chicago Board of Trade. He currently consults to Hedge Funds and is a lecturer at Western Sydney University, The University of Sydney, UTS and UNSW in post-graduate subjects.

20 hours of CPD will be offered to students who do the three days.

To secure your place, please contact [SAFAA Education](#).

## David Linden-Smith passes the DTR baton to Silis Key

We are indebted to David Linden-Smith for his long-standing Chairmanship of our DTR (Designated Training Representative) Working Group. At the last meeting of the Group, David handed over the Chair to Silis Key. We look forward to working with Silis in maintaining DTR skills across the industry.

While ASIC deems it no longer mandatory for firms to have DTRs, our working group continues to meet in the belief that the skills of DTRs are vital to the orderly running of a stockbroking firm.

## Membership requirements for Professional Standards

Just a quick reminder that all those who provide retail financial advice must have nominated the Compli-

ance Scheme that will cover them by 15 November 2019.

SAFAA is already an accredited body for the purposes of TASA and intends to apply to become a Code Monitoring body for the purposes of the Professional Standards regime.

Practitioner Membership costs \$275 and Master Membership costs \$412.50.

Membership prices will rise by approximately \$100 effective 1st October 2017 to help the Association prepare for code monitoring. Join now, beat the price rise and get coverage until 30 September 2018.

## Planning for 2018 Conference off to a flying start

I am delighted to announce that Broadridge has signed up as our first sponsor for SAFAA 2018.

The conference will be held on May 23rd & 24th at the Crown Promenade in Melbourne.

Our annual charity golf day will be held at Woodlands Golf Club on Tuesday 22nd.

Exhibition booths are also selling like hot cakes.

If you are interested in becoming either a sponsor or exhibitor, please contact [Jennifer Murray-Pugh](#).

Next year, we will have several conference streams, including topics relevant to *Tax Financial Advisers*.

If you have suggestions for content, [please contact me](#).

## Stuart Knowling Appointed CEO of Instinet

One of SAFAA's Board Members, Stuart Knowling was recently appointed as CEO of Instinet Asia Pacific based in Hong Kong.

Stuart has been the COO of Instinet Asia Pacific since 2010. During this time he has worked closely with the CEO and front office to develop Instinet's business in the region while also managing the day to day operations of the corporate teams.

"Stuart has been instrumental in driving our growth in Asia. Under his leadership, our Asian operations have continuously expanded their coverage and operational capabilities while delivering the highest standards of execution to Instinet's



Andrew Green

global client base," said Jonathan Kellner, CEO of Instinet Holdings Incorporated.

Commenting on his appointment, Stuart said: "It's an exciting time for our industry. Instinet is well positioned to continue to help clients meet their best execution obligations with our electronic trading tools and execution consulting team."

## FAQs for Tax Financial Advisers

The TPB has recently developed some frequently asked questions for tax (financial) advisers. They can be viewed at this link. [Frequently asked questions](#)

Please note that if you provide tax financial advice, you need to be registered with the TPB. SAFAA is now an accredited Association for the purposes of the Tax Agents Services Act (TASA).

## Women in Stockbroking Working Group

The next meeting of our Women in Stockbroking Working Group will be held on July 26th. If you would like to join the group, please contact the Convenor, [Gillian Gilmore](#). Our Agenda items will include a review of the Gender Diversity panel discussion at SAFAA 2017, a review of our Diversity Guidelines, our 2017 Gender Diversity Survey, and speakers for our 2018 annual conference.

## Cybercrime Working Group

Recent cyber-attacks have highlighted the need to be vigilant in managing computers and updating software. Our Cybercrime Working Group, chaired by Melissa Nolan, is leading the charge on this. If you would like to join the group, [please contact me](#). ■

# Review Panel on External Dispute Resolution – Adoption of Recommendations in Final Report

**I**N LAST MONTH'S edition of the SAFAA Monthly, we reported on the delivery by the Expert Review Panel on External Dispute Resolution, chaired by Professor Ian Ramsay, of its Final Report to the Government on 9 May 2017.

The Treasurer later announced on 9 May that the Government had adopted all 11 Recommendations of the Review Panel in the Final Report.

The Recommendations included:

- The creation of a single EDR Body to replace FOS, CIO and the Superannuation Complaints Tribunal.
- An increase in the monetary limits under the new EDR framework, to a claim limit of \$1 million, and a compensation limit of \$500,000. This is a significant increase from the current FOS limit of \$500,000/\$309,000.
- That there be further consultation, prior to establishing the EDR body, as to whether there should not be an immediate increase to \$1 million for the compensation cap for certain industry sectors, such as mortgages and general insurance.

SAFAA had argued to the Review Panel that there was no evidence that the existing EDR arrangements in the stockbroking industry were unsatisfactory. There were very low levels of complaints against stockbrokers to FOS; and there were few awards by FOS in favour of clients. In fact, in the latest year reported, the number of FOS decisions in favour of the broker exceeded the number in favour of the complainant. Where amounts were awarded, they were all at the lower \$ levels, and well below the existing limits.

For these reasons, SAFAA's submission was that, whilst there may



*SAFAA has also made further submissions that it is inappropriate for EDR processes to apply to claims, the \$ amounts of which would otherwise only be dealt with by a Supreme Court judge.*

be problems in some industry sectors that would justify a review of EDR arrangements in those sectors, it was unnecessary to impose those changes, and inflict the extra costs involved, onto the stockbroking industry, where the changes were not needed.

SAFAA has since made further submissions to Treasury arguing that the financial services industry is not homogenous. As a result, there should be appropriate monetary limits applied in different financial sectors, and these need not be the same \$ amount. The existing FOS limits should remain for stockbroking and related financial advice.

If the increased monetary limits eventuate, member firms will need to review the impact that the higher limits would have on the adequacy

of their PI insurance cover and on the cost and availability of obtaining cover. SAFAA will continue to argue that monetary limits at the proposed levels are excessively high for the stockbroking industry, and far higher than any other comparable EDR scheme in any other country.

SAFAA has also made further submissions that it is inappropriate for EDR processes to deal with claims, the \$ amounts of which would otherwise only be dealt with by a Supreme Court judge. If EDR was to apply to claims of that size, then the processes that apply to EDR need to be changed so that they are more appropriate, including powers to obtain production of documents, a requirement for decisions to be based on legal principles, and appeal rights. ■



# ASIC Industry Funding

**THE FINAL VERSION** of the ASIC Industry Funding Model (IFM), to recover the cost of ASIC's total Budget, has been released. On 15 June 2017, the enabling legislation was passed through Parliament.

The detail of the IFM will be contained in the Regulations, which at the time of writing had not yet been formally made by the Minister. These needed to be in place prior to 30 June 2017, so that they could operate for the 2017-18 Financial Year.

The final exposure draft of the Regulations set out a range of levies to be applied to a range of business activities, some of which are set as a flat fee, and others by way of a formula detailed in the Regulations.

Key points to note:

- 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,
  - 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 transactions 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 entities earning corporate advice income in Australia, who are liable to pay a levy. 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. It remains to be seen whether ASIC will publish the "indicative" figures previously mentioned, and if so, how early in the Financial Year, and how accurate those figures prove to be. Without accurate guidance, it is difficult for Licensees to be in a position to provision for the fee, or to pass the impact of any of the fees through to the end-user (if that is what they choose to do). ■



# Review Panel on External Dispute Resolution – Compensation Scheme of Last Resort

**F**URTHER TO THE previous item regarding changes to the External Dispute Resolution framework, members will recall that we have previously reported that the Minister for Revenue and Financial Services has extended the Terms of Reference for the EDR Review Committee to include “recommendations on the establishment, merits and potential design of a compensation scheme of last resort and the merits and issues associated with providing access to redress for past disputes.”

On 2 June, 2017, Treasury released for comment the Issues Paper from the EDR Review Panel that had been foreshadowed. The Issues Paper sets out a large number of questions seeking feedback on the merits of a last resort compensation scheme, and how one might operate.

Included in the Issues being canvassed are:

- Whether a last resort compensation scheme (LRCS) should apply as a scheme to ensure that investors who are awarded compensation by an EDR body, such as FOS, have access to a fund to guarantee payment in the event that the AFS Licensee does not pay the award, for whatever reason (such as the Licensee becoming insolvent).
- Whether a LRCS should also be available where a Licensee fails to pay an award of compensation by a Court or other Tribunal.
- Should a LRCS operate more broadly as a general compensation scheme for financial loss by investors.
- How a LRCS should be funded (the assumption being that industry will pay).
- How a LRCS would interact with existing schemes, in particular,



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the National Guarantee Fund (NGF).

SAFAA has raised concerns about why this Review was taking place when there had been a previous review conducted in 2012 by Richard St John QC into the same issue. The St John report concluded that “...It would be inappropriate, and possibly counter-productive, to introduce a last resort compensation scheme at this stage...” Instead, the Report recommended that the administration of the AFS License regime and Professional Indemnity Insurance be fixed first.

SAFAA acknowledges that it is unacceptable that investors who have been properly awarded compensation are not paid by the Licensee, for whatever reason.

However, members have questioned why it is that the financial adequacy and PI Insurance requirements that are applicable to all AFS Licensees are not operating as intended, so that Licensees have the funds to pay awards of compensation. If there are shortcomings in the AFSL regime or in the way it was being monitored, then it makes sense to fix those first before committing to a LRCS compensation scheme that could be very expensive to administer.

SAFAA has also highlighted the significantly higher capital adequacy requirements applicable to Market Participants. Because of this, and the availability of the NGF, SAFAA has argued that a LRCS should not be extended to Market Participants. ■

# Notifiable Data Breaches – Draft Resources to assist firms

**I**N LATE 2016, we reported on the introduction of the Privacy Amendment (Notifiable Data Breaches) legislation. The Act was passed by Parliament in February this year, and the obligations come into force on 22 February 2018.

The Act applies to entities which hold personal information and are under obligations under the Privacy Act Principles to keep the information secure.

if neither of those are practicable, publish a copy of the statement on the entity's website and take reasonable steps to publicise the content of the statement.

An “eligible data breach” is one where either:

- there is unauthorised access to, or disclosure of, the relevant information, and a reasonable person would conclude that the access or disclosure would be

individual. Significant civil penalties are prescribed for corporations and individuals who are guilty of serious or repeated breaches.

On 2 June, 2017, the Office of the Australian Information Commissioner published Notifiable Data Breaches Scheme Draft Resources on its website for comment. The NDB scheme resources are intended to assist entities to understand their obligations and assist in reporting and in

*Firms should give close consideration to the application of these new obligations to their businesses, and to developing appropriate processes for identifying and responding to what may constitute an eligible data breach.*

Under the legislation, an entity that is aware that there are reasonable grounds to believe that there has been an “eligible data breach” must, as soon as practicable after becoming aware:

- prepare a statement setting out prescribed information;
- provide a copy of that notice to the Privacy Commissioner, and;
- if practicable, provide a copy to each individual to whom the compromised information relates; OR if practicable, provide a copy to each individual who is at risk from the eligible data breach; OR

likely to result in serious harm to any of the individuals to whom the information relates; or

- the relevant information is lost in circumstances where unauthorised access to or unauthorised disclosure of that information might occur, and if it did, a reasonable person would conclude that it would be likely to result in serious harm to any of the individuals to whom the information relates.

Under the legislation, a failure to comply with the obligation to report an eligible data breach will amount to an interference with the privacy of an

individual.

Firms should give close consideration to the application of these new obligations to their businesses, and to developing appropriate processes for identifying and responding to what may constitute an eligible data breach. ■

**SUBMISSIONS** | Members can view submissions at [www.stockbrokers.org.au](http://www.stockbrokers.org.au)

**POLICY ENQUIRIES** | Peter Stepek, Policy Executive, [pstepek@stockbrokers.org.au](mailto:pstepek@stockbrokers.org.au)



# Member News

The following were admitted as Members of the Association in June 2017:

## **New Master (MSAFAA) Membership applications approved:**

Christopher Tynan	Matthew Reid	Richard Sinclair	William Lawson
Matthew McNamara	Philip Lee	Roderick Skellet	

## **New Practitioner (MeSAFAA) Membership applications approved:**

Alex Anastasiou	Daniel Saltoon	Matthew Auger	Seamus Nicol
Andrew Fairley	Darrell Woolley	Matt Hollyman	Simon Cox
Andrew Wilkie	David Thompson	Matthew Mordaunt	Stephen Glossop
Anthony Hourigan	Dean Rossetti	Matthew Payne	Stephen Pill
Anthony Kane	Dougal Maynes	Michael Aladjem	Steve Martin
Anthony Kirk	Fiona Rigg	Michael Curley	Steven Greentree
Anthony Walsh	Huan Shin Toh	Michael Foster	Steven Newman
Benjamin Semos	Iain Jones	Michael Jurleka	Stuart Mackenzie
Blake Fitzgerald	Jacqueline Mengler	Michael Henry Tynan	Thomas Adams
Boris Patkin	James Macaulay	Michael Werry	Thomas Crommelin
Bradley Hamburg	Jeffrey White	Michael Willett	Thomas Roberts
Bradley Knight	Jonathan Yagos	Morgan Shipp	Timothy Beattie
Brenden Banks	Karl Brosnan	Murray Rogers	Timothy Carvolth
Brett Hunter	Kenneth Beanland	Natasha Bartlett	Timothy Evans
Bruce Porter	Kurt Telford	Norman Burnett	Todd Kerslake
Campbell Harris	Laine Brandis	Peter Kerkvliet	Tristan Ahlholm
Charles Poolman	Legh Davis	Richard Fairley	Warren Fowler
Christopher Kraegen	Leigh Filipovic	Richard Scott	Warwick Crane
Christopher Power	Luke McElwaine	Roger Leaning	William Corkill
Damian Collins	Margaret Morrissey	Sam Moraro	William Douglas
William Hickson			



# Challenging inappropriate practices



Over the last few years, conduct in the wholesale spot FX businesses of some of Australia's largest financial institutions has fallen short of our expectations. Where we have come across this poor behaviour, we have taken action.

To make sure this doesn't happen again, we have released good practice guidance in [Report 525 Promoting better behaviour: Spot FX](#). We encourage you to consider the guidance to make sure your conduct in the workplace supports the integrity of the spot FX market.

To help you identify inappropriate conduct, we've set out two examples of poor practices that we observed over the course of our investigations.

## Example 1

A junior employee joins an institution's spot FX trading desk and learns how to interact with external participants by observing more senior traders on the desk, including by being added to instant message chat rooms with those more senior traders.

Within these chat rooms, the junior employee observes his more experienced colleagues disclosing varying levels of information from the institution's order book. The junior employee assumes that this conduct is 'market practice' and therefore permissible.

The junior trader engages in similar exchanges of information with external parties. While the trader is not entirely sure whether the level of detail he is disclosing is appropriate, he takes comfort in the fact that his senior colleagues are present in some of the chats and have not told him otherwise.

Engaging in behaviour because it is a common practice among your colleagues, or because someone in your team has assured you that it is 'market practice', might mean that you

fall short of acceptable standards of conduct.

To make sure your conduct doesn't become the subject of an ASIC investigation, we encourage you to speak up when you notice practices that make you uncomfortable.

## Example 2

A trader joins an institution's spot FX trading desk after recently moving from another institution. He notices a trader in his team trading in spot FX on a personal trading account, which he thought was inappropriate because it was prohibited in his previous role.

He asks another trader on the desk who says 'it's fine, everyone does it here'. He also observes other traders occasionally engaging in personal account trading openly on the desk using their mobile devices. Believing this to be acceptable behaviour at the institution, he opens his own personal trading account.

Contrary to the trader's belief, speculative personal trading is not allowed under the institution's policies.

You can play a key role in identifying areas of weakness or poor practices within your organisation by challenging these inappropriate practices.

To make sure your conduct meets acceptable standards of conduct, you should:

- ask yourself whether the behaviour is appropriate and takes into account the interests of your clients. Just because you've seen someone else do it, doesn't mean it's right
- exercise your own independent and critical judgement, and
- seek clarity about any practices or behaviours that you consider questionable.

Report 525 was released to coincide with the publication of the [FX Global Code of Conduct](#). Developed in conjunction with industry, the FX Global Code provides a global set of practice guidelines designed to promote the integrity and effective functioning of the wholesale FX market.

To help you manage inappropriate conduct in the spot FX market, you should consider the good practice principles set out in Report 525 alongside the FX Global Code. ■

# The human factor

By Nathalie Nuijens\*

On 19 June, BBC News ran the following story: “Sensitive personal details relating to almost 200 million US citizens have been accidentally exposed by a marketing firm contracted by the Republican National Committee. The 1.1 terabytes of data include birthdates, home addresses, telephone numbers and political views of nearly 62% of the entire US population. The data was available on a publicly accessible Amazon cloud server. Anyone could access the data as long as they had a link to it...”



**THE HUGE DATABASE** was hosted online but the data lacked any type of protection from public access. While there is no evidence of any malintent by the marketing firm, the fact that this event went unnoticed until data security firm UpGuard discovered it by accident, points to the biggest challenge in protecting organisations from cyberattacks and keeping data secure: the human factor.

## Cybercrime the number-one threat

Australia's financial services sector is leading the way when it comes to tackling cyber threats. ASX research into the risks of cyberattacks on Australian businesses shows the majority of boards are alive to the potential impact from the loss of key information and data assets.

But organisations' increased awareness in cyber threats has been met with a significant increase in cyberattacks. The WannaCry attack in May was said to be the big-

gest ransomware attack in history (affecting 230,000 organisations in 150 countries). Now, news articles warn us daily of the likelihood of even bigger attacks.

Dan Tehan, Minister Assisting the Prime Minister on cybersecurity says, “Cybercrime is the number one threat that the business community is facing. The cost is conservatively put at \$1 billion a year to our economy.” Research undertaken by the Australian Computer Society indicates the average cost of a cyberattack to an Australian business is about \$276,000.

## Digital literacy

Despite these stark warnings, human error – the risk posed by employees clicking on malicious emails or not changing passwords – is still not adequately addressed. It is estimated that nearly two-thirds of Australian companies see cyber breaches as an “IT issue” rather than a major business risk. While most organisations offer employees some security

awareness training, the vast majority of employees have inadequate levels of digital literacy.

The Sans Institute estimates that 95 percent of cyberattacks start with spear phishing emails that target a specific individual. It is really a no-brainer that everyone within an organisation should know the range of issues they need to look out for. A telling example comes from the 2016 US presidential election. Hillary Clinton's campaign chairman John Podesta's Gmail account was hacked after a fake email from the URL “accounts.googlemail.com” prompted him to change his password. To this day, many speculate that ongoing hacks and cyber interference damaged Clinton's campaign beyond repair and cost her the Presidential title.

## Countering carelessness

Cybersecurity is as much about people as it is about technical defence. Everyone – not just IT staff – needs a basic understanding of cyber threats and how to recognise them. This way,

employees are aware of the threats they face and the part they are expected to play in guarding against them. The better informed everyone within an organisation is, the less likely it is that the organisation will fall victim to an attack.

### Keep it relevant

As with any training program, relevance is key. Why? The more learning is tailored towards a specific type of firm or job role, the more it will “stick”. Research shows time and again that effective learning is learning that is relevant. In other words, if you don't find the learning engaging, it is probably not going to sink in.

### Talking about which...

Any reputable Cybersecurity training program should, as a minimum, include the following topics:

- Social engineering (tricking people into giving up sensitive or confidential information)
- Information handling
- Phishing (an email with a link or attachment embeds malicious code and gives a hacker a route in)
- Password management
- Bring your own device (BYOD)
- Removable media (i.e. USB keys)
- Remote working
- Social media

### SAFAA accredited e-learning

GRC Solutions have developed a Cybersecurity 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 [grcsolutions.com.au/CPD](http://grcsolutions.com.au/CPD) or email [contactus@grcsolutions.com.au](mailto:contactus@grcsolutions.com.au)

Salt CPD is not a tick-and-flick exercise: it is a carefully developed program designed to help advisers and brokers grow their skills and maintain high levels of competency. ■

\* 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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# Portfolio Construction Program

*If you are committed to advancing your portfolio construction knowledge and wisdom, then the Portfolio Construction Program is for you.*

SAFAA, in partnership with Western Sydney University, has developed a Portfolio Construction Program that will help practitioners build more resilient portfolios for their clients.

## CANDIDATES WILL BE ABLE TO:

- understand the basic concepts and techniques used to construct a financial portfolio
- undertake valuation of stocks, interest rates, commodities, FX and futures
- construct market portfolios into a total portfolio
- examine theory and practice of portfolio construction
- apply approaches to select different markets
- apply practical risk management techniques





### PROGRAM DETAILS

Running over 3 days (one class per week over 3 weeks)  
candidates will receive the Professional Certificate in Portfolio  
Construction upon successful completion of the course.

### DATES

Tuesday 8 August 2017  
Tuesday 15 August 2017  
Tuesday 22 August 2017

### DELIVERED VIA VIDEO CONFERENCING

The program will be broadcast via video conferencing from  
Sydney to Melbourne and Perth.

### COST *(all prices are inclusive of GST)*

Three days	\$1,900
Two days	\$1,300
One day	\$650

### CPD

20 hours of CPD will be allocated to candidates upon successful  
completion.



### FACILITATOR

*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.



## !BONUS

### MORNINGSTAR OFFER!

Morningstar is keen to support the SAFAA and Western Sydney University Portfolio Construction Program by offering registered participants up to 3 months' complimentary access to Morningstar Direct – their flagship institutional research program.

Morningstar Direct delivers the information and insight users need to select, create and market investments – all in one platform. Morningstar Direct makes it easy to transform user's research into professional customised communications.

# Review of investments

By Peter Grace

The end of the financial year is a time when many investors look back at asset performance over the last 12 months and consider what changes should be made to their portfolios. Trustees of all superannuation funds are required by the SIS Act to “formulate and give effect to an investment strategy”. This is particularly relevant for SMSFs where designing, implementing and reviewing investments is often not part of the structured processes adopted by large APRA regulated funds.



**THE SIS ACT REQUIRES** trustees to consider the following issues in developing an investment strategy.

- **The circumstances of the fund.** The trustees must assess the needs and objectives of the members. For instance, are they nearing retirement, are they risk averse and are they considering leaving the fund or starting a pension? As with all financial planning decisions, these factors will form the basis of setting the investment strategy.
- **Risk and return.** The trustees should consider the likely returns and volatility of the individual assets and the portfolio as a whole. If the strategy is too conservative they may not achieve their goals but taking on extra risk may lead to losses or lack of faith in a long-term strategy.
- **Diversification.** ATO statistics show that many SMSF trustees focus on investment assets they ‘know’ such as direct property, blue chip shares and term deposits. This lack of diversification and home country bias is potentially risky. Statistics show that trustees are

now starting to consider investing overseas.

- **Liquidity.** An investment portfolio will require cash or other easily redeemable assets to meet ongoing expenses such as administration, taxes, asset maintenance and so on. Liquidity is a critical issue when the fund is paying a pension.
- **Meeting liabilities.** Trustees can plan to meet ongoing expenses but some potential outlays are less predictable. The largest risk to a fund may be having to pay out all of a member’s benefit – such as if the member decides to leave the fund, in a marriage separation or on death or disability. The trustees must consider how assets can be liquidated or whether assets can be transferred in specie to meet the liability.
- **Life insurance.** Trustees are required to consider whether the members have adequate life insurance cover. Unexpected death or disablement is a risk in any long-term investment strategy and the trustees must demonstrate they have considered the member’s needs. This doesn’t mean the trustees must arrange life insurance for

members because they may have cover in another superannuation fund or hold it personally.

The investment strategy should be in writing and be reviewed regularly. Commonly, a review is undertaken after the end of the financial year or whenever there is a significant change in the member’s circumstances. In the fund audit, the auditor must sight the investment strategy and see evidence that it is being reviewed.

The requirement to have a documented investment strategy aims to ensure trustees are following a considered plan and are therefore more likely to meet their retirement goals. ■

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**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](mailto:wordsandtraining@bigpond.com)

# ACCREDITATION & TRAINING July, August & September 2017

Responsible Executive (RE) Series Workshops	<b>RE REFRESHER – 4 CPD (COMPLIANCE)</b> <p>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 &amp; 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 &amp; Supervision Requirements (&amp; ASIC RM comparisons); Capital Adequacy, Records, Trust; Dealing &amp; Client relations rules; Disciplinary Processes; Corporations Act requirements.</p>	SYD: Mon 11 Sep   9:00am – 1:00pm
	<b>RE EXAM PREPARATION COURSE – 10 CPD (COMPLIANCE)</b> <p>This 2 x 3-hour intensive workshop (conducted over 2 days) covers the ASIC/ASX Markets &amp; ASX Clear (Clearing &amp; 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.</p>	SYD: Tues 29 & Wed 30 Aug   9:00am – 12:00pm MELB: Mon 4 & Tues 5 Sep   9:30am – 12:30pm
	<b>RE EXAM PREPARATION ‘SHORT COURSE’ – 4 CPD (COMPLIANCE)</b> <p>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 &amp; Settlement) Responsible Executive exam syllabuses in detail, with 7 subject areas and 2 assessments during class time.</p>	MELB: Thurs 20 Jul   9:30am – 1:30pm SYD: Tues 12 Sep   9:00am – 1:00pm
Professional Development Workshops	<b>MARKET MANIPULATION AND OTHER PROHIBITED CONDUCT – 4 CPD (COMPLIANCE)</b> <p>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 &amp; Legal.</p>	MELB: Thurs 27 Jul   1:30pm – 4:30pm
	<b>INSIDER TRADING – 4 CPD (COMPLIANCE)</b> <p>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.</p>	SYD: Thurs 20 Jul   9:00am – 12:00pm
	<b>REVIEW &amp; REMEDIATION – 2 CPD (COMPLIANCE)</b> <p>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.</p>	SYD: Thurs 7 Sep   12:00pm – 2:00pm MELB: Thurs 14 Sep   12:00pm – 2:00pm
Introductory Series Workshops	<b>UNDERSTANDING DERIVATIVES: OPTIONS AND WARRANTS – 4 CPD</b> <p>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 <b>Accredited Derivatives Adviser Level 1 - ADA1 candidates</b>.</p>	SYD: Thurs 31 Aug   9:00am – 1:30pm MELB: Thurs 7 Sep   9:00am – 1:30pm

## Introductory Series Workshops

**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.

MELB: Tues 8 Aug | 9:00am – 11:00am  
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](http://www.stockbrokers.org.au)



# Accreditation Training Workshops

INCREASE YOUR KNOWLEDGE AND SKILLS IN THE STOCKBROKING INDUSTRY TODAY!