



ASIC'S CORPORATE PLAN 2016–17 TO 2019–20

Focus 2016–17



ASIC

Australian Securities & Investments Commission

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Welcome to ASIC's Corporate Plan for 2016–20

Over the next four years, ASIC will continue to focus on our vision of allowing markets to fund the economy and in turn, economic growth; in doing so, contributing to the financial well-being of all Australians. We do this by:

- ♦ promoting investor and consumer trust and confidence
- ♦ ensuring fair and efficient markets
- ♦ providing efficient registration services.

Understanding the behaviour of investors, consumers and gatekeepers is central to our approach. Financial decisions can be influenced by people's level of financial literacy and behavioural biases while culture, incentives and deterrence are some of the key factors driving individual and firm behaviours within the sectors we regulate.

Gatekeepers play a crucial role in the overall health of the financial system. Their conduct influences the level of trust and confidence that investors and consumers can have in the financial system.

This year, we outline our view of 'what good looks like' for gatekeepers across the sectors we regulate.

A key theme that underpins our view for each sector is the importance of organisational culture and collective industry norms and practices on the behaviour and conduct of the firms we regulate and the individuals that work within these firms.

Over the next four years we will act through our 'detect, understand and respond' approach and utilise our regulatory toolkit to achieve our vision. That is, we will:

- ♦ **detect** wrongdoing through surveillance, breach reports, and reports from the public and whistleblowers
- ♦ **understand** our environment by continually scanning it to identify issues and manage risks
- ♦ **respond** to wrongdoing or the risk of wrongdoing using a number of tools, including education, guidance, enforcement and policy advice to government.

Significantly, the additional funding support announced by the Government over the next four years will enable us to detect misconduct through more proactive surveillances that target poor practices – at the individual firm and industry level – within the financial advice, superannuation and managed funds, credit, and insurance sectors.

ASIC'S VISION

To allow markets to fund the economy and, in turn, economic growth
In doing so, contributing to the financial well-being of all Australians

We do this by:

- ♦ promoting investor and consumer trust and confidence
- ♦ ensuring fair and efficient markets
- ♦ providing efficient registration services.

Three cornerstones of the free market-based financial system

Investors and consumers

Gatekeepers

Rule of law
Legislation and case law

The additional funding will also allow us to expand our capabilities as a law enforcement agency to better detect, understand and respond to misconduct. Specifically, the funding will allow us to:

- ◆ extend our data platform across our regulatory business to better capture, share and use data, including:
 - internal and external data
 - structured and unstructured data
 - behavioural insights
- ◆ develop our data analytics capabilities to better identify, monitor and respond to risks, by:
 - creating a specialist data analytics team
 - appointing a chief data officer
 - establishing a Data Governance Council
 - expanding our behavioural insights team.

We are a learning organisation and are focused on developing our capabilities that will support the delivery of this corporate plan and ensure we are well equipped to meet future challenges.

We will work closely with government on the key areas of law reform from the Financial System Inquiry (FSI), including financial product design and distribution obligations, product intervention powers, banning of individuals from managing financial firms, and strengthening our licensing and enforcement regimes.

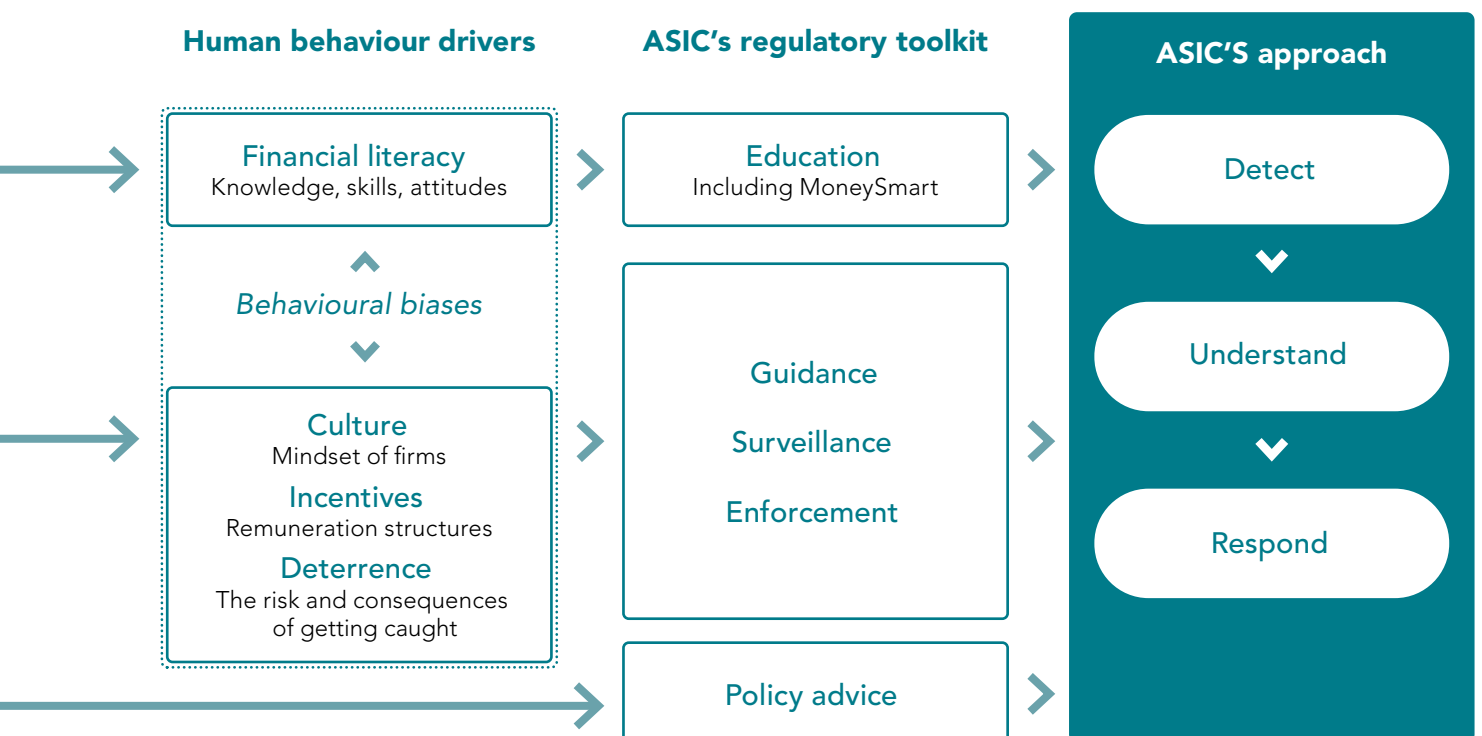
This corporate plan covers the period from 2016–17 to 2019–20. It sets out our vision, long-term challenges and strategy over this period. It also identifies a number of key ASIC focus areas for 2016–17, which reflect the key risks that flow from the long-term challenges we face.

We will identify new trends or risks and develop additional measures to address future challenges which may arise from a rapidly evolving digital environment.

Ensuring that Australians can have trust and confidence in the financial system and that markets are fair and efficient is at the heart of everything we do at ASIC.

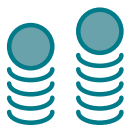


Greg Medcraft
Chairman



ASIC's vision is to allow markets to fund the economy and, in turn, economic growth. In doing so, contributing to the financial well-being of all Australians. We do this by:

- ◆ promoting investor and consumer trust and confidence
- ◆ ensuring fair and efficient markets
- ◆ providing efficient registration services.



Economy

- ◆ 432,500 employed Australians work in financial and insurance services¹
- ◆ 8.6% of economic activity in 2014–15 was contributed by financial and insurance services.²



Financial services and consumer credit

- ◆ \$2.2 trillion in household debt, representing around 22% of household assets³
- ◆ 14.8 million Australians have a superannuation account⁴
- ◆ 3.2 million households hold a mortgage over their primary residence^{5,6}
- ◆ 7.5 million credit card holders in Australia⁷
- ◆ \$2.7 trillion held in managed funds, including superannuation⁸
- ◆ 3.6 million Australians aged 18+ consulted a financial adviser in the 12 months to September 2014^{9,10}
- ◆ 13.9 million working age Australians have some life insurance.^{11,12}



Corporates and markets

- ◆ \$1.7 trillion in domestic equity market capitalisation in July 2016¹³
- ◆ 6.5 million adult Australians own listed investments¹⁴
- ◆ \$9.7 billion raised through initial public offerings (IPOs) and \$33.3 billion through secondary raisings in 2015–16.¹⁵

Note: Each of the above statistics reflect the latest available data – see Endnotes for further details.

About this corporate plan

ASIC's Corporate Plan covers the period from 2016–17 to 2019–20, as required under s35(1)(b) of the *Public Governance, Performance and Accountability Act 2013*.

This corporate plan explains how we will achieve our vision

There are two sections to this corporate plan:

- ♦ the first section covers our regulatory objectives of:
 - promoting investor and consumer trust and confidence
 - ensuring fair and efficient markets
- ♦ the second section covers our registry objective of:
 - providing efficient registration services.

Regulatory objectives

This section outlines:

- ♦ our long-term challenges (see pages 7 to 13)
- ♦ our strategy for responding to our long-term challenges and key risks, including:
 - our detect, understand and respond approach (see page 15)
 - how we are strengthening our capabilities (see pages 16 to 18)
 - our specific actions for addressing long-term challenges and key risks (see pages 19 to 32):
 - ♦ Action 2016–17 to 2019–20: identifies the areas to which we will pay particular attention over the longer term
 - ♦ Action 2016–17: highlights the key areas that we will focus on during 2016–17
- ♦ our performance measurement and evaluation framework (see pages 33 to 35).

Registry objective

This section outlines:

- ♦ how we will meet our third objective of providing efficient registration services, including how we will measure and evaluate our performance (see page 38).

Our regulatory objectives

Achieving our vision is at the heart of everything we do

We will achieve our vision by meeting our regulatory objectives of:

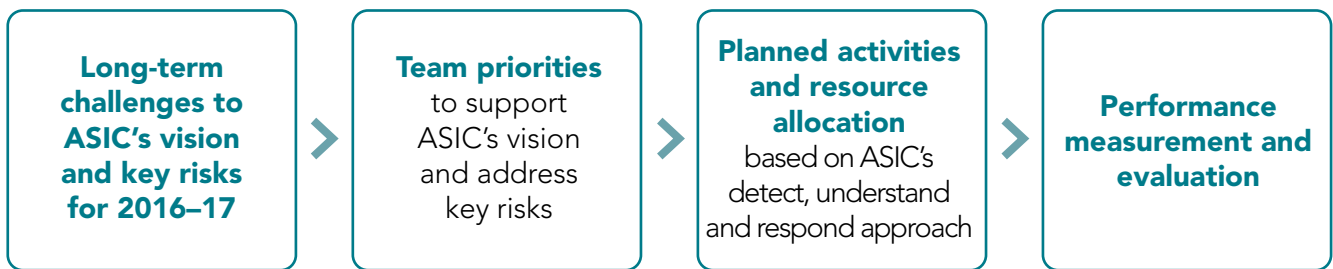
- ♦ promoting investor and consumer trust and confidence
- ♦ ensuring fair and efficient markets.

Our vision reflects our mandate under the *Australian Securities and Investments Commission Act 2001* (ASIC Act).

Consistent with the principles on which our regulatory system is based, we work to achieve the best level of financial resilience we can with the resources we have.

Our regulatory system is not designed to eliminate market risk, prevent all wrongdoing, or ensure compensation for all investors who lose money as a result of misconduct.

ASIC's strategic planning process



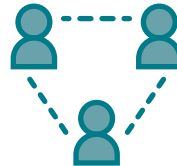
We are continuing to build our **CAPABILITIES** to help us achieve our vision



People



Process and technology



Culture and governance



Risk management

Our long-term challenges – identifying and analysing key risks

We have identified the long-term challenges to our vision, and the key risks flowing from those challenges that warrant our attention in 2016–17

Long-term challenges

The long-term challenges to our vision shape our risk outlook and strategy.

Over the next four years, we anticipate the following key challenges:

- ♦ aligning conduct in a market-based system with investor and consumer trust and confidence
- ♦ digital disruption and cyber resilience in our financial services and markets
- ♦ structural change in our financial system through market-based financing, which is led by the growth in superannuation
- ♦ complexity in financial markets and products, driven by innovation
- ♦ globalisation of financial markets, products and services.

We have identified the key risks flowing from these challenges that we believe will be of particular concern in 2016–17 and that warrant our attention now.

Key risks 2016–17

These key risks relate to:

- ♦ gatekeeper culture and conduct in financial services and credit resulting in poor outcomes for investors and consumers
- ♦ gatekeeper culture and conduct in markets undermining good governance practices and risk management systems
- ♦ misalignment of retail product design and distribution with consumer understanding
- ♦ digital disruption
- ♦ cyber threats
- ♦ cross-border businesses, services and transactions.

While not all of the risks we have identified may crystallise, we have planned how we will use our resources and powers to respond to the anticipated risks in 2016–17.

In pages 8 to 13, we provide a brief discussion of the environmental factors driving our long-term challenges and key risks.



Challenge 1

Aligning conduct in a market-based system with investor and consumer trust and confidence

Our challenge is to promote gatekeeper conduct that supports investor and consumer trust and confidence

A healthy, resilient and competitive financial system is a key driver of economic growth and the financial well-being of all Australians.

While the average real wealth of Australian households has increased by 36% between 2002 and 2014, consumer circumstances still vary significantly.¹⁶ For example, in 2014, the wealth of the 10th percentile of Australian households was \$10,800 compared with \$1,780,000 for the 90th percentile.¹⁷

The diversity of our population's financial needs means different financial products and services are necessary to support the well-being of all Australians.

Global economy

Global economic growth prospects are moderate at 3.1% for the 2016 calendar year and financial markets have faced considerable bouts of volatility over the past 12 months.¹⁸

Uncertainty in the global economy appears set to continue and may stem from:

- ♦ continued worldwide geopolitical tensions
- ♦ weakening growth in emerging market economies
- ♦ divergent monetary policies in the United States and other advanced nations.

Australian economy

Australia is growing at a slightly below-trend pace of 3.1% in the year to the March quarter 2016, as the economy continues to rebalance from the resources sector towards other sectors of the economy.¹⁹

Inflation and wage growth are very soft, allowing for a record low cash rate to stimulate domestic demand.

There has been a shift in domestic financial risks as the recent expansion in the Australian property market has slowed in 2016. However, household debt as a proportion of disposable income is at a record high of 186.9% (with housing debt to disposable income also at a record high of 134.7%), as housing debt increases and income growth slows.²⁰

The risk from overbuilding in the residential development and commercial property markets is now attracting attention due to potential oversupply in some markets and low yields.²¹

In addition, low commodity prices are affecting the financial health of some companies in the resources and resource services industries, which has led to credit downgrades in some instances.

Australia's capital markets are continuing to facilitate investment activity.

Secondary raisings increased by 15% to \$33.3 billion in 2015–16 and equity market turnover increased by 7% to \$5.6 billion per day.^{22,23}

Initial public offerings were down 45% to \$9.7 billion compared with 2014–15 (although it remains around the longer-term average).²⁴

Culture and conduct

A positive culture – at both the firm and industry level – driving good conduct is central to investor and consumer trust and confidence, market integrity and growth.

Firm and industry-wide culture is complex, multi-layered, fluid and difficult to influence. It cannot be simply set from the top but needs to be coordinated and encompass all levels of staff and management.

We continue to see poor culture and incentive structures and systems driving misconduct and resulting in poor investor and consumer outcomes. We see these issues across our regulated population.

For example, poor culture and conduct within firms and embedded in some industry practices means that investors and consumers are still being sold products that do not meet their needs or expectations. This can:

- ♦ put their investments and retirement savings at risk
- ♦ increase their credit burden
- ♦ affect their ability to claim on their insurance policy.

Good culture should be at the heart of industry practice, as it increases a firm's reputation and brand loyalty and directly affects its bottom line.

Consumer sentiment, decision making and financial literacy

Consumer caution has been an ongoing theme since the financial crisis in 2008.²⁵

The trend towards Australians directing their savings to bank deposits and paying down debt remains. While real estate is still the third most popular asset class for savings, it has recently dropped to its lowest level since December 2011.²⁶

It is a key part of Australia's market-based system that consumers are responsible for their own financial decisions. However, behavioural and financial literacy studies still show that consumers struggle with financial concepts like risk–return trade-off and diversification.²⁷

The way people approach financial decisions varies widely and is influenced by shifting and sometimes conflicting factors, including:

- ◆ their life stage and past experiences
- ◆ emotional impulses and cognitive biases, due to factors such as inherent complexity, decision infrequency and long-term outcome horizons
- ◆ psychological, social and cultural factors
- ◆ the decision context, including the way information and choices are presented
- ◆ other external environmental factors.

We continue to promote improvements to financial literacy while also recognising the behavioural evidence that suggests multiple regulatory tools are needed to deliver appropriate outcomes for Australians.



Challenge 2

Digital disruption and cyber resilience

Our challenge is to manage the risks associated with the speed with which new products and services are being developed and adopted. This includes ensuring they are appropriately regulated and do not adversely impact on trust and confidence

Australians are more engaged with digital technology than ever before. In 2014–15, 85% of Australians aged over 15 used the internet, with the mobile phone now being the most popular device for online access.^{28,29}

New business models

Financial technology, or fintech, is facilitating new business models in the financial services industry that disrupt traditional firms, primarily by leveraging new technology.

- ◆ Global investment in fintech ventures increased to US\$19.1 billion in 2015 from just under US\$4 billion in 2013.³⁰
- ◆ The Asia–Pacific region’s share of fintech financing has grown strongly to US\$4.5 billion in 2015.³¹

Technological innovation has the potential to improve the efficiency of the financial system.

- ◆ It is a powerful force for competition, driving the development of products that better meet consumer needs and improve customer access.
- ◆ Firms can harness technologies to improve risk management and other internal processes.
- ◆ More recently, we have seen the growth of regtech businesses – that is, technological solutions that aim to address regulatory requirements.

We continue to see new and established firms explore digital platforms and service offerings in areas such as digital advice, crowd-sourced equity funding, market-place lending, payments systems, and distributed ledger technologies.

Although innovation has the potential to offer many benefits, it may also bring risks.

For example, research indicates that different behavioural biases are triggered depending on how information is presented, and these biases can be amplified in a digital environment by:

- ◆ the channel through which information is provided
- ◆ the messenger providing the information
- ◆ the format of the information
- ◆ the order in which information is presented.

Developing research also shows that the size of a digital device and the circumstances in which it is used also alter people’s attention and retention levels.³²

The increasing use of technology for financial decisions and transactions means financial firms and regulators alike need to ensure innovations in distribution and marketing enhance, rather than undermine, investor and consumer decisions and outcomes. Testing and monitoring is key to understanding the benefits and risks of innovation.

We should all help manage these risks while enabling the benefits of innovation to flow through the system.

Cyber resilience

As the digital footprint of companies, consumers and investors expands, it also increases their vulnerability to cyber threats. The total number of cyber security incidents detected in 2015 in Australia increased by 109% over the preceding year, a substantially faster rate than the global average.³³



Challenge 3 Structural change

Our challenge is to manage the more direct role played by the growing pool of managed funds for financing economic activity, while also helping to ensure Australians have adequate retirement income and can access fair and competent financial advice

With Australia's ageing population and the compulsory nature of superannuation, funds under management continue to grow and play an increasing role in financing the economy. Market-based financing will play a greater role in connecting this pool of savings with businesses needing finance and investment.

Funds management and superannuation

Australia's managed fund sector was \$2.7 trillion in March 2016, with \$2.1 trillion in superannuation funds, including self-managed superannuation funds (SMSFs).^{34,35} Superannuation assets are projected to grow strongly over the next decade to around \$3.5 to \$4 trillion by 2025.^{36,37} The trend towards industry consolidation continues, with the aim of lowering costs and fees.

The sector remains a key source of capital for Australian firms and, through compulsory superannuation, directly links the productive capacity of the economy with almost all Australians.

The ongoing growth of superannuation, set against an environment of increased capital charges for traditional bank lending, will continue to enhance superannuation as a source of market-based capital.

Retirement income

There remains a concern around the adequacy of superannuation to provide for a comfortable retirement for many Australians. In 2014, for people aged between 50 and 69, the average superannuation balance for the lowest 50% of funds was only \$13,700.³⁸

Consumer inertia and member disengagement play a role in the inadequacy of superannuation, although impediments to the development of retirement products are also a factor. Despite an increase over the past decade, only half of all superannuation benefits are paid out as an income stream.³⁹

Financial advice

Almost half of all Australians aged over 18 years have unmet financial advice needs.⁴⁰ Key barriers to Australians seeking financial advice are:

- ◆ perceptions that they have insufficient funds
- ◆ the cost of advice
- ◆ preference to manage their own affairs
- ◆ a lack of trust.⁴¹

However, the demand for advice is likely to increase with an ageing population, the use of SMSFs and the breadth of investment options available.^{42,43} Good quality financial advice will be critical to support Australians planning and managing their retirement.

The industry still faces challenges in providing good quality financial advice. For example, the continued vertical integration between product designers and distributors has the potential to exacerbate conflicts of interest and deliver poor outcomes for consumers.



Challenge 4

Complexity driven by financial innovation

Our challenge is to support the benefits of financial innovation – such as lower costs and more tailored products – while managing the risk that products may not align with consumers’ needs or understanding

In Australia’s financial markets, exchanges are continuing to compete on products and asset classes. There is increased complexity from the growing number of platforms offering trading in foreign exchange, options and other derivatives, and the automated nature of trading. We seek to find the right balance between promoting market efficiency and achieving fair outcomes for all investors.

Traditional complex products (such as margin lending and capital protected products) have been on the decline since the 2008 financial crisis. However, there has been an increase in demand for hybrids, driven by low yields and increased supply due to higher capital requirements for financial firms. There are concerns that hybrid investors may not be adequately assessing the risk–return trade-off of these products.⁴⁴

The use of big data is driving innovation in financial services. The Government’s response to the Financial System Inquiry (FSI) recognises that better use of available data will allow firms to identify opportunities, develop innovative products and reduce costs.

For example, the insurance industry is beginning to recognise the opportunities from data analytics and innovations, such as usage-based insurance and health-monitoring technologies, to provide more tailored products and services.

However, as products and services become more tailored, there is a risk that consumers may not understand them or will be unable to adequately compare them to alternatives due to increased complexity.

There remains inherent complexity in the way some products are distributed to consumers. For example, in the add-on life insurance market, ASIC has seen products where consumers had little awareness of the add-on insurance they purchased, including its value, when purchasing the underlying product.⁴⁵



Challenge 5 Globalisation

Our challenge is to recognise the opportunities that globalisation presents to allow capital to flow freely across world markets in a sustainable fashion

The Australian economy and financial markets are closely linked with their global counterparts.

- Australia relies on international investment to fund domestic businesses, being one of the top 20 destinations for foreign direct investment in 2015.⁴⁶
- In the March quarter of 2016, 46% of Australian listed equities were held by foreign investors,⁴⁷ while 75% of outstanding non-financial corporate debt was issued offshore as at June 2016.⁴⁸
- Australians increasingly invest abroad. The proportion of Australian share investors exposed to international shares (excluding superannuation) grew to 13% in 2014 from 10% in 2012.⁴⁹ The total level of Australian investment abroad amounted to \$2.1 trillion in the March quarter of 2016, split almost equally between equity and debt investments.⁵⁰

Financial markets and their intermediaries are becoming progressively interconnected, including across borders. This has provided advantages through increased product and asset class offerings, lower costs through competition, and a greater pool of available capital from which businesses can raise funds.

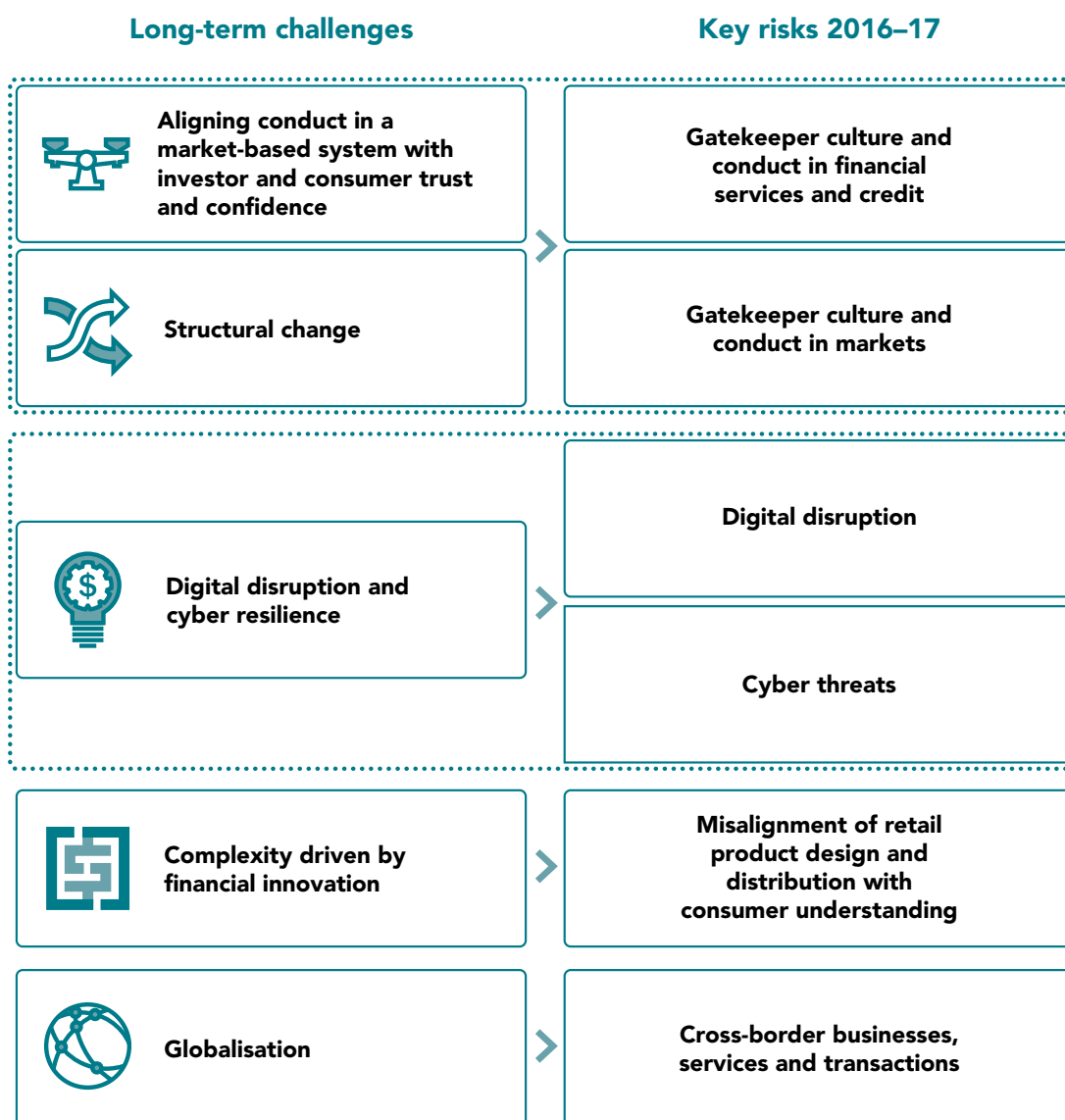
However, the increased interconnection of markets also brings new challenges to regulatory supervision. In this environment, it is ever more important for regulators around the world to enhance cooperation in relation to policy, licensing, surveillance and enforcement – to help ensure the integrity of markets and promote the trust and confidence of investors and consumers.

Strategy for responding to our long-term challenges and key risks

We respond to our long-term challenges and address the key risks flowing from those challenges by focusing on achieving our vision

To achieve our vision over the next four years, we will:

- ◆ continue with our detect, understand and respond approach
- ◆ focus on strengthening our capabilities
- ◆ undertake specific actions to address our long-term challenges and key risks for 2016–17.



Strategy for responding to our long-term challenges and key risks

- ◆ Detect, understand and respond approach
- ◆ Strengthening our capabilities
- ◆ Specific actions to address our long-term challenges and key risks
 - **Action 2016–17 to 2019–20:** identifies the areas to which we will pay particular attention over the longer term
 - **Action 2016–17:** highlights the key areas that we will focus on during 2016–17

Detect, understand and respond approach

We will use our 'detect, understand and respond' approach to identify misconduct or risk of misconduct

Detect

We adopt a risk-based approach so that our actions are targeted and proportionate.

We detect misconduct by:

- ♦ undertaking surveillances that target areas posing the greatest risks to investors and consumers and the markets we regulate, including:
 - poor gatekeeper conduct at the firm and industry level
 - products, services, distribution models and practices that lead to poor consumer and investor outcomes
 - the cyber resilience of licensees that provide critical market services, including ensuring licensees have sufficient technological resources and risk management arrangements
 - trends in cross-border business, services and transactions that may adversely impact integrity and trust and confidence
- ♦ using information from gatekeeper breach reports, industry whistleblowers, complaints and reports from the public
- ♦ monitoring industry and market trends and emerging risks
- ♦ leveraging the knowledge of our stakeholders to better understand the market and industry
- ♦ collaborating with academics, industry bodies, consumer groups and other agencies, both domestic and international, to assess industry, market and regulatory developments.

Understand

We analyse intelligence so we can assess risks early and respond quickly.

We gather insights by:

- ♦ using our technology systems, data management and analytics capabilities
- ♦ enhancing our behavioural insights and research capabilities.

Respond

We communicate the actions we take to our stakeholders. We continue to improve our practices and to develop better ways of doing things.

We respond by:

- ♦ taking enforcement and other regulatory action to hold gatekeepers accountable
- ♦ providing guidance and engaging with individual firms and industry to drive behavioural change
- ♦ acting to improve financial literacy
- ♦ engaging with domestic and international stakeholders
- ♦ providing policy advice to government and driving the implementation of law reforms
- ♦ influencing international policy and participating in standard setting
- ♦ facilitating financial innovation and cross-border activities, while managing risks
- ♦ promoting the importance of cyber resilience among our regulated populations.

Strengthening our capabilities

We will focus on strengthening our capabilities to help us achieve our vision

Capability Review

The Capability Review in 2015 provided an opportunity for ASIC to assess the capabilities we need to achieve our vision.

Findings from the review support and enhance the change agenda that we have embarked on to improve our capabilities, based around enhancing people, powers, and processes and technology.

In taking up the review’s recommendations, we are continuing to develop our capabilities in key areas, including:

- ◆ data management
- ◆ external governance and performance reporting
- ◆ internal governance
- ◆ Commission, workforce planning and culture
- ◆ strategic communication and stakeholder management
- ◆ organisation structure (flexible teams) and regulatory toolkit.

Budget

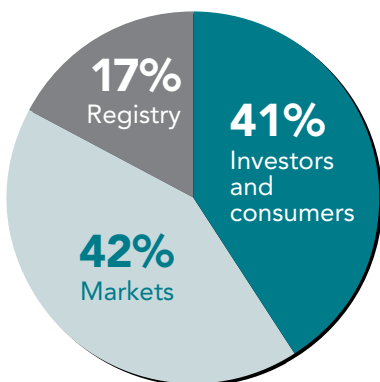
Our departmental appropriation is around \$340 million, which is expected to decrease over time, to around \$324 million by 2019–20.

In 2016–17, our budget is approximately \$400 million, including revenue from independent sources and capital funding.

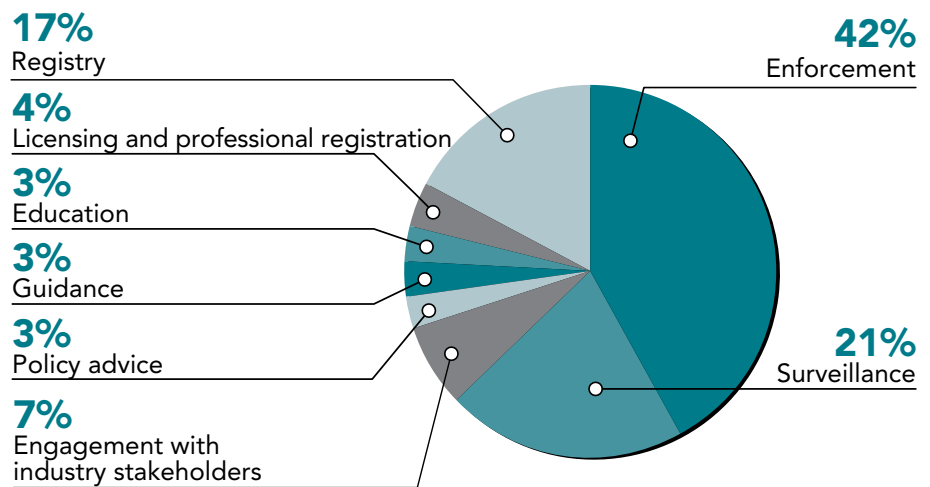
Where possible, we will seek to recover the cost of regulation from the people that created the need for it. For example, we will often seek to recover the costs of our investigation where there has been successful court action.⁵¹

On 20 April 2016, the Government announced it will introduce an industry funding model for ASIC from 1 July 2017, subject to further consultation with industry prior to the commencement. We believe an industry funding model will provide us with greater stability and certainty of funding, and ensure we are adequately resourced to achieve our vision.

Proportion of 2016–17 operating expenditure allocated to each of our objectives



Proportion of 2016–17 operating expenditure by activity



ASIC's 2016–17 budget

	Actuals 2015–16	Budget 2016–17	Forward estimate 2017–18	Forward estimate 2018–19	Forward estimate 2019–20
	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)
Total revenue	\$316,627	\$345,010	\$340,536	\$334,268	\$328,598
Revenue from Government	\$311,427	\$340,488	\$335,973	\$329,741	\$324,013
Revenue from independent sources	\$5,200	\$4,522	\$4,563	\$4,527	\$4,585
Capital funding	\$24,431	\$54,543	\$42,819	\$29,468	\$24,641
Total budgeted resources	\$341,045	\$399,553	\$383,355	\$363,736	\$353,239

Source: Portfolio Budget Statements 2016–17, Budget Related Paper No. 116, Treasury Portfolio (includes funding for specific measures announced as part of the Government's 2016–17 budget).

Note: Additional funding is available to the Commission for expenditure that meets the criteria set out in the Enforcement Special Account Determination.

People

We invest in strengthening our long-term capabilities through our people – comprising around 1,700 full-time equivalent positions.

We have undertaken a workforce planning process to determine the capabilities we will need over the next five years to achieve our vision. The process involved identifying future capabilities and conducting a gap analysis to understand where we need to build capability.

The capabilities we will be focussing on are analytics, technology skills, stakeholder engagement and learning agility.

We are building our long-term capabilities by:

- ♦ establishing an inter-agency group with other Commonwealth agencies to share resources and approaches to building analytical skills and capabilities
- ♦ recruiting and developing staff from a range of disciplines, including commerce, finance, law, economics, information technology, social science and accounting
- ♦ creating a specialist data analytics team, including appointing a Chief Data Officer and recruiting staff with expertise in data management, analytics and applying new technology-based regulatory techniques and tools
- ♦ expanding our behavioural insights team
- ♦ developing high-potential talent
- ♦ ongoing staff training, including formal and experience-based learning such as:
 - secondments
 - mentoring
 - structured learning frameworks on regulatory practice, enforcement, accounting and auditing, legal, and data analysis
 - rolling out specialist training in change management for staff involved in transformation projects (see Process and Technology)

- ♦ promoting diversity in our people – we established a Diversity Council in 2014 to act as a governing body for enhancing diversity across ASIC.

The Federal Government Cabinet decision in April 2016 to remove ASIC from the *Public Service Act 1999* gives us broader ability to attract and retain staff.

Process and technology

We are committed to transforming our regulatory business by:

- ♦ more effectively collecting, managing and using data
- ♦ improving the efficiency of our processes
- ♦ making interaction with us simpler, therefore assisting compliance and reducing red-tape.

Over the next three years, we will build an integrated platform, which includes:

- ♦ a single repository of internal and external regulatory information
- ♦ a consistent approach to managing and recording ASIC activities and processes
- ♦ digitised portals and forms aligned with the Government's digital transformation agenda.

The platform will give us the flexibility to accommodate our future needs.

We are also developing our data analytics capabilities by:

- ♦ introducing new tools and techniques for analysing data, especially for market supervision, including:
 - enhancing our markets surveillance system (MAI) so we can better analyse trade data for patterns and relationships
 - updating our investigation and evidence management system (EIA), so we can better create event chronologies and identify connections across matters

- ♦ developing our predictive data analytics capabilities to better enable us to identify and monitor entities that have a higher risk of non-compliance
- ♦ better utilising the information from External Dispute Resolution schemes to help identify emerging dispute trends and systemic and serious misconduct
- ♦ enhancing the use of behavioural insights across our regulatory work.

We will build our capabilities in data management and analytics across our regulatory work over time.

As the Government completes the announced tender process to test private sector appetite to upgrade and operate the ASIC Registry, we are assessing the implications for ASIC's processes and technology. We are also implementing changes to our processes, as part of our transition to an industry funding model.

Culture and governance

Our values – accountability, professionalism and teamwork – underpin everything we do.

Our values:

- ♦ provide staff with a shared understanding of what we do and why we do it
- ♦ guide the way we work, make decisions and how we interact with each other
- ♦ define what our stakeholders and customers can expect when they deal with us.

In 2016–17, we will conduct an organisational cultural review. This is a follow-up to a previous review undertaken in 2014, and takes into account the Capability Review's recommendations.

We are an independent Commonwealth Government body, set up under the ASIC Act. We operate under the direction of five full-time Commissioners appointed by the Governor-General on the nomination of the Treasurer.

We are accountable to the Commonwealth Parliament, and to our responsible Ministers – the Treasurer, the Minister for Revenue and Financial Services, and the Minister for Small Business.

The Parliamentary Joint Committee on Corporations and Financial Services has oversight of ASIC. We also appear before other parliamentary committees and inquiries as required.

Risk management and audit

We recognise everyone at ASIC has a role to play in managing risk.

Our enterprise risk management framework is consistent with the Commonwealth Risk Management Policy and ISO 31000.

As part of our risk management framework, we:

- ♦ scan our environment to identify, evaluate and manage risks
 - **key risks** are threats to achieving our vision
 - **operational risks** include threats to our information technology, data management and financial position, which can impact on the delivery of the business activities that support our vision
- ♦ adopt a risk-based approach so that our actions are targeted and proportionate
- ♦ share intelligence with other regulators – domestic and international.

Our risk management framework is comprised of:

- ♦ **Risk Committee**, ensures risks are managed and significant risks are escalated to our Commission
- ♦ **Emerging Risk Committee**, analyses emerging risks that are on, or over, the horizon or on the edges of our regulatory perimeter
- ♦ **Audit Committee**, provides independent oversight and assesses whether ASIC management has a current and sound enterprise risk management framework and procedures in place.

The Audit Committee is supported by our Audit, Assurance and Compliance team, which carries out an annual program of risk-based internal audits and reviews across all our initiatives.

Our risk management framework is complemented by a robust fraud control plan and business continuity management plan – including pandemic response and disaster recovery.

To ensure the delivery of major projects, we maintain a robust risk management framework within our project governance framework.

We have recently implemented a new system to make our processes for managing risks and staff disclosures more efficient, including automated workflow and improved reporting.

Specific actions to address our long-term challenges and key risks



Challenge 1 Aligning conduct in a market-based system with investor and consumer trust and confidence



Challenge 3 Structural change

Action 2016–17 to 2019–20

Over the next four years, we will respond to the long-term challenge of aligning conduct in a market-based system with investor and consumer trust and confidence, and from structural change in our financial system.

Our activities over the longer term will pay particular attention to areas that pose the highest risks to trust and confidence and market integrity, including:

- ◆ **gatekeeper culture driving poor conduct**, particularly within the financial advice, credit, insurance, and superannuation and managed fund sectors.
Our target areas include:
 - reward and incentive structures, including promotions
 - recruitment and training policy
 - whistleblower policy
 - conflicts of interest
 - nature and level of complaints and complaints handling
 - remediation policy and procedures
 - corporate governance frameworks to support customer-centric culture
- ◆ **gatekeeper governance and risk management**, including management of conflicts of interest, by corporates, market infrastructure providers, market intermediaries, accountants, auditors and insolvency practitioners, that threaten market integrity
- ◆ **gatekeeper professionalism, competency and independence**, impacting on the quality of advice, financial reporting, audit, and insolvency practices
- ◆ **the availability and accessibility of accurate, complete and timely disclosure and reporting of financial information** to investors and the market
- ◆ **gatekeeper disclosure practices** that mislead investors and consumers or impact on their ability to fully understand or assess the risks, fees, costs, features and performance of financial products and services
- ◆ **market misconduct**, including inappropriate conduct across wholesale and retail financial markets
- ◆ **trends in financial market activities that threaten market integrity and adversely impact on investor outcomes**, including fundraising and control transactions, administration of listing standards by exchange market operators, and harmful market innovations.

We will progress key government initiatives, including:

- ◆ **financial and insurance adviser professionalism**, by providing policy advice on the Government's proposed reforms to raise advisers' education, training and ethical standards
- ◆ **FSI recommendations**, by supporting the implementation of key initiatives, including those relating to penalties, ASIC's enforcement toolkit, and banning of individuals from managing financial firms
- ◆ **market infrastructure**
 - **financial market licensing regime**, by reviewing the licensing regime for small and emerging market operators
 - **proposed market infrastructure recovery and resolution arrangements**, by implementing the proposed Council of Financial Regulators (CoFR) processes
 - **equities clearing**, by progressing the work on competition in equities clearing
 - **asset and product classes**, by reviewing the regulatory and operational tools for oversight of all asset and product classes on Australia's exchange markets.

We will build our capabilities in data analytics and behavioural insights, as outlined on pages 16 to 18.

We will leverage our financial literacy resources when developing consumer education messages, such as those relating to financial advice, banking and credit, life insurance, and superannuation and retirement.

For further information about our work on improving financial literacy, refer to page 29.

Key Risk 2016–17

Gatekeeper culture and conduct in financial services and credit

We will focus on culture and incentives resulting in poor financial advice, irresponsible lending and mis-selling to retail investors and consumers that can undermine trust and confidence in the financial system

Action 2016–17

Surveillance

In 2016–17, we will promote better gatekeeper culture and conduct in financial services and consumer credit through the projects listed below.

Key projects	Project status	Focus
Financial advice		
Advice compliance at the big five financial advice firms	Continuing project from 2015–16	How the big five financial advice firms identify and deal with misconduct by advisers. In 2016–17, we will publish a report and provide individual feedback to licensees on our findings
Conflicted advice at the big five financial advice firms	Continuing project from 2015–16	The impact of conflicts of interest on the quality of advice in large vertically integrated businesses (e.g. banks). In 2016–17, we will publish a report and provide individual feedback to licensees on our findings
Fee-for-no-service	Continuing project from 2015–16	Clients that are paying fees every year for services they are not receiving. Covers breaches by large institutions and their current systems for detecting and preventing future breaches. We will communicate our findings to industry in 2016–17
Life insurance statement of advice*	Continuing project from 2015–16	Life insurance statement of advice, including providing guidance to industry on improving the communication of information to consumers; anticipated to continue into 2017–18
Quality of financial advice	New project	Assessing the quality of advice provided to consumers, in light of the Future of Financial Advice (FoFA) reforms having been in place for three years. We will release a report on our findings in 2017–18
Accountants – limited licence*	New project	Accountants that have recently entered the financial advice industry and unlicensed financial advice by accountants; anticipated to continue into 2017–18
Professional indemnity insurance held by smaller licensees	New project	Examining professional indemnity insurance arrangements, including coverage
Insurance churn by advisers*	New project	Life insurance advisers who are engaging in high levels of insurance churn (i.e. advising clients to switch policies to generate additional commission income)

Key projects	Project status	Focus
Credit		
Interest only loans	Continuing project from 2015–16	Responsible lending practices among brokers and lenders
High risk lending products	Continuing project from 2015–16	Responsible lending practices for payday loans and consumer leases
Flex-commissions in the car finance market	Continuing project from 2015–16	Practices in the car finance market whereby the car dealer or a finance broker can set the interest rate payable by the consumer to earn a higher commission. We will finalise our work on this project in 2016–17
Mortgage broker remuneration structure	Continuing project from 2015–16 (expanded scope)	The effect of mortgage broker remuneration on the quality of consumer outcomes. In 2016–17, we will provide a report to Government on our findings. We may undertake follow-up work in 2017–18*
Credit card issuers*	New project	Marketing practices and compliance with issuer obligations; anticipated to continue into 2017–18
Loan fraud*	New project	Concerns relating to loan fraud, particularly in the home loan market; anticipated to continue into 2017–18
Breach reporting practices within large banks*	New project	How the big four banks discharge their breach reporting obligations
Superannuation and managed funds		
Member experience for disengaged members	Continuing project from 2015–16	Practices in superannuation that deliver good outcomes for disengaged members, or conversely exploit consumer passivity and inertia; anticipated to continue into 2017–18
Risk management within the MIS sector	Continuing project from 2015–16	Improving risk management arrangements within responsible entities through providing best practice guidance to industry, including arrangements for managing conflicts, liquidity risk and leverage
Employers and super*	New project	Reviewing the advice, disclosure and inducements provided to employers – as part of our overall surveillance program of responsible entities and superannuation entities

* Funded by specific measures announced as part of the Government's 2016–17 budget

Key Risk 2016–17

Gatekeeper culture and conduct in markets

We will focus on culture and incentives that drive poor conduct that can undermine good governance practices and risk management systems, and threaten market integrity

Action 2016–17

Surveillance

In 2016–17, we will promote better gatekeeper conduct in markets through the projects listed below.

Key projects	Project status	Focus
Corporations		
Promotion of initial public offerings (IPOs)	Continuing project from 2015–16	Promotion of IPOs by brokers, issuers and advisers, including via social media. We will publish a report on our findings
Mining and resource company disclosure	Continuing project from 2015–16	Forward-looking statements by mining and resource companies
Processes for IPOs	New project	Identifying and assessing potential areas of regulatory concern to ensure effective intervention mechanisms are in place in future
Financial information in prospectuses	New project	Improving the quality of financial information in prospectuses. We will finalise the work on revising guidance; anticipated to continue into 2017–18
Fund raising and control transactions	Ongoing	Reviewing fundraising and control transactions, including issues around effectiveness of financial information disclosure and entities' profit track record, and requiring changes to transactions where we identify issues
Corporate governance	Ongoing	Promoting better governance practices, including building on the dedicated website content launched in 2015–16
Market infrastructure		
Administration of ASX listing function	Continuing project from 2015–16	Our surveillance findings on ASX Group's administration of its listing standards, including reviewing any proposed ASX rule changes that address our assessment findings
Financial benchmarks	Continuing project from 2015–16	Facilitating finalisation of the financial benchmarks administration process and progressing the work on benchmarks regulatory reform
Supervision of providers of market infrastructure in Australia's equities, futures and OTC markets (such as foreign exchange and fixed income)	Ongoing	<ul style="list-style-type: none">◆ Supervision of infrastructure providers' ongoing compliance with their obligations, including how they deal with conduct risk, manage technological disruption and innovations, and manage conflicts of interest and financial risk◆ Includes market operators, clearing and settlement facility providers, trade repositories, credit rating agencies, and benchmark administrators

Key projects	Project status	Focus
Market intermediaries		
Market intermediaries' handling of confidential information and management of conflicts of interest	Continuing project from 2015–16	Handling of confidential information and management of conflicts of interest in research and corporate advisory, including securities dealers, allocations, and risks for continuous disclosure obligations. We will provide guidance to market intermediaries as a follow up
Supervision of market intermediaries' compliance, including investment banks and market participants	Ongoing	Market intermediaries' culture and conduct, including implementation of conduct risk policies and procedures and remuneration practices, and cyber resilience
Supervision of Australia's equities, futures and OTC markets	Ongoing	Real-time surveillance and monitoring of financial markets, post-trade analysis, and development of thematic reviews on trading activities
Financial reporting and audit		
Financial reporting and audit quality	Ongoing	Reviewing the financial reports of listed and other public entities, audit firm inspections, and monitoring action plans for the largest audit firms, including overly optimistic projections in financial reports and auditors' work to minimise risk of material misstatements in financial reports
Reducing complexity in financial reporting	Ongoing	Promoting better communication of information in financial reports to a range of users, including addressing complexity and increasing the use of digital financial reporting
Insolvency practitioners		
Registered liquidators' independence and remuneration	New project	Independence and remuneration of registered liquidators; anticipated to continue into 2017–18
Compliance with statutory lodgements obligations	Ongoing	Outstanding statutory lodgements and publication of notices (including insolvency and external administration-related notices) on the ASIC published notices website to identify systematic non-compliance

* Funded by specific measures announced as part of the Government's 2016–17 budget



Challenge 2 Digital disruption and cyber resilience

Action 2016–17 to 2019–20

Over the next four years, we will focus on facilitating innovation, while managing the risks from digital disruption.

We set up our Innovation Hub in 2015 to help fintech businesses navigate the regulatory framework.

The Innovation Hub has several elements:

- ♦ engagement with other fintech initiatives, including physical hubs and co-working spaces for start-ups
- ♦ informal help to start-ups
- ♦ dedicated website with tailored information and guidance
- ♦ internal working groups to coordinate our work across ASIC on innovative businesses, complemented by specific working groups on digital financial advice, digital market-place lending, equity crowdfunding and blockchain technology
- ♦ Digital Finance Advisory Committee, which includes members from the fintech community, academia and consumer groups, to support our intelligence gathering.

To date, we have assisted 74 entities through our Innovation Hub (as at July 2016).

We are continuing to develop guidance to facilitate innovative businesses, while addressing risks to trust and confidence, including:

- ♦ **Market-place lending and digital advice:** We have issued guidance on digital advice and market-place lending.
- ♦ **Non-cash payment products:** We will progress the FSI initiative relating to non-cash payments products, including working with Treasury on the ePayments Code.

We are also exploring new cooperation arrangements with international regulators. In March 2016, ASIC entered into an arrangement with the UK Financial Conduct Authority (FCA) to facilitate referrals of innovative businesses between Australia and the UK. ASIC entered into a separate agreement with the Singapore Monetary Authority in June 2016.

We are addressing and managing the risks from digital disruption by:

- ♦ monitoring how the Australian financial services industry is using emerging technologies, including implications on compliance with obligations (e.g. responsible lending and pricing practices)
- ♦ monitoring emerging promotional methods, delivery channels and business models (e.g. the use of Facebook and Twitter for promotion, group buying sites, comparison websites and peer-to-peer lending)
- ♦ monitoring the developments in the fintech community, both locally and overseas, including through our Digital Finance Advisory Committee
- ♦ engaging with other regulators and international bodies to keep abreast of risks and regulatory developments.

On cyber resilience, we will focus on the following over the next four years:

- ♦ incorporating cyber threats in our real-time monitoring of Australia's financial markets
- ♦ incorporating cyber resilience into our surveillances of entities, particularly those that provide critical services within the Australian financial industry (e.g. market infrastructure providers)
- ♦ ensuring changes by the operators of Australia's market infrastructure are well managed and do not adversely impact on market integrity and those that use the infrastructure
- ♦ raising awareness of cyber-attacks and the importance of cyber resilience among our regulated populations
- ♦ working with government and international bodies to keep abreast of developments and emerging risks.

Key Risk 2016–17

Digital disruption

We will focus on managing the risks from structural change and disruption in financial markets and services arising from the rapid pace of technological developments. This includes new products and service delivery models that, if poorly implemented and operated, can undermine market integrity and trust and confidence

Action 2016–17

Engagement and guidance

In 2016–17, we will facilitate innovation, while managing the risks from digital disruption, through the projects listed below.

Key projects	Project status	Focus
Innovation Hub		
	Continuing project from 2015–16	<ul style="list-style-type: none"> ◆ Finalising the work on our regulatory sandbox licensing exemption and guidance. In June 2016, ASIC issued CP 260 <i>Further measures to facilitate innovation in financial services</i> – consultation closed on July 22, 2016 ◆ Keeping abreast of domestic and international developments, including through our Digital Finance Advisory Committee and ongoing engagement with other regulators and international bodies ◆ Progressing key initiatives, including: <ul style="list-style-type: none"> – crowd-sourced funding, by supporting the development of the crowd-sourced equity funding and crowd-sourced debt funding regulatory regimes – market-place lending, by conducting a market-place lending survey, which we foreshadowed as part of the guidance released last year – digital advice, by finalising our digital advice policy and publishing guidance on the issues persons providing digital advice need to consider.
Market infrastructure		
Market operator changes	Continuing project from 2015–16	Publishing a paper on the purpose of public markets, which will articulate the key attributes of acceptable market changes and innovations
Distributed ledger technology	Continuing project from 2015–16	Working closely with ASX on their proposed introduction of the technology, while engaging with CoFR and government to manage risks
Technology standards	New project	Developing and implementing standards relating to technology changes and technology management. We expect this work to continue into 2017–18

Key Risk 2016–17

Cyber threats

We will focus on the risks from cyber threats. The greater incidence, complexity and reach of cyber-attacks can undermine increasingly digital businesses, de-stabilise markets, and erode trust and confidence in the financial system

Action 2016–17

Engagement

In 2016–17, we will address the risks from cyber threats through the projects listed below.

Key projects	Project status	Focus
Monitoring domestic and international developments	Ongoing	<ul style="list-style-type: none"> Working closely with Government to identify cyber risks and build resilience, including supporting the government's cyber security strategy Keeping abreast of global developments through our work with the International Organization of Securities Commissions (IOSCO), including contributing to the development of international guidance on cyber resilience
Promoting awareness of cyber resilience	Ongoing	Facilitating initiatives that support better cyber security governance among our regulated populations (e.g. ASX 100 listed companies)

Surveillance

In 2016–17, we will address the risk from cyber threats through the projects listed below.

Key projects	Project status	Focus
Market infrastructure and market intermediaries		
Market surveillance	Ongoing	<ul style="list-style-type: none"> Developing alerts and metrics to identify cyber threats and technological disruption Gathering data from entities about their cyber risk management practices Providing feedback to entities and industry on the data gathered from surveillances, and highlighting critical areas of concern
Cyber resilience surveys	Ongoing	Conducting quarterly surveys of a sample of market intermediaries on their cyber resilience policies and procedures. We will embed the insights gathered into future surveillances and compliance work
Cyber taskforce	Ongoing	Ensuring consistent understanding of market practices and trends relating to cyber resilience in the local markets and a coordinated approach to stakeholder engagement, education and regulatory action



Challenge 4 Complexity driven by financial innovation

Action 2016–17 to 2019–20

Over the next four years, we will focus on products, services and distribution models that pose the highest risks to investors and consumers, including from:

- ♦ inappropriate products being sold, particularly to vulnerable investors and consumers
- ♦ investors and consumers being sold products that are not aligned with their risk appetite
- ♦ investors and consumers buying products that they do not understand adequately
- ♦ investors and consumers being misled about the expected outcomes from financial products (e.g. fund performance, fees and costs, and the extent of policy cover)
- ♦ inappropriate outcomes from financial products (e.g. from poor claims handling practices).

Specifically, our activities over the longer term will pay particular attention to:

- ♦ **selling and distribution practices**, particularly in credit, insurance, and retail structured products
- ♦ **practices in the life insurance industry** that may lead to adverse consumer outcomes
- ♦ **compliance by superannuation and managed funds**, focusing on disclosure practices, including fees and performance.

In addition, we will focus on:

- ♦ **behavioural insights**, by identifying opportunities to apply decision sciences across our regulatory work, such as supporting government initiatives
- ♦ **financial literacy**, by overseeing the National Financial Literacy Strategy —through the formal education sector, increasing the use of free impartial information, tools and guidance, and strengthening partnerships
- ♦ **government reforms**, by supporting initiatives relating to:
 - FSI, including the proposed product design and distribution obligations and product intervention powers
 - changes to the regulation of consumer leases and payday loans.

In light of the ageing population and the growing importance of retirement issues, we will focus on:

- ♦ **retirement issues and products**
 - working with government on retirement issues and products, including Comprehensive Income Products for Retirement (CIPRs)
 - contributing to IOSCO's work on senior investor vulnerability.

Key Risk 2016–17

Misalignment of retail product design and distribution with consumer understanding

We will focus on the risk from misalignment between people's understanding of financial products and how these products are designed, disclosed and marketed to them. We will target undesirable, collective industry practices that jeopardise financial outcomes

Action 2016–17

Surveillance

In 2016–17, we will address the risks from misalignment of retail product design and distribution and consumer understanding through the projects listed below.

Key projects	Project status	Focus
Superannuation and managed funds		
Effectiveness of disclosure	Continuing project from 2015–16	New (e.g. MySuper product dashboards) and existing (e.g. significant event notices) requirements
Disclosure of fees and costs*	New project	Industry compliance with the revised fee disclosure requirements; anticipated to continue into 2017–18
Disclosure of performance information*	New project	Accuracy and consistency of fund performance calculations
Compliance with custody requirements	New project	Industry compliance with the revised requirements introduced in 2013
ETFs*	New project	ETF issuer's liquidity at or near net asset value, and compliance with other requirements; anticipated to continue into 2017–18
Insurance in superannuation*	New project	Disclosure practices, premiums charged and complaints handling; anticipated to continue into 2017–18
Credit		
Mis-selling to vulnerable consumers	Continuing project from 2015–16	Sale of consumer leases and sale of goods by instalment to indigenous communities
Insurance		
Life insurance industry claims handling practices*	Continuing project from 2015–16 (expanded scope)	Finalising our review and publishing our report; future follow up work anticipated to 2019–20
Mis-selling to vulnerable consumers	Continuing project from 2015–16	Inappropriate sale of funeral and life insurance products to indigenous communities
Add-on products*	Continuing project from 2015–2016 (expanded scope)	Sale of low-value financial products (such as insurance or warranties) as an 'add-on' to another purchase, with the sales process inhibiting informed consumer decision-making; anticipated to continue into 2017–2018
Direct sale of life insurance*	New project	Sale and distribution practices; anticipated to continue into 2017–18
Market intermediaries		
Retail structured products sales and advice practices	New project	Retail structured products issuers, liquidity providers and distribution through white label firms. Covers hybrids or complex structured products, and OTC retail derivatives, such as foreign exchange, contracts-for-difference (CFDs) and binary options

* Funded by specific measures announced as part of the Government's 2016–17 budget

Education

In 2016–17 we will launch new tools and guidance for investors and consumers. In addition, we will also start several projects that will support our future work.

Key projects	Project status	Focus
Financial literacy		
Tools and guidance for investors and consumers	Ongoing	<p>Promoting tailored financial literacy resources aimed at specific segments, including:</p> <ul style="list-style-type: none"> ◆ indigenous Australians ◆ women ◆ seniors ◆ investors and consumers from culturally and linguistically diverse backgrounds ◆ vulnerable consumers and investors ◆ retail investors ◆ the formal education sector, which covers secondary, tertiary and Vocation Education and Training students, and the professional learning sector <p>Delivering new tools and guidance, including:</p> <ul style="list-style-type: none"> ◆ customised interface for retail investors on the MoneySmart website ◆ financial advice companion online tool ◆ MoneySmart 'Buy MyCar' app
Research and evaluation to support future work	New projects	<ul style="list-style-type: none"> ◆ Evaluating the MoneySmart teaching program using external research ◆ Developing and consulting on the policy approach for the MoneySmart teaching program after the expiration of the national partnership in 2017 ◆ Consulting on the proposed changes to the current National Consumer and Financial Literacy Framework (NCFL) (to increase coverage of senior secondary students and include content for indigenous Australians and learners with special needs) ◆ Undertaking segmentation research on the senior population



Challenge 5 Globalisation

Action 2016–17 to 2019–20

Over the next four years, we will focus on issues flowing from increased globalisation that pose the highest risks to market integrity and trust and confidence, including:

- ◆ the recent prevalence in foreign issuers participating in local markets, resulting in an increased risk of loss for investors
- ◆ the growth in fundraising and control transactions in Australia's financial markets that involve cross-border transactions that may compromise investor outcomes
- ◆ the increased risk and incidence of misconduct across borders
- ◆ poor conduct by global businesses, accounting and audit firms
- ◆ increased operational complexity of businesses operating in multiple jurisdictions, holding multiple licences and being subject to different requirements and standards seeking to operate in Australia
- ◆ licensees relying on the integrity of Australia's licensing system as a way of marketing themselves to offshore investors
- ◆ increased interconnectedness of markets, which may heighten the impact of market risk events and, in turn, confidence in the global financial system.

We will also support cross-border activities by reducing regulatory burden, while addressing risks through:

- ◆ facilitating the development and application of consistent standards and requirements across borders, by contributing to the work of international regulatory bodies, principally IOSCO
- ◆ supporting equivalence assessments with counterpart regulators
- ◆ negotiating and implementing bilateral and multilateral agreements and understandings, including fintech-related agreements
- ◆ supporting the Department of Foreign Affairs and Trade (DFAT) on the negotiation of free-trade agreements
- ◆ supporting initiatives that help the capabilities of regulators in our region.

Key Risk 2016–17

Cross-border businesses, services and transactions

We will focus on the increasing volume of cross-border businesses, services and transactions and interconnectedness of markets across jurisdictions. These may compromise market integrity and trust and confidence in the global financial system

Action 2016–17

Engagement

Key projects	Project status	Focus
International strategy		
Contributing to and influencing priority projects of IOSCO, Financial Stability Board (FSB) and other international organisations	Ongoing	Priority projects include: <ul style="list-style-type: none"> ◆ financial benchmarks ◆ market conduct ◆ securitisation markets ◆ infrastructure financing ◆ fintech developments ◆ cyber resilience ◆ sustainable market-based finance ◆ market liquidity ◆ central counterparties ◆ asset management ◆ audit quality
Promoting regional cooperation	Ongoing	Contributing to regional initiatives, including IOSCO's Asia–Pacific Regional Committee road map, the Regional Supervisory College, and regional capacity building (such as leading and participating in the IOSCO Assessment Committee country reviews)
IOSCO Assessment Committee	Ongoing	Leading (with the UK FCA) the IOSCO Assessment Committee project to review the implementation of IOSCO's Financial Benchmark Principles and IOSCO recommendations on Money Market Funds and Securitisation reform
Free-trade agreements		Assisting DFAT with its assessment of the financial market aspects of negotiating free-trade agreements
Corporations		
Review of foreign investment transactions	Ongoing	Advising the Foreign Investment Review Board on any ASIC issues relevant to its applications
Superannuation and managed funds		
Facilitating the development and application of consistent standards and requirements across borders	Ongoing	<ul style="list-style-type: none"> ◆ Supporting the Asian Region Funds Passport and Collective Investment Vehicles initiatives ◆ Working closely with the FSB on the proposed recommendations to address structural vulnerabilities from asset management activities, particularly relating to liquidity risk and leverage
Market infrastructure and market intermediaries		
Keeping abreast of international market developments	Ongoing	<ul style="list-style-type: none"> ◆ Keeping abreast of cross-border market integrity issues and misconduct ◆ Gathering intelligence on cross-border developments and emerging risks ◆ Exchanging information to assist cross-border equivalence assessments

Surveillance

In 2016–17, we will address the risks from the growth in cross-border businesses, services and transactions, and increased interconnectedness across jurisdictions through the projects below.

Key projects	Project status	Focus
Corporations		
Emerging market issuers	Continuing project from 2015–16	Publishing a report on the risks arising from the growth in market issuers with substantial assets or operations in emerging economies
Superannuation and managed funds		
Integrity of licensing system for wholesale licensees*	New project	Compliance of wholesale licensees offering services that target retail investors in Australia and overseas; anticipated to continue into 2017–18
Market infrastructure and market intermediaries		
OTC reform	Continuing project from 2015–16	Finalising the arrangements for conducting surveillance of OTC data from trade repositories – as part of our work on OTC derivatives reform

* Funded by specific measures announced as part of the Government's 2016–17 budget

Measuring and evaluating our performance

We are committed to evaluating our performance

We have a performance evaluation framework, which shows how we will measure our performance over the period covered in this corporate plan.

Our performance measures are structured according to our regulatory objectives.

We measure our performance based on:

- ◆ **market outcomes**, which are indicators of perceived and actual behaviours that demonstrate trust and confidence in the financial system
- ◆ **regulator outcomes**, which reflect what we do using our regulatory tools.

This approach is consistent with our Portfolio Budget Statements.

We use qualitative and quantitative measures to assess and report on performance, in order to tell a story that reflects our performance over time.

In our annual performance statement, we may also use case studies and tailored initiative impact assessments.

The framework below provides a sample of overall outcomes, including the evidence of those outcomes, we will use to measure performance.

We also seek regular feedback from stakeholders to measure perceptions of trust and confidence and market integrity, in addition to ASIC operational and external data.

We are refining our approach to more regularly measure stakeholder trust and confidence in industry sectors, and will use a mix of indicators and metrics such as:

- ◆ existing sectoral benchmarking surveys, net promoter scores, ASIC's Australian Financial Attitudes and Behaviour Tracker, and public polls
- ◆ sector-specific research focusing on key areas of risk, potentially including consumer and investor pulse surveys, omnibus surveys and/or focus groups
- ◆ measures of the cleanliness of the Australian listed equity markets, by analysing price movements or shifts in trading behaviour before material announcements, on an annual basis.

Consistent with a move to industry funding and the setting of desired levels of sector resilience, we may look to set additional sector-specific metric targets for both short and longer term outcomes.

Objective	Market outcomes	Evidence of outcomes
Investor and consumer trust and confidence	<ul style="list-style-type: none"> ◆ Investors and consumers have trust and confidence to participate, and when participating, in the financial system ◆ Product issuers, credit providers and advisers meet required standards ◆ Fair and efficient processes are in place for resolution of disputes ◆ Misconduct is dealt with and deterred 	<ul style="list-style-type: none"> ◆ Stakeholder feedback ◆ External data (e.g. ANZ Survey of Adult Financial Literacy, Financial Ombudsman Service results, Financial Attitudes and Behaviour Tracker) ◆ Published ASIC reports (e.g. enforcement report) ◆ Case studies
Fair and efficient markets	<ul style="list-style-type: none"> ◆ Participants in financial markets meet required standards ◆ Issuers and their officers meet required standards ◆ Financial markets are fair, orderly and transparent ◆ Misconduct is dealt with and deterred 	<ul style="list-style-type: none"> ◆ Stakeholder feedback ◆ External data (e.g. market data) ◆ Published ASIC reports (e.g. enforcement report, market integrity report) ◆ Case studies

Activity	Regulator outcomes	Evidence of outcomes
Surveillance	<ul style="list-style-type: none"> ◆ Failures to comply with conduct obligations identified and addressed ◆ Improvements in entity and/or business practice in response to identified areas for improvement ◆ Published reports on surveillance outcomes and industry messages delivered to stakeholders articulate standards and expectations ◆ Industry commitment to address ASIC concerns 	<ul style="list-style-type: none"> ◆ ASIC operational data – surveillances undertaken and results achieved ◆ Case studies
Enforcement	<ul style="list-style-type: none"> ◆ Successful enforcement or other regulatory action – including enforceable undertakings and infringement notices 	<ul style="list-style-type: none"> ◆ ASIC operational data – enforcement action undertaken and results achieved ◆ Case studies
Engagement	<ul style="list-style-type: none"> ◆ Open and effective engagement with stakeholders 	<ul style="list-style-type: none"> ◆ Meetings and other engagement with stakeholders ◆ External committees and panels (e.g. External Advisory Panel, Consumer Advisory Panel) ◆ Regular review of effectiveness of advisory mechanisms ◆ Consultation papers and feedback statements published ◆ Industry reports published ◆ Case studies
Guidance	<ul style="list-style-type: none"> ◆ Published regulatory guidance articulates required standards and expectations ◆ Improved understanding by entities of their regulatory obligations and compliance with those obligations ◆ Improved efficiency and reduced compliance costs ◆ Discretionary powers appropriately exercised to grant relief or make a legislative instrument where there is a net regulatory benefit 	<ul style="list-style-type: none"> ◆ Regulatory guidance published ◆ Feedback statements published ◆ Legislative instruments made ◆ Relief applications assessed ◆ Compliance cost savings
Education	<ul style="list-style-type: none"> ◆ Production, delivery and promotion of financial literacy resources and tools ◆ People enabled to take action on the basis of ASIC educational material 	<ul style="list-style-type: none"> ◆ Financial literacy resources and tools produced ◆ ASIC MoneySmart accessibility and usage ◆ External survey data (e.g. ANZ Survey of Adult Financial Literacy) ◆ Case studies
Policy Advice	<ul style="list-style-type: none"> ◆ Identification of policy issues and law reform options ◆ International policy initiatives progressed 	<ul style="list-style-type: none"> ◆ Meetings with, and advice to, Treasury and relevant ministries ◆ Case studies

Additional performance reporting

We also use more specific tools to evaluate performance and communicate with our stakeholders.

Service Charter

Our Service Charter covers:

- ♦ our most common interactions with stakeholders, such as applications for licences or relief from the law
- ♦ how we respond to reports of alleged misconduct by entities or individuals, including expected timeframes for our response.

We report against our Service Charter performance in each Annual Report, and set out explanations of why we have not met service standard levels where this may be the case.

Enforcement report

The enforcement report, published every six months:

- ♦ provides a high-level overview of some of our enforcement priorities
- ♦ highlights important cases and decisions during the period.

Market integrity report

The market integrity report, published every six months:

- ♦ highlights achievements in market surveillance and market integrity enforcement during the period
- ♦ outlines short-term priorities.

In addition, we publish quarterly data on:

- ♦ market characteristics (including volatility)
- ♦ measures of market concentration
- ♦ measures of market efficiency.

Regulatory reform

We report regularly on our work to minimise regulatory burden, including the total compliance cost savings achieved.

We also publish a report every six months on examples of situations where ASIC has exercised, or refused to exercise, its exemption and modification powers under the *Corporations Act 2001*.

Our view of 'what good looks like' for the sectors we regulate

For the first time we introduce our view of 'what good looks like' for the sectors we regulate, which we will continue to build upon with input from our stakeholders.

The conduct, product and disclosure practices within each sector should promote investor and consumer trust and confidence and market integrity



Financial advice

Financial advisers:

- ♦ act professionally, avoid conflicts of interest and treat consumers fairly
- ♦ deliver strategic financial advice that is aligned with consumer needs and preferences
- ♦ ensure that consumers are fully compensated when losses result from poor conduct.



Superannuation and managed funds

Funds management and superannuation providers:

- ♦ treat fund members and investors fairly
- ♦ deliver financial products and services that are transparent, fit-for-purpose, and aligned with consumer needs and preferences
- ♦ strike the right balance between innovation and risk to meet fund objectives
- ♦ ensure that investors are fully compensated when losses result from poor conduct.



Deposit takers, credit and insurance

Banking, credit, insurance and electronic payments providers:

- ♦ act professionally and treat consumers fairly
- ♦ provide good quality products and services that are developed, marketed and managed in a way that serves customers well
- ♦ ensure that consumers are fully compensated when losses result from poor conduct.



Market intermediaries

Market intermediaries:

- ♦ ensure their conduct and behaviour support the integrity of Australia's retail and wholesale markets
- ♦ act professionally and treat investors fairly, including by managing confidential information and conflicts of interest appropriately
- ♦ have effective risk management and internal supervision
- ♦ ensure that investors are fully compensated when losses result from poor conduct.



Corporations

Australian public companies:

- ♦ treat investors fairly, including when undertaking fund raising and change of control transactions
- ♦ are accountable to investors, by ensuring disclosure is accurate, complete and timely
- ♦ adopt sound corporate governance practices that support market integrity and good investor outcomes.



Financial reporting and audit

Accountants and auditors:

- ♦ deliver professional, high quality financial reporting and audits through:
 - experience and expertise
 - effective internal supervision and review
 - robust accountability mechanisms.



Market infrastructure

Australia's financial markets are trusted and internationally competitive, and facilitate efficient capital raising.

Australian market infrastructure providers:

- ♦ ensure retail and wholesale markets are fair and efficient, characterised by reliable and effective price discovery and robust and efficient post-trade systems
- ♦ provide a diverse and competitive range of services and products that meet different investor needs
- ♦ strike the right balance between innovation and risk to fair and efficient markets.



Insolvency practitioners

Registered liquidators:

- ♦ direct their actions to ensuring cost-effective, timely and appropriate outcomes for creditors
- ♦ act independently and competently
- ♦ perform their role in accordance with proper standards of professional conduct.

Providing efficient registration services

ASIC's registry business – the companies register, business names register and other corporate and professional registers – forms a critical part of Australia's economic infrastructure and is essential to the operation of our economy

This section of the corporate plan outlines:

- ◆ how we will meet our third objective of providing efficient registration services.

In the period covered by this corporate plan, we will:

- ◆ transform our registry business, including digitising our registration services – to make it easier to do business in Australia, and align with the Government's digital economy agenda
- ◆ provide a valuable service to Australians as we respond to their inquiries through our Customer Contact Centre and website – www.asic.gov.au
- ◆ streamline business registration via a single online registration service, including business name and company registration
- ◆ administer the register for unclaimed monies
- ◆ support government on the implementation of its small business reforms package.

In May 2015, the Government announced a competitive tender process to test the market on the capacity of a private sector operator to upgrade and operate the ASIC registry. This work is underway and we are continuing to provide support to government.

Measuring and evaluating our performance

We will measure and evaluate our performance in relation to delivering our objective of providing efficient registration services.

The framework below provides a sample of overall outcomes, including the evidence of those outcomes, we will use to measure performance.

We report against our Service Charter performance in each Annual Report, and set out explanations of why we have not met service standard levels where this may be the case.

Our Service Charter covers our most common interactions with stakeholders, such as applications for licences and registration.

Objective	Market outcomes	Evidence of outcomes
Efficient registration services	<ul style="list-style-type: none"> ◆ Registration is efficient, accurate and cost effective for business ◆ Business complies with ongoing registration obligations ◆ The public has easy access to information in ASIC registers ◆ Misconduct is dealt with and deterred 	<ul style="list-style-type: none"> ◆ ASIC operational data – volume and efficiency of registry activity ◆ Performance against ASIC Service Charter ◆ Stakeholder feedback ◆ Case studies

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