

To this end we have established a dedicated PD team within our Knowledge and Learning Development department to draw on and leverage the intellectual property embedded in our award education programs. The team's objective is to create opportunities for practitioners to continually update their technical skills and participate in readily accessible learning activities of topical interest.

A deeper commitment to the financial planning sector featured strongly in our strategic planning last year and promoted the development of a range of new award education offerings at open-entry and postgraduate level—launched at the commencement of 2003.

Recent industry disquiet generated by the high profile and highly critical

ACA/ASIC survey has firmed our resolve to support professional financial advisers more fully.

It is becoming increasingly clear that education alone is an insufficient basis for the Institute to assert its presence and further the cause of raising industry standards in the sector. We are currently engaging in discussion with a wide range of industry leaders and practitioners, canvassing the options and possibilities for more fulsome Securities Institute representation and advocacy.

In addition to those strategic objectives we are pursuing an international agenda that aims to position the Institute as a credible, highly regarded global organisation with a strong market presence in Asia.

We have some 1500 students who study with the Institute via distance

education from over 50 countries worldwide. Our project work in developing economies under the auspices of agencies such as AusAID and the Asian Development Bank is gaining acclaim. Groundwork laid down during 2002 is producing an impressive series of activities in South East Asia, enhancing the stature of the Institute both domestically and abroad.

We are also cementing productive education and membership alliances, extending the Institute's reach through collaboration with like-minded organisations. Our long-standing relationship with the Institute of Chartered Accountants in Australia (ICAA) is a prime example of the productive and mutually beneficial alliances that we have fostered both locally and internationally. J

A year of growth

The Institute is gaining more members and while education remains a core business, it is also necessary to become a stronger advocate on a range of industry issues.

It is a pleasure to report another profitable year, with a net surplus of \$2.6 million for the year—compared with just over \$3 million in 2001. This is particularly pleasing in light of the uncertainty in financial markets, resulting in pressure on enrolments in the Institute's traditional courses.

However, membership grew by 10% to 10,138 members at year-end which is a pleasing result.

We are also grateful to the committed involvement of industry practitioners in our educational endeavors as this is the major factor which differentiates the Institute's courses from other educational offerings for the industry. Our thanks goes to the more than 1400 practitioners who so willingly lecture, present training courses, write materials,



serve on task forces, committees, and Regional and National Councils. Without their expertise and contribution the Institute would be unable to provide such high quality courses.

It is also pleasing to inform members that the Scholarships for Disadvantaged

Students—two scholarships a year (one in open entry and the other in postgraduate) will be available through the Smith Family Learning for Life Program. They will be known as the "Roslyn Allan Scholarships" in recognition of Roslyn's 20 years as Managing Director of the Institute.

POLICY

The Institute has again been active on a number of key policy and regulatory issues facing the industry. A submission was made on CLERP 9 advocating a principles-based approach to corporate governance. We also achieved capital gains tax rollover relief for companies demerging.

A series of "President's Forums" was introduced in 2002. Industry and community leaders gathered, giving us

an opportunity to survey expert opinion on industry policy and practice. Open and frank discussion provided a valuable supplement to membership polling on important and sensitive issues.

CORPORATE GOVERNANCE

Councillors held the third formal performance evaluation in November, and these discussions provided a review of performance and identified issues for further improvement in the forthcoming year.

Risk management and compliance has been an area of focus throughout the year, with the development of a risk management program which is being implemented in 2003.

ADVOCACY

I want to highlight some of the more important advocacy issues that the Institute has been heavily involved with in the past year and to give some further indications of future directions and agenda items.

Every initiative that the Institute is involved in is measured against our mission of raising standards in our industry. If something will not help raise the standards then we should not do it and we probably won't.

If it has the potential to help meet this ideal then management and the council prioritises it.

The past year has been particularly challenging in the external environment. We are in the centre of significant regulatory change, which is the by-product of the long bull market and the now three-year-old bear market.

The fallout from corporate collapses has been widespread and while individuals in the markets are tiring of this theme the politicians and public are not.

As investment professionals we must realise that our constituency has broadened very significantly in the past decade, with compulsory superannuation and a number of large privatisations, which have all increased the profile and impact of the financial market and how it works and how it is viewed.

The Institute had foreseen where this was going to head and, as a result, the Council put us on the front foot with the launch of the Best Practice Guidelines for Research Integrity in November 2001.

The position taken by the Institute was to work with Government and the regulators (ASIC and ASX) to lobby for changes to our system that were not black-letter-law based, but which were based in common sense designed from a practical market participant's position with well-articulated guidelines against which practices could be measured.

Our objective was not to have the market encumbered with a new set of unworkable regulations which imposed costs and which were of little real benefit but looked good in the press.

Subsequently, the Institute was invited by the ASX to be a foundation member of its Corporate Governance Council. The work of that Council culminated with the release of the Principles of Good Corporate Governance and Best Practice Recommendations.

There were ultimately 21 organisations which had significant input into those guidelines and I can tell you there was plenty of robust debate about each and every point. Some wanted far more prescription, some wanted far less.

In the end we were delighted by the principles. We think that they are practical and balanced. We also think that there is one principle above all others which is particularly important, and that is the recommendation that the chairman should be independent. This has received the most critical

comment in the market place so far and I am addressing it because of this.

What was sought was a framework that was workable and took into account the needs of the great range of companies listed on the ASX and the range of investors. One approach would have been to attempt to ban executive chairmen; another would have been to take the reference out altogether and not address the issue. Both were unwise or unworkable. So, what we have is a position where non-executive chairs are preferred but if any company chooses not to have one then all they need do is tell the market, and investors will judge. Undoubtedly if the track record of the dominant individual is good then their companies will be backed and marked up. If not then they will be marked down.

From our perspective we encourage a rigorous regime of continuous disclosure because an informed market creates market confidence and greater investment.

What we definitely do not need is a new layer of law which cannot, by definition, aid the market in these issues. The Federal Government has made it clear on more than one occasion that if we in the market did not take this whole issue seriously and come up with a better way forward, then we would have to live with a far more prescriptive system.

The Institute has played its role in this important initiative and although time will be the judge, I think we have helped keep the balance about right.

Ian Neal FSIA
National President
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