

Stockbrokers

And Financial Advisers MONTHLY

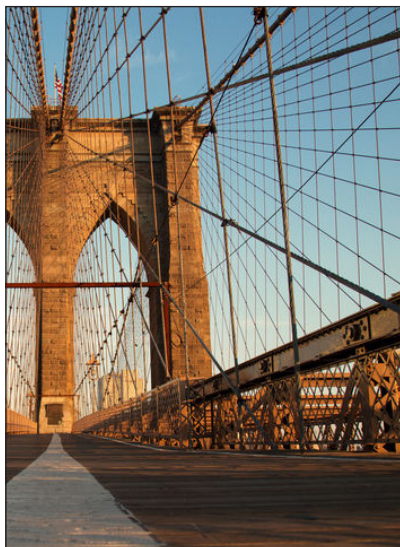
DECEMBER 2018
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MEMBERSHIP
EVENTS
EDUCATION
POLICY &
REGULATORY ISSUES



Stockbrokers
And Financial Advisers
Association Limited

FASEA issues revised
Professional Financial
Adviser standards



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And Financial Advisers
Association Limited**

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Changing of the Guard

At our AGM on 22nd November, Karl Morris, SAFAA's Chairman for the last 5 years, and a Director for 11 years, retired. Karl remains Executive Chairman of Ord Minnett.

On behalf of all members, I extend thanks to Karl for his time and wise counsel.

Brian Sheahan was appointed Chairman following the AGM. Brian is Executive Chairman, Morgans Financial Limited, and has been a member of SAFAA's board for 5 years.

Joining the board as new Directors are:

- Neville Azzopardi, General Manager – Advice, JB Were
- Richard Burns, Managing Director, Commonwealth Securities Limited
- Michael Tritton, Senior Partner & Head of Advisory - NSW & QLD, Crestone Wealth Management

On behalf of members, I welcome the new Chairman and Directors.

SAFAA 2019 – don't miss out

One of the most interesting things about putting together the conference program is discerning what topics are front of mind.

Topics to be covered this year include:

- Ethics
- Governance
- FASEA reforms
- Operations & Technology
- Changing business models
- New Masters of Stockbroking & Financial Advising
- New CPD requirements
- Use of AI to monitor compliance

In conjunction with the conference we will also have:

- Executive breakfast
- Compliance breakfast
- Members breakfast
- Fintech Breakfast
- Accelerator Workshop delivered by WSU for new Grad Dip



Andrew Green

WSU – cut-off date for enrolments

If you are quick, you will be able to apply for WSU's Masters of Stockbroking and Financial Advising.

Application closing date is 7th December.

FASEA – reforms in the pipeline

Over the last month, FASEA has released a raft of draft legislation for consultation.

We have convened working groups to discuss and on 30th November lodged our latest submission.

I acknowledge and thank the members of our FASEA Working Group for their efforts.

The course that keeps on giving

On November 21st, a near capacity class attended A Day in the Life of Trade.

Presented by Chris Harris, and sponsored by GBST, this workshop is a perennial favourite.

Run every couple of months, the course takes students through each stage of a transaction.

Financial Advisers Register cut-off date

ASIC is keen to remind financial advisers who are currently authorised to make sure they are on the ASIC



l-r: Chris Harris – A Day in the Life of a Trade Workshop presenter & Gillian Gilmore, Head of Education, Stockbrokers And Financial Advisers Association

Financial Advisers Register no later than 31st December 2018, before new professional standards requirements commence.

Inquiry into the implications of removing refundable franking credits

On Wednesday, 19 September 2018, the Treasurer, the Hon Josh Frydenberg MP, asked the House of Reps Economics Committee to inquire into the implications of removing refundable franking credits.

The Committee has received many submissions.

I had a casual glance through a few of them and came across one that really is very sad. It is reproduced on page 11.

Submissions can still be made on-line or by emailing economics.reps@aph.gov.au.

Advance Australia tackles franking credits issue

A new group has been established to make people aware of the impact of Labor's proposed plans to remove refundable franking credits.

You can voice your support for their campaign for a fair go.

Democracy is a contest of ideas. Have your say. Don't let the chance go by.

Christmas – a time for reflection

I take this opportunity to thank members for their support during the year, especially those who have served on our working groups.

I hope that Christmas provides time for reflection and thanksgiving on the year past and gives us renewed enthusiasm as we come back for 2019. ■



SAFAA 2019

STOCKBROKERS AND FINANCIAL ADVISERS CONFERENCE

22 & 23 MAY 2019 | HILTON SYDNEY

www.stockbrokers.org.au/conference | #2019SAFAA

Adapting to Change



FASEA issues revised Professional Financial Adviser standards



IN NOVEMBER, the Financial Adviser Standards and Ethics Authority (FASEA) announced that it would be progressively releasing for consultation a number of revised standards relating to the Professional Financial Adviser framework. This follows Draft Standards on which FASEA had consulted earlier in the year.

FASEA has so far released four Draft Legislative instruments for consultation, relating to the Professional Year; the term “Provisional Financial Adviser/Planner”; Educational requirements; and the Code of Conduct.

A legislative instrument is the tool by which each of the FASEA standards is given binding effect.

Key features of the revised FASEA standards are:

National Exam

FASEA has stated that it has merged the curriculum for the Financial Adviser Examination into 3 modules. The exam will focus on applied knowledge acquired in actual financial ad-

vice scenarios, testing the following competency areas:

- Corporations Act (emphasis on Chapter 7 – Financial services and markets)
- Financial Advice Construction – suitability of advice aligned to different consumer groups, incorporating consumer behaviour and decision making
- Applied ethical and professional reasoning and communication – incorporating FASEA Code of Ethics and Code Monitoring Bodies.

In the previous consultation, there were 5 subject areas listed for the exam, including Behavioural Finance and the FASEA Code of Ethics. These two areas appear to have now been incorporated into the remaining 3 modules, so whether this reorganisation amounts to any material change is not apparent.

FASEA has said that the duration of the exam has been set at 3.5 hours, which includes reading time. The exam will consist of multiple choice and some written response questions and will be open book for statu-

tory materials. FASEA will publish a curriculum framework, recommended reading lists and a practice exam.

SAFAA is pleased to see that a curriculum framework, reading lists and practice exam will be available. Previously, FASEA had said that they would not be. We argued that it was not possible to meaningfully prepare for any exam without them.

FASEA has referred to a “physical digital offering”, without elaborating on what this meant. FASEA has indicated that re-sits of the exam will be possible, but gives no further details as to the entitlement to a re-sit.

SAFAA notes that FASEA refers to a Provisional Relevant Provider (an adviser undertaking their Professional Year) being required to pass the National Exam before moving to indirect supervision (i.e. approximately 6 months into the Professional Year). This is interesting, given that under the wording in the Legislation, a person is only a Provisional Relevant Provider once they have passed the National Exam, which would mean that they would need to pass the exam before they commence their Professional year. Presumably, FASEA will be purporting to amend an Act of Parliament in its instrument.

Continuing Professional Development (CPD)

FASEA has stated that a financial adviser will be required to undertake 40 hours CPD annually (down from the 50 hours originally proposed).

The reduction from 50 hours is welcomed, however this is still a doubling of the existing 20 hours CPD that has been a long standing standard in the stockbroking sector (and which there is nothing to sug-

gest has not been an effective CPD standard).

The 40 hours (of which 70% must be approved by the licensee) must include the following minimums:

Technical	5 hours
Client Care and Practice.....	5 hours
Regulatory Compliance and Consumer Protection.....	5 hours
Professionalism and Ethics	9 hours

Professional reading will be countable, up to 4 hours per year. "Formal education" (whatever this means) is capped at 25 hours per year.

SAFAA remains concerned about a number of aspects of these standards, particularly the highly bureaucratic nature of the requirements; the unclear "formal v non-formal" distinction; the 9 hours per annum for ethics, and the 40 hour in total, both of which in our view are excessive.

Education

There have been some changes to the Education standards/Bachelors Degree requirements.

The requirements for *New Entrants* remain the same, namely a Bachelors Degree consisting of 24 subjects at AQF7 standard, or a Graduate Diploma consisting of 8 subjects at AQF8 standard.

For *Existing advisers*, the following 4 options are available:

one or more of the designated fields of study, namely accounting, taxation law, finance law, finance business law (as defined by the Tax Practitioners Board), investment, estate law, banking or economics. Presumably, degrees such as Engineering, Geology or Agriculture, will be non-relevant degrees. It is not clear how, for example, a law degree will be treated, if for instance it included finance law and estate law only.

FASEA is also now proposing some degree of *Recognition of Prior Learning* ("RPL"). Two "credits" (which presumably means credits for two "subjects") will be available to anyone who holds an Advanced Diploma of Financial Planning, or who has completed the course work to attain the FPA's Certificate of Financial Planning or the AFA's FchPP. FASEA has not made any mention of any other Professional Diplomas in the financial services industry that do not relate to financial planning, such as SAFAA's Professional Diploma in Stockbroking.

This is another indication that FASEA appears to be viewing its tasks through a financial planning prism. SAFAA will be taking up the issue of stockbroking Diplomas with FASEA during consultation.

Whilst it is not entirely clear from the FASEA paper, it would appear that every existing adviser, regardless of which of the 4 education options they proceed under, will be required

Provisional Year (PY)

FASEA has advised that it will require that an adviser undertaking their Professional Year to be referred to as a "Provisional Financial Adviser" or a "Provisional Financial Planner".

SAFAA members were of the view that the use of the term "Provisional" would be viewed negatively by clients, and we provided this feedback to FASEA, however FASEA is proceeding with this terminology.

The structure of the Professional Year is largely the same as that which was proposed in Consultation. The major change is that previously, the PY was to consist of 1800 hours, being 1000 hours of work and 800 hours of education and training. In the final version, a PY is to consist of 1600 hours, being 1500 hours of work and 100 hours of training.

This in our view is a much more sensible approach, given that work carried out under supervision should be the essence of a Professional Year.

Formal education is counted towards the 100 hours of training, however given that the Provisional Adviser may not commence the PY until they have completed an Approved Degree, there may be a limit to how much formal training will be undertaken during that first year.

As with the previous Consultation draft, there is a high administrative red tape involved in managing a PY program, including record keeping and evidence collection, a "completion certificate" at the end of each quarter and a "Final Completion Certificate" at the end of Q4.

Code of Conduct

FASEA has made some changes to the wording of the 12 Standards set out in the previous draft of the Code of Conduct. SAFAA was critical of the drafting of many of those Standards, including the vagueness of some of the language used, and whether some of the content warranted being considered as a Conduct Standard.

FASEA has defined a "Relevant Degree" as a Degree of at least 8 subjects at AQF7, 8 or 9 standard in

to complete a Code of Ethics Bridging Course or its equivalent, at the very least.

QUALIFICATION HELD	ADDITIONAL EDUCATION NEEDED
FASEA Approved Degree	1 subject (Code of Ethics Bridging Course)
A "Relevant Degree"	4 subjects (3 bridging courses + 1 FASEA approved subject)
A "non-relevant Degree"	Graduate Diploma (7 subjects)
No Degree	Graduate Diploma (8 subjects)

SAFAA was also critical of the lack of correlation with the TPB's Code of Conduct for tax (financial) advisers, which we considered to be a far better statement of Conduct standards.

In a number of cases, the FASEA redraft has considerably improved on some of the problematic language in the previous draft of the Code. On the other hand, there is some new wording in the Code which in our view is more concerning than the previous draft, and in those instances,

FASEA has gone backwards rather than improve on the Code.

For example, the new draft now requires an adviser to "actively consider the broader, long term interests and *likely circumstances* of the client". It would appear that a crystal ball may now be required. It is also proposed that an adviser be required to satisfy themselves that any fees and charges and benefits that the adviser or the principal will receive "*are fair and*

reasonable and represent value for money for the client".

Overall, we are still of the view that the FASEA Code is not as concise or as good as the TPB Code of Conduct, and the lack of correlation between the two Codes complicates matters for advisers who are required to comply with both. ■

Financial advisers urged to ensure registration by 31 December 2018

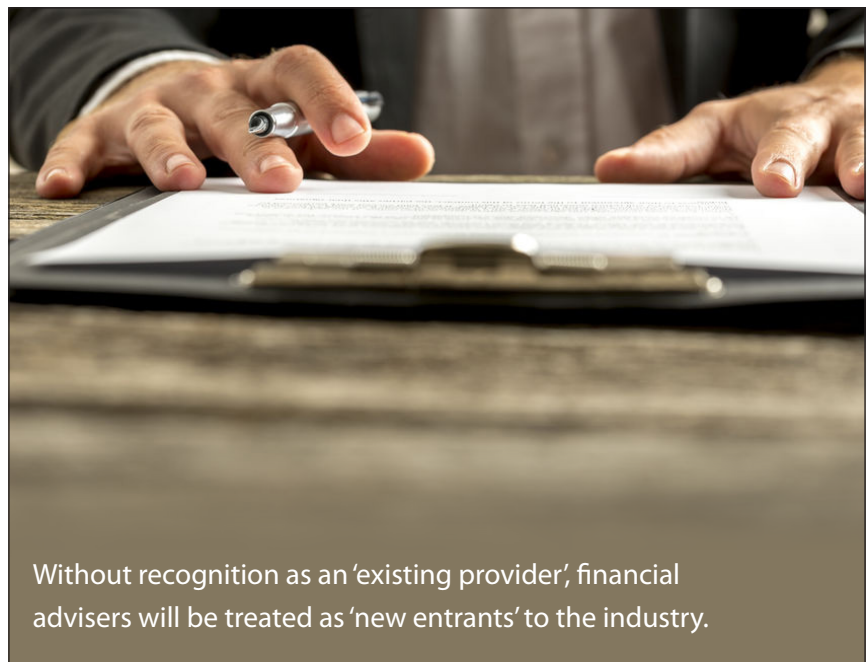
THE AUSTRALIAN Securities and Investments Commission (ASIC) is reminding financial advisers, who are currently authorised, to make sure that they are on ASIC's Financial Advisers Register no later than 31 December 2018, before new professional standards requirements take effect.

Professional standards reforms for financial advisers were introduced in March 2017 to raise the education, training and ethical standards of people providing personal advice to retail clients on more complex financial products.

The new requirements will be implemented progressively from 1 January 2019.

Under the reforms, only financial advisers who were authorised at any time between 1 January 2016 and 1 January 2019, and who are not prohibited from providing advice on 1 January 2019, will be recognised as an 'existing provider'.

Financial advisers can demonstrate they are an 'existing provider' by having a status of 'current' on the Financial Advisers Register at any time in this period. Without recognition as an 'existing provider', financial advisers will be treated as 'new entrants' to the industry.



Without recognition as an 'existing provider', financial advisers will be treated as 'new entrants' to the industry.

From 1 January 2019, new entrants will have to meet new education and training requirements to be able to provide advice to clients. They will have to complete an approved qualification and pass an exam before they can be authorised to provide advice, and they will also have to complete a year of supervised work and training.

Registration on the Financial Advisers Register is the responsibility of the Australian financial services

(AFS) licensees who authorise financial advisers.

Authorised financial advisers should speak to their AFS licensees to ensure that they are on the Register before the deadline. Financial advisers can check if they are already registered by visiting the Financial Advisers Register.

More information on new requirements that take effect next year can be found at Professional standards for financial advisers – reforms. ■

ASIC leadership structure – effective 14 January 2019

IN NOVEMBER 2018, ASIC announced staff changes to its structure that included a new group of 10 Executive Directors that will sit between the Commission and the Senior Executive Leader group.

Under this structure, Executive Directors will have primary responsibility for ASIC's day-to-day operations and decision-making. The ASIC Commission will continue to provide strategic leadership.

The Executive Directors report to Commission. The Executive Directors are:

- Rosanne Bell, Executive Director, Registry
- Joanna Bird, Executive Director, Wealth Management
- Sharon Concisom, Executive Director, Market Enforcement
- Warren Day, Executive Director, Assessment & Intelligence
- Carlos Iglesias, Executive Director, Operations
- Greg Kirk, Executive Director, Strategy
- Tim Mullaly, Executive Director, Financial Services Enforcement

- Michael Saadat, Executive Director, Financial Services
- Chris Savundra, General Counsel, and
- Greg Yanco, Executive Director, Markets.

Additionally, two Chief Supervisory Officers have been appointed to lead ASIC's Close and Continuous Monitoring work. These officers are:

- Oliver Harvey, Chief Supervisory Officer
- Louise Macaulay, Chief Supervisory Officer. ■

Federal Court upholds Tax Practitioners Board decision

CHAIR OF THE Tax Practitioners Board (TPB), Mr Ian Taylor, has today welcomed the decision of the Federal Court in the most recent case of Mr Philip Ham.

Mr Ham was sued by a former client for breaches of 'fiduciary obligations' or trust after he derived millions of dollars from the sale of land in which his former client had an interest. He was later disciplined by his professional association and was excluded from membership but failed to disclose these issues to the TPB.

In 2017, the Administrative Appeals Tribunal (AAT) affirmed the TPB decision to reject Mr Ham's renewal application for registration, determining his conduct was 'inconsistent with the qualities of moral soundness, uprightness and honesty that one would expect of a tax agent'. Mr Ham pursued his case with an appeal to the Federal Court.

Justice Logan dismissed the appeal and upheld the AAT decision which affirmed the TPB's rejection of Mr Ham as a tax agent as he was not a 'fit and proper person'.

Mr Taylor said the Federal Court's decision confirms the high ethical and professional standards expected of a trusted adviser like a tax practitioner.

'This case is an important reminder for all members of the tax profession to act with competence and integrity, to ensure that the community, the TPB and the ATO can have confidence that services are provided with professionalism,' Mr Taylor said.

'Tax practitioners are engaged by three quarters of individual Australian taxpayers and entrusted to manage their tax affairs in compliance with the law. It's important that agents respect the mutual trust between client, agent and the TPB, and act properly to

protect the public and to ensure the integrity of the tax system.'

Mr Taylor added that the TPB takes these matters seriously, with around 400 current investigations into tax practitioners across Australia.

'This is particularly important following ATO research linking some tax practitioners with overclaimed deductions, tax avoidance and evasion.'

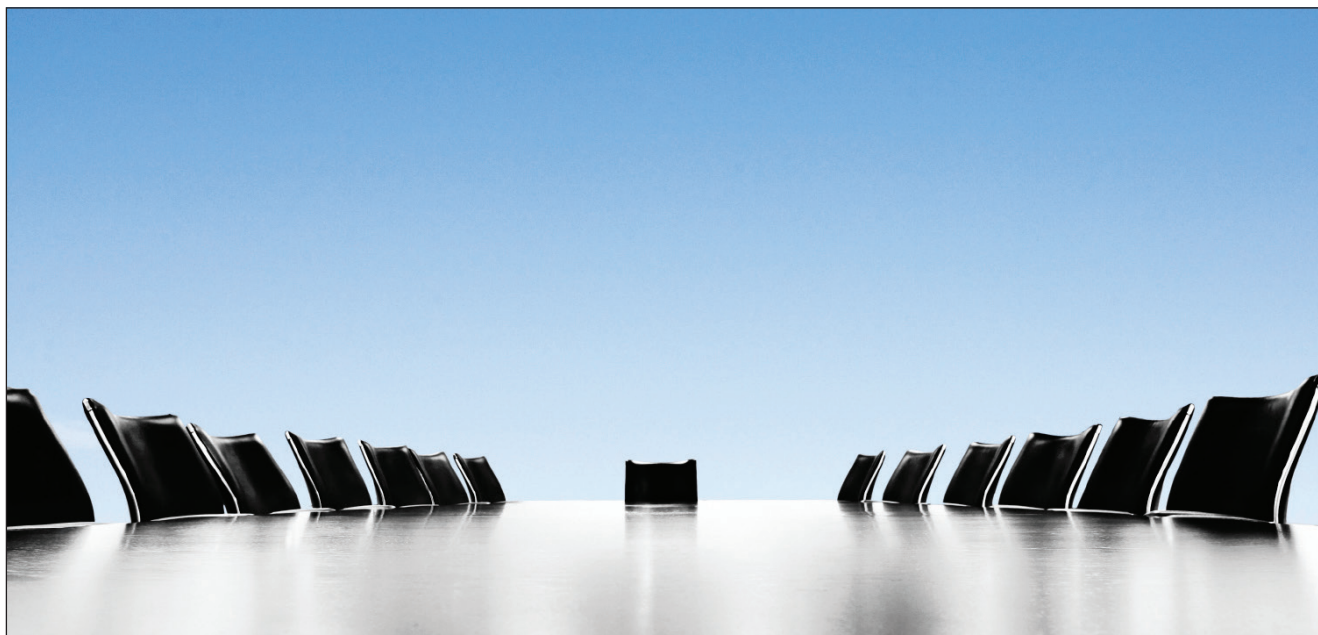
Mr Taylor urged taxpayers with concerns about their tax practitioners' services to contact the TPB at www.tpb.gov.au/complaints ■

FOR MEDIA ENQUIRIES, please contact Communications or phone 02 6216 2993.

ABOUT THE TAX PRACTITIONERS BOARD: The Tax Practitioners Board regulates tax practitioners in order to protect consumers. The TPB aims to assure the community that tax practitioners meet appropriate standards of professional and ethical conduct. Follow us on Twitter @TPB_gov_au and LinkedIn. ■

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:

Institutional Broking Committee Meeting, Thursday 6 December 2018

Chair: Scott Webster MSAFAA, UBS AG

Retail Broking Committee Meeting, Thursday 13 December 2018

Chair: Dean Surkitt MeSAFAA, Bell Potter Securities

Master Practitioner Member MSAFAA applications approved:

Richard Burns	David Comben	Samuel Croll
Caroline Curnow	Hugo Dein	Jean Findlay
Andrew Gladman	Simon Goyder	Mark Holden
Marcus Reade-Brown	Darrell Seeto	Craig Sidney
Sally Keyes	Michael Tritton	

Practitioner Member MeSAFAA applications approved:

Neville Azzopardi	Robert Backer
Michael Briody	Alberto Dimarco
Paul Hirth	Benjamin Kerry
Michael Miller	Nicole Neale
Marco Pandini	Nicola Younger

Affiliate Member AfSAFAA application approved:

Yanhua Chen

High-frequency trading review reinforces strength of Australian market structure


ASIC

Australian Securities & Investments Commission

OUR LATEST review of high-frequency trading has revealed it has reduced over the past three years but still retains a substantial footprint across our markets.

Report 597 High-frequency trading in Australian equities and the Australian-US dollar cross rate (REP 597) was the result of our 2018 review, building on our *2015 analysis of equity and futures markets*, which assessed the impact of high-frequency trading on our equity and foreign exchange markets.

Notable findings from the review are:

- High-frequency traders are responsible for a quarter of all market transactions in equities and the AUD/USD cross rate, and it is trending down.
- Traders continue to invest in faster

technologies and are accessing markets more quickly. They are undertaking less arbitrage and more position taking, with less intraday trading and longer holding times.

- High-frequency traders contribute positively to price formation, benefiting all investors in the market. They also provide important liquidity during market stress or peak demand.
- There is a cost to natural market users from high-frequency trader intermediation, but this cost is small, and it is trending down.

The overall level of high-frequency trading in Australia's equity markets has fallen from a high of 33% in late 2015, to a low of 25% in March 2018. This compares to the 27% we reported in our 2013 and 2015 reviews. Pockets of growth do exist

but are confined to the lower volume small-cap market where high-frequency trading continues to expand over a much lower base.

The report also finds substantial high-frequency trading activity in the Australian-US dollar cross rate. High-frequency trading of the Australian dollar peaked at 35% in early 2013 but has since fallen and now fluctuates at around 25%.

To increase accessibility, we also published a summary version of the report: see *Report 598 High-frequency trading in Australian equities and the Australian-US dollar cross rate (summary version)* (REP 598).

- Read [REP 597](#)
- Read [REP 598](#) (summary version). ■



HAPPY CHRISTMAS

On behalf of our team and our board, I thank you for your support during the year, and extend best wishes for a happy Christmas and a prosperous 2019.

Kind regards
Andrew Green

House of Reps Economics Committee inquiry into franking credits

THE FOLLOWING submission to the House of Reps inquiry into franking credits is just one example of how people will be impacted by Labor's proposed changes to franking credits.

INQUIRY INTO THE IMPLICATIONS OF REMOVING REFUNDABLE FRANKING CREDITS: SUBMISSION 78

Statement to the Economics Committee regarding the removal of refundable Franking Credits.

I have been managing my SMSF since 1995 with encouragement of then Federal Government. Up to the year 2000, I received Employer Contributions as well from my salary. I paid 15% tax on the earnings plus Income Tax Surcharge of 15%. I utilized Franking Credits to modify the Accumulation Tax as provided by the Government.

From 2000 to 2010 I was self employed. I contributed the maximum amount to my Fund during that time. Franking Credits were again utilized to reduce the overall tax of the fund, again promoted by the Federal Government. As would be realized by the Committee, the GFC decimated my fund's capital base which had to be replaced if there was to be a reasonable earning base for my retirement.

I retired from my business in 2010 aged 72. I worked for this time due to my wife's deteriorating health. I then drew down my SMSF Pension as required by law. To augment this pension, I needed the Franking Credits which were now fully refundable.

I now draw down \$78000 annual earnings plus Franking Credits of \$33000. As my wife is in a Nursing Home, I pay \$46930 per annum to keep her in the home. I have used the Franking Credits to help fund the Nursing Home charges.

My current net pension I receive to live on is \$64070. If the refund of Franking Credits is to cease, My living pension would reduce to \$31070—a meager amount to live on after contributing to my fund by working until I was 72. I am now 80 years old.

General Comment within the Terms of Reference

I do not intend getting a Government Pension. I have never aspired to that.

Obviously, losing the Franking Credits will put financial stress on myself. \$31000 is not large.

However, I am annoyed at the proposed policy of the alternative Government. IT IS PARTISAN and DISCRIMINATORY.

Why should be EXCLUDED from the policy:--

- Industry and Retail funds.
- Parliamentary Super Funds both State and Federal.
- Universities.
- Charities.
- Not-for-profit organizations
- Trade Unions
- "Pensioners" whoever they may be to qualify.

Why target about 200,000 people or 1% of the population who have set up their own funds and managed them under Federal Law. How is it fair and reasonable to change the rules to suit a whim of the day.

If the policy is good for one group of people, it is good for ALL. Trying to manage the policy for those who will be exempt (carve-outs) and those who are not is going to be very difficult and very discriminatory.

Continued fiddling with the "Super System" as a cash Cow has to stop. Who would sign up to a Super Fund when one would have no idea what their savings would be like in, say, 25 years time. It would be better the money now, even after tax, to get the benefits today rather than put up with savings lost due to exorbitant Super Fund Fees and Governments meddling with the rules.



Directors' conflicts of interest

GRC
solutions

By Guy Griffin, Senior Lawyer, GRC Solutions, Sydney

CONFLICTS OF interest can arise in a variety of guises but often the warning signs are obvious.

The Australian Institute of Company Directors notes the following examples:

- When as a director you are faced with a corporate opportunity that you may be able to use in another arena
- When your payment as a director is conditional on some form of successful outcome in your duties (for example, a director's

fee being tied to the purchase of company assets).

- Major financial interests in the company of which you are a director.
- Major financial interests in other companies that compete with, supply to, or are customers of the company of which you are a director.
- Information that would be useful to you in another arena.
- A termination fee that you may receive as a director, particularly if that is a key term of a negotiation during a takeover or merger.

Several provisions of the Corporations Act deal with directors' conflicts of interest. A failure to disclose conflicts will incur criminal penalties of fines or imprisonment for up to three months.

Section 195(1) says a director with a 'material personal interest' in a matter being considered at a directors' meeting must not:

- be present while the matter is being considered at the meeting, or
- vote on the matter

The Act requires every director of a company to disclose a 'material

personal interest' in a notice to other directors. (See section 191)

It does not define 'material personal interest' or require that the interest be financial or pecuniary. However, the case law says that it must be an interest:

- That gives rise to "a real sensible possibility of conflict", and
- That has the ability to influence a director's vote.

Give a notice to directors when a conflict arises

Section 191(1) states that a director who has a material personal interest in a matter that relates to the affairs of the company must give the other directors notice of the interest except where the interest:

- Arises simply by virtue of the directors' common interests as members of a company
- Arises in relation to that director's remuneration as a director of the company
- Relates to a contract or proposed contract with a related company merely because the director is a director of that related company
- Arises merely because the director is a guarantor or has given an indemnity or security for all or any part of a loan or proposed loan to the company

The notice of disclosure to directors must:

- give details of:
 - the nature and extent of the interest,
 - the relation of the interest to the affairs of the company
- be given at a directors' meeting as soon as practicable after the director becomes aware of his or her interest in the matter (section 191(3)).

Courts have said that the disclosure must:

- be of sufficient detail for the board as a whole to understand the scope of the benefit and the potential profit to the director, and
- provide the board with the necessary information to give its informed consent

The Act requires every director of a company to disclose a 'material personal interest' in a notice to other directors.

(See section 191)

Give a standing notice to directors at any other time

Section 192(1) permits a director to give other directors standing notice about an interest. The notice may be given at any time, before the interest becomes a material personal interest, and whether or not it relates to the affairs of the company at the time the notice is given.

How to manage a conflict

STEP 1:

Fully disclose your material personal interest in a matter to other directors



STEP 2:

Abstain from participating and/or voting on that matter at the board meeting



STEP 3:

Abstain from attending discussions and/or voting on that matter



STEP 4:

Take action to limit possible damage arising from a conflict of interest



STEP 5:

Resign if necessary

Voting when there is a conflict: do's and don'ts

In a matter that is being considered at a board meeting, a director who has a material personal interest that must be disclosed to the directors must not vote on the matter unless the directors who do not have a material interest in the matter have passed a resolution:

- Identifying the director, the nature and extent of the director's interest in the matter;
- Stating the matter's relation to the affairs of the financial institution; and
- Stating that the directors are satisfied that the interest should not disqualify the director from voting. ■

GRC
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SAFAA-ACCREDITED CPD TRAINING

GRC Solutions have developed a CPD product that is accredited by the Stockbrokers and Financial Advisers Association. The e-learning delves into the topics mentioned before and gives a well-rounded overview, including recent cases and FS-related examples. It has been developed with Australian retail and institutional stockbroking firms, and investment banks in mind.

For further information, visit <https://grcsolutions.com.au/services/salt-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.

Forging a new path to keep up with the sophisticated investor

By Wes Gillett, Head of Sales, Powerwrap

Powerwrap™



A new investment paradigm

The world of broking and traditional planning are merging. Traditional brokers are transforming into wholistic investment advisers, retail financial planners are dealing more in listed securities, and increasing wealth is driving greater demand for international and alternative assets.

Advancing technology is also providing greater access to markets and products previously available only to the ultra-wealthy.

Retiring with a minimum of 7 to 10 times final annual salary in investible assets is seen as a reasonable yardstick for security, and the previous benchmark of around a million dollars now appears just a moderate

measure for an economically viable client and asset pool.

What is becoming increasingly obvious to brokers and other advisers is that managed funds and ASX securities alone do not fulfill all their client's investment need without diluting the core value in managing a domestic equity portfolio, wealth advisers are looking for better ways of extending their services, achieving

greater business efficiency to provide a more complete picture of their client's total portfolio.

We know allocation to international assets amongst Australia's 750,000 SMSF's is around 6%, which is very low when compared against every industry accepted diversified asset blend. There is opportunity there for those that are willing.

A better way of doing things

Many clients and wealth advisers will be resistant to moving assets into custody for a variety of administrative and security concerns. It will also be difficult to convince investors and advisers on the need to pay more for choice and better information. The answer is a platform solution that can preserve the centrality of HIN (Holder Identification Number) based domestic securities and provide them with a complete set of tools for port-

folio management, a comprehensive product suite of domestic and global assets, and the flexibility to manage, quickly, seamlessly and efficiently.

A platform that brings together custodial holdings and directly held assets seems logically desirable. If it works, it will result in several key benefits to all stakeholders:

- ✓ Management of ASX securities remains unchanged via broker sponsored HINs.
- ✓ Access to specialist managers and products in other asset classes such as global equities.
- ✓ Automation of broker models with smarter tech, leading to less admin.
- ✓ Full valuation, transaction and taxation reporting across all asset holdings.
- ✓ Increased revenue and value from broader and better product choices.
- ✓ Transparency and control of all assets leads to better advice and lower risk outcomes

It is for these key reasons that brokers will increasingly embrace solutions that bring together the best of directly held assets and custodial holdings to achieve a more diversified portfolio solution, and therefore, more consistent client outcomes.

Powerwrap was developed to achieve exactly that outcome. It represents a full solution for brokers and advice professionals servicing the needs of the wealthy. The product mix is unparalleled - it supports the ongoing execution of HIN based holdings alongside international products and currency, alternate assets, bonds and wholesale funds to meet the shift in demand from sophisticated investors. A platform that can unleash the full potential of relationships wealth managers have with their clients. ■

Wes Gillett is the Head of Sales for Powerwrap, and is contactable via wesgillett@powerwrap.com.au

FOR MORE INFORMATION visit powerwrap.com.au



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Powerwrap's innovative, institutional grade wealth management platform is used by wealth advisers and brokers to administer, report and transact investor portfolios. Want to unleash the full potential of your client relationships? Find out more at Powerwrap.com.au

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Developed jointly by the Stockbrokers And Financial Advisers Association and Western Sydney University's highly regarded Sydney Graduate School of Management (SGSM), the Master of Stockbroking and Financial Advising is set to become the benchmark qualification that employers, regulators, and clients expect from practitioners who work in the stockbroking and financial advisory industry.

SAFAA ACCELERATOR PROGRAM

You can get the qualifications you need, without having to pause your career with the SAFAA Accelerator Program. SGSM is offering experienced advisers the opportunity to absent themselves from the unit course work and undertake an assessment in two program units.

The program also involves the candidates sitting a Challenge Exam. Interested candidates attend a two hour information session on what is involved in sitting the Challenge Exam.

Challenge Exams are typically three hours in duration and will be held on published day/times in approved venues.

To find out more about the **SAFAA Accelerator Program** and our **Master of Stockbroking and Financial Advising** contact education@stockbrokers.org.au or call **02 8080 3200**.



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Deadline looming for LEI provision

By Chris Donohoe, CEO, APIR Systems

The impact of the new Markets in Financial Instruments Directive (MiFID II) regime on a range of funds, planners, brokers, traders and trustees of SMSFs in Australia was unexpected, but it is an impact that can't be ignored.

THE LEI is a mandatory requirement of the MiFID II reporting regime that was introduced in Europe. The MiFID II regulations were seven years in the making. They aim to improve the functioning of European financial markets in the wake of the global financial crisis, and achieve this by shining a light on some opaque aspects of certain financial transactions. This strengthens investor protection.

Although a European stipulation, its impact has been felt on a range of Australian financial service entities. These entities may be unable to transact with European counterparties if they don't have a Legal Entity Identifier (LEI).

LEIs are a global identification standard introduced in response to regulators' requirements to identify counterparties in a range of cross border financial transactions. They are now the globally preferred identifier for entities entering into financial

transactions, regardless of jurisdiction, although the application of the LEI varies between jurisdictions.

For instance, in Europe under MiFID II, the LEI is required for both exchange and OTC transactions. In Australia, it depends on the party through whom you are transacting. However, current regulations will require an LEI to be used for all over the counter transactions from March 31, 2019.

Many brokers already require clients and entities to provide LEI's, particularly those have a European based parent.

In November 2017, APIR and the London Stock Exchange announced a partnership to support the issuance and maintenance of LEIs and associated reference data in the Asia Pacific region. In line with this, APIR issues LEI's on behalf of the London Stock Exchange, and it is the only issuer that charges in AUD.

This complements APIR's existing

position as the industry standard for coding and identification of managed funds, superannuation funds and managed accounts in Australia.

It's a good example of how globalisation is impacting the Australian financial services industry. Increasingly, regulatory developments in one jurisdiction can impact operators in other jurisdictions, even when the overseas development is not a local regulatory requirement. While this increasing harmonisation of financial services regulations across jurisdictions is seen by many as an increased, and unwanted, compliance burden, it has also facilitated cross border investment, while ensuring that the regulatory framework is robust. This potentially will result in greater opportunity for Australian operators and, quite possibly, better investment outcomes for consumers. ■

SAFAA OBITUARY

Andrew Murdoch

9th September 1958 – 8th November 2018



IT IS WITH great sadness that I advise the passing of Andrew Murdoch, one of the industry's longest-serving and most esteemed colleagues, on Thursday 8th November 2018.

Andrew made an incredible contribution to Australian financial services and to capital markets generally. He joined GBST in 1987 as a mature age graduate with a Bachelor of Applied Science from QUT and his talent was immediately recognised.

Software is a science we have all come to depend on. It is completely invisible, only made real by its use. The key to good software is its usability. This is what Andrew did so well - made it real and usable.

He was the lead architect and the father of Shares, GBST's product for transacting on the Australian Stock Exchange and beyond. Shares has been dealing with other people's money in real time every weekday for the past twenty-five years - literally

billions of dollars transferred every day. Still today, it all balances to the cent and this is in no small part down to Andrew's genius.

I would see Andrew regularly. We would talk about industry matters. You could always get a unique and original perspective. But after discussing a thorny point, we would always return to talk about his family.

Andrew will be dearly missed by his past and present colleagues at GBST and those in the industry with whom he worked. They will remember him for his wealth of industry knowledge and his unique and original insight.

I will remember him as a role model for the ultimate father. In our case - I will remember him as the father of Shares. He is survived by his family who he passionately loved and admired. His work lives on. ■

John Puttick
22 November 2018

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Key Dates 2019

	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Application Closing Dates	7 December 2018	20 March 2019	12 June 2019	23 August 2019
Online Orientation	4 January 2019	27 March 2019	19 June 2019	11 September 2019
Online Classes Start Dates	7 January – 24 March	1 April – 16 June	24 June – 8 September	16 September – 1 December
Census*	31 January 2019*	24 April 2019*	17 July 2019*	9 October 2019*
Exams	16 -24 March	8 – 16 June	31 August – 8 September	23 – 30 November

* Census date is the last chance to withdraw with no financial penalty.



Making contributions after age 65

I TOOK A PHONE call last week and it went like this.

Caller: Can you tell me if I can put money into my super?

Me: Of course, are you working at the moment?

Caller: Well not today. But I'll be very busy later this month.

Me: OK, can I ask, are you under age 65?

Caller: Um probably not.

[This was a strange answer but I carried on.]

Me: Then you need to pass a work test before you can put money into super – we call it making a contribution.

Caller: And what's the work test?

Me: Well you have to work 40 hours or more in any 30-day period.

Caller: So, working 24 hours on one day isn't enough.

[This was even stranger.]

Me: No. What sort of work do you do to have to work for a whole day?

Caller: Well, special deliveries, I suppose you'd say.

Me: Well there might be an alternative. You can ask your employer to make contributions out of your wages.

Caller: But I'm not paid for my work.

Me: Well, voluntary work doesn't count in the work test.

[I was a bit concerned about my Anti Money Laundering obligations as I hadn't asked the caller for any ID.]

Me: If you don't get paid for your work, where does the money come from that you want to put into super?

Caller: When I make my deliveries, children leave me presents and I can't possibly eat or drink all they leave for me. So, I have a stall on the Boxing Day market and make some money that way.

[The penny dropped and I knew who my caller was.]

Me: Have a Merry Christmas Santa and a happy new year.

Caller: Ho Ho Ho. And the same to you and all your readers. ■

Our RG146 Superannuation course is highly recommended for anyone who advises on securities in self managed or other superannuation funds. For details of SAFAA's Superannuation course, please contact SAFAA's Head of Education, [Gillian Gilmore](#).

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Adapting to Change

PROPOSED CONFERENCE TOPICS INCLUDE:

- ✓ Why & how investors should protect long positions
- ✓ Decline in the use of derivatives exposes portfolios to unnecessary risk
- ✓ Sovereignty of Data: ownership, governance & usage
- ✓ Code Monitoring Schemes
- ✓ Royal Commission related topics including:
 - ✓ Will the regulatory pendulum swing too far and damage the international competitiveness of the Australian Financial Services Sector?
 - ✓ Should NEDs be required to be more deeply involved in the operations and governance of companies of which they are a director?
 - ✓ How to improve transparency in financial services.
- ✓ Reducing the costs of providing financial advice

ANY SUGGESTIONS?

PLEASE EMAIL [Andrew Green](mailto:Andrew.Green@stockbrokers.org.au),
Chair, SAFAA 2019 Steering Committee

SAVE THE DATE...

SAFAA 2019

22 & 23 May 2019

For further information visit
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