Stockbrokers

And Financial Advisers MONTHLY

APRIL 2017
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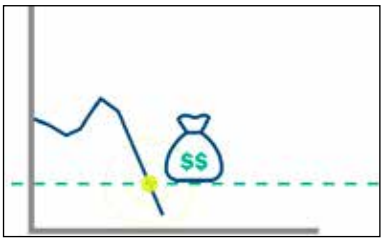
MEMBERSHIP
iLEARNING
EVENTS
EDUCATION
POLICY &
REGULATORY ISSUES

Stockbrokers
And Financial Advisers
Association Limited

Relevant CPD:

Key to long-life learning



Inside...

Stockbrokers And Financial Advisers Association Limited

Stockbrokers And Financial Advisers Association Limited ABN 91 089 767 706
(address) Level 6, 56 Pitt Street, Sydney NSW 2000
(tel) +61 2 8080 3200 (fax) +61 2 8080 3299 (email) info@stockbrokers.org.au

www.stockbrokers.org.au

New post nominal letters

The Association recently mailed out new membership certificates showing post nominal letters for the renamed Association.

- Master MSAFAA
- Member MeSAFAA
- Affiliate AfSAFAA
- Fellow FSAFAA

Members are now entitled and encouraged to use their post-nominals.

We believe that a post-nominal from SAFAA will be viewed favourably by clients, and be a real point of difference with others in the industry.

Changes to Membership

Following the introduction of the new Professional Standards regime, retail financial advisers will soon need to belong to an accredited organisation that monitors compliance with a code of conduct to be set by a new Standard Setting Body.

The Association intends to become an accredited code monitoring organisation.

The consequence for members will be that SAFAA will be monitoring the compliance of individual members with a Code of Conduct.

The establishment of a code monitoring body will require our Association to invest in new systems.

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

As well as access to the Association's proposed role as a code monitoring body, and membership of an Association that is held in high regard, membership of the Association delivers the following benefits.

1. An opportunity for you to shape the future of the industry by participating in the Association's policy and advocacy work by serving on Committees or Working Groups.
2. Access to industry leading training and education programs, delivered by practitioners.
3. Participation in the industry's annual conference

If you are not currently a member of SAFAA, you can beat the price rise by joining before 1st October.

Calling all TASA financial advisers

SAFAA was recently accredited by the TPB as a tax (financial) adviser Association.

This means that SAFAA is now a code monitoring body for the TPB.

Tax (financial) advisers need to meet the following obligations.

1. Comply with SAFAA's approved Code of Conduct
2. Maintain Professional Indemnity Insurance
3. Undertake required CPD

With respect to CPD, education exemptions apply if you notify the TPB before June 30, 2017 and join an accredited Association such as SAFAA.

If you would like to join the Association and take advantage of the education credits, please contact Diem Tran.

Diversity trumps sameness

It was refreshing to hear David Gonski speak on diversity at the ASIC Forum on March 20-21. Mr Gonski, who chairs ANZ, said that boards comprising directors from diverse backgrounds brought a different vantage point and were preferable to boards comprising directors from similar backgrounds. He argued strongly against sameness.

Recently, we updated our Gender Diversity Guidelines with input from members. I think the Guidelines are now a very useful reference point for members.

I was flattered to receive an email from one member asking:

How does SAFAA respond to the fact that only 1/15 board members are female? Surely you are aware some work needs to be done in this area?

My response was that we have begun the journey. We are headed north, and we should applaud the fact that we understand the important contribution that gender diversity, and diversity more widely, can make to the performance of a business.

Andrew Green

GRC new e-learning partner

We are very excited to announce that we have entered into an e-learning partnership with GRC Solutions.

GRC Solutions is a global leader in innovative compliance training.

GRC will be offering an array of new online courses specifically for SAFAA members, including those practitioners who provide tax advice.

GRC's online courses will enable you to undertake study anytime you have access to a wireless network. Great way to fill in an hour or so if your flight has been delayed!

ASX & SAFAA Scholarships

The ASX and SAFAA are offering 30 ADA 1 & 2 Scholarships.

The Scholarships are designed to help advisers expand their knowledge of derivatives.

A Scholarship for both ADA 1 & 2 is valued at $800 ($400 per ADA).

Candidates will receive 20 hours of CPD upon completion of each ADA.

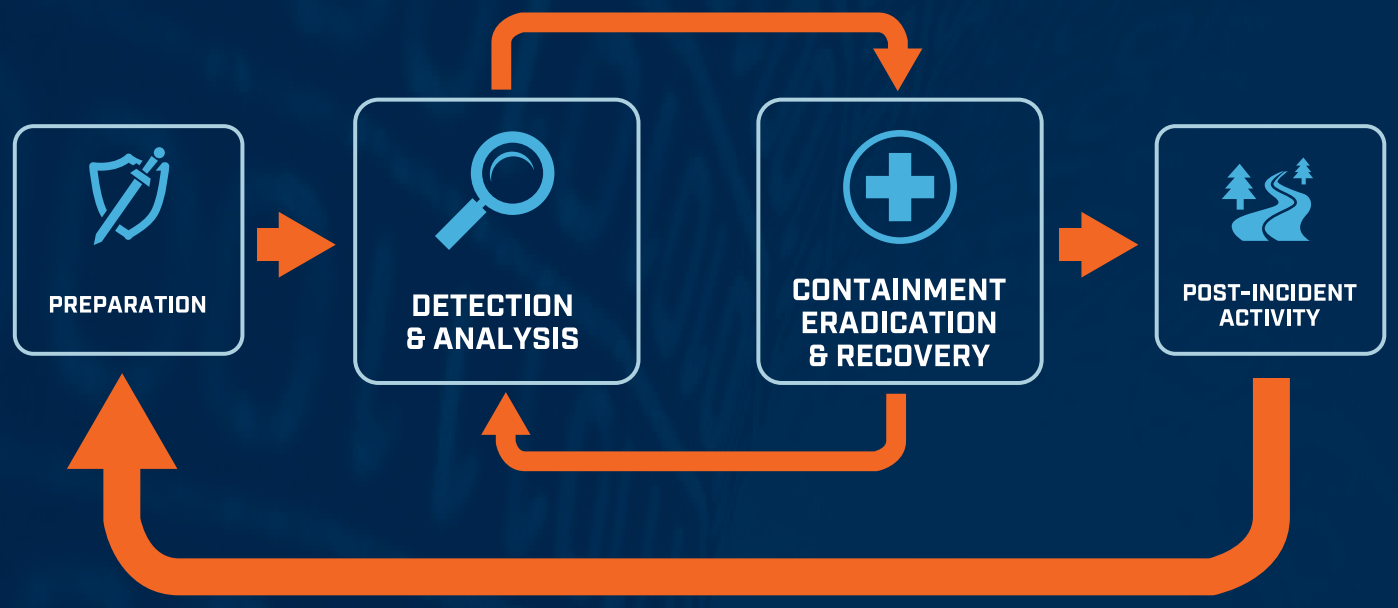
This offer ends on 31st May 2017.

Enrol now as places are limited.

Cyber resilience workshops

Almost 200 members attended Cyber Resilience Workshops in Sydney, Brisbane and Melbourne during March. The workshops provided members with deep insight into the tactics used by cyber criminals

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**

info@huntsmansecurity.com

t: +61 2 9419 3200
Level 2, 11 Help Street
Chatswood NSW 2067

Huntsman®

and how to minimize cyber risk. We are indebted to ASX, Arthur J Gallagher, Deloitte and Huntsman for their sponsorship of this important initiative.

SAFAA 2017

This year's annual conference will be held at Hilton Sydney on May 24th & 25th.

With a record number of sponsors and exhibitors, and strong ticket sales, the conference is not to be missed.

Confirmed speakers include:

- Alex Vynokur, MD, BetaShares
- Blythe Masters, CEO, Digital Asset Holdings
- Dr Bradley J. Betts, MD Global Equity Research Team, BlackRock
- Commander David McLean, Australian Federal Police
- Dominic Stevens, MD & CEO, ASX
- Geoff Wilson, Chairman & Portfolio Manager, Wilson Asset Management
- George Deva, Head of Product Strategy, HUB24
- Greg Medcraft, Chairman, ASIC
- Hamish Douglass, Co-Founder & CEO, MFG Asset Management
- Heather Brilliant, CEO, Morningstar Australasia
- Ian Pollari, Partner, KPMG
- Jane Irwin, COO, Patersons Securities
- John Fildes, CEO, Chi-X Australia
- John Fraser, Secretary to the Treasury
- Justin Greiner, CEO, JBWere
- The Hon. John Howard, Former Prime Minister
- John Pearce, CIO, UniSuper Management Pty Ltd
- Jost Stollmann, Executive Director, Tyro Payments Limited
- Julia Lee, Equities Strategist, Bell Direct
- Katrina Glover, COO – Australia, Credit Suisse
- Lisa Shand, Institutional Advisor, Morgans Financial
- Michael Chin, Head of Trading, Thomson Reuters
- Paul Byrne, National Director | Cyber Attack and Response, Deloitte Risk Advisory Pty Ltd
- Peter Farrell, Founder & Chairman, ResMed
- Rocky Scopelliti, Global Industry Executive, Banking, Finance & Insurance
- Tony Sacre, CEO, Sydney Stock Exchange

If you have not already registered, make sure you get your running shoes on as early bird registration closes on 21 April. ■

Proposals for a National Beneficial Ownership Register

THE FEDERAL Government has released a Consultation Paper entitled "*Increasing Transparency of the Beneficial Ownership of Companies*".

The Paper sets out a number of options for creating a register of the information about the beneficial ownership of companies, and the issues in implementing such a framework.

The Paper follows the adoption by the G20 of the High-Level Principles on Beneficial Ownership Transparency in order to combat illegal activities such as money laundering, bribery and corruption, insider dealings, tax fraud and terrorism financing. The Australian Government has affirmed its commitment to these Principles.

The Paper also references the work of the Financial Action Task Force (FATF) on Money Laundering, and the Common Reporting Standard (CRS) on tax evasion.

The Paper notes that the UK has already established a beneficial ownership register, the People with Significant Control (PSC) register, which captures those beneficial owners who may ultimately have a controlling ownership interest in a company.

The Australian proposals, if adopted, would have most impact on unlisted companies, including Pty Ltd companies. Listed Companies are already the subject of beneficial ownership tracing and disclosure requirements under the Corporations Act.

The Paper deals with issues such as:

- what definition of beneficial ownership to use?
- who would maintain the register – ASIC? The Company?
- the nature of any disclosure obligations
- should listed corporations be included in the framework, or carved out because of the existing laws that already apply
- keeping the information up to date
- who gets to access the information – just law enforcement agencies, or anyone on request
- cost of implementing such a framework.

There is the potential that this framework, if the information was generally available to industry, could remove a massive amount of duplication of effort and cost involved in carrying out the KYC process for clients.

There is also the question whether blockchain technology could aid in the capture of beneficial ownership information for this purpose. ■

ASIC Market Integrity Rule Harmonisation

ASIC HAS CONSULTED with industry on its Consultation Paper CP 277 on Harmonisation of the Market Integrity Rules.

CP 277 deals with collapsing the separate ASX and Chi-X MIRs, as well as those for the other licensed markets, into one rule book. ASIC has been working on this for some time, and it makes sense for there to not be near to identical separate MIR chapters for each of ASX, Chi-X, NSX, 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 MIR Rule Books for Capital requirements for the Securities and Futures Markets.

ASIC has also stated that it has taken the opportunity of ending the parallel MIR Responsible Executive (RE) and Corporations Act Responsible Manager obligations. The RE framework under the MIRs will disappear, including:

- the title "Responsible Executive"
- the existing specific obligations attaching to RE's
- notification of appointment and cessation
- notification of any significant change to management structure
- requirement to pass a RE exam
- annual CPD for RE's
- annual review of allocated responsibilities of an RE
- annual attestation by RE's.

The Association lodged a submission supporting the harmonisation of the MIRs and the consolidation of multiple rule books. SAFAA also endorsed the rationalisation of the management frameworks, noting that the RE framework was a legacy of the ASX supervision of the exchange which ended when ASIC took over market supervision in 2010.

SAFAA did express strong reservations about the removal of any formal benchmark for RE qualifications and for CPD. The Association noted that general "fuzzy law" requirements for education and skills may be appropriate at a general level, however the examination requirement in relation to the senior management of Market Participants has delivered a high quality outcome for the market up until now, and ASIC risked "throwing the baby out with the bath water" if it dispensed with these requirements as part of the MIR harmonisation. ■

Government Proposals for Product Design and Product Intervention Powers

THE FEDERAL Government has outlined proposals to introduce Product Design and Distribution Obligations for the issuers and distributors of certain types of financial products. The proposals also include additional product intervention powers for ASIC.

These proposals stem from Recommendations made in the Final Report of the Murray Financial System Inquiry (FSI), which have been adopted by the Government.

The proposals relate to financial products made available to **retail investors**, but **excluding ordinary shares**. This includes investment products, margin loans, derivatives and insurance products, but does not include credit products.

Issuers will be required to:

- identify appropriate target and non-target markets for their products. This will involve considering whether the product satisfies the investment or risk management needs of the target market, and the ability of the investors in the target market to understand the features of the product.
- select distribution channels that are likely to result in products being marketed to the identified target market; and
- review arrangements with reasonable frequency to ensure arrangements continue to be appropriate.

Distributors will be required to:

- put in place reasonable controls to ensure products are distributed in accordance with the issuer's expectations; and
- comply with reasonable requests for information from the issuer related to the product review.

The Product Intervention powers to be given to ASIC include:

- imposing additional disclosure obligations
- mandating warning statements
- requiring amendments to advertising documents
- restricting or banning distribution of the product.

In order to use the intervention power, ASIC must identify a risk of significant consumer detriment, undertake appropriate consultation and consider the use of alternative powers. ASIC must determine whether there is a significant consumer detriment by having regard to the potential scale of the detriment in the market, the potential impact on individual consumers and the class of consumers likely to be impacted.

An intervention by ASIC can last for up to 18 months. During this time, the Government will consider whether the intervention should be permanent. The intervention will lapse after 18 months (if the Government has not made it permanent).

The Government has stated that the Proposals do not necessarily reflect its final position on the subject, and is considering industry feedback on the proposals. ■

Professional, Ethical and Educational Standards for Retail Financial Advisers

MEMBERS WILL be aware from last month's SAFAA Monthly that the Corporations Amendment (Professional Standards of Financial Advisers) Bill 2016 was passed by both Houses of Parliament on 9 February.

Since that date, industry has waited on further news as to the establishment of the new Standard Setting Body (which the Government has named the Financial Adviser Standards Authority, or "FASA"), and the appointment by the Minister of the Chair and Board members. At the time of writing, no further developments have occurred.

As members will note from the timeline for implementation of the new Professional Standards Legislation (see the Table in last month's edition of the Monthly), there is a great deal of work that FASA will need to do in a very short period of time, including:

- preparing the new National Exam for financial advisers;
- supervision requirements for new advisers;
- setting continuing professional development (CPD) requirements and approving CPD courses;
- setting standards for the bachelors degree requirement and approved bridging courses to reach AQF 7 level.

SAFAA participated in an Industry roundtable with Treasury to discuss the proposed Constitution of FASA. The body is being established as an ordinary public company limited by guarantee registered with ASIC. At present, the Constitution is drafted on the basis that the only member of the company is the Commonwealth Government.

Treasury indicated that it is the Government's strong desire to hand FASA over to industry at the earliest opportunity. The Constitution will need to be updated at a later point to update the new membership and governance provisions before that can occur.

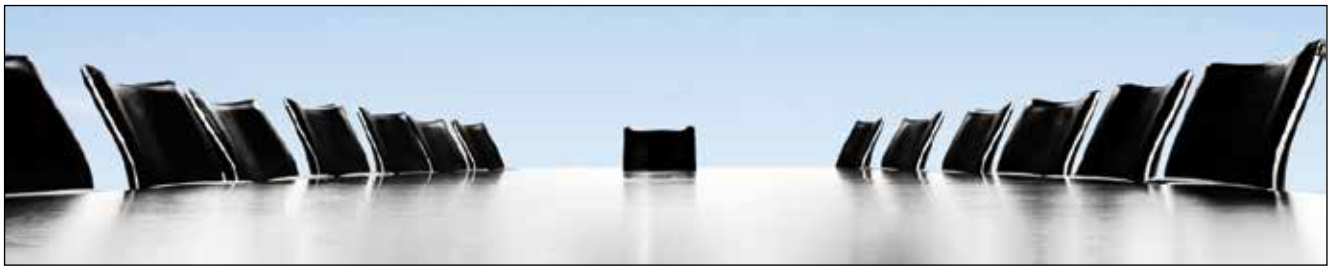
As previously stated, seed funding for FASA is to be paid by the major banks and by AMP. However, Treasury also flagged that FASA should move to an industry funding model as soon as possible, with the likelihood that industry funding will be in place prior to 1 January 2020.

Ongoing industry funding for FASA will presumably include:

- fees for service, including fees such as national exam fees, fees for approving educational courses, and so on;
- some form of industry levy, such as a fee per financial adviser, possibly imposed on the adviser, or the license holder, or on the Code Monitoring body to which the adviser belongs. ■

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:

Compliance Sub-Committee Meeting, Tuesday 2 March 2017

Chair: Peter Stepek, Stockbrokers And Financial Advisers Association

Cybercrime Working Group Meeting, Tuesday 7 March 2017

Chair: Melissa Nolan MSAFAA, Baillieu Holst

Retail Broking Committee Meeting, Thursday 9 March 2017

Chair: Dean Surkitt MeSAFAA, Bell Potter Securities

Profession Committee Meeting, Wednesday 22 March 2017

Chair: Murray McGill MSAFAA, Patersons Securities

New Individual Practitioner Master (MSAFAA) Membership applications approved:

- Adam Griffiths
- Arthur Reynolds
- Christopher Macdonald
- Christopher Oldroyd
- Julian Freney-Mills
- Kylie Macdonald
- Michael Johnston
- Peter Sheppeard
- Stephen Heppenstall
- Thomas Rylance

New Individual Practitioner Member (MeSAFAA) Membership applications approved:

- Alicia Adams
- Ben Smoker
- Clare Rixon
- James Chandler
- James Duffy
- Jarrod James
- John Migliore
- Nicholas Clarke
- Peter Kennedy
- Robert Matthews
- Simon Ferguson
- Stuart Hudson
- William Jackson

New Individual Affiliate (AfSAFAA) Membership applications approved:

- Alberto Frigo
- Alexandra Giomataris
- Andrew Horsley
- Brian Christie
- Christian Burke
- Jamie Papamihail
- Nevenka Brcin
- Pia Hattersley
- Thuong Hoang

ASIC's review of adviser misconduct within large institutions

Financial advice firms need to create and foster effective processes and an organisational culture that can quickly identify non-compliant conduct, report it and provide appropriate redress for the customer.

THIS RECOMMENDATION follows the release of ASIC Report 515 *Financial advice: Review of how large institutions oversee their advisers*. Focusing on the conduct of the financial advice arms of AMP, ANZ, CBA, NAB and Westpac, the review was conducted in response to information received about potentially significant historic advice failings in Australia's largest financial advice institutions.

Our findings indicate that cultural factors in large financial advice institutions may have contributed to poor outcomes for customers.

As part of the review we tested each institution's ability to accurately identify advisers providing non-compliant financial advice. We also looked at whether the culture of these institutions prioritised the interests of customers.

Many of the institutions failed to make sure their internal processes focused on doing what was right for the customer. This was reflected in examples of inadequate information-sharing of serious non-compliance by advisers, inadequate background and reference checking and inadequate audit processes to properly assess advisers' compliance with their obligations.

What can you do to improve the quality of financial advice?

While significant work has been done to improve practices and identify and remediate customers affected by poor financial advice, there is still more work to be done to re-build consumer trust and confidence in the financial advice industry.

Your organisation's internal processes need to put the customer first. Where there are failings, you need to make sure that you act quickly to provide a response in the interests of your customers.

To make sure you are creating a culture of compliance in your organisation, you need to:

- breach report in a timely way
- carry out comprehensive background and reference checks, and
- adequately assess whether advice has complied with the best interest duty and other statutory obligations.

Depending upon the size, nature and complexity of your advice business, data analytics and key risk indicator tools can be used to improve the early identification of potentially non-compliant advice within your organisation. When monitoring and supervising advisers in your retail advice business, you should:

- identify the available data
- determine which data sources will provide reliable data
- choose appropriate key risk indicators for the nature, scale and complexity of your business
- ensure appropriate testing when setting thresholds for key risk indicators, and
- monitor and test key risk indicators.

We have also developed three checklists to help you to:

- conduct background and reference checks before appointing a new adviser
- audit advisers to assess their compliance with the best interests duty and related obligations when providing personal advice, and
- develop and implement key risk indicators to identify high-risk advisers.

What have we done?

As of 31 December 2016, we have banned 26 of the 185 advisers reported to ASIC for serious compliance concerns. Investigations and surveillance activities are ongoing for many of the others.

Approximately $30 million has so far been paid to approximately 1,347 customers affected by non-compliant advisers covered by the review. We are working closely with these institutions to effectively identify, review and remediate customers who have been affected by past non-compliant advice.

We are engaging with the institutions to discuss the findings of our customer file reviews and will consider appropriate regulatory action.

ASIC's MoneySmart has also launched a **digital financial advice toolkit** to help clients navigate the financial advice process, understand what service they should expect from an adviser, and evaluate the advice they receive.

The tool complements and supports our regulatory and enforcement work in the financial advice sector and is designed to improve demand-side capability at critical moments. ■

Stockbrokers And Financial Advisers Association Limited

WESTERN SYDNEY UNIVERSITY

MORNINGSTAR™

Leveraged The professional's choice

NEW! 4 day course

Portfolio Construction Program

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

We recognise that traditional tools and approaches to portfolio construction to set investment strategies for clients just aren't up to the job any more. And as strategies evolve, they demand new, innovative and flexible product solutions.

Technology also continues to evolve to allow for more complex strategies to be developed and implemented. Those responsible for portfolio construction need to be able to cater to a range of scenarios rather than relying on a limited range of strategies or portfolios.

That is why the Stockbrokers And Financial Advisers Association, in partnership with Western Sydney University, developed the Portfolio Construction Program. This program is especially suited to practitioners, which will be run by practitioners. The Portfolio Construction Program has been designed to encompass all of the information and tools needed for you to function in an evolving and increasingly sophisticated financial environment. There is a definite emphasis on the practical application of these techniques.

TO REGISTER

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

Venue

SAFAA
Level 6, 56 Pitt St, Sydney

Dates

Tuesday 6 June
Tuesday 13 June
Tuesday 20 June
Tuesday 27 June

Time

9:00am – 4:00pm

Cost

(all prices inclusive of GST)
Individual Member: $1,799
Organisation Member: $1,999
Non-member: $2,199

CPD

Thirty (30) Continuing Professional Development (CPD) points will be allocated to candidates upon successful completion.

www.stockbrokers.org.au

Cyber Security Resilience in the financial sector

Cybercrime is a mainstream business risk affecting every organisation. Unfortunately, financial institutions are amongst the most targeted category of business, given the substantial rewards obtained from successful cyber-attacks. Consequently, they must protect their information to the same level as many classified government departments, since the impact of a successful attack can have significant consequences for their stakeholders. What can executive boards do to ensure their organisations are protecting their most valuable assets, their customers and their money? Furthermore, how can executives ensure their cyber security investments are providing the best information assurance and risk reduction?

The Threat

When we speak with CEOs and board members, some consider themselves a low risk target for cyberattacks; but as you would expect that is changing. Like the rest of us attackers are driven by economic wellbeing and so industrial espionage and stealing of IP or other negotiable assets are fair game. Financial institutions are prime targets from many perspectives.

What is the value of your customer information? Yahoo experienced two data losses that ultimately cost shareholders US$350 million[1]. Have you considered that one of your employees may be working for a competitor? Most, if not all financial systems are now digital, meaning your attack surface has grown to be as large as the global financial network it sits on; look at the attacks on the SWIFT network last year to see how catastrophic this can be. You need to consider your partners, vendors, contractors and the entire supply chain to find the chink in your defences that could be used to attack you. Furthermore, customer access to your systems is regularly being compromised by malware, while ATMs are under siege from criminal gangs who use increasingly sophisticated skimming devices, often printed on 3D printers to exact manufacturer specifications. But what is it that you need to protect?

Defending the Realm

There are many fronts you need to defend if you are going to keep the wolves from the door. Your data, be it in the form of customer data, payment credentials, personal details or portfolios, has an intrinsic value on the black market. Furthermore, your applications and databases, especially if they have vulnerabilities or weaknesses that could be exploited to steal data or money, also will be prime targets for cybercriminals. But even your business processes will come under scrutiny when the attackers are deciding how best to infiltrate your organisation, since a weak or insecure process can be the Achilles Heel that you don't expect to be attacked. On the flip side, your reputation as a financial institution is on the line, which if affected by a breach can see customers migrate to competitors where they may feel they will be better protected. Furthermore, data breaches can leave you exposed to massive liabilities from the privacy commissioner and others. These are some of the risks that need to be explored and adequate security controls put in place at a board level and across the organisation to help defend your digital borders.

Huntsman®
Defence-Grade Security Platform

What Can You Do?

No security solution can work in isolation from the rest of your organisation. If you'd like to know more about how to boost your organisation's cyber resilience, please feel free to contact us: **Huntsman Security**

Alternatively, come and speak with us at **SAFAA 2017** on 24 & 25 May: www.stockbrokers.org.au/conference/

To find out more about Huntsman Security, view this short video: huntsmansecurity.com

[1] https://www.nytimes.com/2017/02/21/technology/verizon-will-pay-350-million-less-for-yahoo.html?_r=0

Protective puts: Strategy guide

Leveraged™
The professional's choice

Over the last couple of years, some investors have moved to the sidelines due to market uncertainty. On the other hand, some savvy investors have taken advantage of the market dips while protecting their investments using a protective put strategy.

This strategy is suited to investors who want peace of mind by limiting their downside risk, while still taking advantage of the upside potential and higher equity yields.

Key features

- Ability to borrow up to 100% of a share you own or wish to purchase
- Investors have unlimited upside potential plus all dividends and franking credit entitlement
- Downside risk is limited to the cost of the put option plus holding costs (interest expense)
- Peace of mind to buy into the market during turbulent times without trying to pick a market bottom

How does it work?

A put option acts like an insurance policy for the shares you wish to protect. Put options are traded on the ASX and can be purchased just as easily as any share.

You choose:

1. The price you wish to protect your share at (the option strike price)
2. The expiry date when your insurance will mature (the expiry date)

Should the share you purchase decline in value, you will have the option to sell the share at the protection price (your chosen put strike price) anytime up until the nominated expiry date, regardless of where it is trading on the market. Like any insurance product, you will pay a premium for this added security.

If you purchase shares along with a protective put through your Leveraged margin loan, we'll provide you with an increased Loan to Value Ratio of up to 100% of the strike price of the put. This is because you are fully protected at the strike price as long as you hold that put, preventing a margin call even if the stock price falls significantly.

If the share increases in value, you'll receive the profit from the rise in the stock value as well as any dividends, franking credit entitlements, and tax benefits you may be entitled to by borrowing to invest.

This strategy gives you access to all the benefits of the underlying share, while limiting your maximum potential loss to the price of the put plus any interest expenses paid to hold the position.

Here is an example using real prices

Cost of Company A	$73 per share
Cost of $73 strike protective put	$6.50 for 227 days to cover two dividends
Estimated dividend (not inc. franking)	$4.20
Interest at 6% p.a. for 227 days = $73 x 0.06 x (227/365)	$2.72
Assume tax deductable interest at 45c for each ($2.72 x 0.55)	$1.50
Net outlay including interest cost $6.50 (cost of put) + $1.50 (cost of interest) less $4.20 (dividend exc. franking)	$3.80 per share or 5.2% outlay of Company A

If you choose to use the Leveraged 100% gearing, available under the Exchange Options Plus feature, you will need to invest $6,500 to cover the cost of the put for 1000 units in company A. As well as brokerage and any interest costs to hold the position through the margin loan.

This will give you exposure to $73,000 worth of Company A shares. The total dividend over the 227 days of the put is equal to $4,200 + any franking credits you may be entitled to, which covers a large part of the put protection and removes any equity risk you had on the position.

Things to keep in mind

Please be aware option prices will always vary as the underlying security changes in price.

Investors also have the choice to buy a protective put below the current trading price, which would reduce the cost of the put protection.

What happens if the stock declines in value?

Let's assume the shares in Company A declines to $60 after the purchase, but before the expiry date.

Investors could take the following steps:

Sell the shares at the strike price of $73 and receive a credit to their account for $73,000. They can do this by selling the put and stock on the market or by exercising their put through their broker. The $73,000 will be used to pay back the loan. The client now has the ability to buy the shares again at a lower price of $60 per share. They can continue to repeat steps one and two until the stock increases in value.

Given investors have the ability to borrow 100% at the protective put strike price, they have the choice to gain a leveraged exposure to the underlying share just by purchasing a new put. Once again, their downside risk is limited to the cost of the put, plus any holding costs incurred and less any dividends received.

What happens if the shares remain flat?

Here the put would expire worthless and the investor will continue to hold the stock. The investor would incur the cost of the put less any dividends received during that period. Investors also have the choice to sell a covered call in combination with the protective put to generate an ongoing income in a flat market (refer to collar strategy guide for more information).

What happens if the stock increases in value?

This is where the strategy performs the strongest as investors receive all the upside of the stock on a 100% geared basis along with any dividends and franking credits.

In summary – investors reduce their downside risk to the cost of the put and any holding costs in a falling market. They are also able to reinvest at a lower price should the stock fall for a fraction of the cost by purchasing a new put along and stock using Exchange Options Plus with Leveraged.

In a flat market, investors can sell calls to generate additional income (refer to collar strategy guide).

In a rising market investors are able to take advantage of 100% gearing, which improves their return on investment. ■

For more information contact Leveraged on 1300 307 807 or visit www.leveraged.com.au

RELEVANT CPD:

key to life-long learning

By Nathalie Nuijens

Kelly O'Dwyer's bill to reform the professional, educational and ethical standards of financial advisers quietly passed the upper house last month. The legislation, due to take effect on 1 January 2019, lifts the education bar substantially and bows to consumer pressure in its aim to stop advisers obtaining RG146 accreditation in as little as four days.

In the meantime, an established body will review all aspects of professional learning and is expected to establish a new set of educational requirements for everyone who works within the financial services industry. Practitioners are hopeful this review will lessen their compliance burden, and give rise to modern and more effective ways to learn.

IN THIS ARTICLE, we look at one element of professional learning that could see some sweeping changes over the next two years. Whether driven by regulation, learners' demands for "smart" learning or RegTech disruption: the traditional CPD e-learning model is expected to change.

Ongoing journey

Professionals in stockbroking and advisory roles are expected to gain new knowledge and skills as an ongoing part of their professional development. It is a mandatory requirement for most but for many it is a challenge to acquire the yearly prerequisite amount of CPD points. Each year it is a struggle to find the right combination of CPD activities covering appropriate topics that allows practitioners to learn new skills and demonstrate their levels of competence.

GRC solutions

The issue with CPD

One of the underlying causes of this ongoing challenge is the breadth of the financial services industry. Financial Services is a logical umbrella term for "anything money" but those working in it know that what affects a financial planner in a client-facing role at a bank is vastly different from what a broker experiences in a job at a small firm.

To lump everything together in one industry-wide CPD training program, again, seems logical but is unhelpful for professionals who need to acquire their yearly quota of CPD points/hours. Why? Because relevance is key. The more learning is tailored towards a specific type of firm or job role, the more it will stick. Research shows us time and again that effective learning is learning that is relevant. In other words, if you don't find the learning interesting, it's probably not going to sink in.

> By making our workplaces ones where people feel they can bring their real selves to work, and they will be respected and included, we all benefit, both personally and professionally.

Online learning

The shift from print to digital training is a profound transition in how we learn. It has transformed the formal educational sector but the corporate sector has equally embraced it. The major banks are frontrunners where online learning is concerned, forever demanding innovation and raising the bar. The great advantages of digital learning are that it is cost-effective and can be completed anytime, anywhere.

Plug and play

One downside of the rapid technological developments has been the speed with which new learning technology has become available. Many organisations are trying to match new content with older, "legacy" learning platforms and find the content simply does not plug and play. As a result, many run a variety of systems concurrently, making it near impossible to sync staff onboarding, compliance and CPD results.

How does this affect the individual practitioner? The organisation's priority has shifted to finding one-stop-shop solutions that suit large groups of staff, not individual practitioners. This lack of relevant training means brokers and advisers struggle to find CPD training that resonates with what they do.

Alternatives

Blended learning is one of the success stories in applying relevance to learning. Here, CPD points/hours are gained through attending a workshop, yet a large part of learning occurs through set pre-reading and a post-workshop test that is completed online. Practitioners initially work through new concepts but have formal support from the facilitator in a workshop. It's no surprise that blended learning is effective: the personal support from the workshop facilitator ensures greater relevance which in turn, makes the learning stick.

One recent RegTech development looks very promising. Adaptive learning is new to Australia but already sees large numbers of professionals having personalised learning experiences as the system precisely adjusts to the individual learner, their requirements and level of understanding. It can be updated quickly and has all the benefits of traditional e-learning. This platform has all the advantages of being able to plug and play, yet offers personalised learning.

Adaptive learning has a bright future. It brings smart and relevant learning to an industry that is weighed down by regulatory requirements.

SAFAA accredited

Salt CPD is accredited by the Stockbrokers And Financial Advisers Association. It is developed on an adaptive learning platform which means all the benefits of personalised e-learning are there. It has been developed with Australian retail and institutional stockbroking firms and investment banks in mind. Individual subscriptions are available for those employed in the stockbroking and advisory industry. ■

Salt CPD will be available from late May.

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

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

GRC solutions

SAFAA Cyber Resilience Program

"*Directly & indirectly, what areas of the business could be improved to increase protection*", "*The Importance of regular training, awareness training based on real life examples*" and "*the sophistication of the perpetrators these days…*" were some of the key reasons the Cyber Resilience Workshops were valuable to those who attended.

A series of Cyber Resilience workshops have been rolled out around Australia this March and early April to members and non-members of SAFAA.

With special shout out to our generous Education Partners Arthur J. Gallagher, ASX, Deloitte and Huntsman.

Implications of new contribution rules

By Peter Grace

The rules and thresholds for superannuation contributions will change significantly from 1 July 2017. These changes will provide new opportunities and impact negatively on some established strategies.

Concessional contributions

The annual cap will reduce to $25,000 for all members. This will mean lower tax savings for members who salary sacrifice. It may also require members to start making significant contributions to super earlier than is common practice today.

Higher income earners will have to pay 30% tax on concessional contributions where their adjusted taxable income is over $250,000.

Members can continue to make concessional contributions regardless of their total superannuation balance (unlike non-concessional contributions). However if they accumulate more than the pension cap of $1.6m they will not be able to convert it all to a pension.

Members of a couple can continue to transfer 85% of concessional contributions paid in a year to their partner's account to even up their superannuation balances.

Salary sacrifice contributions

Any member can claim a tax deduction for making contributions but must take care that the total concessional contributions (including SG contributions) do not exceed the cap.

A member can choose to request their employer makes salary sacrifice contributions or can arrange them personally. Members will have greater control to ensure the cap is not exceeded.

Non-concessional contributions

The annual cap will reduce to $100,000 with members under age 65 able to 'bring forward' the next two year's cap so the maximum NCC in one year will be $300,000.

Members over age 65 will still need to pass the work test to be able to make NCCs.

The lower cap will reduce the opportunity of members to bump up their super shortly before retirement, instead requiring some longer-term planning.

Once a member has accumulated $1.6m in superannuation they will not be allowed to make non-concessional contributions. This new rule and the lower contribution caps will reduce the potential benefits for some current strategies such as:

- cash-out and re-contributions strategies that seek to reduce the taxable component of a pension.
- Transition to retirement strategies where lower tax (or tax-free) pension income replaces employment income.

There are greater opportunities for members of a couple to make spouse contributions and claim a tax offset. The maximum tax offset of $540 applies where the lower income spouse has an adjusted taxable income of less than $40,000 and the spouse contribution is at least $3,000. The tax deduction reduces as the income increases and cuts out at $43,000.

It's a new world and many members will need advice to take advantage of opportunities and avoid the traps. ■

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

Gender equlity survey

PART 1

The SAFAA Women in Stockbroking and Financial Advising Working Group conducted a survey mid 2016. A total of 188 responses were collected from the stockbroking community, from organisations of sizes varying from under 100 employees to over 500 employees.

SAFAA
Women in Stockbroking

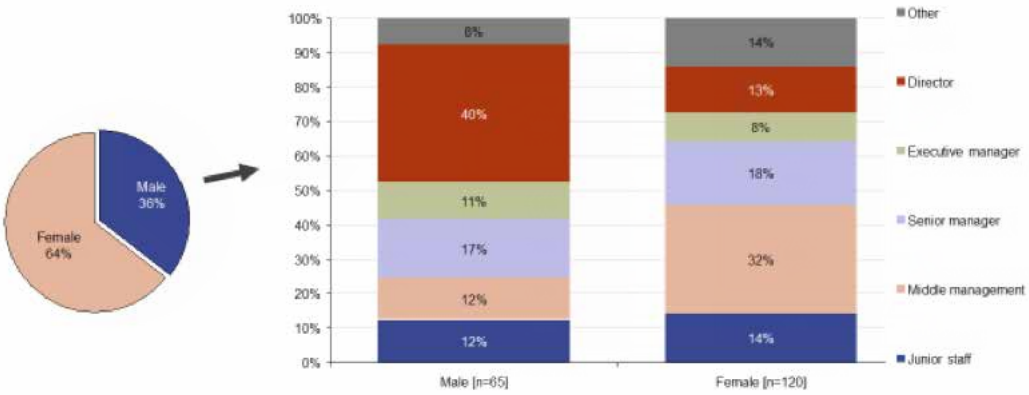
Over the next three issues of SAFAA Monthly we will share with you some of the key findings from that survey (not in any particular order).

KEY FINDING: There is a tangible opportunity to build engagement among male colleagues about gender equality issues. A top-down approach may be the most effective way to achieve this.

Perhaps expectedly, women were more likely than men to participate in the survey, the topic being gender equality. However, the vast disparity between the two groups – with women making up nearly two thirds of respondents despite being under-represented industry-wide – underscores a clear opportunity to foster male colleagues' engagement with respect to gender equality issues.

The results point to a possible solution for plugging the engagement gap. Two in five of male participants are directors, highlighting that those among male colleagues who are the most able to effect change are already willing to have the conversation. The challenge could therefore lie in ensuring these views are propagated through and embraced by the mid-to-lower tier levels of management.

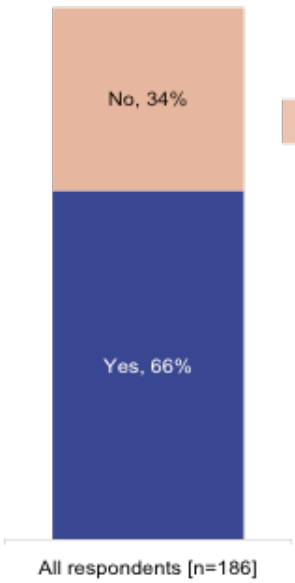
What is the highest job position you have attained? By What is your gender?



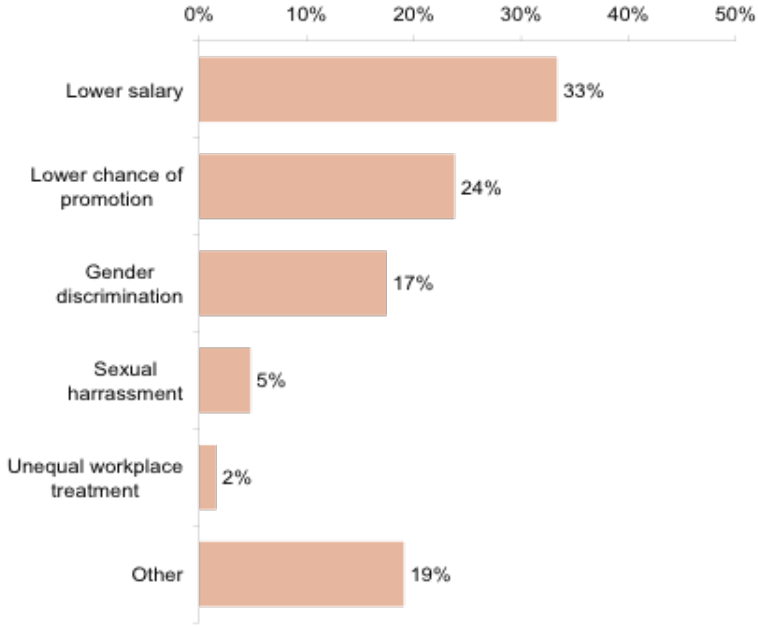
KEY FINDING: Lower remuneration and slower career progression are the two most common gender inequality issues.

Approximately a third of respondents (45% among women) feel they are not treated equally at their workplace, compared to the opposite sex. Perceptions of lower pay (33%) or of limited opportunities for career progression (24%) are the most common drivers of that assessment.

Do you think you are equally treated at your workplace compared to the opposite sex?



What is the most important reason why you feel you are not treated equally?



"Yes, treated fairly, however, sometimes excluded from emails, meetings and deals. Re: below question - gender inclusive culture. I have noted yes, however, would say that we are only at the beginning of a journey and have a long way to go.

Because I am male I don't suffer from any of these issues. However I think some of our female employees suffer from subtle forms of gender discrimination.

We have no maternity leave policy!! No flexible work arrangements.

Offered shareholding much later than male counterparts, whilst writing higher amount of business.

Senior manager discriminates against women - treating them like secretaries rather than integral members of the team."

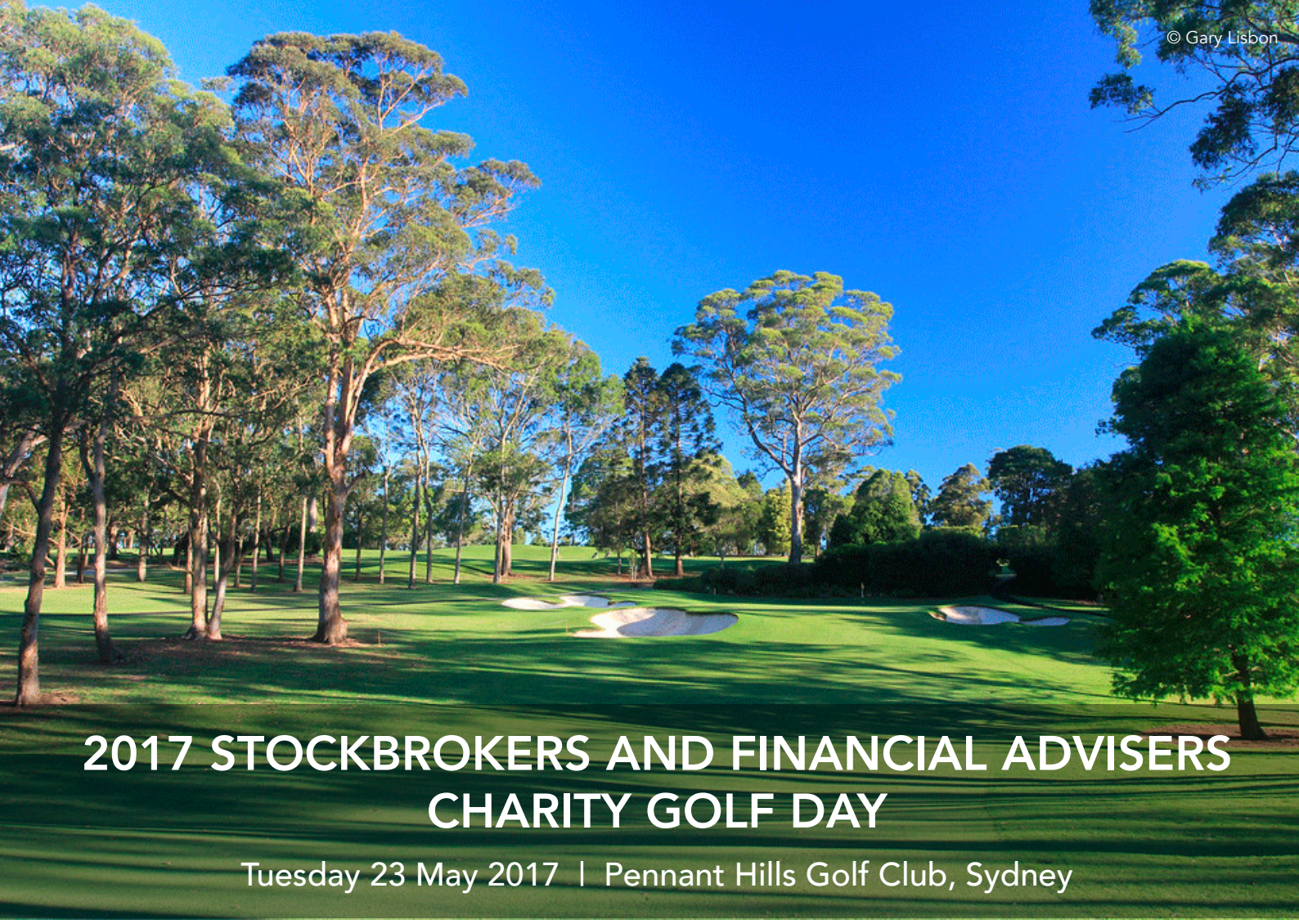
ACCREDITATION & TRAINING April, May & June 2017

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.	MELB: Wed 3 May | 9:30am – 1:30pm SYD: Fri 23 Jun | 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.	SYD: Mon 8 Tues 9 May 9:00am – 12:00pm MELB: Wed 14 & Thurs 15 Jun 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.	MELB: Thurs 4 May | 9:30am – 1:30pm SYD: Thurs 22 Jun| 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.	SYD: Tues 27 Jun | 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 22 Jun | 1:30pm - 4:30pm
	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: Mon 5 Jun | 9:00am – 11:30am MELB: Wed 7 Jun | 2:00pm – 4:30pm
	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: 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.	PER: Tues 4 Apr | 1:30pm – 3:30pm

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**.	MELB: Thurs 8 June | 9:00am – 1:30pm
	UNDERSTANDING OPTIONS: FEATURES, BENEFITS AND RISKS – 2 CPD This workshop focuses on equity options traded on the Australian Securities Exchange (ASX). Equity options offer investors an efficient means of managing the risks of adverse price movements in the share market. In addition, they give traders a vehicle by which to gain leveraged exposure to individual shares and selected indices. This workshop covers options pricing, basic strategies and the mechanics of trading options on the ASX.	SYD: Thurs 4 May | 9:00am – 11:00am MELB: Mon 8 May | 9:30am – 11:30am

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

INCREASE YOUR KNOWLEDGE AND SKILLS IN THE STOCKBROKING INDUSTRY TODAY!



2017 STOCKBROKERS AND FINANCIAL ADVISERS CHARITY GOLF DAY

Tuesday 23 May 2017 | Pennant Hills Golf Club, Sydney

REGISTRATIONS

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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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COMMENTS FROM DELEGATES WHO ATTENDED THE 2016 CONFERENCE

"Awesome. Best ever."

"A really good conference. Well done."

"Good blend of industry, listed companies, experts, commentators and panels."

"The conference app was a terrific innovation."

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