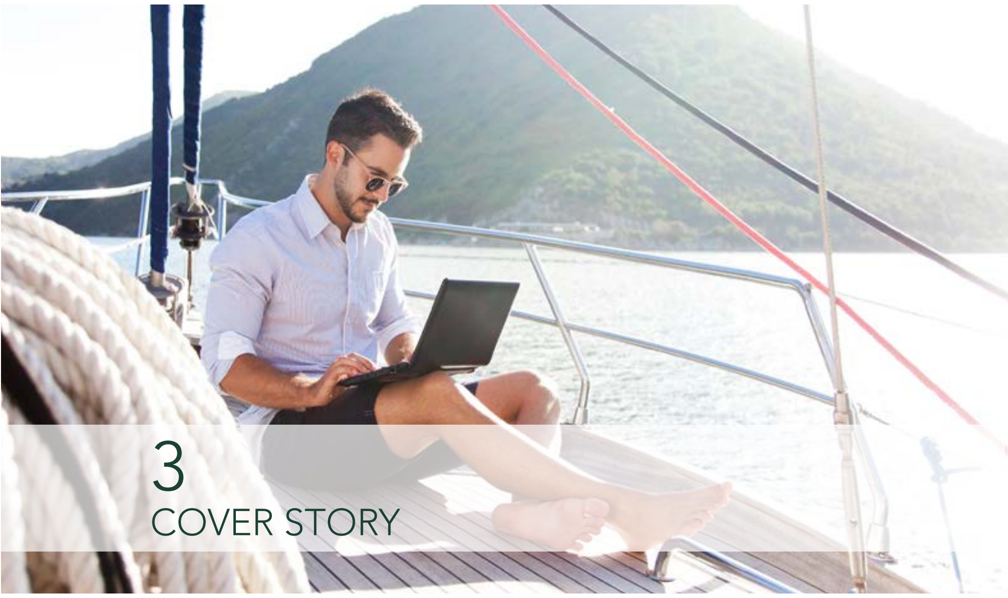
SIAA monthly

www.stockbrokers.org.au | June 2023

COMPETITIVE ADVANTAGE THROUGH DIGITAL EMPOWERMENT

Part 1 – Market Access

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

COMPETITIVE ADVANTAGE THROUGH DIGITAL EMPOWERMENT

Part 1 – Market Access

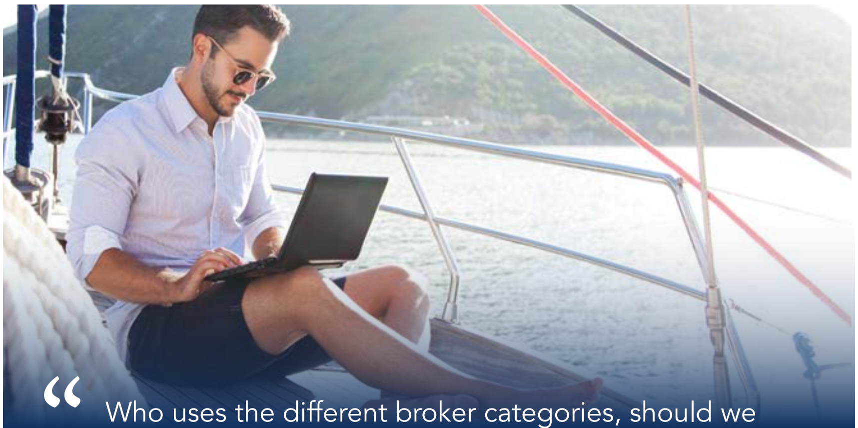
By Gaye Anable, Saxo Institutional

Part 1 of a 2 part discussion on the transformation of the Australian Stockbroking Industry

There was a time when the Australian stockbroking industry was seen as a global leader and innovator when it came to the development of trading technology. In recent years though, the local retail stockbroking industry has experienced disruption at the hands of online brokers who have entered the market and successfully grown their client numbers and their trading volumes at the expense of the incumbents.

The improvements in digital technology and the proliferation of trading apps has helped a record number of Australians to take control of their own investment outcomes by adopting these new forms of market access. This trend accelerated through COVID as people were locked down and took the opportunity to open accounts, invest in markets and either earn an income or accumulate wealth.

The disruptors are not coming from the ranks of existing market players, it has overwhelmingly been driven by innovative fintech companies outside of the traditional broking ecosystem. We have seen local startups, with large marketing budgets, attract large and increasingly younger client bases. The entry of large international players into the local market has brought further competition.



> “Who uses the different broker categories, should we really be defining the industry as service providers to a specific demographic. Is this the answer? Does a brokerage target mass market, mass affluent, HNW etc? The answer is not as simple as saying Millennials use ”online” and the over 40s use “full service” providers.

The impacts of increased competition have had both positive and negative outcomes. The evolution of commercial models has delivered improved market access and pricing terms for clients but has also exposed them in greater numbers to firms with opaque corporate and regulatory structures and weak balance sheets.

As a result, the industry has fragmented, forming a split in the classification of brokers. A two speed industry has evolved, with participants falling into either the “Online” broker or “Full-service” broker category.

But is the term “Full service” accurate? It may be more correct to describe brokers in an alternative way, more aligned with the services they deliver, rather than the method of delivery. If we look at the way brokers service their clients, are they actually providing a full range of services? Digital solutions have become a key feature of the industry and should be considered a pre-requisite of any ”full-service” offering. A similar argument could be made in relation to the provision of advice.

So what services does the retail client base want and need today?

Who uses the different broker categories? Should we really be defining the industry as service providers to a specific demographic? Is this the answer? Does a brokerage target mass market, mass affluent, HNW etc? The answer is not as simple as saying Millennials use ”online” and the over 40s use “full service” providers. This ignores the reality that Australians are amongst the highest adopters of technology with over 89% of Australians owning smartphones and our day to day life becoming more and more dependent on digital activity. It belittles the reality that there are many more Australians wanting advice than are able to receive it.

The question then becomes, why can’t a brokerage service all demographics? Saxo’s experience in assisting banks and brokers to deliver digital investment and execution solutions tells us that this is fundamentally possible, but in order to achieve this blend successfully a broker must become digitally empowered and offer the services via the channels through which the target client segment wishes to consume them.

If online services are so appealing to customers, what has stopped the traditional stockbroking industry in Australia from developing and offering a digital service?

The rate of regulatory change in the Australian industry over the last decade has impeded the ability of the traditional industry leaders to lead the digital transformation of the industry. The increased cost of oversight and compliance to accommodate regulatory change has withheld investment in development and innovation.

The human and technical resources and skills to build apps are not endemic to the industry, and the costs of maintaining apps within existing legacy infrastructures means that outsourcing becomes the obvious solution.

Many brokers struggle with the dichotomy of running low margin execution business vs higher cost advice businesses. The two should not be seen as competitive business models, rather the first should be seen as a precursor to the second, creating a natural pipeline over time for a higher revenue generating activity. The Australian banking industry has long provided evidence of the loyalty of Australian consumers to entities that support them when they are small, young and growing.

An interesting characteristic common among online brokers is that their success has not been dependent on being a Market Participant. They are not dependent on the marketing appeal of their position on the ASX league tables. To the average consumer of these services, the market share of their broker is insignificant. This in itself provides enormous opportunity for the industry to reshape the way they view their service offerings, opening the potential to collaborate, partner, or outsource, in order to provide a service that attracts new clients and enhances their existing client relationships. The ability to differentiate or even specialise will lead to greater innovation and an even more progressive industry.

The benefits to be gained through digital empowerment of the stockbroking industry in Australia are both clear and numerous. Apart from the efficiencies gained that will enable us to move to T+1 and potentially even trade date settlement, the financial and wealth creation opportunities of exposing a greater number of Australian investors to markets both on and offshore can only enhance the lives of our population. Digital empowerment is the key to the transformation the industry requires to solve the challenges of intergenerational wealth transfer and access to affordable financial advice.

ASF Awards Night 2023

THURSDAY
JUNE
15

Sofitel Sydney
Wentworth
61-101 Phillip St
Sydney.

6
PM

Join us for an evening of celebration as we honour the best and brightest in our industry, while raising funds & smiles for 12 incredible charities carrying out essential work in our community.

Be a part of this year's industry event, knowing that you're making a difference and contributing to a great cause.

Book now to secure your spot
stockbrokersfoundation.org.au

ASF AUSTRALIAN STOCKBROKERS FOUNDATION

ASF AWARDS 2023

SIAA-ACCREDITED
CPD webinars

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

Modern Slavery and its impact on stockbroking and investment advice

Wednesday 14 June l 1.00 to 2.00pm AET

KIMBERLY RANDLE
Founder & CEO, FairSupply

JULIAN FENWICK
Managing Director and Founder, GRC Solutions

At the end of March 2023, the first review of Australia's Modern Slavery Act 2018 (Cth) (MSA) came to an end. Around the world, human rights due diligence reporting requirements are strengthening. Two experts with deep understanding of the Act will outline what investors and research analysts need to be aware of when assessing a company's modern slavery risks. What are the implications for the stockbroking and investment advice industry?

Professional standards CPD: 1.0 Professionalism and ethics   ASIC RG146: 1.0 Generic Knowledge

Incidental tax advice

Wednesday 28 June l 1.00 to 2.00pm AET

KYM BAILEY
Technical Services Manager, JBWere

Invariably when giving advice, associated tax consequences can arise and investment advisers need to understand their obligations and ensure they stay within the boundaries of their advice authority.
To assist with the maintenance of your tax competency, Kym Bailey, Technical Services Manager for JBWere, will provide an overview of tax in relation to dividends, withholding tax, CGT, estate tax, superannuation contributions and death benefits.

Professional standards CPD: 1.0 Regulatory compliance and consumer protection   ASIC RG146: 1.0 Generic Knowledge

Wholesale clients

Wednesday 12 July l 1.00 to 2.00pm AET

MICHELLE HUCKEL
Policy Manager, SIAA

What are the difference categories of wholesale clients? What makes a client wholesale and not retail? What are the consequences of categorising a client as wholesale? What is AFCA's approach to wholesale clients? Michelle Huckel will explore these issues and also discuss the recommendations from the Quality of Advice Review on wholesale clients.

Professional standards CPD: 0.5 Professionalism and ethics l 0.5 Regulatory compliance and consumer protection
ASIC RG146: 1.0 Generic Knowledge

Practitioner & Organisation Members: FREE | Non-Members: **$55.00**

Thanks for supporting **SIAA's webinar** program during 2023

Fidelity INTERNATIONAL   Kapstream –JANUS HENDERSON–   netwealth

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

www.stockbrokers.org.au/education/cpd-webinars

Pace of intergenerational wealth transfer has quickened: Most Baby Boomers will retire by 2028 – and the industry needs to be ready

By AUSIEX

The unprecedented transfer of wealth from Baby Boomers to other generations has picked up pace and provides a challenge and opportunities for advisers.

The intergenerational transfer of wealth in Australia is set to accelerate as we enter a period in which almost all Baby Boomers will have retired or be retiring and starting to distribute or decumulate wealth.

It's true that real lives don't always match the Baby Boomer and Millennial stereotypes that marketers, media and politicians love to talk about. Likewise, the wealth industry will adapt to changes that occur as Boomers retire and Gen X become the elders of the workforce, ahead of both Millennials and Gen Z.

Nonetheless, it is possible to gain a picture of the future trends that will shape the industry by using these general concepts as a useful tool for analysis and planning.

This will change demand for some investment products and services – and also for financial advice.

Time to retire

Using data from the 2021 census, within five years, all Baby Boomers will be eligible for retirement and the Baby Boomer bubble is expected to have all but left the workforce by 2028[1].

It doesn't stop there. In 2027, the first of the Baby Boomers will reach their statistical age of death[2] (81 years for men, 85 years for women).

Percentage of Cohort of Working Age over 5 Year Strategic Window

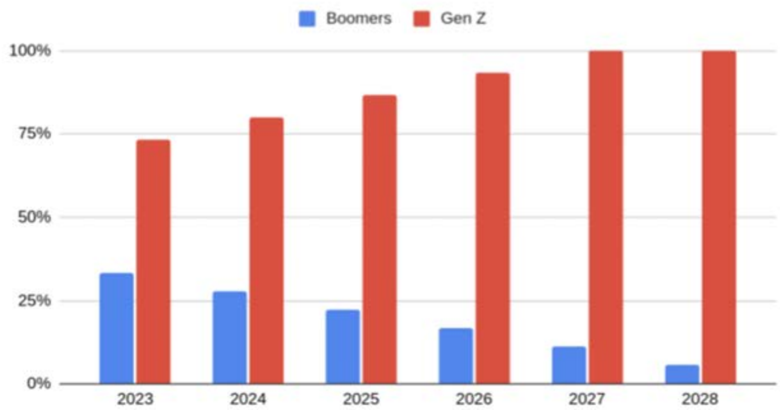
					Strategy Window									
	The Beginning				% Of Working Age						The Beginning of the End			
Cohort	1946	1964	1981	1997	2023	2024	2025	2026	2027	2028	2029	2045	2061	2077
Boomers					33%	28%	22%	17%	11%	6%				
Millenials					100%	100%	100%	100%	100%	100%				
Gen X					100%	100%	100%	100%	100%	100%				
Gen Z					73%	80%	87%	93%	100%	100%				

Generational birth dates

Cohort	Birth Window		
	From	To	2023 mid-point
Baby Boomers	1946	1964	68
Gen X	1965	1980	51
Millenials (Gen Y)	1981	1996	35
Gen Z	1997	2012	19

Source: ABS

Working age population (% of generation)



Source: Australian Census 2021

The impact on the wealth management industry is, firstly, that Baby Boomer superannuation balances will start to deflate out of the system through retirement consumption and then through disbursement via the inheritance process.

Secondly, Gen X are now the group preparing for retirement and will hold the largest balances in superannuation.

Thirdly, Gen Z will soon be fully deployed in the workforce and the predominant demographic groups needing to be serviced by the wealth industry will be Millennials/Gen Z.[3]

Why it matters for broker and advisers

The decline and exit of the Boomers from the workforce mean that for the first time in its history, the superannuation system is going to see retirement phase withdrawals coming from its largest accounts. Those in the 60-64 age group have an average balance of $323,000 compared to the younger generations, where those in the 30-34 age group have an average balance of $45,000[4].

While it is hard to predict how the money will flow from where, to whom, we can make inferences based on what we see in the data that we know today. If we start with superannuation balances, we find that the facts don't really match the prevailing narrative that super is an inheritance tax planning device.

Research by the Association of Superannuation Funds of Australia shows that while it is true there are some very large accounts, Australian Tax Office data in 2018-19 showed there were only 322,200 accounts with balances above $1 million[5].

This number will have increased given investment returns since that time, however the system favoured the older participants as they had the benefit of a period when contribution limits were not as restrictive as they are for today's participants, and so the younger generations are less likely to be able to accumulate such large balances, in inflation adjusted terms.

Total benefits payments increased from $20 billion to $25 billion a year from 2018 to 2022. There was a net 3% decrease in total assets from 2021 to 2022 caused by volatility in financial markets – and withdrawals. At this time, the system is still in net positive contributions with positive inflows being supported by the mandated contribution level of 10.5%. This will increase by 0.5% every year until it reaches 12% from 1 July 2025.

Prepare for change

Our industry has, and will continue to be able to, deal with change. This change is happening faster and with higher impact than many realise.

The older generations are about to leave the system, the younger generations face different challenges than those that came before them, and the transition to the digital world is continuing apace.

The wealth management industry and equity capital markets are proven at adapting to help the economy find new ways to create capital and increase wealth, but it is also essential that industry participants become more active in understanding and discussing the changes that are now taking place and engage across the value chain to plan and execute change.

Financial advisers need to prepare for change before the Boomer boom is over.

Download our white paper 'The Precipice of Change' for insights into how we see intergenerational change impacting on service delivery in the future and the role of technology.

1 https://www.abs.gov.au/statistics/people/population/population-census/2021
2 https://www.aihw.gov.au/reports/life-expectancy-death/deaths-in-australia/contents/life-expectancy
3 https://www.abs.gov.au/media-centre/media-releases/2021-census-shows-millennials-overtaking-boomers
4 https://www.superannuation.asn.au/ArticleDocuments/402/Superannuation%20Statistics%20November%202022.pdf.aspx
5 https://www.superannuation.asn.au/ArticleDocuments/270/2022_Superannuation_Account_Balances_Research.pdf.aspx

ASX launches International ETF Options

By Graham O'Brien, ASX

New trading opportunities

Three new options are now available on International Exchange Traded Funds (ETFs) complementing the 87 single stock and index options based on domestic markets offering more trading opportunities.

New markets

Through existing accounts market participants have access to global markets trading in Australian market hours.

Who are ETF options for?

Investors who use options on ETFs as a risk management tool to hedge their existing positions, generate additional income or to create leveraged strategies.

Options on ETFs provide the same risk management and portfolio enhancement opportunities as single stock options. They combine the diversification benefits of ETFs with the flexibility of options. Through ETF options market participants can adopt different trading strategies depending on the market outlook.

International ETF Options offer investors, especially those already invested in ETFs, an efficient tool to hedge, generate income or leverage their ETF investments in the same account as their existing domestic option and equity trading.

Based in Australian dollars and trading during the Australian day advisers and clients a like don't have to deal with sleepless nights trading US and global markets.

International ETF Options Available

- IVV – iShares S&P 500
- NDQ – Betashares Nasdaq 100
- VGS – Vanguard MSCI International Shares

FOR MORE INFORMATION – www2.asx.com.au/investors/learn-about-our-investment-solutions/options-over-etfs

SIAA2023

30-31 May 2023

Sofitel Sydney Wentworth

Change.
Challenge.
Opportunity.

THANK YOU

TO OUR CONFERENCE SUPPORTERS

MAJOR

ASX

GOLD

AUSIEX an NRI company

FinClear

J.P.Morgan ASSET MANAGEMENT

MACQUARIE

SILVER

Acclaim WEALTH

Cboe

HALO TECHNOLOGIES

iress

Oceanic Consulting Group

SAXO INVESTED

BRONZE

AUSTRALIAN MONEY MARKET

CHELMER

Compli FinTech Solutions Ltd

DDH GRAHAM LIMITED

HUB24

Leveraged The professional's choice

LSEG

MAGELLAN EXPERTS IN GLOBAL INVESTING

MINTEGRITY

netwealth

THE PERTH MINT AUSTRALIA

præmium

SecuritEase

Vanguard

SUPPORTER

ANZ

BDO

financial simplicity

HOLLEY NETHERCOTE

National Stock Exchange of Australia

Striver

ViewTrade

MEDIA

ausbiz

Seeking opportunities through call options in active ETFs

By Christian Mariani, CFA, Investment Specialist, US Equity, J.P. Morgan Asset Management

Seeking equity income in choppy markets

Today's income investors face a tough choice – hold cash and core bonds paying low real rates or extend into higher-yielding markets with more risk and less liquidity. The JPMorgan Equity Premium Income ETF (JEPI)[1] seeks to pursue opportunities for consistent monthly income and potential appreciation, with lower volatility than the US stock market[2].

In our equity premium income ETF strategy, one of the derivatives we employ to help achieve optimal outcome is a unique options strategy. Options are derivatives that can help investors, based on their investment objectives and risk appetite, manage risk and optimise income. They can also play a variety of roles in different portfolios[3].

But before we take a deep-dive into our unique options strategy, let's first consider some basics of call options.

What are call options?

- An option is a contract that provides a buyer with the right, but not the obligation, to buy or sell a specific financial product known as the option's underlying instrument. For equity options, the underlying instrument is a stock, ETF or similar product. The contract itself is very precise. It establishes a specific price, called the strike price, at which the contract may be exercised, or acted upon. Contracts also have an expiration date, a period that could be as short as a day or as long as a few years. When an option expires, it no longer has value and no longer exists.
- If investors buy a call, they have the right to buy the underlying instrument at the strike price on, or before the expiration date. On the other hand, selling a call option gives the seller the obligation to sell the underlying instruments at the strike price. In return, the seller is paid a premium.
- A call option is in-the-money if the current market value of the underlying stock is above the strike price of the option. The call option is out-of-the-money if the stock is below the strike price[4]. For example, if a stock is trading at $50 per share, while the investor has a strike price at $70 and owning a $70 call, that option would be out-of-the-money by $20.

How do covered calls work[5]?

- A covered call strategy comprises writing a call that is covered by an equivalent long stock position. It provides a small hedge on the equity and allows an investor to earn premium income without taking on additional risk, in return for temporarily forfeiting much of the stock's upward potential[6].
- The premium received adds to the investor's bottom line regardless of outcome. It offers a small buffer in the event the stock slides downward and can help boost returns when it rises.

How our options strategy is unique

Our JEPI strategy[7] seeks to generate income by selling options and investing in US large cap stocks, seeking to deliver a monthly income stream from associated option premiums and dividends.

Here's how our unique options strategy works:

- We start out with an underlying equity portfolio that is more conservative in nature, with less market beta and volatility. More defensive equities can be better positioned when markets go down, a high-quality, low-volatility equity portfolio is positioned to fare better.

- We sell one-month, out-of-the-money S&P 500 Index call options while rolling a portion every week to adapt to changing market conditions. This is overlaid on top of a defensive equity portfolio. With other covered call strategies that sell single security options, investors often see stock winners taken away and then they're stuck with the stock losers. We want to keep our equities, so we sell options on the index.
- When volatility spikes, JEPI seeks to provide higher income when investors most need the buffer against fluctuating prices. When investors sell out-of-the-money call options, they may give up some of the market upward potential[6] but may maintain consistent long-term performance.
- Another differentiator is converting the options premium into coupon. Many covered call strategies treat their options income as capital gains, which leaves the potential for return of capital. At the end of the year, investors then need to go back and recalculate the cost basis of their holdings, which can be a burdensome process. We believe treating the options income as coupon helps set up the potential for monthly distributable income.
- We follow a consistent approach without trying to time the market. Selling one-month call options, and laddering the options each week allows us to adjust how much of the market's advantages and income we can receive in differing volatility environments. When volatility goes up, options tend to get more expensive. Because we are selling options, they are more attractively valued. In other words, we have the potential to optimise the market's upward advantages and more income. Especially in the current investment environment, that is a relatively attractive combination.

A multi-pronged approach to total returns

JEPI seeks to deliver monthly distributable income and a significant portion of the returns associated with the S&P 500 Index with less volatility. The strategy combines a defensive equity portfolio which employs a time-tested, bottom-up fundamental research process, with a disciplined options overlay consisting in writing out-of-the-money S&P 500 Index call options to generate distributable monthly income.

Options premium generated can vary depending upon market volatility – as volatility increases, the potential for incremental income and upside also rises.

Conclusion

Combining prudent, disciplined call writing with an active equity portfolio can help solve a number of potential needs[9]. The pairing can serve as a

Annualised return total illustrations in a historically normalised environment

8. For illustrative purposes only. The manager seeks to achieve the stated objectives. There can be no guarantee the objectives will be met. There is no guarantee that companies that can issue dividends will declare, continue to pay, or increase dividends. *Potential market participation is any capital appreciation/depreciation less forgone upside. **Based on historical observations. The above calculations consider the withholding tax of 15%. Australian investors who buy ETFs domiciled in the United States will incur a withholding tax of 15% on any distributions. 7. Source: "PM Corner: In conv

low volatility equity substitute, a yield-generating supplement for credit or a component of a more diversified income-generation strategy.

J.P. Morgan Asset Management's actively managed ETFs tap into the full resources of our global research network, allowing investors to access outcome-oriented solutions through a range of long-established investment strategies. JEPI is one of the world's largest and fastest-growing actively managed equity ETFs with over A$24 billion[10] assets under management as of 31 December 2022. Our global ETF business has over US$89 billion of assets under management[11].

Provided for information only based on market conditions as of date of publication, not to be construed as offer, research, investment recommendation or advice. Forecasts, projections and other forward looking statements are based upon current beliefs and expectations, may or may not come to pass. They are for illustrative purposes only and serve as an indication of what may occur. Given the inherent uncertainties and risks associated with forecast, projections or other forward statements, actual events, results or performance may differ materially from those reflected or contemplated.

Diversification does not guarantee investment return and does not eliminate the risk of loss.

1 JPMorgan Equity Premium Income ETF (JEPI) is the marketing name of the JPMorgan Equity Premium Income Active ETF (Managed Fund).

2 For illustrative purposes only based on current market conditions, subject to change from time to time, and are not to be construed as offer, research or investment advice. Not all investments are suitable for all investors. Exact allocation of portfolio depends on each individual's circumstance and market conditions.

3 Source: "What is an Option?", The Options Industry Council, January 2023.

4 Source: Basic Options Terms Explained: In-the-Money, At-the-Money, and Out-of-the-Money", The Options Industry Council, January 2023.

5 Source: "Covered call (Buy/Write)", The Options Industry Council, January 2023.

6 There is a potential to forego some capital appreciation as a result of writing out-of-the money S&P 500 Index call options. The Investment Manager (Portfolio Manager) seeks to achieve the stated targets/objectives. There can be no guarantee the objectives/targets will be met.

7 Source: "PM Corner: In conversation with Hamilton Reiner", J.P. Morgan Asset Management, data as of 22.04.2022.

9 Source: "New Pathways to Income: Optionality", Allocation Spotlight Series, J.P. Morgan Asset Management, 14.10.2021.

10 Source: Morningstar, 31.12.2022, US dollar/Australian dollar spot rate 1.4695.

11 Source: J.P. Morgan Asset Management, data as of 31.03.2023.

Source – JPMorgan Asset Management (Australia) Limited ABN 55 143 832 080, AFSL No. 376919

All investments contain risk and may lose value. The information provided on this article is general in nature only and does not constitute personal financial advice. The information has been prepared without taking into account your personal objectives, financial situation or needs. Before acting on any information you should consider the appropriateness of the information having regard to your objectives, financial situation and needs. Before making any decision, it is important for you to consider the appropriateness of the information and seek appropriate legal, tax, and other professional advice. Prior to making an investment decision, investors should read the relevant Product Disclosure Statement and Target Market Determination, which have been issued by Perpetual Trust Services Limited, ABN 48 000 142 049, AFSL 236648, as the responsible entity of the fund available on https://am.jpmorgan.com/au.

Material ID: 09a0230305062706

SIAA2023

Change. Challenge. Opportunity.

30-31 May 2023 | Sofitel Sydney Wentworth

Conference winners

Our recent SIAA 2023 Conference was an outstanding success with over 350 delegates in attendance. Without the support of our sponsors we would not be able to deliver such a rich and compelling program. Our congratulations to those who were winners in the competitions offered by our conference partners and our thanks to sponsors for such great prizes.

Halo Technologies – Breville Barista Express Coffee Machine valued @ $999 won by Jeffrey Oates, Morgans Financial

Saxo – 3 litre Bottle of Bollinger won by Andrew Varlamos, OpenInvest

Complii – First prize $600 hotel stay gift card won by Julian Freney-Mills, Cumulus Wealth

Second prize $400 restaurant gift card won by Glen Colgan, Argonaut

HUB24 – Apple Air Pods won by Kylie Yang, NAB Private Wealth

Leveraged – First prize Bottle of Veuve Clicquot Brut won by Karyn Ferguson, Morgans Financial

Second prize $100 Westfield gift card won by Roy Shackley, Shackley Advisory

Magellan – Home pod mini won by Saskia Jo, Burrell Stockbroking

MIntegrity – Vintage 2012 Moet & Chandon won by Michael Burrell, Burrell Stockbroking

Netwealth – Portable Office Expresso Coffee Machine won by Kim Baxter, Conscious Money

In lieu of a prize this year, **Praemium** is donating $300 to the Financial Basics Foundation, which works to support the financial capability of Australian youth.

SIAA2024

14 & 15 May 2024

Grand Hyatt
Melboune

Save the date

www.stockbrokers.org.au

It's time to take your cyber pulse

ASIC
Australian Securities & Investments Commission

Recent high-profile cyber attacks have exposed the data of millions of Australian customers and marked Australian organisations as an easy target.

With attacks becoming more frequent and complex, does your organisation have the cyber resilience capability to withstand an attack?

To help you answer this question – and see how you stack up against your industry peers – we invite you to complete the **ASIC cyber pulse survey**.

ASIC's cyber pulse survey

The ASIC cyber pulse survey is designed to provide you with important insights into your organisation's current cyber resilience – by helping to identify gaps in your organisation's current cyber security and controls, governance arrangements and incident preparedness.

The survey assesses your organisation's ability to:

- **govern** and **manage** organisational-wide **cyber risks**
- **identify** and **protect** information assets that support critical business services
- **detect**, **respond** to and **recover** from cyber security incidents.

Avoiding cyber 'jargon', questions are easy to understand and tailored to the size and scale of your organisation.

On completion, you can opt in to receive an individual report which will provide insights into how you assess your organisation's current cyber resilience capability compared to your peers.

ASIC will also publish a report with key findings from the survey, which will provide sectoral insights, areas for action and the better practices identified.

Who should complete the survey?

Cyber attacks can disrupt an organisation's business operations and result in financial, legal, and reputational harm.

Since 2016, ASIC has asked Australian financial market firms to complete regular self-assessment surveys about their cyber resilience. This time around, we want to hear from a broader cohort of ASIC-regulated entities.

Every organisation is vulnerable. Late last year, the Australian Cyber Security Centre reported receiving one cybercrime report every seven minutes. And that only accounts for the crimes that were reported.

It shows that even robust cyber defence systems can be breached.

The voluntary, multiple-choice survey is suitable for ASIC-regulated organisations of all sizes and sectors. Avoiding cyber 'jargon', questions are easy to understand and tailored to the size and scale of your organisation.

How do I complete the survey?

Identifying information collected for the purpose of saving the survey and returning an entity's individual report will not be shared with ASIC. All information collected will be de-identified and anonyomised and cannot be used in any regulatory or enforcement action.

The survey can be accessed by logging into the ASIC regulatory portal. When the survey opens, be sure to act quickly to complete the survey and receive your individual report.

For more information about the survey, visit asic.gov.au/cyberpulse.

ASIC encourages all organisations to foster a culture of cyber awareness. Visit Australian Cyber Security Centre's website and ASIC's cyber resilience webpage for useful resources to help your organisation improve its cyber security and resilience.

The shape of things to come

By Jason Spits, Senior Journalist, *selfmanagedsuper*

Each year the federal budget is followed by a flood of comments from various industries, lobby and representative groups, and media organisations critiquing it for what it did or did not do for them.

The superannuation sector is no different and the comments we received on budget night were that it was the most super-lite budget in many years, however, that response contained more of a note of concern than of praise.

If you did not pore over the budget papers, the only superannuation matters in it were introducing payday super, changing the tax that will be charged for non-arm's-length expenditure (NALE) arrangements in superannuation and the formal introduction of plans to levy an additional 15 per cent tax on the earnings of super balances over $3 million.

The payday super shift, which will see superannuation paid into a member's fund each payday rather than quarterly, is a good move and ensures Australian workers get their entitlements in a timely manner.

The other two announcements, however, indicate the government will pursue a superannuation agenda that seems at odds with its larger objective for Australia's constantly growing retirement income system.

Without getting into the weeds, the NALE tax arrangements will see the Australian Taxation Office (ATO) apply a tax of twice the highest marginal tax rate to the difference in what a fund paid for a general expense provided at non-arm's length, such as accounting, administration and operating expenses, compared to what it should have paid at full market rates. So if a fund should have paid $5000 for an expense, but paid $3000, the NALE tax penalty will be 2 times 45 per cent of $2000 or $1800 on top of the 15 per cent tax already paid by the fund.

The reason this was a key issue for the superannuation sector was that it impacted Australian Prudential Regulation Authority (APRA)-regulated funds, which include retail and not-for-profit funds, as well as self-managed superannuation funds (SMSF).

The latter were concerned because some SMSF trustees in running their own funds are able to carry out services considered a general expense at no cost to the fund, while many APRA-regulated funds have non-arm's-length arrangements with allied investment houses.

An additional concern was the initial tax figure released in February this year was based on a five times factor so the budget proposal appears to be a step in the right direction. Perhaps it might be, but for two things.

A simple solution already exists via an amendment to the *Superannuation Industry (Supervision) Act* to prevent the tax advantage Treasury and the ATO believe superannuation funds were receiving from non-arm's-length arrangements and it would take less time and cost to implement.

This solution, put forward during a consultation period earlier this year, was ignored, with the budget adding the additional kicker that all APRA-regulated funds would be exempt from the NALE provisions while the SMSF sector would be subject to the two times tax penalty.

Most of this was eclipsed by the announcement in late February about the introduction of an additional superannuation earnings tax from 2025/26, which my colleague Darin Tyson-Chan unpacked in this column in February and March, including how very large balances are no longer possible under super law and the new tax disproportionately impacts SMSF members.

That proposal was also subject to a consultation period, which lasted for only two-and-a-half weeks (and straddled Easter) and led to absolutely no change in the government's position in the budget. This was confirmed to me by someone present in discussions with Treasury, which stated the $3 million threshold at which the tax applied, and its unprecedented application to unrealised gains – a key area of concern for many in the superannuation and tax sectors – were not negotiable.

What was the point of the consultation periods and process? Perhaps the question should be how does this fit in with the government's proposed superannuation objective, released in February, which is "to preserve savings and deliver income for a dignified retirement, alongside government support, in an equitable and sustainable way".

"That proposal was also subject to a consultation period, which lasted for only two-and-a-half weeks (and straddled Easter) and led to absolutely no change in the government's position in the budget.

How do these two policies, one overtly impacting only a specific part of the superannuation sector and the other giving a strong nod towards that same sector, meet that objective of equity? Perhaps the government, despite its reassurances to the contrary, believes it is not worth equitable treatment and consideration despite having more than 1.13 million members and $889 billion in assets.

In March, my colleague stated in this column that we will have to wait and see what pans out, but given the positions expressed in the budget and the reported statements from Treasury, I think we can see the rough shape, and perhaps the rough end, of things to come.

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

Stockbrokers and Investment Advisers Association

Serving the interests of investors

www.stockbrokers.org.au