

## Senate Economics Legislation Committee

### ANSWERS TO QUESTIONS ON NOTICE

#### Treasury Portfolio

Budget Estimates

2017 - 2018

**Division/Agency:** Australian Securities and Investment Commission

**Question No:** 89

**Topic:** ASIC's \$121 M Government Funding Package

**Reference:** Hansard page 31-32 (31 May 2017)

**Senator:** Bushby, David

#### Question:

Senator BUSHBY: Thank you. Just changing the subject, you mentioned some of your enforcement activities in your opening statement, Mr Medcraft. Could you provide a bit more specificity and an update to the committee on the current enforcement action. In doing so, can you also provide some information on how ASIC is using the government's \$121 million funding package, which was announced a bit over 12 months ago, to take proactive action in regulating the financial sector.

[...]

Mr Kell: ...We are happy to provide a quick written summary for the committee to give you a sense of—

Senator BUSHBY: Maybe on notice. I am way over time. My question was within the minute that I had left, but your answer is taking longer—which is fine.

Mr Medcraft: The other thing that I will mention on data is that we are actually creating data labs for regtech start-ups to actually use anonymised data to test their ideas. That is a pretty interesting development as well.

Senator BUSHBY: It sounds like you are making good use of the money that has been provided. If you could take that on notice in a bit more detail, that would be fantastic.

#### Answer:

In April 2016, the Government announced an additional \$127.3m funding support for ASIC over four years to better protect consumers.

The Government announcement included three particular measures:

1. Deepening the surveillance and enforcement capability of ASIC, with a specific focus on investigating financial advice, responsible lending and life insurance (\$57m):
2. Enhancing ASIC's data analytics and surveillance capabilities and modernising data management systems (\$61.1m).
3. Strengthening ASIC's powers (Total \$9.2m; ASIC: \$3m, Treasury: \$6m).

ASIC received the additional funding in November 2016.

#### Proactive surveillance work

The additional funding for surveillance and enforcement is being used to expand the scope of a number of existing surveillance projects and for new projects with a particular focus on financial advice, responsible lending and life insurance, as outlined on the next page.

<b>Key projects by sector</b>	<b>Focus</b>	<b>Project status</b>
Breach reporting practices within large banks	How the banking groups discharge their breach reporting obligations	New project
<b>Financial advice</b>		
Accountants providing advice	Unlicensed financial advice provided by accountants	New project
Insurance churn by advisers	Life insurance advisers engaging in high levels of insurance churn	New project
Life insurance statement of advice	Life insurance statements of advice, including providing guidance to industry on improving the communication of information to consumers	Continuing project <i>On 6 November 2015, the Minister for Revenue and Financial Services, the Hon Kelly O'Dwyer announced that ASIC would conduct this review and that it would commence in the second half of 2016.</i>
Fee-for-no-service remediation	Securing compensation for clients that paid fees for services not provided	Continuing project <i>The additional funding has ensured ongoing scrutiny of remediation programs, following ASIC Report 499 Financial advice: fees for no service.</i>
<b>Credit</b>		
Mortgage broker remuneration	The effect of mortgage broker remuneration on the quality of consumer outcomes. The additional funding has expanded the scope of this project.	Continuing project <i>The additional funding expanded the scope of this project.</i>
Credit card issuers	Harm arising from the use of credit cards	New project
Loan fraud	Concerns relating to loan fraud, particularly in the home loan market;	New project
Unfair contract terms and small business	Compliance with unfair contract terms legislation in small business loans	New project
<b>Insurance</b>		
Direct sale of life insurance	Sale and distribution practices for life insurance sold without personal advice	New project
Life insurance industry claims handling practices	Life insurance claims handling. The additional funding has expanded the scope of this project.	Continuing project <i>The additional funding expanded the scope of this project.</i>

Key projects by sector	Focus	Project status
Add-on insurance	Sale of low-value financial products (such as insurance and warranties) as an ‘add on’ to another purchase. The additional funding has expanded the scope of this work	Continuing project <i>The additional funding expanded the scope of this project.</i>
<b>Superannuation and funds management</b>		
Risk profiled entities	Proactive surveillance of responsible entities identified through a risk profiling exercise	New project
Employers and super	Reviewing the advice, disclosure and inducements provided to employers	New project
ETFs and SMSFs	ETFs from the SMSF and retail investor perspective	New project
Review of compliance with revised custody requirements	Industry compliance with the revised custody requirements introduced in 2013	New project

### Data analytics and data management

In relation to data analytics and data management, the additional funding is also being used as outlined below.

<b>Data analytics</b>	
Building data analytics capabilities	We are developing ASIC's data analytics capabilities to better identify, monitor and respond to risks, including creating a specialist data analytics team. We have completed a data analytics needs assessment of three stakeholder teams to understand what data analytics projects can help them achieve their regulatory objectives.
Data governance	We have created a Chief Data Office and put in place a Data Governance Council and Data and Information Governance Framework. Our current priority is the development of ASIC's Data Strategy.
Data analytics tools	We are introducing new tools and techniques for analysing data. This includes developing trials and advanced analytics tools to better understand their potential in supporting ASIC to achieve its regulatory objectives. We have established and are user testing two data science labs – one on-premises, one cloud – to enable ASIC's data analysts to have access to the latest data science toolkit and scalable computational resources for data analysis.
<b>Data management.</b> The additional funding has accelerated the implementation of planned projects to improve our data management. The key projects include:	
ASIC Search and Regulatory Data Repository Integration	We are creating one single Regulatory Data Repository to better capture share and use data. Searching and finding information in this data repository will be easier through a new ASIC Search tool which was launched in

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October 2016.

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Regulatory Workflows and Common Language

We are now mapping out and simplifying our processes so that we can do all our regulatory work on the one system - Microsoft Dynamics CRM – and using one common language.

A number of teams are already using the system, and all of our regulatory processes will be reengineered and moved to this integrated platform by 30 June 2019.

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Portal

We are creating a digitised portal and forms aligned with the Government's digital transformation agenda, to make interaction with ASIC simpler, assist compliance and reduce red tape. This will also enable ASIC to collect digital information – which will help us increase the depth of our regulatory data.

Initially, the portal will be available for stakeholders to submit their trial metrics for Industry Funding obligations in January 2018.

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### **Strengthening ASIC's powers**

The Government also accelerated the implementation of reforms from the Financial System Inquiry, including product intervention powers, product design and distribution obligations, review of ASIC's enforcement regime; and strengthening of consumer protections in the ePayments Code. ASIC is supporting Treasury in the implementation of these reforms.