


Stockbrokers

And Financial Advisers MONTHLY

MARCH 2017
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MEMBERSHIP
iLEARNING
EVENTS
EDUCATION
POLICY &
REGULATORY ISSUES



SHARES VS PROPERTY



Stockbrokers
And Financial Advisers
Association Limited

GEARING:
Shares vs property



Inside...

- 3 Message from the CEO
- 5 ASIC Market Integrity Rule Harmonisation
- 5 FATCA latest – or “I Got You Babe”
- 6 Professional, Ethical and Educational Standards for Retail Financial Advisers
- 7 Treasury Consults on Proposed ASIC Industry Funding Model
- 8 ASX Report on Changes to Minimum Core Capital Requirements
- 9 Interim Report of Review Panel into EDR Schemes and Complaints
- 9 ASIC Report 509 – Review of ASX Equity Market Outage on 19 September 2016
- 10 ASX Trade Cancellation changes
- 10 Committee News
- 11 Employee share trading and market integrity
- 13 Can we really manage cyber risk?
- 14 Gearing: Shares vs property
- 18 Super Snippets: Pension transfer caps
- 20 Accreditation & Training Calendar



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It won't happen to me

During the week, I rang Paul Byrne to confirm details of our Cyber Resilience Workshops that he will be delivering for us with our Cyber Resilience Partners, ASX, Arthur J Gallagher, Deloitte and Huntsman.

Paul, who is National Director, Cyber Attack & Response at Deloitte said, "I'm sorry Andrew, I can't really talk right now – I'm in the middle of handling a crisis for a client that has been hit with a scam. I've never seen it before. I will however be talking about it in our Cyber Resilience Workshops."

So for those who take their Cyber Resilience seriously, make sure you attend one of our Cyber Resilience Workshops being rolled out across Australia in March. If you would like us to run a bespoke Cyber Resilience Workshop for you in house, please contact [Lisa Helson](#).

Professional standards regime enacted

The new professional standards legislation passed the Senate on Thursday 9th February, 2017.

The legislation, which will apply to all retail financial advisers, will commence on January 1st, 2019.

Key provisions include:

- National Exam
- CPD
- Professional Year for new advisers
- New advisers must have relevant degree (transition arrangements for existing advisers)
- Join a Code Monitoring body (such as SAFAA) to monitor compliance with a Code of Conduct

Existing financial advisers will have access to transitional arrangements, allowing them two years, until 1 January 2021, to pass the exam, and five years, until 1 January 2024, to meet the education requirements. The transition period recognises that existing advisers may need to complete the education requirements on a part-time basis, while continuing to service their existing clients.

SAFAA will be providing bridging courses for existing advisers to help them attain a degree equivalent status.

Welcome to BNP Paribas

I am delighted to advise that BNP Paribas has joined the Association as a Principal Member. BNP Paribas is a member of SAFAA's CHES Replacement Working Group which is working alongside ASX to ensure that the replacement for CHES meets the needs of users, the majority of whom are Market Participants.

BNP Paribas has been supporting the Australian economy for over 130 years. As the first major foreign bank in Australia, it was established in 1881 to finance the wool trade with Europe.

Today, BNP Paribas is a European-based provider of financial services on a worldwide scale. In Australia and New Zealand, BNP Paribas has long-term relationships with the most successful organisations and a deep knowledge of the local market. BNP Paribas provides its clients access to the world through one of the largest international banking networks, and delivers specialist solutions.

BNP Paribas employs over 500 people across Australia and New Zealand.

Crestone Wealth Management joins as principal member

I am very pleased to welcome Crestone Wealth Management as a new Principal Member.

Crestone Wealth Management provides wealth advice and portfolio management services to high net worth clients and family offices.

It was created from the acquisition of UBS Wealth Management Australia—a company with an 80-year heritage and more than \$14 billion of client assets under management.

Crestone has 170 employees, including over 70 investment advisers who have worked together for an average of 10 years. It has offices in Brisbane, Melbourne and Sydney.

Employee owned, Crestone promotes a partnership culture of accountability and high performance with oversight from a formal corporate governance structure, delivered through a Board of Directors and Executive Management team.



Andrew Green

TASA Members

On 11 January 2017, the Association was accredited by the Tax Practitioners Board as a recognised tax (financial) adviser association for the purposes of the *Tax Agents Services Act (TASA)*.

Members who provide tax (financial) advice to clients can now use the Association to monitor their compliance with SAFAA's Code of Conduct (which has been approved by the Tax Practitioners Board.)

Record number of conference exhibitors

Our 2017 conference to be staged at Hilton Sydney on May 24th & 25th has set a new record for the number of exhibitors – 25.

"You just have to be there," said one exhibitor who attended last year's event.

And likewise with delegates – this is the one conference that is a must attend if you are in the business of providing institutional and retail financial advice.

Registrations are now open – and tickets are limited – so register now.

Review of Gender Diversity Guidelines

SAFAA's Women in Stockbroking Working Group has commenced a review of its Gender Diversity Guidelines. It's all part of keeping Gender Diversity top of mind.

Global research conducted by both Credit Suisse and Morgan Stanley shows that businesses that embrace diversity outperform those that don't. Surprise, surprise!

If you would like to join our Women in Stockbroking Working Group, please send a note to [Gillian Gilmore](#). ■



ADA 1 and ADA 2 Scholarships

We invite interested financial advisers to apply for the 2017 ADA 1 and ADA 2 Scholarships.

The ASX, together with the Stockbrokers And Financial Advisers Association (SAFAA), are offering 30 ADA 1 & 2 Scholarships.

Scholarships are designed to help advisers expand their knowledge and understanding of derivative products. Each Scholarship is valued up to \$800 (up to \$400 per ADA) and covers the full cost of ADA 1 and/or ADA 2 enrolment.

Scholarship candidates must meet ASX/SAFAA Scholarship Eligibility Requirements – [click here](#)

Enrol now as places are limited.

This offer is until May 2017.

Please note that candidates receive 20 hours of CPD upon completion of ADA 1 or ADA 2.

For further information on ASX/SAFAA Scholarships, please contact:

ASX

Graham O'Brien
Manager Equity Derivative Sales
Tel: +61 2 9227 0672
Email: graham.obrien@asx.com.au

SAFAA

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**FOR FURTHER INFORMATION including pricing, assessment details and enrolment
please visit our website, or call us on 02 8080 3200.**

www.stockbrokers.org.au

ASIC Market Integrity Rule Harmonisation

ASIC HAS released Consultation Paper CP 277 on harmonisation of the Market Integrity Rules.

CP 277 deals with harmonisation of the separate ASX and Chi-X MIRs into one rule book. ASIC has been working on this for some time. It makes no sense to there to be near identical separate MIR chapters for each of ASX, Chi-X, and so on.

Separate Rule books for each of the Securities and Futures markets will remain, and Drafts MIR Rules for each area are circulated with CP

277. There are also separate Draft MIRs for Capital requirements.

ASIC has also stated that it has taken the opportunity of “clarifying” the MIRs on:

- management requirements and responsible executives
- dealing ‘as principal’
- block trades and large portfolio trades
- derivatives market contracts and wholesale client disclosure, and
- record keeping by market licensees.



The Association is reviewing CP 277 and the Draft MIRs and will notify members of any issues. ■

FATCA latest – or “I Got You Babe”



IN A CASE OF déjà vu all over again, the Listed Investment Entity industry bodies have advised that Treasury has informed them that the post trade solution that had been put to the US Internal Revenue Service (IRS) by Treasury as a means of settling the ongoing issue of FATCA certification of investors who purchase LIE products on-exchange was not acceptable to the US.

In particular, the concern of the US was the absence of any “stick” that would ensure satisfactory compliance by investors in responding to post-trade requests from LIE issuers to provide answers to FATCA self-certification questions.

Members may recall that this is-

sue has been ongoing for some years now. Under the FATCA Inter-Governmental Agreement negotiated between Australia and the US, the Issuers of LIEs have the obligation to conduct FATCA checks of investors pre-trade, however because of the particular features of the Australian market, they are unable to do this. The first the Issuers are aware that a product has been acquired on-market is after the trade has occurred.

Initially, Issuers (and Treasury) sought that the FATCA obligation be transferred to stockbrokers, however the stockbroking industry has strongly objected to this, in view of the significant ongoing financial cost that this would entail, as well as the potential for liability for forwarding

information that clients may give that later proved to be false.

The Association has worked with the LIE issuers and with Treasury to construct a sensible post-trade solution that satisfied the objectives of FATCA at the lowest administrative cost, and we are disappointed that these efforts have once again not been successful.

Further efforts will now be made to work with Treasury to potentially strengthen a post-trade solution with measures that might satisfy the US. There is also the potential that the new US Administration may take a less strident approach to FATCA (although there is likewise the possibility for the opposite to be the case). ■

The Association has worked with the LIE issuers and with Treasury to construct a sensible post-trade solution that satisfied the objectives of FATCA at the lowest administrative cost, and we are disappointed that these efforts have once again not been successful.

Professional, Ethical and Educational Standards for Retail Financial Advisers

THE CORPORATION Amendment (Professional Standards of Financial Advisers) Bill 2016 was passed by Parliament on 9 February 2017.

The elements of the proposed framework set out in the Legislation are consistent with what has previously been foreshadowed, including:

- compulsory education requirements for both new and existing financial advisers
- supervision requirements for new advisers
- a single code of ethics for industry
- a mandatory national exam for all financial advisers and
- an ongoing professional development component.

A number of modifications were made in the Bill from the version that had been previously released to industry for consultation, including:

- removing the mandatory requirement for supervisors to be present at all times when provisional advisers provided a financial service during their professional year. Instead, the supervisor has a requirement to ensure that there is “appropriate supervision”
- provision for appropriate recognition of qualifications obtained offshore
- the exemption from having to complete the national exam in appropriate cases has been removed
- code monitoring bodies will have 160 days instead of 90 days to conclude an investigation of an advisor in the event that the adviser gives notice that they wish to resign from the compliance scheme and
- provisions enabling information to be shared between the Tax



Practitioners Board and code monitoring bodies.

The legislation is to take effect from 1 January 2019.

The Government also stated that the cost of establishing the new standard-setting body would be met

exclusively by the large banks and by AMP.

For the assistance of members, we have prepared a Table setting out the key dates on which the various requirements come into effect. ■

Key Dates for new professional standards requirements

1 January 2019	New Advisers must have a Bachelors Degree
	New Advisers must have passed the National Exam
	New Advisers must comply with annual CPD requirements
	New Advisers must complete a Professional Year (PY)
	Existing advisers* must commence complying with annual CPD requirements
15 November 2019	ALL advisers must have nominated the Compliance Scheme that will cover them re Code monitoring
	ALL advisers must have notified ASIC of their principal place of business (unless previously notified to ASIC)
1 January 2020	ALL advisers must be bound by the Code of Ethics and covered by a Compliance Scheme
1 January 2021	Existing Advisers must have passed the National Exam
1 January 2024	Existing advisers must have reached AQF 7 (Bachelors Degree) educational level

* Anyone who is an adviser between 1 January 2016 and 1 January 2019

Treasury Consults on Proposed ASIC Industry Funding Model

AS WE REPORTED in the December edition of the SAFAA Monthly, Treasury released the latest version of the ASIC Industry Funding Model for industry consultation on 7 November 2016.

The Model sets out the framework for recovering the whole of the ASIC budget from industry. Approximately \$240 million is to be recovered under the Model, with the balance of ASIC's annual budget (approximately \$80 million) to be recovered through fees for service (such as prospectus fees, etc), the details of which have not yet been released.

The latest Model incorporates a number of changes to the Model that was previously discussed in August 2015.

Key features of the revised cost recovery Model are:

- The amount to be recovered in respect of market supervision increases from the approx. \$16 million being recouped under the existing ASIC Cost Recovery framework, to approx. \$20 million. Stockbrokers currently pay about 80% of the existing amount. The overall amount will increase slightly to include areas that are not currently cost recovered.
- The Market Participant levy will have the following components:
 - A fixed levy of \$9000 per Participant
 - A transaction levy of \$0.02 (indicative) per transaction (i.e. per line)
 - A message levy of \$0.002 (indicative) per message

Points to note:

- The transaction levy replaces the previous variable fee based on the Market Participant's proportion of total turnover.
- The message component similarly replaces the previous variable fee based on the Market Participant's proportion of total message count.

The latest Model incorporates a number of changes to the Model that was previously discussed in August 2015.

The intention is that a Market Participant could, if they wanted to, pass the transaction and message components on to clients by adding the relevant amounts onto Trade Confirmations, based on the indicative amounts that will be published by ASIC or by Treasury.

Some issues have already been identified with this, including:

- at what precise date will the indicative amounts be published, and will it be before the start of the Financial Year?
- the actual levy is not sent to the Participant until after the end of the Financial Year – so what happens if a Market Participant ends up recovering more (or less) than the amount that they end up being invoiced, because the indicative amount was different to the actual levy amount?
- will the regulations contain authorisation to pass amounts through to the end user?

The Proposed Model also includes a range of other fees that could apply to Market Participants:

- An annual levy on Licensees providing personal advice on Tier 1 products to retail advisers, calculated at \$960 for each adviser on the ASIC Adviser register.
- An annual levy on Licensees providing personal advice on Tier 2 products to retail advisers, calculated at a flat \$1500 per licensee.
- An annual levy on Licensees providing general advice only (either to wholesale or retail clients), calculated at a flat \$920 per licensee.
- An annual levy on Licensees providing personal advice to whole-

sale clients only, calculated at a flat \$170 per licensee.

- An Investment Banking fee comprising a fixed levy of \$1000 plus a graduated levy based on investment banking activity.

The above fees are all cumulative.

Firms which are Securities Dealers (such as "shadow brokers") will become liable for ASIC cost recovery via a fixed levy of \$250 plus \$0.34 per \$10,000 of annual trade value.

As regards the investment banking levy:

- The definition of an "investment bank" is any person who is a licensee and who conducts investment banking activity. Hence, firms (or even individuals) may be caught if they satisfy the definition, regardless of whether they think of themselves as, or call themselves, an "investment bank".
- Investment banking activity includes capital raising, underwriting, M & A, corporate advisory, and OTC derivatives. At this stage, this may include stamping fees and broker firm fees.
- The fee will be based on gross revenue derived from "investment banking activity", not net revenue.
- There is no indication what the percentage figure of the fee per firm will be.

Representatives of the Association participated in Industry Roundtables with Treasury and the Minister's Office in December 2016, at which these and other issues were raised.

A further Consultation Paper refining this Funding Model and hopefully addressing many of the unanswered questions is expected by the end of February. Legislation is intended to be passed by 30 June. ■

ASX Report on Changes to Minimum Core Capital Requirements

ON 18 JANUARY 2017, ASX published a Report setting out the results of its consultation in August 2016 on proposed increases to Minimum Core Capital Requirements (MCCR) for ASX Clearing Participants.

Members may recall that ASX was proposing the following:

- Core Capital requirement of \$5 million to remain unchanged for participants who engage in none of the specified additional activities (see below).
- Existing additional capital requirements (\$5 million, \$10 million and \$15 million) depending on the number of market participants for which the Clearing Participant clears, also to remain unchanged.
- An additional \$2.5 million capital requirement for CP's with client short ETO positions, rising to \$5 million for CPs with material client short ETO positions (material meaning >\$60 million average Initial Margin aggregated for the CP's clients over a 3 month period).
- An additional \$2.5 million capital requirement for CP's undertaking any own account activity in any financial products, rising to \$5 million for CPs with a material amount of own account business (ASX Clear will determine what is material).
- An additional \$2.5 million capital requirement for CP's undertaking any activity additional to ASX-related execution, clearing and settlement within the legal entity for which losses may be incurred by the CP, rising to \$5 million



for material amounts of non-ASX activity. Non-ASX activity includes corporate finance, stock and margin lending, debt, FX, execution and clearing of international stocks and derivatives.

In the Consultation Paper, ASX anticipated, on its own analysis indicates, that 29 out of 36 Clearing Participants would face an increase in MCCR (the majority in the range of \$2.5-\$7.5 million), but that all but 3 of those CP's would have held sufficient capital to meet this.

In its latest Report, ASX has confirmed the above proposals, and has provided some additional clarification and guidance. This includes:

- the threshold for "de minimis" client short activity will be average Initial Margin over the previous 12 months of <\$2.5 million. The threshold for "material" activity, which will attract the \$5 million additional MCCR to base requirement, will be average IM >\$40 million for the period.

- "own account" activity is clarified as extending to business activities where the Clearing Participant's own funds are placed at risk of loss due to credit events or market movements. This does not extend to business activities of related parties.
- "non-ASX Activity" is clarified as extending to client execution on other exchanges not cleared through ASX Clear or ASX Clear (Futures); client clearing through a CCP other than ASX Clear or ASX Clear Futures; and non-exchange traded products (other than those cleared by ASX Clear and ASX Clear (Futures)).

ASX has advised that there will be a 12 month implementation period for the new requirements.

SAFAA sought feedback from members on the proposals, and overall, members commented that they understood the rationale for the proposals, and were comfortable with them. The Association lodged a Submission to this effect, but seeking further clarification and Guidance, which has been forthcoming in the Report.

The Association is keen to hear if there are any residual issues arising from the ASX Report and the implementation of the MCCR changes. ■

ASX has advised that there will be a 12 month implementation period for the new requirements.

Interim Report of Review Panel into EDR Schemes and Complaints

THE PANEL appointed by the Government to conduct a review of External Dispute Resolution (EDR) Schemes and Complaints Handling released an Interim Report for comment in December 2016.

The Interim Report contains a number of Draft Conclusions and Recommendations, including:

- A proposal to increase the monetary limits for claims that can be made to FOS (the Panel does not recommend a specific figure, but elsewhere refers to the previous FOS proposal to lift the monetary limits to \$2 million)

- FOS and the Credit Industry Ombudsman should be combined into a single Financial Industry ombudsman
- There should be a reporting regime for AFSL holders to report information to ASIC regarding the Internal Dispute resolution process within the firm.

SAFAA has lodged a submission with Treasury in relation to the Interim Report. The Submission strongly argued that there should not be any increase in the monetary limits (currently \$309,000 per claim) for EDR

claims. The FOS proposal, SAFAA argued, was far too high, and the existing monetary limits were in line with, or even higher than, similar schemes in other countries.

SAFAA also submitted that proposed reporting regime for Internal Dispute resolution was unnecessary, and would only add to the cost of providing financial services. ASIC already routinely reviews complaints handling as part of its ongoing licensing review program, and has ample power to ask for any information about this that it requires. ■

ASIC Report 509 – Review of ASX Equity Market Outage on 19 September 2016

ON 21 DECEMBER 2016, ASIC released its Report REP 509 Review of Equity Market Outage on 19 September 2016. In the Report, ASIC sets out a number of conclusions and recommendations arising from its review of the outage which affected ASX's trading platform on the day in question.

A number of recommendations for ASX are set out, in particular:

- ASX should consider and formally map stakeholder dependencies on ASX, and make changes to mitigate the impact of ASX system failures on those stakeholders.
- ASX should consider having a pre-defined minimum pre-open period for future incidents, with the period of 20 minutes being suggested.
- ASX should review whether the opening rotation process is still necessary, particularly in view of the growth of electronic trading.
- ASX should report to ASIC on its

communication strategy, including consideration of a central platform to fully inform all relevant market users during an incident of the market status and planned recovery steps to be taken.

- ASX should report to ASIC on whether any refinements to cancellation policies are appropriate, particularly with regard to asymmetry on pre- and post-trade information, or failure to fully register and process transactions in CHES.

ASIC notes also that ASX is reviewing its methodology for determining closing prices in the event of an outage such as this, where no trades may have taken place on ASX on the relevant day.

It is also worth noting that ASIC makes a number of recommendations for Market Participants, including:

- Reviewing their own system pre-

paredness for managing market outages.

- Ensuring there is clarity of understanding of who the ASX contact person is within the firm, and that there are clear channels for communicating information internally.
- Reviewing arrangements for best execution to ensure they address such incidents.
- Review of the configuration of algorithms and smart order routers to appropriately respond to outages, having regard also expectations of client as to how their orders were to be managed.
- Ensuring that arrangements for effecting and reporting crossings are appropriate, particularly in relation to stocks that remain suspended and in relation to the proper calculation of NBBO with regard to pre-trade transparent orders in markets that are accessible at the time. ■

ASX Trade Cancellation changes

ASX ISSUED a Paper in November 2016 announcing that, in relation to Exchange Traded Options:

- it would be extending the time to 30 minutes for notifying ASX of a cancellation request. This followed approaches made by the SAFAA Derivatives Committee to ASX, on which ASX had consulted the market.
- ASX was not proposing to intro-

duce a “large size error” cancellation (which industry had also requested) as according to ASX, no consensus could be reached on the parameters for this.

SAFAA had requested a large error cancellation option, in view of the perceived damage to the ETO market that could result where an error of significant size took place that could

not be dealt with under the existing cancellation procedures.

In its Paper, ASX also sought feedback on whether ASX should extend the 30 minutes period to all ASX and ASX 24 products.

SAFAA sought the views of members, and feedback was generally in support of harmonising the 30 minute period across all ASX products. ■

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:

Directors Board Meeting, Tuesday 14 February, 2017

Chair: Karl Morris MSAFAA, Ord Minnett

Women in Stockbroking Working Group, Wednesday 22 February 2017

Chair: Morana Hunter, SAFAA

Institutional Broking Committee Meeting, Thursday 23 February 2017

Chair: Conor Foley MSAFAA, UBS Australia

- ASIC Industry Funding Model
- ASIC MIR Harmonisation
- ASX CHESS Replacement
- ASX Trade Cancellation – notification period

Young Members Working Group Meeting, Thursday 23 February 2017

Chair: Jacques Rousset AfSAFAA, GCP Capital

Derivatives Sub-Committee Meeting, Tuesday 28 February 2017

Chair: Peter Tardent MSAFAA, Commonwealth Securities

- Trade Cancellation Policy
- ASIC MIR Changes – incl. Block Trading and Derivatives Confirmations

Newly approved Principal Members

- BNP Paribas Securities Services
- Crestone Wealth Management Limited

Employee share trading and market integrity



In the last year we have come across several instances of employees, consultants or contractors of listed entities (or their related parties) trading before material announcements. This activity has raised our suspicions of information leaks and insider trading ahead of major announcements such as merger or takeover deals.

IN SOME OF THESE cases we were satisfied that no insider trading had occurred (after making enquiries). In others we started formal investigations which are ongoing. In all of these cases, the connection of the trader to the company and the timing of the trade raised sufficient concerns to dig deeper.

Markets can only operate fairly when information is accurate and available to all. Information leaks can create false markets and affect market integrity. To ensure market integrity, we examine all trading surrounding significant market announcements to identify market misconduct and insider trading.

If you are a market participant and you have reasonable grounds to suspect that a person has placed an order or entered into a transaction while in possession of inside information, you are required to lodge a suspicious activity report (SAR) under Rule 5.11.1 of the ASIC market integrity rules for the ASX, Chi-X and SSX markets.

You must notify us in writing with details of the transaction or order and the reasons for your suspicions. This applies even if you don't know the identity of the trader or the details of the order or transaction.

While you are required to lodge a SAR if you spot any unusual trading

activity – such as large and timely orders before material, price-sensitive announcements – you should also look out for transactions or orders placed by clients that are connected to your business. For example, if a client is an employee, consultant or contractor (or a family member of one), and they place a trade before a material announcement, you should consider whether a SAR needs to be lodged with ASIC.

When deciding whether to lodge a SAR, you should ask yourself the following questions:

- Did the client buy before a positive announcement or sell before a negative one?
- Has the client traded in the security before and is the trading consistent with their trading history?
- How close to the announcement did the trade occur?

Remember, timing is important. SARs must be submitted when you become aware of the conduct, not after you have investigated it.

Lodging a SAR is quick and easy. You can submit your SARs by emailing us at markets@asic.gov.au or through our Market Entity Compliance System (MECS) portal. Form M57 *Suspicious Activity Report* on the MECS portal will guide you through the information you should provide and can be submitted online.

Suspicious activities that should have been submitted as a SAR, but which come to our attention in other ways, will be investigated. When this happens, we will consider remedial or disciplinary action.

To find out more about your SAR obligations, take a look at Regulatory Guide 238 *Suspicious activity reporting*.

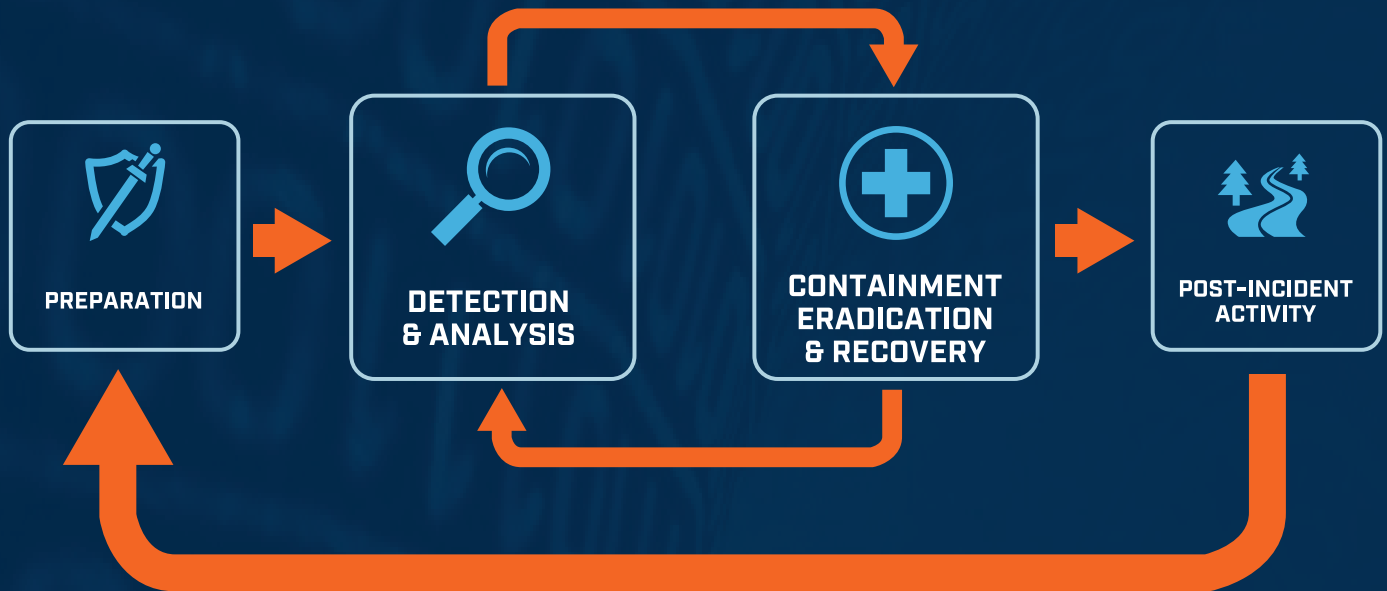
Various financial services entities, including banks, AFS licensees and market participants also have an obligation to submit suspicious matter reports (SMRs) to AUSTRAC under the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006*.

If, at any time, you form a suspicion that a matter is related to an offence, tax evasion, or the proceeds of crime, you must provide an SMR to AUSTRAC within three business days. Offences include money laundering, terrorism financing, operating under a false identity or any other offence under a Commonwealth, state or territory law.

To avoid double-reporting, if you have submitted an SMR to AUSTRAC you are not required to notify ASIC of the same information: Rule 5.11.1(2) of the ASIC market integrity rules for the ASX, Chi-X and SSX markets. ■

Automated Cyber Security

Slashing your time at risk



*NIST Incident Management Process

- ▲ Automated, dynamic security response
- ▲ Real-time machine learning using Behavioural Anomaly Detection for Insider Threat investigations
- ▲ Full security incident / case management system

About **Huntsman Security**

Huntsman Security is a private Australian cyber security software company that focuses on reducing organisations' time at risk.

Acknowledged by Forrester Research^[1] for automated end to end information security management using Security Analytics: Huntsman Analyst Portal®. Huntsman® is deployed in Government, Finance and CNI environments across the UK, Australia and Japan.

Delivering real-time cyber incident visibility and supporting intelligence, Security Analysts and management are able to respond quickly and comprehensively. New workflow approaches enable security resources to be more effectively deployed. To find out how to reduce your business's time at risk:

Contact **us today**

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Chatswood NSW 2067

 **Huntsman®**

Can we really manage cyber risk?



In past years when our Cyber Security consultants spoke with organisations about their need to manage cyber risk, our recommendations were often met with blank looks and “we’ve never had a problem”.

Now, cyber-crime is rightfully recognised as a significant risk to the business of every organisation. The nimbleness of cyber criminals, and the ease with which they regularly breach defences, has many managers asking: what should we do to manage cyber risk?

FIRSTLY, THERE ARE no silver bullets and don’t believe anyone who is offering one. There are however a few steps your organisation can take.

Internal controls

There are internal controls every organisation should have to boost cyber resilience. These include firewalls, AV gateways, malware sandbox solutions, IDS/IPS, network access controls, and host/endpoint protection. Building in-house security skills and awareness will increase the effectiveness of these investments.

Threat detection

Despite these internal controls, breaches can, and do, occur. So your organisation also needs to deploy effective threat management measures.

Today, there are a few excellent automation technologies available that detect, verify and respond to threats in real-time, cutting the time your organisation is exposed to cyber risk to seconds.

These applications can reduce the potential financial impact, reputational damage and remediation costs that inevitably flow from a breach.

Outsourcing

As well as internal controls and threat detection, your organisation will probably also need to outsource expertise in areas like penetration testing, assurance, incident response and – perhaps most importantly – monitoring. A 24/7 monitoring service can detect alerts and other indicators of security compromise like anomalous network traffic patterns, and unusual behavior on the IT system.

Insurance

Finally, there’s insurance, to assign your cyber risk to an insurer.

Like any insurance policy, the premium correlates with the size of the risk. So anything your organisation can do to limit that risk should reduce the premium.

But beware: if your organisation does not have the requisite internal



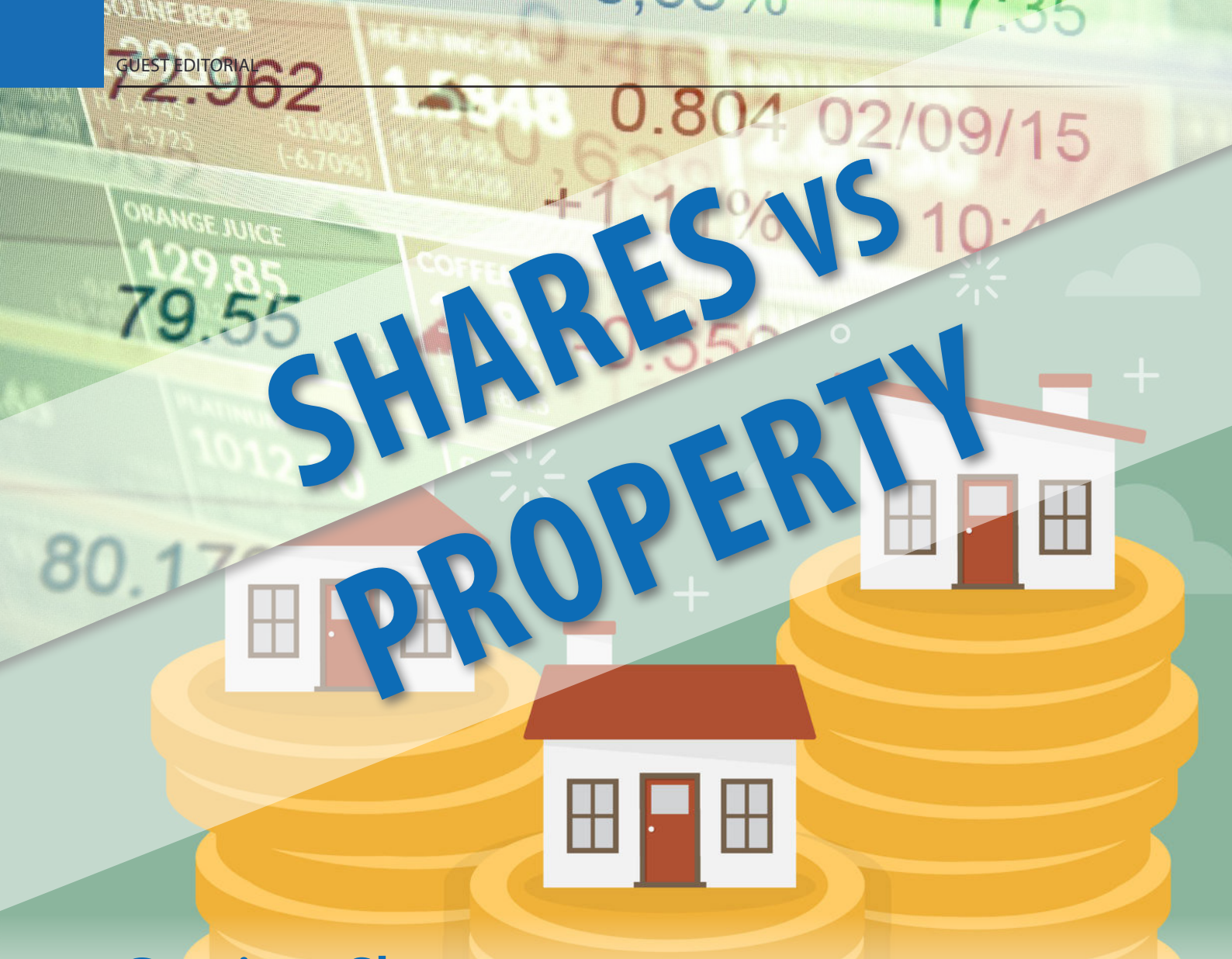
controls in place, an insurer may be unwilling to underwrite your risk.

Key take-out

In a nutshell, cyber resilience requires a balance of building internal capabilities, procuring outside help where you need it, and insuring against any related risks you can’t reasonably manage. The investment may seem large, but the consequences of not adequately addressing cyber threats can be massive.

If you’d like to know more about how to boost your organisation’s cyber resilience, please feel free to contact us at [Huntsman Security](#) or come and speak with us at the [SAFAA Cyber Security workshops](#). ■

huntsmansecurity.com



SHARES VS PROPERTY

Gearing: Shares vs property

Almost everyone understands the benefits of borrowing money to invest in property. However, the similarities and benefits of gearing into equities compared to property is not so easily understood.

WITH SOARING property prices, investors need to explore other asset groups to build wealth. For Australians already holding property, diversification is an important consideration to reduce concentration risk and protect wealth.

We've explored the age-old argument of shares vs property to bring you the pros and cons of both.

Over the past 20 years, Australian shares have returned an average of 8.7% per year. Similarly the national average for Australian residential property has returned an average rate of 10.5% for the same period.

Despite both showing strong returns, property remains to be the most common tool used to create wealth. So why the disparity in their use? The difference is largely

because borrowing to invest in property is more commonly accepted than borrowing to invest in equities. Many investors are not aware of the potential for gearing into equities as a growth asset over the long term, but it's an option worth careful consideration.

Similarities

- ✓ Gearing can offer a tax effective way to access a growth asset – property and/or shares
- ✓ Investment properties offer a rental return. Shares offer a dividend return and can come with franking credits, creating an additional tax benefit.
- ✓ Gearing magnifies your profits and your losses for both property and shares, so it's important to take a long-term view

Differences

	SHARES	PROPERTY
Minimum investment	✓ \$500	✗ Median house price requires a \$120,000 deposit + stamp duty and other property taxes
Volatility	✓ High in the short-term, low in the long-term (five years or more)	✓ Lower volatility than shares
Liquidity	✓ High	✗ Low
Flexibility	✓ High	✗ Low
Ongoing costs	✓ None	✗ Repairs, maintenance and rates

What is the impact of higher property prices?

- Higher prices also mean lower rental yields (rent amount compared to mortgage repayment amount), this means investors need to give up more of their own income to cover the shortfall for the mortgage repayments when compared to renting.
- A large mortgage also means it takes longer before you actually own your home rather than the bank.
- Higher property prices means it is now very difficult to save enough money for a deposit.

What is the impact of low flexibility and liquidity?

Lack of liquidity in the property market means it becomes harder to exit when compared with shares. This is not only because of the time it takes to appoint an agent and find a buyer, but also because of the taxes and agent fees involved in selling a property. This means that investors usually have to commit to paying off a long term mortgage with ongoing minimum monthly payments. *Therefore property is often restrictive for those who plan to travel or take out other commitments that require more flexibility.*

Feel that equities is too complicated?

Stock picking can be tricky. Fortu-

nately the rise of exchange traded funds (ETFs) has made equity investments much easier. Investors can easily gain exposure to a diversified portfolio of stock – basically a basket of different securities – by using a low fee, exchange traded fund that tracks the Australian Index. For example, SPDR ASX is an ETF that offers exposure to Australia's largest 200 companies – such as the big four banks, Telstra, BHP, Woolworths, etc. (ticker code STW).

If you want to gain a larger exposure to this ETF, but don't have the funds required, you can utilise Leveraged Share Builders. This product wraps up the ETF purchase with additional borrowed funds in the one transaction. Here's how it works.

Using ticker code STWSSL, investors borrow to invest in one simple transaction on market. STWSSL has a minimum investment of \$500 per transaction. For every \$500 invested, an additional \$500 is automatically lent to the investor, meaning the total exposure becomes \$1000. There is no maximum investment and investors can choose to buy and sell at any time on the market without any break fees.

The investment is also positively geared, which means investors are never asked to fork out extra money to cover the interest expense – ever! The dividends from the investment are automatically used to pay off the interest and to pay down the loan over time. Also, should the market decline in value, there is no risk of a margin call.

Keeping things simple

There is no need for any paperwork or credit checks when gearing into equities through Share Builders, as everything is transacted on market. This means that investors can now gain an increased exposure to a diversified portfolio of stock, simply and easily. There are also added benefits of the extra dividends and franking credits.

Simply let your broker know you'd like to purchase ticker code STWSSL.

Your broker may require you to complete a one off 'WAF form' which is usually very simple and will allow you to buy and sell STWSSL on market at any time. ■

Looking for more information?

Contact Peter Moussa from Leveraged on 02 8243 3025

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VANGUARD INVESTMENTS AND THE STOCKBROKERS AND FINANCIAL ADVISERS ASSOCIATION PRESENT

2017 Leaders Forums



REGISTER NOW!

The 2017 Leaders Forum in Melbourne is designed for senior executives and leaders in the Stockbroking and Wealth Management industry to come together to hear about and discuss the 'hot' topics facing our industry. Through a mix of presentation and discussion, attendees will hear from industry experts and peers to update them on these issues. The Forums are held over a lunch time session and are hosted around Australia. These are Forums you need to attend to keep abreast of key issues for your business.

WHO SHOULD ATTEND?

CEOs, CFOs, COOs, Senior Executives, Senior Compliance and Legal, and team members who communicate with clients and staff on a regular basis.

DURATION

Held over a lunch time session, the 2017 Leaders Forum in Melbourne will commence at 12.30pm sharp (registration from 12.00pm) and concludes at 2.00pm.

FORUM TOPICS

- Insider Trading
- Trading and execution in ETFs and best practice
- Update on current issues

CPD

Attendees will receive 1.5 hours of CPD (Compliance)

REGISTRATION FEE

Individual Members	\$105.00
Employees of Organisational Members	\$120.00
Non Members	\$140.00

DATE

Tuesday 14 March 2017

VENUE

Ashurst
Level 26, 181 William Street
Melbourne

PRESENTERS PANEL

Angus Ross, Ashurst
Damien Sherman, Vanguard Investments
Peter Stepek, SAFAA
Chair: Andrew Green, SAFAA

FURTHER INFORMATION

visit **www.stockbrokers.org.au**
or call **02 8080 3200**.

Pension transfer caps

By Peter Grace

Many of the upcoming changes to superannuation are easy to understand but the personal pension transfer cap of \$1.6m that will apply from 1 July 2017 is a real mindbender. The Government's goal is to limit the amount an individual can have in super that is exempt from tax.

AS WITH ALL Government policy there are trade-offs between simplicity, equity and revenue management. As it currently stands the rules are complex and tricky to navigate. Hopefully individuals and couples with superannuation assets over \$1.6m will seek expert advice.

New pensions

The pension transfer cap generally comes into play when an individual establishes an account based pension. The maximum that can be transferred from an accumulation account to a pension account is \$1.6m.

Once you have started a \$1.6m pension you cannot add to it but it can rise and fall in value with investment returns and pension payments. The cap will be indexed by CPI in \$100,000 increments.

The \$1.6m cap includes all account based pensions in the individual's name. It also includes defined benefit pensions (like guaranteed pensions paid by governments and some large employers) which will be valued at 16 times the annual pension amount.

Amounts not transferred to the account based pension can be retained in an accumulation account (with the investment earnings taxed at 15%). Once you have used the \$1.6m pension transfer cap you can no longer make non-concessional contributions.

Existing pensions

The same rules apply to current holders of account based pensions. By 1 July 2017 they must reduce the value of their pension(s) to a maximum of \$1.6m. They can transfer assets back to an accumulation account (where earnings will be taxed at 15%) or remove them from the superannuation system (where they will be taxed at marginal tax rates).

The ATO is paying close attention to valuations of assets (particularly non-listed assets) to ensure trustees do not try to 'game' the system.

The rules recognise that trustees are being forced to transfer assets from a tax-exempt environment to a taxable environment. To avoid a rush to sell assets before 1 July 2017 to avoid CGT, trustees will be able to reset the CGT cost base on assets being transferred out of the pension account.

Partner's pensions

Members of a couple can each have the maximum tax free account based pension - \$3.2m in total. It may be useful to adopt strategies to balance up accounts between members of a couple.

However, on the death of one member of a couple, the surviving member will be restricted to the pension transfer cap that applies to an individual. This may mean restrictions



on payment of a reversionary pension or being forced to cash accumulation accounts out of the superannuation system.

Whilst these measures will only impact wealthy superannuants it will add much more complexity to managing retirement income and estate planning. ■

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



SAFAA Cyber Resilience Program

Strategies to mitigate cyber security

The Australian Cyber Security Centre (ACSC) reported that in the year to June 2016, the Computer Emergency Response Team (CERT) responded to 14,804 cyber security incidents affecting Australian businesses, an increase of 26% over the previous year.

The Australian Signals Directorate estimates that the implementation of its Top 4 mitigation strategies can mitigate 85% of adversary techniques used in targeted cyber intrusions.

Learn how to mitigate your cyber security by attending SAFAA's Cyber Resilience Workshops, brought to you by ASX, Arthur J Gallagher, Deloitte and Huntsman, in conjunction with SAFAA.

With ASIC's focus on cyber resilience a top regulatory priority, now is the time to consider practical actions to make cyber resilience part of your firm's culture and ensure that everyone is a part of your firm's cyber defences.

This 2 hour workshop is relevant to all employees, especially those who are client facing.

Using real life case studies, this workshop will focus on examples of cyber-attacks on broking firms, and attempts to conduct unauthorised transactions on client accounts.

The workshop will also cover legal and regulatory obligations that apply to cyber security and high level principles and guidelines that a business should follow in setting up or maintaining their cyber resilience programs.

Create a cyber resilience culture and learn about:

- The main cyber threats
- Measures businesses are taking to combat cyber risk
- Legal/regulatory obligation to be cyber resilient
- ASIC's health check prescription
- Principles outlined in REP 429
- ASIC's good practices listed in REP 468
- Mandatory data breach reporting
- Cyber security of third parties, outsourcing considerations
- Cyber insurance, and
- How to educate clients about cyber security

Dates & Venues

Sydney | 8 March
Ashurst
Level 9
5 Martin Place

Melbourne | 9 March
Patersons Securities Limited
Level 15
333 Collins Street

Brisbane | 15 March
Morgans Financial Ltd
Level 29
123 Eagle Street

Adelaide | 22 March
Taylor Collison
Level 16
211 Victoria Square

Perth | 29 March
Patersons Securities
Level 23, Exchange Plaza
2 The Esplanade

CPD

2 hours (Compliance)

Duration

1:00pm – 3:00pm

Book now as places are limited.

The cost of staging the Workshop is covered by our Education Partners.

www.stockbrokers.org.au

ACCREDITATION & TRAINING March, April & May 2017

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: Tues 7 Mar 9:00am – 1:00pm MELB: Wed 3 May 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.	MELB: Thurs 23 & Fri 24 Mar 9:30am – 12:30pm SYD: Mon 8 Tues 9 May 9:00am – 12:00pm
	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: Mon 6 Mar 9:00am – 1:00pm MELB: Thurs 4 May 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.	MELB: Wed 15 Mar 9:00am – 12:00pm
	CONDUCT RISK – 1 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: Thurs 16 Mar 12:30pm – 1:30pm MELB: Wed 5 Apr 12:30pm – 1:30pm
	CYBER RESILIENCE – 2 CPD (COMPLIANCE) Using real life case studies, this workshop will focus on examples of cyber-attacks on broking firms, and attempts to conduct unauthorised transactions on client accounts. This 2 hour workshop is relevant to every employee, in particular those who have involvement with clients. Covering the legal and regulatory requirements to be cyber resilient together with high level principles and guidelines that a business should follow in setting up or maintaining their cyber resilience programs.	SYD: Wed 8 Mar 1:00pm – 3:00pm MELB: Thurs 9 Mar 1:00pm – 3:00pm BRIS: Wed 15 Mar 1:00pm – 3:00pm ADE: Wed 22 Mar 1:00pm – 3:00pm PER: Wed 29 Mar 1:00pm – 3:00pm
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 6 Apr 9:00am – 1:30pm
	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.	MELB: Thurs 30 Mar 9:30am – 12:30pm SYD: Tues 4 Apr 9:00am – 12:00pm
	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 4 May 9:00am – 11:00am MELB: Mon 8 May 9:00am – 11:00am

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2017 STOCKBROKERS AND FINANCIAL ADVISERS CHARITY GOLF DAY

Tuesday 23 May 2017 | Pennant Hills Golf Club, Sydney

REGISTRATIONS
**** OPEN ****

PROUDLY SUPPORTING



The 2017 Stockbrokers And Financial Advisers Charity Golf Day is to be held at Pennant Hills Golf Club, Sydney on Tuesday 23 May 2017.

The Association Cup will be awarded to the team that finishes in first place in this Ambrose Competition.

Once again, the Stockbrokers And Financial Advisers Association will support the Heartwell Foundation, a community-based rehabilitation and education program for children with special needs. Heartwell empowers children to lead a better quality of life by developing their skills and improving their health, self esteem and confidence to participate with their peers.

To register a team or individual player, please visit
www.stockbrokers.org.au

If you wish to join our list of sponsors, please contact [SAFAA Marketing](#).

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