

07 3831 4174

# BURRELL STOCKBROKING

STOCKBROKERS & INVESTMENT ADVISORS  
MEMBER FIRM OF AUSTRALIAN STOCK EXCHANGE LTD

1.

## Submission to Senate Economics Committee Know Your Client/Statement of Advice & Further Market Related Advice Amendments 1 December 2003

The current regulatory regime

- (Division 3 of Part 7.7) is based on two false premises:
  - (i) that one size fits all – this error has been made by regulators since the Campbell Report
  - (ii) that in stockbroking, there are two groups viz
    - a. non-advisory clients
    - b. full service clients
- Attachment 1 depicts that there is a continuum between non-advisory and full service. Clients often have stock only queries. Few stockbroking clients seek a financial plan or complete provision of personal information sheets (attachment 2). Know your client is a gradual process, often built up over many years. Because of the predominance of telephone communications, the level of documentation is low.
- Stockbroking has responded to the shift to provide more financial planning advice. For example, Burrell Stockbroking has several advisors now holding financial planning proper authorities. On 31 March 2003, advisors were split into three groups: traditional stockbroking, trading and wealth management. However client acceptance level is low, particularly with older clients (attachment 3).
- Burrell Stockbroking has an average trade size of \$7,000 and average brokerage/contract note of just over \$100 (attachment 4). This type of business is not what was contemplated in Division 3. That Division is apt for financial planning and superannuation/retirement advice where a client may have >\$200k, and be making important decisions. Detailed financial fact finder and risk profile enquiries are appropriate for such advices.
- The enactment of criminal penalties for section 945A is outrageous. It indicates the failings of ASIC and Treasury to understand the stockbroking industry and how client relationships presently work. It should be amended forthwith.
- The failure to understand the continuum means that legislators run a real risk of disenfranchising the very people they are trying to assist – the average man in the street. There are a number of brokers who have either retreated from retail broking or will only deal in portfolios over, say \$200k.

Serving Private Clients Since 1937

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**Submission to Senate Economics Committee  
Know Your Client/Statement of Advice & Further Market Related Advice Amendments  
1 December 2003**

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- At the 2003 SDIA conference, the Comsec representative stated the SOA legislation was a "free kick for the discounters", but that he disagreed with the disenfranchising of so many mum and dad investors.
- The SOA legislation in its current form is unworkable. The amendments for "further market related advice" (FMRA) are supported by the SDIA. Such amendments will allow a number of stockbroking firms including Burrell Stockbroking Pty Ltd to lodge its FSR licence application.
- However, it follows from the above that further considerations will be required in 2004 to correct the false industry model currently held by Treasury and ASIC.
- The current over-regulation of the stockbroking industry by ASIC and the ASX is unhealthy and not in the interests of the community. ASIC comprises a legal culture, best suited to prosecuting corporations law offences. They have little skill or expertise that qualifies them to direct stockbroking firms on how to conduct their businesses.
- The real answer to improving investment returns for Australians is to increase education at school on equities and property investing. Australians spend years at school on english and maths, only to spend a deal of their adult life considering property and equity investments.



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BComm(Hons), LLB (Hons), MFM, FCA, ASIA  
Financial Planning Property Authority  
Managing Director

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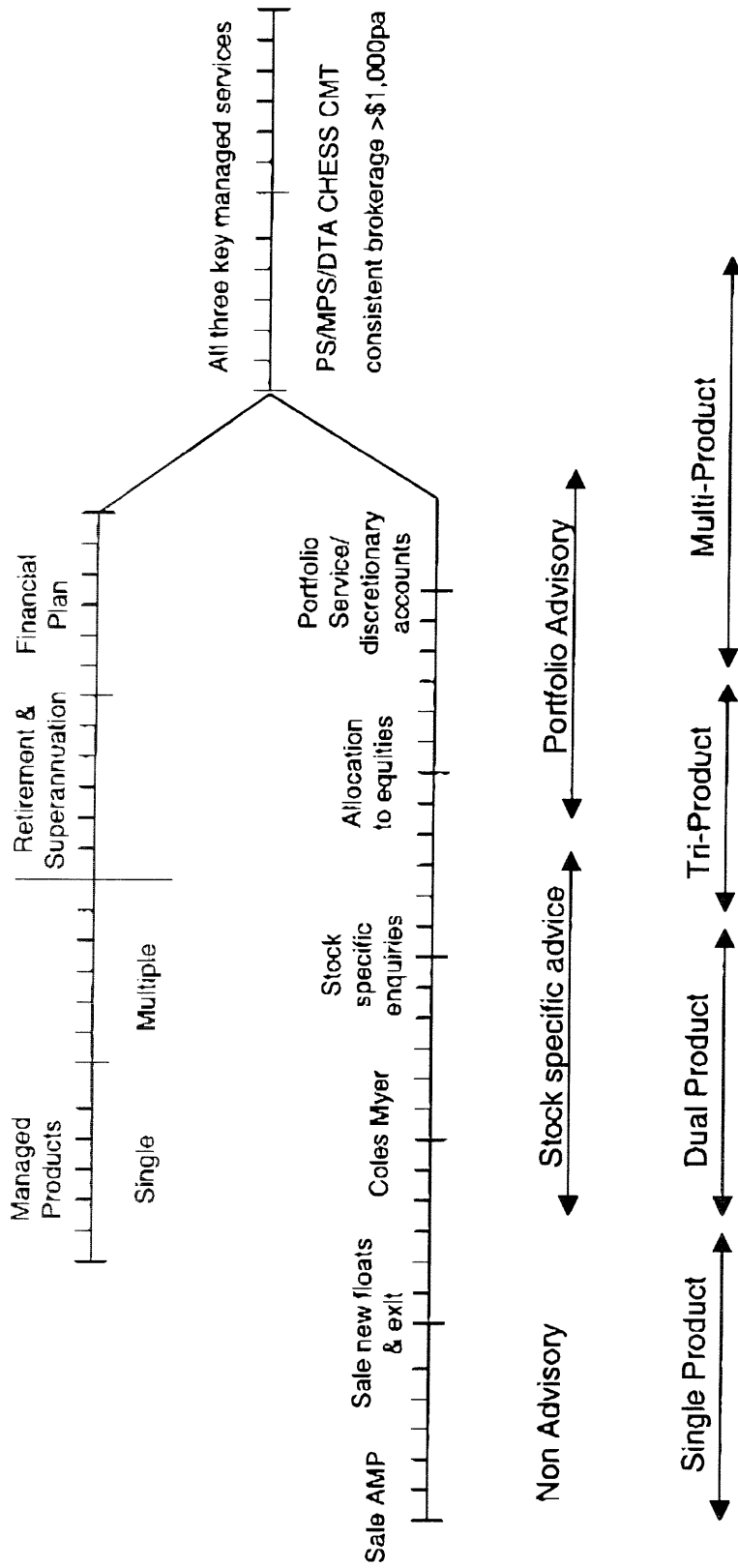
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Burrell Stockbroking Pty Ltd ACN 088 958 401

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# CLIENT SEGMENTATION



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# Provision of Personal information

STOCKBROKERS & INVESTMENT ADVISORS

## TO YOUR CLIENT ADVISOR

Burrell Stockbroking is obliged by law to have a reasonable basis for making a securities recommendation, having regard to the information the securities advisor has about the persons investment objective, financial situation and particular needs. It would be helpful to us if the following information could be provided.

### A SHARE INVESTMENT EXPERIENCE (Please tick ✓ appropriate box)

- None
- Limited
- Good
- Extensive

### B SHARES PRESENTLY HELD (Record below or attach list)

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### C RANK INVESTMENT OBJECTIVES FOR THE ACCOUNT (tick ✓ most appropriate)

- Security
- Capital Growth
- Income
- Long Term Investment
- Short Term Trading

### D OCCUPATION \_\_\_\_\_

### E DATE OF BIRTH \_\_\_/\_\_\_/\_\_\_

### F MY MARGINAL TAX RATE IS

- Nil
- Low
- Medium
- Highest

### G OTHER INFORMATION YOU WISH TO SHARE WITH US

So we can better understand your objective and needs  
~~eg. are you borrowing to buy shares, statement of assets and liabilities, retirement~~

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OR:  I/we require stock specific advice only.

Client or adviser as appropriate

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## BURRELL PORTFOLIO SERVICE

The Portfolio Service is designed for clients who wish to retain control over investment decisions, wish to receive regular information on the performance of their portfolio, but who prefer to leave certain aspects of the administration of their investments in our hands.

The Portfolio Service provides:

- Monitoring of your investments and supply of research requested by you.
- Portfolio strategy (optional).
- Portfolio analysis detailing features of your portfolio for discussion with an advisor of Burrell Stockbroking.
- Portfolio reviews highlighting action points arising from a comparison of the portfolio analysis with your portfolio strategy.
- Quarterly valued portfolio based on CHESS Holdings (monthly portfolios are available).
- Regular Newsletters and Investment Reports, including The Burrell Bourse. Clients on email receive the Daily Research Notes.
- Emailing of portfolio (weekly), trading advices (daily) and statement of transactions (weekly).
- Cash management account for moneys awaiting investment and dividends attracting wholesale rate of interest.
- Non-certificated shareholdings in accordance with the CHESS system approved by the Australian Stock Exchange.
- Tax file numbers automatically advised to registries (please note: most but not all registries accept electronic notification of tax file numbers).
- Monthly or quarterly income payments to your bank (if required).
- A summary of transactions for the year for your tax accountant.

Option 1: Brokerage : standard brokerage rates as advised in the Burrell Bourse apply to the operation of this account.  
The applicable fees for the Portfolio Service are as advised in the Burrell Bourse from time to time (currently \$200)

As above where applicable please include managed fund investments  
(1-4 Managed Funds held: \$100; 4 or more funds held: \$200).

Option 2: Brokerage : a reduced brokerage rate of 1% applies to the operation of this account.  
Annual Management Charge : based on the value of the portfolio at the end of June and December and charged quarterly in arrears (minimum \$50 per quarter)

First	\$250,000	0.5%
Next	\$500,000	0.3%
Thereafter		0.2%

Portfolio Strategy, wealth management, retirement and superannuation advices: hourly basis as advised in the Burrell Bourse from time to time (currently \$150 per hour)

A fee of \$150 per hour applies for the portfolio strategy initially or any substantial rewrite thereof

We/I ..... (Account Number: ..... ) hereby agree for the above account to be a member of the Burrell Portfolio Service.

Please include the optional portfolio strategy in my Burrell Portfolio Service.

Please forward portfolios monthly (otherwise sent quarterly).

Tax File Number previously advised  or Tax File Number is .....

Signed: .....

Dated: .....

Disclaimer: Movements in the stock market are influenced, amongst other factors, by the economic performance of the economy, political and international events. Movements in individual share prices are influenced not only by the foregoing matters, but by past events and future actions pertaining to the individual share including management, markets and technology. While the Burrell Stockbroking portfolio service follows a prudent portfolio approach, no liability can be accepted for any adverse share price movements.

Disclaimer & Disclosure: In accordance with Section 849 of the Corporations Law, Burrell Stockbroking and its associates state that they and/or their families or companies or trusts may have an interest in the securities mentioned in this report and do receive commissions or fees from the sale or purchase of securities mentioned therein. The comments are intended to provide information to our clients exclusively and reflects our view on the securities concerned and does not take account of the appropriateness of the recommendation for any particular client who should obtain specific professional advice from his or her Burrell Stockbroking advisor on the suitability of the recommendation. Whilst we believe that the statements herein are based on accurate and reliable information, no warranty is given to its accuracy and completeness and Burrell Stockbroking, its Directors and employees do not accept any liability for any loss arising as a result of a person acting thereon. E&OE.

**BURRELL STOCKBROKING**

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Burrell Stockbroking Pty Ltd  
 Revenue Analysis by Advisor  
 YTD 2003-04

<b>Brokerage:</b>		
<b>Advisor</b>	<b>No. Cnote</b>	<b>\$Bkge/Cnote</b>
B, C	1,142	132.21
B, G	737	122.71
P, A	854	103.79
S, D	696	104.36
A, P	698	98.47
H, R	482	142.48
W, P	635	105.09
P, G	736	90.19
J, A	636	90.52
K, T	408	137.91
C, B	381	135.42
M, L	135	107.42
BY	299	48.45
K, J	83	153.86
Q	58	101.41
FPS	17	104.74
PHC	7	240.47
B - B	176	3.88
B, T	8	35.70
O - B	1	7.02
<b>Grand Total</b>	<b>8,189</b>	<b>108.77</b>

<b>Managed Funds:</b>	
Year	2003-04
Trail Com	
Advisor	Total

<b>Margin Loans:</b>	
Year	2003-04
Commission	
ADVISOR	Total