

# Stockbrokers

And Financial Advisers MONTHLY

SEPTEMBER 2017  
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MEMBERSHIP  
EVENTS  
EDUCATION  
POLICY &  
REGULATORY ISSUES



Stockbrokers  
And Financial Advisers  
Association Limited

**Market supervision**  
priorities for the year ahead



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**Stockbrokers And Financial Advisers Association Limited** ABN 91 089 767 706

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

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

[www.stockbrokers.org.au](http://www.stockbrokers.org.au)

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## 2018 Conference CPD points categories

Our 2018 annual conference to be held at the Crown Promenade on May 23rd & 24th will now provide delegates with the opportunity to categorise their CPD points.

This will make it easier for members to know what product areas a course, workshop or event covers.

## Women in Stockbroking Working Group

In this issue we feature a profile on Jacqui Mengler, Queensland State Manager for Patersons Securities.

Jacqui is a member of our Women in Stockbroking Working Group.

A comment from her story that resonates with me is that we need to lead by example. So for example, if we are going to a school sports carnival, tell it like it is. Don't pretend that we are going to a client meeting.

## Fast track process for new members employed by Principal Members

We have revamped our on-boarding process for employees of Principal Members. Instead of having to provide certified copies of academic achievements and a National Police Check, all the employee needs to do now is get the [Application Form](#) counter-signed by a Compliance Officer in the firm.

## AFP encourage adoption of a Cyber Incident Response Plan

During the August meeting of our Cybercrime Working Group chaired by Melissa Nolan from Baillieu Holst, the AFP addressed members on the importance of being prepared for a cyber incident.

"Not having a plan is planning to fail," declared the AFP.

Interestingly, 68% of respondents to the UK Government's *FTSE 350 Cyber Governance Health Check Report 2017* revealed that *their Board had received no training* in order to deal with a cyber incident within their organisation.

The report went on to say that "having a board member trained to handle a cyber incident sends

a positive message throughout a business on the importance of being prepared..."

## Enhanced role for Association

In January this year, the Association was accredited by the TPB as a Tax (Financial) Adviser Association. We are now providing Code Monitoring Services for our Tax (Financial) Advisers.

Following the passage of the Professional Standards legislation in February, retail financial advisers will soon need to be covered by a scheme that monitors compliance with a code of conduct to be set by the new standard setting body, FASEA.

We hope to become an accredited code monitoring organisation for FASEA.

The establishment of a code monitoring capability requires us to invest in new systems.

In order to cover this cost, annual membership fees will increase by \$100 effective 1st October, which is the start date for our membership year. We have kept fees down over many years. The new annual membership fee will still be significantly lower than most comparable Associations.

## Margin Lending Scholarships

Leveraged and the Stockbrokers And Financial Advisers Association are offering Margin Lending Scholarships.

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 understand the material and assist in passing the online assessment. Contact Gillian Gilmore [ggilmore@stockbrokers.org.au](mailto:ggilmore@stockbrokers.org.au) for further details.



Andrew Green

## Annual Microcap Investment Conference 17th & 18th October

The 8th annual Australian Microcap Investment Conference will be held on October 17th & 18th at the Sofitel, Melbourne.

SAFAA members are provided with free passes to attend the Conference (use code SAFAA2017 when registering).

## Workshop to distil SAFAA's competitive advantage

We are planning to run a workshop to define our competitive advantage. If you would like to be involved, please contact me. [Andrew.green@stockbrokers.org.au](mailto:Andrew.green@stockbrokers.org.au)

## New Graduate Certificate in Stockbroking and Financial Advising

The new Professional Standards regime requires that financial advisers have a "degree equivalent" qualification.

In preparation for that, we will be offering a new *Graduate Certificate in Stockbroking and Financial Advising*.

SAFAA's Graduate Cert will be at AQF Level 8. By comparison, a normal degree is AQF Level 7.

The Grad Cert in Stockbroking and Financial Advising will comprise 4 units.

For advisers wanting to go beyond a Grad Certificate, we will also be offering a Grad Diploma and a Masters in Stockbroking and Financial Advising.

Advisers with three or more years' experience will be eligible to apply for our fast track process.

For further details, please contact [Gillian Gilmore](mailto:Gillian.Gilmore@stockbrokers.org.au). ■

## ASIC Consultation Paper CP 290 – Sell Side Research

**ASIC'S CONSULTATION Paper CP 290 on Sell Side Research** released on 30 June 2017 has received much attention.

Member firms are looking closely at the proposals in the CP and the accompanying Draft Guidance Note. A SAFAA member meeting was held on 27 July to discuss issues that have been identified with the proposals. Following this, ASIC senior staff offered to meet with SAFAA members

to discuss any issues, which meeting took place on 16 August.

Members have identified some key concerns, including:

- The wider definition of research, which extends to other communications, such as sales desk notes, which contain recommendations
- The high level of process that has been injected into research analyst interactions with issuers and with corporate advisory

- The high reliance on compliance staff to preside over communications involving analysts
- The potential impact on the ability of firms to rely on their analysts for reliable valuations and to critically assess management of issuers.

SAFAA is in the course of settling a Submission to ASIC on the CP. The feedback from members is sought to settle the Submission.

The closing date for submissions is 15 September. ■

## 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 liable entities in January 2019, with costs being recovered in arrears.

ASIC has advised that the Cost Recovery Impact Statement (CRIS) will be published in around October

2017. This will set out the breakdown of the budget for each sector of ASIC's activity, so that the total amount for the sector to be cost recovered will be known.

The amount which each liable entity will be liable to pay will be based on the relevant formula set out in the Regulations, which in most cases is based on the entity's proportion of total market activity for that sector. The latter figures will not, of



course, be known until after the end of the financial year. ■

## Professional Standards regime – FASEA appoints CEO

**THE FINANCIAL** Adviser Standards and Ethics Authority (FASEA) has announced the appointment of Dr Deen Sanders as Chief Executive Officer.

Dr Sanders has a background in professional standards, having been the CEO and Assistant Commis-

sioner of the Professional Standards Council. Prior to that, he had been the chief professionalism officer at the Financial Planning Association (FPA).

The appointment of the CEO is the critical first step in the set-up of the Authority, which has much to achieve

in a short timeframe to meet the implementation timetable set by the Professional Standards Legislation. ■

Dr Sanders will become the inaugural CEO for FASEA on September 18, 2017.

## ASIC – Proposed review of allocation practices in capital raisings

**A**T THE RECENT ASIC Liaison meeting held on 15 August 2017, ASIC speakers announced that a review was commencing into allocation practices in capital raisings.

The scope of the review would include matters such:

- Equality of information regarding the level of coverage of the book

- The basis on which allocations are made to different investors
- Allocations made with the view to securing commitments of future order flow or corporate mandates
- Staff allocations.

The review would look at issues of management of conflicts of interest; potential for misleading and deceptive conduct or statements; potential

for market manipulation; and compliance with license conditions.

ASIC advised that they would be consulting a range of stakeholders, including issuers, corporate advisers, licensees and industry associations.

ASIC is anticipating releasing a Report of the review in 1H 2018. ■

## ASIC Strategic Priorities Letter

**A**SIC HAS WRITTEN to Market Participants outlining its Strategic Priorities for 2017-18. A copy of the letter has also been posted on the ASIC website.

This continues the approach set last year with the issuing of a Strategic Priorities letter communicating ASIC's areas of focus to the market.

ASIC has listed its key strategic priorities for the coming year as:

1. Technology, risk and resilience
2. Conduct
3. Effective capital markets.

In the letter, ASIC provides some elaboration as to these priorities. The focus on cyber resilience would not be a surprise, in view of the current

environment of cyber risk. In relation to effective capital markets, ASIC outlines plans to conduct a broad review of OTC markets, particularly Fixed Interest, Currency and Commodities, and Equity Derivatives. A review of the capital framework in the Market Integrity Rules is also foreshadowed. ■

## Interesting Markets Disciplinary Panel circular

**T**HE ATTENTION of members is drawn to an interesting Circular MDP 265/16 issued by the Markets Disciplinary Panel on 3 August 2017.

The Circular relates not to a decision to give an infringement notice, but rather, to the facts surrounding a decision not to issue a notice.

The facts related to the execution of a buy order using what appears to have been a fairly typical VWAP algorithm. The algorithm was configured to achieve VWAP with a maximum participation rate of 1%, and

participation in the Closing Single Price Auction.

Because of the illiquidity of the stock (which was not identified), the trading resulted in the buyer participating in all of the closing auctions in the period, and including all of those which resulted in a price increase at the close. The pattern gave the appearance of marking the close on small volumes.

The Panel did not conclude that the trading resulted in a market that was not fair and orderly. However, the MDP stated that it did not wish

to create a precedent that VWAP algorithms such as this were inherently not fit for use, nor did it wish there to be an "algorithm defence" for trading which was problematic. The MDP stressed that algorithmic trading is subject to the Market Integrity Rules, and "not the other way around".

The MDP Circular makes interesting reading. It illustrates that the application of the market misconduct provisions to electronic trading can be complex in particular factual situations. ■

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

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





# Committee News

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

## Retail Broking Committee Meeting, Tuesday 5 September 2017

Chair: Dean Surkitt MeSAFAA, Bell Potter Securities

## Audit Committee Meeting, Wednesday 27 September 2017

Chair: Brian Sheahan MSAFAA, Morgans Financial

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

- |                    |                   |                     |               |
|--------------------|-------------------|---------------------|---------------|
| – Andrew Horsbrugh | – Anthony Russell | – David Breen       | – Gary Wong   |
| – Hamish Church    | – Mark Davies     | – Mark Gouloupoulos | – Tarek Elmir |

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

- |                   |                        |                       |                     |
|-------------------|------------------------|-----------------------|---------------------|
| – Adam Hartard    | – Adrian Seiffart      | – Andrew Coote        | – Andrew Willard    |
| – Angie Oh        | – Anthony Melville     | – Bradley Witt        | – Brett Jackson     |
| – Brodie Hussain  | – Christopher Smith    | – Danny Chronopoulos  | – David Mahn        |
| – David Matthews  | – Dylan Greenway       | – Fabian McKenna      | – Gayle McKew       |
| – Geoffrey Burton | – Goran Padezanin      | – Gordon Schauer      | – Graham Wearn      |
| – Grainne Noble   | – Hae Suk Chung        | – James Keillor       | – James Massey      |
| – John Clark      | – Karen McClimon-Smith | – Kate Cross          | – Lindsay Byrne     |
| – Marco Longo     | – Mark Gross           | – Martin Baker        | – Naomi McIntosh    |
| – Owen Cook       | – Paul Pridham         | – Raymond Martinez    | – Rodney Boon       |
| – Rodney Edwards  | – Ryan Glaser          | – Sam Fimis           | – Sandra Sargeant   |
| – Shaun Trewin    | – Silis Key            | – Simon Cutler        | – Stephen MacDonald |
| – Steven Bemrose  | – Steven Farrell       | – Steven Kipic        | – Steven Smith      |
| – Stuart McIntosh | – Thomas Wright        | – Yu-Sheng Keet Huang |                     |

### New Affiliate (AfSAFAA) Membership application approved:

- Joshua Gilbert



ASIC

Australian Securities &amp; Investments Commission

# Market supervision priorities for the year ahead

To keep you informed of the emerging issues in Australia's markets, our Market Supervision team has identified three strategic priorities for 2017–18. We encourage you to plan for the year ahead by assessing your risk management framework against these priorities.



## STRATEGIC PRIORITY 1: Technology, risk and resilience

- Consider the systems and controls that apply to your operational and technology infrastructure, including proprietary systems and third-party providers.
- Cyber threats are a risk to businesses and the stability of the financial markets. You should consider your cyber resilience profile relative to your risk appetite.

- We will continue to provide cyber self-assessment questionnaires to market intermediaries to understand market practice and provide feedback.

Technology and operational risk is a significant concern for financial markets. To prevent and address critical issues, you should review and refine your technology and operational systems and processes.

Cyber resilience practices can also be improved by considering the cyber risks to your business and taking appropriate action. You can do this by

establishing robust collaboration and information-sharing networks to access the best defensive intelligence and technology.

For our part, we will continue to provide cyber self-assessment questionnaires to select market participants and check in with top tier investment banks to understand changes since our last survey. Our goal is to conduct a cyber resilience health check of our regulated population and identify common areas for improvement.



Reforms to strengthen the protection of client money provided by retail derivative clients will commence on 4 April 2018. As part of the reforms, we have been given the power to make new client money reporting rules.



### STRATEGIC PRIORITY 2: Conduct

- Review the culture in your organisation to ensure it drives good conduct.
- Ensure your firm is adequately managing confidential information and conflicts of interest. Review your controls (including policies, procedures, training and monitoring) to make sure you are appropriately managing risks identified by ASIC in [Report 486](#).
- Contribute to the consultation on the proposed guidance for sell-side research.

We are continuing our focus on conduct that enhances market integrity across all market-based activities. In particular, we are asking firms to consider whether their controls are appropriate.

The handling of confidential information is an ongoing concern for us. Leaks of material, non-public information can threaten market integrity. This damages investor confidence and increases the risk of insider trading. When assessing your conduct risk, you should consider the risks identified in [Report 486](#).

It is also important to ensure that conflicts between your firm and its clients – and between the competing interests of different clients – are properly managed. We have recently published [Consultation Paper 290](#) which sets out proposed guidelines to manage conflicts at each stage of a capital raising transaction. It also sets out general guidelines for the

structure and funding of research teams and for the identification and handling of material, non-public information.



### STRATEGIC PRIORITY 3: Effective capital markets

- Review your systems and controls for managing conduct risk in fixed income, commodities and currencies (FICC), and equity derivatives.
- Review your capital arrangements and the capital calculations used to assess financial strength.
- Make sure you are prepared for the new client money reporting rules.

We are conducting a review of market activity in the over-the-counter (OTC) sector of the market, primarily FICC and equity derivatives. This multi-year project will be undertaken while the market considers how to implement the [Global FX Code](#) and ASIC [Report 525](#). We will use [Report 525](#) as a reference point for our surveillance of the FX market and, where appropriate, broader wholesale OTC markets.

Our broader OTC review will consider whether you have appropriate systems and controls in place to prevent, detect and address inappropriate conduct within your organisation (including governance, supervision, monitoring and compliance measures).

We are also conducting a high-level review of the capital framework in the ASIC market integrity rules that applies to market participants (that are not also clearing participants). We intend to consult on proposed changes.

Reforms to strengthen the protection of client money provided by retail derivative clients will commence on 4 April 2018. As part of the reforms, we have been given the power to make new client money reporting rules. Our proposals to make new rules can be found in [Consultation Paper 291](#). ■

For more details about the focus areas for each of these priorities, [head to our website](#).



ASIC

Australian Securities & Investments Commission





**WOMEN WORLD  
CHANGERS**



**FEATURING**

**VALERIE JARRETT**

Senior Advisor to President Obama

**ELIZABETH BRODERICK**

Former Sex Discrimination Commissioner

# A powerful one-day leadership summit on diversity, talent & economics

## Build a 21st century organisation for the 21st century workforce

Women World Changers is the premier all-inclusive, one-day leadership summit designed to drive critical dialogue on the impact and economics of women, diversity and culture on business growth.

Attended by Australia's top business executives, government and community leaders, Women World Changers boasts a gender balanced lineup of industry leaders who will expose the most critical leadership requirements for leading and managing Australia's workforce of the future.

This year our outstanding speaker lineup is headlined by Valerie Jarrett, Senior Advisor to President Barack Obama and Elizabeth Broderick, Australia's longest serving Sex Discrimination Commissioner (2007 – 2015).

Summit speakers will offer solution-based ideas to overcome workplace diversity issues to enable increased innovation, greater employee engagement and real business growth.

Women World Changers invites you to challenge your thinking, change the game and take action.

#WomenWorldChangers17

Outstanding speakers also include:



**Anita Krohn Traaseth**

CEO of Innovation Norway, formerly the first female MD of Hewlett-Packard Norway



**Dr. Richard Denniss**

Chief Economist at The Australia Institute



**Laura Liswood**

Secretary General, Council of Women World Leaders, Former Managing Director, Global Leadership and Diversity for Goldman Sachs and interviewed every female head of state between 1992 – 1996



**Professor Cordelia Fine**

Academic Psychologist, award winning author of three books including *Delusions of Gender* and *Testosterone Rex*



Visit the website for the complete speaker lineup.

**MELBOURNE & SYDNEY  
9 & 11 OCTOBER 2017**

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## WOMEN IN STOCKBROKING AND FINANCIAL ADVISING

# Profile on Jacqui Mengler, Queensland State Manager, Patersons Securities

Jacqui is the Queensland State Manager, Wealth at Patersons Securities Limited.



Jacqui joined Patersons in May 2009, following the merger with Tolhurst Limited. She began her career as a Lawyer at Allens Arthur Robinson after graduating with a Bachelor of Laws (Hons) from Bond University and was previously a Senior Underwriter for Chubb Insurance Company of Australia where she undertook financial and technical analysis of ASX companies.

As a regular keynote speaker and someone passionate about educating women on stockbroking and investing, Jacqui presents her own Ladies 'Investing with Confidence' seminars. Since 2007, she has held over 40 seminars.

Jacqui has completed her Diploma of Financial Planning and is a member of the Stockbrokers and Financial Advisers Association Limited (SAFAA) Women in Stockbroking Working Group.

Jacqui is a former World Champion in Sprint Canoeing and was a scholarship holder with the Australian Institute of Sport (AIS).

Just over 7 years ago, Jacqui gave birth to her daughter, Ava and returned to full time work when Ava was 9 weeks old. Jacqui was appointed Qld State Manager, Wealth at Patersons Securities Limited when Ava was 2 years of age.



### 1. Do you think the Stockbroking industry is doing enough to increase women in the industry?

We can always do more. It is a demanding and rewarding industry. But it isn't about finding a band aid solution. Rather, we need to encourage more women to join the industry and work on keeping them here. How do we do it? Being authentic and leading by example. So men and women being upfront and honest about their abilities and their needs. Going to the school sports carnival and saying so (and not pretending it is a client meeting!).

### 2. When did you return to work and how did you do it?

I took 3 days off work prior to giving birth and then returned back to full-time work when Ava was 9 weeks old. I was always keen to return to work early as I love what I do. Initially my biggest concern was childcare and getting a full-time childcare place for Ava. I had put her name down when I was pregnant and I still didn't have confirmation until 1 week prior to returning to work. That was stressful not knowing what arrangements were in place for Ava.

From birth, Ava has had what I call a 'community of care' with my parents playing a significant role in her life as they lived next door to us and we also had a family Nanny for Ava from the age of 18 months as I was commuting 1 hour 20 each way to work in Brisbane. This really helped alleviate the load.

I would express milk at work and drop off at daycare with Ava. These days Ava often comes into my office before school. For example when daylight savings operates in the southern states, I need to be at my desk around 7.15am. So Ava has a desk next to mine where she can do her homework or be creative and then I leave the office for school drop-off around 8am. On many occasions I've walked back into our boardroom to see a drawing that Ava has left on the whiteboard for me... and clients!

### 3. What do you think workplaces could do better to make the transition back to work easier?

Start discussions with employees (mothers and fathers) early. Keep the conversation open ended to make sure both parties know what the options are. And once back at work, have regular catch ups to check in.

### 4. How do you make it work for clients, company and family?

At first I tried to make sure that I had every area of my life in balance. But it just wasn't. So instead of trying to pretend I had it all under control when I didn't, one day I just made the decision to be authentic and real with every interaction I have. So one minute you may find me having a discussion with a company director about their upcoming IPO and the next I'm talking about school sport with them. Interestingly, I find that business conversations have

opened up much more for me by being upfront and talking about what is relevant to my life at that point. We are all human after all!

### 5. What would you do differently?

The only pressure on my return to work was from myself. Patersons were very supportive. I felt driven to return for my clients and my team. So in hindsight, I would take a little longer to return to work as everything ran smoothly whilst I was away. I needed to trust my team and colleagues more.

### 6. What have you learned about balancing parenthood with your career?

Like they say on aircraft, fit your own oxygen mask first. So look after yourself first. The older Ava is, the more she is perceptive to how I am feeling and what is going on in my life. She looks to me for example. In a similar way that my team at work does too. I prioritise my health and fitness and can often be found taking a member of the team out for a walk at lunchtime. It doubles as a great way to have a staff catch up. ■



# IN FOCUS

# ASIC changes fees and charges

By Liam R. O'Brien

In the June issue of the Stockbrokers And Financial Advisers Monthly newsletter, my article [In focus - financial advisors, registers and references](#) (page 13) discussed the insights of a licensee's liaison meeting with ASIC. A range of topics were addressed, but of particular interest to members was a presentation on the Financial Advisors Register.

Now, some greater clarity has emerged in two key areas for Australian financial services (AFS) licensees, one of which is of interest to those with retail authorisations. It should be said at the outset that neither of these come as a surprise but, as they get closer to the sunlight, finer detail may deliver some surprises.



## Changes to ASIC's fees and charges for licensees

Changes to the fees for AFS licensees have been on the agenda for quite a while. Credit licensees have been paying based on volume of their loans for a while, but recent changes go further.

The current fees for AFS licensees are a simple flat fee payable upon application and then upon lodgement of audited financial statements. The new approach is outlined in [Report](#)

[535 ASIC cost recovery arrangements: 2017-18](#). It describes the new charges as an industry levy which is justified by reinforcing that the change is about recovering costs from arrangements/activities which create the most work for ASIC. First-time licensees will be charged under the new regime in FY2019 which will reflect their activities in FY2018.

As a licensee, your levy will be charged on the basis of the authorisations you have under your license, with some variation for the number of

days you have held the authorisation and/or the volume of funds under management.

For advice only authorisations there is little impact. For issuers, intermediaries and listed businesses the impact is greater. In practice, most licensees have several authorisations or in larger operations, several AFS licenses, so it is likely that the changes will create some greater complexity in determining what charges are relevant.

The following tables were taken





from Report 535 and outline the changes most relevant to SAFAA members:

to review their authorisation and drop authorisations which aren't being used.

**Table 6: Cost recovery summary—Financial advice sector**

Financial advice subsectors	Cost Recovery Regulations	Levy metric	Minimum levy	Threshold for graduated levy
AFS licensees authorised to provide financial product advice on relevant products to retail clients	Regulation 43	Adjusted number of advisers on the Financial Advisers Register	\$1,500	No threshold
AFS licensees authorised to provide financial product advice to retail clients, only on products that are not relevant products	Regulation 42	Fiat levy	N/A	N/A
AFS licensees authorised to provide general advice only	Regulation 40	Fiat levy	N/A	N/A
AFS licensees authorised to provide financial product advice, only to wholesale clients	Regulation 41	Fiat levy	N/A	N/A

**Table 4: Cost recovery summary—Investment management, superannuation and related services sector**

Investment management, superannuation and related services subsectors	Cost Recovery Regulations	Levy metric	Minimum levy	Threshold for graduated levy
Superannuation trustees	Regulation 36	Adjusted total assets	\$18,000	\$250 million
Responsible entities	Regulation 35	Adjusted total assets	\$7,000	\$10 million
Wholesale trustees	Regulation 37	Fiat levy. From 2018–19 the levy will be graduated, based on adjusted total assets.	N/A	N/A
IDPS operators	Regulation 34	Revenue from IDPS activity	\$10,000	No threshold
Custodians	Regulation 31	Fiat levy	N/A	N/A
Traditional trustee company service providers	Regulation 33	Fiat levy	N/A	N/A
MDA providers	Regulation 32	Fiat levy	N/A	N/A

Source ASIC: Report 535 ASIC cost recovery arrangements: 2017-18

The implications for licensees are increased cost of compliance which may impact the resources available to the organisation for monitoring and supervision, and program management. It may also motivate licensees

Ultimately the idea of charging licensees more or less, based on the regulatory burden they present is not a bad idea, but might beg the question: why are they also contributing to federal revenues through taxation?

In my next article, we will look at changes to the professional standards of financial advisors. ■

#### ABOUT THE AUTHOR:

Liam is a Senior Consultant and Subject Matter Expert for GRC Solutions. Liam has worked for large and diverse organisations in senior management roles since 2003 including Suncorp, SAI Global and QR Limited. His governance, risk and compliance expertise comes from successfully executing:

- Risk management frameworks
- Compliance programs
- Governance reviews
- Bribery and corruption assessments
- Audit programming.

He has provided expert content to professional development courses for industry bodies such as the Governance Institute and to universities, where he also teaches, lectures and facilitates sessions on compliance, governance and risk related topics. He often speaks at conferences and networking events for professional associations such Risk Management Institute of Australia, GRC Institute, Governance Institute, Institute of Internal Auditors and the International Association of Privacy Professionals.



# SMSF asset allocation

By Peter Grace

Many commentators ask whether trustees of Self-Managed Super Funds invest appropriately. The oft-stated claim that SMSFs invest mainly in cash, Australian shares and direct property is borne out by the ATO quarterly statistics. At 30 June 2016 those three asset classes represented over 77% of their assets.

## Cash

Over the last six years cash has been around 26-32% of SMSF assets. Holding some cash is a necessity to ensure expenses and pension payments can be made. Cash may also be held to await upcoming investment opportunities or for lump sum benefit payments. Cash is safe and easy to manage but may not provide the returns to ensure members meet their objectives. Some commentators have suggested holding cash may be a lazy decision, where trustees do not seek advice and do not make a decision for fear of making a 'mistake'.

## Australian shares

Over the last six years, direct Australian shares have represented between 28-32% of SMSF assets. The SMSF annual return does not require trustees to identify their holdings but well-known companies paying franked dividends are popular. Commentators have suggested this home country bias may be dangerous because of the small size of the Australian market and the limited range of industries represented.

## Direct property

Non-residential property makes up about 11% of SMSF assets and residential property about 4%. Despite the hype about trustees piling into property these percentages

have not varied much over the last six years. Many people feel they 'know' property and are comfortable in that asset class. The availability of Limited Recourse Borrowing Arrangements (LRBA) and advice from accountants may have encouraged more trustees to consider these assets.

## Overseas shares

Despite the attraction of the successful overseas companies and industries not represented in Australia, investing overseas represents less than 1% of SMSF assets. This may be caused by fear of the unknown, concerns about currency risks and more complex administrative requirements.

## Managed funds

About 19% of SMSF assets are held in 'collective investments' such as managed funds, listed and unlisted trusts. These are funds operated by an investment manager and registered in Australia and may include a significant proportion of overseas assets as well as local shares and property.

## Personal use assets

Investments in artwork, collectables and vehicles now represents about one fifth of one percent. Although this is still \$375m this is about half the value of six years ago. The decline



of this asset class is not surprising given the extra requirements on valuing, storage, insurance and usage of personal use assets.

Of course, whilst the asset allocation may have remained relatively stable over the past six years the value of SMSF assets has risen from \$393 billion in 2011 to almost \$600 billion in 2016. ■

Reference: [www.ato.gov.au](http://www.ato.gov.au) Research and Statistics, In detail, Super statistics, SMSF

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



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# ACCREDITATION & TRAINING September, October & 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: Mon 18 Sep | 9:00am – 1:00pm  
MELB: Wed 11 Oct | 9:30am – 1:30pm

### RE EXAM PREPARATION COURSE – 10 CPD (COMPLIANCE)

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

SYD: Mon 23 & Tues 24 Oct | 9:00am – 12:00pm  
MELB: Mon 20 & Tues 21 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: Tues 19 Sep | 9:00am – 1:00pm  
MELB: Tues 10 Oct | 9:30am – 1:30pm

## Professional Development Workshops

### MARKET MANIPULATION AND OTHER PROHIBITED CONDUCT – 4 CPD (COMPLIANCE)

This workshop covers an in-depth examination of what constitutes market manipulation and other prohibited market conduct. Involving a mix of presentation and scenario-based discussion, it is designed to suit market professionals, both front and back office, including: Sales staff/client representatives; Proprietary Traders; DTRs; Investment banking; Settlement staff; and Compliance & Legal.

MELB: Thurs 26 Oct | 9:00am – 12:00pm

### INSIDER TRADING – 4 CPD (COMPLIANCE)

This workshop provides a thorough analysis of Insider Trading. Topics include: elements of insider trading; statutory defences; insider trading and continuous disclosure; front running; dealing with rumours; management of confidential information; how to protect yourself, including Chinese walls, internal processes; and consequences of insider trading breaches. The Workshop is designed for sales staff/client representatives; proprietary traders; research analysts; investment banking; compliance and legal; and regulatory staff.

MELB: Thurs 19 Oct | 1:30pm – 4:30pm

### REVIEW & REMEDIATION – 2 CPD (COMPLIANCE)

This 2 hour workshop will cover the key components of review and remediation. The aim of review and remediation is to place the affected client in the position they would have been in had misconduct not occurred. This is an important area - to be ready and prepared to address complaints and issues that can arise from potential misconduct or deficient advice. The workshop will be of interest to all AFS licensees, no matter the size of the licensee. It will have value not just to those who have a current need to put a remediation/review program in place, it will also cover how the licensee assesses whether a program is required.

SYD: Thurs 12 Oct | 12:00pm – 2:00pm  
MELB: Wed 25 Oct | 12:00pm – 2:00pm

### A DAY IN THE LIFE OF A TRADE – 2 CPD (COMPLIANCE)

This 2.5 hour short 'course in operations' focuses on the evolution of share and derivative trades from order placement through to execution to settlement (and later exercise/expiry where relevant) and reporting requirements. Designed for new or unfamiliar starters in the Industry or Markets, this workshop provides a comprehensive overview of the market and operational process. It provides an excellent foundation for retail desk assistants and would suit as a refresher for experienced staff as well as those staff in auxiliary and rotating roles: legal, IT, HR and other supporting roles associated with stockbroking. There is no assumed knowledge for participants of this workshop.

SYD: Wed 25 Oct | 9:00am – 11:30am  
MELB: Tues 31 Oct | 2:00pm – 4:30pm

### CONDUCT RISK – 1.5 CPD (COMPLIANCE)

In this lunchtime seminar hear from a Conduct Risk specialist on what it is; where Conduct Risk might go wrong; and where it belongs in the risk world. More importantly, learn how it will affect you.

SYD: Tues 10 Oct | 12:30pm – 2:00pm  
MELB: Tues 24 Oct | 12:30pm – 2:00pm



**UNDERSTANDING OPTIONS: FEATURES, BENEFITS AND RISKS – 2 CPD**

This workshop focuses on equity options traded on the Australian Securities Exchange (ASX). Equity options offer investors an efficient means of managing the risks of adverse price movements in the share market. In addition, they give traders a vehicle by which to gain leveraged exposure to individual shares and selected indices. This workshop covers options pricing, basic strategies and the mechanics of trading options on the ASX.

MELB: Thurs 2 Nov | 9:30am – 11:30am

SYD: Thurs 9 Nov | 9:00am – 11:00am

**THE BUSINESS OF STOCKBROKING IN AUSTRALIA – 2.5 CPD**

This workshop provides an overview of Australia's financial markets and the critical role that stockbrokers play in both retail and institutional markets. A short history of broking in Australia sets the scene for explanation of the current market structure, operations and regulation..

SYD: Wed 20 Sep | 9:30am – 12:30pm

For further information visit [www.stockbrokers.org.au](http://www.stockbrokers.org.au)



# Accreditation Training Workshops

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Join us for a combination of keynote speeches and a panel discussion, followed by a networking cocktail reception. The event is targeted at key participants from local and international banks, financial institutions, and asset management firms.

**Save the Date and watch this space for further details.**

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