

# Realigning the Institute's courses

A comprehensive review and redesign of the Institute's educational programs was undertaken last year to align Open Entry offerings with recent developments in national industry training packages and ensure the continued market relevance and recognition of the higher education award courses.

This review resulted in the restructuring of the Master of Applied Finance and Investment as a 12-unit course which progresses through Graduate Certificate and Graduate Diploma levels to the Masters qualification.

In addition, two new Graduate Certificate courses have been 'nested' within our two Graduate Diploma qualifications in Applied Finance and Investment and Financial Planning. The restructuring provides an early exit point for those wishing to gain postgraduate qualifications. Three new subjects are available from Semester 1, 2003. Our new Global Markets subject in particular has received widespread acclaim and take-up.

The Open Entry products have also been repackaged and adapted to better suit market needs and reflect other competitor product offerings. A comprehensive review of the product range resulted in the launch of a completely revised Diploma of Financial Services—Financial Planning, the introduction of an Advanced Diploma of Financial Services (Financial Planning), the introduction of a Diploma of Financial Services for Stockbrokers and the revision of the Diploma of Financial Markets.

An extension of the current accreditation of the Diploma of Mortgage Lending was achieved pending the development of nationally endorsed competency standards for the sector.

In-house corporate solutions were developed for ASIC PS 146 Tier 1 and Tier 2 competency requirements with a

number of variants to suit specific client needs. This now gives the Institute the best financial planning product range of any provider in the market place. The Institute also developed a suite of seven learning programs to meet ASIC competency requirements.

## ***Improved learning resources for students***

Online 'subject rooms' continue to provide increased learning support for students undertaking Institute courses. 'Rooms' have been built for each subject and currently house relevant resources such as additional reading, reflection and self-assessment exercises, learning activities, and compulsory assignments. They are essential adjuncts to the educational programs.

## ***Registered Training Organisation***

Following an external audit against national standards by the NSW recognition authority, the Institute was approved to continue to operate as a Registered Training Organisation until 2007.

## ***Advocacy***

The Government has flagged that it will be considering two controversial issues in 2003: the mandatory bid rule in takeovers and the 5% rule for calling an extraordinary company meeting—two issues the Institute has pursued from a policy perspective.

The Institute has always been a strong advocate of the mandatory bid rule, which we believe will promote a more competitive market for corporate control for the benefit of both shareholders and the Australian economy. It will allow a bidder to acquire more than 20% of a target company's shares as long as the bidder then makes a comparable takeover bid for all remaining shares.

The Institute has previously supported a CASAC recommendation that the 5% rule be the sole test for



**BRIAN SALTER**  
SIA (Aff)  
Chief Executive  
Officer

# 2002 Review

2002 was a year of change and achievement for the Institute: change that promises to stabilise and strengthen it for future growth and an even greater contribution to the industry we serve through our mission to raise industry standards. Our vision of the Institute as a unique source of intellectual capital, supporting and educating ethical financial services professionals, is both challenging and compelling. We are well placed to pursue our goals.

Significant outcomes for the year include:

- The election of a new national president and appointment of a new CEO;
- Development of our three-year strategic plan;
- Finalisation of a new national

management restructure and executive team;

- Delivery of a responsible financial surplus of \$2.7 million;
- Building our reserves to \$10.5 million;
- Solid growth in membership numbers to 10,138;
- Strong growth in student numbers to 18,745 (comprising 12,980 award course and 5,765 short course and in-house students);
- Effective advocacy and influence in seven key industry policy initiatives covering industry legislation, principles and practices;
- Organisation and hosting of the Institute's first industry conference, the Australasian Investment Management Conference (in conjunction with the AIMR and its local chapters);
- Delivery of 75 seminars nationally, headlined by the ASIC Speaks series which alone attracted more than 3,500 attendees;
- The Prime Minister's Luncheon event (co-hosted with the ICAA) drawing

more than 500 attendees—the highlight of our numerous luncheons and corporate briefings throughout the year;

- Restructuring of our postgraduate award courses into more contemporary and relevant programs;
- Fundamental reshaping of our open-entry award courses, enabling early adoption of the ASIC-endorsed Financial Services Training Package;
- Reaccreditation from recognition authorities for our education status and education courses;
- Upgrading of our website—setting new standards in information and education delivery to members and students;
- Deepening established alliances (ICAA & AIMR) and building relationships for potential new alliances (SDIA & AIBF);
- Finalisation of our 2003 budget well in advance of year end and completion of our Operational Business Plans for the coming year;
- Further progress in developing our Operational Risk Management Plan.

requisitioning an extraordinary company meeting. This would remove the 100-member rule, which allows 100 members entitled to vote at general meetings to requisition a meeting—an inequitable provision which empowers minority members out of all proportion to their economic interest in the company.

The Institute previously gave qualified support to a proposal for a square root rule which would require members to have some minimum economic interest in the company. However, as this solution is no longer an option, the Institute will liaise with other key industry bodies to find a balance, which would protect both the rights of shareholders to have matters addressed and the need for directors to effectively run the company.

The Institute will also seek to have the 15% in 12-months threshold in Listing Rule 7.1 revisited as part of a wider review to be conducted by ASX this year. With the trend for jumbo

placements, we believe the market may support an increase in the threshold to 20%.

### *The Institute received a positive response from Fellows to the request by ASIC for experienced practitioners to act as expert witnesses in court proceedings.*

#### **Register of expert witnesses**

During 2002 the Institute was approached by ASIC for advice on the sensitive issue of securing experienced practitioners to act as expert witnesses in court proceedings.

We were very pleased by the positive response to this request and have given ASIC the names of more than 40 Fellows who indicated their preparedness to act as expert witnesses. We were also pleased by the number of Fellows who,

although unable to make that commitment, nevertheless supported the initiative.

### **Company Reporting Subcommittee meeting**

The Institute's Company Reporting Subcommittee met in February to consider two important matters. The Subcommittee considered a draft accounting standard on Share-based Payment (AASB ED 108/IASB ED 2) as part of the international harmonisation of accounting standards.

The Subcommittee also discussed a revised draft of "Principles of Good Corporate Governance and Best Practice Recommendations". The revised draft was prepared by ASX following input at a meeting of the Corporate Governance Council in late December.

The Institute is an inaugural member of the Council and is also represented on the Integrity of Reporting Working Group, one of seven Working Groups established to develop best practice

corporate governance principles for release by the Council in March.

#### **Ongoing policy issues for 2003**

- Financial reporting issues in company reports;
- Analysis of the practical application of proposed AASB/IASB accounting standards;
- Comment and analysis on CLERP 9 draft legislation;
- Analyst and research independence, in consultation with industry bodies and regulators;
- Corporate governance and ethics.

#### **PD events and recording of PD points**

The ASIC Speaks Professional Development series was again presented over February and March around the country with the support of a number of other industry bodies. APRA participated in a seminar in Sydney on mortgage lending practices. Please check the Institute's website at [www.securities.edu.au/members/members\\_events.asp](http://www.securities.edu.au/members/members_events.asp) regularly to keep up-to-date on the full program of PD events planned for the months ahead.

A statement of PD points will be available to all members of the Institute as part of their membership renewal in May 2003. This will be in respect of the 2002 calendar year, and will contain PD points for all award courses, public training, seminars, luncheons, corporate briefings and showcases.

As practitioner activities are being recorded from 1 January 2003, a statement of PD points showing practitioner activities will be available for the 2004 membership renewal in respect of the 2003 calendar year.

#### **Membership services and benefits**

The Goldman Sachs report on the US economy remains available for members until the end of March 2003. Access to this is via the members' news page of the Institute's website ([www.securities.edu.au/members](http://www.securities.edu.au/members)).

We remind members of benefits available via the website

([http://www.securities.edu.au/members/members\\_benefits.asp](http://www.securities.edu.au/members/members_benefits.asp)) such as the Fairfax publications offer, access to SkillSoft online PD courses, purchase of taxation course notes for graduate members, Special Interest Groups and the discussion forum. Other benefits are being negotiated at present and members will be alerted to their availability via email.

#### **Strategic partnerships**

Courses for financial planners were provided to the Institute of Chartered Accountants in Australia, and a new project commenced with the Indian Institute of Bankers to develop three subjects within its Diploma of Financial Counselling.

Reflecting the work undertaken with regulators in Australia, the Institute partnered with the Capital Market Development Authority in Fiji to develop licensing exams for stockbrokers, dealers and investment advisers.

A continuing partnership with ACIL to provide an expert team in Indonesia for an AusAID-funded project to develop the Indonesian bond market is progressing at a satisfactory rate. Following the successful first Government issue in October 2003, a training course has been developed for senior Ministry of Finance staff.

The Institute participated in the federally subsidised Axiss Roadshow to China, led by Axiss CEO Les Hosking. Presentations regarding the Institute's capabilities were delivered to large audiences in Beijing, Shanghai and Shenzhen. The roadshow is to be repeated in April 2003 and potential strategies and partners are being investigated. ■

## Letter to the Editor

Dear Sir,

I have read Peter Leodaritsis' article in *JASSA* (Summer 2002) and am pleased that someone from within the industry has been prepared to be open about the issue of investment banking ethics.

I have spent over 40 years in the securities industry, most recently, until early 2000, as head of retail at Ord Minnett.

My interest and concern is the obvious deterioration in confidence in the integrity of equity markets, evidenced by investors voting with their feet and exiting the share market.

I am sceptical that externally imposed regulation will provide the necessary changes and, like you, consider that the better outcomes will evolve from the industry, i.e., investment bankers, brokers, analysts, fund managers, SIA and ASX and the regulators, all of whom have a vested interest, showing a willingness to work with government to change a culture that has so seriously undermined confidence in the industry.

In my opinion, the bear market has masked and accentuated a major loss of investor confidence. ASX is the obvious candidate to show the leadership role of which you speak.

Good luck in the cause.

Charles Moore

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## The JASSA 2002 Editorial Awards

The **2002 JASSA Prize** for the best paper published in JASSA has been won by **Phil Graham ASIA** for his article, "Do active managers really outperform?" published in Summer 2002. The judges considered this the best original article for 2002 on the basis of its fresh approach to an old debate.

Phil, who works with Access Economics in Melbourne, describes his starting point in preparing the article as a desire to point out that comparisons should compare like with like, and considers that his consulting background allowed a relatively unbiased position to further the debate.

He notes that the enhanced index area of the investment marketplace has been steadily growing and gathering funds, but has been ignored to date in the active/passive debate. Research has mostly shown an active manager focus, but not the other sectors, and he aimed to introduce this broader focus into the debate.

Phil works in the Investment Advisory Group of Access Economics, focusing on market portfolio managers, both equity and bond. He was previously employed by the Queensland Investment Corporation, ANZ (in both the securities and economics areas) and the Reserve Bank of Australia.

Phil's ASIA status was earned by his active involvement in Institute lecturing and taskforce activities over a number of years. We congratulate Phil on his winning the 2002 Prize

and for his contribution to the active/passive debate.

### Merit awards

**Martin Gold ASIA** and **Dr Paul Ali**, joint authors of "Analysing the cost of ethical investment" published in Spring 2002, have been awarded JASSA Merit awards.

This article summarises findings from research into the returns from socially responsible investment (SRI) strategies, as opposed to overall market returns. This research analysed the central proposition of SRI—the ability to invest for good without a financial sacrifice—and also evaluated the differing methods used by local SRI portfolio managers.

This article and the underlying research monograph have attracted a significant amount of press coverage and industry discussion since mid-2002, but as yet no-one has disproved the authors' proposition. JASSA would be glad to receive such a submission.

Paul and Martin have co-authored (with Dr Geof Stapledon) a new book entitled *Corporate governance and investment fiduciaries* (Law Book Co, 2003). The book covers the operation of investment fiduciaries, and the practical relationships among scheme trustees, fund managers, custodians, share registrars, listed companies, and—at the end of the food chain— private investors.

Also included are the accounts of newer investment arrangements such as hedge funds, as well as the legal

principles which govern the operation of the investment structures.

Martin is currently dividing his time between Stellar Capital and completing a PhD at the University of Wollongong. Paul is currently a senior lecturer at the Faculty of Law, University of Melbourne.

Also awarded a JASSA Merit award is **Dr Martin Lally** for his article, "Estimating the cost of Australian equity capital", published in Winter 2002. The article shows that, if Australian equity prices are determined internationally, then the appropriate model for estimating the cost of equity capital is an international version of the Capital Asset Pricing Model rather than the widely used Officer model, and the resulting cost of equity for a typical Australian stock would be lower by three to five percentage points.

Currently associate professor in the School of Economics and Finance, Victoria University of Wellington, New Zealand, Martin's interest in cost of capital issues dates from the introduction of dividend imputation in New Zealand in 1988.

A model he developed at that time for determining the cost of equity capital (in the presence of dividend imputation and preferential tax treatment of capital gains) is now the generally employed model in New Zealand. More recently, Martin has acted as an adviser on cost of capital issues to both the Commerce Commission in New Zealand and to the ACCC (and some of these papers are posted on their websites).

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