Stockbrokers Association of Australia
Incorporating SDIA

ASIC Consultation Paper 200
Managed Discretionary Accounts: Update to RG179

Submission

13 May 2013

Executive Summary

The Stockbrokers Association of Australia provides the following submission on CP200. In summary:

- the **family accounts exemption** should be clarified and arguably should only apply to market participants
- ASIC is commended for reverting to the current **financial requirements** for market participants
- certain **disclosure** proposals are unnecessary
- there should be no restriction on dealing in **non-recourse products** in an MDA
- there are certain scenarios that need not be the subject of ASIC guidance. For example, the issue of a **client's capacity**, and the requirements upon the **separation of a staff member** from his/her spouse is a matter for general legal principles and business practice in the ordinary course, and
- ASIC should resist the temptation to introduce requirements and **'regulate by guidance'** in its policy statements.

The Stockbrokers Association of Australia would like to provide the following comments on proposals in Consultation Paper 200 to update RG179: Managed Discretionary Accounts.

B1. The Family Accounts no-action letter

B1Q1 Do you agree with the proposal to continue to exempt AFS licensees from the requirement to obtain MDA operator and MDA advice authorisations on their AFS licence if the only MDA accounts they operate are MDA accounts for their family members or the family members of their representatives? Why or why not?

We understand that ASIC would now like to consolidate all its policy on MDAs in one regulatory statement (RG179) and one class order (CO04/194). In 2004, after the release of Policy Statement 179, we raised a serious issue with ASIC as to the effect of the MDA policy on staff members' family accounts operated by staff[1].

ASIC Policy Statement 179 provides that:

> *If arrangements under which a person carries out discretionary trading as an agent of another person are private arrangements (e.g. private arrangements using a power of attorney given by a family member), they may not be covered by our policy. This is because the person may not be carrying on a business to attract the licensing requirements under the Corporations Act.*
>
> > *Note 1: However, if a representative of a licensee undertakes discretionary trading on behalf of a family member of the representative, that trading would generally be part of the financial services business conducted by the representative's principal (i.e. the licensee).* (PS179.17)

(In due course on the renaming of regulatory documents by ASIC in 2006, PS179 became RG179.)

There is contradiction between PS179.17 and *Note 1* set out above in relation to interspousal/inter-family accounts. Accordingly, we sought clarification from ASIC about whether *Note 1* means that if a Member's employee has authority to trade for a spouse or dependent family members, the MDA requirements will be triggered. (But for the inclusion of Note 1 by the Commission, PS179.17 alone would appear to allow inter-family accounts to be operated, without the MDA provisions being triggered.)

We emphasised to ASIC at the time the large number of accounts across the industry that would be affected by this policy, particularly **spouse accounts**. This policy would mean that where an adviser or other employee of a licensee has authority to place discretionary orders

[1] Securities and Derivatives Industry Association *Letter to Mr J Lucy, Chairman, Australian Securities and Investments Commission* 10 November 2004

on his/her spouse's account, the account would need to be operated as an MDA. Therefore, the licensee would need to comply with all of the ASIC MDA requirements as to documentation, audit, etc.

The effect of this view by ASIC would be particularly felt by those firms, which do not otherwise - and have no intention to offer - a Discretionary Account service to clients. Feedback from members suggests that most of our Principal Member firms operate accounts in this manner, and that the total number of actual accounts would be in the thousands.

The consequences for our membership would include:

- the cost and inconvenience of wholesale reconfiguration of accounts back to the employee's name against the wishes of the staff member (and their spouse); or
- (if such accounts are to continue to the operated) urgent action, cost and inconvenience to obtain authorisations to run MDAs when it is not part of the business plan of the firm.

After raising the issues with PS179.17 and Note 1, on 8 December 2004 ASIC issued its 'family accounts' no action letter, which stated in part:

> *Until ASIC advises you further, ASIC does not intend to take enforcement action for failure to comply with the provisions from which relief is given under the MDA policy or have appropriate license authorisation against a licensee. This applies only when the non-compliance is merely because the licensee's representatives provide discretionary trading services to their immediate family members.*

The current review is an ideal opportunity to clarify the Commission's position.

Although the wording of the Family Accounts No-Action Letter (Paragraph 31) was worded generically (i.e. its offer of no enforcement action was directed to AFS Licensees generally, not just ASX Market Participants), it was particularly relevant to ASX Market Participants because staff and their related Family Accounts were obliged by the ASX Business/Market Rules to deal through the ASX Market Participant. This prohibition on dealing elsewhere has eased over the years, but it remains a common requirement as a matter of internal compliance policy at many ASX Market Participants.

In essence, a parent is dealing on their own account (i.e. Representative A/C Child), which is exempt from the definition of Dealing Service (Section 766C). The child, in their own right and although a trusteeship exists, can't be a client of the Principal and therefore he/she can't be a third-party.

If the Representative deals on behalf of a legally competent spouse, the presumption in the first instance should be that the dealings are done in a private capacity (as a client rather

than Representative of the Licensee). Like any third-party authorised to place dealing instructions on someone else's account, the Representative may deal in the name of his/her spouse (i.e. use the spouse's account). That third-party authorisation is documented, usually explains the associated risks/obligations, and is signed by both the account holder and the authorised party. The Representative, in their private capacity, may be authorised to deal as they please or may only be acting as directed by the spouse. There may or may not be exercise of discretion on the part of the Representative in their private capacity. Analysis of this scenario cannot exclude the significance of spouse status in tax and marital law. Marital law recognises property-in-common, despite who appears on the legal title (or who has beneficial ownership). Tax law permits a household to arrange affairs on the basis of marginal rate differences.

This analysis of dealings on behalf of a legally competent spouse can be similarly applied to dealings on behalf of the Family's Family Company or Family Trust.

We maintain that *Note 1* serves no purpose and should be removed from RG179.17.

Application to other than Market Participants (Ref B1Q2)

B1Q2 Should this proposal (to revoke the no-action letter and exempt licensees for family accounts) be limited to certain types of MDA arrangements or certain types of MDA operators (e.g. MDA operators that are market participants)? If so, please outline the limitations you would recommend and why.

This is entirely a matter for ASIC, but we submit that ASIC could take greater comfort in limiting the proposal to market participants than the wider class of AFS licensees.

There are recent examples of the differential application of certain requirements to market participants as opposed to other licensees. The 'Stockbrokers Carve-Out' from the conflicted remuneration provisions of FOFA in Regulation 7.7A.12D applies only to market participants, in recognition of the higher management, capital and supervision requirements under the Market Integrity Rules. The regulation is set out below:

> **7.7A.12D Brokerage fees given to representatives**
> (1) A monetary benefit is not conflicted remuneration if:
> (a) the benefit consists of a percentage, of no more than 100%, of a brokerage fee that is given to a provider who is a trading participant of a prescribed financial market; and
> (b) the provider, directly or indirectly, gives the benefit to a representative of the provider.
> *Note* The definition of ***prescribed financial market*** is in regulation 1.0.02A.

One of the main reasons for granting the Stockbrokers Carve-outs in the first place was the superior management and supervision requirements that apply to market participants. We

have previously provided extensive detail of these requirements, and in particular the measures to address and prevent churning. This remains the case.

As Stockbrokers, our members are subject to higher levels of regulation under the Market Integrity Rules than other licensees who may advise and deal in securities. The Market Integrity Rules contain most of the rules on trading on a licensed market that used to be contained in the ASX Market Rules, including rules on management and supervision (including Responsible Executive Requirements), liquid capital, accreditation, client relationships, record keeping and trading. These are far in excess of the requirements for other licensees under the Act. Moreover, contraventions of the Market Integrity Rules can carry a maximum fine of up to $1m.

Therefore, it would seem appropriate to limit the family account exemption to those licensees that are subject to the Market Integrity Rules.

B2Q1 Do you agree with our definition of 'family'' (i.e. the spouse and/or children (as defined in s995-1 of the *Income Tax Assessment Act 1997*)? If you think 'family' should be defined using an alternative definition, please supply that definition and outline why it is preferred.

The definition from the *Income Tax Assessment Act* is attractive in its simplicity. Market Participants are familiar with other definitions of 'immediate family' and 'connected person' from the Market Integrity Rules[2]. The introduction of the notion of 'dependence' to the definition of children may assist to confine the definition to those whose accounts are truly an extension of the representative him/herself.

B3Q1 Do you agree with our proposal that AFS licensees that operate family accounts and rely on our licensing relief will need to maintain adequate professional indemnity (PI) and fraud cover, as required by condition 1.27 in [CO 04/194] and by Regulatory Guide 126 Compensation and insurance arrangements for AFS licensees (RG 126), and which covers the provision of family accounts by the licensee or its representatives? If not, please outline why this PI and fraud cover is unnecessary.

Market participants are already required to have adequate professional indemnity insurance to cover losses to clients[3]. Additional cover for family accounts of staff members would not be necessary.

B3Q2 Do AFS licensees who are currently providing family accounts in reliance on our no-action letter already hold PI and fraud cover which covers the actions of their

[2] ASIC (ASX Markets) Market Integrity Rule 1.4.3 & 5.4 respectively
[3] ASIC (ASX Markets) Market Integrity Rule 2.2

representatives in operating family accounts? If so, how simple or difficult was this cover to obtain?

See B3Q1

B3Q3 Will the proposed PI and fraud cover impose additional costs on your business? If so, please identify the type of costs, their value and whether they would be one-off costs or ongoing.

See B3Q1

B3Q4 Do you think the proposed PI and fraud cover will provide compensation arrangements that sufficiently reduce the risk the spouse has become separated from the licensee or its representative, the discretionary authority will cease to have effect, unless, subsequent to the separation, the relevant spouse gives their consent for the discretionary authority to commence or continue? If not, please outline what other requirements, if any, should be in place to manage family accounts in the event of a relationship breakdown.

See B3Q1. This is not a scenario that needs to be the subject of specific ASIC guidance or requirements.

C1. Financial Requirements

C1Q1 Do you agree with our proposal that MDA operators should be subject to similar financial requirements to those that apply to the responsible entities of managed investment schemes? If not, why not?
C1Q2 Do you agree that this proposal is appropriate, given the level of risk carried by MDA operators? Why or why not?
C1Q3 Are there any practical problems with the implementation of this proposal? If so, please give details.
C1Q4 Are there any circumstances in which the proposed financial requirements should not apply? Please specify.

The applicable financial requirements for market participants – including those that offer MDAs - are set out in the *Market Integrity Rules.* They are specifically carved-out of the requirements of RG166, because they are superior to those which apply to 'normal' licensees.

We were somewhat surprised therefore, that it appeared that the proposals in CP200 would change the current situation, and apply additional requirements.

We were therefore very pleased to be advised by email from ASIC on 24 April 2013 that:

> *…the proposed financial requirements do not apply to market participants or clearing participants as currently defined in Pro Forma 209 Australian financial services licence conditions.*

We thank the Commission for clarifying its position in this regard.

D. Documentation and Disclosure within the MDA

D1Q1 Do you agree with our proposal to introduce an explicit requirement for the investment program to contain an investment strategy? If not, why not?
D1Q2 Do you agree with our proposed clarification that personal advice about the MDA must state that the MDA contract including the investment program is appropriate to the client's financial situation, needs and objectives? If not, please explain why.
D1Q3 Are there any other aspects of our investment program, MDA contract or SOA requirements that need clarification or refinement? If so, please provide details.

We have no objection to the proposed clarification that Personal Advice about the MDA must address the suitability of the MDA Contract including the Investment Program.

Many other clarifications or refinements of CO 04/194 are required. To the extent the FSG must refer to certain aspects of MDA Contract and Investment Program content, more flexibility should be afforded to the MDA Operator (or External MDA Adviser, in the case of the Investment Program) regarding where the specified content appears. And although the Investment Program has always been, and is to remain, included as a Term & Condition of the MDA Contract, being a SoA, it has a different (and therefore, dual) purpose.

The Investment Program, whether prepared by the MDA Operator or not, must comply with (and include a statement to the effect it complies with) SoA dispatch/supply and content requirements. The latter oblige the SoA to be badged as such. Why specify this statement when the Investment Program must be titled a SoA and meet content requirements for a SoA?

The Investment Program must be reviewed at least once every 13 months, triggering a SoA in compliance with Subdivisions C and D of Division 3 of Part 7.7 CA (Conditions 1.19, 1.20 and 1.21 of CO 04/194). The Annual Reporting requirements (linked to the Financial Year ending 30 June) specify the inclusion of a SoA or particular statements regarding a SoA previously provided (Condition 1.31(d) of CO 04/194). It should be made clear the interaction between the Annual Review and the Annual Reporting. This should be described in the FSG.

D2Q1 Do you agree with this proposal (i.e. to clarify that the FSG and MDA contract must contain information about the fees and costs of the MDA in a manner that is consistent with Sch 10 of the Corporations Regulations)? If not, why not?

D2Q2 Do you think that this proposal will assist investors to more easily compare different MDAs, or an MDA and an alternative investment?
D2Q3 Do you think that this proposal will assist investors to make better, more informed decisions about whether to invest in an MDA? Please explain your views.

Only summary/general information should be specified for the purposes of the FSG. The detail should be left to the MDA Contract. There should be sufficient flexibility for the MDA Operator to design a termination transition which is appropriate to the complexity of the arrangements, holdings and strategy applicable to that MDA. There may be Derivative positions, holdings of Foreign Products, which may need time to be unwound or to provide direct access. Explanatory material should not be provided in a Contract (e.g. MDA Contract), and overly complex material should (??).

Disclosure of out-sourced functions ought not to include and software used by the licensee for reporting annually or quarterly under the reporting requirements under the MDA class order.

The existing annual audit requirements under the Class Order are extensive and provide adequate independent verification of the licensee's controls, including outsourced functions, for the protection of clients.

Accordingly, no further disclosure requirements are necessary. If outsourced functions are to be required to be disclosed in the FSG, it should only apply to truly outsourced functions carried out by third parties out of the day-to-day control of the licensee.

E1&2. Non-recourse Products within MDAs

E1 We propose to modify our conditions of relief under one of the three options listed below:
(a) in situations where an MDA operator may invest an MDA client's portfolio assets in non-limited recourse arrangements, the MDA operator is required to include a specific risk warning in the MDA operator's FSG and in each client's investment program, which outlines the additional risks to the client as a result of their MDA investing in non-limited recourse arrangements. The MDA operator will also be required to disclose in the investment program the degree of leverage that may be employed, the types of products used and the MDA operator's policies in relation to communicating and meeting margin calls and closing positions at a loss;
(b) in situations where an MDA operator may invest an MDA client's portfolio assets in non-limited recourse arrangements, the MDA operator is required to seek express consent from the MDA client on each occasion when the MDA operator is proposing to invest in such a product or arrangement, and not to invest in any such product or arrangement where express consent has not been obtained; or

(c) MDA operators are prohibited from investing retail client's portfolio assets within an MDA in non-limited recourse arrangements.	
E2 For the purpose of all three options outlined in proposal E1, we propose to define a 'non-limited recourse product or arrangement' as 'an obligation imposed on a person under an agreement to pay an amount to another person in the event of the occurrence or non-occurrence of something, where the rights of the other person are not limited to any property that the first person has paid or set aside as security for the payment, including property to be transferred by the other person to the first person on completion of the obligation under the agreement'.	E2Q1 Do you agree with our proposed definition of a 'non-limited recourse product or arrangement'? If you think an alternative definition should be used, please supply that definition and outline why it is preferred. E2Q2 Should the definition specifically exclude certain types or classes of non-limited recourse products or arrangements that involve lower risks for investors? If so, which investments should be excluded?

Proposal E1 presents three options for addressing concerns in relation to non-limited recourse arrangements.

CO 04/194 already requires disclosure of significant risks in accordance with the standard of disclosure expected in a FSG and SoA; namely, that the information be presented and worded in a clear, concise and effective manner, and to the level a person would reasonably require when deciding whether to acquire Financial Services (i.e. the MDA Services) as a Retail Client. We do not believe that additional black-letter regulation is required.

CO 04/194 also requires the Investment Program to have a *reasonable basis* in order to ensure the operation of the MDA Contract (in accordance with the discretions granted and investment strategy to be pursued) remains suitable personally for the MDA Client, given their Relevant Personal Circumstances. the Best-Interests duty will come into play on 1 July 2013 at the latest. Why should additional black-letter regulation be required? So much is already (and will continue to be) expected of an Adviser providing Retail Personal Advice in relation to such sophisticated and risky products. surely this type of concern is best addressed by a Surveillance/Compliance Program. While distinction must be made between limited, proportionate use of such products and their sole use for the purposes of a MDA, it would be difficult for the MDA Operator/External MDA Adviser to establish a *reasonable basis* for disproportionate use of these products.

Given the nature of this particular class of Derivative Products, and given CO 04/194 appears to exempt the MDA Operator (and External MDA Adviser?) from having to provide a PDS for the Product, the existing regulations provide ample scope for the Commission to achieve its preferred outcomes by means of Surveillance and Compliance Programs. FOS and PI insurers (i.e. Market mechanisms) would reinforce these preferences. Given the requirements for providing Retail Personal Advice, Conflicts Management and Retail Compensation Arrangements, the Commission (and FOS) has more than sufficient scope to influence the 'popularity' of the use of such non-limited recourse products.

In our view, banning is a clumsy and blunt solution. We prefer facilitation of informed choice. Much of the responsibility in this regard must fall on the AFS Licensee and the individual Adviser, but some must fall on the Retail Client. Specifying an additional and specific Risk Warning in the FSG and Investment Program may simply further discourage the Retail Client from reading the FSG and MDA Contract/Investment Program. And the Commission's approach to how the text should be presented, may be at odds with the style and approach of the material in use at the MDA Operator, requiring a rewrite or (if not rewritten) making the material less internally consistent.

Regulatory Guide commentary (the Commission's interpretation of the standard of conduct expected of AFS Licensees and Representatives acting in an efficient, fair and honest manner) could simply encourage (and recognise the benefits of) providing the PDS of more complex and risky products to the MDA Client. There could also be consideration of requiring Confirmations for all transactions conducted as a MDA being provided to the MDA Client directly (as ASX Market Participants are obliged to do). This allows the MDA Client to monitor dealings and performance.

The proposal for communication of policies regarding closing out of positions at a loss is impractical, ineffective and would not necessarily benefit the client. This is because MDAs are run on an individual, tailored basis, and action to close out positions on one portfolio may not be the appropriate action on another.

Products like Exchange Traded Options that are settled through a central counter party also have additional risk controls in terms of exposure limits, collateral requirements and transparent, on-market trading.

Disclosure of risk to retail clients already happens very effectively. This is especially the case for ASX trading participants, who are subject to additional and superior disclosure requirements than an ordinary licensee. This includes the requirements under Market Integrity Rules to provide the retail client with the relevant explanatory booklet (as well as the PDS) and the signing of a compulsory client agreement, both prior to any trading in ASX derivatives taking place. One of the client agreement's main functions is ensure that the client understands the risks in dealing in the particular product. Minimum accreditation of advisers (ADA1 or 2) is also required under the Market Integrity Rules, which offers further client protection.

In summary, provided that a broker's licence permits it to deal in a financial product, and as long as ASIC permits a product to be issued and offered to the public, there should be no restrictions on them being dealt in an MDA. The overriding suitability and duty to act in a client's best interest applies, and the broker is liable for any breach of duty. Therefore management and supervision of these activities must be strong. Therefore, no further guidance, exemption or regulation is necessary.

E3. Capacity/Incapacity of MDA Clients

E3Q8 Should ASIC address any other issues in our terms of relief in relation to MDA clients that lose legal capacity due to unsoundness of mind? Particular issues include: when ASIC should address relief for arrangements that have effect only on loss of capacity; when it is appropriate to provide information to the next of kin or guardians; nomination of alternative recipients in advance of incapacity; the obligations that should apply if a client resumes legal capacity; and whether the same provisions should apply to MDAs involving trusts rather than powers of attorney. Please outline why or why not these issues should be addressed.

No - capacity is an issue with all legal contracts and it is an extremely difficult area, particularly in the area of wills and estates. How is a stockbroker to make an assessment of a person's mental capacity, especially when in a discretionary account arrangement, by definition, the broker acts 'with discretion' i.e. without instructions for each individual transaction. This is an issue when engaging *every* client, not just MDA clients. ASIC does not need to express guidance in this area, as it is a matter that applies generally to doing business with the public and is handled by brokers on a case-by-case basis.

E4. Breach Reporting Requirements - timing

E4Q1 Do you agree with our proposal to increase breach reporting times (from 5 business days to 10 business days) to correspond with the breach reporting requirements in s912D(1B)? If not, why not?

Yes, we agree with making the breach reporting time consistent with the time stated in the principal licensee breach provision in s912D(1B).

E5. Regulatory Response to Breaches of MDA requirements

E5Q1 Do you agree with our proposed guidance concerning breaches of our conditions of relief (i.e. that we will consider the nature, scope and effect of any breach to determine a proportionate regulatory response)? If not, why not?

This is a matter for ASIC in each case. We would assume that ASIC's response in all cases would be proportionate to the nature, scope and effect of the breach.

E6. MDA Relief and Retail Clients

E6 We propose to modify the conditions of our relief to make it explicit that the requirements of our class order only apply to an MDA operator when it is providing an MDA

to a retail client, or to a custodian in a custodial arrangement under s1012IA that has been given instruction by a retail client.

We strongly support clarifying the conditions of relief and any guidance so that it is made explicit that they only apply to retail clients. For years it has been difficult to gauge from the Class Order and guidance as to whether they apply to wholesale clients in part, or at all. The Class Order should be framed generally to apply to retail clients, and if any part is to apply to wholesale clients, this should be made explicit. (In addition, the ASIC licence application process should be made clearer as to the authorisations and proofs applicable to retail and/or wholesale clients.)

F1. ASIC Guidance

F1Q1 Do you agree with our proposals to provide revised regulatory guidance on the scope and application of our MDA relief and guidance? If not, please explain why.
F1Q2 Are there any other topics which relate to the scope and application of our MDA relief and guidance where revised guidance is needed? Please provide details.
F1Q3 Do you agree with our proposals to provide revised regulatory guidance on what licence authorisations are required for different MDA activities? If not, please explain why.

We agree with the proposal to clarify the precise licence authorisations needed to offer MDA services. This will assist with the licensing process, and the ongoing compliance requirements – especially in relation to retail clients, and what is not required for wholesale clients.

F2Q1 Do MDA operators need ASIC guidance to assist them to comply with their obligations under [CO 04/194] and under s912A(1)(aa) in relation to conflicts of interest management?
F2Q2 Do you agree with our proposed approach to guidance on conflicts of interest management by MDA operators?
F2Q3 Are there any other topics relevant to conflicts of interest management by MDA operators that our guidance should cover? If so, please identify the topics where further guidance is needed.
F2Q4 Where an MDA operator has a material conflict of interest in relation to a specific transaction, should they be required to obtain the express consent of the client before undertaking that transaction? Please explain why or why not this should be an explicit requirement.

See F3Q2

F3Q1 Do you agree with our proposals to provide MDA-specific regulatory guidance on the FOFA reforms? If not, please explain why.
F3Q2 Are there any other aspects of the FOFA reforms where specific guidance from ASIC is needed on applying these provisions to advice about or the operation of MDAs? Please identify which aspects, if any, and why additional MDA-specific guidance is needed.

We do not believe that further regulatory guidance is necessary in relation to compliance with the FOFA reforms. ASIC has already published sufficient FOFA materials, including RG181 Managing Conflicts of Interest, RG244 Giving information, Advice and Scaled Advice, and RG246 Conflicted Remuneration. No more guidance is necessary. The new legislation should now be given time to 'bed down' – ASIC should not feel obliged to publish comprehensive materials whenever any new legislation is released. As we have noted previously, ASIC runs the risk of 'regulation by guidance' – imposing new requirements via regulatory guide. This is not the regulator's role.

F7. Replacement of ASX Guidance Note 29 with ASIC Guidance

F7Q1 Do you agree with our proposal to withdraw ASX Guidance Note 29 and to incorporate the guidance contained in the guidance note in the updated RG 179? If not, please explain why.

Since the hand-over of market supervision to ASIC in 2011, we have always supported the replacement of ASX guidance with ASIC guidance. As a general rule this is much more appropriate in a multi-market environment. We understand that ASIC has a program of work to publish guidance for market participants, and look forward to it proceeding. Accordingly, we would support the replacement of ASX GN29 with ASIC Guidance – within RG179 if appropriate - provided it remains relevant to market participants and their requirements under the Market Integrity Rules.

H1. Transition Periods

H1Q1 Do you agree with this proposal propose that new MDA operators comply with any revised regulatory guidance and conditions of relief in the amended class order(s) from the date on which the guidance and class order(s) are released? If not, why not?
H1Q2 Is the proposal for new MDA operators to start complying with the new requirements when they are released reasonable? If not, why not?

Transition periods need to be reasonable, and to take into account the time it takes to change systems, processes, train staff and re-write software, which is often out of the licensee's hands.

Thank-you for the opportunity to comment on the proposed changes to the MDA exemptions and guidance. We are grateful for your consideration, and for your senior officers' time in meeting with our Members to discuss the Commission's proposals. We would be happy to discuss these matters further at your convenience. Should you require any further information, please contact me or Doug Clark, Policy Executive on dclark@stockbrokers.org.au .

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