

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates, 16 & 17 February 2005

Question: Add 10

Topic: Get-Rich-Quick Schemes – Property Spruikers

Hansard Page: E90

Senator Lundy asked:

One of the issues you spoke to in your opening statement was action against the get-rich-quick schemes and you mentioned the 60 illegal investment schemes shut down. How many of those were specifically property spruikers?

Could you take on notice providing a list with the detail of that nature to the best of your ability?

Answer:

In the financial year to 30 June 2004, the Australian Securities and Investments Commission (ASIC) took action to protect consumers against illegal get-rich-quick investment schemes, property spruikers and wealth creation seminar promoters.

As to the first category of enforcement action, ASIC shut down 60 illegal investment schemes, involving about 5,000 investors and \$110 million in invested funds. Although some of these schemes involved elements of property spruiking in order to sell or promote the raising of funds to invest in property development, ASIC's primary focus in these illegal scheme matters was to shut down the underlying unregistered managed investment schemes or illegal corporate fundraising mechanisms, which contravened the Corporations Act.

Specifically on the issue of property spruikers and property investment seminars, as detailed in the MCCA Working Party Discussion Paper and in ASIC's submission to the current Parliamentary Joint Committee on Corporations and Financial Services Inquiry into the regulation of property investment advice by the Commonwealth, ASIC has taken the following recent action:

- In ASIC's continuing investigation into the conduct of Henry Kaye and the National Investment Institute (see summary of legal proceedings up to August 2004 in the MCCA Discussion Paper), the Federal Court has declared that Mr Henry Kaye was involved in conduct that was misleading or deceptive, or likely to mislead or deceive, in relation to representations made by him concerning the compensation provisions of an enforceable undertaking provided to ASIC in 2003 (declaration granted September 2004); and

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- Obtained orders to restrain the Co-Develop Group (Co-Develop Australia Pty Ltd and eight related companies), Mr Leslie Freeman and Mrs Kylie Freeman from illegally raising funds for investment in property development schemes. Investors were sourced through the conduct of property investment seminars by Co-Develop (orders granted December 2004).

In relation to wealth creation seminars, which in large appear to promote a mix of advice to consumers, including options and share trading, foreign exchange trading and general investment advice, ASIC has taken action to restrain the conduct of seminars or giving of financial advice without an appropriate financial services licence in the following cases:

- Online Investors Advantage Incorporated (Financial Superstars seminars);
- Robert Allen (One Minute Millionaire seminars);
- Pow Wow Events (John Burley's Winning the Money Game and Automatic Wealth seminars);
- 21st Century Academy (Jamie McIntyre's How to become a Millionaire seminars);
- Giann & Giann Pty Ltd trading as Break Free Events (Options Trading Mastery and the Rapid Wealth Options Strategies seminars); and
- Oneworld Seminars Pty Ltd (Jack C. Weavers' Oneworld seminars).

ASIC confirms that its surveillance, enforcement and consumer education initiatives are continuing in this important consumer protection area of property spruiking, wealth creation and illegal investment schemes.