



**ASIC**

Australian Securities & Investments Commission

# Senate Estimates: Opening statement

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

*Senate Estimates*

25 February 2015

## **CHECK AGAINST DELIVERY**

Good afternoon, Chairman.

Thank you for this opportunity to address the Committee.

Representing ASIC today are all of our Commissioners:

- Deputy Chairman Peter Kell, and
- Commissioners:
  - Cathie Armour
  - John Price, and
  - Greg Tanzer.

Supporting the Commission are Senior Executive Leaders:

- Louise Macaulay
- Greg Kirk
- Warren Day
- Chris Savundra, and
- Tim Mullaly.

Chairman, there has been some media coverage over the weekend regarding NAB's wealth management business and the financial advice sector more generally, which I would like to address.

First, I'd like to talk about what we have said about the need to lift standards in the financial advice sector.

Then, I'd like to briefly comment on NAB Wealth.

### **Lifting standards in the financial advice sector**

ASIC has been saying the financial advice industry is a high-risk sector.

We have been saying – and proving – this for a long time. As of others.

We have publicly highlighted our concerns about poor quality advice and the problems created by conflicts of interest and poor culture. This has been in Parliamentary inquiries held in the past, present and future.

For example:

- In the past, we have raised this in the 2009 Ripoll Inquiry and 2012 Trio Inquiry.

- In the present through my recent address at the National Press Club and through our submissions to:
  - the Senate Inquiry into ASIC's performance
  - the Financial System Inquiry, and
  - the PJC Inquiry to lift standards in the financial advice sector.
- And, in the future – for example, through our contribution to the Senate Inquiry on the Scrutiny of Financial Advice, which is currently in progress.

Some of our suggested reforms have already been implemented by Government – for example, FOFA brought with it a best interests duty for advisers and enhancements to ASIC's banning power.

Some reforms are currently being implemented – for example, the Financial Adviser Register.

And, there are some reforms we would like to see in the future. For example, ASIC proposed to the Financial System Inquiry (FSI) that we should be given powers to ban managers and executives from financial advice firms. The FSI has recommended this and other reforms to the financial advice sector.

As I mentioned earlier, we have been demonstrating that there are problems with the quality of advice in the financial advice sector for some time.

The proof has arisen from our proactive and reactive surveillance work, reports of misconduct, and market intelligence.

These concerns have been strongly reinforced by the results of our shadow shopping surveillances. These date back to 1998, 2003, 2006 and 2011.

And, in our recent proactive surveillance on life insurance advice, which found that 37% of the advice reviewed did not comply with the legal requirements.

Our 2011 shadow show shop found that 39% of the advice provided was poor.

Lifting standards in the financial advice sector has been, and is being, comprehensively considered.

We are firmly on the record in saying that standards in the industry need to be significantly lifted if community and regulator trust and confidence is to be restored.

Now is the time for action by those who can make a change.

## **Enforcement**

At ASIC, we are acting by holding the financial advice sector to account.

In recent years, ASIC has taken extensive enforcement action against both financial advice firms and individual advisers.

In the last five years, we have:

- removed 69 advisers from the industry temporarily or permanently
- secured 19 criminal outcomes
- had 23 licences cancelled, and
- entered into over 25 enforceable undertakings.

We also have a range of enforcement actions on foot, including:

- 4 matters before the court, and
- 17 criminal matters being investigated.

In response to problems in the financial advice sector, last year ASIC set up a specialist Wealth Management Project to focus on the large advice entities – the four major banks, Macquarie and AMP.

We have significant work under way targeting these entities, including NAB Wealth.

## **ASIC's response to recent NAB Wealth media coverage**

The mention of NAB Wealth takes me to my final topic – ASIC's response to recent NAB Wealth media coverage.

ASIC is already expanding its work in response to the weekend's media coverage.

We have started our information gathering from NAB Wealth using our formal legal powers. And the bank has been cooperative. I received a call from Andrew Thorburn last night assuring ASIC that we will get the cooperation we need from NAB.

ASIC has also initiated discussions with NAB Wealth about reviewing remediation provided to financial advice clients.

I do not propose to comment further as these processes are at an early stage, but I wish to reassure the Committee that we have acted as soon as possible to ensure we can consider all allegations and issues raised.

Thank you, Chairman. We are now happy to take questions.