



ASIC

Australian Securities & Investments Commission

Parliamentary Joint Committee: Opening statement

*A speech by Greg Medcraft, Chairman,
Australian Securities and Investments Commission*

Parliamentary Joint Committee

5 September 2014

CHECK AGAINST DELIVERY

Introduction

- 1 Good morning, Chairman. Thank you for this opportunity to address the Committee. Representing the Australian Securities and Investments Commission (ASIC) today are all of our Commissioners:
- Deputy Chairman Peter Kell, and
 - Commissioners:
 - Cathie Armour
 - John Price, and
 - Greg Tanzer.
- 2 Supporting the Commission are Senior Executive Leaders:
- Warren Day
 - Greg Kirk
 - Louise Macaulay
 - Tim Mullaly, and
 - Chris Savundra.
- 3 I have a brief opening statement.
- 4 Since we last appeared before the Parliamentary Joint Committee (PJC), the Senate Economics References Committee has tabled the report into the Senate inquiry into the performance of ASIC. The document is a report to the Senate, and the Government response is still pending.
- 5 Nevertheless, given the importance of the inquiry to ASIC, I wanted to speak briefly about how we are responding to the issues raised during the inquiry and in the report.
- 6 In my statement to PJC in February, I stressed that ASIC welcomed the Senate inquiry and had read all of the submissions in an effort to learn as much as we could from them – so ASIC could do a better job.
- 7 We continued that approach throughout the hearings and in relation to the report. We want to do the best job we possibly can in our role as regulator and we have sought to learn from and respond to the issues identified throughout the inquiry.
- 8 Our fundamental objective is to allow markets to allocate capital efficiently to fund the real economy and, in turn, economic growth. This contributes to improved standards of living for all Australians.

- 9 We achieve this through our strategic priorities of:
- promoting investor and financial consumer trust and confidence
 - fair, orderly and transparent markets, and
 - efficient registration.
- 10 We have been improving our processes and procedures to address the concerns raised. This involves three main elements:
1. improving our communication across the board
 2. a focus on identifying emerging risks, and
 3. a commitment to strong and swift enforcement action.

Communication

- 11 On communication, we have already made changes to ensure our operational teams have the skills and the commitment to deal effectively and sensitively with whistleblowers. We are reinforcing our commitment of being transparent about all of our regulatory outcomes.
- 12 Also, we are looking to improve communication with those who report misconduct to us – and we are revamping our website to make it more accessible and to ensure our media releases are updated more promptly, including making sure releases get updated if there are any changes arising from appeals.
- 13 As part of our *National Financial Literacy Strategy 2014–17* ASIC will provide clear, practical information for consumers and financial investors.
- 14 We will be upfront with industry on our expectations of them and will point out where those expectations are not being met. For example, we have publicly signalled that we expect licensees to improve the quality and timeliness of breach reporting.

Emerging risks

- 15 ASIC is focused on identifying emerging risks, from the staff level right up to our Commission-lead Emerging Risk Committee – and we are developing tools to enable us to better analyse and cross-match data.
- 16 We are listening to concerns raised through complaints, reports of misconduct and breach reports, and we are focused on the intelligence we can gather from our wide range of stakeholders.
- 17 Consistent with this, we will shortly be publishing our Strategic Outlook which sets out the key risks in the markets we regulate and our business plan

priorities to address these risks. Next year this will be developed further and we will publish a Risk Outlook as well as our Strategic Business Plan.

Enforcement

- 18 On enforcement, ASIC is particularly conscious of the community expectation that we take strong and swift action where the law is broken and investor funds are at risk.
- 19 We are looking right across our processes to ensure we act as quickly as possible. ASIC is also making changes so that where we reach agreed outcomes through Enforceable Undertakings (EUs), the drafting is tighter and the monitoring more independent and effective. We will also be transparent about the outcome of that monitoring.
- 20 A key element across all of these issues is willingness, as an organisation, to examine and learn from our experiences. That is central to how we are responding to the Senate inquiry and to our approach going forward. That is what the public expects and that is what we intend to deliver.
- 21 Chairman, I would like to mention one more issue. The Senate inquiry also raised the issue of Macquarie Private Wealth (MPW) and its advice to clients.
- 22 There have been developments in this area. In mid-August, ASIC announced that Macquarie Equities Limited (MEL) would write to around 160,000 clients – past and present – about possible remediation for flawed financial advice. The advice was from Macquarie’s adviser network, MPW.
- 23 This remediation is part of ASIC’s January 2013 EU with MEL, which was the result of surveillance that identified concerns about MPW’s compliance processes and its risk framework.
- 24 The EU requires MEL to identify advisers with poor compliance. Where MEL identifies a client has been affected, MEL must remediate the client, including compensation. The remediation will be subject to additional independent scrutiny by accounting firm Deloitte. It will report to MEL and ASIC.
- 25 Chairman, I am now happy to take questions.