

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates 14 – 15 February 2007

Question: aet131 (ASIC)

Topic: Sovereign Capital

Hansard Page: E85

Senator SHERRY asked:

I raised some issues relating to Sovereign Capital at a previous hearing, and I got some answers back on notice with respect to that. Has ASIC continued in its oversight of Sovereign Capital? I understand from feedback I have received that, despite the company continuing to charge management fees to investors and recover expenses, Sovereign Capital does not possess an AFS licence or professional indemnity insurance. Has ASIC investigated that aspect of this matter?

Mr Cooper—The history of Sovereign is a relatively lengthy one. We did cancel their licence and in early December we also intervened in some proceedings in the Supreme Court of Queensland where Sovereign was effectively wanting to wind itself up. Our objection was that we thought if this process was to be undertaken it should be done by an independent liquidator. The ultimate outcome was that the court ordered the fund be wound up under the supervision of a Queensland accountant who was supervising the activities. The state of play then was that the fund had about \$54 million invested and 700 investors on hand. I am not aware that they are continuing to raise funds. Obviously that would be an issue, having taken away their licence. We will take that on notice and look at it.

Senator SHERRY—There will be a couple of other questions I will put on notice on that issue.

Answer:

The Supreme Court of Queensland ordered that Sovereign be permitted to wind up the Fund under the supervision of Mr William Fletcher, of Bentleys MRI, who was appointed supervising accountant.

Mr Fletcher will necessarily have a role in the oversight of all aspects of Sovereign's conduct of the winding up including the source and application of funds.

ASIC maintains a keen interest in the conduct of the winding up by Sovereign and has had numerous discussions with Mr Fletcher.