Alliance agreement with FPA

The Institute has made an important alliance with the Financial Planning Association to provide educational solutions.

The Institute is pleased to announce its appointment by the Financial Planning Association (FPA) to supply services to deliver the CFP® Certification Program. The Institute was chosen as the successful alliance partner by the FPA Board of Directors as having demonstrated a long history of developing and providing innovative education solutions to the financial services industry.

The appointment recognises the Institute’s educational authority, capability and reputation for delivering applied postgraduate qualifications which complement the FPA’s stature as the industry standard setter and custodian of the international CFP® designation in Australia.

The Institute will bring to the delivery of the CFP® Certification Program a curriculum team of editors and instructional designers led by a qualified financial planner, a course logistics team experienced in all facets of educational administration and records management, desktop publishing personnel, project management expertise, and information technology systems to manage student data and the delivery of distance education and assessment.

These significant capabilities enable the Institute to support the Financial Planning Association with a seamless, end-to-end solution to the delivery of the CFP® Certification Program of study.

Implementing Super Choice

On 2 November, The Hon. Mal Brough MP, Minister for Revenue and Assistant Treasurer, released Treasury’s consultation paper on the Choice of Superannuation Fund Regulations. The consultation paper outlines the outstanding issues in the regulations, which include the:

- Content of the standard choice form;
- Information that an employee choosing a fund must give their employers;
- Minimum level of life insurance to be offered by the default fund; and
- Exceptions to the general rule prohibiting a trustee or an associate from providing a benefit to an employer who chooses their fund as the default fund.

The SIA has lodged a submission to Treasury, dealing with several issues. We believe that the content requirements are basic and require further detail and guidance. The SIA has submitted a suggested template for the government to consider. The main issue surrounding the standard choice form is that employers are not licensed to provide product advice.

Regarding obligations of employers and employees, the SIA’s position is that employers must provide employees with relevant and sufficient information regarding their chosen superannuation fund. Employees must provide prescribed information, such as personal details, and sign the appropriate fund forms.

Employers run the risk of providing advice on funds, and this may give rise to risk of complaints against them if they are seen as crossing the “informing” and “recommending” line and if their employee is a member of...
On 30 September, the ASX released its listing rules, proposing amendments to the Treasury. The SIA is currently drafting a submission for comment.

**ASX proposes amendments to listing rules**

On 30 September, the ASX released its exposure draft ASX Listing Rule amendments (see p28) – Debt listings, Chairman’s open proxies, Issue of securities to related parties, Exchange traded funds and Miscellaneous amendments – for comment.

The SIA generally supports the proposed Listing Rule amendments as they: (i) ensure consistency with the obligations contained within the Corporations Act and (ii) better reflect market developments and industry practices. We welcome changes to the Listing Rules that enhance investor protection and market integrity and encourage innovation within our marketplace.

We believe some of the proposed amendments should be further considered in terms of whether certain reporting or disclosure standards should rest with the listed company or with the regulatory bodies (ASIC, ASX, or both), in line with the underlying principles of Australia’s co-regulatory regime (see article on p28).

**Harmonisation between Australia and New Zealand**

Through the Australia New Zealand Closer Economic Relations (CER) Trade Agreement, the governments of both countries made a commitment for the Australian and New Zealand economies to become increasingly integrated.

The SIA endorses the key finding of the Productivity Commission’s draft report Australia New Zealand Competition and Consumer Protection Regimes, which indicates that radical change to regulation (i.e. full integration or a single regulator model) is not warranted due to the high implementation costs and consequences for existing national regimes.

We endorse initiatives that provide an effective mechanism for:

(i) promoting improved commercial and economic opportunities for business;

(ii) encouraging increased investment choice and opportunities for consumers; and

(iii) “dealing with” regulatory barriers that artificially increase compliance.

Therefore, we support regulators engaging in greater co-operation aimed at improving any enforcement outcomes intended to protect consumers (and investors) and build the integrity of our markets.

It is important that both businesses and consumers can participate in cross-border financial and investment activities with confidence. It is equally important that Australia maintains a strong, dynamic and growing economy. Therefore, any new information sharing or other regulatory powers must be accompanied by the appropriate safeguards.

**Policy on Transition to Retirement**

The Hon. Mal Brough MP, Minister for Revenue and Assistant Treasurer, also released a consultation paper on the government’s Transition to Retirement.

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CEO’S REPORT

Since 1988, the Institute has awarded a prize of $1,000 for best original article submitted to JASSA, plus three runner-up Merit awards valued at $350 each. Winning articles are engaging, well written, have scholarly merit, and show an in-depth knowledge of the issues discussed.

The scope of articles awarded prizes in 2004 indicates the wide-reaching appeal of JASSA to a broad spectrum of membership. We continue to welcome contributions promoting awareness of industry standards, and generating discussion on topical issues relevant to the workplace.

Judged by members of the journal’s Editorial Board, the 2004 prize was awarded to Keith Ward ASIA of Aegis Equities Research Pty Ltd for his article, "A behavioural finance explanation as to why market opinions may be held beyond their use by date," published in the Summer (December) 2004 issue.

Three Merit awards of $350 each were awarded for 2004. Winners are:

- Martin Gold ASIA for his article, “Investing in pseudo-science: the active versus passive debate,” in the Spring (September) issue;
- Elvis Jarnecic of SIRCA for his article, “The buy-write strategy versus the index portfolio,” in the Winter (June) issue; and
- Kim Wyatt and Jarrod McDonald of Monash University Peninsula for their article, “Share and share alike: share buybacks since TD 2004/D10,” in the Spring (September) issue.

The following articles were highly recommended:

- “Venture capital investment trends,” by Nicholas Humphrey ASIA of Deacons in the Autumn (March) 2004 issue;
- “The risk of crediting rates,” by Christopher Andrews ASIA of Mercer Investment Consulting in the Winter (June) issue;
- “The impact of private placements and capital structure changes on technical analysis,” by Ben Marshall of Massey University, New Zealand in the Winter (June) issue; and
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Consistent with existing research and with our data (not reported here), there is a negative relationship between the size of a company and its asset beta. Thus, the compco betas are likely to underestimate the beta of a sample company. As a very rough rule of thumb, the under-estimation of asset beta may be in the order of 0.1, but will depend upon other comparative features as well as the level of asset beta. Where possible, we recommend using compcos that are as closely matched in size as possible. Unfortunately, the difficulty of getting a reasonable number of compcos that are comparable in their businesses may make this infeasible in most cases.

We show that models incorporating variables in addition to the compco betas are capable of eliminating the bias in the estimates and have lower standard deviation of the estimates than CCA. Our work reported here is still exploratory, and we do not suggest that our estimated model parameters should be used in estimating betas. However, we do believe that our results identify variables that are important in understanding how compcos can be used to best estimate the beta of a non-public company. The most important variables that can be measured for a non-public company are the compco variables that can be measured for a public company. The most important variables in addition to the compco beta may be in the order of 0.1, but underestimate the beta of a sample company. As a very rough rule of thumb, the under-estimation of asset beta may be in the order of 0.1, but will depend upon other comparative features as well as the level of asset beta. Where possible, we recommend using compcos that are as closely matched in size as possible. Unfortunately, the difficulty of getting a reasonable number of compcos that are comparable in their businesses may make this infeasible in most cases.

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Notes

2 We excluded companies in oil, mining, property, financial services or regulated industries.

3 We also replicated all of our tests using equity betas and found no qualitative differences.