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Navigating the new Digital Battlefield: AI Threats vs Client Call-backs

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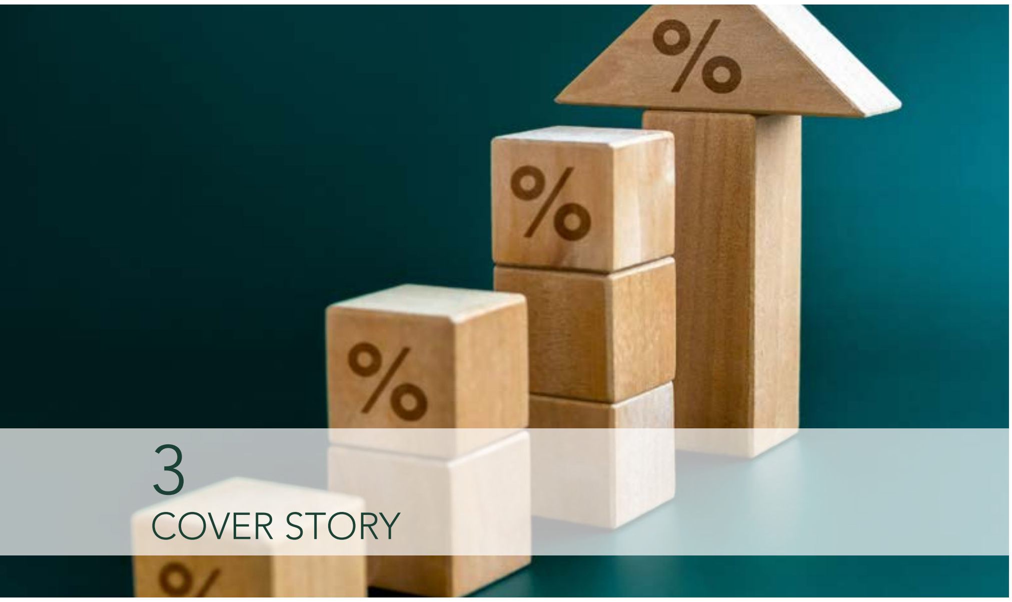

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Diversifiers to build a smarter portfolio in a less predictable world

By Kerry Craig, Executive Director, Global Market Strategist, J.P. Morgan Asset Management

Traders have an old saying: When financial markets sell off, the only thing that goes up is correlation. That summed up 2022 (with implications for 2023), as it was a tough year for diversified investors, as the traditional 60% global equity and 40% fixed income (60/40 stock-bond portfolio) suffered when both markets fell in tandem.

It was a wake-up call and revealed opportunities to improve areas that fell short of expectations.

Regime shifts, like the one that led to the 2022 correlation spike, are hard – although not impossible – to forecast. And history tells us that once economic regime change happens, the change can be persistent.

Different assets and strategies tend to shine in different environments. Here, we identify ways to diversify portfolios that complement stock-bond diversification.

Diversification's role in a portfolio

So, what is the purpose of diversification? Asset managers typically seek to harvest risk premia, the most popular being equity risk premia. Stocks, broadly speaking, struggle when economic growth contracts. As such, we diversify portfolios with bonds, which tend to do well when growth weakens.

Fixed income remains an indispensable tool for diversification, yet it has proven less useful during bouts of high inflation, both in recent times and in the past. And, as investors were reminded recently, there is more than one kind of shock in financial markets.

> Other potential risks include exogenous shocks, such as liquidity shocks and geopolitical shocks. In such an environment, finding additional sources of risk diversification may be just as important as finding sources of return.

Other potential risks include exogenous shocks, such as liquidity shocks and geopolitical shocks. In such an environment, finding additional sources of risk diversification may be just as important as finding sources of return.

Expanding the diversification toolkit

Investors can build additional dimensions of diversification to broaden out and complement a standard 60/40 stock-bond portfolio. This can help enhance portfolio resilience across a wider range of environments.

We identify these diversifiers by drawing on historical evidence; the knowledge that they each shine in different economic environments; and by running simulations using our robust asset allocation model to capture the effects of different regimes.

Below is a list of diversifiers that can help portfolios ride out a range of shocks:

1. **Actively managed equity**
    - The main tools of active management, namely security selection and tactical asset allocation, if harnessed well, can present attractive opportunities for portfolio diversification. Together, we believe they can boost returns, lower volatility and achieve superior returns with lower risk, at a level that is historically comparable to a 60/40 portfolio.
    - Active equity managers' excess returns over benchmarks can be seen as an all-weather diversifier. This is especially useful in periods when capital is scarce and markets are efficiently channeling capital.
2. **Tactical asset allocation strategies**
    - Global tactical asset allocation is an investment strategy that consists of dynamic active asset allocation across major assets, typically with the objective of creating an independent return stream to complement a core portfolio. Such an approach can help add dynamism to a more statically managed strategic asset allocation.
    - This can be seen as an all-weather diversifier as return streams are less correlated during periods of stress.
3. **Risk premia strategies**
    - Risk premia strategies are investment strategies that focus on harvesting excess returns associated with different risk factors or market anomalies driven by behavioral biases or structural inefficiencies.
    - They include trend-following strategies (based on directional price movements), multiple risk premia strategies (including long-short factors) and arbitrage strategies (such as convertible arbitrage and fixed income arbitrage).
    - Such strategies can help provide uncorrelated return streams that can potentially mitigate beta risk, hence diversifying the portfolio against declining economic growth and inflation.
4. **Currency overlays**
    - Currency overlay strategies present opportunities to capitalise on inefficiencies in foreign exchange markets, which tend to exhibit a low correlation with market beta.
    - This is an all-weather diversifier given their low correlations with other asset classes. Because active currency portfolios are flexible and are able to take positions in long-short currency pairs, currency overlays could provide meaningful exposure to non-G4 currencies.
5. **Thematic investing**
    - Identifying and investing in supercycle trends[1] – such as energy efficiency, technology advancements, artificial intelligence, genetics and potentially many others – can add robustness to portfolios.
    - Building these recession-resilient spending trends into portfolios is another source of diversification that can help mitigate cyclical risks during periods of growth shocks.
    - This is an all-weather diversifier which is especially helpful in capital expenditure (capex) cycles when government-private partnerships/co-investments are in play.
6. **Alternative assets**
    - Alternatives have historically exhibited a low correlation to traditional assets, which can help mitigate overall portfolio volatility and reduce equity beta across time. Within this diverse universe, categories such as real assets, hedge funds and private credit stand out for their relevance in periods of high inflation and market volatility.
    - Real assets have cash flow-driven returns that grow with inflation, providing ballast to a broader portfolio. These all-weather diversifiers are helpful during periods of high inflation, rising rates and public market stress.
    - Hedge funds and private credit can help diversify against rising volatility, market downturns and energy supply shocks.

Building additional dimensions of diversification into portfolios

How might an enhanced, balanced and smarter portfolio look? We believe the dimensions of diversification

Chart 1:

Source: J.P. Morgan Asset Management.

summarised above should be part of a broad investment toolkit to help guard against changing macroeconomic regimes and unexpected shocks.

The chart above illustrates how we might go about adding other dimensions of diversification into portfolios:

The diversifiers outlined above have historically delivered positive returns, are not costly (like traditional portfolio hedges) and are fairly valued. Given prevailing market conditions, it could be timely to start reshaping and strengthening portfolios by expanding the diversification toolkit.

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[1] A supercycle – a sustained expansion that originally referred to a commodity market boom – is now used for any period of outsized demand and the accompanying market rally for producers.

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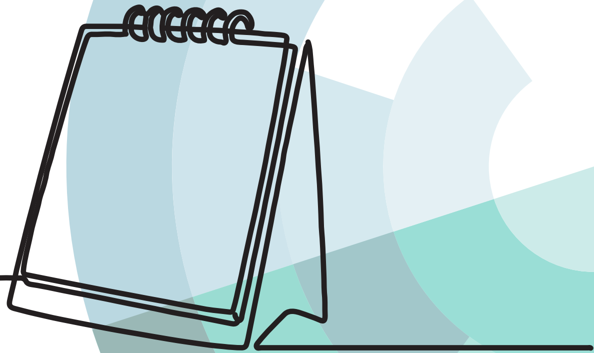
CPD EVENTS



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Charitable giving as impact investing

Wednesday 6 December
1.00pm to 2.00pm AEDT

Vicki Norton will discuss why philanthropy is a beneficial topic to raise with clients, provide an overview of common philanthropic structures and some guidance on real-world scenarios. Kym Bailey will speak to responsible investing, outlining the current market and the types of problems impact funds aim to solve, supported with examples.

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

Cost:
Member FREE |
Non-member $75

VICKI NORTON
Director, Strategic Projects, Philanthropy Australia

KYM BAILEY
Technical Services Manager, JBWere

Bonds to perform in 2024

Wednesday 14 February from
1.00 to 2.00pm AEDT

Coolabah Capital's Christopher Joye will explore the landscape of bond performance in 2024 through an examination of key market factors. He will delve into the influence of economic indicators, interest rate dynamics, and inflation trends on various bond types such as government and corporate bonds.

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

Cost:
Member FREE |
Non-member $75

CHRISTOPHER JOYE,
Chief Investment Officer & Portfolio Manager, Coolabah Capital

Market manipulation and other prohibited conduct workshop

Tuesday 20 February from
10.00am to 12.15pm AEDT

This workshop focuses on the prohibition on creating or maintaining an artificial price for trading in various financial products and will benefit all who wish to gain an understanding of markets and the consequences of breaching obligations. This is a great opportunity to learn how to protect yourself and understand the difference between manipulation and ordinary market forces.

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

Cost:
Practitioner member $100
Organisation member $150
Student Affiliate member $50
Non-member $200

PROFESSOR
MICHAEL ADAMS

Introduction to stockbroking workshop

Wednesday 21 February from
11.00am to 1.15pm AEDT

This workshop provides an overview of the critical role that stockbrokers play both in retail and institutional markets. A high-level view of stockbroking and financial advisory operations including order taking, transaction and settlement will provide insight into the different systems involved and allow for a discussion of the different business models in stockbroking today.

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

Cost:
Practitioner member $100
Organisation member $150
Student Affiliate member $50
Non-member $200

RUSSELL MCKIMM

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CPD EVENTS *cont...*

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A day in the life of a trade

Tuesday 27 February from 11.00 to 1.15pm AEDT

An excellent refresher for experienced staff and perfect for those in auxiliary roles, this workshop delves deep into the day of a life of a trade. You will walk away with a solid understanding of client onboarding processes, the process of share and derivative trades from order placement through to execution to settlement, sponsorship/HINS, CHESS messaging, registries and more.

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

Cost:
Practitioner member $100
Organisation member $150
Student Affiliate member $50
Non-member $200

ROB TALEVSKI
CEO,
Webull Securities

Digital identity legislation

Wednesday 28 February from 1.00 to 2.00pm AEDT

Hong-Viet Nguyen, a Partner with Ashurst, will provide an overview of the digital identity legislation and will discuss what this means for the financial services sector. How will this impact current processes of client verification? What ramifications will this have on AML practices? Will it impact privacy obligations? These and other issues will be explored.

Professional Standards CPD:
1.0 Regulatory compliance and consumer protection
ASIC Knowledge Area:
1.0 Generic knowledge

Cost:
Member FREE |
Non-member $75

HONG-VIET NGUYEN,
Partner,
Ashurst

Introduction to Payments

Tuesday 19 March from 11.00 to 1.15pm AEDT

This online workshop covers the payment operations process in Australia. John Ryan, Chief Education Officer at PayEd, will outline the payments landscape and the main payment methods in Australia. Attendees will walk away with a solid understanding of the flow of payments, CHESS payments and how the digital wallet works.

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

Cost:
Practitioner member $100
Organisation member $150
Student Affiliate member $50
Non-member $200

JOHN RYAN
Chief Education Officer,
PayEd

Executive Payments Course

Thursday 21 March from 11.00 to 1.15pm AEDT

This expands on the introductory course and delves into the impact these will have on BECS (DE file processing). John will also explain what the consumer data right would mean for those working in financial services and discuss the digital ID. What options are available when looking beyond Australia and is AI payments a game changer?

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

Cost:
Practitioner member $100
Organisation member $150
Student Affiliate member $50
Non-member $200

JOHN RYAN
Chief Education Officer,
PayEd

*For workshops register four or more before one week prior and receive a **$50pp discount** (organisation and non-members).*

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Navigating the new digital battlefield: AI threats vs client call-backs

By John Greenhow, Managing Director, Tecassa

When it comes to client call backs, AI means you can't take people at their word.

AI is rapidly reshaping industries and revolutionising how we approach challenges and opportunities. The last few months have seen a deluge of articles that evangelise its potential – particularly Generative AI. Companies across every sector are looking at ways to harness these powerful tools in their businesses.

We're not the only ones.

As with all progress, challenges quickly appear. We are already seeing a surge in cross-border cyberattacks with criminals employing increasingly sophisticated techniques, as evident in the growing incidence of significant cyber incidents.

With its wealth of sensitive data and monetary transactions, the stockbroking and investment industry is an attractive target for cybercriminals armed with AI tools. From intricate phishing schemes to complex data breaches, advanced threats pose unprecedented challenges to brokers and advisers.

Understanding these AI-driven threats isn't just a technical necessity; it's a strategic imperative for financial industry professionals at every level.

Know your enemy

Stockbrokers and investment advisers are prime targets for cyberattacks due to their possession of personal and financial information for numerous individuals and their involvement in financial transactions.

Attackers exploit stolen information to verify changes with banks or telecoms firms. This personal information is then used to impersonate individuals, allowing attackers to open new accounts, take out loans or conduct further illegal activities.

Detailed profiles crafted from stolen personal information are sold on the dark web to facilitate convincing phishing emails and social engineering attacks.

A direct threat involves brokers or advisers unwittingly acting on fraudulent instructions, resulting in theft. For instance, an instruction to change bank details followed by a sale of stock with redirect proceeds into hard-to-trace cryptocurrency before the attack is detected.

The heightened threat of AI deepfake audio

In addition to long-standing vulnerabilities, such as outdated systems and inadequate network security, generative AI opens new approaches via social engineering and client authentication protocols.

Here's how this sophisticated attack is initiated.

1. **Initial recording** – The attacker begins by obtaining a recording of the victim's voice. This can be achieved through a brief phone call, voicemail, or extracting audio from

available online videos or podcasts where the victim speaks. Think about how often people have complained about answering a call, and no one is on the other end.

2. **Voice cloning with generative AI** – Using the initial recording, generative AI analyses the victim's voice characteristics, including tone, pitch, and accent.
3. **Creating deepfake audio** – Once the AI understands the victim's voice, it can generate new audio clips where the victim appears to be saying virtually anything the attacker chooses. This technology has advanced to a point where the generated audio can be compelling, closely mimicking the victim's unique speech patterns and vocal nuances.
4. **Undermining verification procedures** – "Call-backs" are commonly used to verify client details before finalising a transaction. However, with deepfake audio, an attacker can respond to these call-backs, impersonating the client and confirming fraudulent instructions.

Circumventing call-backs may make many firms' standard security procedures suddenly vulnerable. Such attacks could lead to significant legal and regulatory challenges, as the responsibility for losses due to deepfake audio fraud could be a complex issue.

Strategies to mitigate the risk of being fooled

While the human voice can be mimicked, advanced voice biometrics systems can analyse more than just sound; they can detect deeper speech patterns and physical properties of a person's unique vocal tract that are harder to replicate. However, this technology is expensive to implement, and users will face a challenging arms race with cybercriminals as deepfakes continue to improve.

But there are other factors you can implement.

Multi-factor Authentication

Insisting on Multi-factor Authentication (MFA) is a powerful strategy you can implement to help avoid these attacks.

Call backs can be augmented with MFA. This technique combines something a client knows, something they have, and biometric measures. Combining these measures is more secure because it's far less likely that an attacker has compromised each category.

An example is combining a password (the client's knowledge), a mobile device (something usually in their possession) and a digital fingerprint (inherently part of the client) via a mobile app where the user must:

a) Unlock the mobile device via facial recognition or fingerprint,
b) Enter a password or PIN, and
c) Generate (or receive) a one-time password, which they then confirm with the firm requesting verification.

Other factors can include questions for which a pre-canned answer is not likely, for example, recent sporting or personal events.

This approach will require firms to incorporate apps and the associated technology to verify one-time passwords into their operating systems and procedures. It will also require overcoming the challenge of clients who are resistant to new technology. In cases where clients

> "Once the AI understands the victim's voice, it can generate new audio clips where the victim appears to be saying virtually anything the attacker chooses.

refuse MFA, firms will face risk-based decisions when handling instructions.

In addition, firms should improve their procedures and training through:

1. **Cybersecurity training and awareness** – Conduct regular employee training to educate on the risks associated with deepfake audio and other attacks, emphasising the importance of verifying the authenticity of voice communication.
2. **Policy and procedure updates** – Review and update company policies and procedures to outline protocols for verifying the identity of individuals, and refining responsibilities in case such an event occurs.
3. **Transaction monitoring** – Explore transaction monitoring systems that can detect deviations in transactions and communication patterns and establish procedures to respond quickly to alerts.

The future of AI is exciting; firms just need to proceed with caution

In the cybersecurity arms race, generative AI will enhance operational efficiency while empowering malicious actors.

A voice you recognise can no longer be trusted, and identification questions can be answered seamlessly following a breach. Multi-factor authentication is not optional anymore, participants must move towards best practice to fortify trust, the backbone of our industry.

ASX unveils proposals for cash equities market in Service Release 15

By Jamie Crank, General Manager Trading, Markets, ASX

ASX's recent engagements with stakeholders have unveiled five important proposals poised to transform the functionality and dynamics of the cash equities market.

These proposals, which are subject to final review by vendors, customers and regulators, are captured in the ASX Service Release 15 (SR15) system update. They include the removal of the opening auction stagger, the introduction of a new 'Post Close' trading session, enhancements to closing auctions to handle company announcements, validation of tiered Block Special Trade reports, and the implementation of FIX Order Entry and new ITCH protocols.

This article delves into the details of the top three proposed innovations.

1. Removal of the opening auction stagger

Major global stock exchanges commonly have opening auction mechanisms in place, and ASX is no exception. But what sets us apart is the method we use to stagger the opening times of the cash equity market. This process involves categorising listed companies alphabetically into five groups, each with a designated time slot (see Chart 1).

The staggering of opening times happens between approximately 10:00 am and 10:09 am, providing a systematic structure to the process.[1] As Chart 1 shows, this creates unique market features at the start of the trading day.

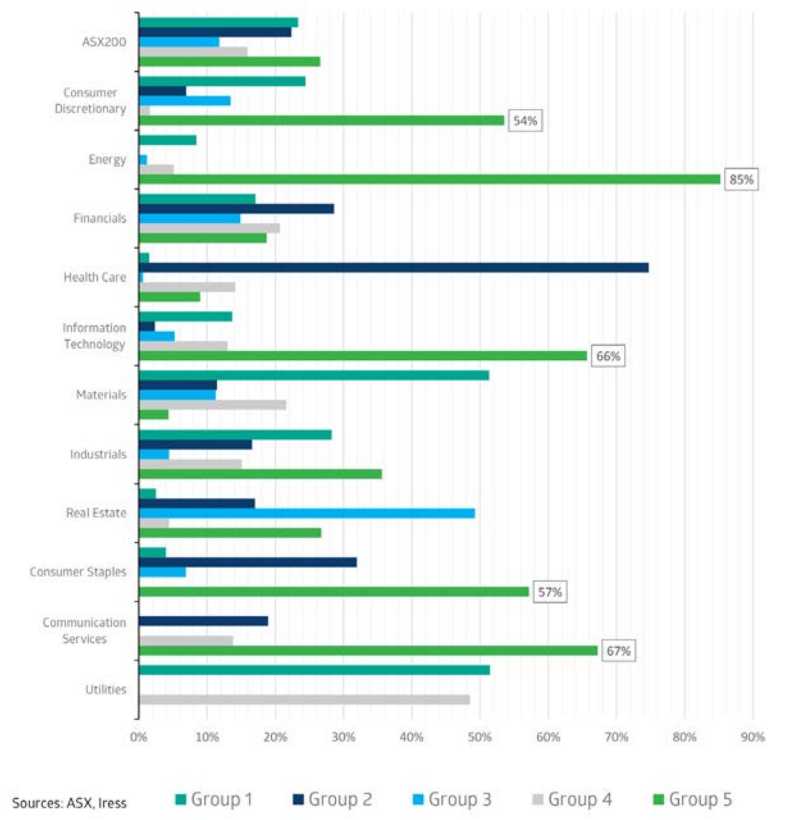
- Approximately 27 per cent of the ASX200 by market capitalisation isn't open until Group 5 or around 10:09 am.
- In five sectors – Consumer Discretionary, Energy, Information Technology, Consumer Staples, and Communication Services – more than 50 per cent of their index by market cap isn't open until Group 5 or around 10:09 am.
- Notably, 85 per cent of the entire Energy sector by market cap isn't open for trading until Group 5.

Chart 1:

Group 1	10:00:00 am +/- 15 secs	0-9 and A-B
Group 2	10:02:15 am +/- 15 secs	C-F
Group 3	10:04:30 am +/- 15 secs	G-M
Group 4	10:06:45 am +/- 15 secs	N-R
Group 5	10:09:00 am +/- 15 secs	S-Z

With ASX as Australia's primary listing exchange and where most of the price discovery is formed, moving to a single, randomised open at around 10:00 am means the market will not have to wait until all five groups are fully open to make timely decisions. This change can reduce volatility, increase

Chart 2: Open Auction (Groups) - Distribution by Sector



Sources: ASX, Iress

- The price will be fixed at the same level just set by the CSPA.
- Queue priority for residual orders will be preserved into the Post Close session.
- Existing orders that were in the CSPA but not at the closing price – for example, 1 cent away – will be permitted to amend their price to the (fixed) level and can potentially trade as contra flow or join the existing queue priority.
- Any client wishing to place new orders at the fixed CSPA price will be allowed to do so, adding greater flexibility and choice.
- As illustrated in Chart 3, ASX proposes that the Post Close trading session lasts for 10 minutes after the current CSPA.

liquidity, and potentially improve spreads for investors.

2. Introduction of a new Post Close trading session

The ASX Closing Single Price Auction (CSPA) at the end of each trading day provides an efficient opportunity for price discovery. It is one of the important liquidity events of the day, accounting for approximately 24 per cent[2] of the total value traded. (Learn more about the benefits of the CSPA.)

Following the completion of the CSPA, there is often a residual balance of liquidity on the bid or offer. ASX's internal analysis estimates that during the last financial year, $21 billion[3] of unexecuted residual orders remained outstanding.

In response to customer requests, ASX is proposing to introduce a Post Close trading session, which will take place immediately after the existing closing auction schedule.

The proposed changes include the following.

- Residual buy or sell orders left over following the closing auction will automatically qualify for the Post Close session and, importantly, be fully transparent in the lit market.

3. Closing auction enhancements to handle company announcements

Under existing ASX rules, any ASX-listed company publishing a market-sensitive announcement must undergo a brief 10-minute 'trading pause', known as PRE_NR (or 60 minutes for announcements relating to takeovers and schemes of arrangement). This pause allows the market to review the new information for full dissemination before the resumption of trading.

If a company issues such an announcement during the existing PRE_CSPA window, the corresponding security essentially misses its own auction due to the aforementioned 10-minute pause. This situation could create unintended frustration for investors who were unable to complete their existing orders.

Internal ASX analysis reveals that this occurred 202 times during the last financial year,[4] with more than 10 per

Chart 3: Proposed timeline for the Post Close trading session

cent of these incidents involving top ASX300 companies.

To address these issues, ASX proposes the following.

- The introduction of a 10-minute Post Close trading session will provide a company that has released a market-sensitive announcement with the opportunity to complete its 10-minute pause. Subsequently, the company will conduct its own closing auction, followed by the remaining time of the Post Close.
- Investors will be able to trade in a fully informed market, enabling them to complete existing orders or place new ones according to their preferences.

Summing up: Enhancing trading efficiency

Proposing new features for opening and closing auctions, implementing mechanisms for efficient price discovery, and reducing platform complexity will ensure a contemporary and resilient cash equities trading platform.

ASX has initiated stakeholder engagements to gather insights on these proposed changes over the coming months. We welcome feedback and encourage members of the Stockbrokers and Investment Advisers Association to contact us directly.

For more information on any aspect of Service Release 15, please email Equities@asx.com.au

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1 https://www.asx.com.au/markets/market-resources/trading-hours-calendar/cash-market-trading-hours

2 https://asic.gov.au/regulatory-resources/markets/market-structure/equity-market-data/2023/equity-market-data-for-quarter-ending-june-2023/

3 Internal ASX analysis for the CSPA during FY23 for ASX200 stocks only.

4 Internal ASX analysis for companies missing the CSPA due to market-sensitive announcements released during the CSPA.

Season's Greetings

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

Regards, the team at SIAA

PLEASE NOTE

The SIAA office will close at midday on **Friday 22 December 2023** and re-open on **Tuesday 2 January 2024.**

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The true cost of a security breach

By Luke Deller, CTO - Trading & Market Data, Iress

As far as assets go, data is one of the hardest to appraise in strict dollar terms – even in this industry, where aggregating, analysing and protecting data can make or break many businesses.

Sure, you could probably put a number on storage costs. You could factor in the operating expenses for data ingestion, transaction modelling, historical analysis, prediction and verification. Maybe you could even determine the extent of the correlation between value added to the economy and the volume of data in circulation, and come up with some rough figure based on the number of bits currently travelling through cables at the bottom of the ocean.

Even if you could, though, I doubt that would give you a full picture of the value data has in your business – or any business, for that matter. Consider, for example, what happens in the event of a security breach where client data is compromised. Once again, you might be able to tally up the remediation costs, the amounts spent on upgrading security protocols and the value lost while the business was attempting to rectify the problem.

But what about the reputational damage? What about those clients who might have otherwise spent years – decades, even – working with you and are now reconsidering whether they can trust you with their information (and their money)? These costs are much harder to quantify.

This kind of scenario shouldn't be considered a black swan event, either. According to 2023 research from US cloud security company Skyhigh Security, a staggering 78% of financial services organisations worldwide experienced security breaches and theft of data. That same report also noted that the amount of sensitive data stored in the public cloud has skyrocketed in recent years, up from 47% in 2019 to 61% in 2022.

The report suggests that financial services is a particularly attractive target for cyber-attacks because – well, that's where the money is. And while some businesses more than others may have the capital to invest in technologies and resources for mitigating cyber-threats, having deep pockets isn't exactly a panacea. If it were, perhaps some of the larger groups targeted this year would have been spared.

This isn't to discount the importance of using up-to-date, rigorously-tested cybersecurity tools. As a steward for your clients' information, you and your business have a responsibility to ensure you're appropriately resourced in this department. However, the biggest vulnerability to cyber-attacks a company often has originates less from the technology used and more from the people using it.

While news stories about notable cyber-attacks regularly centre on hostile foreign powers and global criminal syndicates, you're far more likely to experience a security breach due to simple human error. Perhaps client data gets emailed to the wrong person, or perhaps that email gets intercepted because it's being sent from an employee's personal account. Maybe a software update gets paused on one of many interconnected systems in your business, suddenly exposing a massive hole in your security infrastructure.

The little things – an email here, a social media post there – can add up to a major problem very quickly. It doesn't take very much to put all your data – and the long-term value of keeping it safe – in jeopardy.

This is why the first line of defence for protecting this critical asset is to get everyone on board. Information security isn't just the purview of the IT department. Everyone in the business, and in particular those who have any kind of exposure to sensitive information – which, given this industry, is just another way of saying "everyone" – needs to be educated about the procedures, processes and risks associated with your cybersecurity policy.

At the same time, the policy – which should include everything from regular software updates to the detailed steps undertaken when a breach does occur – requires clear ownership. There needs to be someone in the business, with CEO- and board-level support, ensuring that all procedures are being followed and that the policy is updated in response to new technologies – and new threats.

It's also worth noting that even though the regulatory framework around cybersecurity is still evolving, your responsibilities may not end with your team and your internal protocols. Any third parties you work with, especially those who might be handling your client data in one way or another, could expose you to a breach if their cybersecurity is compromised at some point. To the best of your ability, you should ensure that any external partner has systems and procedures in place that are just as robust (and followed just as consistently) as your own.

If need be, you can work with a (properly vetted!) technology partner or external consultant to ensure your current policies, partners and infrastructure are up to scratch given the ever-increasing amount and complexity of cyber threats. But even then, you're only protected if everyone on

the team (and other teams you work with) gets with the program. Changing processes and procedures can be onerous and unintuitive for some staff, which is why it's important not just to explain the new system but regularly reinforce its importance.

Cybersecurity is a constantly evolving proposition – so everyone needs to evolve along with it. While some might find it difficult to understand the importance of a particular process, program or security protocol, everyone understands the value of the information they're protecting – even if they can't quite put a number on it.

WOMEN IN WEALTH AWARDS 2024

Nominations open

FINANCIAL NEWSWIRE
WOMEN IN WEALTH AWARDS 2024

THE EMERGE FOUNDATION

While we work to improve the gender balance in the industry, it is important that we celebrate those women in the industry who are shifting the dial now. They are the role models and mentors for the next generation. Let's recognise the great work that women are undertaking in wealth now.

The Women in Wealth Awards 2024 recognise and celebrate the countless trailblazing women the financial services space is lucky to have in over 15 categories covering everything from financial advice to superannuation, life insurance to funds management, tech innovation to pro bono work and even workplaces to mentorships...

And with the support of the nine-strong 2024 committee the awards gala will be held on Thursday 30 May at The Fullerton Hotel in Sydney.

Show your support for the strong women you know by nominating them now.

NOMINATE NOW!

Will the past become the future?

By Jason Spits, Senior Journalist, *selfmanagedsuper*

As we move into the Christmas period, the federal government appears keen to drive out 'the ghosts of advice past' with the introduction of legislation that will put in place half of the recommendations that came from the Quality of Advice Review.

The draft Treasury Laws Amendment (2024 Measures No 1) Bill 2024, released for consultation in mid-November, will, if passed by parliament, adopt half of the recommendations of the review in the first of three streams set to be rolled out next year.

This first tranche of changes includes the consolidation of ongoing fee consent documents into one document, flexibility in how financial services guides are provided, clarifications around conflicted remuneration and written consent requirements for consumers before purchasing insurance that results in a commission payment.

All good stuff so far, and generally welcomed by the financial advice sector, but it will be stream two, which Financial Services Minister Stephen Jones said would "address the large and growing gap in the availability of retirement advice by expanding the provision of personal advice by superannuation funds to their members", that is likely to be less popular.

The financial advice sector, as well the stockbroking sector, still remember the tight and one-dimensional nature of the professional standards regime created by the Financial Adviser Standards and Ethics Authority (FASEA) and how it led to the departure of more than 8000 practitioners.

Perhaps some of those should have left the industry if they were unwilling or unable to meet higher professional and education standards, but the end result of the FASEA regime is a lack of qualified advisers and it seems the solution now is to let superannuation funds have a crack at providing advice.

Delving back a bit further into the history, one of the chief criticisms of the financial advice sector, and which was raised at the Hayne royal commission, was the vertically integrated nature of the large advice groups.

The relationship between advice groups being licensed by the same company that created the products they presented to clients and managed via platforms also owned by the same company created real and perceived conflicts of interest.

Yet, the stream two plan will replicate that situation with the government's blessing as superannuation

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funds use in-house advisers to provide advice on their own fund for pre-retirees, as well as life insurance within those funds, and also provide advice on in-house retirement income products for those in retirement.

To be fair, we have yet to see any legislation or even an outline as to how the government proposes to do this. While this may seem like an advice issue, it is also a superannuation issue as around 5 million Australians are at or approaching retirement age and will soon collectively draw down on many millions of dollars from their funds.

Last month this column noted the ongoing problems large superannuation funds have had with meeting their current obligations. This has led some funds to merge, while others failed to address multiple fee charges to members and 15 large funds were criticised by the regulators for lagging behind in their obligations under the Retirement Income Covenant to provide retirement income solutions for fund members.

The government is in a difficult position here as clearly there are not enough advisers to service those who many want advice, but neither the superannuation or financial advice sectors need another set of policy-driven shocks and setbacks undermining their ability to help those seeking better financial outcomes.

It is the job of government to correct problems in the superannuation system, but a poorly executed advice model has the potential to create 'ghosts of advice yet to come' haunting the super sector and the Australian public with many having no further opportunity to offset any of the negative effects.

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