

Staying apace of emerging technology: An ASIC perspective

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Thank you for the opportunity to address you this morning.

Today I will be looking at the ways in which ASIC delivers to consumers, industry and government a relevant and effective regulatory regime.

Do you remember when people wrote letters by hand and waited a week or two for the reply?

Do you remember checking your account balances inside the branch, visited the insurance office or queued to pay bills?

Well the times *they-are-a-changin* and the way we do business today is changing too. It is now almost a cliché that we are in a 'New Economy', a New Economy shaped by huge advances made in information technology and its applications.

Today the Internet, while only ten years old as a widespread commercial application, pervades the workplace and household to an astonishing degree. The Australian Bureau of Statistics¹ (ABS) November 2000 figures indicate that over half of us had a PC at home and over a third of us were web enabled by August 2000; and these numbers continue to grow.

The Cap Gemini Ernst & Young report on e-commerce within the global financial services industry² (released in October 2000) indicates that the Internet handled 3% of financial transactions in 1999. However, this figure is projected to increase to 10% by 2001 and 20% by 2003.

¹ Australian Bureau of Statistics: 8147.0 *Use of Internet by Householders* 21 November 2000

² Gap Gemini Ernst & Young, *Electronic Commerce – A Need to Change Perspective: 2000 Special Report on the Financial Services Industry*, October 2000

However, we are clearly in a stage of transition. While the paper-based world is fast disappearing, we are not there yet. Looking at the Gap Gemini Ernst & Young statistics in reverse, some 80% of financial transactions will still be conducted using existing technologies in 2003 and 97% are still conducted in traditional ways today.

Successfully managing the transition poses challenges for consumers of financial services, for businesses and for regulators.

We need to regulate the old and the new, whilst at the same time create capabilities to deal with the economy of the future.

The Internet is profoundly reshaping our financial services marketplace. The Internet has empowered us with faster and more efficient access to information and given us transactional capability. The combination of easier access and reduced costs for online financial services has intensified investment activity by ordinary consumers.

The positive benefits of this ever developing cyberworld are accompanied by changing consumer expectation and behaviour, generating both challenging consumer issues and industry uncertainty.

It was technology historian Melvin Kranzberg who said *'technology is neither good nor bad, nor is it neutral'*. In reality this technology is an ambiguous phenomenon yielding both risks and benefits in financial services, and these are often unevenly distributed.

The Treasurer, The Hon Peter Costello, noted earlier this year that *'everybody loses interest in corporate regulation when a market booms. It's only when it fails they look to allocate liability. But it's when it's booming, when activity is going on, that people need to be at their most vigilant'*.

This is not a new message for ASIC. We are actively involved in trying to provide trust and certainty within this emerging environment. To achieve this we are focusing on building consumer confidence through educational activity, further developing our ties with industry and taking action against those who break the law.

Our regulatory attack highlights our focus on the future and how we adapt to, not only the changes that are taking place today, but also those that are

still beyond our line of sight. This has been a deliberate approach that ensures that within this context our regulatory framework remains apace of consumer expectations and industry's need for certainty.

And we're going to explore many of these initiatives further in this morning's session.

Focus

The target of today's discussion naturally falls to that of the Internet and e-commerce. My focus will include a review of the challenges that these technologies raise.

I will talk about the technological context and I will frame ASIC's stance in an effort to offer you an insight into our thinking on the Internet and e-commerce, how this thinking has evolved and where it is headed.

Naturally, the best way to see ASIC's thinking is to witness it in operation. So I will be looking at the three prongs of our regulatory attack that together articulate our approach to our ongoing role as a facilitator, protector and enforcer within the online financial services context.

And what does this all mean? Well, we are working towards a safer cyberworld, where consumers are protected, industry has the confidence to innovate and market integrity remains paramount. This vision of the future is one that all market participants share.

But before we explore these any further lets set the scene by first having a look at the challenges presented by the internet and e-commerce to consumers, industry and regulators.

Internet challenges

Without wanting to repeat *ad nauseam* it is important to acknowledge the global nature of the internet. Trends and activities that were once limited to local areas are now reflected instantly around the world.

Access to the internet is increasingly affordable and user-friendly. It is easy to enter the market while at the same time more difficult to differentiate an

established operator and one that operates out of a backyard shed. By its very nature, the Internet is anonymous.

The internet raises issues of practical law enforcement. For example, if a website is closed down in Australia it can re-open again in another jurisdiction in a matter of hours. The process of catching the 'bad guys' is then consistently more difficult in the e-commerce world.

The internet brings the advantages of speed and immediacy of transactions. And we want consumers and business to benefit from the efficiencies, cost savings and choices that e-commerce offers.

Therefore, where we have responsibility we aim to balance the free flow of information with appropriate consumer protections. We still need to be able to catch the crooks and put them in gaol.

Establishing the identity of parties to a transaction, maintaining records of transactions themselves and ensuring redress for failed or unsuccessful transactions are key issues to the proliferation of e-commerce. Why? Because it undermines the trust that consumers require when they wish to deal online.

So, with Kransberg's dictum in mind, the internet offers both opportunities and concerns, but what does this all mean for financial services?

The Challenge...

The internet presents us with the challenge that within the length of our lifetimes,

'the power of acquiring information and disseminating power will be doubled, and we may be justified in looking forward for the arrival of a time when the whole world will have become one great family, speaking one language, governed in unity by like laws'.³

...is not as new as we think

³ *Devil Take the Hindmost: A History of Financial Speculation*, Chancellor, Farrar, Straus & Girous, New York, 1999

But while the technology may be new the challenge is not. This particular quote was offered in response to the introduction of rail networks in 1842. But it nevertheless holds currency.

The point is reinforced that technology presents our existing values with new delivery channels and the challenge for all of us is to engage in e-commerce in a way that is conducive to delivering trust, confidence and certainty.

The changing face of business

We would all know of the rush to invest in dot com stocks, but with a few people now licking their wounds. Of course again this is an old message, dressed up in new clothes. You only need to think back to the mining stocks boom to see that.

e-time moves fast

ASIC has nevertheless taken on the challenge to ensure that, despite the changes that e-commerce presents, consumers and business can deal with comfort in this emerging environment.

In preparing for today's talk I took a tour into the history of our contributions to technology with a brief review of the *ASIC Digest*, a comprehensive reference of all ASIC policy, media and other materials.

In 1995 there was only 1 reference to e-commerce contained in the *ASIC Digest*. It related to electronic document lodgement. Now, just 5 years later, there are 2 columns of entries covering an assortment of international and local activities where we have contributed policy and enforcement actions and communicated these messages.

In 2000 alone we have released in excess of 20 e-commerce related media statements and since 1999 we have engaged in over 200 e-enforcement activities.

Thinking about e-commerce as a regulator

The growth of activity has been in accord with the development of our thinking as a regulator. During the early stages of our e-commerce thinking, we were largely focused on the transition of existing paper-based processes into an electronic format. This was a paradigm based on functional equivalence.

This approach was indicative of our technology neutral stance and highly suitable given the type of e-commerce initiatives that were surfacing at the time.

However, we have had to ensure that we remain at pace with the development of the internet and e-commerce and that the regulatory regime that we build is appropriate and effective, irrespective of the medium employed by consumers and industry.

Today our focus has moved beyond functional equivalence, though we remain technology neutral. We now ensure that we focus on regulatory objectives and enforcement outcomes that take into account new methods of electronic delivery.

Our approach to the internet and e-commerce

We aim to build a regulatory and business environment in which:

- consumers of e-commerce financial products and services can be confident that their interests are properly protected
- industry participants can confidently plan and develop e-commerce initiatives
- we continue to enhance our abilities as an effective and credible regulator in the e-commerce context.

Regulatory attack

Just how does this work in real life?

The tools and techniques we adopt for e-commerce parallel the traditional methods, only some of the delivery mechanisms change.

Our regulatory toolkit has three prongs that work in together to provide a regulatory attack that offers protection, confidence and certainty. These prongs are:

- policy to clarify the law
- consumer education
- enforcement and surveillance

Put simply, we give guidance on the rules, we communicate them to the public by campaigns and investor forums and we catch the wrongdoers via surveillance, complaints and enforcement. This is probably a good place to look at what the impact of the internet has been on our regulatory work.

Regulatory pyramid

Emerging thinking within law enforcement agencies is that generally the population can be divided into three sectors:

- Those who will almost always comply (all of you in this room). This is most people. These people need guidance from the regulator and education as to how to remain within the law. Have in your industry, our combined efforts on good advice, your new national quality assessment program are reliant tools.
- In the middle are the opportunists. They will generally comply. However, given the opportunity, they may stray into questionable or illegal activity. What tends to keep this group on the right side of the law is the knowledge that they might get caught. Hence campaign type activity, random audits and surveillance campaigns are the regulatory tools employed.
- Then at the top are the small number of law breakers! The fraudsters, where enforcement is the only appropriate remedy.

Unfortunately the internet is changing this paradigm. Just as it has lowered the transaction cost for *consumers* so it has for criminals. Perceived anonymity and lower fear of detections also contributes to this.

I'll come back to some interesting examples of electronic enforcement shortly, but as you are all law-abiding people, I'll first deal with the more mundane area of policy.

e-policy: we've been busy

We aim to ensure that consumers and industry can conduct business electronically. Working towards this goal we continually review the need for further policy initiatives. Indeed, ASIC has released a number of policy statements that are relevant to e-commerce.

Policy Statement 107 on electronic prospectuses was released in 1996.

This policy allows for the presentment and promotion of prospectuses in an electronic format. However, it needs to be reducible or revertible to the printable form.

This policy aims to ensure that electronic prospectuses satisfy the key objectives of the Corporations Law prospectus provisions, namely that consumers can make informed decisions based on a prospectus that contains all the relevant information about the securities on offer.

Investment advisory services: media, computer software and internet advice. Released in 1997, Policy Statement 118 provides guidelines for the provision of investment advice on the Internet or through other electronic means.

With respect to **offers of securities on the internet, we released in 1999 PS 141** which sets out those instances where we will regulate offers and advertisements for securities that appear on the Internet.

In essence, we'll take action where the offer is made to Australians, whether the origins of the offer are located here or internationally.

PS 141 is part of our co-operative efforts with international colleagues to co-ordinate regulatory approaches globally. Within IOSCO we have done a lot of work on cross border cooperation. We also have a number of bi lateral agreements with other countries. This does mean that unless an operator is in one of the so-called technology havens, we can take action in respect of overseas operators making offers to Australian investors.

PS 150 was released in 2000 and relates to electronic applications and dealer-personalised applications for securities. This policy provides relief from the Corporations Law requirements to use paper forms and thereby allows for the use of electronic applications in the securities industry.

Our **Policy Statement 152 covers the lodgement of disclosure documents**, following the commencement of the CLERP Act.

More recently, we released an **Interim Policy Statement (IPS 162) on internet discussion sites, or chatrooms**. We've also released a policy proposal paper on electronic applications for super and insurance products. I'll discuss these and online broking in more detail shortly.

And previously we released an issues paper on multimedia prospectuses and other offer documents, in combination with Prof. Elizabeth Boros then of the University of Melbourne (now with Monash University).

I'll now touch on a few of the current issues we're looking at....

Internet discussion sites

Under strict interpretation of the law, chatrooms need to be licensed if they are giving financial advice or opinions. But we took the view that chatrooms can offer a facility that reflects informal 'over the fence' style discussions.

In our recently released Interim Policy Statement 162 on internet discussion sites (IPS 162) we've proposed guidelines aimed at balancing the need to foster consumer access to inexpensive information and an easy method of self-education using the Internet and the need to ensure consumer protection and market integrity.

IPS 162 gives relief from the licensing requirements of the Law, where the website is operated by non-professionals and there are appropriate disclosures. The aim here is to balance the free flow of information that is good for consumers where there are appropriate protections.

I'll explore the issue of information and advice a little further later on.

Electronic applications

We aim to be consistent across all areas that we regulate. As I mentioned before, through PS 150 we allow electronic applications for securities and we are now looking towards similar provisions for electronic applications for super and life products.

However, there are some significant differences in the superannuation and life insurance world. When applying for super or life products, the applicant must make certain statements that are critical to the actual product and its costs; such as whether or not the applicant smokes. These statements are not relevant for securities applicants.

The policy proposal we've released for comment looks at the disclosure required and the issues surrounding signatures. It also looks at consumer understanding, namely an awareness that to click is to commit. We expect to issue a policy statement in the new year (2001).

In accord with our technology neutral position, we are not looking to be prescriptive with regard to how signatures may be enabled; it is up to individual businesses adopting electronic applications to determine whether they'll offer digital signatures, PINs, smartcard or other methods.

Online broking

In an ongoing review process, earlier this year we undertook a second assessment of the local online trading industry with a targeted survey of 29 online broking websites.

The survey was designed to develop our capability and to encourage best practice disclosure. We also were able to improve our understanding of portal operations and online broking system soundness and reliability.

Briefly we found that the industry operated well, without presenting any major concerns for the regulator. However, we raised a few issues for the industry to consider and address, they included:

- disclosure of identity
- privacy
- dispute resolution matters
- education materials (about the buying and selling of securities)
- provision of credit

We also wrote to each online broker and outlined the results of our survey and provided what we believe to be a best practice template for the disclosure of information on online broking websites.

We then issued a consumer alert highlighting the survey and affirming the types of issues that consumers should look out for when trading online.

The second part of our regulatory attack is our responsibility for protecting consumers, a critical part of which is consumer education.

At ASIC we believe and have been witness to the same mischief occurring online as it has in the traditional business environment. It is with this in mind that we advocate the provision of at least the same levels of protection for online activity as is afforded to offline transactions.

To deliver on these objectives we work with industry in the use of codes as well as employing targeted campaigns to communicate to consumers the risks and benefits associated with dealing with online financial service providers. So much for policy work. Now let's look at some consumer protection issues.

e-consumer protection

Since 1998 we've had carriage of consumer protection matters within the financial services sector.

In this environment of rapid change and exposure to the Internet we've found that through education we can continue to combat the concerns raised by the internet. Indeed, our millennium bug insurance scam encapsulates these concerns well.

On April Fool's Day last year (1999) we set up an investment website relating to millennium bug insurance purported to be a company selling insurance against the millennium bug and offering a great investment opportunity.

By the time we exposed the fake website in May 1999, our April Fool's Day joke had convinced over 200 people to pledge around \$4 million to the bogus scheme. These people did not search our registers, or they would have found that no such company existed and that the directors were bogus. We sent each person an email warning investors about being so foolish and of course we did not take any of their money. This campaign was recognised with local and international awards.

As part of this educative campaign, we also released the **Gull Awards** on the ASIC website. Each month the Gull Awards features incredulous examples of deceptive investment schemes and scams designed to alert and educate consumers and provide them with information about how to avoid such activity. Our website also contains names of known operators from overseas cold calling consumers to sell shares.

We have also released a series of Consumer Alerts. Often targeted at particularly concerning topics such as using the internet for investing, online banking, free share offers, trading software and spam.

The growth of the internet as a tool for consumers and for business is evident in the use of our online services such as company name searches, document lodgement and company registration.

Indeed, we have responded to these growing needs with the provision of more and more online services to facilitate company activity and consumer checks. We have also bundled our consumer resources together in a separate website called **FIDO** (Financial Information Delivered Online).

I encourage you to regularly review this site and our broader ASIC site as they are updated frequently and contain useful information about what we're doing.

e-scams

Now we'll have a look at some of the scams we've observed and action we've taken.

The growth of the internet provides opportunities for business. Equally it provides opportunities for illicit activity that can occur in an instant and impact on a multitude of people simultaneously.

We have received an increasing number of reports of e-scams ranging from:

- illegal offerings over the Internet
- prospectuses and other promotional materials being placed on the internet without approval
- 'hot-tips' by unlicensed investment advisers
- market manipulation

The internet provides greater access to information and creates volumes of activity that entirely disregards traditional borders. Our enforcement capability has had to adapt to this changing environment.

The enforcement challenge

"On the internet nobody knows you're a dog"

In essence, the Internet offers the perception of anonymity to conduct all sorts of deceptive activity.

That is the emerging challenge for electronic enforcement.

e-enforcement

To respond to the challenge presented by the internet and to continue to develop our e-enforcement capability we set up our Electronic Enforcement Unit (EEU) in 1999.

The EEU is a specialist enforcement unit focusing on electronic crime. It increases our ability to take swift and decisive action against unlawful behaviour.

Through the EEU we have established a nationally consistent approach to e-enforcement. Also, indicative of the integration of our e-capability is our development of enforce.net. Enforce.net provides operational staff with exposure to EEU training to ensure that our e-enforcement capability goes across the organization.

Further, the EEU have developed a virtual tool kit that enables all of our enforcement staff to be capable of responding to our growing Internet based enforcement needs. The toolkit includes guidelines and policy for dealing with electronic matters, protocols for dealing with internet service providers (ISPs) and litigation tools such as model affidavits, notices and court applications as well as our WebHound.

WebHound is our automated surveillance tool. WebHound scans the Internet and extracts websites that fall within set search criteria. These are followed up with surveillance and other enforcement activity.

Let's have a look at the Rentech matter.

Rentech, Inc

Rentech is a US company that traded on the small cap market of NASDAQ. On 8 and 9 May 1999 messages relating to Rentech were posted on the Yahoo! and Raging Bull Internet bulletin boards in the US.

A couple of months later between 500,000 and 1 million spam messages (unsolicited email) were sent out in both the US and Australia. With similar messages to the bulletin boards.

The messages were that Rentech stock would soon increase by up to 900% over the next few months.

The next day of NASDAQ trading saw the price of Rentech shares doubled on trading volume, which was at least 10 times the normal average daily trading volume of Rentech shares. You can see the spike in the share price following these incidents.

The Securities & Exchange Commission (SEC) in the US received complaints about the spam and consulted with Rentech. Rentech denied that the content of the messages and asserted that they had not originated at Rentech.

The SEC's original investigations determined that the source of the Yahoo! and Raging Bull posting was from accounts held with Australian based ISPs. So, we had a US Company on a US exchange but an Australian ISP as the source of the messages.

The SEC contacted ASIC and a joint investigation started. We served notices on Australian ISPs and suspects were identified in Queensland and Victoria. Simultaneous search warrants yielded a large volume of documentary and computer data.

I need to point out that the messages didn't *directly* identify the senders. There was various routing of messages via university servers etc.

We received guilty pleas from the perpetrators on the grounds of making statements or disseminating information that was false or misleading and likely to induce the purchase of securities by way of transmission of electronic mail messages and posting messages to Internet websites.

This case highlighted the fact that the transmission of messages over the Internet is not completely anonymous and that ASIC has the ability to trace the authorship and prosecute.

We believe that this criminal prosecution involving the transmission of spam email messages and the posting of messages on websites is one of the first of its kind in the world and a good result for ASIC.

Chimes

The Chimes matter related to the provision of unlicensed investment advice, off market trading and illegal fundraising.

In early 1999 we received a complaint that postings on the Chimes website constituted investment advice. Within the site's chatroom, the *Chimes Index*, the operator posted a number of articles that advised in respect of particular securities, however the operator is neither licensed as an investment adviser or securities dealer.

Prior to our action the operator posted an article announcing the release of a new engine and advised readers to invest before the shares increased in value. The announcement was in fact 12 months old nevertheless ASX reported a substantial increase in trade in respect of the named security.

We obtained an injunction in the Federal Court restraining the operator, a Mr Matthews from giving investment advice, generally or on the Internet. The operator breached this order on several occasions and so we commenced contempt proceedings and he received a 2-month suspended sentence.

We took further proceedings against Matthews in respect of a New Zealand site.

Mathews is now:

- restrained from providing investment advice

- permanently restrained from dealing in securities

Capital Trading Group

In the Capital Trading Group matter we accepted an enforceable undertaking that Capital Trading Group would not advertise information on the Internet that may be misleading or deceptive and they would refrain from offering advice on futures contracts without an appropriate licence.

The Capital Trading Group website had given the impression that it had a large operation in many countries and that it had many private and corporate investors.

The site claimed high investment returns, with no real basis for the projections offered. However, our investigations were unable to substantiate these claims or reveal any funds raised by Capital Trading Group.

The website was voluntarily withdrawn at our request.

Davies-Roundhill

This matter relates to an enforceable undertaking we received from Martin Leigh Davies-Roundhill to cease promoting an investment offer via an Internet newsgroup numbering approximately 25,000.

The email campaign was part of an effort by Davies-Roundhill to raise \$10 million to fund an Internet start-up company. The message included an invitation to buy units for \$100 each and requested that the money be forwarded to a Commonwealth Bank account in his name.

Davies-Roundhill in fact had not incorporated a company, there was no registered prospectus and he had not complied with the fundraising provisions of the Corporations Law.

On this occasion we were able to act quickly to stop the misconduct before any funds had been raised.

Dominion of Melchizedek

The dominion of Melchizedek, you may know this better as the Balos Case. George Balos organised an investment scheme using the names British Marine Bank and Commodities International, which he offered to investors. He gave the appearance that he was operating an investment business. He arranged loan accounts for investors in the above fictitious companies and paid a high rate of interest. Balos arrived at the name BMB by using numerology.

Balos held papers reporting that the British Marine Bank was a corporation registered in the Dominion of Melchizedek. The Dominion of Melchizedek is a phantom country. While its name is derived from the Old Testament the Dominion itself exists only on the Internet (www.melchizedek.com). If this weren't so sad, it would be funny.

Balos of course used the money paid by depositors to pay interest. He also lived at Crown Casino, purchased at least \$3m in gambling chips and bought two Rolls, a Bentley and a Mercedes Benz.

Balos was sentenced to 11 years gaol on 46 fraud charges brought by ASIC. In all Balos was involved in a \$10m fraud.

Online Investors Advantage

Online Investors Advantage Incorporated is a US company, founded in Utah in 1997. Online Investors Advantage conducts seminars around the world to teach investors how to use the Internet to invest in stocks, options and mutual funds.

Specifically investors were taught how to use the Online Investors Advantage website to evaluate and select US investments, use basic analytical and other investing tools and generated buy and sell signals for particular US securities.

We considered that in operating this website, Online Investors Advantage may be providing investment advice to Australian investors without an appropriate licence.

While a legitimate business elsewhere, Online Investors Advantage has agreed not to advertise any investment advisory services in Australia, not to

promote or conduct educational seminars in Australia and to maintain a disclaimer on their website that states that the company is not a broker and does not hold a dealers' licence or an investment advisers' licence for Australia.

This case does of course illustrate another emerging concern for us, that of trading software.

Trading software campaign

In particular where the trading software produces buy and sell signals. We are concerned that appropriate disclosure and licensing requirements that ought to be applied to this technology to ensure the protection of consumers and integrity of the market does not always occur.

You would have heard a number of radio ads for these services. In response we launched a campaign on such activity that has resulted in some operators applying for licences, withdrawal of advertising and in several cases removal of product and operators from the market.

We have also issued several media releases and consumer alerts warning people about this type of product: we'd much rather see them go to a good financial planner.

Building a safe cyberworld

So why is it that we have a three-pronged regulatory attack, what is it all for?

As I mentioned early on, the technology may be new but the challenges are perennial. The internet raises a new delivery mechanism but there remains a common interest for consumers, industry and regulators.

That common interest is TRUST. Trust in the cyberworld builds confidence and certainty and that builds market integrity. And we're not doing this in a vacuum. Business and consumer groups together with government bodies are all involved.

Robert Frost wrote:

*'The woods are lovely dark and deep, but I have promises to keep,
and miles to go before I sleep'.*

The Internet also places challenges ahead. Yet, we have always aimed to stay abreast of the technology and how it impacts on the financial services sector.

This is evident in our progress to date and our record of achievement as facilitators and protectors of e-commerce.

We have promises to keep too. Promises to balance the desire for innovation with appropriate consumer controls. We look to the future, aware of these challenges and as keen as ever to engage them and move forward.

The challenge ahead

Let me finish by setting out what I consider to be some of the challenges that ASIC is facing over the next 12 months, particularly in relation to e-commerce.

The Financial Sector Reform Bill (FSRB), expected to be introduced mid-2001, is the final phase of a reform program that seeks to harmonise the regulation of financial services industry in Australia. The Bill proposes a single licensing framework for financial services, minimum standards of conduct, uniform disclosure obligations and greater flexibility. The implementation of this program will certainly assist in our aim to provide a consistent regime across all financial products.

We are looking at the prevailing issue of information versus advice. We start with the premise that one needs to be licensed to provide advice. How then do we handle a situation where a software program uses specific client information and provides targeted recommendations about individual financial strategy? Who provides the advice and who should hold the licence to do so?

Indeed the question of where information becomes advice within the online context is one that impacts online trading and investments as well as the operation of portals and other Internet applications.

Into the future, financial products and services may be commoditised, it is likely that advice too may become a commodity. Particularly, where the advice and other value-add tools are included within a website to draw in new customers and retain them.

We aim to ensure that such advice is provided as a professional service, in a competent way and with the best interest of the client in mind.

In developing our understanding of information and advice in the online context, we need to ensure that we are conscious of our role as a facilitator of online financial services. But equally, we need to be aware of the need to maintain a balanced and equitable environment that is conducive to all participants.

Screen scraping of financial information is a recent entrant to the online financial services marketplace and a new consideration for ASIC and other regulators.

Also known as account aggregation these services are already operational while other financial service providers are moving to the market with their own products.

In screen scraping we have a facility that allows a user's financial information to be summarised on one screen – a virtual Wrap account.

Our concern here is the issue of the apparent disclosure of the user's name and PIN to a third party and the potential breach of banking conditions with regard to PIN security.

Our focus is to ensure that consumers do not give up protection and potential for redress without fully understanding the implications.

On multimedia disclosure we are considering issues of meeting existing Corporations Law requirements for offer documents disclosure needs. Work has already been completed with a paper produced with Prof. Elizabeth Boros of Melbourne University (now Monash University)

We've already learnt that the Internet and e-commerce is borderless and does not respect traditional jurisdictional boundaries. We are moving

towards global electronic markets but we are still a long way off from a single global regulator.

This has forced regulators to assess how the individual regimes that they administer at a national level interact in the global domain. More particularly, it requires of regulators to consider how we can sustain the essential tenets of individual domestic administration within a globally co-operative regulatory environment without creating regulatory overburden or duplication.

So what does this all mean?

We maintain a focus on real world regulation. Where we aim to operate as a facilitator of e-commerce, guided by our stakeholders. Indeed, our ability to move with emerging technologies has in part been built on our growing e-capability but it has also been on the ongoing relationships that we have with both consumers and industry.

We will continue to need your assistance to ensure that we are prepared and looking forward. So that we can provide a facilitative role as the global marketplace continues to emerge.

Industry bodies such as the FPA have an important influence on how we do our job as a regulator. This ongoing relationship is particularly important as the new regulatory regime continues to unfold and technology is embedded further within financial services.

We will stay apace of technology. We do this with regard to our role as a facilitator of industry confidence so that you can continue developing e-commerce systems.

We do it with regard to the desire of consumers to be protected as they take up new products and services and with regard to ongoing market integrity and the well being of Australia's role as a regional economic centre.

We have, and will continue, to provide the regulatory stability demanded by consumers and industry. We will continue to have the capability to develop policy that is relevant and take enforcement action as necessary.

We do need your help in this process. The challenge of the Internet and e-commerce is one that we all share; together we can deliver on trust and therefore deliver on consumer protection and industry confidence.

We are well placed and we look to the future to an ongoing connection between all financial services participants in the construction of a resilient and vigilant regulatory and business environment.

Find out more

For more information I encourage you to regularly visit our websites:

- the ASIC site for company searches and general news as well as our e-commerce initiatives, www.asic.gov.au
- FIDO site for consumer specific materials, www.fido.asic.gov.au

Conclusion

I began today with reference to a world in transition. The changes we are witnessing, new technology, new players and new business models have strengthened the need for sound regulation.

It is clear that we must ensure that regulation and regulators have the capabilities to properly respond in ways that do not impede innovation while at the same time protecting consumers from unfair and abusive practices.

We need to adapt existing policy to facilitate change, whilst preserving the old to maintain business certainty and investor protection. ASIC is responding to this environment in three ways including our policy, consumer education and enforcement and surveillance areas.

I would like to thank you again for the opportunity to address you all this morning. I do hope that you've enjoyed this session and that you take from my comments a confidence in ASIC's approach and a willingness to engage us as you move forward yourselves into the Internet and e-commerce space.

Thank you.