

SIAA monthly

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Why identity theft should be front of mind for all brokers



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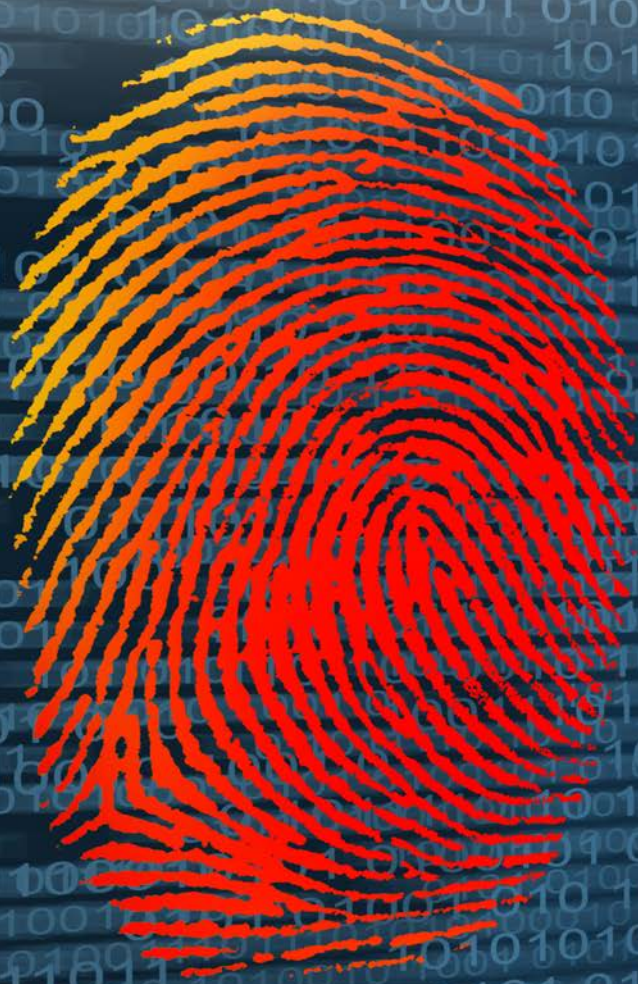
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Why identity theft should be front of mind for all brokers



By Gabby Hart, SEGC General Counsel & Company Secretary

Cybersecurity and identity theft are issues that are front of mind of all organisations in every sector, perhaps none more so than in financial services. There has recently been an increase in the amount of share sale fraud owing to identity theft and ASIC has updated its guidance to AFSL holders and issued warnings to industry and consumers.

A link to the media release and Information Sheet 237 is below.

[ASIC media release](#)

[ASIC Info Sheet 237](#)

Identity theft may happen in a number of ways that the industry is still unpacking. It may be as simple as stealing people's mail from their mailboxes and using that information for fraudulent purposes. Coupled with identity information on the dark web following a number of large scale hacks, fraudsters have been increasing their activity in share sale fraud.

At Securities Exchanges Guarantee Corporation Ltd (SEGC) we have seen claims on the National Guarantee Fund (NGF), arising out of just these circumstances. Criminals have stolen

information from holders of shares and used it to open an account with a broker and sell those shares.

The ASIC guidance seeks to avoid this situation and asks that investors follow the recommendations in the media release. Beyond that, SEGC also draws your attention to your, or another participant's potential liability under *Corporations Regulations 2001* (Cth) (Regulations) 7.11.29 to 7.11.32 as discussed below.

Where to send clients or affected parties for help

As well as other avenues such as ASIC, the police and AFCA, you can also direct your clients or other non-client parties affected by identity theft to [SEGC at \[segc@segc.com.au\]\(mailto:segc@segc.com.au\)](mailto:SEGC@segc.com.au) or on 02 8216 0231. It is possible that, in the circumstances discussed below, they may

have a claim on the NGF and/or that we can help them obtain compensation from a party with liability.

Participants' potential liability

Warranties and indemnities in the Regulations make it likely that participants on an exchange such as those operated by ASX Ltd or Cboe Australia Pty Ltd will potentially be liable to the real shareholder if they transfer their shares based on instructions from a fraudster, notwithstanding that they may have followed industry practice and may have been defrauded themselves.

If you operate on these markets, you should be aware of the warranties and indemnities in Regulations 7.11.29 to 7.11.32 and what they mean for your business. Reg 7.11.29 applies if the transfer document for a proper ASTC

transfer of a share includes the participants ID code (PID) as the PID of the participant effecting the transfer. The participant is taken to have warranted that the transferor was legally entitled or authorised to transfer the shares and that the participant was authorised by the transferor to effect the transfer. Reg 7.11.32 provides that where the participant was not authorised by the transferor to transfer the shares, the participant is liable to indemnify a range of other parties, including the transferor.

One-off transactions involving issuer sponsored shares are a particular risk as there is not necessarily an ongoing relationship with the client but this is not the only risk. Identity documents can be forged or otherwise not belong to the person opening or operating the account.

The fact that a participant has themselves been defrauded, and others may also be at fault, will not necessarily protect them from liability

to the actual holder of the shares as is set out in the Regulations.

It is possible that a claim may also be made on the NGF in these circumstances by the real holder of the shares. Claims may be made on the NGF where there has been an unauthorised transfer of securities (and in other circumstances set out in the Regulations). However, if a claim is allowable, where SEGC pays a claim from the NGF, SEGC, as trustee of the NGF, has a right of subrogation, ie a right to stand in the shoes of the claim-

ant and recover from the participant (if applicable). Therefore, in practice an allowable claim on the NGF would likely only be paid if the participant was insolvent and otherwise SEGC would see its primary role as facilitating a settlement between the parties.

If you would like to discuss the contents of this article please contact me at segc@segc.com.au.

Note: The content of this article does not constitute legal advice and is for information purposes only. If these matters apply to you or your business you should seek your own independent legal advice.



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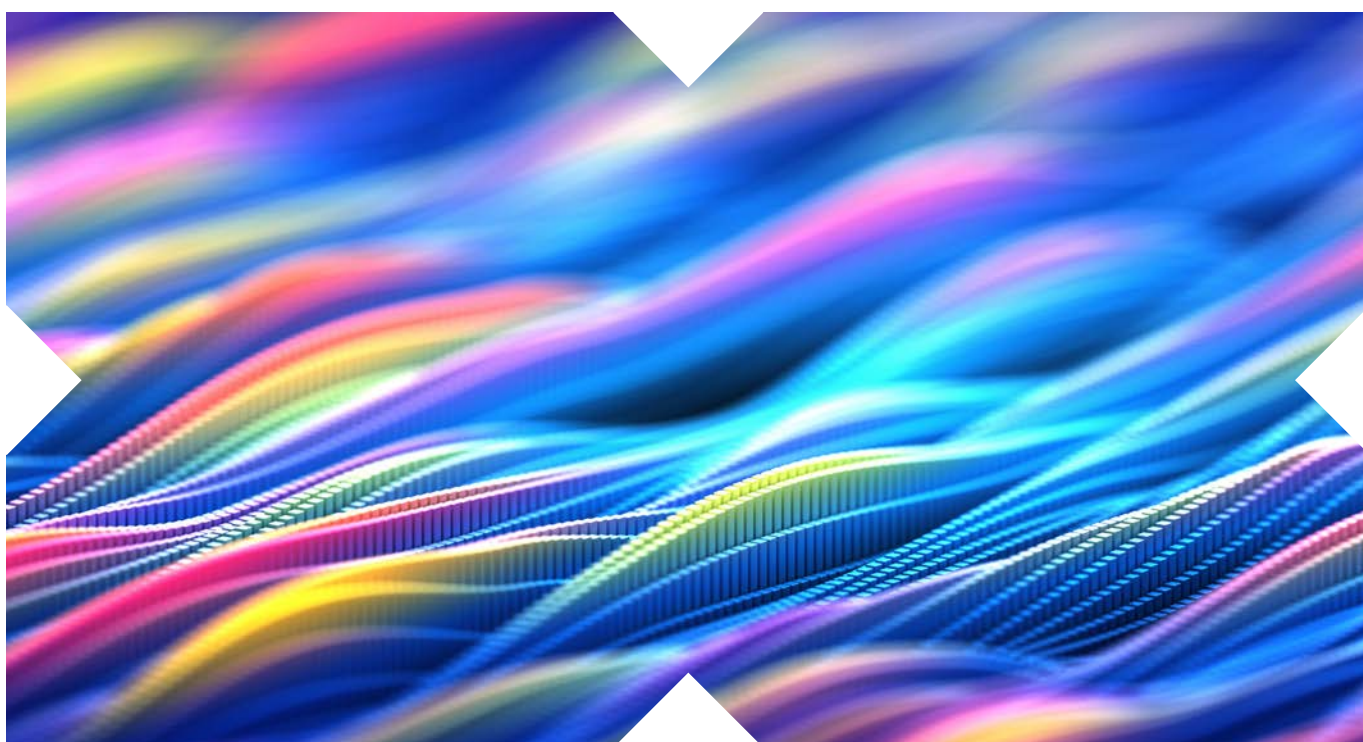
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Procrastination is opportunity's assassin

A GUIDE TO REPLACING YOUR BANK HYBRID EXPOSURE

By Helen Mason, Portfolio Manager, Schroders

AT1 capital securities (bank hybrids) have become a mainstay of retail investors' portfolios due to their attractive returns, franking tax benefits and perceived safety. This retail demand has in turn helped maintain low yields and favourable funding conditions for Australian banks.

Despite their popularity with retail investors, bank hybrids are complicated products that were originally established to manage liquidity and contagion shortcomings revealed by the Global Financial Crisis. This mismatch between the security complexity and large-scale retail investor adoption has ultimately culminated in a decision by the Australian Prudential Regulation Authority (APRA) to phase out bank hybrids by 2032. Because of that, most outstanding securities will be called in less than 5 years.

This article will discuss the reasons behind the phase-out, how the phase out will unfold, and why now is the time for retail investors to reallocate their bank hybrid exposure to Australian high yielding credit.

Why did APRA decide to phase out bank hybrids?

Given hybrid securities in Australia are largely held by retail investors,

APRA has been concerned about the ability of the domestically systemically important banks to effectively utilise the conversion and/or write-off provisions to stabilise the capital base in a crisis. As such, the rationale behind APRA's decision to remove AT1 from the bank capital structure includes improving capital strength and simplifying the capital structure.

Implications for investors

As at the time of publication, there is approximately A\$43bn in major bank retail bank hybrids outstanding. The chart below shows that over a quarter (27%) of the outstanding securities will

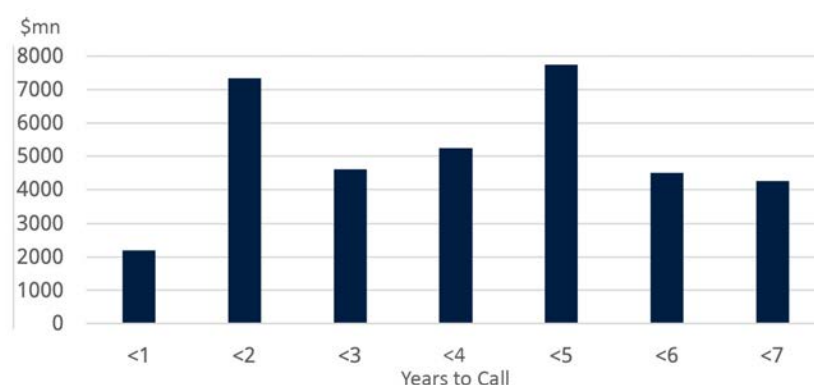
be called in less than two years and over three quarters (76%) will be called in under five years.

Domestic retail investors hold an estimated 30% of the available bank hybrid securities in Australia. While it's commonly known that these securities will no longer be available post their call dates, with the final call date being 2032, investors should be considering their current position in hybrids now, rather than deferring until the call dates.

Diminishing liquidity

- As a bond nears its redemption date, most of its price risk due to interest rate fluctuations diminishes,

Figure 1: Retail bank hybrids outstanding A\$m



Source: MST Financial, Schroders. Data as of 19th June, 2025.



“Capital is the cornerstone of the banking system’s ability to withstand financial stress. While Australia’s banks are unquestionably strong, overseas experience has shown AT1 doesn’t operate as intended during a crisis due to the complexity of using it, the potential for legal challenges and the risk of causing contagion.”¹

making it less attractive to traders seeking to profit from price movements. As such, traders have significantly reduced interest in trading these securities.

- The pool of potential buyers shrinks. Many retail and institutional investors and funds, particularly those with minimum maturity requirements, may no longer be interested, as the soon-to-mature bond may not fit their portfolio objectives.
- With only a small number of coupon payments remaining, the incentive for investors to buy and hold is reduced, resulting in lower trading volumes and wider bid-offer spreads. As a result, market participants may find it more difficult to buy or sell the bond without affecting its price. In simple terms the bond becomes more expensive to trade.

Potential for capital losses

As many of the remaining retail AT1 bank hybrids are trading above par, investors holding bank hybrids at a premium (i.e. above par) may face a loss, as the call price or par value is lower than the market price they paid or are currently holding at. We already know that any future coupon payments expected from holding these bonds to maturity will not materialise past their call date as it has already been determined by APRA that these securities will be called. This scenario can lead to a negative return compared with holding a non-callable bond. This is an important risk consideration for investors holding highly priced callable bonds, like AT1 bank hybrids, as the call date approaches.

What is the replacement for Bank hybrids?

Well diversified with high levels of regulation, inflation pass-through mechanisms, monopolistic operating conditions, and a stable and predictable legislature all provide an outstanding investment environment to investors seeking to reduce their bank hybrid exposure whilst maintaining higher yielding returns, without the volatility of traditional equities.

Whilst Australian credit spreads have widened significantly from their tight levels in February this year, reflecting the more volatile environment under Trump 2.0 and his sweeping ‘Liberation Day’ announcements, we have seen performance coming through. Spreads however, have not retraced as significantly as seen in both the US investment grade and high yield markets. US spreads remain at risk of further widening in an environment where interest rates are likely to be held higher for longer. Conversely, Australian rates have already started to loosen, which highlights that now is the time to invest in Australian credit to capture the capital gains and lagging spread performance.

The Schroder High Yielding Credit Fund (CBOE: HIGH)

Through exposure to the typically defensive wholesale high yielding credit universe, the Schroder Australian High Yielding Credit Fund (CBOE: HIGH) answers the call of retail investors who are looking for ungeared, higher yielding income solutions beyond diversified, traditional equity and cash-based

products, while seeking to avoid the liquidity and transparency challenges associated with private markets.

Importantly, it serves as an ideal substitute for existing bank hybrid exposures by providing a comparable return profile with the added benefits of diversification and access to the high quality Australian credit market spanning senior and subordinated financial and corporate credit.

In short, the Schroder High Yielding Credit Fund offers investors the opportunity replace their concentrated and expensive bank hybrid exposure today, with significantly lower volatility.

To learn more about the Schroder High Yielding Credit Fund, [click here](#).

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Telephone calls and other electronic communications with Schroders representatives may be recorded

¹ APRA. December 9 2024. *A more effective capital framework for a crisis: Update*.



An option to reduce stock volatility

By Lewis Taie, Senior Manager Derivatives Program, AUSIEX

“No one ever went broke from taking profit” is the old saying, but they may have had to deal with the tax obligation that it created. This is the question some investors are asking regarding their CBA holding given the run over the last 8-12 months.

For investors that have held CBA for more than 12 months, the obligation outlined above may be more palatable given the 50% Capital Gains Tax (CGT) discount (if applicable), though for investors that have acquired CBA within the last 12 months that may not be the case, where hedging some of this exposure through to the 12 month time frame before disposal may be preferable.

If an investor is concerned with the future performance of a stock, such as Commonwealth Bank (CBA), they can hedge their exposure by buying a security with inversely correlated returns, so if the value of your stock goes down, all other things being equal, their hedge should go up.

Investors can potentially achieve this by using futures or warrants with the objective of directly offsetting a loss on a stock.

Alternatively, investors can buy a Put option to lock in a future price for the sale of the stock. Buying a Put has the added benefit of being at the buyer's discretion, so if the stock remains above the agreed price, the Put will expire worthless with the stock holding remaining unimpacted.

An alternative approach

Each of these strategies, however, has its own pitfall. Futures or warrants will typically provide a like-for-like hedge entirely offsetting any upside, so while you're hedged to the downside, you're

also not going to see any upside should the stock unexpectedly rally.

With a bought Put, while you keep the upside, the cost of buying the Put can be significant over time, and dependant on how volatile the stock is, potentially cost-prohibitive in practice.

There is a way to use options to obtain the protection of a bought Put without the cost. As with any option position, there's always a trade-off. In this case, the trade-off comes from funding the purchase of the Put by selling an out of the money Call, effectively foregoing any upside beyond the strike price.

Construction

For example, consider CBA at 6th June 2025, 3:50PM. *(In this case, CBA has been used for information purposes only and this example is not intended to be financial advice.)*

Stock price was \$179.90.

Assuming the investor holds

1,000 shares initially bought in November 2024 @\$150.00.

Options Trades:

Buy 10 18th December 2025
Put Strike \$168.00 American
(100 shares per contract) @ \$5.31

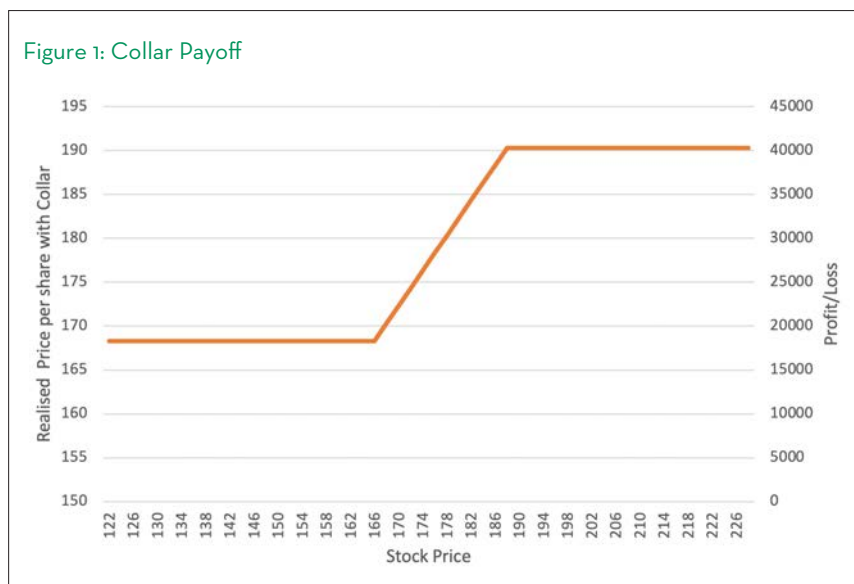
Sell 10 18th December 2025
Call Strike \$190.01 European
(100 Shares per contract) @\$5.61

In the above example, the investor has purchased a Put for \$5.31, offsetting any share price fall beyond \$168.00.

The purchase of the Put is funded by selling a Call for \$5.61, where the investor agrees to deliver the stock if called upon at the strike price of \$190.01. By writing the Call, the investor limits their potential gain as they will not receive any benefit beyond the \$190.01.

The above example allows the investor to hedge any fall of greater than 6.6% $([168 - 179.90] / 179.90 = -6.6\%)$, at zero cost*, though the investor will give away any further upside beyond 5.6% $([190.01 - 179.9] / 179.9 = 5.6\%)$,

Figure 1: Collar Payoff



yielding the above pay-off diagram with possible outcomes when the options expire on 18th December.

CBA < \$168.00 – Should the price of CBA close below \$168.00 per share on 18th December, the sold \$190.01 Call would expire worthless, while the bought \$168.00 Put would expire in the money and be exercised, allowing the investor to sell their CBA shares at \$168.00.

CBA between \$168.00-\$190.01 – Should the price of CBA close between \$168.00-\$190.01 per share on 18th December, both the \$168.00 Put and \$190.01 Call will expire worthless with the investor retaining their CBA shares.

CBA > \$190.01 – Should the price of CBA close above \$190.01 per share on 18th December, the sold \$190.01 Call would expire in the money with the investor assigned and required to deliver their CBA shares at the strike price of \$190.01.

The bought \$168.00 Put in this scenario would expire worthless. In each case the investor has been able to minimise their exposure to the downside while holding CBA through to 12 months, to be entitled to the 12 month CGT discount (where applicable).

Pitfalls & Considerations

Downside hedge versus forgone upside – As outlined above, when employing options strategies over a portfolio it's essential to understand the risk and trade-offs involved and

ensure you as an investor are comfortable with them.

When employing a "costless" protective collar for example, it's important you consider how much of the shares value you are looking to hedge versus what you would be willing to deliver the stock for if it performs strongly.

If you are looking to keep outlay to a minimum (all else held constant), the higher the strike price for your Puts (the more conservative your approach) the more expensive they will be to purchase. This means your Calls will need to have a lower strike to offset the more costly Put hedge. The lower your Call strike price the more upside you potentially forgo should the stock outperform.

Franking – To be entitled to franking credits, the holding period rule requires you to continuously hold shares 'at risk' for at least 45 days (90 days for certain preference shares) not counting the day of acquisition or disposal.

For a position to be considered 'at risk', you must hold 30% or more of the financial risk. i.e. the delta of the strategy you employ cannot be less than -0.7.

For more information on the tax treatment, you should always engage your accountant or qualified financial adviser.

Writing European versus American

– It is worthwhile considering whether to use American or European style options when employing a Collar, particularly on your sold Call. Remembering that American options can be exercised at

any time up until expiry while European options can only be exercised at expiry. As it's the buyer who has the right to exercise an American style option early, as the seller of the Call (when employing a Collar) we need to consider the likelihood of the counterparty exercising the Call before expiry as this will completely change the strategy and payoff diagram akin to that of a bought Put and may impact 12 month ownership period required for any CGT discount. The example above uses a Sold European Call in order to mitigate this risk.

Summary

Options are often misunderstood, but are simply a tool that when implemented effectively, can allow us to better trade in line with our views.

In this case, a "costless" collar strategy can be deployed when the investor doesn't wish to sell the stock immediately, though is nervous about potential downside risks coming to fruition and is seeking to hedge some of this risk in exchange for giving away some of the upside should the stock price improve during the life of the option.

* For simplicity, the above examples exclude the small premium generated along with transactions costs, such as brokerage and clearing fees and is considered costless.

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With over 25 years of experience in the market and the backing of NRI, a global powerhouse in technology and operations services, we have a depth and breadth of knowledge within the Australian equities market, enabling us to understand the world our clients operate in and the challenges they face. AUSIEX currently supports over 4,400 advisers from over 1,000 dealer groups Australia-wide.

About NRI

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1 HUB24 was rated Best Platform Overall, Most Improved Platform, Best in Online Business Management, Best in Decision Support Tools and Best in Product Offering in the 2024 Investment Trends Platform Competitive Analysis and Benchmarking Report.

2 Investment Trends' Platform Competitive Analysis and Benchmarking Report rated HUB24 Best Managed Account Functionality from 2016-2020 and 2022-2024.

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REIMAGINING CORPORATE ACTIONS: A transformation opportunity

Provided by S&P Global Market Intelligence

The corporate actions landscape is facing an unprecedented challenge with a deluge of increasingly complex events that strain traditional processing methods. This complexity is further compounded by the fact that the financial industry is navigating a sea of information, where corporate actions are often the most unpredictable waves. Market participants grapple with intricate processes, fragmented data sources, and relentless pressure to achieve more with less, making the task of finding the right corporate actions data, connecting the elusive dots, and streamlining tangled workflows a daunting daily challenge. Yet, within this challenge lies a remarkable opportunity to revolutionise the industry through intelligent automation and data analysis.

We stand at the cusp of a fundamental transformation in corporate actions processing. By harnessing the power of analytics to understand the intricacies of the data, deploying Artificial Intelligence (AI) and Generative AI to intelligently process and extract insights, and implementing intelligent automation to streamline workflows—we can transform corporate actions processing. Our vision is to be at the forefront of this transformation, driving the adoption of our 'AAA' framework to create a future defined by efficiency,

reliability, and proactive risk management in the world of corporate actions.

A smart, iterative approach

Technology is evolving rapidly, and so is our 'AAA' framework. It is not a static solution; it's a dynamic, evolving journey. We're committed to continuous learning and adaptation, recognising that each component—analytics, AI, and automation—is rapidly advancing. Our approach involves:

- **Establishing a robust foundation with analytics:** Before unleashing the power of AI, we first need a solid understanding of the data landscape. Advanced analytics helps us identify pain points, optimise workflows, and establish key performance indicators (KPIs) to measure the success of subsequent AI and automation initiatives.
- **Strategically deploying AI and Gen AI:** We're not just building AI solutions for the sake of it; we're taking a highly strategic and tar-

geted approach. We focus on high-impact areas within corporate actions where AI and Gen AI can deliver tangible value, such as intelligent data extraction, summarisation, and insight generation, all while keeping costs and data security in mind.

- **Automating intelligently, not blindly:** Automation is most effective when informed by data and augmented by intelligent, human-guided decision-making. We're prioritising the automation of repetitive, manual tasks, freeing up valuable human resources for higher-value, strategic activities. This approach combines the efficiency of automation with the insight and expertise of human oversight, ensuring optimal outcomes.



curacy, and expedites processing. We are utilising LLMs in IDX for processing two key documents. For instance, we automatically extract key data from unstructured sources like fund administrator emails and websites, replacing the previous manual extraction process. This dramatically accelerates corporate action event processing, improving data accuracy and eliminating time-consuming manual effort for open-ended and mutual funds. Now clients have timely and reliable information critical for their investment decisions.

AI-Powered data summarisation:

Instantly condense complex reports, SWIFT messages, prospectuses, and spreadsheets into concise, actionable summaries. This empowers users to quickly identify key information and make informed decisions.

Consider the case of lengthy and complex corporate action announcements, often with multiple amendments, were difficult and time-consuming to interpret. Using Gen AI, we generate concise summaries of intricate events from structured data, including risk scores and restrictions. This lets users across back office, front office, and research rapidly grasp key details, such as offer terms and deadlines, in multiple languages and make faster, more informed decisions.

Advanced Data Analytics & Visualisation: Transforming extensive datasets into clear charts, tables, and interactive dashboards. This allows users to identify trends in event types, track issuer behaviors, and uncover hidden opportunities. Gen AI further enhances this by summarising existing analytics and generating entirely new insights. Our interactive dashboards transform complex corporate action datasets

into clear visualisations, enabling users to monitor events requiring special handling, analyse volume trends, and assess risks by asset class, market, and event type. These dashboards provide tailored views for different teams, like dedicated dashboards for taxable events, improving the ability to identify trends in event types and track issuer behaviours, promoting better resource allocation and more informed decision-making.

Seamless Workflow Orchestration: Designing intuitive, user-friendly corporate actions workflows that leverage the best of technology experiences to simplify the management of these complex events. These workflows are designed with human oversight in mind, where analytics provide insights into areas needing attention, and the AI-powered recommendations engine serves as a co-pilot, offering intelligent suggestions to enhance decision-making and improve efficiency.

To streamline corporate action management and mitigate data conflict issues, we developed a machine learning-powered recommendation engine. This intelligent system analyses historical data to generate real-time, AI-driven recommendations for resolving data conflicts, each accompanied by a confidence score derived from over 20 key data attributes. Its user-friendly interface promotes quick adoption and empowers teams to make faster, more informed decisions when managing complex corporate action events, with a feature to review past decisions and a retraining framework ensuring ongoing accuracy.

The future of corporate actions is intelligent, automated, and data-driven

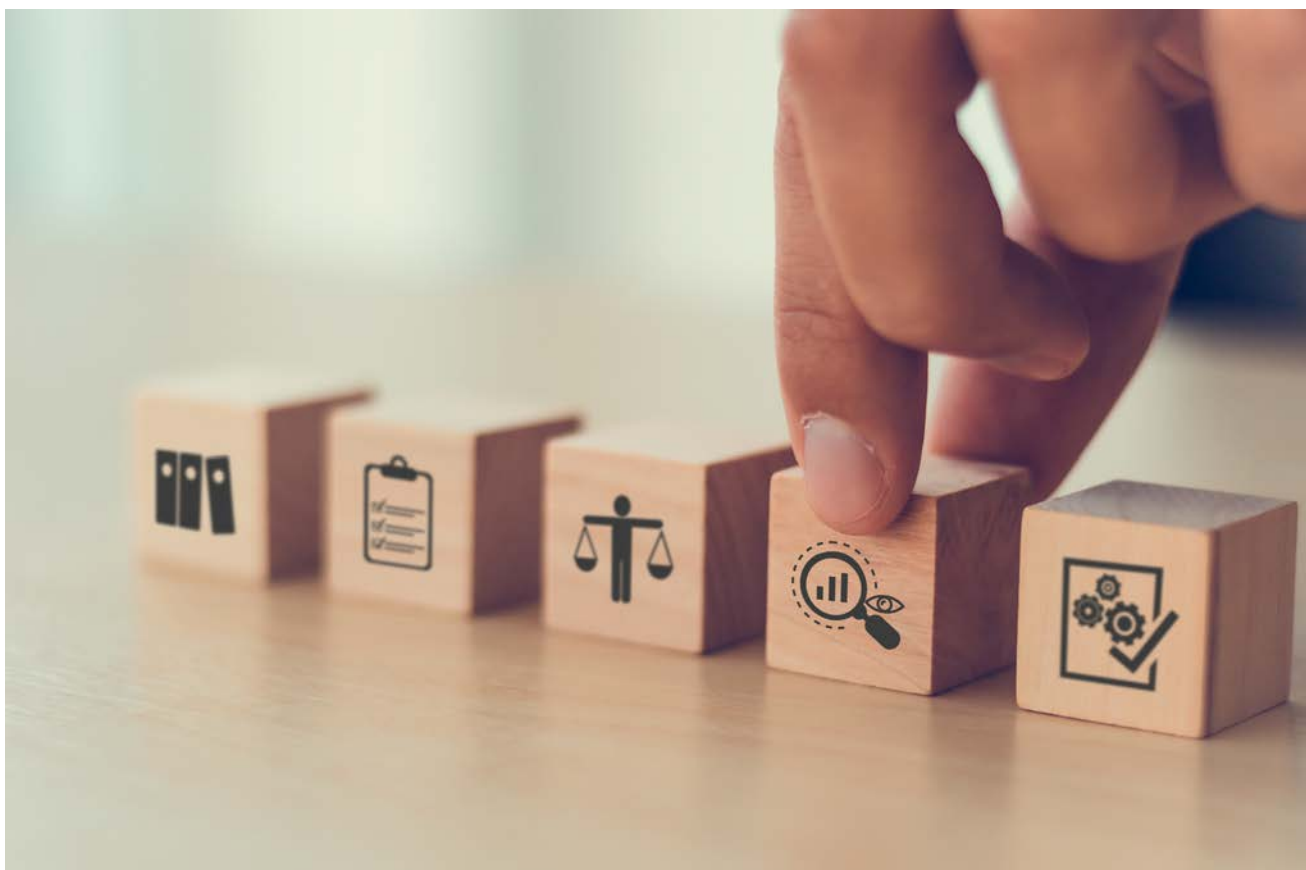
We're dedicated to monitoring performance, ensuring accuracy, actively listening to our users, and continuously refining our approach based on real-world feedback and market demands. We are confident the 'AAA' will revolutionise the corporate actions industry, leading to improved processes and better outcomes for all involved.

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The Illusion of Assurance: why your independent review may be putting you at risk

By James Dickson, Oceanic Consulting Group

Why review quality is now a strategic and commercial priority for boards

For members of the Stockbrokers and Investment Advisers Association (SIAA), the quality of independent reviews is no longer just a risk or compliance matter – it is a frontline issue for governance, reputation and commercial viability. As regulatory expectations tighten and counterparties demand greater assurance, reviews that once sufficed as internal checks are now being used to judge

institutional maturity. ASIC, APRA and AUSTRAC have each made it clear: documentation is not enough. Reviews must validate actual performance, examine operational resilience, and demonstrate genuine independence.

Independent reviews have traditionally been viewed as a procedural comfort, an annual hygiene exercise designed to demonstrate good governance and satisfy regulatory ex-

pectation. But the past two years have brought a fundamental shift. Today, reviews are no longer artefacts of compliance. They are a central pillar of operational credibility and commercial positioning.

Regulators have reset the standard. APRA's CPS 230, AUSTRAC's operational scrutiny, and ASIC's governance-focused reviews all converge on a single message: boards must

demand assurance that is independent, tested, and embedded. Reviews that rely solely on documentation or management attestations will no longer hold water. If reviews do not include observed performance, operational validation, and independent scope, they will not meet regulator expectations. Worse, they may create false confidence and expose directors to unnecessary risk.

ASIC's 2025 review of managed investment schemes made this plain. Despite the sector's regulatory visibility, the review revealed systemic failures in how boards rely on documentation as evidence of control. Compliance plans had not been updated, dispute resolution processes were unclear or absent and reviews had been presented as "independent" despite avoiding operational testing. In multiple cases, governance frameworks appeared robust on paper, but collapsed under scrutiny.

This is not an isolated pattern. It is the new baseline. The review, once seen as a tick-the-box exercise, is now a measure of institutional maturity.

Boards across the SIAA community are uniquely exposed. Operating within highly intermediated value chains, often with outsourced and third-party dependencies, brokers and advisers are now expected to demonstrate resilience not just in market-facing infrastructure, but across operational controls, cyber functions, and compliance handoffs. Without a tested review process, assurance collapses at the first challenge.

A commercial and governance inflection point

As regulatory expectations rise, so too do commercial ones. Across financial services, review quality is becoming a condition of participation. Banks, super funds and wealth platforms now include substantive review requirements in RFIs, onboarding protocols, and ongoing vendor assessments.

Procurement processes ask not only for evidence of policies but for tested control performance. Contracts



As regulatory expectations rise, so too do commercial ones. Across financial services, review quality is becoming a condition of participation. Banks, super funds and wealth platforms now include substantive review requirements in RFIs, onboarding protocols, and ongoing vendor assessments.

increasingly embed audit rights, response validation clauses, and requirements to demonstrate operational resilience at the third- and fourth-party level. Service providers who cannot produce recent, independent, and operationally grounded reviews are being excluded from key opportunities.

Boards that treat reviews as internal artefacts, something managed quietly by risk teams or compliance functions, are being left behind. In this context, assurance is not just a governance function. It is a strategic differentiator.

The commercial stakes are already visible. The white paper *License to Operate* details how independent reviews have influenced competitive outcomes. In one example, a large platform provider lost a material distribution arrangement after failing to demonstrate third-party control testing. In another, a superannuation fund required suppliers to evidence independent cyber reviews before renewing integration contracts. These are not hypotheticals. They are the new reality of financial services.

For SIAA members, this shift is especially acute. Many operate under authorisations or in alliance with upstream platforms. Increasingly, platform partners are embedding resilience expectations into network due diligence. Firms that fail to present credible independent reviews are facing not only regulatory scrutiny, but commercial exclusion.

What this means for directors

For directors, the implication is clear. The presence of a review is no longer enough. The question is whether the

review was constructed to validate performance, not just confirm structure.

A review that avoids control walk-throughs, skips staff interviews, or relies solely on policy assessment is not independent. A review conducted by a firm with a parallel advisory role is not independent. A review that reassures but does not test is not assurance.

Boards must interrogate the reviews they receive:

- Who commissioned the review and who scoped it?
- Was evidence drawn from observed performance or from documentation?
- Were staff across operational functions engaged?
- Were failure scenarios tested and escalations walked through?
- Was challenge embedded into the methodology?

If these questions cannot be answered clearly, the review should not be relied upon for assurance.

This is not about over-engineering or gold-plating. It is about recognising that in an environment of systemic risk, reputational interdependence, and increasing regulatory scrutiny, review quality directly impacts board accountability.

As ASIC has put it: "Reliance on outdated or incomplete documentation is not a defence. It is a red flag."

For brokers and licensee-aligned advisory firms, the risk is amplified by speed. Market events, system outages, or even a cyber notification can trigger immediate downstream escalation. A shallow review that seemed fit for purpose in planning cycles may prove inadequate when evidence is demanded under pressure.



A note on our position

Oceanic Consulting Group provides both advisory and independent review services. That dual role creates a perceived conflict, and it is important to acknowledge it plainly.

We are deeply familiar with the practical challenges of designing reviews that are both operationally meaningful and regulator-ready. Our concern is not theoretical. It comes from direct engagement with organisations navigating increased scrutiny and market pressure. We have seen where reviews add real value, and where they fall short.

The standards outlined in this article reflect what we believe is now expected across the industry, not only by regulators but by boards, investors, and clients.

For the SIAA community, we believe reviews should do more than satisfy internal comfort. They should be capable of being surfaced in due diligence, presented to regulators, and tested under pressure.

Referencing the full paper: five case studies that matter

In our full 30-page white paper (and yes, we know you have to be a risk enthusiast to read 30 pages on review independence), we cover real-world examples that illustrate this shift in

regulatory and commercial expectation. Key case studies include:

- **ASIC’s 2025 Review of Managed Investment Schemes:** Highlighting how well-documented compliance plans failed to reflect operational readiness, leading to increased board exposure.
- **FIIG Securities:** A data breach that exposed 18,000 clients and revealed cyber governance failures, despite the existence of formal policies. The lack of testing, review, and readiness led to ASIC enforcement.
- **UK FCA Supervision (PS21/3):** UK regulators found that while documentation was compliant, resilience was untested and tolerance metrics were vague. Scenario testing was often absent.
- **European Union’s DORA Regime:** Demonstrated how regulators are now holding third- and fourth-party service providers directly accountable for operational resilience.
- **SEC Enforcement against Ashford Asset Management:** Where a documented cyber policy proved useless when the board had no visibility into execution and response protocols failed under pressure.

These case studies reinforce a clear trajectory: Regulators now expect control testing, operational observation, and substantive evidence. Documentation is not enough.

Practical considerations: What good looks like

A substantive review is built differently. It includes:

- Transaction sampling;
- Scenario simulations;
- Staff engagement across business and operational functions;
- Testing of escalation pathways and control handoffs;
- Observations of performance under real or simulated pressure; and
- An independent reviewer with no advisory conflict and no constraints on scope.

The review is typically commissioned by the board or risk committee, not scoped exclusively by management. It is designed to challenge, not just confirm. It produces insights, not just validation.

Boards that embed this approach create a stronger feedback loop between assurance, governance, and performance.

The question boards must now ask

Boards need to move beyond the assumption that a completed review equals assurance. In the current environment, a poorly scoped or superficially executed review can be more dangerous than no review at all. It may foster overconfidence, delay remediation, or expose directors to liability.

So the question boards must now ask is not:

“Have we completed our independent review this year?”

It is:

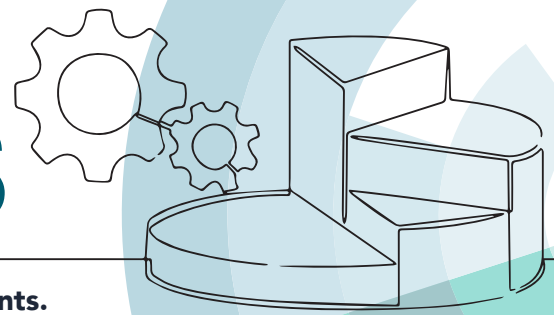
“Are we being told we are resilient, or have we tested it?”

Read the full paper

This article is adapted from *License to Operate: Reviews That Secure Relationships and Revenue*, published by Oceanic Consulting Group in July 2025.

You can download the full white paper at www.ocg.com.au

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The \$3m super threshold: Tax calculations and investment considerations

Wednesday 13 August from 1.00 to 2.00pm AEST

The new tax on super balances over \$3m changes how super is taxed, focusing on account movement is a significant change to our understanding of tax and super. Kym Bailey from JBWere will explain the calculation and its implications for asset allocation.



KYM BAILEY
JBWere

Professional Standards CPD: Tax (financial) advice 0.5 |
Client care and practice 0.5
ASIC Knowledge Area: Generic knowledge 1.0

Introduction to stockbroking workshop

Thursday 9 October 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.



RUSSELL MCKIMM

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

US tech and AI

Wednesday 27 August from 1.00 to 2.00pm AEST

Thematic investing is popular but tricky. David Tuckwell, Chief Investment Officer from ETF Shares will explore risks and rewards, with AI as a case study, and consider whether sectors or the Magnificent 7 offer a more effective approach.



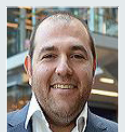
DAVID TUCKWELL
ETF Shares

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

A day in the life of a trade workshop

Tuesday 21 October from 11.00 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, CHES messaging, and registries.



ROB TALEVSKI
Webull

Professional Standards CPD: Regulatory compliance and consumer protection 0.75 | Technical competence 0.75
ASIC Knowledge Area: Generic knowledge 1.5

ETFs in focus: Trends, trading and traps to avoid

Wednesday 10 September from 1.00 to 2.00pm AEST

Explore the latest ETF trends drawn from JPMorgan's new Guide to ETFs. Stefania Vivarini will also examine ETF trading best practice, common pitfalls, and how to avoid costly mistakes—providing insights for both new and experienced professionals.



STEFANIA VIVARINI
JP Morgan Asset Management

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

Market manipulation and other prohibited conduct workshop

Thursday 23 October from 10.00 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.



PROFESSOR
MICHAEL ADAMS

Professional Standards CPD: Regulatory compliance and consumer protection 1.25 | Professionalism and ethics 1.0
ASIC Knowledge Area: Generic knowledge 2.25

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BAD WORSE WORST

Compensation Scheme of Last Resort – just keeps getting worse and worse

By Michelle Huckel, Policy Manager, SIAA

In the April edition of the SIAA monthly we reported on our submission to Treasury's post implementation review of the Compensation Scheme of Last Resort (CSLR) in which we warned that the scheme is utterly unsustainable without a significant re-design as well as changes to the way AFCA operates.

This is a big issue for the industry.

Alarm bells started ringing in earnest late last year when the scheme released its initial estimate of levies for FY 2026 at \$78 million, \$70 million of which is leviable against the personal financial advice sub sector. This exceeds the sub-sector cap by a whopping \$50 million.

This means that a levy will be issued to those in the personal financial advice sector of **\$100 per licensee plus \$1295 per adviser for the 2026 Financial Year**. The Minister for Financial Services will then be required to decide how the remaining \$50 million cost blow out will be funded. The mechanics of the scheme is that any decision by the Minister can't be made until after 1 July 2025.

At time of publication no decision has been made by the Minister on

how he intends to deal with the levy blow out.

Revised estimate for FY 2026 claims

Due to the probability of a special levy being required to fund the claims blow-out, the CSLR has obtained a revised estimate for the FY 2026 levy. While this is a slightly lower than the initial estimate (\$75.7 million versus \$78 million), it is not a result of fewer claims but reflects a slowing of AFCA's expectations for the processing of complaints during FY 2026, thus reducing the number of claims to be paid during the period.

Unfortunately, there appears to be no respite to the levies in sight – with the CEO of the scheme recently announcing that he expects the FY 2027 levy

for the financial advice subsector to likely exceed \$120 million and that special levies will be required for FY 2026, FY 2027 and FY 2028. The future looks bleak.

What is behind all these levies?

The levy blow outs are caused by lots and lots of complaints primarily arising from the failure of two large financial firms – Dixon Advisory and United Global Capital.

But there are also dark clouds on the horizon with the collapse of the Shield Master Fund and First Guardian Master Fund, managed investment schemes recommended to clients of various financial firms including Interprac Financial Planning, MWL Financial Services, Financial Services

Group and Next Generation Advice. These managed investment schemes attracted nearly \$1 billion between them in investor funds and involved, in many instances, cold-calling superannuation switching models.

These collapses are not included in the FY 26 levy as they have not yet hit the CSLR. They are expected however to impact the FY 27 and FY 28 levies.

It will be very difficult to attract new advisers to the industry while ever they are required to contribute to these levies.

Securities dealing subsector

An unpleasant revelation from the revised estimate for the FY 26 levy was an increase in the estimate for the securities dealing subsector resulting from complaints made against Remi Investment Services Pty Limited. AFCA records show that six determinations

have been made against this firm thus far for misleading and deceptive conduct and trading while insolvent. Remi was wound up by order of the Supreme Court of Queensland on 9 June 2022 and is currently under external administration. Cancellation of its AFSL took effect on 27 November 2023.

This increases the amount of claims against the securities dealing subsector from an initial estimate of \$2,343,000 to a revised estimate of \$4,723,000.

AFCA's approach to complaints brought by SMSFs

A particular concern is AFCA's recent approach to accepting complaints from SMSFs that have been classified as wholesale if they hold less than \$10 million in net assets.

AFCA's view is that under the law, if an adviser provides advice to a trustee in relation to an SMSF, it must

be treated as a retail client unless the SMSF has \$10 million or more in assets.

SIAA has communicated its concerns about the impact of AFCA's determinations to Treasury, the government and the coalition.

We have also raised concerns about the potential impact of these decisions on the sustainability of the CSLR. It is unclear how many claims that have been referred to the CSLR are from wholesale clients that AFCA has re-classified from wholesale to retail.

Next steps

At the moment the industry is waiting for the results of the Treasury review and the Minister's decision on what to do with the blow out in the FY 2026 levy.

SIAA continues to advocate for change to the scheme and will continue to update members on developments.

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Heading in the right direction

By Darin Tyson-Chan, Editor,
selfmanagementsuper

In recent columns for the Stockbrokers and Investment Advisers Association, I have expressed concerns about the governance of public offer superannuation funds, particularly after the Australian Securities and Investments Commission produced its Report 806 into the state of play in regard to death benefit payouts. Suffice to say that paper was not flattering for the large super funds servicing the majority of Australians.

Analysis like this is always welcome, particularly from such a credible source, but is sometimes tinged with trepidation as to whether anything will be done to address some of the more worrying findings.

While not dealing with this specific matter, an announcement made a few weeks ago indicates there is a conscious effort being made to improve how the large public offer super funds are servicing members.

To this end, the Association of Superannuation Funds of Australia (ASFA) released a new service standard covering claims handling for insurance cover and other health-related issues.

In particular, the new standard is aimed at improving service delivery, transparency and security for members when it comes to insurance claims for cover held inside a particular super fund.

It sets out what members can expect from the industry when making an insurance claim and sets parameters to ensure a more consistent and considerate experience in these circumstances.

Key features of the standard include having super funds exercise timely and clear communication with members at each stage of a claim, including early engagement and regular updates, and stipulating timeframes for engaging



with members throughout the process; having a supportive claims experience that considers the member's full entitlements and manages expectations early in the process; guaranteeing an element of trustee accountability is present even when third-party providers are involved, ensuring strong governance and consistent member experiences; having strong oversight and reviews where claims are declined, including clear explanation and an efficient path for review; and implementing interoperability and efficiency where both insurer and trustee decisions are required for members to receive a benefit payment.

The standard has immediate effect and the Australian Prudential Regulation Authority (APRA) has stipulated super funds need to implement it no later than 1 July 2026.

This is definitely a step in the right direction seeing any insurance policies within superannuation funds will cover events such as total and permanent disablement and death. I think we'd all agree these are both very emotionally trying circumstances so having claims paid in a timely and seamless manner will at least provide a little comfort to the individuals facing these unfortunate situations.

While it won't guarantee more timely payment of superannuation death benefits in general, it is an important move in establishing what are acceptable operational standards and

what are not. Improved governance in one aspect of organisational management can often have a flow-on effect to other areas of the business and one can only hope this progression will be seen here.

In another indication super funds are getting more serious about servicing members, APRA and investment consultant Jana have partnered to release a draft guidance note on investment management due diligence.

It has been done to assist preparation for Prudential Standard CPS 230, which covers operational risk management. In layman's terms, it has been formulated to fortify operational resilience and make sure fund managers servicing superannuation funds are managing their risks in a manner allowing them to support the long-term objectives of these retirement savings vehicles.

This indicates a further effort to align the needs of members with the activities of wealth managers more formally.

When it comes to retirement savings, the one fact that should never be lost on anyone is super funds are there to serve their members and the money over which they have responsibility belongs to that cohort. So putting initiatives like these in place should facilitate better member outcomes and the hope is we will continue to see such moves in the future.

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