



ASIC

Australian Securities & Investments Commission

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Opening Statement Supplementary Budget Estimates

20 November 2013

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Thank you Chairman and congratulations on your appointment.

I am pleased to appear before the Committee today.

I would like to introduce the Committee to ASIC's Commissioners.

With me are Deputy Chair Peter Kell, Commissioners John Price and Cathie Armour. Commissioner Greg Tanzer is ill and sends his apologies.

Also with me are Senior Executive Leaders Chris Savundra, Warren Day and Greg Kirk.

Senate submissions

- I would like to first set out ASIC's contributions to date to the Senate Inquiry into the performance of the commission.
- We have lodged three substantial submissions.
- The first sets out our enforcement and compensation actions in relation to Commonwealth Financial Planning. In this submission, we acknowledged some processes in dealing with CFPL could have been quicker and more transparent.
- ASIC's second submission dealt with our approach to the regulation of credit, both before and after the introduction in 2010 of the National Credit Act reforms.
- This includes a discussion of ASIC's role in regulating low-doc loans prior to 2010, a topic on which the committee has received many submissions
- ASIC's final submission was lodged late last month and it covers the Inquiry's terms of reference and spells out some major policy proposals.
- These include:
 - raising financial adviser competence through a national exam
 - introducing a national register of financial advisers, which will assist both the regulator and advice firms identify advisers as they move around the industry and thereby help deal with 'bad apples'
 - enhancing whistleblower protections
 - strengthening ASIC's licensing powers
 - streamlining search warrant powers, and
 - reviewing penalties.
- Our final submission also included a list of ASIC's recent achievements. In the last three years, ASIC has:
 - completed over 4000 surveillances and 554 investigations with a broad range of regulatory outcomes

- banned 168 individuals from providing financial services or credit services and 209 directors from managing a company
- completed 73 civil and 79 criminal proceedings
- entered into 56 enforceable undertakings with entities as well as numerous other negotiated outcomes to address compliance failures or inappropriate conduct
- cancelled, suspended or varied 19 Australian financial services licences and Australian credit licences
- obtained over \$349 million in compensation for consumers
- handled over 2 million telephone queries and 200,000 email queries
- participated in over 1500 stakeholder meetings
- launched our MoneySmart website with over 5 million Australians visiting the site
- launched the new national Business Names Register which saved business over \$30 million in its first year.
- granted relief (waivers) from the law to over 3000 applicants to facilitate their business transactions, and
- handled nearly 40,000 complaints about misconduct.
- ASIC has also published a total of 148 information sheets, 215 regulatory guides and 375 reports to help our stakeholders understand their obligations and comply with the law.
- The Senate has received nearly 270 submissions and ASIC is examining each and every one.
- We have a dedicated team that is reviewing the submissions to ensure we identify opportunities to improve our processes and do a better job
- Many submissions are critical of ASIC and some raise issues about our preparedness to engage and consult with external parties.
- On that topic, I would like to say that engaging with those we regulate is crucial and one of ASIC's critical tools we use to achieve our priorities.
- Last financial year, ASIC conducted more than 620 industry meetings. Engaging with industry ensures ASIC keeps abreast of developments and systemic risks within industry and markets.
- ASIC also reaches out to industry through the use of external advisory panels. In fact we are involved with five panels. They are:
 - The Australian Government Financial Literacy Board
 - The Consumer Advisory Panel

- The ASIC External Advisory Panel
- The Markets Supervision Advisory Panel, and
- The Registry and Licensing Business Advisory Panel.
- Lastly Chairman, I want to recognise the hard work of all the people at ASIC who have been working on our submissions to this inquiry I look forward to the opportunity of appearing before this special inquiry into ASIC.
- Chair, for the benefit of new members I would like to briefly go through ASIC's priorities.

1. Confident and informed investors and financial consumers

Education

Gatekeepers

Consumer behaviour

Education

- On ASIC's MoneySmart website we have had:
 - 7.47 million unique visitors to MoneySmart since it launched. This increased by 89% in the last financial year;
 - 19,667 Facebook likes. This increased by 2,160% in the last financial year;
 - 3,802 Twitter followers. This increased by 100% in the last financial year;
 - 248 YouTube videos viewed over 137,755 times. There was a 32% increase in viewers over the last financial year; and
- 415,846 downloads of MoneySmart's 3 apps – TrackMySpend (a budgeting app), Money health check (a personal financial evaluation app) and Mobile calculator (a simple financial calculator)

Gatekeepers – guidance and holding them to account

- In September, ASIC took action against LM Investment Management founder Peter Drake to restrain his travel and freeze his assets.
- LM went into administration in March 2013, with the company responsible for managing at least \$750 million on behalf of almost 12,000 investors.

Hybrids

- Over the past six month, ASIC continued to hold financial product gatekeepers to account, particularly the organisations involved in the \$18 billion of hybrids issued by banks and corporates since November 2011.
- In August, we released a major report into hybrids which said ASIC will focus on possible misleading conduct in the sale of hybrids including inappropriate labelling and unwarranted comparison of hybrids to different, less risky products.
- Investor education about these products is critical and ASIC will explore whether new strategies can be developed to help investors check their understanding before investing in hybrids.

Consumer behaviour

Advertising

- We are continuing to focus on advertising.
- In September, ASIC forced investment banks Credit Suisse and UBS to change their promotional materials for complex financial products following ASIC concerns they were potentially misleading.
- In August, Credit Union Australia Limited agreed to maintain interest rate discounts for eligible home loan customers after an ASIC investigation raised concerns the credit union's ads were misleading.

2. Fair and efficient financial markets

Market Supervision report

- In August, ASIC published its sixth report on the supervision of Australian financial markets and market participants.
- The report highlights the significant volume of market and participant-related outcomes ASIC has achieved in the first half of this year. Outcomes include:
 - 20,938 trading alerts produced
 - 94 market inquiries conducted
 - 35 matters referred for further investigation
 - 45 risk-based assessment visits conducted
 - 88 surveillances completed
 - 19 instances of pre-emptive supervision action
 - 5 enforcement outcomes for insider trading offences
 - 2 infringement notices issued by the Markets Disciplinary Panel.

Market Integrity Rules – HFT and dark liquidity

- In August, ASIC released its market integrity rules on dark liquidity and high-frequency trading.
- The final rules follow extensive internal analysis and consultation with industry and will improve the transparency and integrity of crossing systems and strengthen the requirements for market participants to deter market manipulation.
- We expect the new rules will change market behaviour, building on the positive changes we have already seen with other recent rule changes and the work of ASIC's taskforces on dark liquidity and high frequency trading.

Insider trading

- We are continuing to get convictions for insider trading.
- In October, Queensland man Thai Quoc Tang was sentenced to 2 years gaol for market manipulation involving trading in the shares of biological technology company Tissue Therapies Ltd over 13 months from December 2010.
- Also in October, two Sydney men pleaded guilty to insider trading which saw them collectively pocket \$20,000. Joe Turner, 23, and Jonathan Breen, 29, admitted to using inside information to trade shares of resources company UCL Resources Ltd earlier this year.
- In August former Gunns chairman John Gay pleaded guilty to insider trading and was fined \$50,000.
- Earlier in August, former Royal Bank of Canada employee John Kay Jin Khoo was jailed for 14 months.

3. Efficient registration and licensing

Business Names

- Business names register– one year anniversary in late May 2013
- Business names has been a massive project for ASIC's registry team – the biggest to date.
- 1.5 million names were transferred to ASIC from the States and Territories. 361,000 registrations have been added to the register since then.
- Convenience is the cornerstone – 99% of these registrations have been completed online, 30% after usual business hours
- Over \$34 million in cost savings were generated for business in the first year. Most people (70%) are paying up front by credit card, usually (65%) for 3 years (\$76 for national registration - hundreds of dollars less than before).
- On average 1.5 million free searches of the registers each month, 20% from mobile devices such as smart phones and tablets.
- We currently receive 1,800 business name calls and emails each day from customers, down from a peak in February/March 2013 of over 3,000 per day. The majority are handled immediately.
- We continue to make customer-driven improvements to the system, for example the new 'Quick pay' service that is in development (due for release in Q3) which will reduce the time and effort required of businesses to renew their registrations.

Small business portal

- In November, ASIC released a new online hub aimed at helping Australia's small business owners and operators to better understand their legal obligations and the role of ASIC.
- With small business accounting for 96% of all businesses registered with ASIC, it's important we provide information these customers need.
- This initiative responds to a 2012 ASIC survey of small businesses which found ASIC needed to engage more with small businesses

Chair, we are now happy to take questions.

ENDS