

# Stockbrokers MONTHLY

MEMBERSHIP • iLEARNING • EVENTS • EDUCATION • POLICY & REGULATORY ISSUES



**Stockbrokers**  
Association of Australia.

**MANAGING RISKS**  
over the coming year



## Inside...

- 3 Welcome
- 5 Committee News
- 6 FOFA: Streamlining and Signing SOA s dead; noncontroversial measures and Adviser Register proceed
- 7 PJC Report on Professional Standards
- 7 Further Review of Competition in Clearing Australian Cash Equities
- 7 Red Tape reduction measures – ASIC and ASX
- 8 FOS Announces FY2014 Results – Complaints fall (again)
- 8 Access to and use of Share Registers
- 10 Financial System Inquiry (FSI) Final Report
- 14 Managing risks over the coming year: A message from ASIC Commissioner Cathie Armour
- 16 Iran Delegation
- 17 Super Snippets: The Forgotten Option
- 18 Accreditation & Training Calendar



**Stockbrokers**  
Association of Australia.

**Stockbrokers Association of Australia Ltd** ABN 91 089 767 706

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

PO Box R1461, Royal Exchange NSW 1225

(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)

**DISCLAIMER:** This Newsletter is provided solely for the information of members of the Stockbrokers Association. It does not constitute advice. The Stockbrokers Association nor any of its officers or agents accepts no liability or responsibility for the accuracy, reliability or completeness of any information contained in the Newsletter, and readers should rely on their own enquiries and analysis in making any decision or taking any action that affects them.

## Dear Member,

Welcome to a New Year and the first edition of Stockbrokers Monthly for 2015.

This year promises to be an exciting one with our Annual Stockbrokers Conference and Charity Golf Day only months away. We have a full calendar of events for finance professionals in 2015 and new and exciting learning opportunities planned throughout the year.



### 2015 Annual Stockbrokers Conference & Charity Golf Day

We are finalising the Conference program and will be releasing this shortly. We are pleased to announce that Mr Xinchuang Li, President of the China Metallurgical Industry Planning & Research Institute, will be joining us to present in Sydney.

Registrations are now open and group discounts can be obtained. Our Early Bird Rate is available until Friday 24th April. Visit [www.stockbrokers.org.au/conference](http://www.stockbrokers.org.au/conference)

Also don't forget to register your teams for our 12th Annual Charity Golf Day at St Michael's Golf Club, Little Bay, Sydney. The Stockbrokers Association Cup will be awarded to the team that finishes in first place in this Ambrose Competition and we will once again be supporting the Heartwell Foundation, a terrific charity that provides rehabilitation programs to children living with varying levels of need that otherwise would not have access to such services.

### Market News

#### ASX Investor Series, Sydney March 17th, Melbourne March 19th

Held monthly at ASX over lunch (12:30 – 2pm) these events consist of CEO presentations followed by an informal meet and greet session over light

refreshments and are part of the ASX Evolve program designed to encourage greater participation in equity markets. Attendance attracts 1.5 hours CPD points and is free. Registration is required as places are limited. [www.asx.com.au/education/investor-series.htm](http://www.asx.com.au/education/investor-series.htm)

#### Look out for Corporate Bonds on ASX

The Australian Corporate Bond Company (ACBC) has 17 Exchange Traded Bond Units (XTBs) on the ASX. XTBs offer investors an innovative way to access exposure to bonds from leading ASX listed companies, providing a new way to access fixed income. [www.xtbs.com.au](http://www.xtbs.com.au)

### Senior Leaders Forum

Following the success of the Senior Leaders Forums in 2014, the Stockbrokers Association invites you to attend the first forum for 2015 to be held in Sydney on Wednesday 25th March.

Held over a lunchtime session, the Senior Leaders Forum is for those senior executives and leaders in stockbroking to come together to discuss the current issues facing our industry. The FSI, Clearing (with ASX presenting) and T+2 will be among the topics being covered on Wednesday 25th March. Attendees receive 1.5 hours of CPD (Compliance).

For more information, please contact [events@stockbrokers.org.au](mailto:events@stockbrokers.org.au) or call 02 8080 3200.

### Accredited Derivatives Adviser Level 1 & Accredited Derivatives Adviser Level 2 (ADA 1 & ADA 2)

The Stockbrokers Association and the ASX are helping advisers expand their knowledge and understanding of derivative products by paying for their ADA 1 and/or ADA 2 accreditation fees. This is a limited offer until 31st March 2015 for advisers that meet the eligibility requirements. See our website to download the application form "ASX Derivatives Adviser Accreditation Program" or contact the ASX or us here at [education@stockbrokers.org.au](mailto:education@stockbrokers.org.au). For online readers, [click here](#) for a PDF version of the application form.

David W Horsfield MSAA  
Managing Director & CEO

### #2015StockbrokersConf

Don't forget to follow us on Twitter to receive all the updates on our education program and more.



# WATERFRONT DINING FOR ALL OCCASIONS

**dedes**  
WATERFRONT GROUP

**DEDES**  
ON THE  
WHARF



*Dedes on the Wharf, Pier 2 Walsh Bay*

**With stunning waterfront venues and flexible spaces that can be tailored to suit every need, Dedes Group events are both convenient and inspiring.**

Our 35 year focus on delivering the very best in hospitality, has earned us a reputation for the highest quality events. You're guaranteed a truly memorable event every time.

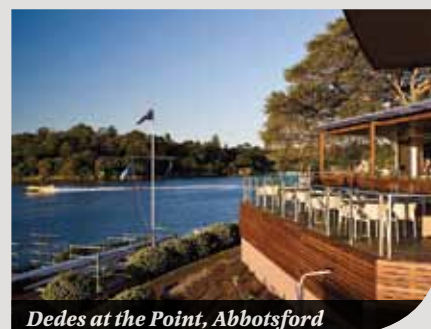
**1800 EVENTS**  
[dedesgroup.com.au](http://dedesgroup.com.au)



*Flying Fish, Pyrmont*



*Deckhouse, Woolwich*



*Dedes at the Point, Abbotsford*



## Committee News

Recent and upcoming meetings of Stockbrokers Association Committees, Working Groups and Advisory Panels, and major issues discussed:

### Board Meeting, Wednesday 11 February 2015

Chair: Karl Morris MSAA, Ord Minnett Ltd

### Profession Committee Meeting, Tuesday 24 February 2015

Chair: Murray McGill MSAA, Patersons Securities Ltd

#### **New Individual Practitioner Master (MSAA) Membership applications approved:**

- Peter Dick
- David Geoffrey Heath
- Guy Lance Jones
- Navindra Muniratna
- Matthew Roberts
- Mark Sanerive
- Stewart Graham Teague
- Robert Willis

#### **New Individual Practitioner Member (MESAA) Membership applications approved:**

- Blair Hawthorne
- Lauren Jilich

#### **New Individual Affiliate (AFSAA) Membership applications approved:**

- Ben Collins
- Dereck Andrew Davey
- Thomas Silitonga
- Richard You



# Policy & Regulatory Issues

## FOFA: Streamlining and Signing SOAs dead; non-controversial measures and Adviser Register proceed

As Members will be aware, in November 2014 the package of *Streamlining* reforms to FOFA was disallowed by the Senate. However, in December, agreement was reached with the ALP to pass some non-controversial measures, namely:

- restoring the accountants certificate renewal period from 6 months to 2 years
- extending the stamping fee exemption from conflicted remuneration to capital raising activities of investment entities like LICs
- extending the brokerage fee exemption to include futures transactions on ASX24

- broadening the exemption for training and education
- extending grandfathering arrangements from the ban on conflicted remuneration when advisers change firms.  
(*Corporations Amendment (Revising Future of Financial Advice) Regulation 2014* effective 16 December 2014)

**Signing SOA Regs repealed:** in more good news at the end of last year, the Government repealed regulations which would have required the signing of statements of advice. This had been one of the two components of the agreement with the Palmer United Party and the other minority Senators on 15 July 2014 to pass the *Streamlining* measures but which broke-down on 19 November 2014 when Senators Lambie and Muir changed their votes. We had consistently criticised these requirements to Government, Senate Committees and

Treasury. (Corporations (*Statements of Advice*) *Repeal Regulation 2014* effective 16 December 2014)

**Adviser Register:** the other part of the 15 July agreement - the new Register of Advisers - is proceeding. Despite the tight timeframes, it is to be launched by ASIC by 31 March. Regulations bringing the register into effect were only being made in February, and on 11 February, ASIC released information about the register, which we forwarded to Members.

Only advisers who provide personal advice to retail clients will have to be registered. Initially the (31 March) Register will include the following details:

- Name
- Date of Birth
- AFSL details, and controlling entity of the AFSL, if applicable
- History – last 5 years history for each adviser
- Date commenced giving advice
- Financial Products authorised to advise upon.

From May, the register will include:

- Adviser Qualifications
- Professional body memberships.

The new Register of Advisers is proceeding and despite the tight timeframes, it is to be launched by ASIC by 31 March.

For up-to-date details, please see the dedicated ASIC website (<http://www.asic.gov.au/for-finance-professionals/afs-licensees/financial-advisers-register/>) which has been established with information about the register.

## PJC Report on Professional Standards

In December 2014, the Parliamentary Joint Committee on Corporations and Financial Services released its Report into lifting the professional, ethical and education standards in the financial services industry.

The 85-page Report contains 14 detailed recommendations. Those most relevant to stockbroking are:

- **Professional standards:** to be a retail adviser, you should be registered with ASIC, but you can't be registered unless you've completed a *Professional Standards Council (PSC)*-accredited Association's professional year and entrance exam. A new standard-setting body the *Finance Professionals Education Council* comprising PSC-accredited associations, academics and consumers would set the curriculum for the exam and CPD. Associations would have until 1 Jan 17 to register with PSC, and advisers would have until 1 Jan 19 to be registered
- **Education Standards:** the mandatory minimum educational standard for financial advisers should be increased to a degree qualification (Australian Qualification Framework level seven)
- **Adviser register:** the new adviser register is supported and all information including misconduct should be included
- **General Advice:** the term 'general advice' in the *Corporations Act* should be replaced with the term 'product sales information' to better reflect the nature of that information
- **Personal Advice:** the term 'personal advice' in the Act should be replaced with 'financial advice' to better reflect the nature of that advice

There was also support for the changes to trading prohibitions during takeovers, schemes of arrangement, and buybacks provided they reduced uncertainty and did not have adverse market consequences.

- **ASIC Cost Recovery:** proposals to increase fees for organisational licensees should be considered to reflect the scale of ASIC's financial advice operations, in the context of a broader review of ASIC's fees and charges.

The Board discussed the PJC Report with the Government and Opposition during its recent trip to Canberra. While the Report contains strong and detailed recommendations – even down to setting out transition dates – we do not know what the response of the Government will be. Therefore it remains to be seen how much of the Report will come into effect. However, the PJC is an influential body and it will be difficult to ignore. It was also a consensus report, with no minority report issued, so there was agreement across all the political parties represented on the Committee. The Government's response will be crucial to both Members and the Association itself, as it sets course for the future structure of regulation of advice.

### Senate Scrutiny of Financial Advice

**Inquiry:** in addition to the PJC, we also await the report of the Senate Economics References Committee inquiry into the Scrutiny of Financial Advice, including measures to stop unethical and misleading advice, regulatory oversight, compensation, and action where professional standards are breached. The Association made a Submission to this Inquiry in December. The Committee is due to report by July 2016.

## Further Review of Competition in Clearing Australian Cash Equities

As the two-year moratorium on allowing competition in clearing of cash equities came to an end, in February the Government announced a further review by the Council of Financial Regulators

(RBA, ASIC, APRA & Treasury).

Consultation is now proceeding, with written submissions due 27 March 2015. Following the consultation period, the Council will report to the Government 'in due course'.

## Red Tape reduction measures – ASIC and ASX

In October 2014, the Association made a submission to ASIC (CP222) on possible amendments to the Market Integrity Rules in order to reduce the compliance burden on Market Participants in the following areas:

- Trading prohibitions during takeovers, buy-backs or schemes of arrangement
- ASIC consent for Business Connections between Market Participants, and
- Notification of Professional Indemnity Insurance.

In general, Members welcomed the removal of red tape and streamlining of rules, especially where such rules serve no meaningful purpose. In relation to the specific proposals, there was strong support for the changes to rules on professional indemnity insurance and consent to business connections. There was also support for the changes to trading prohibitions during takeovers, schemes of arrangement, and buybacks provided they reduced uncertainty and did not have adverse market consequences.

We also took the opportunity to suggest that ASX should consider two other areas of possible red tape reduction: the corresponding ASX Clear rule on PI insurance notification; and the ASX Settlement rule which requires ASX consent to sending letters to clients on transfer of HINs.

Coincidentally, in late October, ASX then released its own discussion paper on



proposed red-tape reduction measures of its own. The proposals include:

- Streamlining admission requirements
- Simplifying notification requirements, and
- Removing the ASX Clear Responsible Executive requirements.

### FOS Announces FY2014 Results – Complaints fall (again)

In the face of very negative press about the state of the retail financial advice industry, the reality for stockbrokers seems to be somewhat different, according to the latest FOS figures released in October.

For FY2014, complaints against stockbrokers fell 17% to 42, with only 8 of those relating to Advice. This is consistent with the trend of the last 5

years, when the number of complaints has more than halved.

As usual, the main products that were the subject of complaints to Stockbrokers were Securities, followed by Derivatives. The main issue raised in complaints was 'Instructions' (13) followed by 'Advice' (8). (Further detailed analysis of the FOS figures is available on request.)

Clearly, higher standards, tighter regulation – for which stockbrokers pay supervision fees to ASIC of around \$15m per annum – and better internal management are bearing fruit in the advice space. Once again, Members should be very proud of these results.

### Access to and use of Share Registers

One of the unintended consequences of the 2010 amendments to the

*Corporations Act* to restrict unsolicited off-market share offers was to restrict stockbrokers from accessing registers to send research reports to shareholders, while allowing shadow brokers specifically to do so. Once again, we wrote to the Government in September 2014 seeking a resolution to this issue. We also raised this issue in Canberra again in February and will advise progress. This is an ideal opportunity for the Government to remove unjustifiable regulation and reduce red tape. ■

#### SUBMISSIONS

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

#### POLICY ENQUIRIES

Doug Clark MSAA, Policy Executive  
[dclark@stockbrokers.org.au](mailto:dclark@stockbrokers.org.au)

Peter Stepak MESAA, Policy Executive  
[pstepak@stockbrokers.org.au](mailto:pstepak@stockbrokers.org.au)

**THE DREAM TEAM**

MAKE YOUR 2015 EVENT AN AFFAIR TO REMEMBER  
WITH OUR DEDICATED TEAM OF INDUSTRY SECTOR SPECIALISTS  
TO ENQUIRE: [SALESANDEVENTS@MERIVALE.COM](mailto:SALESANDEVENTS@MERIVALE.COM) OR 9240 3000

[merivale.com.au](http://merivale.com.au)





STOCKBROKERS ASSOCIATION OF AUSTRALIA

# Senior Leaders Forum

The Stockbrokers Association invites you to attend the next Senior Leaders Forum to be held in Sydney on **Wednesday 25th March 2015**.

Held over a lunchtime session, the Senior Leaders Forum is designed for senior executives and leaders in the Stockbroking Industry to come together to discuss the current issues facing our industry.

Attendees will receive 1.5 hours of CPD (Compliance).

Presenters panel for this forum is:

- Andrew Murdoch, Product Specialist, Capital Markets, GBST
- Corey McHattan, Partner, Ashurst
- Peter Hiom, Deputy CEO, ASX Limited
- Peter Stepak, Policy Executive, Stockbrokers Association of Australia.



FOR MORE INFORMATION, PLEASE CONTACT

**[events@stockbrokers.org.au](mailto:events@stockbrokers.org.au) or call 02 8080 3200.**



# Financial System Inquiry (FSI)

## Final Report

Members will be aware that the Financial System Inquiry (FSI), chaired by David Murray, released its much awaited Final Report in December 2014.

The FSI Report contains 44 proposals. These are just proposals, and like the PJC Report on Professional Standards, it remains to be seen which ones are adopted by the Government, and which of those that might be adopted are able to be enacted through the current Parliament.

Not surprisingly the considerable media coverage tended to focus on the “big ticket” issues, including proposals relating to increasing required capital for banks; caps on credit card interchange and merchant fees; review of tax concessions such as negative gearing and CGT discounts; and review of superannuation arrangements, including leverage, taxation and governance.

These proposals, if they were to be adopted, would no doubt have a flow-on effect on stockbroking by reason of the impact they would have on investors and underlying investments.

There are a number of proposals and sections in the FSI Report that are more

directly relevant to stockbroking. These include:

- **Stockbroker remuneration**

The FSI Report makes some observations about stockbroker remuneration, commenting in particular on grid commissions, and recommends a review.

- **Professional standards and a register of advisers**

This recommendation covers matters that are already being progressed through a raft of working groups. The FSI Report notes that minimum standards includes ongoing professional development, and that compliance with minimum standards should be actively monitored. Of particular note also is the statement on page 225 that the FSI did not recommend a national exam for advisers.

- **General Advice**

The FSI Report recommends changing the term “General Advice” because of the conclusion that recipients are confused by the use of the word “advice” as indicating that their needs have been taken into account.

- **New principles-based product design and distribution obligation**

The FSI report recommends that issuers and distributors of financial products be subject to a principles-based product design and distribution obligation, including, including target and “non-target” markets; stress-testing the product to ascertain how it affects consumers in different circumstances; controls for how the product is marketed and post-sale reviews of the product.

- **ASIC proactive intervention power**

The FSI Report recommends giving ASIC a broad product intervention power, that would enable it to

These proposals, if they were to be adopted, would no doubt have a flow-on effect on stockbroking by reason of the impact they would have on investors and underlying investments.



intervene and impose obligations relating to marketing; warnings to consumers; imposing restrictions on distribution; and banning a product.

- **Increase ASIC banning powers**

The FSI Report recommends giving ASIC enhanced powers to ban individuals from managing a financial firm.

- **Regulator accountability**

The FSI proposes the use of Statements of Expectation to give guidance to Regulators as to the expectations of them, and performance indicators to measure their performance. There is also a proposal to establish a Financial Regulator Assessment Board to advise the Government annually on the performance of regulators.

- **Trusted Digital identities**

The FSI recommends a national strategy to establish a framework for trusted digital identities. The Report quotes that AML costs alone have led to \$725 million in expenditure. The system would however be voluntary, due to privacy issues.

- **Crowdfunding (Recommendation 18)**

The FSI Report is supportive of the greater availability of crowd funding, including both securities based funding and “peer to peer lending” to allow for both debt and equity to be raised using new technology. The Report recommends further development of a regulatory system that would enable this.

- **Facilitating Retail Corporate Bond Issuance by Top 150 Companies**

The FSI Report recommends reducing the disclosure requirement applicable to “simple” bonds issued by top 150 listed companies in order to enhance issuance of corporate bonds to retail investors and grow the corporate bond market.

- **Industry Funding for ASIC**

The FSI Report recommends that an industry funding model be introduced to allow ASIC to recover all of the cost of its regulatory activities directly from industry using fees and levies. The Report also recommends that ASIC be freed from public sector restrictions on the recruitment of staff.

The Next phase of the Process is for the Government to consider the Final Report and issue a Response. The Government will receive submissions on the Final Report until the end of March 2015.

- **Removing ASX Ownership Cap in Corporations Act**

The FSI Report recommends that the Government remove the ownership restrictions on the ASX contained in the Corporations Act, which would result in the ASX being subject to the same restrictions applicable to any financial sector entity (including the FIRB national interest test).

- **Compliance Costs and Processes**

The FSI Report recommends that cost of implementing compliance changes be made more efficient by giving participants at least 6 months period to implement changes (post finalisation), and grouping compliance changes into fixed “dates” e.g. 1 July and 1 January.

The Next phase of the Process is for the Government to consider the Final Report and issue a Response. The Government will receive submissions on the Final Report until the end of March 2015.

The Stockbrokers Association will be preparing a Submission to Government as part of this process, and has invited feedback from Members to assist in preparation of the Submission.

## Update on ATO proposals for broker reporting of client data

Members may recall that the Australian Taxation Office was mandated by the federal Government to pursue enhanced reporting of data about transactions by Australian taxpayers across a range of asset classes, including shares and managed investments, in order to target underreporting of capital gains.

In December 2014, the ATO met with industry representatives including the Stockbrokers Association and a number of member firms, to update its current position regarding share transaction. ATO confirmed that it will not be asking stockbrokers for regular reporting of all client trades, as was initially proposed. Instead, it would be using trade data fed

from ASIC’s Market Supervision system to capture share transaction on the Australian market.

ATO advised that it had conducted a pilot study with one leading stockbroking firm, and was happy with the accuracy of the data obtained from the study.

The revised proposal will however require stockbrokers to provide some specified client identification data so that it can match the Order Identifier in the ASIC market data with a taxpayer.

The client data that brokers will be required to report will be:

- client’s name, address and date of birth (if applicable);
- client’s telephone number;
- client’s ABN or ACN (if applicable);
- TFN withholding tax code;
- ‘non-resident indicator’ in respect of the client;
- client’s account holding number (Share Reference Number (SRN)/ Holder Identification Number (HIN));
- client origin of order number as per RG223 5A of the ASIC FIX specification.

The ATO would need to have the client data by no later than the middle of July each year, given that a percentage of taxpayers already seek to lodge their annual returns starting around then.

The ATO is planning to hold discussions with the main back office system vendors to ascertain what type of solution can be provided to make the broker reports a straightforward task. The Stockbrokers Association has requested to participate in these discussions.

The ATO is targeting a start date for the new reporting obligation of 1 July 2016. ■

### POLICY ENQUIRIES

Doug Clark MSAA, Policy Executive  
dclark@stockbrokers.org.au

Peter Stepak MESAA, Policy Executive  
pstepak@stockbrokers.org.au

# 2015 Annual Stockbrokers Conference

Thursday 28 & Friday 29 May 2015 | Hilton Sydney

- ✓ **LARGEST** event in the Australian stockbroking industry
- ✓ **NETWORK** with industry professionals
- ✓ **LISTEN** to topical presentations from key policy makers and regulators, representatives of domestic and international exchanges, high profile industry participants and business leaders
- ✓ **INTERACTIVE** panel sessions
- ✓ **DISCUSS** market trends and issues
- ✓ **GAIN** exposure to the newest products and services available to finance professionals
- ✓ **EARN** up to 19.5 CPD Hours

## SPONSORS

**CommSec**  
Adviser Services



**GBST**



**Broadridge**





## KEY SPEAKERS INCLUDE



**Mr Xinchang Li**  
President  
China Metallurgical Industry Planning & Research Institute



**The Hon Josh Frydenberg MP**  
Assistant Treasurer



**Peter Botten**  
Managing Director  
Oil Search Limited



**Greg Medcraft**  
Chairman  
ASIC



**Ashish Chauhan**  
Managing Director & Chief Executive Officer  
BSE Limited



**Rosemary Vilgan**  
Chief Executive Officer  
QSuper



**Ashok Jacob**  
Chairman & Chief Investment Officer  
Ellerston Capital Limited



**Elmer Funke Kupper**  
Managing Director & Chief Executive Officer  
ASX Limited



**The Hon Bernie Ripoll MP**  
Shadow Minister for Financial Services & Superannuation



**Craig Lazzara**  
Global Head of Index Investment Strategy  
S&P Dow Jones Indices



**John Fildes MSAA**  
Chief Executive Officer  
Chi-X Australia



**John Borghetti**  
Chief Executive Officer & Managing Director  
Virgin Australia Group



**Denis Orrock**  
Chief Executive Officer, Capital Markets  
GBST



**David Robb**  
Managing Director & Chief Executive Officer  
Iluka Resources Limited

SPEAKERS AS AT 23 FEBRUARY 2015



**Stockbrokers**  
Association of Australia®

**#2015StockbrokersConf**  
**@StockbrokersAA**

To register for the 2015 Conference, please visit [www.stockbrokers.org.au](http://www.stockbrokers.org.au)

# Managing risks over the coming year



## A message from ASIC Commissioner Cathie Armour

At ASIC, we devote considerable time and expertise to identifying and monitoring risks to Australia's financial markets. We regularly ask ourselves what risks are present or emerging that could jeopardise our ability to promote fair, orderly and transparent markets and investor and financial consumer trust and confidence.



We expect Market Participants to ask similar questions in relation to their own businesses. Not only is this critical to developing

the resilience to withstand such risks, it is a fundamental requirement of being licenced to provide financial services.

With this in mind, we have developed a (non-exclusive) short-list of some of the risks we consider should be on your radar in 2015.

### Changes which affect client monies

Protection of client monies is an important topic. Firms have been penalised for breaches of client money rules in Australia and overseas. Current and future changes to Australia's clearing and settlement infrastructure seek to improve the protection of client money, for example, the move to a T+2 settlement cycle in early 2016.

**ASK YOURSELF:** *Do you have robust client money systems, as well as*

*procedures for managing change to these systems? Are your staff trained in the potential consequences of a failure to maintain the status of client money?*

### International market developments

Globalisation, technological innovation and increased competition will continue to drive changes in international markets this year. Failing to adapt to amendments to laws and regulations in the jurisdictions in which you operate could give rise to significant financial or reputational damage to your business.

**ASK YOURSELF:** *Has your business sought legal advice on applicable laws and regulations and have you taken out appropriate insurance? Does your business have appropriate structures in place to monitor on-going compliance with these requirements?*

### Cyber-crime and business continuity

Cyber-crime poses a risk to the integrity of financial markets. In particular, increasing reliance on technology for the provision of front, middle and back office services heightens the potential impact of this risk on business continuity.

**ASK YOURSELF:** *When did you last review the technology services, systems and resources utilised from front to back office (ASIC considers this should be done annually in conjunction with ongoing evaluation and vigilance)? If a cyber-threat eventuates, how will you ensure your security, business continuity and the protection of confidential information are maintained?*

### New product offerings

The final report of the Financial System Inquiry was released on 7 December 2014. Recommendation 21 is especially relevant to Participants. It recommends the introduction of a targeted and principles-based product design and distribution obligation. The obligation would require that:

- during the design stage, product issuers identify target and non-target markets, taking into account the product's intended risk/return profile;
- during the distribution stage, issuers and distributors put in place appropriate conditions of distribution, according to the target market for the product; and
- after the sale of a product, issuers and distributors conduct periodic reviews to assess whether the product continues to meet the needs

of the target audience, and whether its risk profile is consistent with its distribution.

Implementation of this recommendation is a matter for the Government. However, ASIC considers that complex products should be developed and distributed with these kinds of controls in place.

**ASK YOURSELF:** *Is your business adopting these kinds of practices, particularly during the distribution and after-sales stages of complex financial products?*

## Conduct risk

Conduct risk events are a result of avoidable behaviour on the part of a business' management or employees. They tend to be motivated by a misalignment between the interests of employees and the long term interests of the business, but may also arise from employee incompetence or inadequate

staff training. Conduct risk can have significant ramifications for a business, its shareholders, clients, customers, counterparties and the industry.

**ASK YOURSELF:** *Has your business undertaken a discrete conduct or cultural review in the past two years? How do you validate whether behavioural expectations are being met?*

## Forward looking statements

Forward looking statements or forecasts relate to the future performance of stocks, companies, projects, or production targets. Brokers or analysts may make these statements in order to make buy or sell recommendations. The Corporations Act provides that representations about future matters are misleading if they are made without reasonable grounds (qualifications or disclaimers are not sufficient to prevent them from being misleading).

**ASK YOURSELF:** *Are your analysts and advisors aware of their legal responsibilities when making forward looking statements? Are they able to establish reasonable grounds when providing advice or information about a future matter?*

Appropriate risk management will help to ensure that the year ahead is a successful one, both for your business and for Australia's financial markets. If you aren't already, we encourage you to ask yourself the questions listed above and to develop strategies for responding to these risks.

Regards



Cathie Armour  
Commissioner



Sabre is the combat sport for the intelligent athlete. A superb strength and cardio workout, sabre develops agility, power and tactical awareness in challenging situations. It's full-on exercise without the boredom of hitting the treadmill; a full-contact sport that won't leave you battered.

You can get started right away. Intro sessions run weekday evenings and weekends and cost \$35, including equipment hire. We put a sword in your hand from the start of your first class, and get you into real matches against your peers within an hour. If you discover a latent talent for the blade, Sydney Sabre Centre has what you need to make this your sport. Classes run 7 days a week, weeknights and weekends, with standard packages that cost less than \$20 a session.

Check us out. Book your class today through our online portal at [sydneysabre.com](http://sydneysabre.com) or contact us for more information.

[sydneysabre.com](http://sydneysabre.com) | [facebook.com/sydneysabre](https://facebook.com/sydneysabre) | [info@sydneysabre.com](mailto:info@sydneysabre.com) | 0421 460 713  
Level 1, 112-116 Parramatta Road Stanmore NSW

# Iran Delegation

In early February 2015 the Stockbrokers Association met with a delegation from Iran. Members of the Iranian delegation (18 in total) were from a variety of organisations, associations and exchanges.

The purpose was to meet, learn and exchange information between our two countries. Iran is a fast growing and commercial economy. Its economic environment is accustomed to online business through retail banking and is flourishing on B2C and E-commerce.

The delegation also met other key Australian stakeholders during their visit. ■



## Stockbrokers Association of Australia iLearning®

**CPD HOURS.** ANYTIME, ANYWHERE.

More than **20 hours of CPD** is available at the touch of a button



## SUPER SNIPPETS

# The Forgotten Option

By Peter Grace

Superannuation is a competitive business and products are continually evolving to meet new needs or to surpass the offerings of competitors. The big story of the last few years has been self managed super (SMSFs) with over 1.023 million members in 539,375 separate funds (as at 30 September 2014).

Retail and industry funds have responded by providing more investment options including direct share investments, fixed interest securities and Exchange Traded Funds (ETFs). The rise of the self-directed member (making their own investment choices) continues.

company. The upside of this structure is that the members are relieved of the burden of trusteeship, audits, annual returns, timely reporting and ongoing compliance. Members of a SAF can direct the approved trustee to invest according to their

Small APRA funds (SAFs) are 'small funds' like SMSFs restricted to 4 or fewer members and able to invest in a very wide range of products and assets including direct property.

It is reported that the prime motivation of self directed members is control. SMSFs provide the most control only limited by the requirements of the SIS and ITAA 97 Acts. For members unwilling or unable to handle the legislative requirements retail and industry funds provide an alternative option.

But there is another option – Small APRA funds (SAFs). These are 'small funds' like SMSFs restricted to 4 or fewer members and able to invest in a very wide range of products and assets including direct property. Whilst SMSFs boom the number of SAFs has fallen from 7,843 in June 2004 to 2,950 by 2013.

A SAF is like a SMSF except the fund is managed by an approved trustee

preferences but of course the trustee could reject a direction if it was non-complying or imprudent.

Some members may find a SAF attractive, for instance:

- They do not want the responsibility of trusteeship (this may become more of an issue as members age)
- They have breached SIS/ITAA requirements and the ATO has fined them or required them to attend training
- They have been banned from being a trustee or are ineligible to be a trustee (for example as an undischarged bankrupt)
- They plan to live overseas for an extended period and will breach the residency rules for a SMSF trustee.



Transferring from a SMSF to a SAF is relatively simple because at a minimum it just involves a change of trustee – the SMSF trustees retire and are replaced by the approved trustee. There is no need to sell assets or incur capital gains tax because there is no change of beneficial ownership.

SAF trustees often require fund members to have professional investment advice (through a stockbroker or financial planner) to ensure their directions to the trustee are sound. Once the euphoria of the SMSF boom has died down maybe SAFs will make a revival. ■

*Our RG146 Superannuation course is an elective in our Professional Stockbroker's Program. It provides the necessary qualifications for anyone who advises on securities in self managed or other superannuation funds. Each month we publish a short article covering a current superannuation topic written by Peter Grace the author of the course. Peter can be contacted at [wordsandtraining@bigpond.com](mailto:wordsandtraining@bigpond.com)*

## ACCREDITATION & TRAINING March, April & May

### 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 23 Mar | 9am – 1pm  
PERTH: Mon 20 Apr | 2:30pm – 6:30pm  
MELB: Wed 29 Apr | 9:30am – 1:30pm

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

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

MELB: Tues 17 & Wed 18 Mar | 9:30am – 12:30pm  
SYD: Mon 4 & Tues 5 May | 9am – 12pm

#### RE EXAM PREPARATION 'SHORT COURSE' – 4 CPD (COMPLIANCE)

This 4-hour intensive workshop is a condensed version of the Stockbrokers 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 24 Mar | 9am – 1pm  
MELB: Tues 28 Apr | 9:30am – 1:30pm  
SYD: Tues 12 May | 9am – 12pm

### 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 10 Mar | 9am – 12pm  
MELB: Thurs 19 Mar | 1:30pm – 4:30pm

#### 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.

SYD: Tues 17 Mar | 9am – 12pm  
MELB: Thurs 7 May | 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.

MELB: Wed 4 Mar | 2pm – 4:30pm  
PERTH: Wed 25 Mar | 1:30pm – 4pm  
SYD: Wed 6 May | 9am – 11:30am  
MELB: Tues 12 May | 2pm – 4:30pm



#### DMA, ALGORITHMIC & HIGH FREQUENCY TRADING – 2 CPD (COMPLIANCE)

*Are you confused by all the talk about Algorithmic Trading, High Frequency Trading and the 'May 6 Flash Crash'?* Rapid technological advances and market changes overseas have radically changed the nature and appearance of on-market trading and these same changes are quickly unfolding in Australia as well. This two-hour workshop looks at the growing trend of electronic trading, including Automated Order Processing (or Direct Market Access), Algorithmic Trading and High Frequency Trading. The workshop will focus on: The regulatory obligations that apply to brokers who use AOP for clients or for proprietary trading; The types of algorithmic trading and High Frequency trading strategies that are being used overseas, and increasingly in Australia; and, Potential dangers, such as the "May 6 Flash Crash", market manipulation and disorderly markets.

SYD: Thurs 26 Mar | 9am – 11am  
MELB: Thurs 23 Apr | 2pm – 4pm

Introductory Series Workshops	<b>UNDERSTANDING DERIVATIVES: OPTIONS AND WARRANTS – 4 CPD</b> Derivatives are an established and essential component of global financial markets. Focusing on options and warrants, this workshop discusses how and why derivatives are used for leverage and/or manage risk. Key concepts are explained through worked examples, under the guidance of an experienced practitioner. This half day workshop is also ideal preparation for <b>Accredited Derivatives Adviser Level 1 - ADA1 candidates</b> .	MELB: Wed 25 Mar   9am – 1:30pm SYD: Wed 22 Apr   9am – 1:30pm
	<b>THE BUSINESS OF STOCKBROKING IN AUSTRALIA – 2.5 CPD</b> This workshop provides an overview of Australia's financial markets and the critical role that stockbrokers play in both retail and institutional markets. A short history of broking in Australia sets the scene for explanation of the current market structure, operations and regulation.	MELB: Thurs 12 Mar   9:30am – 12:30pm SYD: Thurs 30 Apr   9am – 12pm
	<b>UNDERSTANDING OPTIONS: FEATURES, BENEFITS AND RISKS – 2 CPD</b> 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: Tues 3 Mar   9am – 11am MELB: Wed 13 May   9:30am – 11:30am
	<b>UNDERSTANDING WARRANTS: TYPES, DIFFERENCES AND RISKS – 2 CPD</b> This 2 hour workshop covers the main types of warrants traded on the ASX with a particular focus on equity trading warrants and instalments. Basic warrant pricing will be discussed, and the role of the warrant issuer will be explained. Ideal for those who wish to acquire fundamental knowledge about the Australian warrants market.	SYD: Wed 18 Mar   9am – 11am MELB: Thurs 7 May   9am – 11am
	<b>INTRODUCTION TO CONTRACTS FOR DIFFERENCE (CFD) – 3 CPD</b> This workshop focuses on the class of derivatives known as Contracts for Difference (CFDs). This workshop covers the different types of CFDs, their uses, risks and potential rewards.	SYD: Wed 11 Mar   9am – 12pm MELB: Tues 21 Apr   9am – 12pm
Professional Stockbrokers Program – Preparatory Workshops	<b>CORE 1 (RG146) PREPARATORY WORKSHOP – 3 CPD (COMPLIANCE)</b> Are you undertaking the Professional Stockbrokers Program Core 1 (RG146) Securities & Managed Investments Accreditation Assessment? Then this half-day workshop is ideal for you. Learn the syllabus in detail and key areas to focus on for your studies. Industry expert presenters and small class size for personal tuition. The Professional Stockbrokers Program Core 1 (RG146) Securities & Managed Investments Accreditation meets ASIC RG146 requirements in generic and specialist knowledge and skills in Securities and Managed Investments.	SYD: Tues 21 Apr   9:30am – 1pm MELB: Thurs 30 Apr   9:30am – 1pm

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

# Accreditation | Training Workshops | Online CPD

INCREASE YOUR KNOWLEDGE AND SKILLS IN THE STOCKBROKING INDUSTRY TODAY!



# 12<sup>th</sup> Annual Stockbrokers Charity Golf Day

Wednesday 27 May 2015 | St Michael's Golf Club, Little Bay, Sydney

The Stockbrokers Association of Australia invites you to enter a team in the 12<sup>th</sup> Annual Stockbrokers Charity Golf Day.

The 12<sup>th</sup> Annual Stockbrokers Charity Golf Day is to be held at St Michael's Golf Club, Little Bay, Sydney on Wednesday 27 May 2015.

The Stockbrokers Association Cup will be awarded to the team that finishes in first place in this Ambrose Competition. Some fantastic individual prizes can also be won by those who also enter our fundraising competitions on the day.

The Stockbrokers Association of Australia proudly supports 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.

## **\*\*PLACES ARE STRICTLY LIMITED - BOOK NOW\*\***

Registration and player briefing at 8.45am. Shot gun start at 9.45am. Drinks and presentation of prizes following the game, concluding at approximately 4.00pm. Fees include morning tea on arrival, light lunch and snacks on course, as well as drinks and canapés following the game. Equipment hire will be available on the day.

PROUDLY SUPPORTING



MAJOR SPONSOR



For enquiries please call  
(02) 8080 3200

TO REGISTER, please complete the form below and return via:

Fax: (02) 8080 3299  
Post: PO Box R1461  
Royal Exchange NSW 1225  
Email: flyons@stockbrokers.org.au

## REGISTRATION FORM Dr ☐ Mr ☐ Mrs ☐ Ms ☐ Miss ☐

Name:		Surname:	
Position:		Organisation:	
Address:		City:	State:
Tel:		Fax:	Email:

NAME OF PLAYERS	Email	Phone	Handicap
1.			
2.			
3.			
4.			

REGISTRATION FEE Individual: \$250 + \$25 gst = \$275 Team: \$1000 + \$100 gst = \$1100

### METHOD OF PAYMENT

Attach cheque made payable to the Stockbrokers Association of Australia or provide credit card\* details: ☐ Visa ☐ MasterCard ☐ AMEX ☐ Diners Club

Cardholders Name:	Card Number:
Total Amount*: \$	Expiry Date:
	Signature:

**CANCELLATIONS:** Fees are not refundable or transferable. Substitutions can be made in writing addressed to Fran Lyons via email to flyons@stockbrokers.org.au. The Stockbrokers Association will only reimburse registration fees if the event is cancelled. The Stockbrokers Association is not responsible for any costs incurred as a result. Non-Attendance: If a player fails to attend, fees will not be refunded or allocated to another event.

\* Please note merchant fees apply to credit card payments: MasterCard or Visa 1.50%; AMEX 3.10%; Diners Club 4.00%.