MAY 2018
www.stockbrokers.org.au

Stockbrokers
And Financial Advisers MONTHLY

MEMBERSHIP
EVENTS
EDUCATION
POLICY &
REGULATORY ISSUES

Nuts and bolts of super

Stockbrokers
And Financial Advisers
Association Limited

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

SAFAA 2018

SAFAA 2018 Full House

Our 2018 annual conference to be staged at the Crown Promenade in Melbourne on May 23rd & 24th is a sell-out, with all Exhibitor and Sponsor booths snapped up.

Boasting a record number of speakers and delegates and a **fantastic program**, the 2018 conference promises to make a significant contribution to national debate on key topics impacting the stockbroking and financial advisory industry.

I thank each of our **Sponsors & Exhibitors** for their support.

Gold Sponsors
ASX Limited
CommSec Adviser Services

Bronze
Broadridge
Thomson Reuters

Premium
eInvest
IRESS
Nomura Research Institute

Supporting
Leveraged
The National Stock Exchange of Australia
SWIFT
Sydney Stock Exchange

I acknowledge the contribution of our speakers.

And I acknowledge our delegates for their attendance at the conference and their willingness to roll up their sleeves and come together with their peers to address issues of concern. These deliberations will help deliver ethical and efficient listed equity and debt markets for Australia.

New website & CRM go live

Over the last 12 months, we have built and launched a brand-new CRM and website.

The CRM and website are critical pieces of infrastructure for the Association as they provide us with a platform for engagement with members, and the wider community.

New features of the CRM & website include the following:

1. Link between CRM & Accounting system provides automated member renewals
2. On-line Application Process for new Practitioner Members
3. New CPD store for members in their My Account area.
4. Ability to store member communications preferences – including for Affinity Programs.
5. Modern website management software

I pay tribute to the team at SAFAA who have done an extraordinary job on top of their day jobs. Just to give you an idea of the enormity of the project, we have had to migrate tens of thousands of records going back to 2002.

Franking credits – Alliance for a Fairer Retirement System

Armed with a **Research Report** from Rice Warner, the Association has formed an Alliance with a number of other Associations to explore options to fix problems with the existing superannuation taxation, Age Pension means testing and broader retirement income systems.

The formation of the Alliance is in response to Labor's proposal to disallow refunds of excess franking credits for a range of retirees and shareholders.

The Australian Shareholders' Association, Australian Listed Investment Companies Association, National Seniors Australia, SMSF Association and the Self-managed Independent Superannuation Funds Association have joined us to work together on this important issue.

These Associations represent millions of senior Australians, shareholders, self-funded retirees and those planning a sustainable retirement, including over one million members of self-managed super funds.


Andrew Green

Labor's proposal will cause a distortion of the market and give an unfair advantage to large taxpaying superannuation funds at the expense of everyday Australians who have worked hard, paid their taxes and carefully saved for their retirement through their SMSF or small APRA fund.

Under Labor's proposal, in some circumstances self-funded retirees would be better off closing their SMSFs and moving their retirement savings into a large, tax paying fund, which would allow the member to benefit from excess tax credits.

The Rice Warner report exposes many of the poor design features of the policy and the unlikelihood that the projected revenues will eventuate if the policy was implemented.

"Providing for retirement requires trust that the system won't change," said Judith Fox, the CEO of the Australian Shareholders' Association. "Having a self-funded retirement income requires long-term planning and stability. Ad hoc policy changes erode trust and don't meet the need for a sustainable retirement savings plan. We need policy that looks at the superannuation and tax systems comprehensively rather than cherry picking elements to raise revenue."

The CEO of the SMSF Association, John Maroney, welcomed the creation of the Alliance and stressed the need for clear communication on key issues. "Let's talk about 'company paid tax credits' rather than 'franking credits' because that's what the issue is. Companies have already paid tax on behalf of their shareholders; hence it is appropriate for those tax credits to be available for all shareholders." ■

FASEA Draft Code of Ethics

MEMBERS WILL recall from last month's edition of SAFAA Monthly that the Financial Adviser Standards and Ethics Authority (FASEA) has released an Exposure Draft of the Code of Ethics for consultation. All retail financial advisers will be bound by the Code of Ethics as part of the Government's professional standards framework. The date from which the Code of Ethics is to apply is 1 January 2020.

The Exposure Draft is written in quite different language to the Tax Practitioner's Code of Conduct for Tax (Financial) Advisers, with which a number of retail advisers may simultaneously be bound if they provide tax financial advice. One issue that has already been flagged is the streamlining of these two Codes, as far as possible, to remove conflicting provisions. This is quite separate to the further question of how the standardised Code will interact with the existing industry-based Codes, for example, SAFAA's or the CPA Code.

SAFAA held a Members meeting on 17 April to discuss the Exposure Draft. Valuable feedback was given, and a Draft SAFAA submission has been circulated to members for further consideration. If anyone has not taken the opportunity to provide feedback to SAFAA on the Exposure Draft, any feedback is still welcomed.

Comments on the Exposure Draft are to be submitted by t1 June 2018. ■

ASX Consults on Market Management

ASX HAS circulated a Consultation paper on Management of the ASX Market.

This is the third set of proposals released by ASX addressing issues arising out of the ASX market outage in September 2016, and the subsequent reviews of the management of the market by both ASX and by ASIC.

In this Latest Paper, ASX consulted on a number of questions, including whether to implement the following proposals:

1. Whether to remove the staggered opening rotation of stocks at the Open and following a market outage;
2. Should the ASX move the market into Adjust state during a technical outage, as opposed to leaving it in the Enquire state, if ASX concludes that doing so would not be detrimental to the resolution of the technical problem;
3. A proposal to remove the "cancel on disconnect" functionality during the Enquire phase.
4. Is 20 minutes notice of transitioning into the Pre-Open phase, plus 20 minutes for the Pre-Open phase, enough time for the resumption of trading following an outage.
5. If a subset of securities is unavailable for trading, ASX is proposing that all other classes of securities be halted as well.
6. If a security is the subject of a change of ASX Code, should all orders be transferred to the new Code (current practice) or should they all be purged. ■

Developments at AFCA

THE GOVERNMENT has affirmed its commitment that the Australian Financial Complaints Authority (AFCA) will be in operation from 1 November 2018.

The Government has announced that the inaugural Chair of AFCA will be Helen Coonan, former Senator and Minister in the Howard Government. The Government has also recently announced the appointment of other AFCA Board members, being financial planner Claire Mackay, superannuation lawyer Andrew Farley, consumer advocate Erin Turner, and business advocate Alan Wein.

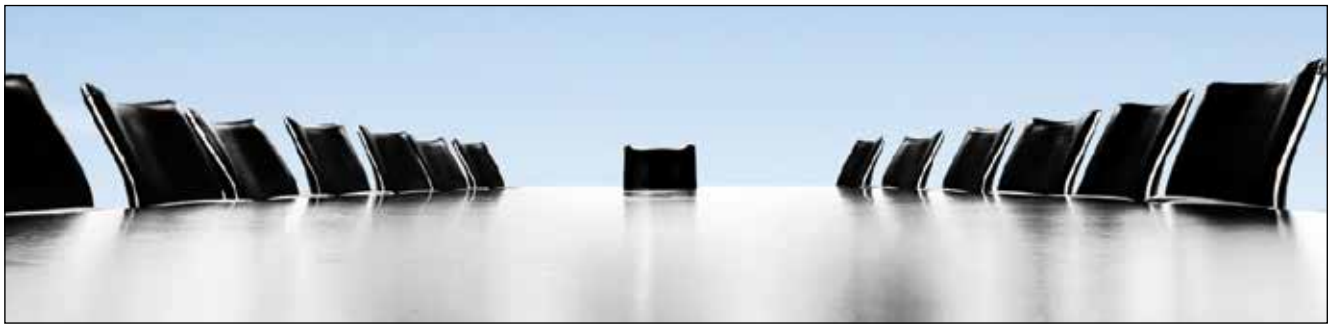
Under the AFCA framework, there are to be equal numbers of industry and consumer representatives on the AFCA Board.

In April, SAFAA also lodged a Submission with ASIC regarding ASIC CP 298 on AFCA Implementation issues. ASIC sought feedback on a number of questions regarding the interaction of ASIC with AFCA. The SAFAA Submission addressed the question of the proposed 1 November 2018 deadline for licensees to amend all documentation, such as FSG's, to replace references to FOS with references to AFCA. SAFAA strongly submitted that there should be no hard deadline, but rather, licensees should be allowed the flexibility to incorporate these changes into the roll out of other changes arising from other regulatory requirements being implemented during this year. Doing so would streamline the number of times that documents would need to be revised, which would as a result be less costly and potentially less confusing to clients. ■

The Government has affirmed its commitment that the Australian Financial Complaints Authority (AFCA) will be in operation from 1 November 2018.

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

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



Committee News

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

Profession Committee Meeting, Wednesday 2 May 2018

Chair: Andrew Fleming MSAFAA, Tynan Partners

Management Committee Meeting, Wednesday 9 May 2018

Chair: Andrew Green, SAFAA

Derivatives sub-Committee Meeting, Thursday 17 May 2018

Chair: Peter Tardent MSAFAA, CommSec

Board Meeting, Wednesday 23 May 2018

Retail Broking Committee Meeting, Thursday 24 May 2018

Chair: Dean Surkitt MeSAFAA, Bell Potter Securities

Master Practitioner Member MSAFAA applications approved:

- Nicholas Boyd-Mathews
- Brian Parton
- Mark Williams
- Carl Goodin
- Peter Stevens

Practitioner Member MeSAFAA applications approved:

- John Daly
- Rodney Lumsden
- Brett Shoemark
- David Franklin
- Anna Mazurek
- Joshua Stega

Individual Affiliate Member AfSAFAA applications approved:

- James Andronis
- Damien DiPietro
- Oliver Harvey
- Deborah Bails
- Dodie Green
- David Twining

ASIC publishes indicative industry funding levies

New laws have changed the way ASIC is funded and regulated entities will now receive an invoice for ASIC's regulatory services delivered in the prior year. If your business is regulated by ASIC – and most are – it's important that you are up to speed with these changes.

To help your organisation prepare for its first industry funding invoice in January 2019, we have published estimated costs of what sectors will pay. These amounts are likely to change when the actual regulatory costs are known in November.

CALCULATING indicative levies requires access to specific business activity metric data for each subsector. Some of the metrics required to make these calculations are new, and have not yet been collected from industry. As a result, indicative levies have been calculated for 36 of the 48 industry subsectors that we regulate.

We have also published a useful **summary of indicative levies for 2017–18**. The summary sets out our 2017–18 budgeted costs, the number of organisations in each subsector, the business activity metric we will be asking organisations to report to us, and indicative levy amounts.

You'll next be hearing from us in June, when a mailout will commence to those listed as the ASIC contact for each organisation.

The letter will contain a unique security key for the new ASIC Regulatory Portal. If you receive this letter you will need to submit or validate business activity metrics via the portal by 30 September 2018. We will then use this information to calculate final invoices.

Industry funding arrangements became law on 1 July 2017. All organisations that are regulated by ASIC will contribute towards ASIC's regulatory costs incurred in the previous financial year:

- some will pay a flat levy, with the cost of regulating a subsector shared equally among the entities operating in that subsector
- others will pay a graduated levy, with the entity's size or level of business activity determining their share of costs.

For more information visit the **Industry funding homepage** on the ASIC website. ■

NEED THE FACTS? **Here's a two page fact sheet** covering the key information about industry funding.

SUBSCRIBE FOR UPDATES. **ASIC's Industry Funding Update** will keep you in the loop.

END OF FINANCIAL YEAR GEAR

Is it time to fix?

The lead up to the end of the financial year often signals a time for investors to take stock of their holdings, consider their tax management strategies and plan for the year ahead.

On the checklist for many is a meeting with their broker, accountant or financial adviser to review their investment portfolio – an opportunity to let go of any underperformers and invest in some undervalued stocks or asset classes where they may be underweight.

Portfolio strategy

A portfolio review around tax time also leads to discussions about tax effective strategies such as gearing. A low interest rate environment makes borrowing to invest attractive. Consider an equity portfolio constructed to pay 4 percent per annum expected dividend (62 percent franked) and 6 percent per annum expected growth. Take an investor on a marginal tax rate (MTR) of 39% (including Medicare Levy) who borrows half of the amount invested in the portfolio.

The expected dividends offset interest costs on an after-tax basis. The portfolio needs to grow by less than 1 percent per annum over 5 years to return more than an investor who invested only their own capital. Investors should keep in mind that there will be a timing mismatch between receipt of dividends and interest payments.

If over 5 years the portfolio per-

forms as expected, the geared investor will earn more than 12 percent per annum (on an after-tax basis) on their capital. Contrast that to the 8 percent per annum (on an after-tax basis) earned by the ungeared investor. Of course, the risks can't be ignored. If the portfolio falls by more than 1.3 percent per annum, the geared investor will lose capital and will lose more than the ungeared investor.

If the portfolio in this example has an average loan to value ratio of 75 percent (the maximum the bank will lend expressed as a percent of the portfolio's value) and a buffer of 10%, it would have to fall in value by more that 40 percent for the investor to receive a margin call. A fall of this scale is possible, but for a prudently diversified investor, falls of this magnitude occur only during significant market corrections such as the GFC.

Savings and certainty

No one expects to see pre-GFC interest rates of 7 to 8 percent any time soon. However, the only certainty is that things will change. The RBA has been clear that the next move in rates will most likely be up. And the expectation among economists and analysts is that this could potentially occur as soon as November 2018.* For investors with a medium-term strategy, it may be worth locking in these historically low interest rates at a competitive rate and paying a year of interest in advance. A typical Australian resident taxpayer can potentially claim that prepaid interest as an income tax deduction in the current financial year. This means the cost of borrowing may be reduced by around 30-40%, depending on tax circumstances.

For mature investors, constant tinkering with super regulations makes a compelling case for keeping a component of savings and investments outside of super – where it will be taxed at higher rates, but fully accessible at any time. So as the property market cools, and the dream home suddenly becomes available, investors are positioned to move swiftly. It may be that in the future, super payments that are currently tax-free become partially taxed, or lump sum withdrawals are banned in favour of a compulsory annual income stream. The point is, there is no certainty. Super policy is constantly changing, and it is important not to rely on only one retirement funding strategy when it comes to future financial security.

Gearing – the next wave

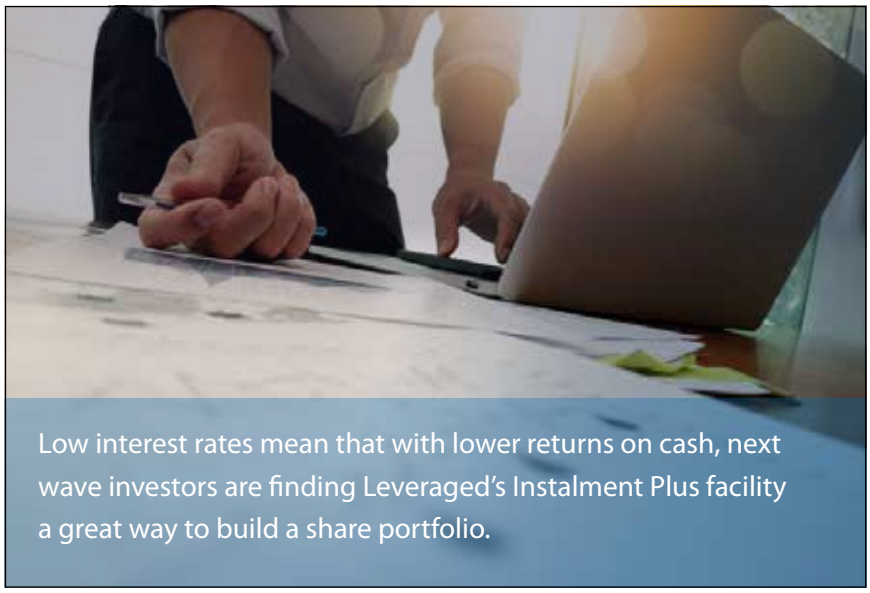
The rise of the direct investor is seeing a continued shift away from actively managed funds.** This provides further advice opportunities for

brokers and planners, particularly for next wave investors who have been locked out of the residential property market and recognise the need to build wealth through other strategies such as gearing.

Investors new to gearing are borrowing to invest primarily in order to diversify their portfolios and obtain greater market exposure. No wonder that Exchange traded funds (ETFs) are one of the fastest growing investment tools in the world.

Low interest rates mean that with lower returns on cash, next wave investors are finding Leveraged's Instalment Plus facility a great way to build a share portfolio. Starting out with as little as $1,000, the obvious appeal is that they can start building a portfolio with thousands, rather than hundreds of thousands needed to get a foot in the residential property market. ■

TO FIND OUT about Leveraged margin loans and fixing and prepaying before June 30, call us on 1300 307 807.


Low interest rates mean that with lower returns on cash, next wave investors are finding Leveraged's Instalment Plus facility a great way to build a share portfolio.

*2017 Investment Trends Online Broking report

**Financial Review 3 April 2018, Forecasts compiled by Will McInnes

Want to boost client investment potential?

Investors are always on the lookout for ways to boost their investment power in a tax effective way. A margin loan provides investors access to funds as well as the opportunity to fix and prepay their interest.

With an extensive list of Australian shares, ETFs and managed funds available, a margin loan from Leveraged provides investors with a tool to gain additional exposure to dividends, franking credits and the potential to accelerate their investment returns.

Six reasons to open a margin loan with Leveraged by 30 June, 2018:

Satisfaction

Number 1 in customer satisfaction*

Competitive rate

Take advantage of discounted rates and certainty on interest payments with a 6 or 12 month fixed rate loan

Easy to apply

Class-leading online application process providing advisers and clients dual access in a secure environment

Tax effective

Interest paid up to 30 June, 2018 including amounts paid in advance, may be tax deductible this financial year

Shares/ETFs/funds

Comprehensive and diverse Acceptable Investments List

Int'l securities

Extensive list of international securities across developed markets.

To refinance a current margin loan or open a new margin loan call our Relationship Management team on 1300 307 807.

leveraged.com.au
1300 307 807

Leveraged™
The professional's choice

Important: While borrowing to invest can multiply investment returns, it may also multiply losses if the value of the investment falls.

SAFAA CONFERENCE

Delivering Operational Excellence in Australia

Stop by the Broadridge Booth #2 at the SAFAA conference and speak with our experts about how we can help you engage customers, navigate risk, optimise efficiency and accelerate growth in a rapidly changing—and challenging—business environment.

Broadridge, a global fintech leader with $4 billion in revenue, provides communications, technology, data and analytics. We drive business transformation for clients, including capital markets firms, with solutions for enriching client engagement, navigating risk, optimising efficiency and growing revenue, helping them get ahead of today's challenges and capitalise on what's next.

Contact: Sydney +612 9034 1700
global@broadridge.com
broadridge.com

Ready for Next

Communications
Technology
Data and Analytics

Broadridge®

Nuts and bolts of super

By Peter Grace

THE AUSTRALIAN Tax Office (ATO) has more on its plate than just collecting tax. Amongst other things, it has a key superannuation role in monitoring contributions, consolidating member accounts and managing unclaimed superannuation accounts. It has invested significant money and effort in building systems to simplify and automate these processes.

If you don't work in the engine room of a superannuation fund, you may never have heard of SuperTICK. It is a system to allow the ATO and super fund administrators to validate Tax File Numbers (TFN) in real time. You might shrug your shoulders and say 'so what' but TFNs are at the heart of managing the super system.

The SIS contribution standards require a member to provide a valid TFN when making a contribution. In 2016-17, the number of TFNs validated by SuperTICK almost doubled to almost 10 million.

TFN's are important in managing the contribution rules. You cannot make a non-concessional contribution unless you disclose your TFN. The ATO manages the contribution caps ($25,000 per member per year for concessional contribution and $100,000 per member per year for non-concessional contributions). It totals the contributions for a member from the reports from all superannuation funds and it can only do this by using the member's TFN.

If an employer makes a contribution without a TFN the ATO can find the member's details in its tax records and help rectify this omission.

The cap of $1.6m that a member can convert to a tax-free pension is also administered using TFNs. The regulations refer to a member's total superannuation balance. Super funds report the member's balance in their fund and the ATO adds up the balances from all accounts the member holds using their TFN.

Another ATO system called SuperMatch2, uses TFNs to identify lost or unclaimed member accounts that match a current member account. In 2016-17, the ATO matched 2.5 million records and could then tip off the member's superannuation fund to start steps to consolidate the lost and current accounts.

A member can claim their superannuation when they retire after their preservation age or when they reach age 65. The large volumes of historically lost member accounts mean many of these accounts remain unclaimed and superannuation funds must transfer the records and the money to the ATO. The ATO can use TFNs to match the member with other tax records and help reunite the member with their money. ■

Our 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 the course. Peter can be contacted on wordsandtraining@bigpond.com

ACCREDITATION & TRAINING May, June & July 2018

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: Tues 5 Jun | 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 Market Integrity Rules (ASX Markets) 2010 and/or The ASX Clear Operating Rules (Clearing & Settlement) Responsible Executive exam syllabuses 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: Mon 30 & Tue 31 Jul | 9:30am – 12:30pm SYD: Mon 2 & Tues 3 Jul | 9:00am – 12:00pm
	RE EXAM PREPARATION 'SHORT COURSE' – 4 CPD (COMPLIANCE) This 4-hour intensive workshop is a condensed version of the Stockbrokers And Financial Advisers Association 2-day RE Exam Preparation Workshop. It covers The ASIC Market Integrity Rules (ASX Markets) 2010 and/or The ASX Clear Operating Rules (Clearing & Settlement) Responsible Executive exam syllabuses in detail, with 7 subject areas and 2 assessments during class time.	MEL: Mon 4 Jun | 9:00am – 1:00pm
Professional Development Workshops	**MARKET MANIPULATION & OTHER PROHIBITED CONDUCT** – 4 CPD (COMPLIANCE) This workshop covers an in-depth examination of what constitutes market manipulation and other prohibited 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: Tue 24 Jul | 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: Thu 5 Jul | 1:30pm – 4:30pm SYD: Thu 26 Jul | 9:00am – 12:00pm
	REVIEW & REMEDIATION – 2 CPD (COMPLIANCE) This 2 hour workshop will cover the key components of review and remediation. The aim of review and remediation is to place the affected client in the position they would have been in had misconduct not occurred. This is an important area - to be ready and prepared to address complaints and issues that can arise from potential misconduct or deficient advice. The workshop will be of interest to all AFS licensees, no matter the size of the licensee. It will have value not just to those who have a current need to put a remediation/review program in place, it will also cover how the licensee assesses whether a program is required.	SYD: Thurs 5 Jul | 12:00pm – 2:00pm
	A DAY IN THE LIFE OF A TRADE – 2 CPD (COMPLIANCE) This 2.5 hour short 'course in operations' focuses on the evolution of share and derivative trades from order placement through to execution to settlement (and later exercise/expiry where relevant) and reporting requirements. Designed for new or unfamiliar starters in the Industry or Markets, this workshop provides a comprehensive overview of the market and operational process. It provides an excellent foundation for retail desk assistants and would suit as a refresher for experienced staff as well as those staff in auxiliary and rotating roles: legal, IT, HR and other supporting roles associated with stockbroking. There is no assumed knowledge for participants of this workshop.	SYD: Wed 6 June | 9:00am – 11:30am MELB: Wed 13 June | 2:00pm – 4:30pm

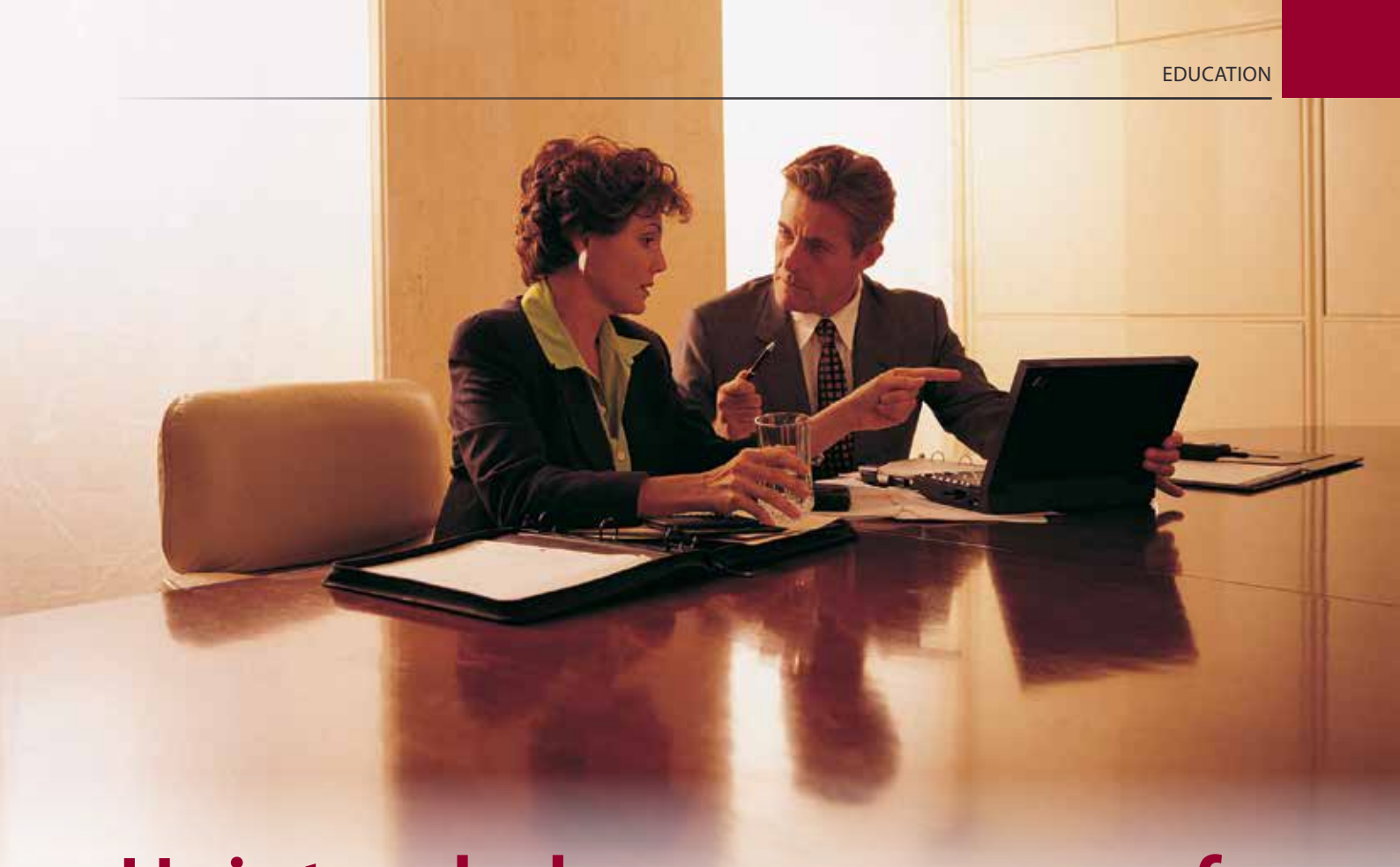
	THE BUSINESS OF STOCKBROKING IN AUSTRALIA – 2.5 CPD This workshop provides an overview of Australia's financial markets and the critical role that stockbrokers play in both retail and institutional markets. A short history of broking in Australia sets the scene for explanation of the current market structure, operations and regulation..	SYD: Wed 04 Jul | 9:30am – 12:30pm
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 26 Jul | 9:00am – 1:30pm SYD: Thu 21 Jun | 9:00am – 1:30pm
	UNDERSTANDING WARRANTS: TYPES, DIFFERENCES AND RISKS – 2 CPD 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.	MELB: Tue 19 Jun | 9:00am – 11:00am SYD: Thu 14 Jun | 9:00am – 11:00am
	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 7 Jun | 9:00am – 11:00am

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

Stockbroking Industry shaves to raise big bucks for Cancer Council

On Friday 27th April this year a special event took place. Morningstar team members and others from the stockbroking and financial advisory industry came together to shave their heads to raise money for the Cancer Council of Australia, and to support good friends Michael Lagudi from Morningstar and Tony Porter from Patersons, who are both doing it tough with cancer treatment.

Over $35,000 has been raised. Well done everyone. ■



Unintended consequences of Professional Standards regime

By Andrew Green, CEO, Stockbrokers And Financial Advisers Association

Exodus of older, experienced advisers likely to result in a fall in the quality of advice in the Stockbroking & Financial Advisory Sector in the short term.

WE HAVE PUT together a Working Group to help us navigate the implementation of the new Professional Standards regime with FASEA.

The Working Group has been the cause for introspection on Who we are, especially in the context of proceedings before the Banking Royal Commission.

Who we are

The Stockbrokers And Financial Advisers Association (SAFAA) represents Market Participants and Financial Advisers employed by them.

Market Participants execute trades in listed securities on the various Stock Exchanges around the country daily. Additionally, they produce research analysis on exchange listed products for use by their employees when providing personal advice to their clients.

There are typically 1.2 million trades of cash equities on the ASX every day, with an average daily turnover on the ASX of $4.8 billion. And this is just on the ASX.

Market Participants must comply with Market Integrity Rules (MIRs)

The Market Integrity Rules are a separate set of rules and regulations only applicable to Market Participants trading exchange traded products.

These rules govern the operation of Australia's Stock and Futures exchanges, and the Market Participants who trade Listed Products through them.

The seriousness of Market Integrity Rules is demonstrated by the magnitude of fines that apply to Market Participants. There are 41 separate instances of fines for breaching individual rules that carry a penalty of $1 million. No other sector of the financial services industry is subject to the same level of regulation as Market Participants.

Because of intense regulatory oversight, complaints to FOS about

Sadly, dragging the Market Participant / Stockbroking Sector through the wringer of mandatory tertiary education will have a significant negative impact on professional standards within this sector of the financial services industry.

our sector of the industry have been *de minimus*. This claim is substantiated by an analysis of complaints to FOS in the year to June 30, 2017.

Of the 39,479 complaints to FOS in the year to June 30, 2017, only 94 complaints were about Stockbrokers and their advisers, and of these 94, only 8 were upheld in favour of the complainant.

What problem is FASEA trying to address?

FASEA's mandate is to create a Profession in Financial Services.

The need to create a Profession arose out of the misconduct revealed by successive government enquiries across the financial services industry, but not against our sector of the industry.

Clearly, there is neither a problem of competence nor ethics within the Market Participant / Stockbroking Sector. Stockbrokers and their advisers provide advice on Listed Products. They do not provide financial planning, sell insurance, provide home loans or provide motor vehicle finance, to mention just a few activities grouped under the broad definition of financial services. Their standards are of the highest order. There is no problem to be fixed.

One member of our FASEA Working Group suggested that what FASEA was proposing was akin to asking all Electrical Engineers to study Civil Engineering, because they were all engineers.

The unintended consequences of a *one size fits all* approach

Sadly, dragging the Market Participant / Stockbroking Sector through the wringer of mandatory tertiary education will have a significant negative impact on professional standards within this sector of the financial services industry.

According to members, what will happen is that *firms will face an exodus of older, experienced advisers who have neither the aptitude nor financial appetite to commit to tertiary study*.

Instead, clients will have no choice but to receive advice from inexperienced young advisers, albeit with a degree.

The quality of advice will necessarily fall as tertiary study will never be a substitute for experience.

Furthermore, with an exodus of older, experienced advisers, there will be a shortage of experienced mentors to provide PY guidance for new, young advisers.

The problem is undue haste

The Market Participant / Stockbroking sector has no problem whatsoever with the requirement for all new advisers to have tertiary qualifications.

The problem is that FASEA has been mandated to bring about generational change in a few short years. It is not possible to achieve this without serious unintended consequences as outlined above.

The reality is that generational change requires a generation because experience cannot be taught at university. It can only be learned on the job. ■

STOCKBROKERS AND FINANCIAL ADVISERS CONFERENCE

SAFAA 2018

23 & 24 MAY 2018
CROWN PROMENADE MELBOURNE

Stockbrokers And Financial Advisers Association Limited

www.stockbrokers.org.au/conference | #2018SAFAA

GOLD SPONSORS

BRONZE SPONSORS

PREMIUM SPONSORS

SUPPORTING SPONSORS

SAFAA 2018 EXHIBITORS

AMG Super | ASX | Auscap Asset Management | Australian Money Market
Broadridge | Chi-X | CommSec Adviser Services
Complii FinTech Solutions | DDH Graham Ltd | eInvest | ETF Securities
FinTech Barn | GRC Solutions | HUB24 | IRESS | LAB Group | Leveraged
Macquarie | Morningstar | National Stock Exchange of Australia
Nomura Research Institute | Schroders | SelfWealth Ltd | SPDR ETFs
Tax Practitioners Board | Thomson Reuters | Western Sydney University

REGISTER NOW

23 & 24 MAY 2018

...plus... CHARITY GOLF DAY

Woodlands Golf Club | 22 May 2018

✦✦✦ SPONSORSHIP & EXHIBITOR PACKAGES AVAILABLE ✦✦✦