ARTICLE 1

The Sydney Morning Herald

Zuckerberg loses $22.5b in a snap as Facebook plunges

26 July 2018 — 6:29am

Mark Zuckerberg is counting the cost of user disenchantment with Facebook.

His fortune tumbled by $US16.8 billion ($22.5 billion) in late trading on Wednesday, US time, as shares of the social media giant slid 20 per cent at 5.37pm in New York on disappointing results. If that holds through Thursday's close, he will slide to sixth place from third on the Bloomberg Billionaires Index. It would also wipe his $US13.7 billion of gains for the year, leaving him with just less than $US70 billion.

The Cambridge Analytica scandal prompted several apologies from chief executive Mark Zuckerberg and generated calls for users to desert Facebook. Facebook's second-quarter revenue and average daily visitors missed analysts' projections. The company said it had 1.47 billion daily active users in June, compared with the 1.48 billion average of analysts' estimates compiled by Bloomberg. Revenue, fuelled by mobile advertising sales, increased 42 per cent to $US13.2 billion. Analysts projected $US13.3 billion.

The company's user growth fell short of expectations in the same quarter that Mr Zuckerberg testified for 10 hours in US Congress on data privacy issues. It also came as Europe implemented strict new data laws, which Facebook had warned could lead to fewer daily visitors in that region. The company also was bombarded by public criticism over its content policies, especially in countries such as Myanmar and Sri Lanka where misinformation has led to violence.

"The core Facebook platform is declining," said Brian Wieser, an analyst at Pivotal Research Group.

The company's user base was unchanged in its biggest market, the US and Canada, at 185 million daily users, while declining in Europe to 279 million daily users. Overall, average daily users increased 11 per cent from the period a year earlier.

The California-based company reported net income of $US5.11 billion, or $US1.74 a share, compared with analysts' average estimate of $US1.71 a share, according to data compiled by Bloomberg. The quarter marked the first time Facebook had missed analysts' revenue projections since 2015.

Facebook's shares had earlier closed in New York at $US217.50, a record high, and had gained 23 per cent this year.

The social network, in spite of the drama of the past few months, still holds one of the world's most valuable sets of data on what people are interested in, and makes that audience easily available to advertisers. But the company's ad growth engine contended with disruptions in its most lucrative markets. In Europe, Facebook had to respond to new privacy rules. In North America, an effort to get all political advertisers to verify their identities may have halted some purchases as the company worked through its broad definition of what's considered "political".

The company remains in a dominant position in mobile advertising alongside Alphabet's Google. Facebook said mobile made up 91 per cent of ad revenue in the recent period, compared with about 87 per cent a year earlier.

As Facebook gets bigger, reaching a majority of the world's internet-connected population, it's becoming more reliant on properties other than the company's main social network to fuel growth. It owns three other properties with more than 1 billion users: WhatsApp, Messenger and Instagram. Instagram's business model is so far the most mature, and likely contributed meaningfully to the company's revenue in the quarter, analysts have said, though Facebook doesn't break out sales for the app.

Mark Zuckerberg's awkward attempt to explain where Facebook draws the line on misinformation, manipulation and hate speech has caused an uproar and eventual changes to the online platform.

Facebook has said it will increase spending to make investments in video content, and on new bets like artificial intelligence and virtual reality. The company is also rapidly expanding its real estate around the world to accommodate a hiring spree, which includes thousands of new workers to help combat foreign election manipulation on the site. In 2016, Russia ran a campaign on Facebook to cause political unrest in the US around the presidential election. The company said headcount was 30,275 as of June 30 - an increase of 47 per cent year over year.

The company has been working to convince users it has their best interest at heart, after reports of Russia's interference and disclosures that a political consulting firm gained access to private personal information. Mr Zuckerberg in January said he was going to adjust the news feed to make sure people spend more time on Facebook with meaningful content from their friends and family members - a move the company has said would decrease user engagement with the site.

ARTICLE 2

FINANCIAL REVIEW
NEWS WEBSITE OF THE YEAR

Jul 26, 2018 at 3:02 PM

Banking royal commission forces Westpac to accelerate banker pay reforms

By James Eyers

Westpac Banking Corp chief executive Brian Hartzer has pledged to be more proactive identifying vulnerable customers, work harder to reduce complexity across the bank, accelerate reforms to eliminate conflicts of interest in banker pay, and establish a new "consequence framework" for staff who misbehave.

The multi-faceted response package to the Hayne royal commission will also see the bank's 40,000 staff convene later in the year for a half-day where Mr Hartzer will brief them on heightened expectations on conduct, ethics and the treatment of customers.

Westpac will also improve customer complaint handling, and set up a specialist contact centre to deal with Indigenous customers, after the royal commission last month identified shortcomings with rival ANZ's engagement with customers in remote areas of the Northern Territory.

At a lunchtime speech to the American Chamber of Commerce, Mr Hartzer, told a packed ballroom the case studies uncovered by the royal commission have been "very confronting".

Hartzer said the case studies uncovered by the royal commission have been "very confronting".

He said some of them were the product of excessive complexity. "Well-intended changes over the years – usually aimed at improving service or providing new protections for customers – have too often resulted in making banking more complex, opaque or error-prone," he said.

"In some cases, this complexity has caused us to make errors such as over-charging fees or, worse, not delivering benefits that customers had paid for."

Mr Hartzer reiterated an apology to affected customers and promised to lift standards.

"Many of these stories are just unacceptable and some of the issues took too long to fix. For the record, on behalf of all of us at Westpac, I apologise without reserve to any customer who has been let down by our mistakes. This is not what Westpac is about and we know we need to do better."

While it's too early to know what Commissioner Hayne will recommend, by October Westpac will have restructured its pay and bonus schemes for consumer and business banking employees to further weight them towards service rather than product sales.

The changes were recommended by a review by Steven Sedgwick, but Mr Hartzer said an accelerated timeframe meant Westpac would have them in place two years early.

Mr Sedgwick found the design of bonuses around sales targets had caused bankers to put their own interests ahead of customers.

Even though the examples of misconduct being revealed by the commission aren't representative of the overwhelming majority of Westpac's people, Mr Hartzer said he would be "reinforcing to everyone who works at the bank that if they breach the high standards we've set, it won't be tolerated, and they will face consequences".

These will be set out in a new "consequence management framework".

In another indication that the Hayne royal commission is having an impact even before an interim report is delivered in September, Mr Hartzer said the bank would "become more proactive at spotting customers who might be vulnerable or at risk, and putting them together with the right decision-makers to address problems before they escalate further".

Efforts at reducing complexity had already seen the bank reduce the number of consumer products on sale by more than half.

Despite appearing to have escaped the commission's attention at the next round of hearings on superannuation that start off on August 6, Mr Hartzer said Westpac had received several requests from the commission for statements and information, which were being prepared, and the bank will be ready to respond if required.

ARTICLE 3.

Rinehart's $390m Atlas

GCBulletin 19/6/18

STUART CONDIE

GINA Rinehart's Hancock Prospecting has raised the stakes in the contest for control of Atlas Iron, with an all-cash takeover bid that values the junior miner at $390 million.

Hancock subsidiary Redstone has offered 4.2 cents per share for Atlas, trumping the proposed $280 million all-scrip bid by ASX-listed Mineral Resources announced in April.

Redstone's offer represents a 44 per cent premium on the stock's value before Ms Hancock and Andrew Forrest's Fortescue Metals Group this month each took a near-20 per cent stake, apparently in response to Mineral Resource's bid. Atlas on Monday said it will now consider the proposal along with Mineral Resources' right to respond with an increased offer.

Atlas shares jumped more than 20 per cent after the Hancock bid was announced, apparently in anticipation of an escalating bidding war.

The Atlas board had previously supported the Mineral Resources offer and a vote on the deal had been expected in July.

Hancock executive director Tad Watroba said Atlas' assets offered potential long-term benefits alongside other assets in Hancock's portfolio. "There is potential to unlock value through the future development of Atlas resources as part of our wider system of operations," Mr Watroba said in the bidder's statement.

"If we obtain control of Atlas, we intend to conduct a strategic review to better understand the most appropriate time and means to develop and integrate Atlas into the existing operations of the Hancock Group."

Atlas's assets include a stake in a joint venture that holds rights to potentially valuable undeveloped port capacity in Port Hedland. The Western Australian government last week said any development application would be judged on merit as the berths are set aside for junior miners, which potentially rules out Hancock and Fortescue.

Announcing its increased shareholding on June 7, Fortescue said it did not intend to support the takeover offer by mid-tier player Mineral Resources, but gave no indication about whether it would launch a rival bid. UBS analysts suggested at the time that the port development rights may have been the focus of Fortescue's interest Atlas operates two iron ore mines in the Pilbara and owns two undeveloped projects, along with its interest in the construction of a port facility capable of handling 50 million tonnes of exports each year.

Atlas shares gained 0.8 cents, or 22 per cent, to 4.4 cents yesterday.

Gina Rinehart.

ARTICLE 4

'Red flag': scepticism as Chinese CEOs get billion-dollar bonuses

By Shelly Banjo & David Ramli

24 July 2018 — 10:18am

It's a good time for founders in China to take their startups public, at least by one measure.

Chief executive officers are beginning to get ten-figure bonuses with their initial public offerings. In the latest example, the CEO of Shanghai-based Pinduoduo, received at least $US1 billion ($1.3 billion) of stock without any performance hurdles as his e-commerce company prepares for a US IPO. Lei Jun, the head of Beijing-based smartphone maker Xiaomi saw a $US1.5 billion payday, with no strings attached, when his company went public in July. When JD.com went public in 2014, it incurred $US591 million of costs from a stock grant to its chief.

The concept of an IPO bonus that's not tied to future performance metrics is unusual because a public offering is already a way of compensating CEOs and their lieutenants. Founders like the heads of Pinduoduo, Xiaomi and JD already hold substantial stakes and would become billionaires even without the extra payout. That raises concerns that such rich paydays are coming at the expense of future shareholders, and could push startups to take on public investors even if they're not ready.

"Generally we regard any pay package that doesn't align pay with performance not in the best interest of shareholders," said Michael Cheng, vice president of ESG Research at MSCI Inc.

"Share awards that don't come with performance metrics defeat the whole purpose of equity retention policies, which are meant as incentives to executives to create value for the company and all shareholders."

Colin Huang, the head of Pinduoduo, may soon have an $US8.3 billion fortune, based on his holdings in the e-commerce operator and the IPO bonus. That would make him among the 25 richest people in China, according to the Bloomberg Billionaires Index.

In April, Pinduoduo issued more than 250 million shares, worth at least $US1 billion, to a company controlled by Huang, according to the filing. While the filing doesn't specify any strings attached or performance metrics, it does say Huang plans to donate some stock to two charitable foundations that he intends to establish.

Pinduoduo, which is backed by Tencent Holdings Ltd. and known as PDD, plans to go public in the US, offering 85.6 million American Depository Shares at $US16 to $US19 apiece, according to a stock exchange filing. Huang will own 46.8 per cent after the IPO assuming an over-allotment option isn't exercised while also controlling the vast majority of its voting power.

The $US8.3 billion fortune is based on the low end of the pricing range. The top end would mean a net worth of $US9.9 billion, making him the 16th-richest person in China, ahead of Richard Liu, the founder of China's No. 2 e-commerce operator JD.com.

PDD declined to comment.

The idea of an IPO bonus may have more justification than just helping founders get richer. Startups have been staying private longer than before, in part because there has been plenty of private capital to keep them going. An added payout may motivate founders to go public sooner so venture capital backers can cash out. It can also encourage founders and CEOs to put on a good IPO roadshow, secure top cornerstone and strategic investors, and drum up demand to push IPO prices higher. IPO bonuses also serve to bulk up the founder's shares, which may have been diluted through multiple fundraising rounds.

"The home run for the CEO is to take the company public, so just achieving the IPO is the incentive," said Joe Chan, a partner at Mindworks Ventures. "Maybe the disclosure in the prospectus says the shares were given months before the IPO but these agreements can be made years before the IPO and are often driven by late-stage investors who want a good exit sooner rather than later."

There's also a theory that IPO bonuses provide founders with a piggy bank to make good on existing obligations or dole out shares as they see fit. Once companies are publicly listed, they can be subject to more stringent disclosure and corporate governance rules such as constraints on how much stock can be awarded to executives and what they can do with the shares.

For instance, a gifting culture prevails in mainland China and the chairman or CEO may want to stockpile shares they can personally give to employees and partners on behalf of the company, said Rocky Lee, international partner at King & Wood Mallesons in Beijing.

"This is the one time when the chairman can personally reward people for having contributed to the company's success," Lee said.

Tesla put in place a pay package for Elon Musk that could be worth as much as $US55.8 billion over the next decade. But he only gets the compensation if the electric-car company meets metrics such as expanding revenue to $US150 billion and boosting market value to $US650 billion.

In Xiaomi's case, Lei Jun was already the largest shareholder and had majority voting rights. So when the company disclosed the extra $US1.5 billion award without any attached performance goals, the windfall drew questions from investors. The award was also listed in the prospectus' risk factors, warning investors the issuance would result in significant share-based compensation expenses and dilute existing shareholders' holdings. Xiaomi President Lin Bin said at a June press conference that its board chose to give Lei the reward for the past eight years of devotion.

"There are very few occasions to grant a stock award this big without any conditions," said Frank Bi, a partner at law firm Ashurst in Hong Kong focusing on IPOs, compliance, and mergers and acquisitions."This should be a red flag in terms of corporate governance for investors."

Article 5

ABC NEWS

Super fund REST being sued for not having a plan for climate change

By environment, science and technology reporter Michael Slezak

Updated Wed 25 Jul 2018, 6:28am

The risk that your super could take a hit to its bottom line because of climate change could soon be something your fund is legally obliged to act on.

That's because 23-year-old Mark McVeigh is suing a $50 billion super fund — and if he wins, the industry will likely never be the same.

Experts say the case could force super funds to do more to protect people's savings from the impacts of climate change.

And since super funds own about a quarter of the Australian stock exchange, that could change the way business is done across the country.

Mr McVeigh graduated with an ecology degree from the University of Queensland earlier this year. He's unlikely to get hold of his super until at least 2055.

But by that time, if carbon pollution continues on its current path, the world is likely to have warmed by more than 2 degrees Celsius, according to the Intergovernmental Panel on Climate Change (IPCC).

Global warming of this nature represents a risk to many businesses, and anyone who invests in them.

An increase in natural disasters alone, ignoring impacts on things like water resources and the direct effects of heat, will cost Australia an extra $20 billion every year by 2050, according to Deloitte Access Economics.

'There's risks to investing in companies that aren't sustainable'

Super funds are legally required to pass on information that members need to make decisions about their investments.

But nobody has ever tested whether strategies to deal with climate-related risks is information covered by that section.

"There's inherent risks to investing in companies that aren't sustainable and contribute to climate change, which will be phased out [in] the next couple of decades," Mr McVeigh said.

He couldn't find any information about how his super fund, REST, was managing those risks. So in August last year, he wrote to the fund and asked.

> "They haven't given any real information and they haven't supplied any real strategy or plan that they have for climate change and the risks involved," he said.

And that, according to lawyers at Environment Justice Australia (EJA), is grounds to sue.

"Mark has asked for information that he reasonably needs to make an informed decision about the management of the fund and that's what the law requires REST to give him," said EJA lawyer David Barnden, who is representing Mr McVeigh.

Mr McVeigh is suing REST for failing to provide that information, and asking the Federal Court to force the fund to release it.

It's the first time a superannuation fund has been sued for not doing enough on climate change.

"It's important for younger people to know that their money is going to be protected and people investing their money are going to do it in a way which isn't going to damage the environment, as well as their financial returns," Mr Barnden said.

"This is certainly not an environmental issue. REST invests in long-term assets such as infrastructure and this can be impacted by climate change and sea level rise.

"This is about protecting people's money and it's about what the world will look like when people can access their superannuation in 30, 40 years' time."

Court cases like this have been expected

The case could put into action strong warnings made by some of Australia's top lawyers and regulators.

In 2016, Noel Hutley SC, currently president of the Australian Bar Association, said financial risks caused by climate change would be considered by courts to be foreseeable — meaning company directors couldn't claim that they were unexpected.

Mr Hutley wrote it was "likely to be only a matter of time before we see litigation against a director who has failed to perceive, disclose or take steps in relation to a foreseeable climate-related risk that can be demonstrated to have caused harm to a company".

And in 2017, the financial industry regulator APRA said it considered climate risks not just foreseeable, but also "material and actionable now".

This year APRA went further and revealed it was working with other regulators, including ASIC, to examine what the industry was doing to respond to climate-related financial risks, and warned that regulatory action would be considered.

Former ASIC lawyer Mark Bland, who now advises super funds, said Mr McVeigh's case could force the industry to be more open about how it managed climate risk, and that could have a big impact on investments.

"Really we've got the case of sunlight being the best disinfectant," he said.

"The impact for investment returns ... is enormous and so I think this is really going to force directors, to the extent they haven't already, consider what the trustee needs to do to respond to climate change risk."

In a statement to the ABC, REST said it considered "environmental, social and governance (ESG) risks in order to deliver competitive long-term investment returns for our members".

> "We require our investment managers to consider a range of factors, including ESG risks, when selecting investments in their portfolios and when exercising voting rights," the statement said.

Mr McVeigh said this sort of statement wasn't adequate for him to make informed decisions about his retirement savings.

"They haven't really released any information on strategies or plans to do with climate change risk and that's basically where I started," he said.

Topics: superannuation, business-economics-and-finance, climate-change, environment, youth, community-and-society, law-crime-and-justice, australia, brisbane-4000, qld

Article 6

https://www.bloomberg.com/crypto

'This Is Not a Passing Fad': CFA Exam Adds Crypto, Blockchain Topics

By Michael Patterson and Andrea Tan

16 July 2018, 21:00 GMT+10 *Updated on 17 July 2018, 08:33 GMT+10*

It might be the definitive sign that cryptocurrencies have arrived on Wall Street.

CFA Institute, whose gruelling three-level program has helped train more than 150,000 financial professionals, is adding topics on cryptocurrencies and blockchain to its Level I and II curriculums for the first time next year. Material for the 2019 exams will be released in August, giving candidates their first opportunity to start logging a recommended 300 hours of study time.

CFA added the topics, part of a new reading called Fintech in Investment Management, after industry participants showed surging interest in surveys and focus groups. The worlds of finance and crypto have become increasingly intertwined after last year's Bitcoin boom, with regulated futures now trading in Chicago, blue-chip firms like Goldman Sachs Group Inc. dabbling in digital assets, and scores of Wall Streeters joining crypto-related startups.

While digital coins have tumbled in 2018 and the real-world impact of blockchain ventures has thus far been limited, some observers say the technology could ultimately transform swathes of the global financial system.

"We saw the field advancing more quickly than other fields and we also saw it as more durable," said Stephen Horan, managing director for general education and curriculum at CFA Institute in Charlottesville, Virginia. "This is not a passing fad."

The CFA material on crypto and blockchain will appear alongside other fintech subjects including artificial intelligence, machine learning, big data and automated trading. More crypto topics, such as the intersection of virtual currencies and economics, may eventually be added to the curriculum, Horan said.

"It will be beneficial for us, since there's been a huge expansion and adoption of crypto in our investment universe," said Kayden Lee, 27, a financial economics student at Columbia University who took the CFA Level I exam in June and is interning as a fund analyst in Singapore during his summer break.

"But more importantly the focus is on fintech and blockchain," Lee said. "How it works to improve, unravel or even disrupt certain sectors."

The new topics will also make an appearance in the CFA readings on professional ethics, an area that some say is lacking in the crypto world. Many virtual currency projects operate in a legal gray zone, while digital-asset trading venues and initial coin offerings are rife with examples of fraud, market manipulation, money laundering and theft. Bitcoin, the most popular cryptocurrency, has lost more than half its value this year amid growing regulatory scrutiny and a series of exchange hacks.

A record 227,031 people in 91 countries and territories registered to take CFA exams in June, seeking a better understanding of finance, improved job prospects or some combination of the two. A majority of the candidates came from Asia, which also happens to be where much of the world's virtual currency trading takes place. About 45 percent of Bitcoin transactions are paired against the Japanese yen, according to CryptoCompare.com, while Korean crypto exchanges are some of the world's largest.

It's positive that organizations like CFA are drawing attention to the space, said Darius Sit, a former foreign-exchange and bond trader at BNP Paribas SA who's now managing partner of cryptocurrency trading firm QCP Capital Pte in Singapore. "More education is always good."