

SIAA monthly

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Defining markets to
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The ability to make downsizer contributions has been very popular among older Australians since the measure’s introduction on 1 July 2018.



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***Inside* Insider Trading**

By Wendy Prince, Principal and Director, Wendy Prince & Associates Pty Ltd

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In a nutshell, insider trading occurs when, an “insider” possessing inside information, who knows or reasonably ought to know that it is insider information, transacts or procures another person to transact in the relevant Division 3

financial products. The most simple example are shares.¹

Inside information is information that is generally not available, and if it was generally available, a reasonable person would expect it to have a

material effect on the price or value of the relevant financial product.²

The penalty for insider trading is now up to 15 years’ imprisonment. Many of the cases being reported in the media refer to 10 years; however, this

“

Possessing inside information or material non-public information, is not an offence. There is nothing wrong with being in possession of such information when used for legitimate purposes. The issue only arises if one were to use it in the prohibited manner prescribed by the the Corporations Act.

is because at the time of the offences being committed, the penalty at that time was up to 10 years' imprisonment.³

Possessing inside information or material non-public information, is not an offence. There is nothing wrong with being in possession of such information when used for legitimate purposes. The issue only arises if one were to use it in the prohibited manner prescribed by the the Corporations Act.

During the webinar presented on 10 August I was asked about the hypothetical example of overhearing a conversation in a café and then trading. The answer to that is that it would depend on the facts of the situation. In any situation one should make reference to the definition of inside information and insider trading.

Things to look out for include whether the conversation appears to be occurring in a confidential manner. Was it a conversation between people known to be Insiders? If in doubt, don't trade. Alternatively, ask them, "Sorry, but I couldn't help overhearing x, y, z – is this information public? Is there somewhere I can get more information on the topic?" If you feel that such an approach is inappropriate, then that may give you a clue that it is information that you are not supposed to know about.

There are defences and technicalities. The burden of proof on the prosecution may be high, but the ordeal of going through the long process of being investigated and then convincing a court that what you did was not insider trading would be very expensive and stressful.

ASIC has reported that it takes on average between:

- 28 months to investigate
- 12 months to a court decision and
- 40 months from start to a court decision.

That is three years and a bit on average.⁴

As we saw in the webinar, it took Darren Thompson six years from 2011 to 2017 to have his case dismissed at the committal hearing.⁵

What is it like to be raided?

In the webinar, I interviewed Chris Hill⁶ about his experiences and thought processes between the time the AFP raided his home, in the early hours of the morning, to later in the evening in police custody.

He made a few key points:

1. He was unprepared for the search warrant.
2. He did not comprehend what was going on (during the search warrant).
3. Due to the time of the execution of the search warrant, he had no way to contact a lawyer to guide him until sometime later. His family had to find him a lawyer.

Being "raided" (I use this term loosely to also include any unexpected visit from a regulator requesting information or evidence) is an overwhelming and confronting experience. No one is ever prepared for such an event. No one ever thinks it can happen to them.

I mentioned in the webinar that it is

a good idea for firms to have a think about a corporate plan.

A plan can be as simple as:

- thinking out what happens if any regulator were to coming knocking at your door unexpectedly with a search warrant, Notice(s) or similar style documents that require material to be provided immediately
- identifying who to call (a lawyer with experience and expertise in the area of serious market misconduct) and
- making sure senior management and staff know what to do in terms of having events recorded, who is responsible for dealing with affected staff, who will follow the investigators to take notes of what they do and how they will do it.

What to do if it happens?

(Please note this is a general guide for situations involving s.1043A the Corporations Act 2001 (Cth). Your particular circumstances may affect your rights).

Stay calm.

Call a lawyer. This urgent and you need immediate attention from a lawyer, but remain calm.

It is okay to be polite, but be firm. You should assume that the whole operation is being recorded.

Do you invite them in? Only if they have a legal entitlement to enter. Be very clear on this. If you are not clear, simply ask them if they have a legal entitlement to enter.

Record the name of the person you are speaking to and their identification and note down what they say. If they do not have a legal entitlement to enter then you may ask them to sit outside of your property and wait.

Ask them to explain how and why they have a legal entitlement to enter. If they refer to a warrant (and be very clear that they say a warrant) or other document always ask to see that document and take the time to read it. Not skim it. Read it.

Take photos of the document on a phone that is not likely to be seized. For

example, your partner's / children's phone or iPad.

Ask every person who wishes to enter for their official issued identification. It is a good idea to write down all details – name, identification number, date etc. If they do not have it, they cannot enter.

Official issued identification does not include a magnetic building pass with a photo glued to it. It also does not include other forms of identification including driver's licences, tertiary education student cards etc. They should have an ASIC or AFP issued warrant card identifying them as an authorised officer under the relevant legislation.

Always ask for a full and complete copy of whatever documents they refer to. Take a copy on the spot (not later via email). Even if it is inconvenient for them to provide, ask for a photocopy or photograph it with your phone, the entire document – every page – both sides. If they decline, note the name of the person who declined, the time and what was said.

Do not answer any questions. Do not say anything until you have a chance to get legal advice. Your legal adviser will assist you. Do not prejudice your position or your rights by speaking unnecessarily.

If they ask you a question, you can say that you do not wish to answer until your lawyer arrives and then you can answer their questions (subject to legal advice).



Ask politely for them to wait and for you to be given an opportunity to get legal advice – record the name of who you ask this of and the time.

You are allowed to challenge assertions. For example, if they say you need to hand over your whole phone and they will image (copy) your whole phone, ask them why they need to see your private photos or things unrelated to their investigation and whether all of the data on your phone is in the terms of the warrant.

Take notes. As much detail – names, identification numbers, position, what they did and what they said and times (even to the minute).

If at work, it is helpful if someone, for example, another staff member, is quietly observing and taking notes. It is very helpful if staff just take notes. It gives them something to do in an overwhelming situation, but more importantly it will help your lawyer.

Keep all the documents you are given, all the notes you or staff members have

made and give them to your lawyer when he or she arrives. Again, the devil is in the detail. The more information and detail, the better your lawyer can represent you or your firm.

Do NOT hide or destroy evidence – simple. This is obstruction of justice. There are severe penalties. Everything is electronic now and hard to erase and leaves a trail. If there is an item that you are extremely worried about, your lawyer will be the best person to advise you and to manage these issues.

Staff who are observing and taking copious notes may follow officers who are searching other rooms / offices from a reasonable distance. Staff who do this should not hinder or obstruct. Their role is to quietly observe and take notes from a reasonable distance.

This is just a general guide and things to consider during the initial stages of engagement with a regulator in "raid" style circumstances. Please do get in touch to discuss any of these concepts or concerns further.

Wendy Prince delivered the SIAA webinar 'Inside insider trading' on 10 August. A recording of the webinar is available <https://vimeo.com/738133347/5d88aff93f>. More information on Wendy Prince and Associates can be found here <https://www.wendyprinceandassociates.com.au/>.

Disclaimer: This article and the referred to webinar recording are for educational purposes and general discussion. It does not constitute legal advice.

¹ 1043A Prohibition on Insider Trading –Corporations Act 2001 ([legislation.gov.au](https://www.legislation.gov.au)).

² Definition of "Inside Information" – Corporations Act 2001 ([legislation.gov.au](https://www.legislation.gov.au)).

³ Schedule 3 – Penalties - Corporations Act 2001 ([legislation.gov.au](https://www.legislation.gov.au)).

⁴ ASIC Annual Report 2020–21 – section 2

⁵ Former Credit Suisse vice-president Darren Thompson was cleared of insider trading charges after a court found Mr Thompson did not encourage his friend Michael Hull to trade illegally. <https://www.afr.com/politics/former-credit-suisse-vp-darren-thompsons-nightmare-six-years-20170524-gwc5o0> and <https://www.smh.com.au/business/markets/court-throws-out-insider-trading-case-against-credit-suisse-banker-darren-thompson-20170523-gway1b.html>

⁶ Christopher Hill, then an employee of the Australian Bureau of Statistics (ABS) passed sensitive information to Lukas Kamay, an employee of the National Australia Bank.

Prior to the official release of the information by the ABS, Lukas Kamay used it to enter into foreign exchange derivative products to profit from favourable movements in the prices of those derivatives.

Chris and Lukas were charged in 2014 with insider trading and various other offences.

In March 2015, Lukas Kamay was sentenced to jail terms of 7 years and 3 months, and Chris Hill was sentenced to 3 years and 3 months in the Victorian Supreme Court for their roles in one of Australia's largest insider trading schemes.

<https://asic.gov.au/about-asic/news-centre/find-a-media-release/2015-releases/15-058mr-two-men-sentenced-in-australia-s-largest-insider-trading-case/>

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The 'Essential Eight' – keys to protecting your business

Wednesday 12 October
1.00 to 2.00pm AEST

Frances Russell, a leading Australian Managed Service and Security Provider, will discuss the 'Essential Eight' – a key set of strategies to mitigate cyber risk. Discussion will include practical ways to implement the 'Essential Eight' using case studies.

Professional Standards CPD:
1.0 Regulatory compliance and consumer protection

ASIC RG146:
1.00 Generic knowledge



Frances Russell

Unconscious bias

Wednesday 26 October
1.00 to 2.00pm AEST

Having worked in financial services for over 25 years, Angela Godfrey, an expert HR professional, will discuss how unconscious bias impacts the attraction of women into the stockbroking industry. She will identify how to deal with unconscious bias and possible solutions for attracting women into the industry.

Professional Standards CPD:
1.0 Professionalism and ethics

ASIC RG146: 1.00 Generic knowledge



Angela Godfrey

Step aside TINA, CINDY has returned

Wednesday 9 November
1.00 to 2.00pm AEST

Investors, in their chase for yield, reallocated into higher yielding and more volatile sectors. For a while, TINA ('There is no alternative', to equities, or riskier debt categories) dominated. Times are now changing. The surge in inflation has seen interest rates rise. Step aside TINA. CINDY ('Credit is now delivering yield') has returned!

Professional standards CPD:
1.0 Technical competence

ASIC RG146: 1.0 Generic knowledge



Daniel Siluk



Matthew Holberton

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Overseas listed infrastructure investment opportunities

By Jason Beddow, Managing Director,
Argo Global Listed Infrastructure
(ASX: ALI)

The considerable volatility impacting global markets in recent months has focused investor and adviser attention on the benefits of diversifying exposure to more defensive investments. In this 'risk-off' environment, investors have sought refuge in infrastructure, attracted by the inherent characteristics of the asset class including stable, long-term returns.

However, opportunities to invest in Australian infrastructure stocks have dwindled over the last 12 months following a spate of private takeovers of listed infrastructure companies. Just a handful of domestic listed infrastructure

companies remain, leaving local investors with access to just a sliver of the roughly \$5.7 trillion global listed infrastructure pie.

Here I answer key questions about global listed infrastructure from an investment perspective and consider the significant overseas opportunities and the factors contributing the recent strong performance of the asset class.

What is infrastructure?

Infrastructure are the real or 'hard' assets vital for economies to function. This diverse group of assets broadly falls into four categories:

- transportation (toll roads, ports, railways and airports)
- midstream energy (including pipelines and storage)
- utilities (including gas, electricity, water and renewables)
- communications (such as wireless communication towers, data centres and satellites).

Why invest in infrastructure?

While these assets cover a diverse range of industries, they share a number of attractive characteristics including:

High barriers to entry: Infrastructure assets are costly to build and difficult to replace. This reduces competition and creates monopolistic market positions and pricing power.

Long-life assets: As infrastructure assets are typically built to last 30 to 50 years or more, they provide the opportunity for long-term investment income.

Stable and predictable cash flows: The essential service nature of most infrastructure assets means demand is reasonably inelastic. This generates stable and predictable cash flows, even in economic downturns. That said, the unprecedented decision of governments globally to effectively shut-down their economies at the height of the COVID-19 pandemic had a severely negative impact on toll-roads

and airports as road and air traffic volumes evaporated.

Inflation-linked pricing: Asset regulators generally take inflation into account when setting asset pricing structures. This means that as inflation rises, asset operators are often permitted to increase user fees, such as road tolls.

For the listed companies that own and operate infrastructure assets, these common characteristics generally translate into reliable, long-term income streams, through varying economic conditions and cycles.

What are the benefits of listed versus direct infrastructure investment?

Listed infrastructure companies own the same kinds of assets as unlisted private infrastructure owners, with the added benefits of exchange-traded stocks, such as transparency and daily pricing.

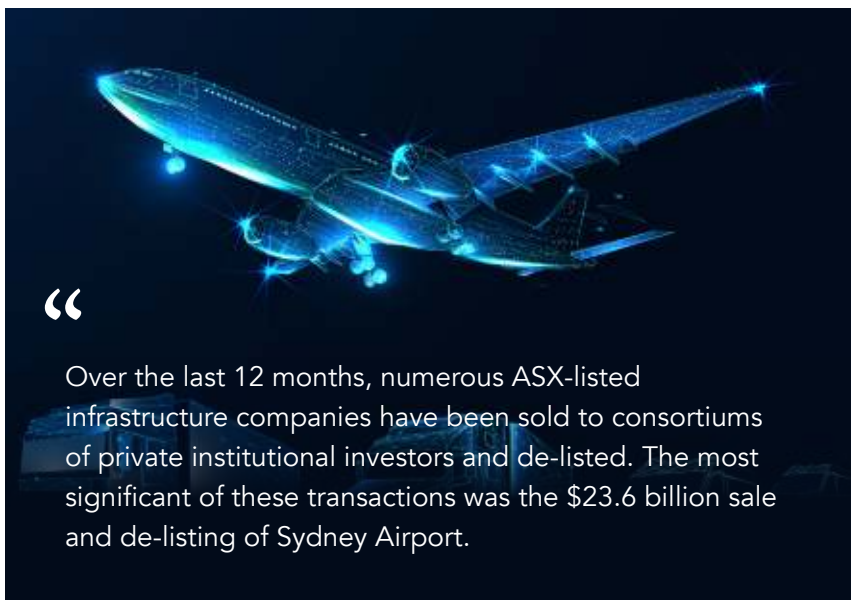
Another important benefit is the highly liquid nature of the listed infrastructure universe which provides active investors the ability to rapidly adjust portfolio positions as opportunities arise and conditions change. This flexibility is generally not afforded by direct infrastructure investments which typically require a significant and long duration capital commitment.

In addition, the small minimum capital required to invest in infrastructure stocks provides investors with an effective way to create a diversified portfolio.

Why look overseas to invest in listed infrastructure?

Although Australia was at the vanguard of the listed infrastructure asset class with the privatisation of numerous government-owned assets over many years, today the opportunities to invest in infrastructure via the Australian Securities Exchange (ASX) are very limited and largely consist of mature businesses concentrated to just a few types of infrastructure assets.

Over the last 12 months, numerous ASX-listed infrastructure companies



Over the last 12 months, numerous ASX-listed infrastructure companies have been sold to consortiums of private institutional investors and de-listed. The most significant of these transactions was the \$23.6 billion sale and de-listing of Sydney Airport.

have been sold to consortiums of private institutional investors and de-listed. The most significant of these transactions was the \$23.6 billion sale and de-listing of Sydney Airport.

While few ASX-listed infrastructure companies remain, globally, there are hundreds of infrastructure stocks with a combined market capitalisation that is more than three times the size of the entire Australian share market. The global asset class is diversified, spanning numerous geographies across both emerging and developed markets and offering access to all types of infrastructure.

As the global economy moves towards net zero emissions, there are increasing opportunities overseas to invest in renewable energy utilities, such as wind, solar and hydro power.

Why has listed infrastructure been so resilient through the recent turbulent market conditions?

Amid tumultuous market conditions last financial year, global infrastructure stocks proved resilient with the asset class outperforming broader global equities by an outstanding +18.8% (in A\$ terms).

Surging inflation, rising interest rates and Russia's invasion of Ukraine among other macro-economic factors,

weighed heavily on sentiment and saw investors pivot away from riskier investments, such as growth stocks, to those with established earnings and more defensive attributes.

The inherent characteristics of listed infrastructure companies, including the steady and reliable income streams generated by their assets, were particularly appealing in this 'risk off' environment. In addition, the spectre of rising and persistent inflation focused attention on the inflation-linked pricing mechanisms offered by many infrastructure assets. These regulated assets, such as utilities, toll roads and pipelines, offer inflation protection.

The appetite for infrastructure assets from institutional investors has also driven the asset class' performance.

What is driving demand for listed infrastructure?

Seeking access to the underlying assets of listed infrastructure companies, private investors have been prepared to pay considerable premiums. Generous offers are being made for infrastructure stocks around the world and across all subsectors.

A local example is Sydney Airport which was sold at a premium of +50.6% to its market price at the time of the first bid in July 2021. With a growing pool of institutional capital being allocated to infrastructure investment and limited

assets available to purchase globally, this trend is set to continue.

What are the risks and how can they be mitigated?

Because infrastructure assets have an essential economic role, they are typically highly regulated and somewhat susceptible to prevailing political conditions. However, heavily indebted governments worldwide are motivated to work with the private sector to help deliver vital infrastructure services.

As infrastructure assets are capital-intensive, this can make them sensitive to interest rate movements, although the potential impacts vary across infrastructure subsectors. Historical data shows that the negative effects of rising interest rates on infrastructure assets are generally short-lived.

Active portfolio management can play a critical role in mitigating

these risks by reducing exposure to geographies and subsectors facing headwinds and deploying capital to other opportunities. This can be readily achieved due to the highly liquid nature of the global listed infrastructure universe providing flexibility to quickly re-position a portfolio.

A specialist infrastructure manager with analysts located close to the infrastructure assets is also key as they can provide valuable 'on-the-ground' insights into changing regulatory and political conditions.

What is the outlook for the asset class?

While the current economic uncertainties pose challenges across all investments, the inherent features of global listed infrastructure ensure the asset class is well-positioned in this environment. Of note, most infrastructure businesses can pass rising costs on to consumers and

historically have tended to perform well overall during periods of inflation.

Longer-term, the outlook is supported by structural tailwinds and trends such as global decarbonisation and digitisation.

How to invest

The simplest way to get diversified exposure to the asset class is through a specialist, managed global listed infrastructure investment.

ABOUT ARGON INFRASTRUCTURE: Argo Global Listed Infrastructure (ASX code: ALI) is Australia's only specialist, global listed infrastructure listed investment company (LIC). Argo Infrastructure provides investors with exposure to a portfolio of global listed infrastructure securities, diversified across both emerging and developed economies and spanning the full spectrum of infrastructure assets, including those not accessible via the ASX. Argo Infrastructure was founded in 2015 by Argo Investments (ASX code: ARG) and today has more than \$400 million in assets, no debt and over 9,400 shareholders. For more information visit: argoinfrastructure.com.au

Global Expert

Further

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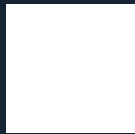
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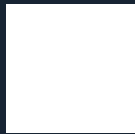
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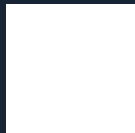
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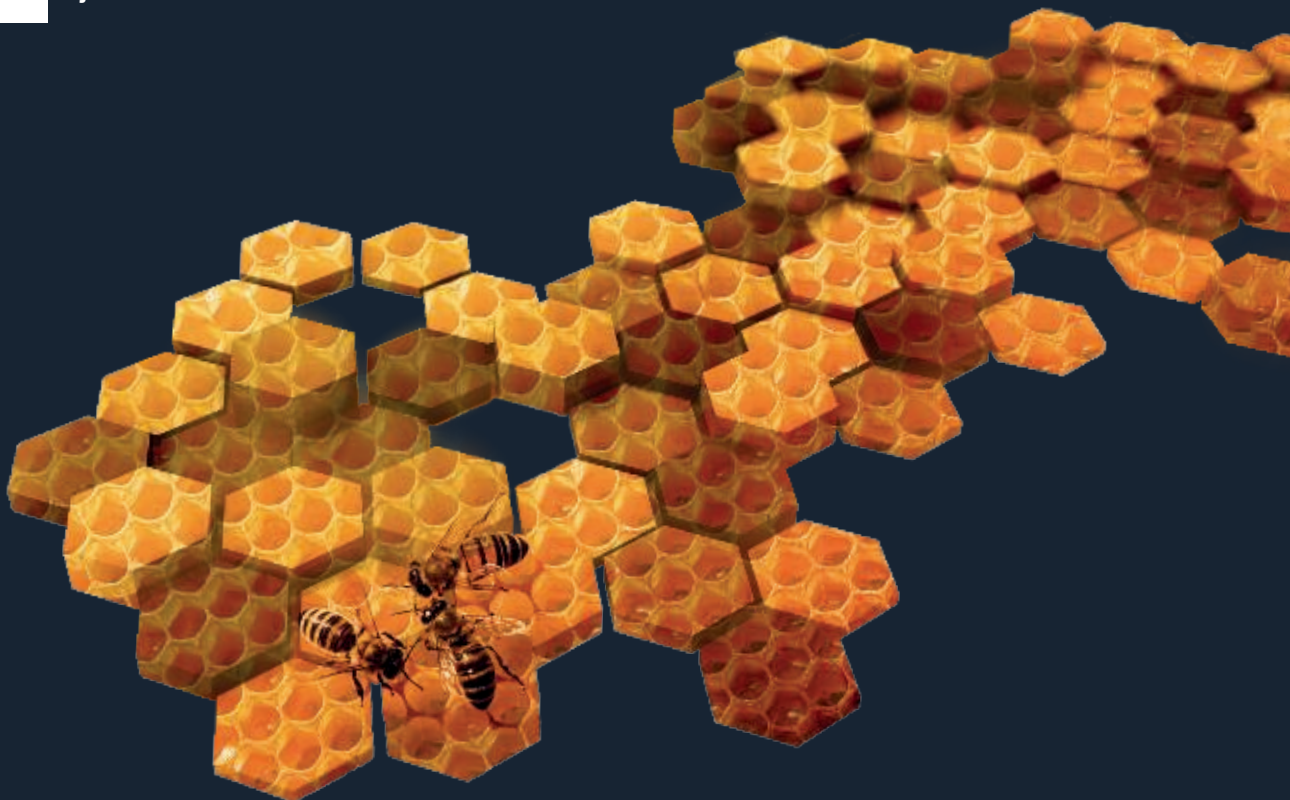
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TECH MIGRATION

Defining markets to benefit all participants

By Peter Warton, Director, Technical Account Management and Benjamin Phillips, Director, Market Engagement, Cboe Australia

When Cboe Global Markets acquired Chi-X Australia in 2021, it committed to deliver new trading solutions and services to the Asia Pacific region by integrating the Australian business into its global business operations and Cboe's state-of-the-art technology platform.

As such, since February 2022, Cboe Australia has, with its participants and clients, commenced activities to migrate from its legacy Chi-X Trading System to Cboe's globally deployed 'Cboe Tech' trading system. The technology being deployed to Australia, through the Cboe Technology Migration Project, already powers trading across 14 markets and four countries, is functionally rich, and supports a number of asset classes including equities, futures and options. Needless to say, Cboe Tech handles trading turnover consistent with the world's largest and most active markets.

Supporting Participants

By focusing on collaboration with clients, Cboe has a successful track record of completing seamless technology integrations globally. The Cboe Global and Australia teams are committed to working alongside our clients throughout the migration project to ensure they are fully prepared for go-live, which,

subject to regulatory approvals, is 27 February 2023.

As Cboe Australia prepares to deliver the Australian capital markets its class leading technology, it recognises this requires significant investment by our clients to achieve a successful delivery. Cboe Australia has invested heavily within its Trade Desk and Technical Account Management teams, as well as launching a project microsite [cxa.cboe.com](https://cboe.com/cxa) to support our clients change activity. Cboe's highly experienced local Trade Desk team (formerly Market Operations) are available for all queries and support, while our Technical Account Management team are engaging with Participants and vendors project teams to align understanding, activity and delivery timelines. Both functions are supported by our experienced local and US based resources which are delivering the software and hardware required to operate the best of breed Cboe Tech.

To reduce the impact of change on our clients, Cboe Australia has made a series of strategic decisions to make this transition as seamless as possible. With the migration from Chi-X to Cboe Tech trading systems, Cboe has sought to ensure this change delivers as functionally like-for-like experience as possible on go-live day-1, whilst allowing for future potential innovation. This approach means that while clients may experience differences in the transmission

and delivery of some interfaces and information, the user experience of the change will be functionally the same, ensuring everything that was possible in Chi-X is now possible in Cboe tech, and more.

In addition, connectivity is of significant importance for such an upgrade of this nature, and Cboe Australia has worked with both its data-centre providers to ensure the most efficient and effective connectivity approach possible. This includes the implementation of a 'Latency Equalization' layer between Equinix's SY1, SY2 and S5 ground floor (Cboe Tech's new Primary presence), delivering single nano second latency between these three locations. This means that clients who are located in the current Chi-X Primary presence (Equinix SY2), still achieve optimum latency to the new Cboe Tech system without having to relocate their hardware infrastructure.

Across the projects timeline Cboe's project team will engage collaboratively with its clients via regular bi-lateral meetings, weekly newsletters, and webcasts, ensuring clients are kept up-to-date on the project progress. Further, the necessary environments for testing (Certification) and pre-production verifications (Production) will be maintained and available with daily opportunities to test, punctuated by six weekend testing opportunities to ensure go-live preparedness.

“ The activity to deliver this technology to Australia is significant, but also worthwhile as it will support growth of our capital markets well into the next decade.

Building for the future

The activity to deliver this technology to Australia is significant, but also worthwhile as it will support growth of our capital markets well into the next decade. Being part of a global exchange operator, and now leveraging its software product with a single code base, means Cboe Australia and its clients will benefit from the enhancements and innovation undertaken globally. And while the focus of the project for go-live day-1 is delivering like-for-like market experience, it does come with a number of enhancements, both visible and under-the-hood.

Most apparent to Cboe's clients will be the simultaneous delivery of Cboe BIDS Australia. BIDS is a block and large-sized trading execution service that Cboe Global Markets operate across North America and Europe. It allows buy-side and sell-side traders

to anonymously trade large parcels of equities while minimising information leakage. Cboe BIDS Australia is designed to improve liquidity, deliver better outcomes for traders and investors, as well as resolving existing inefficiencies that create friction in trading of large parcels of shares in Australia.

Under-the-hood, Cboe has chosen to house its new technology infrastructure in the Equinix SY5 data-centre to take advantage of the latest hardware hosting facilities available and ensure future capacity for innovation. By operating within the Equinix SY5 data-centre on the latest hardware and Cboe Tech software, we expect to have processing capacity well in excess of future needs.

Looking to the future

Cboe Global Markets' guiding purpose is to 'Define markets to benefit all participants' and through Cboe Tech it will

deliver this to Australia. While Cboe Australia will limit enhancements to its trading system through 2023, Cboe Tech provides the foundation for future innovation. Cboe Tech is a robust and scalable technology that will serve to enable the introduction of new trading functionality, on an ongoing basis, as we look to expand the unique products and services we offer our clients.

Migration to the new Cboe Tech offers the Australian market a leading-edge technology platform consistent with features and functions Cboe clients around the world enjoy today. The technology will provide potential future ability to trade Cboe's diverse, multi-asset product suite using a consistent order entry and market data protocol framework and a common toolset.

The Cboe team is committed to working alongside clients, vendors and regulators across the migration project. Through this tight engagement, and our experience to date, Cboe Australia is confident its successful, and long, track record of completing technology migrations on time will achieve our target delivery of Cboe Tech for 27 February 2023.

Securities & Managed Investments Accreditation

Based on our most popular Core 1: Securities & Managed Investments accreditation, this shorter course has one multiple-choice online exam and meets the training requirements for ASIC RG146 to provide general advice at Tier 1 level.

The course covers the following topics:

Part A: Securities

Topic 1: Introduction to the economy, financial markets and products

Topic 2: Equities and the stock market

Topic 3: Debt securities

Topic 4: Legal and tax considerations

Part B: Managed investments

Topic 5: Managed investments

Topic 6: The investment process

Topic 7: Equities and fixed interest managed funds

Topic 8: Other asset classes and managed funds

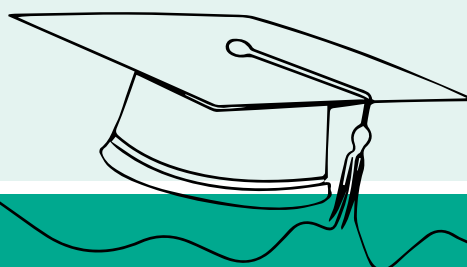
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includes one exam resit

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SIAA 2023 CONFERENCE – SAVE THE DATE!

The SIAA 2023 conference will be held on **Tuesday 30 May and Wednesday 31 May** at the Sofitel Sydney Wentworth Hotel in Sydney with networking drinks to be held on Tuesday 30 May at the Verandah Bar, a short walk from the venue.

More information coming soon.



A day in the life of a trade

Tuesday 18 October | 11.00 – 1.15pm

An excellent refresher for experienced staff and perfect for those in auxiliary roles (eg legal, IT, HR and other supporting roles associated with stockbroking), 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, CHES messaging, registries and more.



ROB TALEVSKI joined Webull Securities, a Fintech empowering individuals to become life-long investors, as its CEO in November 2021. Prior to this he was the Responsible Manager who led the trade execution business of Australian Investment Exchange (AUSIEX), a multifaceted business responsible for the execution and management of all listed security products across ASX and CHI-X. With over 18 years' experience across

retail, wholesale and institutional channels Rob will provide great insight into a day in the life of a trade.

Dates & Times

Tuesday 18 October, 11.00 – 1.15pm
AEDT (includes 15 min break)

Professional Standards CPD Area

Regulatory compliance and consumer protection 1.0 hour

Technical competence 1.0 hour

ASIC Knowledge Area: Generic knowledge 2.0 hours

Cost

Practitioner Members	\$100
Organisation Members	\$150
Non-members	\$200

Registration includes handouts and a quiz to consolidate learning outcomes.

TO REGISTER: Call 02 8080 3200 | Email education@stockbrokers.org.au or register online

www.stockbrokers.org.au/education/cpd-workshop/day-life-trade-workshop



Australian Stockbrokers Foundation Awards 35 YEAR RECOGNITION

SIAA was delighted to see the following members recognised for their 35 years in the industry at the Australian Stockbrokers Foundation Awards dinner in September. Our congratulations go to these members for their award and outstanding service to investors over many years.

Adam Griffiths
 Andrew Horsbrugh
 Ashley Greaves
 Bill Chatterton
 Bruce Porter
 Clare Rixon
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 Tony Russell

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Beware the increased complication

By Darin Tyson-Chan, Editor,
selfmanagedsuper

The ability to make downsizer contributions has been very popular among older Australians since the measure's introduction on 1 July 2018. This is where individuals aged 60 or over can contribute up to \$300,000, and couples \$600,000, to their super fund from the proceeds of the sale of their primary residence, a property they have owned for at least 10 years.

And you know the measure has been a winner given Canberra's propensity to open it up to more people. This started with the 2021 budget where it was announced the qualification age for downsizer contributions would be reduced from 65 to 60 – a policy passed into law just a few months ago.

Then in the lead-up to the last federal election the Morrison government announced, if re-elected, it would lower the qualification age for downsizer contributions from 60 to 55. The ALP almost immediately said it was a measure it would also commit to and, true to its word, the Albanese government introduced a bill to parliament last month to do just that.

Now I'm all in favour of any measure allowing individuals to put more money into the super system, particularly one that allows them to do so at a time when they have the spare cash to make the contribution.

But what's a little concerning with the direction in which the downsizer contribution rules are headed is the increasing complexity associated with the measure.



When originally introduced, the measure was very straightforward mainly due to the fact it was for Australians aged 65 and over. Logically if people in this demographic sold their home, it was unlikely they would own another property for a 10-year period that would give them an opportunity to make a downsizer contribution if they sold it. So practically they pretty much had one shot at it.

However, there is every chance Australians aged 55 who sell a current property will own another residence they will keep for a decade that, upon sale, will give them an opportunity to make a downsizer contribution when,

say, aged 65. So all of a sudden the timing of when to take advantage of this strategy must come into consideration.

And that's not the only timing issue superannuants will have to take account now with downsizer contributions.

One of the real benefits of the downsizer measure is the ability to make contributions under these rules that are not subject to any benefit thresholds. This is why the provision was considered a bonus compared to, say, non-concessional contributions, where an individual's ability to make

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As acknowledged earlier, if the point of the exercise is to get more money into super, the most tax-effective savings structure available to Australians, then lowering the qualification age for downsizer contributions could end up being counterproductive if people don't have their wits about them.

them is constrained by their total super balance.

But the lowering of the downsizer qualifying age to 55 will compromise this characteristic if the aim of the overall objective for the individual is to get as much money into super as they possibly can. The benefit threshold will

come into play if the downsizer candidate's total super balance is within \$300,000 of the general transfer balance cap, currently \$1.7 million.

This is because an individual cannot make any non-concessional contributions if their total super balance is \$1.7 million or above. So if the downsizer

contribution pushes the person's total super balance up to \$1.7 million or over, it will effectively rule out the individual's ability to make any additional non-concessional contributions.

As acknowledged earlier, if the point of the exercise is to get more money into super, the most tax-effective savings structure available to Australians, then lowering the qualification age for downsizer contributions could end up being counterproductive if people don't have their wits about them.

So while on the surface it would seem like a good idea to make this measure available to more people, the move comes with added complexity people who qualify to use it need to consider when formulating their contribution strategy.

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