NOVEMBER 2017
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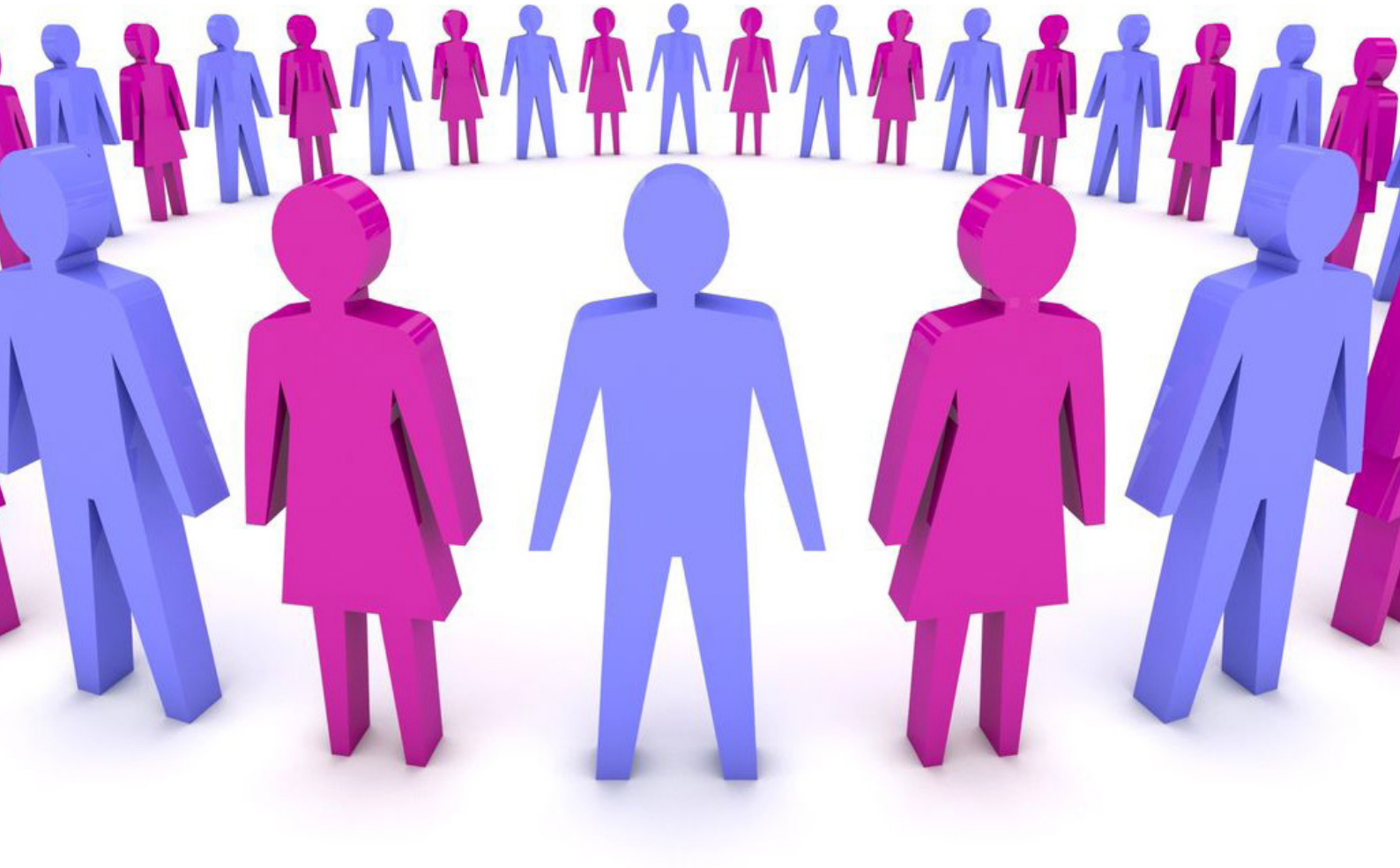
Stockbrokers

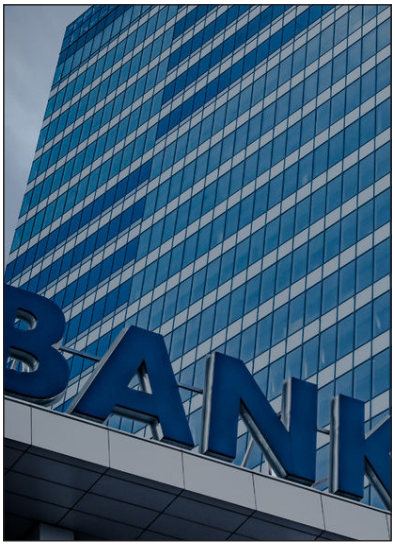
And Financial Advisers MONTHLY

MEMBERSHIP
EVENTS
EDUCATION
POLICY &
REGULATORY ISSUES



Creating an INCLUSIVE WORKPLACE

Stockbrokers
And Financial Advisers
Association Limited



Inside...

Stockbrokers And Financial Advisers Association Limited

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CommSec Adviser Services takes Gold

I am delighted to advise that CommSec Adviser Services will be a Gold Sponsor at our 2018 conference to be held in Melbourne at the Crown Promenade on May 23rd & 24th.

Sponsors signed up to date include:

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Parental leave

We had a vigorous discussion about parental leave at our *Women in Stockbroking Working Group* meeting in October.

What quickly became apparent is that parental leave policies vary enormously across our member firms, depending on their size.

One of the action items arising was for us to develop parental leave guidelines. These will be aspirational.

Much of what was discussed at the meeting was attitudinal. The good news is that changing attitudes costs very little.

Let's consider for example the use of the term parental leave, and not maternity leave. Parental leave signals that men can take time out to care for their children and family members, as well as women.

Encouraging men to share parental leave involves getting men to accept that the aspiration of women to build a fulfilling career should be of equal importance. This can come as a shock to some men. One comment from a man was, "I couldn't take parental leave as it would harm my career."

The circumstances will of course vary from couple to couple.

A man also must overcome the social discomfort of parental leave. I have vivid recollections of taking our 5-year-old daughter to ballet lessons after school and struggling to pin her shoulder-length hair up in a bun! Fortunately, one of the mothers in the group used to help me out. My job provided me with the ability to work flexibly, which in turn enabled my wife to travel and pursue her career. Our children are now 29 and 30. Looking back, it all worked out pretty well.

One of the important factors contributing to a successful parental leave scheme is enabling, via technology, all staff to work flexibly, for whatever reason at all.

In this edition, we have a piece about the new parental leave policies at IRESS.

Parental leave is an integral part of our aspiration for gender diversity. Achieving gender diversity involves long-term structural change. I don't believe it is difficult, but it will take time. I am convinced that we will achieve gender diversity – and for that matter, diversity more broadly.

While on the subject of diversity, I am pleased to advise that Dr Jennifer Whelan, the Founder of Psynapse, will speak at our 2018 conference on *How to make your organisation more diverse, inclusive and innovative*.

Membership renewal

On behalf of the board, I thank members for the prompt renewal of their memberships. We look forward to an exciting year ahead as we provide guidance to regulators and legislators on reforms across the financial services industry, and provide practitioner-led education to our individual members.

If there are issues of concern that you wish to bring to my attention, please email me directly andrew.green@stockbrokers.org.au

Andrew Green

In search of alpha

I recently had meetings with several members who expressed exasperation about two things. The first was the need for structural reform in Australia, and the second was the nation's complacent vibe.

London by comparison operated at a different tempo. One member commented that Australia was a fantastic place to live, but lacked the zing of some other sophisticated countries.

Another comment was that there is no alpha left in Australia.

As we frame our 2018 conference program we are conscious of the need to present ideas for alpha.

In that regard, I am pleased to advise that Geoff Wilson, the Founder of WAM, FGG, and FGX, will present at our conference with Louise Walsh, the CEO of FGG and FGX. Also presenting will be a number of fund managers who are part of FGG and FGX.

Leveraged/SAFAA Margin Lending Scholarships

We still have Leveraged / SAFAA margin lending scholarships available.

The Leveraged/SAFAA Margin Lending Scholarships are designed to help advisers expand their knowledge and understanding of gearing, margin lending, alternative means of achieving geared exposure, tax deductibility of the interest, franked dividends and Capital Gains Tax.

Each Scholarship is valued at up to $300 and covers the full cost of SAFAA Margin Lending Accreditation enrolment.

Scholarship recipients also attend a preparatory workshop that has been designed to assist Scholarship candidates to understand the material and assist in passing the online assessment.

Contact Gillian Gilmore ggilmore@stockbrokers.org.au for further details.

Passive versus active

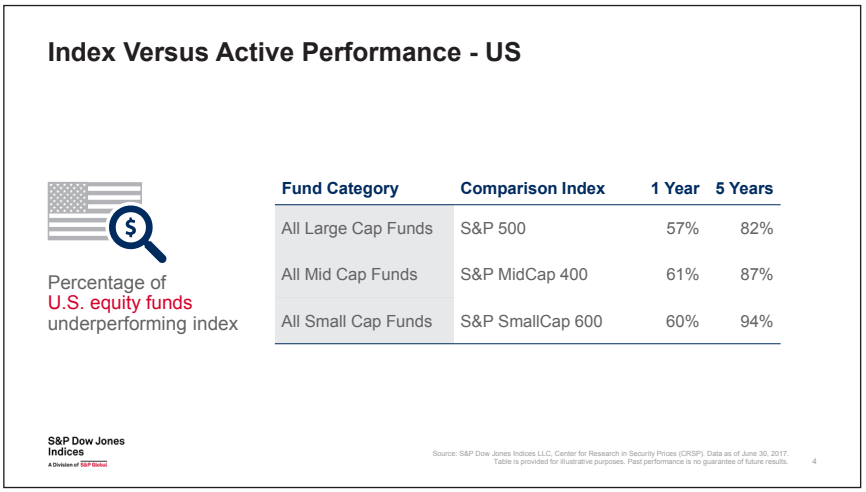
I recently attended Vanguard's ETFs in Practice lunch in Sydney.

One of the presenters was Craig Lazzara, the MD of Index Investment Strategy for S&P Global. (Craig will be speaking at our 2018 conference.)

Craig addressed the often-asked question about the dangers of passive investing, and said that a Google search on the subject returns 1 million news items!

An interesting response from Craig was that most trading is done by active asset managers.

He also showed a slide pointing out that most active managers underperformed the index. ■



ASIC Industry Funding – Cost Recovery now in operation

AS PREVIOUSLY reported, the ASIC Industry Funding Model (IFM), to recover the cost of ASIC's total Budget, is now in place. Cost recovery will apply to the financial year commencing 1 July 2017. The first invoices under the IFM will be sent out to leviable entities in January 2019, with costs being recovered in arrears.

ASIC published a Cost Recovery Impact Statement (CRIS) on 6 October 2017. The CRIS sets out the breakdown of ASIC's budget into each of the sub-sectors of activity for cost recovery purposes. As a consequence, the CRIS also sets out an interesting breakdown of the amount of resources devoted by ASIC to each of the areas of activity that are detailed.

For example, ASIC's budget for the corporate advice sub-sector is $5.568 million. This is to be recovered from firms based on the firm's percentage of total corporate advice revenue earned by the market.

The retail financial advice budget is shown as $26.152 million, to be recouped from AFSL holders based on their number of advisers giving personal advice to retail clients as a percentage of the total number of such advisers on the ASIC register (excluding advisers giving retail advice on exchange listed products and basic banking products).

Whilst the information in the CRIS is of some value, it does not assist leviable entities in arriving at a likely dollar figure for the levy component for each of the activities for which the firm will be charged. The formula which will generate the firm's levy amount is based on a number of other variables that will not be known until after the end of the relevant financial year. ■

FOS Statistics about stockbroking disputes

THE FINANCIAL Ombudsman Service (FOS) has provided some interesting statistics in relation to FOS disputes in the stockbroking sector.

A total of 131 stockbroking disputes were received in 2016-17, which was down significantly from 203 in 2015-2016. Similarly, the number of disputes accepted by FOS was down YOY to 94, from 147 in the previous year.

As regards outcomes, 44 were resolved by the Financial Service Provider (FSP) in 2016-17. FOS decided 7 matters in favour of the FSP, as opposed to 8 in favour of the Applicant. In another 9 matters, FOS made preliminary views in favour of the FSP, compared to 1 matter where the preliminary view was in favour of the Applicant.

These statistics reflect a trend that has been evident for some years now. Disputes involving stockbrokers which make it to FOS are very low in terms of total numbers of financial service disputes, and falling YOY. The number of cases where a decision or view is made in favour of the FSP has consistently been higher than the number of matters decided in favour of the applicant. ■

Latest Developments on External Dispute Resolution (EDR) scheme changes

MEMBERS WILL recall that the Government is proceeding with implementation of the 11 Recommendations in the Final Report of the Ramsay Review Panel.

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.
- 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.

The Government has established a transition team, led by Dr Malcom Edey, to manage the establishment of the new EDR Body, which is to be called Australian Financial Complaints Authority (AFCA). This will include the drafting of new Terms of Reference (TOR's) for AFCA.

SAFAA has met with Dr Edey and members of the transition team. In addition, SAFAA has attended consultation meetings convened by Dr Edey, in preparation for the release of a Consultation Paper dealing with establishment and TOR issues for AFCA.

The Paper will also seek views on matters such as the funding of AFCA (which will be from industry); governance; accountability of AFCA for its performance; and the use of panels.

The Consultation Paper is due to be released in early November.

It is important that any funding arrangements ensure that there is no cross-subsidisation between industry sectors. In view of the low level of disputes recorded by FOS for the stockbroking sector (see previous article in this edition of the SAFAA Monthly), it is a matter of fairness that this sector should not effectively subsidise the cost of other financial sectors that generate a high level of consumer disputes.

On the question of the new monetary limits, the transition team has indicated in the course of the consultation meetings that, whilst the Government has affirmed its commitment to the increased limit of $1 million, it is open to hearing further submissions from particular industry sectors as to the appropriateness of retaining the existing FOS claims limits for those industry sectors.

SAFAA views this as a promising development. SAFAA has consistently argued in favour of different claims limits for different sectors. Whilst the $1 million claim limit might be appropriate in some areas, such as mortgages and superannuation, this amount is unreasonably high for an EDR scheme in relation to securities. The existing FOS limits are already the highest in the world for EDR schemes in the securities industry, and there has been no case put forward as to why there is a need for those limits to be increased (as opposed to other industry sectors).

SAFAA will be lodging a Submission on the AFCA Consultation paper once it is released for comment, and will be inviting feedback from members. ■

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National Guarantee Fund – Market Participants facing a levy

MEMBERS MAY be aware that the Securities Exchange Guarantee Corporation (SEGC) which body administers the National Guarantee Fund (NGF), has been notifying Market Participants that a levy will be imposed on them for the purpose of replenishing the NGF. The levy is to be made on or before 30 June 2018.

The levy is the first to have ever been imposed in the history of the NGF. It comes about because the SEGC has determined a new value for the Minimum Amount of the NGF to be $100 million. Having paid some claims arising from the liquidation of BBY, the amount of the NGF has now fallen below the Minimum Amount, and the SEGC considers that the low interest rate environment will not allow the Fund to be restored in the absence of a levy.

The amount of the levy is to be a flat $15,000 per Market Participant, regardless of scale of activity. The total amount to be recovered by the levy is in the order of $1 million.

It is worth noting that under the Corporations Act, the SEGC is also empowered to levy the ASX, however this has not occurred in this instance.

It should be noted that there is a potential for further claims to be made on the NGF arising from the BBY liquidation. Orders have been sought from the Court authorising the pooling of claims by Equities, ETO, CFD and other derivatives clients. If the Court so orders, this would deplete the funds held in trust by the Liquidator on behalf of Equities and ETO clients, who would then have potential grounds to claim on the NGF for any shortfall.

In addition, the Second Annual Report of the BBY Liquidators contains details of the apportionment of the costs of the legal proceedings between the various classes of clients. There has been a large apportionment of costs to Equities and ETO clients, which would further deplete the amounts available for distribution to those clients. ■

Interesting Market Manipulation proceedings

THE ATTENTION of members is drawn to ASIC Media Release MR 17-285 announcing that a person has pleaded guilty in the South Australian Supreme Court to breaches of the Corporations Act market manipulation prohibitions.

What is of interest in this case is that the person, a day trader, traded Contracts for Differences (CFD's) through a CFD provider under the model by which the CFD trade generates an immediate transaction by the CFD provider on-market for the underlying security via Direct Market Access (DMA). In this case, the underlying security was shares in Anteo Diagnostics Ltd (ADO). The customer effectively causes the CFD provider to acquire its hedge for the CFD.

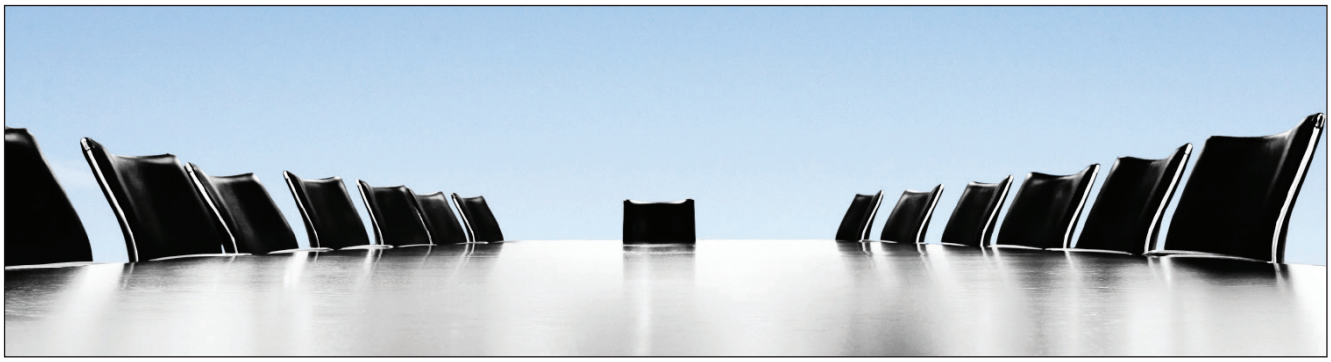
For this reason, the customer was being held to account for the impact that it was alleged he would have known that his CFD trading would have inevitably had on the market for the security. It was alleged that his CFD trades resulted in a false and misleading appearance in the market for ADO shares.

There is nothing new as regards enforcement action being taken in relation to "cross market manipulation", where actions carried out in one market will have an impact on a licensed market. What is interesting in this case is that the hedging transaction on market was, despite any direct and immediate link with the CFD trade, still a transaction on behalf of a separate entity, namely the CFD provider.

Presumably, ASIC will have expectations that any such hedging trades should be the subject of suitable filters designed to prevent the trading having an inappropriate impact on the securities market. Furthermore, a CFD provider and possibly any market participant who executed the trades (if they were a different entity) could be held to account for allowing those trades to be executed by a customer. ■

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

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



Committee News

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

- **Profession Committee Meeting, Wednesday 1 November 2017**
  Chair: Andrew Fleming MSAFAA, Tynan Partners

- **Institutional Broking Committee Meeting, Wednesday 8 November 2017**
  Chair: Andrew Green, Stockbrokers And Financial Advisers Association

- **Retail Broking Committee Meeting, Tuesday 14 November 2017**
  Chair: Dean Surkitt MeSAFAA, Bell Potter Securities

- **Annual General Meeting, Thursday 23 November 2017**
  Chair: Karl Morris MSAFAA, Ord Minnett

- **Directors Board Meeting, Thursday 23 November 2017**
  Chair: Karl Morris MSAFAA, Ord Minnett

- **Derivatives Sub-Committee Meeting, Tuesday 28 November 2017**
  Chair: Peter Tardent MSAFAA, CommSec

Practitioner Master Member MSAFAA applications approved:

Amity Mellers	Barry Parker
Jeffrey Oates	Murrough O'Brien

Practitioner Member MeSAFAA applications approved:

Brian Sadler	Brooke Gardener
Christopher Air	Jay Murphy
Jennifer Rogers	John Sullivan
Nicholas Costello	Shane Kay
Dean Park	

Five questions you need to ask about the new client money rules

ASIC
Australian Securities & Investments Commission

From 4 April 2018, our new Client Money Reporting Rules 2017 will impose record-keeping, reconciliation and reporting obligations on certain Australian financial services (AFS) licensees.

If you are an AFS licensee that holds derivative client money, you will be required to comply with these obligations unless the client money relates to a derivative that is traded on a fully licensed domestic market, such as ASX (e.g. equity ETOs) or ASX 24 (e.g. futures contracts). You will need to comply with these obligations with respect to derivatives traded on overseas futures markets.

The rules will ensure transparency around the receipt and use of derivative retail client money. They will apply more formal and consistent standards across the derivatives sector and will ensure any discrepancies in client money accounts are notified to ASIC in a timely manner – enabling us to take appropriate action.

To help you comply with your obligations under the client money rules we have also released an information sheet which answers five important questions.

1. What information should you include in your reportable client money records?

You must keep accurate records of the amount of reportable client money you are required to hold in a client money account for each client and on an aggregate basis. Your records should include:

- the balance of reportable client money owed to each of your clients, and
- records of transactions that affect the balance of reportable client money you hold.

2. What information should you include in your reconciliations?

You must perform daily and monthly reconciliations of the amount of reportable client money that you are required to hold in a client money account against the amount of reportable client money you are actually holding in that account.

3. How do you comply with the other reconciliation requirements?

You must perform reconciliations on an aggregate basis and on an individual client basis. You can satisfy these requirements by performing an aggregate reconciliation which

is supported by individual client balances.

You can also nominate a reconciliation time and timezone for the purposes of complying with the reconciliation requirements. You will be required to perform daily and monthly reconciliations of the amount of reportable client money you hold as at the nominated time on the relevant business day. The nominated reconciliation time will need to be determined on or before the day the rules first apply to you.

If you change your nominated reconciliation time, you must notify ASIC in writing before doing so.

4. What information should you include in your reports to ASIC?

You must provide ASIC with a written report if you fail to perform a reconciliation, or a daily reconciliation identifies a difference between the amount held in a client money account and the amount you are required to hold in that client money account.

You should include in your report:

- the record of the reconciliation (if applicable)
- details of the failure to perform a reconciliation or the difference found by a reconciliation, including the cause of the failure or difference
- details of any remedial action taken or proposed to be taken, including how you have addressed or are planning to address the problem which led to the difference or failure, and any deficiency or surplus in client funds.

5. Can you rely on the exemption for licensees subject to market integrity rules?

If you are a participant of ASX 24 or FEX you are eligible for an exemption from the client money reconciliation requirements to the extent you comply with Part 2.3 of the ASIC market integrity rules for the ASX 24 and FEX markets.

Any reconciliations you perform under the client money rules will not need to include amounts of reportable client money already covered by reconciliations you have performed under these market integrity rules. If you are required to include the total balance of reportable client money in reconciliations under these market integrity rules, then you are not required to comply with the client money rules.

For more information about how to comply with your obligations, visit our website.

The client money rules will commence on 4 April 2018, at the same time the other client money reforms take effect. This will give you a six-month transition period to ensure you have the necessary systems, policies and procedures for complying with the client money rules. ■

Bring our daughters to work day

ASIC
Australian Securities & Investments Commission

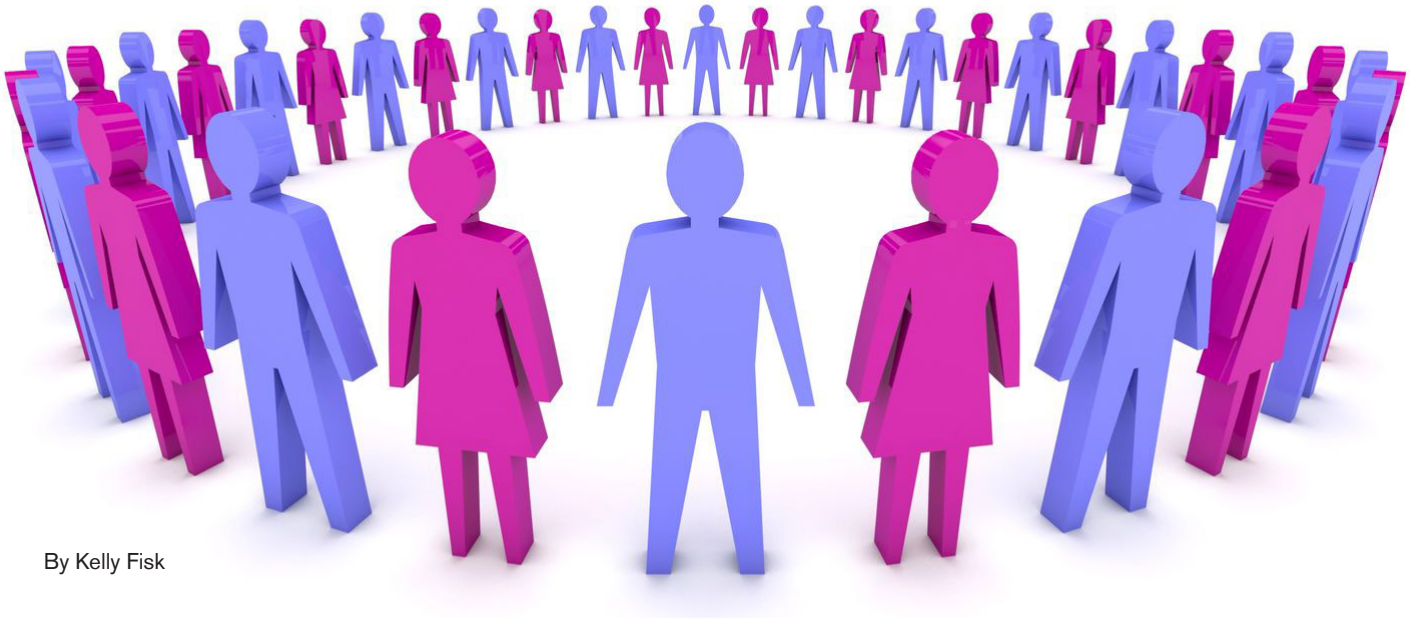
Fifty daughters of ASIC staff recently had the chance to spend a day in the life of an ASIC employee.

Bring Our Daughters to Work Day is a global diversity event aimed at improving female participation in the workforce and encouraging more girls to consider careers in the financial services industry, where women are under-represented. It gives girls exposure to a range of professional experiences before they become influenced by gender stereotypes.

The daughters, aged 10–17, turned their hands to work life at ASIC, participating in a series of Python coding activities, search warrants, section 19 interviews and a stock market trading game.

Sydney is now the third ASIC location to run the event, following Perth and Brisbane.

Creating an inclusive workplace



By Kelly Fisk

Much has been written about the need to foster more diverse workplaces. And while it's long been understood as an important driver of employee engagement, recent studies have found that diversity also makes good business sense.

IRESS

IN HIS 2008 BOOK "*The Difference: How the Power of Diversity Creates Better Groups, Firms, Schools and Societies*" Scott Page, a professor of complex systems, political science and economics at the University of Michigan, found that diverse teams tend to outperform homogenous ones, particularly from an innovation and problem-solving perspective.

What's more, studies by non-profit group Catalyst consistently found that companies with high representations of women in senior leadership had better financial performance than those without, and companies with strong female representation on their boards enjoyed stronger-than-average results than their non-diverse peers[1].

Supporting difference

While the data overwhelmingly supports the move to more diverse workplaces, many leaders are still grappling with what they can practically do.

Andrew Walsh, CEO of IRESS, says it's a matter of making it a priority.

"Whenever I'm asked about the proportion of women at IRESS I do hesitate to a degree, because while we're actually pretty much in line with the industry it's not where I'd like it to be."

IRESS has sought to formalise its inclusion strategy, which strives to create an environment where people from a wide variety of backgrounds are encouraged to join, and active strategic and policy measures are put in place to support diversity at all levels of the business. A recent internal opinion survey shows that these measures are hitting the mark, with over 80% of employees agreeing that IRESS values diversity.

"This is something we've been

working on for a number of years, and ramped up in 2017. We've made diversity and inclusion training mandatory for all new starters. We have strong female representation on our board, with a new female board member announced this year. And we actively look for ways to back our female leaders, five of whom were recently shortlisted for Women in Finance Awards in Australia and the Women in IT Excellence Awards in the United Kingdom. But I know there's more we can do."

Industry-leading parental leave

One of the ways IRESS aims to attract and retain the best people is through industry-leading parental leave benefits.

"I know from my own experience, as a father of two boys, that the decision to have children is a big one," said Andrew. "I also know that for many the decision to have children actually comes down to family finances. This is why IRESS has looked really hard at our leave benefits globally, and have announced an extremely competitive new parental leave policy from September 2017."

The policy, which IRESS believes is close to the top of what's on offer in the markets it operates in, offers IRESS employees up to 26 weeks of paid parental leave for primary carers – which can be taken as four months' full pay followed by an additional two months at half pay. Secondary carers are eligible for up to four weeks' leave at full pay.

Flexibility has also been considered, with a unique aspect of the policy the ability for primary carers to progressively return to work.

"We recognise that returning to work can be another big transition. And so we've introduced flexibility where for the first four weeks, employees can work part-time while receiving their full-time wage," said Andrew.

Ronan Leonard, Business Development Manager – Private Wealth Management, IRESS with his wife, Georgina, and his children, Eugene and Morelia.

Ronan took advantage of IRESS' parental leave policy earlier this year when his son Eugene was born.

The ability to support employees with children transitioning to primary school was also identified as a crucial time by IRESS.

"We heard from our people that kids starting primary school was a big milestone, and often another time when families are juggling priorities. So we have extended our part-time flexibility/full-time wage policy to include parents managing work and family responsibilities in the first few weeks of their child starting primary school."

And while this may sound like the new policy is aimed specifically at new and current female employees, Andrew is keen to ensure men are also included.

"While this has been of particular interest to many of our female employees, my hope is that men take advantage of the new policies too. In fact, we have a number of male employees who have taken primary or secondary carer leave under our old policy, and so I expect that our new benefits will be welcomed by an even broader range of employees."

Innovative and inclusive

For Andrew and IRESS, this is just the start of things to come with further work underway looking at how the organisation can increase opportunities for employees to work flexibly as well as initiatives to continue to improve diversity at IRESS across a number of measures.

"I believe that fostering diversity, in many forms, will drive further innovation and is a real differentiator for us as a business. We've also received great feedback from clients, partners and shareholders on our diversity initiatives."

"We see this as another example of how we can lead the way in creating an innovative and inclusive organisation. It is not a box-ticking exercise." ■

ABOUT THE AUTHOR
Kelly Fisk is IRESS' Senior Corporate Communications Manager. She has worked in the financial services industry for more than 10 years across a range of marketing and communications roles.

[1] http://www.catalyst.org/system/files/why_diversity_matters_catalyst_0.pdf

The BEAR is in the detail

By Nathalie Nuijens

With legislation now introduced into parliament and referred to the Senate Committee for report, the BEAR looks set to take effect July next year. We look at what concessions have been made so far and what further to expect.

ON THE REGULATORY side, the Commonwealth government swiftly introduced reforms to tighten Australia's AML/CTF regime. Amongst other things, the proposed amendments will bring digital currency exchange providers under the remit of the Australian Transactions Reports and Analysis Centre (AUSTRAC), the key financial intelligence unit and AML regulator.

APRA chairman Wayne Byres' opening plenary at the Customer Owned Banking (COBA) convention earlier this week discussed what influences the ability of mutual organisations to thrive and compete in the Australian banking system.

When asked to elaborate on the Banking Executive Accountability Regime (BEAR), Byres conceded that while a number of changes were already made to the proposed legislation, the implications could still turn out to be significant. He emphasised the necessity for smaller organisations to collaborate and start preparing for the implementation of the regime as soon as possible in order to meet the 1 July deadline.

Under the original BEAR proposal, APRA will have enhanced powers to:

- remove directors and senior executives from APRA regulated institutions, subject to review
- direct ADIs to review and adjust remuneration policies when APRA believes these policies are producing inappropriate outcomes. In particular, APRA will be able to direct the variable remuneration of an executive account-

In the Australian Financial Review of 19 October, Deloitte's lead partner on BEAR, Karen Den-Toll, called on APRA to engage with and provide guidance to the banks to help them understand their new obligations.

GRC solutions

able person to be reduced where he or she does not meet the new expectations of the BEAR and is consequently removed and/or disqualified.
- impose civil penalties where DIs and their directors and senior executives fail to meet APRA's expectations and
- impose penalties on ADIs not appropriately monitoring the suitability of executives.

The legislation, introduced to the Parliament by the Treasurer, Scott Morrison, on 19 October came amid calls for a royal commission into the financial services sector following a string of scandals. It is speculated the government hopes that the introduction of the BEAR will negate the possibility of a Royal Commission into the banking and financial services industry.

When compared with the first draft bill, KPMG's legal experts note the following changes are apparent:
- A section has been added to address inconsistencies with corresponding foreign laws
- The meaning of "accountable persons" has been amended to clarify bankers in a subsidiary will only be caught if they have control of "a significant or substantial part or aspect" of the operations of the group
- The words "senior executive" have been inserted prior to each of the areas of responsibility that trigger the definition of an accountable person
- The deferred remuneration obligations of an ADI include the requirement to have a policy in force where, if the person has failed to comply with his or her accountability obligations, the variable remuneration is reduced by an amount proportionate to the failure
- The Bill removes the requirement that the reduction in variable remuneration occurs also where the person "is likely to have failed to comply with these obligations".

The concessions were welcomed by the banks. They also wanted the start date to be pushed back but the government stood by its decision to have the regime take effect on 1 July next year.

The BEAR legislation has now been referred to the Senate Economics Legislation Committee for report by November 24.

There are still many practical questions, including whether BEAR applies only to the required individuals or across a whole organisation. It remains unclear what the impact will be on employment and remuneration arrangements. The legislation also does not address rules that safeguard directors and executives if they have made business decisions based on their judgment of a situation in good faith.

In the Australian Financial Review of 19 October, Deloitte's lead partner on BEAR, Karen Den-Toll, called on APRA to engage with and provide guidance to the banks to help them understand their new obligations. "The real risk is that, when banks sit down and examine what needs to be done against the words in the law, they will find that many things don't work in practice," she said.

"APRA will need to play an important role in engaging with industry to identify, understand, and resolve problems and ensure the regime achieve its objectives. We expect there to be a lot of focus on determining what those requirements mean in practice, and we expect that there will be areas of continuing debate."

Anecdotally, Byres concluded his address at the COBA convention by mentioning that the regime's original working title was the Financial Executive's Accountability Regime (FEAR). "It would have been even harder to sell so we settled for the BEAR instead," he said. ■

ABOUT THE AUTHOR
Nathalie Nuijens is a Senior Consultant with GRC Solutions. Nathalie works with organisations across Australia and SE Asia, many of which operate in the financial services sector. She advises clients around their training needs and works collaboratively to develop engaging and effective learning programs: e-learning, blended or facilitated workshops. Nathalie is a regular speaker at conferences and seminars, and webinar presenter.

Show you care at Christmas

By Peter Grace

Christmas is a family time and you can show you care by making sure what is likely to be your second biggest asset – your superannuation – goes where you want when you die. Firstly, you need to understand how super works.

SUPERANNUATION is not a personal asset that is automatically dealt with by your will when you die – though it can be paid to your estate if you wish. The SIS Act requires superannuation death benefits to be paid to your dependents or your estate. Your dependents are your spouse (or de-facto or same sex partner), your children (including adult children, adopted children, step-children and children born outside a marriage). People who are financially dependent on you or are in an interdependent relationship with you are also SIS dependents.

The trustees of the fund must identify your dependents when you die and decide how to pay out your super (and any associated life insurance). They may choose to pay it as a lump sum, as a pension or a mix of both.

Beneficiaries who are unhappy with the trustee's decision can complain to the Superannuation Complaints Tribunal (SCT). In recent years about 30% of complaints have related to death benefits. One way to avoid disputes is to make a Binding Death Benefit Nomination (BDBN) that the trustees must follow (as long as it is valid) and cannot be overturned by the SCT. It is important that anyone you nominate must be a SIS dependent at the time you die and you should update your BDBN if your circumstances change.

Once trustees have made their decision they must also determine if any tax should be deducted. Benefits paid to dependents as defined in tax laws (ITAA97) are tax free. Otherwise tax is deducted from the taxable component(s). Tax dependents are your spouse (or de-facto or same sex partner), your children under 18, people who are financially dependent on you or are in an interdependent relationship with you.

If a death benefit is paid to your estate, the tax liability is the same. The responsibility for deducting tax passes to the executor of your will when the benefit is distributed.

SMSFs are a lot more flexible than large APRA funds because the trust deed and trustee policies can be tailored to suit the needs of the members. For instance, binding rules for paying death benefits can be written into the trust deed and it is even possible to nominate who will receive specific assets held by the fund.

Pre-arranging how your super will be dealt with when you die can save a lot of time, trouble and expense for those left behind. Of course, your personal circumstances are likely to change over time so like any plan it should be reviewed periodically. How about doing it just before Christmas each year? ■

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

ACCREDITATION & TRAINING November 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 28 Nov | 9:00am – 1:00pm
	RE EXAM PREPARATION COURSE – 10 CPD (COMPLIANCE) This 2 x 3-hour intensive workshop (conducted over 2 days) covers the ASIC/ASX Markets & ASX Clear (Clearing & Settlement) RE exam syllabus in detail, ensuring that candidates are well prepared for the exam(s) and know what to expect on the day, with sample questions and a practice exam.	MELB: Tues 21 & Wed 22 Nov | 9:30am – 12:30pm
	RE EXAM PREPARATION 'SHORT COURSE' – 4 CPD (COMPLIANCE) This 4-hour intensive workshop is a condensed version of the Stockbrokers And Financial Advisers Association 2-day RE Exam Preparation Workshop. It covers The ASIC Market Integrity Rules (ASX Markets) 2010 and/or The ASX Clear Operating Rules (Clearing & Settlement) Responsible Executive exam syllabuses in detail, with 7 subject areas and 2 assessments during class time.	SYD: Mon 27 Nov | 9:00am – 1:00pm
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: Thurs 30 Nov | 1:30pm – 4:30pm
	CONDUCT RISK – 1.5 CPD (COMPLIANCE) In this lunchtime seminar hear from a Conduct Risk specialist on what it is; where Conduct Risk might go wrong; and where it belongs in the risk world. More importantly, learn how it will affect you.	SYD: Wed 29 Nov | 12:30pm – 2:00pm
Introductory 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: Wed 22 Nov | 9:00am – 1:30pm

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

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