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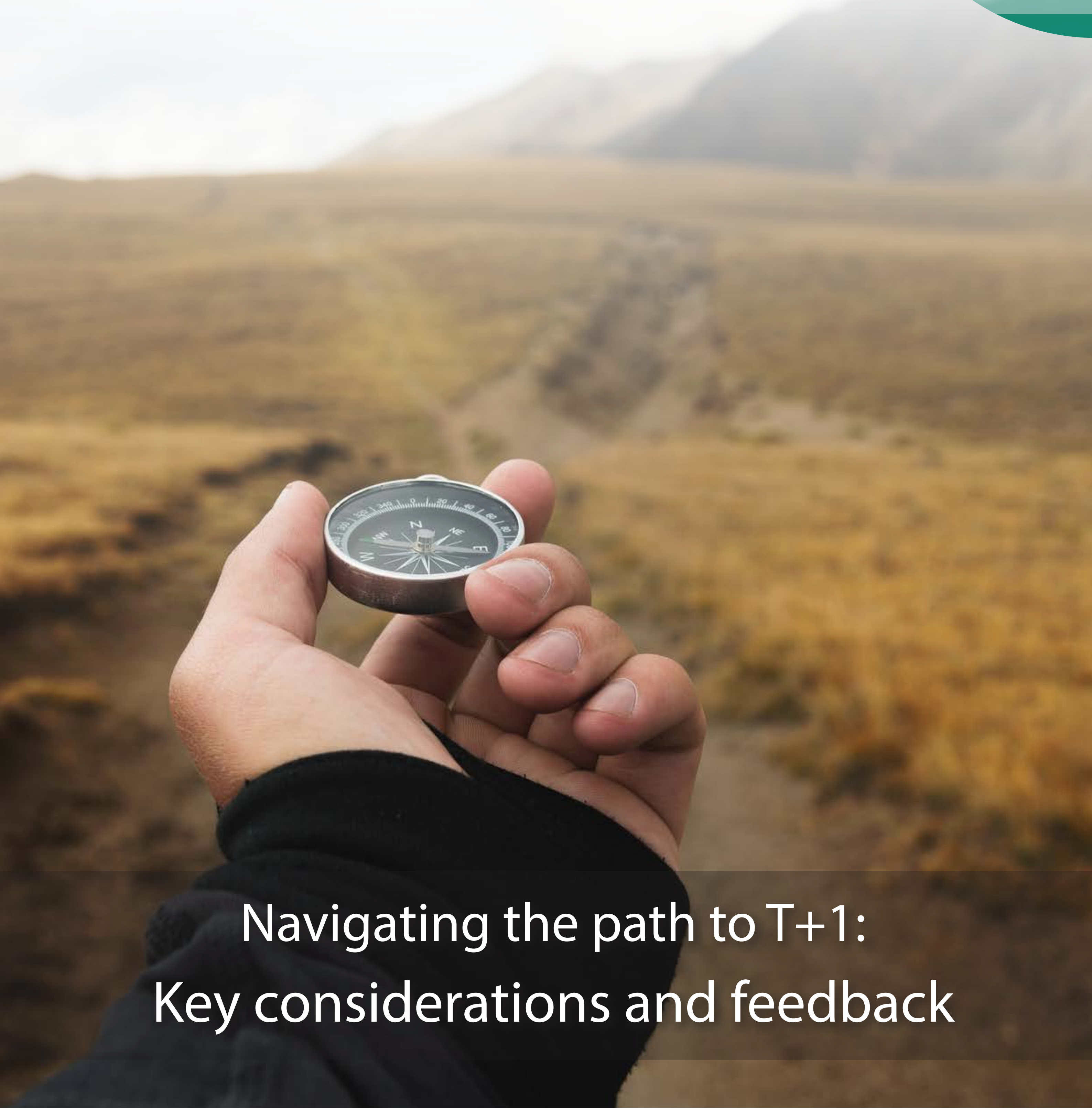

Navigating the path to T+1: Key considerations and feedback

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Navigating the path to T+1: Key considerations and feedback

By Clive Triance, Group Executive, Securities & Payments, ASX

Settlement cycles globally have been shortening for years, with Australia undergoing its last change in March 2016 when it went from T+3 to T+2. Almost a decade later, attention is now turning to compressing the cycle further as key markets including North America make the transition. However, this seemingly subtle change – reducing the time between a trade and its settlement by just one day – could have significant implications for the industry in terms of market efficiency and risk management.

Australia's cash equity market currently operates under a T+2 settlement cycle, where transactions are finalised two business days after the trade date using the Clearing House Electronic Subregister System (CHESS). While transitioning to a T+1 cycle offers potential benefits in terms of efficiency and alignment with global practices, it also presents a series of operational and logistical challenges that must be carefully navigated.

In response to these challenges, the ASX Business Committee established the T+1 Working Group in December 2023. This group was tasked with analysing the implications of a shortened settlement cycle and providing recommendations to the broader industry. The culmination of these efforts was the publication of a whitepaper in April 2024, titled: *Considerations for Accelerating Cash Equities Settlement in Australia to T+1*. This document outlined the strategic and operational considerations of a potential transition and sought industry feedback.

The subsequent industry response was both insightful and indicative of the complexities involved. On 2 August 2024 ASX published a summary of the feedback received, revealing a broad consensus that while a transition to T+1 is likely inevitable, it must be approached with caution and careful planning. The prevailing sentiment among respondents was the need to prioritise the completion of the CHESS replacement project before implementing T+1.

Stakeholders drew attention to the successful T+1 transition in North America, attributing its smooth implementation to extensive lead time, clear communication, and collaborative planning. Australian respondents echoed these requirements, advocating for a transition period of 24 to 36 months post-finalisation of the T+1 framework. This would allow for adequate preparation and ensure that the market is fully equipped to handle the operational demands of a shortened settlement cycle.

In parallel with the T+1 discussions, ASX released consultation paper 2 on 2 August 2024, detailing the proposed scope and implementation timeline for CHESS Replacement Release 2, which includes settlement and subregister services. The paper also explores the timing and approach for a potential shift to T+1, recommending that the transition should occur no earlier than 12 months after CHESS Replacement Release 2 is operational, and at least 18 months after a formal decision to move to T+1 is made.

ASX's approach is one of careful consideration, informed by industry engagement, global experiences and domestic market dynamics. The ongoing dialogue between ASX and the industry is not just about technical adjustments; it is about ensuring that Australia's financial markets remain robust, competitive, and future-ready.

Feedback on the consultation paper is due by 13 September 2024 and ASX is expected to release its response in Q4 2024 outlining the next steps.

CPD EVENTS

Stay on top of your CPD with these SIAA-accredited CPD events.
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Implementing Delivering Better Financial Outcomes

Wednesday 4 September from 1.00 to 2.00pm AEST

Join Samantha Hills from Holley Nethercote who will explore DFBO reforms and their impact on stockbrokers and investment advisers. Samantha will outline the critical changes, including updates to the provision of Financial Services Guides and the reforms to ongoing fee arrangements and fee disclosure statements.

SAMANTHA HILLS
Holley Nethercote

Professional Standards CPD: Regulatory compliance and consumer protection 0.5 hour, Professionalism and ethics 0.5 hour
ASIC Knowledge Area: Generic knowledge 1.0 hour

Introduction to stockbroking workshop

Tuesday 10 September from 11.00am to 1.15pm AEST

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.

RUSSELL McKIMM

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

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Digital engagement practices – Marketing and the use of Influencers

Wednesday 11 September from 1.00pm to 2.00pm AEST

This webinar will discuss key considerations for financial firms using digital engagement practices like social trading, including prohibitions on misleading conduct, the use of emojis, tips for appointing influencers, and ensuring influencers comply with financial services laws to avoid unauthorised activities.

Professional Standards CPD: Client care and practice 1.0 hour | **ASIC Knowledge Area:** Specialist knowledge – Financial planning 1.0 hour

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A day in the life of a trade workshop

Monday 16 September from 11.00am to 1.00pm AEST

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.

ROB TALEVSKI
Webull

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

Webinars: Member FREE | Non-member $75

Workshops: Practitioner member $100 | Organisation Member $150 | Non-member $200

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Market manipulation and other prohibited conduct workshop

Tuesday 17 September from 10.00am to 12.15pm AEST

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 1.0 hour, Professionalism and ethics 1.0 hour
ASIC Knowledge Area: Generic knowledge 2.0 hour

PROFESSOR
MICHAEL ADAMS

Whatever happened to the US recession?

Wednesday 25 September from 1.00 to 2.00pm AEST

In March 2023, US Federal Reserve economists were expecting "a mild recession starting later this year," while Bloomberg termed it "the most-anticipated downturn ever." This was a significant concern at the time. Yet, the recession didn't eventuate, and instead, there has been a sharp rally in world equity markets. What happened? Join Maroun Younes to explore this in detail.

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

MAROUN YOUNES
Fidelity International

Saying no, so you can say yes

Wednesday 9 October from 1.00 to 2.00pm AEST

Women often handle office 'housework,' impacting career growth and causing burnout. Powrsuit Co-founders Natalie Ferguson and Kristen Lunman will teach you how to professionally say 'no,' helping you focus on strategic work and providing actionable steps for your career.

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

NATALIE FERGUSON & KRISTEN LUNMAN
Powrsuitms

Generating income with index-based strategies

Wednesday 23 October from 1.00 to 2.00pm AEST

Jason Ye will discuss index-based strategies for income seekers, analysing various dividend and options indices. Learn how these strategies may enhance portfolio yield and manage risk in this essential webinar for optimising income-generating investments.

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

JASON YE
S&P Dow Jones Indices

Webinars: Member FREE | Non-member $75

Workshops: Practitioner member $100 | Organisation Member $150 | Non-member $200

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THE WORLD IS YOUR OYSTER:

Driving income opportunities by going global

By Regina Liu, APAC Head of Investment Specialists, International Equity Group, J.P. Morgan Asset Management

Australian investors appear to have a preference for investing at home but such a strategy can increase concentration risk and investors may end up missing out on income and growth opportunities available globally.

More than half of Australian investors have parked their investments in Australian-listed securities[1] largely because of their familiarity with home-grown companies, concerns over foreign currency exposure and the relatively strong dividend yields on offer[2]. Only 16% held international shares – up from 15% three-years earlier[1].

With Australian equities accounting for about 1.7% of the global market[3], and by focusing only on corporates in Australia, investors could be overlooking the other 2,700 companies represented in the global equity index[4].

Shedding the home bias

One strategy to help mitigate the home bias is diversification. Investors could look to enhance their quest for equity income and capital appreciation by tapping into global stock markets with less volatility.

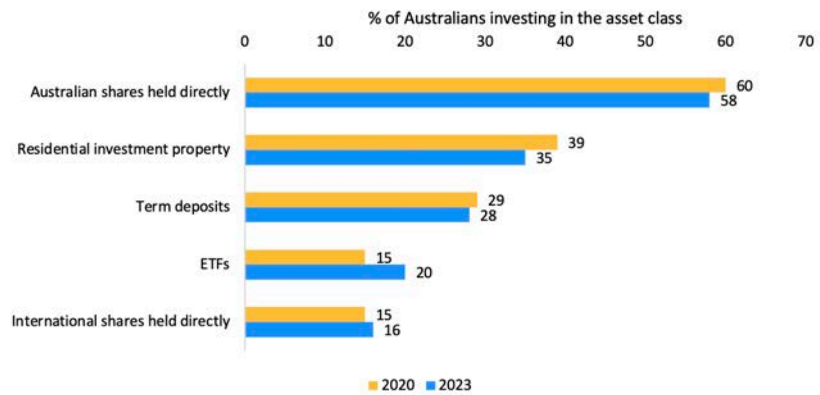
It is also useful to keep in mind that what drives one market may not drive another. The Australian equity market is heavily driven by the materials (miners) and finance (banking) sectors. These two sectors account for half of the benchmark S&P ASX/200 index[5], making them sensitive to factors that affect the demand and supply of housing and commodities.

Going global can help expand the opportunity set, widening the range of companies that active managers can select, whether across regions, sectors, or currencies. This can help lower correlations across individual holdings, harnessing the benefits of diversification while potentially reducing portfolio volatility.

The likelihood of sustainable dividends from the investment could also encourage investors to increase their global exposure. As such, a fundamental stock selection strategy that boasts lower volatility and beta along with equity income – potentially marked by stock price appreciation and a steady income stream – will be handy.

There are also tactical reasons to go global. Lower volatility exposures

Top 5 investments of Australian investors[1]



[1] Source: ASX Australian Investor Study 2023, May 2023.

coupled with higher income strategies can be a conservative option for investors to stay invested in equities without raising their portfolio risk profile amid emerging macro uncertainties that has increased volatility in global markets.

For Australian investors wanting to harness global income opportunities, there are three broad options:

GO DIRECT

Buying specific companies directly is one option but this requires comprehensive research on company fundamentals, transaction costs and potential tax implications for different jurisdictions.

GO PASSIVE

Investing in a global equity index tracker can be cost-efficient but investors are bounded by the make-up of the index rather than the merits of each company.

GO ACTIVE

Active exchange-traded funds (ETFs) are low-cost means to access global markets through a combination of the expertise of investment professionals and the efficiencies of passive ETFs.

Investment philosophy of JEGA: Our key tenets

Source: J.P. Morgan Asset Management. Provided to illustrate team's general process, not to be construed as offer, research or investment advice and does not taking into account any specific investor's objectives. The ETF seeks to achieve its stated objectives, there is no guarantee they will be met. Dividend rate is not guaranteed. Distribution may be paid out of capital or income or both. Please refer to the distribution policy in the offering documents for further details. Yield is not guaranteed. Positive yield does not imply positive return.

Seeking consistent income and lower volatility through active ETFs

J.P. Morgan Asset Management's actively managed ETFs tap into the full resources of our global network, allowing investors to access time-tested, outcome-oriented equity solutions through long-established investment strategies. In August, the JPMorgan Global Equity Premium Income Complex ETF (JEGA), and its hedged shareclass (JHGA), was launched in Australia.

JEGA, which aims to offer investors a steady and consistent income stream of 7-9%[5] annualised paid monthly, gives investors access to a defensive global equity portfolio and monthly income distributions while reducing total equity risk. The portfolio managers invest in a low volatility global equity portfolio and implement a disciplined options overlay by writing out-of-the-money equity index call options that seeks to enhance distributable monthly income.

- **Income is the goal, not the target**
  Generating monthly income is a core objective for this ETF. The ETF seeks to deliver a consistent stream of income with an innovative approach. By providing distributable income via dividends and options premium, the ETF may forgo a portion of the market's upside.
- **Income with lower duration**
  The inclusion of options premium as an income source helps lower the strategy's exposure to credit risk, duration risk or interest rate risk, positioning the ETF as an attractive building block in a portfolio that can complement or substitute high yield debt, preferred equities, or emerging market debt with the ability to provide higher yield per unit of risk.
- **Lower equity risk**
  An ETF for investors looking for equity exposure but in a lower risk approach. It is a defensive equity portfolio leveraging a time-tested fundamental research process to search for lower volatility and beta than the benchmark.

For more information visit: https://am.jpmorgan.com/au/en/asset-management/adv/funds/in-focus/income/

[1] Source: ASX Australian Investor Study 2023, May 2023.
[2] Refers to Australia's benchmark S&P ASX/200 index presents a 4.2% dividend yield versus 1.3% for the S&P 500 Index. Source: Bloomberg. Data as of 8 August 2024
[3] Source: MSCI. Data as of 31 July 2024.
[4] Refers to MSCI ACWI Index. Source: FactSet, MSCI. Data as of 31 July 2024.
[5] The targets and aims provided above are indicative and may or may not some to pass. There is no guarantee that these will be achieved.

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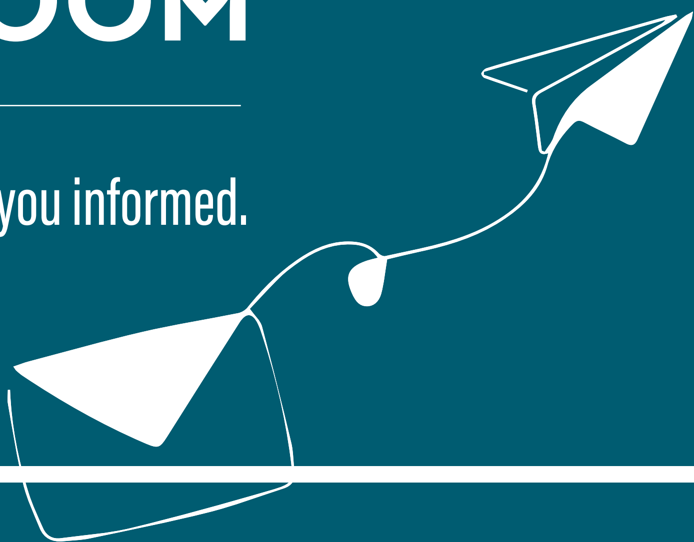

How senior wealth advisers can support the next generation of female advisers

By Yolanda Beattie, Founder, Future IM/Pact

Our recent *Women in wealth* report uncovered an industry brimming with passionate, ambitious women who are deeply committed to their work. They love the thrill of markets, the satisfaction of helping clients grow their wealth, and the promise of a fulfilling lifelong career. Yet, despite this ambition to move from client service associates to advisers, many female CSAs experience a path littered with gendered barriers.

The statistics suggest they have every reason to be concerned. Despite making up close to half of analyst and CSA roles, our findings capturing a sub-set of the sector reveal only 19% of adviser and 13% of senior adviser roles are held by women.

For an industry benefitting from the largest intergenerational wealth transfer in history, this is so much more than the right thing to do. JBWere's 2024 report, *The Growth of Women and Wealth*, projects around 65% of the $5 trillion being inherited over the next decade will be transferred to women. Plus, the number of female millionaires is growing at almost twice the rate as male millionaires. With many women preferring a female adviser, or at least a diverse advice team, this is now the biggest marketing issue facing the industry.

The good news is we have a clear view of the problem and what's required to solve it. The next step is to secure the commitment of industry leaders and senior wealth advisers to understand what they need to do differently to attract, retain and promote more women onto the grid.

But first, let's explore the problem.

The long and bumpy road to advisory

Imagine you're a top performing female CSA aspiring to become an adviser. You work with a good team, though they're mostly men, and while you thrive on the work, navigating the male-dominated environment can be challenging.

Networking events almost always cater to male interests, and often invitations bypass you and go to the more junior men. When you do get a chance to attend events, you're almost always the only woman in the room. And as the events head towards the end of the night, and everyone has been drinking for hours, you start to feel uncomfortable. Furthermore, if you haven't been raised in a similar high net worth environment, you can't escape the feeling of not fitting in.

You're eager to get in front of clients and learn on the job, but opportunities are limited. When you do get a chance, unlike your male peers, you're introduced as admin support, undermining your self-belief and profile.

Undeterred you keep working hard, knowing that advancing requires not just time in the role and dedication to honing your skills but also finding a senior adviser who's willing to back your potential. Yet, it seems your male colleagues are more frequently given the exposure and insights that are essential to apply for promotion.

Moving teams to a more supportive adviser is almost unheard of, and everyone says it's not a good look to even try. You know your senior adviser means well enough, and you don't want to seem ungrateful. So you put your head down and keep working hard in the hope that someone will see your potential.

By now you're in your late 20s, and know you want to start a family in the next few years. There are almost no women in advice roles, so there's no blueprint to follow. You're left wondering how to succeed in a system that feels stacked against you. So you don't apply for promotion. Or perhaps you leave the industry for another role that probably pays better and promotes faster.

How leaders can level the playing field

Contrast this with another version of events. You're a high potential female CSA whose adviser is deeply committed to building a gender diverse team. He knows that when you're in the room with couple clients, the wife is more supportive to ideas, making the whole conversation flow more easily. For the growing number of wealthy women who need advice, your adviser knows you're one of his strongest marketing assets.

He also rates your talent and wants to see you grow and flourish. He explains how he approaches client challenges and gives you ample opportunities to practice applying these skills. You're supported to have a voice in meetings and are introduced as a key person in the team.

He knows how important it is for you to build your sales and networking skills, so brings you along to those opportunities too. You receive clear and constructive feedback on how you can improve and are recommended to training programs to help develop these skills further. You're invited to key events and are briefed on who'll be there in advance so you can prepare and feel confident.

When it comes to promotion, your senior adviser pushes you to apply. But you just got married and want to start a family in a few years. The deep trust between you means you can't help but raise your plans to start a family. His response is fast and firm: "we'll make it work – I want you in this team for the next few decades. A few stints of time away to have kids is manageable."

With this support, you're more committed than ever, and feel a surge of motivation to nail the promotion process and start adding even more value to building the book of clients and delivering excellent advice and service.

From pipedream to reality

I know many of the female CSAs reading these two scenarios will relate to these hypotheticals because they reflect the stories shared with me by dozens of women in the industry.

While the demand for female advisers is about to skyrocket, at current rates we won't add to the pool of female advisers unless there's a change in thinking and behaviour. That's because women are leaving their roles as fast as they're joining, often lured by other firms with big sign-on bonuses. As a result, parity (defined by the Workplace Gender Equality Agency as 40% women, 40% men, 20% any gender) is a distant dream.

For as long as women are in the considerable minority, the dominant archetype (that is, male and private school-educated) will entrench system dynamics that create straight-line career freeways for the fellas, and potholes, dead-ends and roundabouts for anyone who falls outside this dominant majority, that is women.

To disrupt the status quo, the industry needs to take a long-term, persistent approach to tackling the issues that make it harder for women to thrive. That means we need to inspire and develop more senior advisers who step up as sponsors and advocate for women, opening doors that might otherwise remain closed.

We also need a critical mass of smart, ambitious, and determined young women who are committed to pursuing this career path. They will likely need support to build their sales and networking skills in a way that feels authentic to their voice, and to believe they belong. As our research shows, women who make it to advisory roles relish the autonomy, impact, and financial rewards.

Collaborating across industry to accelerate progress

This problem is too big for one firm to solve. That's why Future IM/Pact has spent the past six years uniting the investments industry in its efforts to attract and retain great female talent. We've inspired hundreds of women to pursue careers in the front-office and launched the careers of many of them.

Developing great internal sponsors and supporting mid-level women to chart their path to senior decision-making roles is another of our passions. Deepening our impact in private wealth alongside partner LGT Crestone is one of our top priorities. SIAA has brought industry leaders together to work collaboratively on making change happen and you can be part of the solution. So let's connect and discuss how we can drive meaningful change together.

	Current	5 years (2029)	10 year (2034)	Projected year for parity
Senior Wealth Adviser	13.3%	17.2%	22.1%	2047
Wealth Adviser	19.1%	20.3%	21.6%	>2050

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We offer a comprehensive range of investments including listed securities, unlisted domestic fixed income securities and foreign currency. You can access innovative tax optimisation capabilities and service non-resident clients, including US tax residents.

And with a national BDM network, Australian based call centre, dedicated training managers and expert transition support, you can connect with us, when and how you need it.

For other insights on how advisers are servicing HNW clients and growing their businesses, download our latest whitepaper: *Directing the matrix: Meeting the advice needs of high net worth clients.*

[1]Best Platform Overall, Investment Trends 2023 Platform Competitive Analysis and Benchmarking Report.

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Riding the Australian dollar wave

By Cameron McCormack, Portfolio Manager, VanEck

The Australian dollar has been on a ride. In early August, it fell to a low, buying $0.6498 US dollars. By mid-August, it has risen to a high of $0.6745. For Australian investors that own international shares rises and falls of the Australian dollar can impact returns.

The question is to hedge or not to hedge.

The Australian dollar has been on a ride. In early August, it fell to a low, buying $0.6498 US dollars due to declining commodity prices and concerns about a potential US recession. By mid-August, it has risen to a high of $0.6745, as recession fears eased and the RBA reaffirmed the low chance of rate cuts this year.

Currency fluctuations impact the value of Australian investors' assets held offshore. For this reason, many investors choose to hedge their portfolio exposure.

To hedge to not to hedge? If Hamlet was an international equities investor, that may have been what he would have asked.

Currency hedging international exposures

The decision to hedge your currency exposure is important because movements in the Australian dollar can either erode or add value to your investment. For example, any drop in the Australian dollar helps unhedged investors as it magnifies gains when assets are converted back into Australian dollars. So if, for example, the Australian dollar fell by 10 per cent, all other things being equal, the value of your offshore investments would rise by 10 per cent. However, the converse is true and any rise in the Australian dollar diminishes returns when the value of foreign investments are converted back into Australian dollars.

This is where hedging an international portfolio may be advantageous, as it will benefit from rises in the value of the Australian dollar.

Chart 1 overpage shows the impact of movements in the Aussie dollar vs USD on the value of international equities since before the GFC. As the Australian dollar (black line) appreciated into 2008/09 hedged international equities (light blue line) outperformed. When the AUD fell sharply from April to August 2013, unhedged equities (dark blue line) benefitted significantly while hedged equities gained only from underlying stock performance. As the Australian dollar depreciated further in 2014/15 hedged international equities continued to gain due to underlying stock performance but unhedged equities gained more. In March 2020, you can see that the value of hedged international equities fell much more sharply, versus the unhedged equities because these were cushioned with the simultaneous collapse of the Australian dollar.

What history shows us

In August, the value of the Australian dollar has been influenced by concerns over a potential US recession, changes in expectations for the RBA cash rate, and Australia's economic ties to China, particularly regarding demand for commodities. Other drivers of the value of a currency include interest rates and the country's creditworthiness. Australia has a high credit rating, but its interest rates could be moving in a different direction to other developed market central banks. It is for this reason many currency investors are speculating that the Australian dollar could continue to move.

For example, while the market expects the US Federal Reserve to start cutting before the end of the year, this is not a certainty. Conversely, the RBA is working to keep high rates on hold to tackle sticky inflation. The future is unclear, even the immediate future.

That's why we think it's important to remember that over the long run currency risks generally even out.

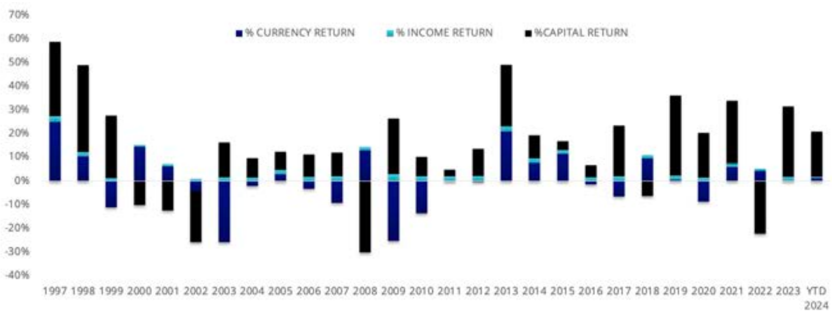
This can be demonstrated by looking at the long-term returns of an international equities fund. As an example, Chart 2 shows the long-term returns for the unhedged index tracked by our popular VanEck International Quality ETF (QUAL).

The total return from currency for the calendar years from the start of 1997 to June 2024 is 0.08% p.a. Over that same time the index has returned 10.26% p.a. In other words, over a long-term period of 27 and a half years, the decision to hedge or not hedge your international equities investment would have had a negligible impact on your overall portfolio performance. For short to medium-term investors the decision becomes more important as

Chart 1: Australian dollar and hedged and unhedged international equities returns

Source: Bloomberg, to 30 June 2024. Unhedged International equities is the MSCI World ex Australia Index. International equities hedged is MSCI World Ex Australia 100% Hedged to AUD Index. Past performance is not a reliable indicator of future performance. You cannot invest in an index.

Chart 2: Calendar year breakdown of QUAL's Index returns



Source: MSCI. Annual returns to the end of each calendar year. 2024 YTD to 30 June 2024. Performance shown of the QUAL's Index prior to its launch date is simulated based on the current index methodology. Results assume immediate reinvestment of all dividends and exclude costs associated with investing in the ETF and taxes. You cannot invest directly in an index. Past performance is not a reliable indicator of future performance of the QUAL Index or QUAL.

we saw in Chart 1 above and can see in many of the calendar years in Chart 2 where the light blue contributes (or detracts) returns.

Exceptions to the rule

While long-term equities investors have the timeframe to withstand currency fluctuations, it is a very different story for investors who rely on regular income from their portfolio and whereby currency movements can have an almost immediate and undesirable impact. This is why a currency-hedged approach to asset classes traditionally associated with income, such as global infrastructure (e.g. ASX: IFRA), international property (e.g. ASX: REIT) and global listed private credit (e.g. ASX: LEND), is ideal. This hedging ensures income generated offshore is not offset by currency movements.

Conversely, when investing in gold, an unhedged approach may make more sense as there is low correlation between the price of gold and AUD/USD price movements. Because the two are uncorrelated there is no investment rationale to hedge your gold and gold miners exposure back to Australian dollars.

Opportunities on ASX

VanEck has a range of hedged and un-hedged international equities ETFs that allow investors to position their portfolio according to their views on currency movements. The decision to manage currency exposures can also be made through a blend, e.g. 50% hedged and 50% unhedged.

Opportunities include:

- International quality large and mid-caps via ASX: QUAL and ASX: QHAL
- International quality small caps via ASX: QSML and ASX: QHSM
- International value companies via ASX: VLUE and ASX: HVLU
- US wide moat companies via ASX: MOAT and ASX: MHOT

Key risks: an investment in these ETFs carries risks associated with: ASX trading time differences, financial markets generally, individual company management, industry sectors, foreign currency, currency hedging (hedged funds), country or sector concentration, political, regulatory and tax risks, fund operations, liquidity and tracking an index. See the respective PDS for details.

Any views expressed are opinions of the author at the time of writing and is not a recommendation to act.

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Pushing data to the limit

By Eric Kuah, Chief Global Market Data Officer, Iress

The phenomenal uptake of artificial intelligence in financial markets was always going to be a given. After all, what's not to like about faster, cheaper insights gleaned from bigger-than-ever datasets? It was especially so with the emergence a couple of years ago of the next step – generative AI.

While gen AI may sometimes behave like an overconfident teenager, there is no argument that it replenishes a battle weary capital markets sector with energy, and introduces new ways to gain ground lost to the challenges of intense competition and regulatory pressures.

So, in a sector driven by technology and all of its latest innovations, it can be easy to overlook the people component. Data is king but it is still people who make the difference.

Clients tell us that while they might be confident about their trading strategies and technology, more than ever they are focusing on robust training and ongoing change management capabilities to make sure their people understand and are on-board with the increasing complexity and significant transformations taking place.

We are also seeing an interesting change in conversations about data quality, which are moving from the middle to back office and right up to the C-suite. A few years ago we would have been dealing with the head of data procurement on pricing. Today, chief revenue officers and chief AI officers want to be in the room to set value creation and value capture imperatives to focus more on source data quality as it sets the foundation for the source code.

Sharing knowledge and skills

One important trend has been our clients' move to reinvent themselves in the face of competition from fintech startups as well as the challenges of new and changing regulations and constantly evolving technology.

We are seeing more interest in buying or renting off-the-shelf solutions that are not core to the business (such as customer relationship manager (CRM) software). But when it comes to core capabilities, there is increasingly a preference to develop custom solutions collaboratively rather than using a ready-made product.

While there are benefits to buying infrastructure outright – such as rapid deployment and usually predictable costs – there remains much to like about building your own. It's not only the chance of endless customisation but there are significant efficiencies in having control over system updates, security and maintenance, and in creating a competitive advantage.

Despite compelling arguments for both buying and building, the fact is infrastructure decisions are no longer confined to one or the other. We are seeing more hybrids that marry best-of-breed solutions from the market with clients' own builds. A hybrid approach balances custom solutions with ready-to-use products, helping to manage costs and mitigate risks.

This approach can lead to deep-rooted partnerships that take the best of knowledge and skills from all parties to create data insights that allow clients to reimagine their offerings and deliver more hyper-personalised products. It means that differentiation is about connecting ideas, relationships and capabilities, not just the ability to outspend.

Real-time demand

The demand for market and transactional data has never been greater, and the need for real-time market data is increasing, driven partly by continued regulatory and compliance pressure.

Our clients are asking for readily available access to market and transactional data and audits either through our data lakehouse or moving to a self-serve model and ingesting data into their own lakehouses to run regular reporting or answer regulator queries.

It is quite a difference to just 12 months ago when delayed information – T+1 or end-of-day (EOD) was enough. An example of this is sanctions data rules. Previously, sanctions breach monitoring was run EOD as a report and often post-trade. Now clients are being pushed to look at "near-real-time" capabilities and alerts. Regulators, too, are helping to drive the transformation by requiring real-time data for compliance assessments.

Of course, gen AI and machine learning are also delivering innovation in data interrogation. One area of interest is trade surveillance, where we are able to 'learn' the trading behaviour of dealers. From a compliance perspective, for example, that means we can spot anomalies and trigger a signal.

Trade surveillance is also used to generate alpha signals by providing long-dated high-quality historical data, and tick-by-tick information down to the microsecond. It also allows portfolio managers to very quickly change trading strategies, contingent on a more extensive data set that wasn't previously possible.

This chance to drive efficiency and improved decision-making is also playing out in a reengineering of business processes – saving costs as well as creating growth. For example, there are widespread moves to merge the functions of dealing desks and portfolio managers by leveraging gen AI. We're also seeing the use of gen AI to spin off new revenue streams, tailoring data assets to individual clients.

Looking ahead, copilot systems are expected to be a source of new growth and innovation. Without exception, our clients aspire to create a copilot to better serve their own clients by tailoring every single product and service to an individual rather than a segment.

Copilot systems rely on extensive and high-quality data sets delivered by stable and reliable infrastructure - a capability that Iress is proud to promote.

Navigating the complexities of global markets may depend on the data and integration of technology, but human expertise and spirit will make it happen in the right way and truly push the limit.

Ensuring true-to-label super investing

By Darin Tyson-Chan, Editor, selfmanagedsuper

Environmental, social and governance or ESG investing has been top of mind for many investors over the past decade or so. To this end, superannuation members have also placed increased importance on wanting to allocate their money to wealth-building options that are also beneficial with regard to other goals such as the betterment of society and the planet.

But this trend has also opened the way for what is now commonly referred to as 'greenwashing'. Basically this is a practice where a fund manager or superannuation fund claims to provide an ESG investment option when in reality the offering is not fit for purpose.

And it is an area that has been pretty easy to exploit as I have been provided with anecdotal evidence individuals do not really know what ESG really means. With regard to this situation, I have been told some people are satisfied if the critical three-letter acronym is included in the title of the product without going into any further analysis.

Even if the interest in ESG investing goes further than face value, it should be recognised it is not necessarily a category of investing that is easy to navigate. The question must be asked: how far does one apply the ESG filters with which they are comfortable? For example, should the stocks of a manufacturer known for underpaying its labour force be excluded? What about the shares of a company that uses an organisation in its supply chain that invests in, say, fossil fuels?

On many levels it is complicated, but on other levels it can be so much more straightforward. Well the clarity that is imperative for ESG investing to be true to label looks like it is on its way after the Australian Securities and Investments Commission (ASIC) took a large super fund to court over the issue of greenwashing.

The action saw Mercer Superannuation (Australia) Limited admit to making misleading statements about the sustainable nature and characteristics of some of its investment options and resulted in the Federal Court handing down a $11.3 million penalty to the organisation.

The misleading statements were part of the Mercer website with regard to the Mercer Super Trust in relation to seven investment options under the Sustainable Plus offering. According to the financial services organisation, this investment choice was aimed at fund members who are "deeply committed to sustainability". To this end, Mercer claimed the Sustainable Plus options did not hold investments in corporations involved in carbon-intensive fuels, such as thermal coal, alcohol and gambling.

However, in reality the Federal Court found individuals who chose to have an allocation to the Sustainable Plus offering were actually invested in 15 companies involved in the extraction or sale of carbon-intensive fossil fuels, a further 15 companies involved in the production of alcohol and another 19 companies involved in gambling. Certainly not something that can be brushed away as an insignificant oversight.

In handing down the decision, Justice Horan noted: "It is vital that consumers in the financial services industry can have confidence in ESG claims made by providers of financial products and services. As is the case in many other industries, consumers may place great importance on ESG considerations when making investment decisions. Any misrepresentations in relation to ESG policies or practices associated with financial products or services, whether as an aspect of 'greenwashing' practices or otherwise, undermines that confidence to the detriment of consumers and the industry generally."

No doubt the result has significant implications for the financial services industry in general, but it is particularly important in the superannuation context. Not every Australian has the luxury of having the resources to make discretionary investments, but just about every Australian has to make contributions to super and ensuring they are receiving what they think they are as far as share holdings is paramount.

The term 'landmark decision' can be used a little loosely in the accepted vernacular of society, but this one really fits this description. It signals ASIC's commitment to eradicate greenwashing and it will be interesting to see what the next development in this space will be and whether further egregious situations will be uncovered in the superannuation space.

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