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

CONTENTS

3
COVER STORY

Stockbrokers and Investment Advisers Association

Serving the interests of investors

Stockbrokers and Investment Advisers Association Limited ABN 91 089 767 706

Level 2, 74 Pitt Street, Sydney NSW 2000

Email: info@stockbrokers.org.au

Tel: +61 2 8080 3200

www.stockbrokers.org.au

Advertising

Silvana Eccles, Education and Operations Manager

Email: silvana.eccles@stockbrokers.org.au

Tel: 02 8080 3204

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

COPYRIGHT: Material published in SIAA Monthly is copyright and may not be reproduced without permission. Any requests for reproduction will be referred to the contributor for permission.

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.

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.

	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

FOR INSTITUTIONAL / WHOLESALE USE ONLY – NOT FOR RETAIL USE OR DISTRIBUTION

J.P. Morgan Asset Management Long-Term Capital Market Assumptions: Given the complex risk-reward trade-offs involved, we advise clients to rely on judgment as well as quantitative optimization approaches in setting strategic allocations. Please note that all information shown is based on qualitative analysis. Exclusive reliance on the above is not advised. This information is not intended as a recommendation to invest in any particular asset class or strategy or as a promise of future performance. Note that these asset class and strategy assumptions are passive only – they do not consider the impact of active management. References to future returns are not promises or even estimates of actual returns a client portfolio may achieve. Assumptions, opinions and estimates are provided for illustrative purposes only. They should not be relied upon as recommendations to buy or sell securities. Forecasts of financial market trends that are based on current market conditions constitute our judgment and are subject to change without notice. We believe the information provided here is reliable, but do not warrant its accuracy or completeness.

© 2024 All Rights Reserved – JPMorgan Asset Management (Australia) Limited ABN 55 143 832 080, AFSL No. 376919.

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

Thanks for supporting SIAA's education program

CHELMER Fidelity INTERNATIONAL præmium sharesight

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

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

SIAA2025

19–20 May 2025
Hilton Sydney

Monday 19 May		
8.00 – 4.30pm	Exhibition	Hilton Sydney Lvl 3
9.00 – 4.30pm	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

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

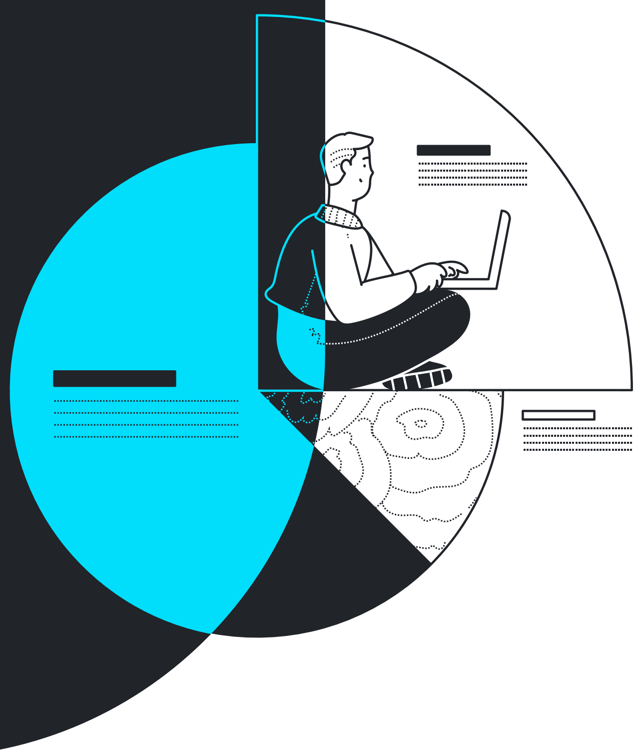
Supporters Acclaim WEALTH DDH GRAHAM LIMITED GLOBAL X by Mirae Asset

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

iress

Smarter trading for tomorrow

Brokers around the world use Iress' trading software to connect across multiple markets, monitor and manage risk, access end-to-end multi-asset trading support, and deliver better performance.



Visit **iress.com/tradingAU** to learn more.

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.

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-

> "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.

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.

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 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.

Disclaimer: Saxo Capital Markets (Australia) Limited (Saxo) provides this information as general information only, without taking into account the circumstances, needs or objectives of any of its clients. Clients should consider the appropriateness of any recommendation or forecast or other information for their individual situation.

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!

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.

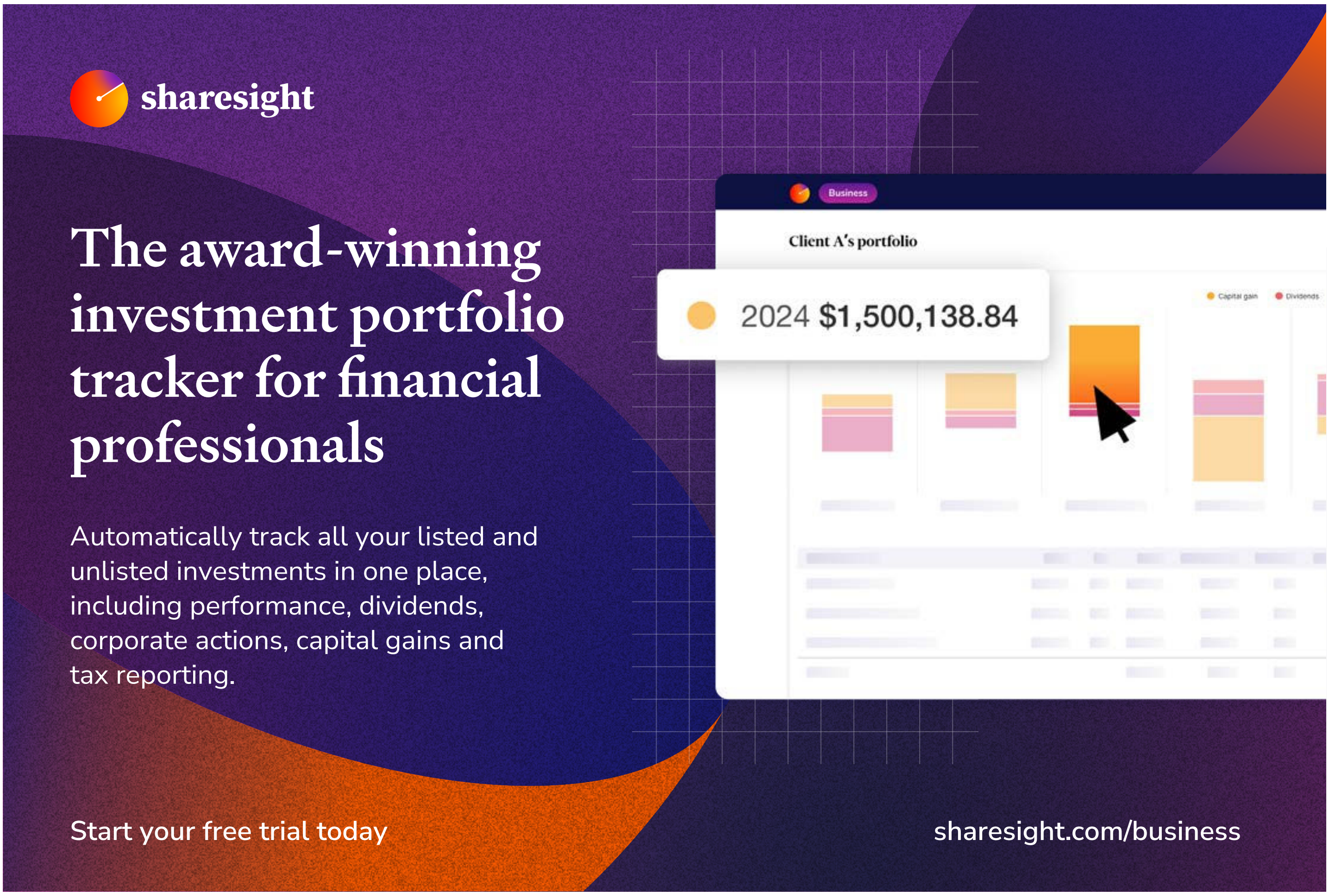
For individuals who have not filed an insurance claim or not owed a death benefit payment, they will end up paying for the questionable actions of the trustees. And for those people embroiled in the civil action, they will have already suffered some sort of financial loss and will be slugged a further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

To subscribe to *selfmanagedsuper* please visit www.smsmagazine.com.au



Stockbrokers and Investment Advisers Association

Serving the interests of investors

www.stockbrokers.org.au