

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates 29, 30 & 31 May 2007

Question: bet 62 (ASIC)

Topic: AMP EU

Hansard Page: E94

Senator SHERRY asked:

On previous occasions—as Mr Cooper knows—we have discussed the AMP EU. We have discussed three or four outstanding actions that would possibly arise from analysis as a result of the last shadow shopping exercise. Where are we up to with those other organisations that were identified, not by name but identified as a group?

Mr Cooper—A fair bit of time has elapsed since we last discussed that. As each month progresses we are doing new and different types of work. We do have a large body of work involved in what I might call financial planner compliance. I take your question to be that there is not necessarily a large piece of work coming out of those programs in the past. However, I can say that there are some fairly substantial surveillances and matters on our plate at the moment that may well end up in an EU or some other type of action.

Senator SHERRY—I am looking for an update on that investigative work. It was identified that there were three or four still in that space. Perhaps you could give an update on notice.

Mr Cooper—We could take that on notice.

Senator SHERRY—It may well be that there is nothing coming out of one, two or more entities. I am just interested to know where it is up to.

Mr Cooper—We can certainly do that. I know what you mean.

Answer:

ASIC published its report on its Shadow Shopping survey on superannuation advice in April 2006. In our report, we identified 14 licensees where the results indicated that the licensee might not be discharging its obligations and that ASIC would be making further inquiries of them.

ASIC was already conducting inquiries, or planning to conduct inquiries, into 7 of those 14 licensees. Those inquiries all proceeded and covered the issues identified in the shadow shopping survey. One of those licensees was AMP Financial Planning ('AMPFP'). In July 2006 we agreed to an enforceable undertaking with AMPFP that covered superannuation switching advice and therefore the issues arising from the

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shadow shopping survey. Similarly, ASIC had already commenced proceedings against First Capital Financial Planning Pty Ltd (in December 2005) in relation to superannuation switching advice. ASIC secured court orders and entered into an enforceable undertaking with First Capital Financial Planning Pty Ltd that also covered superannuation switching advice and therefore the issues arising from the shadow shopping survey.

We conducted inquiries of the remaining licensees to ascertain whether the licensee was discharging its obligations and what further action was necessary to be taken. In two cases, we did not find further issues and took no further action.

Where we observed more widespread problems we met with senior representatives of licensees to convey our concerns and expectations. Those licensees took action to address the issues that we had identified. Some of the actions taken include:

- Enhanced audit of representatives including changes to both internal and external audit frequency and depth.
- Systems enhancements to better supervise representatives' conduct.
- Systems enhancements to help representatives' comply with their legal obligations.
- Compulsory training for all staff involved in advisory process.
- Enhancement of internal policies including the development of a disciplinary action policy.

ASIC's specific work following up the shadow shopping results has now largely concluded although the monitoring of the AMPFP enforceable undertaking is continuing.