



## Mertons' Corporate Snapshot – July 2017

Mertons' Corporate Snapshot provides you with an overview of current corporate governance matters, including regulatory changes, trends, and other important issues.

To discuss how these may affect you, please contact us on 03 8689 9997

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### ASIC News

#### Companies need to respond to major new accounting standards

Three new accounting standards coming into force in the next two years could have a greater impact on financial reporting than the introduction of the International Financial Reporting Standards (IFRS). The new standards can significantly affect the reporting of revenue, values of financial instruments, loan loss provisions, and the impact of lease arrangements. ASIC is reminding directors of the need to inform investors and other financial report users of the impacts of the new standards on reported results.

Further information about the standards is available on [ASIC's website](#).

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#### ASIC extends start dates on Stronger Super reforms

Recognising the uncertainty and administrative burden faced by superannuation funds to comply with certain Stronger Super reforms, ASIC has announced the deferral of two commencement dates:

- the product dashboard requirements for choice products will now commence on 1 July 2019; and
- the requirements for portfolio holdings disclosure have been deferred until 31 December 2019.

Download the [statement](#).

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#### ASIC extends relief provided for business introduction services

ASIC has extended Class Order [CO 02/273] Business introduction or matching services for two years in the current form. The Class Order gives conditional relief from the fundraising, financial product disclosure, hawking and advertising requirements in the Corporations Act that would otherwise apply to making or calling attention to offers of securities or interests in a registered managed investment scheme through a business introduction service. Read the [announcement](#).

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### ASX News

#### ASX Investor Study – The changing face of the Australian retail investor

The ASX/Deloitte Access Economics study of retail investors in 2017 seeks to explain investor behaviour in the current complex and changing investment environment, and to provide insights to the investment industry. Key findings include:

- 60% (11.2 million) hold investments outside their superannuation
- 31% hold shares
- Young investors are more risk averse than older investors
- 60% of all investors use some form of professional advice

Download [the report](#).

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## **ASX 100 Cyber Health Check Report**

The [ASX 100 Cyber Health Check](#) is the first attempt to gauge how the boards of Australia's largest publicly listed companies view and manage their exposure to the rapidly evolving cyber world. The purpose of the report is to enable boards and executives to better understand the maturity of their cyber risk management and to benchmark it against other companies. Key findings include:

- 80% of companies expect an increase in cyber risk. They also feel they are doing enough to protect themselves from cyber attacks, but acknowledge that there is more to do.
- Less than half are very confident in their ability to detect, respond and manage a cyber intrusion; however, half are only somewhat confident their company is properly protected.

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## **ASX provides guidance announcement headers**

When making an announcement that includes market sensitive information, listed entities must ensure that the header of the announcement clearly conveys this. ASX reports issues with this requirement; for example, 'Investor presentation and profit downgrade' as opposed to simply 'Investor presentation'.

Market sensitive announcements should be stand-alone, particularly those announcements related to changes, corrections or confirmations to earnings guidance.

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## **Appendix 4G not the corporate governance statement**

When lodging their annual report, listed entities must also provide a completed Appendix 4G to the ASX Market Announcements Office. While Appendix 4G is a key to where a listed entity has made its various governance disclosures, it does not replace the corporate governance statement.

The corporate governance statement discloses the extent to which the recommendations set out in the Corporate Governance Principles and Recommendations have been followed during the reporting period, and is a requirement for listed entities. If a corporate governance statement is not included in the annual report, both an Appendix 4G and a copy of its corporate governance statement must be provided to ASX.

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## **No more trading halts to facilitate sales of major shareholdings**

From 31 March 2017, ASX no longer accepts requests from listed entities for a trading halt to help an existing shareholder process the sale of a major stake. If an entity becomes aware of a security holder's intention to sell a major stake and a reasonable person would expect this information to have an impact on the price of the securities, then the entity has an obligation under listing 3.1 (continuous disclosure) to announce this to the market. Refer to ASX update to [Listing Rules Guidance Note 16](#).

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## **ASX reminder on nominated person being accessible**

An entity's nominated representative must be readily contactable by ASX by telephone during normal market hours and for at least one hour either side (9am to 5pm EST) on each day that ASX is trading. They must also be available to take calls from ASX on trading days that fall on a public holiday where they reside and make suitable arrangements to cover any absences due to illness or leave.

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## **ASX and ASIC looking at distributed ledger technology (DLT)**

The CHES system performs the clearing, settlement and asset registration of approved securities. While CHES continues to effectively deliver these services, in 2015, the ASX began to evaluate options to deliver more modern technology. ASX concluded that DLT (widely known as 'blockchain') could offer potential benefits for issuers, investors, intermediaries and regulators through improvements and innovations. Read the [feedback report](#).

ASIC is also evaluating DLT and has produced an information sheet for those considering using this technology when providing financial or consumer credit services. The information sheet contains a good explanation on what DLT is and how it operates. Download the [information sheet](#).

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### Australia's small charities offer big benefits to the community

The [Small Charities Report](#)—profiled almost 19,000 charities with incomes below \$50,000 in 2015 and found that these smallest charities had combined income of over \$300m and assets of \$5b. These charities were operated mainly by volunteers (68%) and received most of their income (38%) from donations and bequests, compared to only 8.3% for all charities. They also engage over 430,000 volunteers.

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### Practical guide to categorising risk

The Governance Institute has published a [Good Governance Guide on Categorising Risk](#).

When developing a risk register, it helps to classify those risks into separate categories, such as strategic risk, operational risk, financial risk, legal and compliance risk, cyber risk, reputational risk, and people risk. The guide provides examples of the various risks under each category.

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### ACSI warns companies that do poorly on gender diversity

The [Australian Council of Superannuation Investors \(ACSI\)](#), whose members own around 10% of the average ASX company, has warned that it will recommend a vote against directors of companies that perform poorly on board gender diversity or fail to outline how they will address the issue. Currently, 17 ASX 200 still have no women on their boards, and another 63 have just one female director. On the other hand, 57 companies have reached, or exceeded the target and another 52 are between 25–29 per cent.

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### New technology requires new director skills

“In a fast-paced world with limited visibility and predictability, a successful organisation is one of empowerment and transparency, enabling a culture of ethical and responsible decision-making by its people”, said John Stollman, founder and former CEO of Tyro Payments. He poses that to adopt this emerging trend into an ‘open’ governance culture, industry and regulators need to rethink governance and invest in the skills of boards, oversight bodies and executive teams – they all need to become familiar with the world of digital technology, cyber-security and modern organisational design.

Read the [article](#).

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### NZX announces administrative trading halts changes

NZX has changed the way administrative trading halts are applied after the release of an announcement. Announcements from issuers will now be released directly to market using the Market Announcement Platform (MAP). Read the [announcement](#) and access the [frequently asked questions](#).

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**Sources of information:** Australian Charities and Not-for-profits Commission (ACNC); Australian Council of Superannuation Investors (ACSI); Australian Government; Australian Institute of Company Directors (AICD); Australian Securities and Investments Commission (ASIC); Australian Securities Exchange (ASX); New Zealand Stock Exchange (NZX); Productivity Commission.

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