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US capital markets never sleep

By Peter Tierney, Regional Program Director, FISD

THE QUICK READ – the U.S. market is moving from experimentation to coordinated implementation. BOATS and newer ATSs have shown overnight demand; exchanges and the DTCC are building the rails; and the WFE is urging careful, measured adoption to avoid unintended consequences. The transition promises better global access — but it will depend on technology, liquidity commitment and regulatory guardrails to make a 24x5 market work safely for ordinary investors and the broader financial system. Retail brokers in Australia need to monitor this development closely and calibrate their technology and operational capabilities to include 5x24 in their product offering.

The idea of U.S. equity markets that never sleep — trading 24 hours a day, five days a week — has moved in recent months from theory into tangible pilot projects, filings and industry roadmaps. Exchanges, clearing houses and alternative trading systems (ATS) are advancing different models to extend trading into the U.S. overnight that better align with Asia-Pacific and European business hours, but they are also emphasizing that the change must be engineered carefully to protect liquidity, risk controls and investor protections.

Who's doing what

- **Blue Ocean** (BOATS). BOATS has been running an overnight ATS session for several years, matching U.S. equities between roughly 8:00 p.m. and 4:00 a.m. ET to serve brokers and clients in APAC and other time zones. BOATS is often cited as proof-of-concept: it demonstrates retail and institutional demand for U.S. liquidity in local business hours abroad and shows how an ATS can operate "24/5" without turning an entire exchange into a round-the-clock venue.
- **BRUCE**. Newer entrants are appearing: publications in 2025 reported the launch of BRUCE, an ATS targeting overnight equities trading that provides last-sale, best-bid/offer and depth feeds to participants focused on APAC trading windows.
- **NYSE**. The NYSE has moved first among the big national exchanges

in formally extending hours: its electronic NYSE Arca venue and related filings have enabled trading well outside the historical 9:30–16:00 ET window, and the NYSE has been working with regulators and infrastructure partners to scale and standardise extended sessions. NYSE commentary highlights that staged extensions (e.g., 22 hours) may be a pragmatic near-term route. (NYSE)

- **Nasdaq and Cboe**. Nasdaq publicly announced plans to enable 24-hour trading on its primary U.S. exchange, anticipating implementation in phased form pending SEC approval and alignment with infrastructure providers; Cboe likewise announced plans in early 2025 to offer 24x5 equities trading. Both exchanges point to global investor demand (especially in Asia) and to technology readiness as drivers.
- **DTCC / NSCC** (post-trade infrastructure). Extending trading hours has required clearing and settlement providers to adapt: DTCC and its NSCC arm have publicly mapped out 24x5 extended clearing and incremental settlement changes (including expanded clearing hours and auto-partial settlement features) so trades executed overnight can be cleared, margined and processed without adding systemic fragility. Those changes are an operational precondition for full exchange-level 24x5 offerings.

Why the push — and the risks

Proponents argue multiple benefits: better alignment with global trading hours (so investors can react to geopolitical or economic news in real time), incremental revenue for exchanges from data and routing, and improved convenience for retail investors trading outside U.S. office hours. But the shift is not just a commercial decision — it touches market structure fundamentals. Overnight sessions can suffer from thin liquidity and wider spreads, which raises the risk of larger price moves on sparse order books. Fragmentation — orders split across more venues and hours — can weaken consolidated price discovery unless data feeds and best-execution protocols are reworked.

Infrastructure, data and surveillance headaches

A functioning 24x5 market requires more than order matching: it requires continuous market data distribution, round-the-clock surveillance systems, resilient margining and realtime risk controls, and US-regulated SIPs (consolidated tape processors) that operate during the overnight window. The SEC's longstanding rules tying exchange operation to SIP operation are one of the chokepoints to overcome, and industry groups (and exchanges themselves) are coordinating to ensure reporting, audit trails, and market-abuse monitoring keep pace. DTCC's expansion of clearing windows is a clear example of how post-trade plumbing must change in lockstep with trading hours.

The World Federation of Exchanges' (WFE) recent paper on "Policy and Market Impacts of Extended Trading" counsels caution: extended trading is technologically feasible and — in some markets — aligned with investor demand, but the WFE warns that adoption must be calibrated to preserve market integrity, investor protection and systemic stability. In practice that means staged pilots, careful monitoring of off-peak liquidity conditions, rigorous surveillance and ensuring that central counterparties and custodial networks can absorb different intraday risk dynamics.

How it may play out

Expect a hybrid, phased path: continued growth of ATS-led overnight sessions (BOATS/BRUCE), parallel exchange pilots (NYSE Arca, Nasdaq, Cboe) for broad secondary-market liquidity, and continued DTCC/NSCC adaptations to clear and settle near-continuous flows. Regulators will likely demand data and monitoring pilots before greenlighting full rollouts, and investors should be prepared for initial fragmentation and higher volatility during off-peak hours. Over time, if liquidity providers and market-makers commit inventory to overnight windows and data consolidation is improved, a more continuous, global price-discovery process could emerge.

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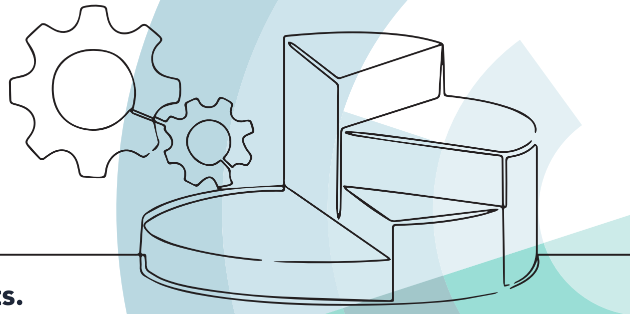
Peter Tierney is an Asia-based financial technology expert with more than 30 years' experience of data and connectivity solutions for financial institutions (www.fisd.net).

CPD EVENTS



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Beyond the giants: Unlocking global mid-cap potential

Wednesday 8 October from 1.00 to 2.00pm AEDT

Large-caps dominate headlines, but investors risk overlooking opportunities in global small and mid-caps. In this session, Lukasz de Pourbaix examines how these companies support diversification and how Fidelity identifies potential future leaders at the early stages of growth.

Professional Standards CPD: Technical competence 1.0
ASIC Knowledge Area: Specialist knowledge – Securities 1.0

LUKASZ DE POURBAIX
Fidelity

Women advisers and networking for commercial success

Wednesday 8 October from 5.00 to 7.00pm AEDT | Morris House, 120 Exhibition Street, Melbourne

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Business networking can open doors for female advisers, yet many shy away from it. By attending you will learn how building networks builds trust, visibility, and ultimately, career opportunities. Networking drinks will follow the presentation.

Professional Standards CPD: Client care and practice 1.0
ASIC Knowledge Area: Generic knowledge 1.0

Introduction to stockbroking workshop

Thursday 9 October from 11.00am to 1.15pm AEDT

This workshop outlines stockbrokers' vital role in retail and institutional markets, covering operations like order taking, transactions, and settlement. Gain insights into the different systems involved and allow for a discussion of the different business models in stockbroking today.

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

RUSSELL MCKIMM

A day in the life of a trade workshop

Tuesday 21 October from 11.00 to 12.30pm AEDT

Ideal for experienced and auxiliary staff in legal, IT, HR, and related roles, this workshop explores the trade lifecycle. Gain insights into client onboarding, share and derivative trade processes, settlement, sponsorship/HINS, CHESS messaging, and registries.

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

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Demystifying managed accounts: Spotlight on SMAs

Wednesday 22 October from 1.00 to 2.00pm AEDT

Stuart Holdsworth will outline managed account types before focusing on Separately Managed Accounts (SMAs). He'll cover their key benefits—transparency, tax efficiency, customisation, and direct ownership—helping advisers understand how SMAs work and when they best suit clients.

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

STUART HOLDSWORTH
Financial Simplicity

Market manipulation and other prohibited conduct workshop

Thursday 23 October from 10.00 to 12.30pm AEDT

Focused on prohibiting artificial price creation in financial products, this workshop benefits all seeking market understanding and obligation consequences. Tailored for financial professionals, it covers obligations, self-protection, and discerning manipulation from market forces.

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

PROFESSOR
MICHAEL ADAMS

DTR Refresher Workshop – Equities Market Structure Update for DTRs & Sales Traders

Wednesday 29 October from 11.00 to 12.30pm AEDT

The ASX has recently implemented some of the biggest changes to the Australian Equity Market Structure in over 30 years. Rob will outline step by step how those changes have impacted price discovery and liquidity formation across the trading day and discuss the implications relevant for both buy and sell side trading desks.

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

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DATA GOVERNANCE: The key to AI success in stockbroking

By James Dickson, Oceanic Consulting Group

1. Opening – why AI is a double-edged word

Artificial intelligence (AI) is no longer a distant frontier for financial services. From advanced risk models to trading algorithms, and from client analytics to productivity tools like Microsoft Copilot, AI is finding its way into the daily workflow of stockbroking firms.

The promise is enormous: efficiency, insight, and competitive edge. But there is a catch. AI is only as good as the data it is given, and in many firms, data is messy, fragmented, and poorly controlled. When that happens, AI does not just fail to deliver value. It creates serious risks.

Take a simple example: a firm selects Copilot at its SharePoint environment without proper governance. Suddenly, a broker could run a query that reveals last month's commission payments for every adviser in the firm, benchmarked against their peers. That is not a smart productivity win. It is a confidentiality breach, a governance failure, and a reputational nightmare.

The lesson is clear: AI success in stockbroking does not start with algorithms. It begins with data governance.

2. The regulatory imperative

In Australia, this is not just a best-practice conversation. It is a regulatory one.

- **ASIC** has made it clear that technology adoption must align with obligations for responsible conduct, market integrity, and client protection. Firms cannot argue ignorance if AI drives decisions based on poor or uncontrolled data.
- **APRA's CPS 230** on operational risk and resilience strongly emphasises data as part of the control environment. Even if not directly APRA-regulated, brokers increasingly find themselves pulled into the orbit of these standards as counterparties and service providers.
- **AML/CTF** obligations are another area where data accuracy is non-negotiable. AI tools designed to monitor transactions or flag suspicious patterns are only as effective as the quality and governance of the client and trade data they rely on.

> “ ... the firms that succeed are the ones that do the unglamorous groundwork. They map their data, govern collaboration tools, and put clear accountability before plugging in AI.

For SIAA members, the takeaway is that regulators expect governance first and AI second. Rolling out powerful new tools without strong guardrails is not seen as innovation. It is seen as negligence.

3. What we have seen in practice

At Oceanic Consulting Group (OCG), we have been helping major financial institutions grapple with these challenges. What we have observed is a consistent pattern.

Firms that rush into AI pilots without fixing their data hygiene almost always stumble. Models produce skewed outputs because the underlying data is inconsistent. Sensitive information is inadvertently exposed because access rights are not adequately enforced. Compliance teams get nervous, and projects are paused or rolled back entirely. The cost is not just wasted investment in technology. It is credibility lost with staff, clients, and regulators.

By contrast, the firms that succeed are the ones that do the unglamorous groundwork. They map their data, govern collaboration tools, and put clear accountability before plugging in AI. When they launch, they do so with confidence that the data feeding their systems is accurate, segregated, and secure.

That is why OCG has leaned into data and AI governance, not as an abstract compliance issue but as a practical enabler of business success. Through our partnership with RecordPoint, we bring deep expertise in governing structured and unstructured data and setting the right frameworks for AI governance.

4. The pillars of data governance for AI

So what does good data governance actually mean in practice? For stockbroking firms, it rests on six interlocking pillars.

1. Quality

Data must be accurate, consistent, and up to date. Poor data quality leads to AI hallucinations, flawed models, and bad client outcomes. That could mean signals based on outdated pricing feeds for a trading desk, while for a compliance team, it could mean missed red flags.

2. Segregation

Not all data is for all eyes. Entitlements must be clearly defined and enforced. Without segregation, AI can expose sensitive information, from remuneration structures to client portfolios, to staff with no legitimate reason to access it.

3. Privacy

Clients trust brokers with highly personal financial information. AI that scrapes or analyses client interactions must do so within strict privacy guardrails. Governance ensures that innovation does not come at the cost of confidentiality.

4. Security

AI systems expand the attack surface. Hackers do not just want your systems. They want your data. Governance includes strong controls over how data is stored, accessed, and shared, reducing the risk of both internal misuse and external breaches.

5. Accountability

Someone has to own the data. Too often, responsibility is blurred across teams, leaving gaps that AI can exploit. Governance frameworks establish clear owners and stewards for each dataset, with escalation paths for issues.

6. Ethics

Ethics must be built into the way stockbroking firms use AI. Models trained on biased or incomplete data can skew outcomes, from client profiling to trade recommendations. Governance ensures fairness, transparency, and integrity are embedded in data management and model design.

These pillars cannot be optional or selective for AI to be safe and successful. They need equal weight and continuous attention.

5. Practical stockbroking AI use cases

How does this play out in the day-to-day life of a stockbroking firm? Consider three areas where AI is making inroads.

Trading and risk models

AI can refine strategies, stress-test portfolios, and spot anomalies at scale. However, outputs become unreliable if the market data feeding those models is inconsistent or delayed. Governance ensures inputs are validated, timestamped, and controlled.

Client analytics

AI promises deeper insights into client behaviour and needs. However, if client data is fragmented across systems or privacy controls are not respected, those insights are either misleading or dangerous. Good governance securely connects the data, enabling true personalisation without overstepping boundaries.

Productivity AI (Copilot, ChatGPT, and others)

For back-office and front-office staff, AI-driven productivity tools are already here. They can summarise research, draft reports, and surface insights quickly. But without governance, they can just as easily surface sensitive or irrelevant information. The earlier SharePoint example shows how a useful tool can become a compliance hazard.

In each case, the message is the same: AI is only as strong as the governance behind it.

6. Common pain points in firms

So why do so many firms struggle with governance? A few pain points come up again and again:

- **Legacy systems:** Old platforms do not integrate well, leaving data stuck in silos.
- **Fragmented data:** Different business units hold inconsistent versions of the truth.
- **Regulatory scrutiny:** Firms are under pressure from multiple regulators, each with its own focus on data.
- **Cost of compliance:** Governance is seen as overhead, not as an enabler. That mindset is costly in the long run.
- **Talent gaps:** Skilled data and AI governance professionals are hard to find, especially outside the big banks.

These are not unique to stockbroking, but they bite particularly hard in firms with tight margins and where regulators and clients expect trust to be uncompromising.

7. Practical next steps for leaders

So what can stockbroking leaders do right now to get ahead of the curve? Here are five practical actions.

1. **Audit your data landscape**

   Map what structured and unstructured data you hold, where it lives, and who has access. You cannot govern what you cannot see.
2. **Govern collaboration tools**

   SharePoint, Teams, email, and other platforms are goldmines for AI and for breaches. Apply entitlements, labels, and controls before plugging AI into them.
3. **Establish data ownership**

   Assign clear stewards for each dataset, with accuracy, security, and usage accountability. Build governance into job descriptions, not just policies.
4. **Align with CPS 230**

   Even if not directly APRA-regulated, stockbrokers will feel the ripple effects. Use CPS 230 as a benchmark for operational resilience and data governance.
5. **Set AI guardrails**

   Before deploying AI, establish rules for how it can use data. Decide upfront what is in scope, what is off limits, and how outputs will be monitored.

These steps create a foundation where AI can thrive rather than flounder.

8. Closing – the opportunity

AI will transform stockbroking. But it will only do so for firms that take governance seriously.

The winners will not be those who rush first into AI pilots. They will be those who prepare their data, build the guardrails, and then deploy AI with confidence. Those who skip the groundwork will face rollbacks, compliance headaches, and reputational hits.

At OCG, in partnership with RecordPoint, we are not new to this space. We have worked with major institutions on structured and unstructured data governance programs, building practical solutions that align with regulatory expectations and enable safe adoption of AI. Our experience means we understand where the risks lie and how to build frameworks that work in practice.

The lesson is clear: data governance is not a side issue. It is the foundation of AI success.

For SIAA members, the message is practical and urgent. If you want to harness AI without the risks, start with governance today and work with partners who have already delivered it at scale.

> “The winners will not be those who rush first into AI pilots. They will be those who prepare their data, build the guardrails, and then deploy AI with confidence. Those who skip the groundwork will face rollbacks, compliance headaches, and reputational hits.

Tax deductibility of financial advice fees: Are your clients missing out?

By David Barrett, Financial Advice Association Australia

Did you know that even initial advice fees may be (partially) tax deductible?

The Australian Taxation Office (ATO) released Tax Determination TD 2024/7 in September 2024, which paints a very different picture to the deductibility of financial advice fees than was previously understood by many in the financial advice profession.

Prior to TD 2024/7, deductibility of financial advice fees was based on the general deductibility provision, section 8-1 of the *Income Tax Assessment Act 1997* (ITAA97). That is, financial advice fees may be deducted to the extent they were incurred in generating assessable income, unless the expense was capital in nature. Initial advice fees were generally non-deductible because they are considered capital in nature.

That position hasn't changed with TD 2024/7 – it remains the case that generally a client cannot deduct initial advice fees under section 8-1.

However, deductibility under section 25-5 of ITAA97 is another matter, not widely considered prior to the ATO releasing TD 2024/7. That section provides a deduction for expenditure incurred in managing your tax affairs and may be applied to both initial and ongoing advice fees.

The ATO accepts that managing your tax affairs includes receiving tax (financial) advice from a recognised tax adviser. If you are a registered tax agent or a qualified tax relevant provider (QTRP) registered with ASIC, you are a recognised tax adviser.

> “
>
> In simplified terms, tax (financial) advice is the part of financial advice provided to a client regarding the liabilities, obligations or entitlements that arise under a taxation law.

Recognised tax advisers

More than 85% of financial advisers on the ASIC Financial Adviser Register, who are authorised to provide personal advice to retail clients, are QTRPs. Those financial advisers authorised for personal advice to wholesale clients only, generally will not be QTRPs – to legally provide tax (financial) advice, they must be either:

- registered with the Tax Practitioners Board (TPB) as a registered tax agent, or
- operating under the sufficient number/supervision model run by an entity which is a registered tax agent with the TPB.

Tax (financial) advice

Fees paid for tax (financial) advice provided by a recognised tax adviser are potentially tax deductible. The meaning of tax (financial) advice is not well understoaod, and may be much broader than many in the industry had previously assumed.

In simplified terms, tax (financial) advice is the part of financial advice provided to a client regarding the liabilities, obligations or entitlements that arise under a taxation law.

The definition of taxation law is broader than many have assumed. It includes any Act (or part of an Act) for which the Commissioner of Taxation has general administrative responsibility:

- *Income Tax Assessment Act 1936*
- *Income Tax Assessment Act 1997*
- *Fringe Benefits Tax Assessment Act 1986*
- *Superannuation Guarantee (Administration) Act 1992*
- Those parts of *Superannuation Industry (Supervision) Act 1993* which relate to self managed superannuation funds.

So, the following advice topics will generally include tax (financial) advice to varying extents:

- Superannuation-related advice:
  - Super contribution strategies generally, including salary sacrifice arrangements (ITAA 1997)
  - Superannuation pension strategies (to the extent related to SMSFs or ITAA 1997)
- Financial advice on whether life, TPD and income protection insurance policies should be held inside or outside of superannuation (ITAA 1997)
- SMSF establishment and maintenance (ITAA 1997 or SIS Act)
- Gearing strategies
- Estate planning advice, for example, the use of a testamentary trust
- Investment structuring for taxation purposes, including family trust establishment and maintenance
- Debt reduction plans that involve taxation elements (for example, deductible debt).

Apportionment

Deductibility under section 25-5 (managing your tax affairs) will generally not be for the full advice fee, as it is very unlikely that 100% of financial advice is tax (financial) advice. So, the full advice fee must be apportioned into what is, and is not, deductible.

To claim a deduction, the client must provide evidence of a fair and reasonable method of apportionment – TD 2024/7 makes it clear that it is the financial adviser who is expected to provide this evidence, not the client's registered tax agent who may be lodging their tax return.

The Financial Advice Association of Australia's *Tax Deductibility of Financial Advice Fees: A Practical Guide to Implementation* provides three apportionment methods (note that this is not an exhaustive list – other methods may be used):

1. **Activity basis:** Breaking down the fees based on the time spent on tax (financial) advice
2. **Strategy basis:** Allocating the advice fees by linking the fees back to the actual strategies recommended to the client, and whether they have a tax (financial) advice element.
3. **Insurance premium basis:** This approach involves apportioning advice fees based on insurance premiums and assessing the relevance of tax advice based upon the product type, generally suitable for risk-only advice.

The choice of apportioning method will be a matter of professional judgement for the financial adviser and their licensee, based on how they calculate their fees and account for their time.

Evidence of apportionment may be provided to the client as an itemised tax invoice or in a separate document, potentially a statement of advice. Ideally it is a document that can be easily passed on by the client to their registered tax agent for income tax return lodgement purposes.

Summary points

TD 2024/7 will mean increased tax deductibility of financial advice fees for many clients. But it is up to each financial adviser to firstly understand how much of their advice fees may be deductible, and then to provide the client with an itemised document setting out the apportionment of fees.

This is a really important benefit for clients, one which will effectively reduce the cost of financial advice!

TACKLING CORPORATE ACTIONS DATA CONFLICTS:

An AI-based recommendation engine

By Charu Kirti Jain, S&P Global Market Intelligence

Corporate actions data – such as mergers, acquisitions, dividends, and stock splits – plays an important role in helping financial institutions and their clients provide accurate financial reporting on cash and security proceeds, and in making decisions where these alternatives are offered by issuers.

However, firms receive this data from a variety of sources, each providing their own interpretation of issuer announcements. This leads to inconsistencies in details, such as dates, rates, prices, taxation, options, and payouts. These discrepancies lead to data conflicts in the processing applications that can disrupt operations, processing, and reporting, especially for large global players handling hundreds of data sources and millions of data conflicts annually.

Addressing the limitations of manual processing

Traditionally, resolving data conflicts require meticulous manual intervention by operations teams. During peak seasons, such as quarterly or annual earnings reports, or significant corporate restructuring periods, the volume of incoming data can overwhelm even the most experienced teams. Based on data validation by S&P Global Market Intelligence ("Market Intelligence"), it is estimated that approximately 70% of data conflict resolutions require operations users to consult unstructured data sources, such as websites or publications, which is time-consuming and error prone.

To tackle these challenges, Market Intelligence's Corporate Actions solution offers an innovative recommendation engine leveraging AI-based technology. This system employs gradient-boosting algorithms to enhance the resolution process of corporate actions' data conflicts.

Understanding gradient boosting

Gradient boosting is a machine-learning technique that builds predictive models iteratively. It corrects the errors of previous models by combining them and using a weighted sum of predictions from all models in the ensemble. This approach continues to add models until a specified number is reached or the performance stops improving significantly.

With the Corporate Actions solution, the gradient boosting approach helps to sift through historical data on conflict resolutions and identifies patterns and insights that can guide current decision-making.

How the recommendation engine works

The recommendation engine for data conflicts resolution analyses a vast array of historical data on resolved conflicts, learning from past discrepancies and resolutions. By applying gradient boosting, it generates recommendations for handling current data conflicts. The engine evaluates different data elements, such as dates, rates, and options, against established patterns and provides suggestions on how to address the inconsistencies. These recommendations are then made available to operations users who can either apply or reject them, thereby providing additional data for model improvement.

Benefits of the AI-based recommendation engine

By utilising historical data and sophisticated algorithms, the recommendation engine significantly reduces the risk of human error. It offers a data-driven approach to resolving conflicts, improving the accuracy of the corporate actions data. Moreover, once the engine's recommendations are found to be accurate, they can be used to configure rules in the core processing applications, automating conflict resolution for underlying parameters. This efficiency gain is especially valuable during peak seasons when the operational workload spikes.

Scalability and adaptability

As the volume of corporate actions data continues to grow, the recommendation engine scales seamlessly. Its AI-driven nature ensures that it adapts to new patterns and emerging data trends, maintaining its effectiveness even as data complexity increases.

Transforming corporate actions data management

The integration of AI in managing corporate actions data is not just a technological upgrade, it is a transformative shift that addresses the core challenges faced by financial institutions today. By providing data-driven recommendations, Market Intelligence's AI-based recommendation engine for data conflicts resolution significantly enhances accuracy, efficiency, and reliability. This innovative solution supports operations teams, enabling them to navigate the complexities of corporate actions data with greater ease and confidence. As the financial industry continues to evolve, embracing such advancements will be key to maintaining robust operations and staying ahead in an increasingly data-driven world.

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Dodgy valuations disadvantage stockbrokers

By Simon Ondaatje, Fiduciaae

Stockbrokers confront considerable disadvantages compared to Industry Superannuation funds due to flawed valuations applied to private market assets.

The debate regarding the inaccurate valuation of private market assets has persisted for years. In February of this year, the Australian Securities and Investments Commission (ASIC) solicited industry responses to address issues of opacity, of conflicts, and of valuation uncertainty in private markets.

The market responded with fifty-eight published papers on the ASIC website, nineteen of which addressed private market valuations. Notably, the small number of the submissions from superannuation fund-friendly entities claimed there were no issues with private market asset valuations. Conversely, every independent organisation, all of which are highly reputable, argued otherwise. The Australian Shareholders Association candidly stated that "private market valuations are often subjective and lack market-based verification." The CFA Society and CFA Institute concurred with position of the Australian Shareholders Association, further asserting that "valuation of private market assets is subjective and inconsistent, and independent audits would help mitigate risks and ensure more reliable pricing." This sentiment was reflected by the Australian Banking Association, the Australian Financial Markets Association, Bloomberg, Morgan Stanley Composite Index, and the Stockbrokers and Investment Advisers Association.

Fiduciaae, in the company's submission to ASIC, provided examples of material financial losses arising from the incorrect systemic approach to the valuation of private assets and expressed the essential and fiduciary duty requirement for an alternative method to current unlisted asset valuation practices. Fiduciaae is an Australian company, which specialises in unlisted asset valuation, with international partners and with extensive experience in private market valuations. Fiduciaae has collaborated closely with Harvard University for several years to develop a world-first - a financial model (called the LRW Model) capable both of valuing private market assets with a high degree of accuracy and of producing valuations of these private assets consistent with what their valuations would be if they were listed on the ASX.

In Fiduciaae's submission to ASIC, highlighted were the significant risks that have been created and that will continue to aggregate from the current approach to valuing private market assets. For example, the use of backward-looking variables (historical equity risk premiums and betas) to estimate the expected value of an asset was described. This approach, combined with a discounted cash flow (DCF) model, typically results in a terminal value of cash flows post-year five that contributes up to 80% of an asset's estimated value in the private market. This point merits further consideration. Most challenging is to envision any business accurately forecasting its cash flows beyond five years. The

Reserve Bank of Australia (RBA), the nation's foremost financial forecaster, cautions that predictions beyond 12-18 months are imbedded with uncertainty, nevertheless, the current method for valuing private market assets attributes 80.0% of the asset's value to cash flows beyond five years. The current valuation method permits the valuer to generate any desired valuation.

Fiduciaae's development of the LRW Model revealed significant valuation inaccuracies associated with the DCF approach, with valuation errors ranging from 40.0% to 90.0%. A disturbing result, which has material negative implications for many private market investors. There is little or no surprise that organisations aligned with superannuation funds are resistant to the financial regulators' involvement in private market valuations.

The stockbroking industry confronts a disadvantage due to its reliance on equity markets. Valuation accuracy is fundamental to the financial industry, with equity market valuations, despite their imperfections, serving as the benchmark for accuracy. Deviations from equity market valuations increase the risk of distortion in private market valuations. Private market valuations constitute a substantial portion of the superannuation fund industry. Fiduciaae estimates that over $750 billion of the total asset pool, which exceeds $4 trillion, is disproportionately exposed to private market assets, representing approximately 25% of the industry superannuation asset pool.

However, it is not only stockbrokers who are disadvantaged by inaccurate private market valuations. If private market assets are indeed overpriced, as suggested and believed by Fiduciaae, individuals investing in industry superannuation funds are likely overpaying for units, while those selling are receiving a premium above the actual value of the units. All unitholders incur higher management fees due to inflated private asset prices, and, in the event of a black swan event, there is a risk that a run on superannuation funds could lead to a lock-up, preventing superannuants from accessing their savings.

> "... the current method for valuing private market assets attributes 80.0% of the asset's value to cash flows beyond five years.

For more information, please contact Fiduciaae directly at simon@fiduciaae.com.

ASX Service Release 15: Ushering in a new era for Australia's equity markets

By Catherine Michael, ASX

June 2025 marked a milestone for Australia's cash equity market with the launch of ASX's Service Release 15. This upgrade is more than a technical enhancement as explored in our post implementation report. It is a change encouraging fairness, transparency and efficiency, setting a new benchmark for market quality and aligning Australia with global best practices.

One of the most significant changes introduced by SR15 is the move to a single randomised opening time for all securities. Previously, stocks opened in a staggered sequence which created opportunities for timing arbitrage. Now, with the Opening Single Price Auction and a levelling period, every security opens at the same moment. This change ensures our practices are aligned with globally recognised industry standards, enhancing consistency across our operations.

SR15 also brings the introduction of a Post Close Trading Session following the Closing Single Price Auction. This session allows participants to trade at the established closing price, helping manage residual liquidity and offering new trading opportunities. Early adoption has been strong with more than 30 active participants and over 150 securities traded daily in this session. The session's volumes closely track closing auction imbalances, demonstrating its effectiveness in smoothing end of day liquidity and supporting market confidence.

The new framework ensures that securities excluded from the Closing Single Price Auction due to late price sensitive announcements can still participate in an auction if their Pre NR period ends during or after the Closing Single Price Auction or Post Close session. This change means investors are less likely to miss out on closing auction liquidity, making the market more inclusive and responsive to real time developments.

SR15 simplifies trade reporting by consolidating Block Special Crossing codes and reducing late trade codes, making the process clearer and more efficient for market participants. These changes reduce complexity, support faster trade processing and improve clarity across the market.

Operational consistency during market sensitive events has been improved by prioritising the Trading Halt session state over the Adjust phase, ensuring clearer signalling and better handling of trading interruptions. Auction timing has also been upgraded from one second to millisecond level precision, increasing randomness and reducing predictability. This further mitigates the risk of gaming the system.

Post implementation analysis reveals that trading activity has shifted from the Opening Auction to the first minutes of continuous trading, with the Opening Auction's share of turnover dropping from 3.65 percent to 2.97 percent. This reflects a more even distribution of activity and reduced concentration among the most active traders. Price variance in the first 15 minutes has decreased overall and quoted spreads have generally tightened, indicating improved liquidity and lower transaction costs.

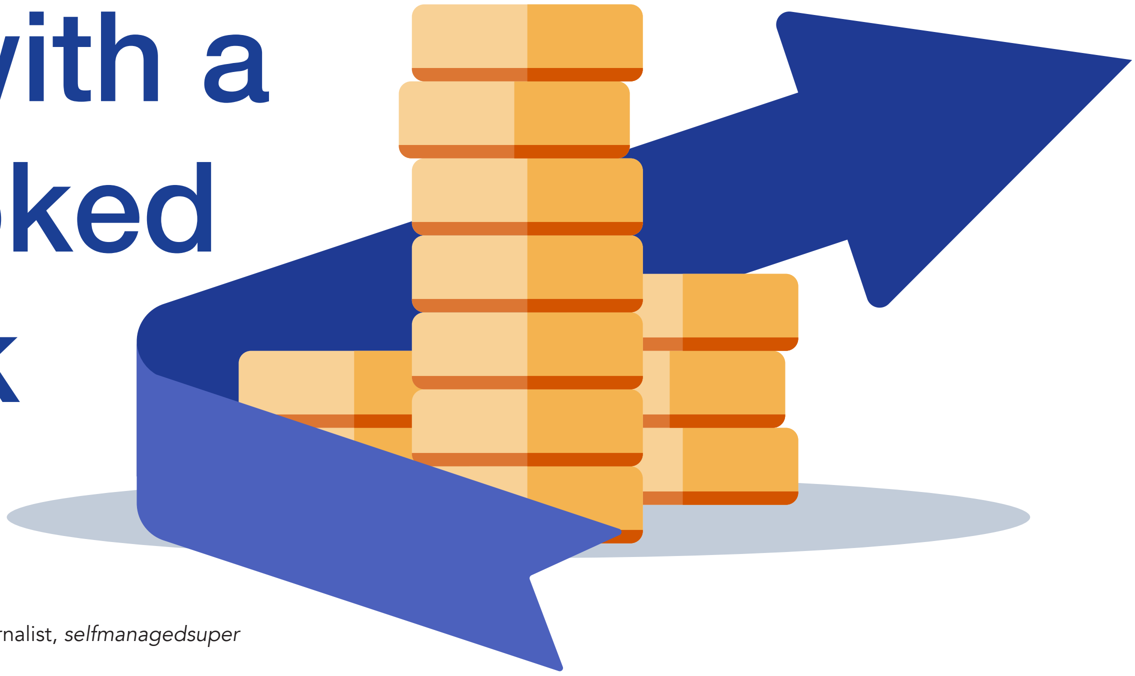
The transition to SR15 was smooth thanks to broad industry collaboration and robust testing. While some participants took a cautious approach to algorithmic adjustments, the ASX continues to encourage ongoing refinement and feedback through the Equity Market Working Group, ensuring the market structure continues to evolve in line with participant needs.

SR15 is a testament to ASX's commitment to innovation and market quality. By enhancing auction mechanics, simplifying reporting and introducing new session states, ASX has created a more transparent and efficient trading environment. Early results show measurable benefits including improved liquidity, reduced costs and more equitable participation. As the market continues to adapt, further refinements and insights will reinforce the value of these reforms.

ASX's proactive approach to market structure reform sets a strong precedent for future enhancements. The success of SR15 underscores the importance of industry collaboration and data driven decision making in shaping the future of Australia's financial markets.

For more information or to engage with the Trading Services team, contact Equities@asx.com.au or call 131 279. Additional resources and updates are available at http://www.asx.com.au.

A straight hit with a crooked stick



By Jason Spits, Senior Journalist, *selfmanagedsuper*

In the late 1990's in one of my first jobs as a journalist in financial services I sat through a presentation on the demographic shift that was to take place in the Australian retirement savings sector in the next few decades.

I was struck by the size of the wave of people, led by the baby boomers, who would reach retirement, want to access their age pension and super, and live on for many years after that, as well as what seemed to be a lack of urgency of government to prepare people for that transition.

Speaking to the presenter afterwards he pointed out the first of the Boomers were still at least 10 years from retirement so there was still time for them and the government to plan for this.

In the years that followed while many people in superannuation and financial advice built products and services to assist people prepare for retirement the oft-repeated concern from them, and successive government reports and advisory panels, was that people were not that interested in their superannuation.

Fast forward to 2025, more than a decade after that wave crested and broke, and superannuation seems to be something we can't talk about enough.

The proposed Division 296 tax on earnings on superannuation balances over $3 million has been a key driver for that in recent years as has some of the problems faced by Australian Prudential Regulatory Authority-regulated funds with regard to the payment of life insurance benefits, and death benefits, to fund members or their beneficiaries.

Other key events, such as the failure of the Shield Master Fund, an investment option on some superannuation platforms, has only added more interest and scrutiny from consumers and the media as to what goes on in superannuation and what it all means for an individual's retirement savings.

Underneath all that is the fact superannuation was always destined to grow to a considerable size but under the superannuation guarantee it has become a behemoth with more than $4 trillion in total assets. This means never before in our nation's history have we had so many people heading into retirement, who are likely to live longer than any generation before, holding more money than ever before.

These confluences of demographics, ageing and money were always going to start a conversation and listening to the insights from the superannuation sector indicates this discussion is happening across the board.

Research group Investment Trends have noted an ongoing decrease in the age of those people setting up self-managed superannuation funds (SMSF) with the majority of those doing so in their 40s, with a number of them making that decision to invest in cryptocurrency and digital assets.

Numerous consumer survey and reports from financial services firms about attitudes towards retirement, and whether an individual's superannuation savings will be sufficient to fund an their retirement, show people in their 30s are now thinking about what will happen to them years into the future.

Conversely, those well past the age of retirement are increasingly looking at what happens to their superannuation

> "Numerous consumer survey and reports from financial services firms about attitudes towards retirement, and whether an individual's superannuation savings will be sufficient to fund an their retirement, show people in their 30s are now thinking about what will happen to them years into the future.

when they die and whether they should they withdraw it all now or pass it on to their kids or estate after passing.

Not to sound like a clanging bell but this brings us back to Division 296.

Initially proposed as a taxation measure that would only supposedly impact 80,000 while paring back some tax concessions for high balance members it has slipped its leash and become a bigger issue in the minds of many people, not least because of the proposal to tax unrealised capital gains.

The fact some of those minds may include the Prime Minister, and Labor Party backbenchers who find this part of the tax is a hard sell to their constituents, may be why the proposed tax has not reappeared since the government was returned in the May election.

While demography and money were always going to keep super on the table this further dose of regulatory uncertainty has done what many parts of the superannuation and advice sectors have been trying to do for years – put it front and centre for the masses.

Whether Division 296 comes back in some form or not the government can at least take credit for the straight hit of getting people interested, involved and taking control of their super with the very crooked stick they rolled out.

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