SIAA monthly

www.stockbrokers.org.au | December 2024

Sharpening the active edge as a new economic era emerges

The Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) Amendment Bill

The nuances of Trump 2.0: tariffs first, tax cuts later?

SUPER SNIPPETS: Super fund governance importance highlighted

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Stockbrokers and Investment Advisers Association

Serving the interests of investors

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MESSAGE FROM THE CEO

Judith Fox, CEO

At the SIAA AGM on 21 November, directors Steven Arnison, General Counsel and Company Secretary at Shaw and Partners; Anita Mead, Head of High Net Worth-Investment Platforms at NAB Private Wealth; and Peter Robinson, Head of Operations at AUSIEX were re-elected.

Directors Benjamin Harrington-Lowe, Chief Operating Officer at FNZ Securities and Justan Kitchener, Head of Sales Management and Marketing Office at Morgan Stanley Wealth Management, who were appointed to the Board during the year, were elected.

We are also delighted to welcome new directors Andrea Marani, CEO of Execution and Clearing Services at FinClear Execution; Michelle Inns, Chief Operating Officer, Senior Partner at LGT Crestone; and Lee Muco, Chief Executive Officer of Third Party Platform to the Board.

Our Board represents the breadth of our industry, ensuring that SIAA acts on behalf of its members across a multiplicity of issues, including regulation of financial advice and markets issues such as CHESS replacement, Market Integrity Rules and ongoing exchange updates. The knowledge and expertise represented on the SIAA Board provides the depth of understanding to guide and provide oversight of SIAA's advocacy and education efforts. That expertise is also highlighted when the Board goes to Canberra to meet with the government and opposition to discuss the impact of ongoing regulatory reform on our sector.

Working on behalf of members

Under the guidance of the Board, SIAA continues to work on a range of issues of importance to our members. As noted previously, a key win was reaching agreement with the other advice associations on our proposal to change the education standard for new entrants to financial advice. Our proposal, supported by the Joint Associations Working Group, ensures that the pool of human capital available to provide different financial advice services as required by consumers is not limited to only those who have completed a financial planning degree — currently the only available education pathway as approved by FASEA. Treasury is actively engaged in discussing our proposal for an expanded and more flexible new entrant pathway for financial advisers. We have been listened to, as we were with the experienced financial adviser pathway. These shifts in attitude and perception recognise the expertise and professionalism of the industry.

On the markets side, we have been closely involved with our members in the second iteration of the CHESS replacement project. We represent members at the ASX Business Committee and as an observer on the ASX CHESS Replacement Technical Committee, Implementation and Transition Working Group, Building Design Working Group as well as the SIAA Registries Forum. We are also a member of the ASX Business Committee's T+1 Working Group.

An important issue we are working on with our members is the prevention of fraudulent share transfers. We organised a roundtable with ASIC and ASX with our members to discuss proactive steps we can take to shut down this criminal activity. We are also engaging with AUSTRAC on this issue. In dealing with sophisticated criminal syndicates, everyone's aim is to protect investors and their monies.

I would like to thank the many members who have been active participants in Association committees and working groups during the year. Their contribution and expertise are vital to our advocacy and education efforts and greatly appreciated. In coming together we strengthen our voice and build a community of knowledge.

Season's greetings

Finally, I extend my best wishes to all of our members for a festive season. The team at SIAA and I hope that all may enjoy a well-deserved break and we look forward to working on your behalf next year.

COMMITTEE NEWS – DECEMBER 2024

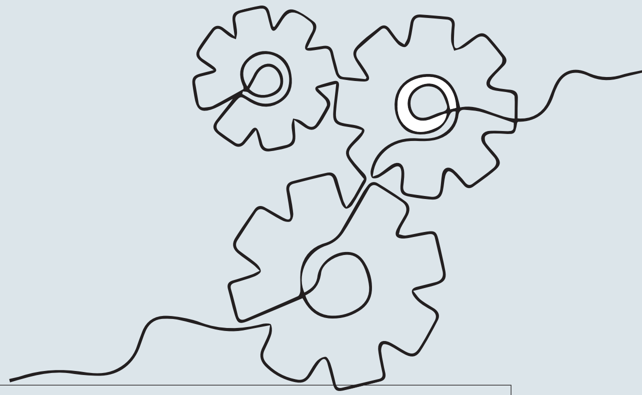
Upcoming meetings of the Stockbrokers and Investment Advisers Association – Committees, Working Groups and Advisory Panels:

Derivatives Committee, Tuesday 3 December
Chair: Te Okeroa MSIAA, AUSIEX

Diversity, Equity and Inclusion Committee, Monday 9 December
Chair: Michelle Inns MSIAA, LGT Crestone Wealth Management

Operations & Technology Committee, Tuesday 10 December 2024
Chair: Peter Robinson, MeSIAA, AUSIEX

Compliance Committee, Thursday 12 December 2024
Chair: Melissa Nolan MSIAA, Ord Minnett



New Practitioner members MSIAA

Tim Kearney, CommSec
Nik Kritikos, CommSec
Nicole McCranor, CommSec
Carl Merchant, CommSec
Stephen Norton, CommSec
Karin Setchell, CommSec
Andrea Marani, FinClear
Michelle Inns, LGT Crestone

New Practitioner members MeSIAA

Matthew Barran, CommSec
James Fowle, CommSec
Manda Vulic, CommSec

Re-joined Practitioner members MSIAA

James Dickson, Oceanic Consulting Group
Peter Tardent, ViewTrade

Re-joined Practitioner members MeSIAA

Nicholas Evans, JBWere

New Student Affiliate StuAfSIAA

Miruthun Kumar, University of New South Wales
Rhea Pathak, Western Sydney University

APRA proposes to eliminate hybrid securities

SIAA has lodged a submission opposing APRA's proposals to eliminate hybrids as based on false assumptions.

SIAA provided feedback to APRA's first Discussion Paper in November 2023 that its concerns about hybrids were based on an incorrect understanding of the investors who actually held hybrid securities.

We pointed out that the impact of the Design and Distribution Obligations (DDO) regime should allay APRA's concerns that there were large numbers of unadvised retail clients holding hybrid securities that pose a challenge to the operation of hybrids in the Australian market. Since the introduction of DDO, hybrid issuance had been restricted to wholesale clients or personally advised retail. Data from our member firms evidenced this.

When all categories of wholesale clients were taken into account (not just those who satisfy the product test) it was not the case that a high proportion of those holding hybrid securities were retail investors. Data from our member firms evidenced the high levels of ownership of hybrids amongst investors defined as wholesale under all definitions of the Corporations Act 2001, not just the product test.

Hybrids usually only made up a small percentage of their clients' individual portfolios. As a consequence of this, there was a high level of diversification in the portfolios that held hybrids. Conversion of a hybrid security was unlikely to have an outsized impact on the average client

For these reasons we disputed claims that Australia would face more acute challenges than other jurisdictions in using hybrids to support a bank resolution.

Unfortunately, APRA did not take the evidence put forward by SIAA and its members into account when formulating its second Discussion Paper that proposes eliminating hybrid securities. APRA continues to repeat its assumptions that Australia is an outlier internationally with a material proportion (around 20% to 30%) of hybrid securities held by domestic retail investors and that as a result the use of hybrid securities in Australia is challenged due to the risk that investors don't understand their loss-absorbing nature and may not be prepared to absorb those losses potentially leading to contagion in the broader financial system, further undermining confidence in a crisis.

SIAA continues to contest the assertions upon which APRA basis its proposal to eliminate hybrids.

Impact on investors

Our member firms report that investors who seek income, particularly those in retirement, are prepared to take credit risk by moving down the capital structures of financially strong and well managed institutions and acquire hybrids for the income stream. Investors make these investments in knowledge of the features — including the risks — of hybrids. An advantage of acquiring hybrids on issuance is that investors are not charged fees.

The bond market is not available to those unable to invest the minimum amount of $500,000, making hybrids a more accessible way to achieve income. There is almost a complete absence of corporate debt available to retail investors in Australia. The Australian corporate bond market remains undeveloped and small compared to other comparable countries and the currently regulatory settings are impacting retail investor access to quality fixed income investment opportunities – a vital asset class for Australia's ageing population.

Eliminating hybrid securities will force investors seeking income into other products that carry more risk and charge fees. By way of example, yield-seeking investors may turn to private debt funds which lack the transparency of listed investments.

The government is on record as noting that five million Australians are either retiring or approaching retirement. We are of the view that it would be imprudent policy to shut an increasing cohort of investors seeking income out of hybrids resulting in them investing in products that carry more risk and charge fees.

APRA plans to provide an update on the consultation process in late 2024 and formally consult on specific changes to prudential standards in 2025.

The link to our submission is here.

ASX greenlights Release 2 CHESS replacement

ASX has greenlighted Release 2 of the CHESS replacement project.

Just to recap, ASX has proposed that the CHESS replacement system will be implemented in two releases.

- **Release 1** will replace the clearing component of CHESS with a subset of the TCS BaNCS MI product and introduce FIX messaging for trade registration for all market operators (ASX, Cboe, SSX and NSX). ASX is targeting the implementation of Release 1 between **mid-March to end-April 2026**.
- **Release 2** will replace the settlement and subregister functionality, deliver improved corporate action functionality and make further enhancements to clearing. It will also introduce global standard ISO 20022 messaging interfaces for Participants.

In August 2024, ASX consulted on its proposed approach to Release 2 of the CHESS replacement system seeking feedback on the:

- design, scope and schedule for Release 2,
- high level plan for the timing and approach for a transition to a T+1 settlement cycle,
- approach to interoperability for CHESS replacement, and
- testing and industry readiness approach for Release 2.

SIAA provided feedback to ASX's consultation on Release 2 in our submission here.

ASX has reported that feedback was generally supportive of its proposals and while it intends to proceed as proposed on most of the items it outlined in its consultation paper, there are several areas where it has adjusted its approach to address industry feedback.

ASX's plan is working towards a **potential go-live for Release 2 between April and December 2029 with a target of at least 12 month's notice**. ASX notes that the go-live range is subject to industry readiness which will continue to be monitored as the project progresses. To assist with this, ASX has introduced two new industry timeline checkpoints to reflect industry feedback in relation to the proposed Release 2 build and test phases.

ASX also intends to proceed with the implementation of Release 2 on the basis that if a decision is made to move to T+1 it should occur after Release 2. At the earliest, a T+1 go-live date would likely be at least **12 months after the CHESS replacement Release 2 go-live date, and at a minimum 18 months after a decision to transition to T+1**.

ASX has also recently announced:

- Estimated project costs of between $270 million and $320 million for Release 2.
- Estimated project costs for Release 1 are currently expected to be at the upper end of the previously communicated range of between $105 million to $125 million.
- Existing capital expenditure guidance remains unchanged and includes allowances for both releases of the CHESS system, noting that expenditure for Release 2 will extend beyond the guidance period.
- It plans to use the full $70 million of the CHESS Replacement Partnership Program, subject to other considerations, with the remaining $37 million to be recognised in FY26 and FY28 as significant items.

There is substantial work ahead for ASX and the industry, as detailed solution design, documentation and build and test work continues.

SIAA will continue its engagement with the CHESS replacement project and will continue to update members on its implementation.

The link to the ASX response to consultation feedback document is here.

CSLR – Financial Advice levy to exceed cap of $20 million

The CSLR CEO has advised that the scheme is currently calculating the industry levy for the period ending 30 June 2026 (third levy period) and expects the levy amount for the financial advice subsector to exceed the $20 million cap.

At an industry forum attended by SIAA on 23 October 2024, the CSLR CEO advised that as at 30 September 2024 the CSLR had received 204 claims (including 128 personal advice claims relating to 25 firms), paid 91 claims, assessed 34 claims as ineligible and paid out a total of $9,090,381 in compensation across all categories.

The levy for the third levy period will be published and provided to Parliament in February 2025. The levy notices for this levy will be issued to firms between August and October 2025. If the levy amount for the financial advice subsector exceeds the subsector cap as is expected, the CSLR will be required to formally notify the Minister of the excess and the need for him to raise a special levy. The Minister will need to determine the intended approach regarding the excess levy and begin the legislated process for its implementation.

The key reason behind the levy cap being exceeded is the high number of complaints that are expected to be paid from the CSLR to clients of Dixon Advisory. While the overall number of Dixon claims is known, the timing of when those claims will be paid by the CSLR is not known as it depends on how long it will take AFCA to determine them. It is expected that these claims will be paid by the CSLR over multiple years.

SIAA will continue to update members on the CSLR.

Senate inquiry into wealth management companies

As discussed in the November edition, the Senate has referred an inquiry into the reasons for the collapse of wealth management companies, and the implications for the establishment of the Compensation Scheme of Last Resort (CSLR) and challenges to its ongoing sustainability to the Senate Economics References Committee.

SIAA considers that to fully understand the impact of the CSLR on the financial services sector, one must understand the pivotal role that AFCA plays in making the determinations that ultimately flow to the CLSR.

The ability of AFCA to reclassify wholesale clients to retail and accept their complaints has the potential to impact significantly on the sustainability of the CSLR and those financial firms subject to CSLR levies if AFCA determinations brought by wholesale clients are unpaid and are referred to the scheme.

The way in which fault is attributed under the law as well as the design of the AFCA scheme results in financial advice firms bearing the full costs of failed or poorly performing managed investment schemes where advice has been provided. This is an unintended outcome of the AFCA scheme.

SIAA has serious concerns about the way in which the 'but for' method has been used in the AFCA lead case for the Dixon Advisory matters as well as the qualifications of AFCA decision makers to make determinations involving a potential $135 million in claims which will have a significant impact on the financial services industry.

We have even greater concerns about the way in which AFCA will deal with future matters when one considers the limitations of the AFCA scheme that SIAA has highlighted since its formation. It is particularly inequitable that a methodology resulting in a calculation of losses approximating $135 million is not subject to independent review when it cannot be disputed by a counterparty.

SIAA made the following recommendations to the Senate Committee:

- An independent expert with relevant qualifications should be brought in to review the methodology for the calculation of losses in the lead Dixon Advisory complaint.
- An independent expert should be brought in to review the methodology for calculating losses in any lead case concerned with investment losses leading to a determination which will have a significant impact given the magnitude of the cases.
- All AFCA personnel determining damages for an AFCA Preliminary Assessment and Determination should have recognised qualifications and, more importantly, experience and/or strong knowledge of capital markets where the calculation is about investment losses, such as in the Dixon Advisory matters.
- ASIC should not be able to extend the time limit of 12 months for retention of membership of AFCA of a firm in administration.
- ASIC should remain an impartial regulator and not become a consumer advocate in relation to client complaints to AFCA when a firm is in administration.
- The government should cover the first 12 months of CSLR operating costs and claims as promised.

The Senate Committee plans to report its findings to parliament by the last sitting day of March 2025.

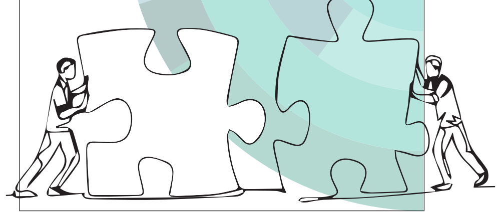
The link to SIAA's submission is here.

MEMBERS CAN VIEW SUBMISSIONS **HERE**

ACTING **FOR YOU**

SIAA exists to represent our members and work in their interests. Below are the key issues we are currently working on:

- ✓ Financial Adviser education and exam standards
- ✓ Delivering Better Financial Outcomes reforms
- ✓ ASIC Industry Funding Model
- ✓ ASX CHESS Replacement Project
- ✓ Considerations for accelerating cash equities settlement in Australia to T+1
- ✓ Cboe's proposed new listings framework
- ✓ ASX Services Release 15
- ✓ Inquiry into wholesale investor and wholesale client tests
- ✓ Impact of the Compensation Scheme of Last Resort
- ✓ Competition in clearing and settlement
- ✓ AFCA rules and operational guidelines
- ✓ Australian Law Reform Commission – review of financial services legislation
- ✓ APRA discussion paper on hybrid securities
- ✓ Review of eligibility requirements for registration with the TPB
- ✓ The Tax Agent Code of Professional Conduct.



WOMEN IN WEALTH AWARDS 2025

Nominations open

FINANCIAL NEWSWIRE WOMEN IN WEALTH AWARDS 2025

THE EMERGE FOUNDATION

The Women in Wealth Awards is on again in 2025, hosted by Financial Newswire in association with the Emerge Foundation.

The awards recognise and reward women who have shown leadership and innovation in the wealth management industry. Last year, a number of SIAA members took out the honours, showcasing the talent in the stockbroking and investment sector.

While the categories for nomination from last year remain in place, there are new categories in 2025, including Governance, Risk and Compliance Professional of the Year.

This is your chance to earn deserved recognition for demonstrable leadership and initiative across different areas of wealth management.

How to nominate

1. Go to the Women in Wealth Awards 2025 website and look at Categories.
2. Find the category most applicable to you or the person you're looking to nominate.
3. Download the respective category's criteria. This contains the questions required to be answered in the submission.
4. Answer each question in a Word document or PDF file. Take your time with this step, as these answers will be considered during the judging process. Stick to the word limit as much as you can.
5. Go to the Women in Wealth Awards 2025 nomination portal and create an account.
6. Submit an entry — select the category, fill in the required details, upload the document and submit!

NOMINATE NOW!

Sharpening the active edge as a new economic era emerges

By Kerry Craig, Executive Director, Global Market Strategist, JP Morgan Asset Management

A new economic era is emerging. As we publish our 29th edition of the Long-Term Capital Market Assumptions (LTCMAs), some of the forces that drove volatility in recent years are easing. We see a healthier global economy in place, one that is set to deliver stronger growth, higher fiscal spending and increased capital investment.

The forecast annual return for an Australian-dollar (AUD) global 60/40 stock-bond portfolio over the next 10–15 years is projected at 7%, unchanged from last year. However, there are significant opportunities to enhance this outlook, particularly through the use of active management and the inclusion of alternative assets.

Key themes that can shape markets

Investors will still need to navigate various risks. Our 2025 LTCMAs explore several themes that can shape markets over our 10- to 15-year forecast horizon:

- Higher policy rates are boosting projected bond returns, while increased growth supports equity returns. Alternatives, while recovering from a period of asset markdowns, now present appealing returns and diversification options. The table below is a summary of the key themes and the impact on some asset classes.
- An increase in tendencies towards economic nationalism, though not full deglobalisation, suggests that volatility inflation will stay high. This supports the allocation of assets such as commodities and real assets, which can benefit from inflation.
- In the coming decade, the benefits of artificial intelligence (AI) and automation will expand across the economy, and will likely support

Key themes	Stocks	Bonds	Credit	FX
The changing outlook for growth and inflation	Growth support earnings	Higher yields support returns	Growth support earnings	Less USD weakness
The transition from monetary activism to fiscal activism	Dispersion within credit	Higher neutral rates but more volatility	Dispersion within credit	
The broader effects of artificial intelligence (AI)	AI supports earnings	Increased chances of non-inflationary growth		
Economic nationalism	Support for national champions	Tariff risks may hurt bonds		Less USD weakness
Cyclical challenges for corporate assets	Valuations are high		Spreads are tight	
Idiosyncratic opportunity in Japan	More shareholder-friendly policies			Less JPY appreciation
Caution on China	Lower RoE assumptions in China			No widespread adoption of CNY

Source: J.P. Morgan Asset Management. Data as of 30.09.2024.

corporate earnings. Accelerating capital spending on AI could boost gross domestic product directly, and indirectly through productivity gains. It could also potentially lead to deflation. We project a 20-basis-point annual boost to developed market growth from AI, and this estimate may be conservative given the transformative potential of the technology.

Key asset class return projections

Stronger macro and corporate fundamentals support healthy forward returns. Even with rising cash rates, other asset classes present relatively attractive investment opportunities.

We see significant opportunities for regional diversification and Australian investors can continue to go global as they seek to enhance returns. The US market's high-quality characteristics and sector mix, especially its robust technology sector, may allow US stocks to maintain higher valuations compared with their peers. In contrast, non-US markets are presenting relatively more attractive cyclical starting points and Australian investors can benefit from the expected currency appreciation.

As the winners and losers from the evolving macroeconomic environment become more apparent, there is also a strong case for active management. Expanding active management in public markets can benefit investors by not only increasing potential returns but also managing risk.

The table below shows our expectations for returns for some key asset classes in AUD terms:

The higher valuations as a starting point for Australian equities has lowered the long-term return, and narrowed the return expectations compared to global equities. Meanwhile, there are many opportunities in private markets to improve the risk-adjusted return of a portfolio and hedge against potential future jolts of higher inflation. Fixed income remains essential, presenting risk diversification during periods of growth shocks.

	Asset Class	2025 LTCMAs (%)	2024 LTCMAs (%)	Change (%)
Equities	Australian equity	7.7	8.8	-1.1
	US large cap	6.5	5.8	0.7
	All-caps world equity	6.9	6.6	0.3
	Emerging markets	7.0	7.6	-0.6
Fixed income	Australian inflation	2.6	2.4	0.2
	Australian cash	3.4	2.9	0.5
	Australian Government bonds	4.5	4.3	0.2
	Australian credit	5.0	4.8	0.2
	Australian inflation-linked bonds	4.6	4.5	0.1
	US intermediate Treasuries	3.6	2.7	0.9
	US long Treasuries	4.1	4.0	0.1
	US investment-grade corporate bonds	4.8	4.6	0.2
	US high-yield bonds	5.9	5.3	0.6
Alternatives	US core real estate	7.9	6.3	1.6
	European core real estate	7.4	-	-
	Global core infrastructure	6.1	5.6	0.5
	Commodities	3.6	2.6	1.0
	Private equity	9.7	8.5	1.2

Conclusion

Portfolios for a new economic era will need to manage a range of risks. But thoughtful strategies can draw on a few powerful themes: bonds can help with growth risks, alternatives can manage inflation risks, and alpha generated by active equity managers can be supportive.

Overall, our 2025 LTCMAs present an optimistic outlook. As investment levels rise and rates normalise, we anticipate a healthy, even buoyant economy, providing a strong foundation for asset markets.

To view the full 2025 Long-Term Capital Market Assumptions

CLICK HERE

CPD EVENTS

Stay on top of your CPD with these SIAA-accredited CPD events.
Webinars are FREE for Practitioner and Affiliate members and employees of Principal Members.

Listed Investment Companies – Taxation and shareholder implications

Wednesday 11 December from 1.00 to 2.00pm AEDT

Andrew Porter will explore Listed Investment Companies (LICs) on the ASX, covering their structure, tax treatment, franking credits, Capital Gains Tax management, and how they differ from Exchange Traded Funds (ETFs).

Professional Standards CPD: Tax (financial) advice 1.0 hour
ASIC Knowledge Area: Generic knowledge 1.0 hour

ANDREW PORTER
AFIC

Member FREE
Non-member $75

AI and Compliance—Navigating new guidelines

Wednesday 12 February from 1.00 to 2.00pm AEDT

This webinar explores AI and regulatory compliance, focusing on ASIC Report 798 and OAIC guidance. Learn to manage AI risks, ensure ethical practices, and align policies with evolving standards for responsible integration in your organisation.

Professional Standards CPD: Professionalism and ethics 1.0 hour
ASIC Knowledge Area: Generic knowledge 1.0 hour

LEON FRANKLIN
Ashurst

SONIA HAQUE-VATCHER
Ashurst

ELIZABETH HRISTOFORIDIS
Ashurst

Understanding the importance of risk and returns to optimise portfolio strategy

Wednesday 26 February from 1.00 to 2.00pm AEDT

Join Doug Morris, CEO of Sharesight, to explore optimising portfolio risk and returns using Sharesight. Learn practical asset allocation strategies, assess risks, and leverage Sharesight tools to enhance client outcomes.

Professional Standards CPD: Technical competence 1.0 hour
ASIC Knowledge Area: Generic knowledge 1.0 hour

DOUG MORRIS
Sharesight

Introduction to stockbroking workshop

Tuesday 4 March from 11.00am to 1.15pm AEDT

This workshop outlines stockbrokers' vital role in retail and institutional markets, covering operations like order taking, transactions, and settlement. Gain insights into the different systems involved and allow for a discussion of the different business models in stockbroking today.

Professional Standards CPD: Regulatory compliance and consumer protection 1.0 hour, Technical competence 0.5 hour, Professionalism and ethics 0.5 hour
ASIC Knowledge Area: Generic knowledge 2.0 hour

Market manipulation and other prohibited conduct workshop

Thursday 6 March from 10.00am to 12.30pm AEDT

Focused on prohibiting artificial price creation in financial products, this workshop benefits all seeking market understanding and obligation consequences. Tailored for financial professionals, it covers obligations, self-protection, and discerning manipulation from market forces.

Professional Standards CPD: Regulatory compliance and consumer protection 1.25 hour, Professionalism and ethcs 1.0 hour | **ASIC Knowledge Area:** Generic knowledge 2.25 hour

PROFESSOR
MICHAEL ADAMS

A day in the life of a trade workshop

Tuesday 11 March from 11.00am to 12.30pm AEDT

Ideal for experienced and auxiliary staff in legal, IT, HR, and related roles, this workshop explores the trade lifecycle. Gain insights into client onboarding, share and derivative trade processes, settlement, sponsorship/HINS, CHESS messaging, and registries.

Professional Standards CPD: Regulatory compliance and consumer protection 0.75 hour, Generic knowledge 0.75 hour
ASIC Knowledge Area: Generic knowledge 1.5 hour

ROB TALEVSKI
Webull

Practitioner member $100
Organisation Member $150
Non-member $200

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FOR MORE INFORMATION OR TO REGISTER: 02 8080 3200 | education@stockbrokers.org.au

www.stockbrokers.org.au/education/upcoming-events

Season's Greetings

We extend our best wishes for the festive season and a peaceful and prosperous new year.

Regards
The team at SIAA

Stockbrokers and Investment Advisers Association
Serving the interests of investors

PLEASE NOTE
The SIAA office will close at midday on **Tuesday 24 December 2024** and re-open on **Monday 6 January 2025**.

The Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) Amendment Bill

By Anthony Speight, Principal Consultant, OCG

The Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) Amendment Bill introduces significant reforms aimed at enhancing Australia's financial security framework. Key updates include the introduction of a beneficial ownership register, expanded reporting requirements and enhanced customer due diligence obligations. These changes are crucial for the wealth management sector to mitigate financial crime risks and ensure regulatory compliance. Immediate actions for firms include updating compliance programs, enhancing due diligence processes and ensuring robust reporting mechanisms.

The recent introduction of the Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) Amendment Bill into Parliament is a big deal for Australia's financial landscape. This bill, pushed forward by the Attorney-General's Department, aims to fix gaps in the current AML/CTF regime, aligning it with global standards and beefing up the country's mitigation strategies against financial crimes and terrorism financing.

The wealth management sector, including funds, brokers and other financial entities, is right in the cross-hairs of these changes. It's essential for professionals in this sector to grasp the updates, implement the necessary changes and stay compliant.

To understand the impact of the AML/CTF Amendment Bill, let's dive into its main components. The bill introduces several critical updates aimed at improving transparency and accountability within the finance sector, many of which directly impact the wealth management segment. Several notable points are explored below:

Beneficial ownership register

One major change is the establishment of a beneficial ownership register. This requires companies to disclose individuals who ultimately own or control them, increasing transparency. For the wealth management sector, this is crucial as it helps track and verify the ultimate beneficiaries of financial transactions – in a concerted effort of reducing the risks of money laundering and tax evasion.

Expanded reporting requirements

The bill also expands the scope of reporting requirements for financial institutions. It introduces mandatory reporting of cross-border transactions above a certain threshold and suspicious activity reports (SARs) for transactions that might indicate money laundering or terrorism financing. Wealth managers, brokers and funds need to ensure their reporting systems can identify and report such transactions promptly, with the appropriate level of details.

Enhanced Customer Due Diligence (CDD)

Another key change is enhancements to the CDD measures. Financial institutions must perform more rigorous checks on their clients, especially those deemed high-risk. This includes verifying the identity of customers and beneficial owners, understanding the nature of their business relationships and monitoring transactions for suspicious activity (including lodgements of SARs as required). For wealth management firms, this means having comprehensive CDD procedures to ensure compliance and reduce the risk of inadvertently facilitating illicit activities.

Understanding why these updates matter to the wealth management sector is crucial. The AML/CTF Amendment Bill brings harsh penalties for failing to comply with the embellished guidance, as such, the time to act is now to ensure you are 'match fit' for the impending enhanced expectations.

Mitigating Financial Crime Risks

The wealth management industry, unfortunately, often attracts certain undesirable types looking to launder money or finance terrorism because of the large volumes of assets managed and the varying degree of complex financial products offered. The new regulations aim to close loopholes and increase oversight, making it harder for illicit activities to go undetected.

Ensuring Regulatory Compliance

Staying compliant with AML/CTF regulations is not just a legal obligation but also key to maintaining a firm's reputation and operational integrity. The updates mean that firms in the wealth management sector must align their practices with the new requirements to avoid legal penalties and reputational damage.

> “
> The AML/CTF Amendment Bill brings harsh penalties for failing to comply with the embellished guidance, as such, the time to act is now to ensure you are 'match fit' for the impending enhanced expectations.

Enhancing Customer Trust

By following stringent AML/CTF regulations, wealth management firms can boost customer trust. Clients are increasingly aware of financial crime risks and prefer to work with firms that demonstrate strong compliance practices. Implementing the new measures effectively can ultimately serve as a competitive advantage for you in the market.

Given the substantial changes introduced by the AML/CTF Amendment Bill, wealth management firms should take immediate steps to ensure compliance and enhance their financial crime prevention frameworks. Here are some practical steps to consider:

1. **Update Compliance Programs**
   Review and revise existing AML/CTF compliance programs to incorporate the new requirements, including policies, procedures and internal controls designed to detect and prevent money laundering and terrorism financing.
2. **Enhance Due Diligence Processes**
   Strengthen customer due diligence processes to meet the enhanced requirements. This involves thorough verification of customer identities, understanding the nature and purpose of business relation-

ships and ongoing monitoring of transactions.

3. **Invest in Technology**
   Implement advanced technology solutions to help detect and report suspicious activities. This includes transaction monitoring systems, post trade surveillance technologies and data analytics tools to identify trends and themes across your business.
4. **Awareness and training uplift**
   Ensure that all relevant staff are adequately trained on the new AML/CTF requirements and that your firm has updated compliance procedures, processes and accountability frameworks. Regular training sessions and updates will help maintain high awareness and adherence to regulatory obligations, as these undoubtedly will continue to evolve.

> "By proactively updating compliance frameworks, enhancing due diligence processes and investing in technology, firms can not only meet their regulatory obligations but also strengthen their defences efforts against financial crime...

In summary, the AML/CTF Amendment Bill represents a significant step forward in Australia's efforts to combat financial crime and terrorism financing. For the wealth management sector, these updates bring both challenges and opportunities. By proactively updating compliance frameworks, enhancing due diligence processes and investing in technology, firms can not only meet their regulatory obligations but also strengthen their defences efforts against financial crime, thereby safeguarding their reputation and building client trust – in addition to avoiding regulatory scrutiny and hefty penalties.

If you need further assistance in adapting to these changes, please contact Anthony Speight or James Dickson at OCG.

SIAA2025

19–20 May 2025
Hilton Sydney

NETWORKING DRINKS
19 May 2025, Zeta Bar

AGENDA

Monday 19 May

8.30 – 4.30pm	Exhibition	Hilton Sydney Lvl 3
9.00 – 4.40pm	SIAA2025 Conference	Hilton Sydney Lvl 3
4.45 – 7.00pm	Networking Drinks	Zeta Bar, Hilton Sydney Lvl 4

Tuesday 20 May

7.00 – 8.45am	Compliance Breakfast	Hilton Sydney Lvl 1
7.00 – 8.45am	Executive Breakfast	Hilton Sydney Lvl 1
8.30 – 4.30pm	Exhibition	Hilton Sydney Lvl 3
9.00 – 4.30pm	SIAA2025 Conference	Hilton Sydney Lvl 3

FURTHER INFORMATION COMING SOON...

Major ASX

Gold Cboe HUB24 J.P.Morgan ASSET MANAGEMENT CG

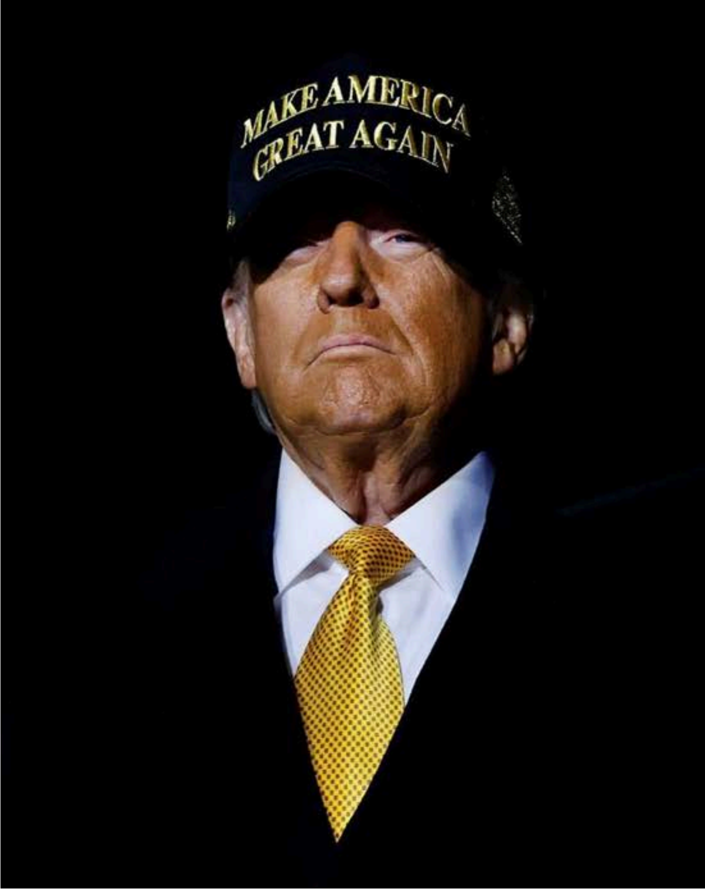
Silver iress Perpetual TANDEM SECURITIES Part of the Bell Financial Group

Networking drinks SecuritEase

Bronze betashares CHELMER Compli FinTech Solutions Ltd FinClear MLC ASSET MANAGEMENT Vanguard

Supporters Acclaim WEALTH DDH GRAHAM LIMITED GLOBAL X by Mirae Asset

MORE INFORMATION: www.stockbrokers.org.au/siaa2025-conference



The nuances of Trump 2.0: tariffs first, tax cuts later?

By Charu Chanana, Chief Investment Strategist, Saxo Capital Markets

As US President Elect Donald Trump's policy stance takes shape, one thing is clear: tariffs are emerging as his administration's top priority, signalling the potential for intensified trade friction even before tax cuts come into play. This shift has far-reaching implications for equities, bonds, and currency markets. Here's how investors – and the advisers who support them – can tactically position investment portfolios in response to the new Trump 2.0 playbook.

First, let's understand the nuanced impacts of Trump's policies that are likely to have the largest impact across asset classes.

1. Tariffs: Inflationary, but growth-negative

Trade war scenarios usually create heightened market volatility as the trade agenda escalates, which could weigh heavily on certain sectors and regions most exposed to tariff risks.

Market implications

Equities: The focus on tariffs is generally risk-negative, hitting growth, corporate profits, and especially sectors reliant on global supply chains.

US stocks: High-beta sectors and small caps (e.g., Russell 2000 stocks) are particularly vulnerable, as they're more exposed to supply chain disruptions. Defensive sectors such as Consumer Staples, Health Care, Utilities and select retailers with less exposure to offshore production could be relatively more resilient.

International markets: Expect outsized impacts on China and Hong Kong equities, given the direct trade exposure, along with broader weakness in Asia and other China proxies such as Europe and Australia.

Bonds: While tariffs may create some inflationary pressures, the impact on growth could offset this,

What is Trump 2.0?

Tax Cuts	Deregulation	Tariffs	Geopolotics	Energy Independence	Immigration
• Corporate and personal income tax cuts • Increasing corporate profits • More consumer spending	• Relaxation of regulations • More M&A • Banks, Energy, Finance	• Reshoring • Domestic production • US exceptionalism	• Uncertainty leads to higher volatility • Safe havens	• Push for fossil fuel production • More stringent Iran sanctions	• Tighter labor supply
• Positive: small-caps, US stocks • Negative: US Treasuries	• Positive: Banks, Automakers, Fossil Fuel, Crypto • Negative: Green companies	• Positive: US construction, US automakers, Reshoring • Negative: Companies with more distributed supply chains and foreign markets	• Positive: European defense stocks, safe-havens like Gold • Negative: Risk assets	• Positive: Fossil Fuel companies • Negative: Green companies	• Positive: Inflation-linked assets • Negative: Mexico, China, India

supporting bonds with a possible flattening yield curve.

Forex: The USD may benefit as a "safe haven" currency, while high-beta and cyclical currencies like EUR, CNH, AUD and MXN could weaken under trade pressure.

2. Tax cuts: Pro-growth and inflationary

When implemented by the Trump administration, tax cuts could boost domestic growth, benefiting US-centric sectors over globally exposed ones. The likely beneficiaries are small-cap and cyclically sensitive companies that stand to gain from a tax burden reduction.

Market implications

Equities: Small-cap stocks (e.g., Russell 2000 stocks) and cyclicals could see a lift from tax cuts, but this may be tempered by broader trade and fiscal risks.

Bonds: Although tax cuts might nudge US bond yields up, growth uncertainties related to tariffs could counter this effect.

Forex: A tax-driven boost to US growth would support the USD, particularly as other economies grapple with trade-related slowdowns.

3. Deregulation: Less macro, more sectoral impact

Trump's administration is also signalling a renewed focus on deregulation, which could act as a pro-business catalyst across various sectors. Deregulation is expected to streamline operations for industries like energy, finance, and manufacturing, reducing costs and potentially boosting domestic growth.

However, while deregulation generally supports the business environment, its effects are nuanced across asset classes, particularly when considered alongside the ongoing tariff emphasis.

"... investors and advisers should approach equities with caution, as tariff headlines are likely to be risk-negative in the near term, potentially outweighing the positive impact of tax cuts.

Market implications

Equities: Deregulation is generally positive for US equities, especially in sectors like energy, financial services, and manufacturing, where compliance costs have historically been high. These sectors could see operational efficiencies and improved profitability as regulatory burdens ease.

Energy: Oil and gas companies may benefit from environmental deregulation, while the clean energy sector could suffer if clean-energy tax credits are rolled back.

Financials: Banks and financial services may find more flexibility in lending, capital requirements, and investment activities, which could improve their bottom lines.

Bonds: The growth stimulus from deregulation may place modest upward pressure on bond yields if it results in higher corporate profitability and economic output.

FX: The deregulation-driven growth narrative reinforces positive USD sentiment over the medium term amid a reduced need for the Fed to cut rates.

Tariff Policy sees urgency

Tax policy often takes longer to take shape, as it requires US congressional approval. There are likely to be some members of Congress who are concerned about the record-high debt and deficits. Therefore, the tax-policy changes that are eventually enacted could be tempered compared to Trump's campaign promises.

Trade and tariff policies in the US, on the contrary, can often be influenced and sometimes directly implemented by executive order. With cabinet picks like Marco Rubio and Mike Waltz signalling a tough stance on China, tariffs also appear to be the immediate focus for Trump's administration.

In summary, investors and advisers should approach equities with caution, as tariff headlines are likely to be risk-negative in the near term, potentially outweighing the positive impact of tax cuts. However, regardless of the outcome, the USD stands to benefit from multiple supporting factors, including Trump's tariff policies, fiscal measures, Fed actions, and geopolitical risks.

This dynamic explains the continued strength in the USD, even as US equities struggle to break new highs. The dollar's resilience is expected to persist, making it a key beneficiary of the current macroeconomic environment.

Super fund governance importance highlighted

By Darin Tyson-Chan, Editor, selfmanagedsuper

A significant event all superannuants should be concerned about occurred last month emphasising the importance of having the highest standards of corporate governance applied to our retirement savings system.

My reference is to the civil proceedings the Australian Securities and Investments Commission (ASIC) has filed against United Super Pty Ltd, the trustee for the Construction and Building Unions Superannuation Fund, more widely known as Cbus.

In its action, the corporate regulator alleges Cbus failed to process and pay out death benefits and total and permanent disability claims in a timely manner, causing an estimated cumulative financial loss of $20 million to some 10,000 of its members.

Should the Federal Court decide the allegations are correct, the ramifications will likely be considered a landmark event affecting the county's compulsory superannuation framework for several good reasons.

Firstly, it is of great concern the allegations involve total and permanent disability insurance claims. It is a well-known fact membership of large public offer funds is often maintained due to the risk cover they can offer. Not only is it actually available to members, but it is usually a more cost-effective option as the fund can negotiate lower premiums due to their scale. To highlight how beneficial this can be, many self-managed super fund members continue to belong to a public offer fund for their risk insurance policy alone.

As such, to have claims on these policies not processed and paid in a timely manner to the extent it has allegedly caused significant monetary loss is extremely serious and may lead people to wonder if the cover held within a super fund is really worth having.

Secondly, Cbus allegedly was slow in paying out death benefits as well. It is probably safe to assume any death benefit entitlements, and risk cover claims for that matter, come at a rather traumatic time for the individuals involved. Surely having to constantly chase a super fund about when the entitlement is going to be paid will only add more angst to the situation. Hardly grounds for claiming great member service.

A further worry is whether Cbus members will have insult added to injury should the Federal Court rule in favour of ASIC. No doubt sizeable penalties will be handed down to the super fund if its trustees are found to be in the wrong. If this eventuates, the question must be asked: who will have to pay these penalties? If the amount is paid out of the Cbus pool of capital, this will really be a bad result for all members.

For individuals who have not filed an insurance claim or not owed a death benefit payment, they will end up paying for the questionable actions of the trustees. And for those people embroiled in the civil action, they will have already suffered some sort of financial loss and will be slugged a further amount to extinguish the regulator's penalty.

To the point I made originally, it really drives home the fact super fund trustees need to be held to the highest standards of corporate governance. The defined contribution superannuation system is one in which we are all forced to take part. It means regardless of what we would like to do, the majority of Australians have to put their faith in the trustees of public offer funds. As such, these trustees need to understand the significance of their actions and the outcomes, both positive and negative, they can produce.

It probably presents a good opportunity to again assess the make-up of superannuation fund trustee boards and whether they are most appropriate.

The action also presents another reminder to super fund trustees the pool of money they have been given the responsibility to look after belongs to the members and must always be managed in the members' best interests.

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