

SENATE STANDING COMMITTEE ON ECONOMICS QUESTION  
(Supplementary Budget Estimates 20 October – 21 October)

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Question: SBT 68

Topic: Consultation Paper Re Responsible Entities

Senator Bushby asked:

In late September ASIC released a consultation paper flagging changes to the financial requirements for 'responsible entities'. One of the proposals is to require REs to produce 12-month cash flow projections on demand. How many REs are there, and how many of these does ASIC realistically envisage requesting?

Answer:

There are approximately 600 licensed responsible entities. We propose that responsible entities be required to prepare, and make available to ASIC upon request, rolling cash flow forecasts with anticipated revenue and expenses over at least 12 months, to be approved by the directors of the responsible entity.

We expect to request cash flow forecasts when considered appropriate as a part of our normal reactive and proactive surveillance activities of the stakeholder population. For example, if market research or analysis indicated that a responsible entity may be in financial distress, we may request a cash flow forecast to review the responsible entity's capacity to meet its operating expenses and the assumptions within the cash flow forecast. The frequency of requests will vary depending upon market conditions, the conduct of individual stakeholders or stakeholder groups and any proactive projects regarding cash flow forecasts that ASIC may undertake. We do not have any planned pro-active surveillance projects in relation to cash flow forecasts for responsible entities at this time.

These requirements are subject to consultation for which the formal public consultation period closed on 15 November. ASIC will consider responses to the consultation paper in developing regulatory guidance in this area.

ENDS