



**ASIC**

Australian Securities & Investments Commission

## **Senate Economics Legislation Committee: Opening statement by ASIC Chair, James Shipton**

*Opening statement by James Shipton, Chair, Australian Securities and Investments Commission, Senate Economics Legislation Committee: Additional estimates for 2017–18*

28 February 2018

### **CHECK AGAINST DELIVERY**

Good evening Chair.

I am pleased to appear before the committee this evening for the first time.

With me are:

- Deputy Chair Peter Kell; and
- Commissioners Cathie Armour and John Price.

As well as Senior Executive Leaders:

- Sharon Concisom;
- Warren Day;
- Jane Eccleston;
- Laura Higgins;
- Greg Kirk;
- Louise Macaulay;
- Michael Saadat; and
- Senior manager, Natasha Haslam.

Chair, with your permission, I have some short opening remarks.

As I have said before, it is a great honour to lead ASIC and to serve, alongside ASIC's outstanding staff.

ASIC is an organisation that plays a crucial role for the Australian financial system, the economy and, importantly, the Australian people.

Because, when all is said and done, every cent in our financial system is ‘other people’s money’.

And it is because we are dealing with other people’s money we must never forget that financial risks can, and often are, catastrophic to real people.

It is *real* money to *real* people.

Chair, I want to highlight today ASIC’s expertise and work around consumer behaviour, particularly how consumers engage with the financial system.

In my observation, ASIC’s work to understand and assist financial consumer decision-making is world leading.

ASIC has a dedicated Behavioural Research and Policy Unit which applies behaviourally informed regulation and insights across ASIC, to ensure we are regulating for real people.

Moreover, our Financial Capability team is focused on helping consumers make sound financial decisions.

As the lead agency for financial capability and education, a core component of our work is implementing a National Strategy that identifies priorities and guides activities to promote consumer understanding of financial matters.

We will be launching a new National Strategy in relation to this later this year. This will be an important initiative that I look forward to advancing.

Chair, I would also like to say a few words about the industry sectors we regulate.

For many of the misconduct issues we have seen, and that we will likely discuss today, I think a relevant question to ask is whether we are seeing the right levels of professionalism and industry integrity.

For example, in relation to vertically integrated or bundled business models – these businesses usually involve conflicts of interest that the law requires be appropriately managed, in order to discourage behaviour that causes harm to consumers.

In my view, managing these conflicts requires a whole-of-firm, and whole-of-industry, commitment to creating a professional culture that encourages right behaviour at every level. Cascading down from board rooms, product manufacturing teams, all the way to front line, point-of-sale staff.

Chair, you will have seen that the Productivity Commission has recently observed that competition factors impact certain parts of the financial system.

ASIC’s perspective on competition is to identify where consumer harm and poor conduct result from where competition is not operating effectively. Addressing these issues often

requires a specific regulatory response, which requires consideration of competition factors.

To the extent possible, ASIC has taken this kind of tailored approach to various competition problems in financial markets. Our work on add-on insurance sold through car yards is a good example.

However, to continue this approach, it is important ASIC has a proactive mandate to consider competition issues when making regulatory decisions.

Chair, as Committee members may know, I have spent a number of years outside Australia. This external perspective has made me acutely aware of the need for ASIC to continue its connection with the Australian public.

To this end, I personally look forward to getting out of the main cities to visit communities, including in the regions, to better understand the financial issues, and concerns, confronting Australians.

And as representatives of the community, I think members of the Australian Parliament have a fundamental role in shaping the regulatory framework to align it with community expectations.

This includes work done by important committee's such as this, in highlighting issues, developing policy and promoting reform.

I want to highlight two of the many important regulatory developments that have been influenced by the Senate Economics Committee.

- First, it was this committee that reinforced the importance of whistleblowers to ASIC's work, and recommended the establishment of an Office of the Whistleblower within ASIC. ASIC's Office of the Whistleblower is now a core component of our internal processes for handling whistleblower reports.

I also want to acknowledge the Government's proposed reforms to strengthen the whistleblower protection regime. It is critical that the regulatory framework adequately supports and protects whistleblowers, who play an important role in uncovering behaviour that causes consumer harm.

- Second, this committee recognised the need to review external dispute resolution arrangements, including their jurisdictional limits, a number of years ago.

ASIC now welcomes the recent passing of legislation to establish the Australian Financial Complaints Authority and related reforms.

These are important developments that will help build trust and confidence in our financial system.

In closing, I look forward to appearing before this committee and having a productive dialogue with all its members.

Thank you, Chair. We look forward to the committee's questions.