



ASIC

Australian Securities & Investments Commission



upholding standards

ASIC at a glance

The Australian Securities and Investments Commission enforces company and financial services laws to protect consumers, investors and creditors.

We regulate and inform the public about Australian companies, financial markets, financial services organisations and professionals who deal and advise in investments, superannuation, insurance and deposit taking.

The *Australian Securities and Investments Commission Act 2001* requires us to

- uphold the law uniformly, effectively and quickly
- promote confident and informed participation by investors and consumers in the financial system
- make information about companies and other bodies available to the public
- improve the performance of the financial system and the entities within it.

We work with other financial, consumer and law enforcement bodies in Australia and internationally.

We are an independent Commonwealth government body, employing 1221 full time equivalent staff around Australia. Funded through the budget our operating expenses totalled \$143 million, and we collected \$372 million revenue for the Commonwealth.

We operate under the direction of three full time Commissioners appointed by the Governor-General on the nomination of the Treasurer. We report to the Commonwealth Parliament and to the Treasurer, the Hon Peter Costello MP and Minister for Financial Services and Regulation, the Hon Joe Hockey MP.

Established by the ASIC Act 1989, we began operating on 1 January 1991. On 1 July 1998, we received increased responsibility for consumer protection in superannuation, insurance and deposit taking.

Commonwealth, State and Territory Governments reached an historic agreement to restore constitutional certainty to the Corporations Law by referring powers to the Commonwealth.

ASIC's strong enforcement outcomes included 25 people gaoled for terms totalling 91 years, 30 advisers banned, and a record 16 auditors and liquidators disciplined.

Complex investigations increased, including those into HIH Insurance, One.Tel, Harris Scarfe, GIO, NRMA and Waterwheel.

We improved prospectus disclosure for investors through stop orders on 81 inadequate prospectuses and tougher rules on prospectus forecasts.

To ensure a better informed market, we obtained additional disclosure 30 times from listed companies.

In our new industry code, consumers' rights covering telephone and internet banking, credit cards, and stored value products were defined for the first time.

We launched a new website for investors and consumers, www.fido.asic.gov.au, achieving 241,000 visits in 2000 – 2001, up fourfold on the old site.

In 90 cases, our intervention resulted in funds protected, assets frozen and compensation ordered, amounting to \$530 million.

Public demand for ASIC assistance increased: phone inquiries up 15%, complaints about corporate misconduct up 26%, internet searches of licensed and banned advisers up 100%, and 4.6 million free company searches, up 44%.

To meet rising demands with constrained resources, the Commission reorganised management structures to better manage priorities and our operating expenses of \$143 million.

Where we fit in the regulatory picture

Three Commonwealth government bodies regulate Australia's financial system.

- ASIC enforces the laws for which it is responsible and regulates how companies deal with investors and creditors and how financial services organisations deal with consumers.
- Australian Prudential Regulation Authority (APRA) regulates the safety and soundness of deposit taking institutions, life and general insurance companies, and larger superannuation funds.
- Reserve Bank of Australia (RBA) regulates monetary policy and the stability of the financial system.

Who we regulate

How we regulate them

1.2 million companies	Investigate and act against misconduct by company directors and officers. Grant or refuse their requests for relief from the law. Receive prospectuses before money is raised. Uphold the law on financial reporting and company mergers and acquisitions. Register each company with a unique number. Record the company's number, name, directors and other information on a public register.
Australian Stock Exchange Ltd Sydney Futures Exchange Other markets authorised by the Minister	Investigate and act against misconduct by listed companies, brokers and traders. Monitor what ASX Ltd says and does as a listed company. Monitor trading in ASX Ltd shares. Advise the Minister about rule changes and whether to approve new markets.
Investment advisers Insurance agents and brokers	License them before they start operating. Set standards for their education, training and operations. Investigate and act against misconduct. Record their details and the names of their authorised representatives on a public register.
Superannuation funds Life and general insurance companies Deposit taking institutions	Set standards about what they tell their customers. Report on how they comply with codes of practice. Approve consumer complaint resolution schemes. Investigate and act against misconduct. Cooperate with APRA.
Managed investment schemes	License them before they start operating. Set standards for their operations. Receive prospectuses before money is raised. Investigate and act against misconduct. Record their details and the names on a public register.
Company auditors and liquidators	Register them before they start operating. Investigate and act against misconduct.

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More information

Use our website <http://www.asic.gov.au> or phone Infoline on 1300 300 630

About this report

This report is produced under section 36 of the *Commonwealth Authorities and Companies Act 1997*. As required, we gave it to the Minister for tabling in Parliament on or before 30 October.

To meet high standards of disclosure, as well as legal requirements, we used feedback from Parliamentarians and the public. Last year's report won a Gold award from Annual Report Awards Australia Inc.

Results for 2000 – 2001

What we planned to do

What we achieved

Public impact

Uphold the law effectively and quickly

- Increased public confidence in ASIC enforcement through investigations and legal proceedings in high priority cases.
- 25 criminals gaoled, 30 advisers banned, a record 16 auditors and liquidators disciplined.

Promote confident and informed consumers and investors

- For the first time, codified consumer rights in telephone and internet banking, credit cards, and stored value products
- Created a new consumer website and increased visits fourfold to 241,000.

Make company information available quickly

- Free basic company searches increased 44% to 4.6 million, paid full searches by 2% to 2.9 million.
- 102,000 searches of registers of licensed and banned advisers, double last year.

Improve performance of financial system and entities within it

- Released our proposals to implement more consistent financial services regulation, if Government legislation is enacted.

Operations

Take faster, more effective enforcement and regulatory action

- Increased major investigations.
- Adopted a new national structure to manage enforcement.
- Finished 145 corporate investigations within 12 months, and 37 market investigations within 9 months, still below target.

Tackle patterns of misconduct, not just individual cases

- Investigated defaulting solicitors' mortgage schemes.
- Targeted poor disclosure in the high technology sector.
- Issued stop orders on 81 inadequate prospectuses, and acted against unsubstantiated forecasts.

Build e-commerce capacities

- Increased electronic processing of company data to 66%. A record 60% of new companies registered electronically.
- Developed new IT systems to receive and process complaints and licence applications electronically.

Our staff

Lead, develop and challenge staff to boost our regulatory effectiveness

- Devised and implemented a new management structure, incorporating simpler reporting lines with greater national focus.
- Successfully negotiated a new 2 year Certified Agreement.

Finance

Control costs, increase efficiency and align financial management with core business.

- Despite stretched resources, controlled overall costs and returned to positive equity, see page 12.
- Collected \$372 million in revenue on behalf of the Commonwealth, up 3%.
- Implemented new system to upgrade revenue management and reporting.

Economic and market conditions, government policy and legal issues required us to adjust our plans, staff and funding during the year. Below we describe the key events and their impact on us.

Influences	Key events	How we responded
Economic and market conditions turn downwards	Collapse of HIH Insurance Ltd, one of the largest financial collapses in Australia. Royal Commission announced.	Set up our largest enforcement team ever. Government pledged \$5 million contingency funding.
	Global and domestic economic growth contracted.	Increased investigation and proceedings against insolvent trading, inadequate disclosure and poor corporate governance.
	Markets lost confidence in high technology companies.	Increased surveillance of high-tech companies' financial disclosure.
Government initiatives	Government announced major reform of financial services laws.	Began \$2 million project to update our policy, information technology and compliance systems.
Court rulings and legal issues	High Court rulings adversely affected the Corporations Law.	Dealt with technical legal challenges to our enforcement proceedings, that delayed and complicated those proceedings.
	State governments agreed to refer powers under the Constitution to the Commonwealth.	Set up project to deal with consequential changes.

Results with three year comparison

Result	2000/01	1999/00	1998/99
Operating expenses held steady			
\$ millions	143	143	145
Annual change	nil	-1%	8%
Staff (full time equivalents) steady to meet budget	1221	1234	1206
Annual change	-1%	2%	7%
Revenue collected for the Commonwealth up			
\$ millions	372	361	332
Annual change	3%	9%	2%
Court results remained above 70% target*			
Litigation concluded	150	173	154
% successful	71%	75%	81%
Annual change	-5%	-7%	-1%
New major investigations increased*	214	200	207
Annual change	7%	-3%	11%
Speed of complex corporate investigations steady			
Number completed within 12 months	145	174	146
% completed within 12 months	94%	95%	90%
Annual change	-1%	6%	6%
Speed of market investigations steady			
Number completed within 9 months	37	48	61
% completed within 9 months	82%	83%	74%
Annual change	-1%	11%	6%
More licensed dealers, advisers, fund managers, insurance brokers			
	3917	3705	3398
Annual change	6%	9%	17%
Prospectuses increased, inadequate documents stopped.**			
Prospectuses and offer documents	2744	1033	707
Annual change	166%	46%	4%
Stop orders issued	81	n/a	n/a
Rising public complaints about corporate misconduct	6946	5534	5269
Annual change	26%	5%	n/a
ASIC websites used more often			
Visits to www.asic.gov.au	2,366,000	1,777,000	n/a
Visits to our consumer site www.fido.asic.gov.au	241,000	58,000	n/a
Phone calls to Infoline increased	123,000	107,000	104,000
Annual change	15%	3%	17%
% public availability of our databases improved	99.9	99.7	99.7
Annual change	0.2%	nil	-0.1%
% online company searches up	96%	94%	92%
Annual change	2%	2%	4%
% company annual returns lodged on time	96%	94%	93%
Annual change	2%	1%	-1%
% annual returns lodged electronically	64%	63%	59%
Annual change	1%	7%	9%

* Figures restated to remove discontinued summary prosecutions program.

** There may be more than one prospectus for the same product, for example we received 804 short form prospectuses which incorporate by reference a long form prospectus for the same product. See page 35 concerning stop orders.

Objectives

What we plan to deliver over next three years

Public impact

Uphold the law effectively and quickly

- Enhance public confidence in ASIC enforcement.
- Raise standards of compliance among company directors and officers and financial services organisations.

Promote confident and informed consumers and investors

- Help consumers and investors get honest and competent financial advice, untainted by conflicts of interest.
- Help consumers educate themselves about financial services.

Make company information available quickly

- Meet public demand for company information.
- Boost accuracy of data by increasing online lodgement of company and other data.

Improve performance of financial system and entities within it

- Implement more consistent financial services regulation, if Government legislation is enacted.
- Manage issues of cross border regulation to maintain market integrity.

Operations

Take faster, more effective enforcement action

- Pursue major investigations that offer significant impact.
- Implement the new national structure to manage enforcement.
- Finish all corporate investigations within 12 months, and all market investigations within 9 months.

Tackle patterns of misconduct, not just individual cases

- Maintain focus on insolvent trading.
- Target disclosure standards of listed companies facing financial pressure.
- Promote access to honest, competent financial advice, free of conflicts of interest.
- Maintain risk based inspection of prospectuses.
- Adopt and implement a consumer education strategy that achieves effective results.

Build e-commerce capacities

- Increase electronic processing of company data to 70%.
- Create new systems for business to interact with us electronically.
- Keep pace with e-commerce innovations in financial services.

Our staff

Lead, develop and challenge staff to boost our regulatory effectiveness

- Implement and settle down our new management structure.
- Achieve clearer accountability and greater national focus to meet higher public expectations.
- Introduce knowledge management systems.

Finance

Control costs, increase efficiency and align financial management with core business.

- Control overall costs within our appropriation.
- Demonstrate to Government that ASIC operates cost effectively and our funding warrants reappraisal.
- Collect revenue on behalf of the Commonwealth efficiently.



Chairman's report

ASIC Chairman
David Knott

In this section we cover:

- Chairman's report
 - Financial results
 - Description of ASIC directorates
 - Commissioners
 - Community involvement
 - Governance, ethics and audit
-

This is my first report as ASIC Chairman, having been appointed on 18 November 2000.

At the outset, I wish to acknowledge the outstanding work of my predecessor, Mr Alan Cameron, who led the agency for almost eight years. He built the organisation's reputation in the business community, managed the transition from the ASC to ASIC and established its high standing among international securities regulators.

Mr Cameron was assisted over those years by several Commissioners, senior officers and staff – whose number defeats individual acknowledgment. However, I do wish to single out current Deputy Chair Ms Jillian Segal, first appointed to the Commission in October 1997, and Mr Joe Longo, who returned to the private sector in March 2000 after nearly five years as head of ASIC's enforcement activities. They both played vital roles in ensuring that ASIC was in good shape when I took over as Chairman.

Credible outcomes in a challenging environment

Those who read this annual report will, I hope, discern that

- ASIC is delivering highly credible outcomes across a wide range of regulatory, policy, enforcement, consumer protection and public registry functions
- the environment in which we are working is rapidly becoming more complex, reflecting the evolution and internationalisation of our markets
- we are currently investigating several large corporate failures which are challenging and resource intensive
- activity levels — measured by increases in the regulated population, numbers of consumer complaints and continuing law reform programs — have never been higher
- the Commission is engaged in renewed strategic and management initiatives to more effectively allocate constrained resources to expanding service demands.

Highlights and key issues

This report includes a comprehensive description of major outcomes and work in progress that I need not recount here. However, there are a few matters I wish to highlight from the Commission's perspective.

- We have reorganised ASIC's **operating structure** under seven national directorates that are, for the first time, reflected in the format of this annual report. We believe this structure will better combine the strength of our decentralised operations with the cohesion of national direction and consistency.
- We have formed an **Executive Committee** comprising the Commission and Executive Directors, as part of an increased focus on the strategic and integrated management of our activities.

Initial work of the Executive Committee has resulted in several important new initiatives including

- a review of prospectus policy
- commencement of our national investigation into solicitor mortgage schemes
- the creation of our new consumer protection directorate
- oversight of our operating restructure
- the foundation stages of our longer term strategic planning.

- **Law reform** has continued to occupy substantial resources in both policy and implementation. The Government's Financial Services Reform Bill (which passed through Parliament in August 2001) involves a major commitment of policy and implementation resources which will continue throughout the two year transition period.
- The **international** aspects of our work are increasing and changing as business globalisation takes hold. While our commitment to the International Organisation of Securities Commissions (IOSCO) continues unabated, we are being called upon to do more to facilitate markets and regulatory interaction with individual countries, particularly in the Asia Pacific region. At home, we have responded to innovative dual listed company proposals designed to meet the commercial challenges of globalisation.
- The **constitutional arrangements** agreed between the Commonwealth, States and Territories have restored confidence in the integrity of our Corporations Law and provided a platform upon which the Commission can build ASIC's future direction. We express appreciation to these Governments and to the many individuals in both the public and private sectors who worked so hard to develop and implement these new arrangements.

Reallocation of resources

Some of the statistical information contained in this report reflects a reallocation of resources foreshadowed last year. In particular, the substantial reduction in summary prosecutions reflects the diversion of enforcement resources from relatively minor offences to the more complex cases now confronting us.

Such decisions are difficult for the Commission and inevitably disappoint affected stakeholders. We would, of course, welcome additional resources to address more comprehensively our changing, more complex environment. However, it is a matter for Government to determine the acceptable level of funding for corporate regulation and it is unrealistic to imagine that every sectoral demand can ever be fully satisfied.

Staff and management

I extend the Commission's thanks to ASIC staff who have experienced yet another demanding year.

I have greatly appreciated the support of officers and staff since my appointment and am very conscious of the commitment they make in pursuit of public interest.

During the year, we said farewell to some other outstanding officers. They include former Chief Accountant Jan McCahey and Regional Commissioners Sue Carter (Victoria) and Jamie Ogilvie (Western Australia). We wish them all well in their new private sector careers.

I also record that shortly after year's end, our NSW Regional Commissioner and Executive Director Jane Diplock, was appointed to head up the New Zealand Securities Commission. She has been an inspiring leader at ASIC, and we look forward to a continued association in her new role.

Outlook

The next 12 months will be a testing time for ASIC. I believe that we are well prepared to further build public support and community recognition as an effective and respected corporate and securities regulator.



David Knott
CHAIRMAN

Financial results 2000 – 2001

ASIC's financial outcome demonstrates stability, achieved through efficient resource management. Major categories of expenditure mirrored those of the previous year, despite expanding demands.

Our operating revenue produced a small surplus, after the deficit in 1999 – 2000. However, the strain on our resources from high priority tasks continues unabated. Without the unexpected large recovery of litigation costs (see the increase in 'Other revenue' in our Statement of Financial Performance), a deficit would have recurred in 2000 – 2001.

Through actively managing our balance sheet, we have returned to positive equity and improved our ability to meet current obligations. The cash flow statement shows that we have paid off our loans, and built cash to meet current liabilities and to invest in the organisation.

Costs of outputs

The net cost of ASIC's services was \$143.3 million, \$131.6 million funded from Parliamentary appropriation, including \$0.1 million for resources received free of charge, and the balance from operating revenue. See page 61 for our full financial report.

Our costs for each of our outputs were

Output*	Cost
1 Policy and guidance about laws administered by ASIC	\$14.7m
2 Comprehensive and accurate information on companies and corporate activity	\$43.4m
3 Compliance monitoring and licensing of participants in the financial system to protect consumer interests and ensure market integrity	\$25.6m
4 Enforcement activity to give effect to the laws administered by ASIC	\$59.6m

*Infrastructure costs are apportioned to these outputs.

Expenses

We kept our major outlay which is employee expenses, steady, compared to last year at just over \$83 million.

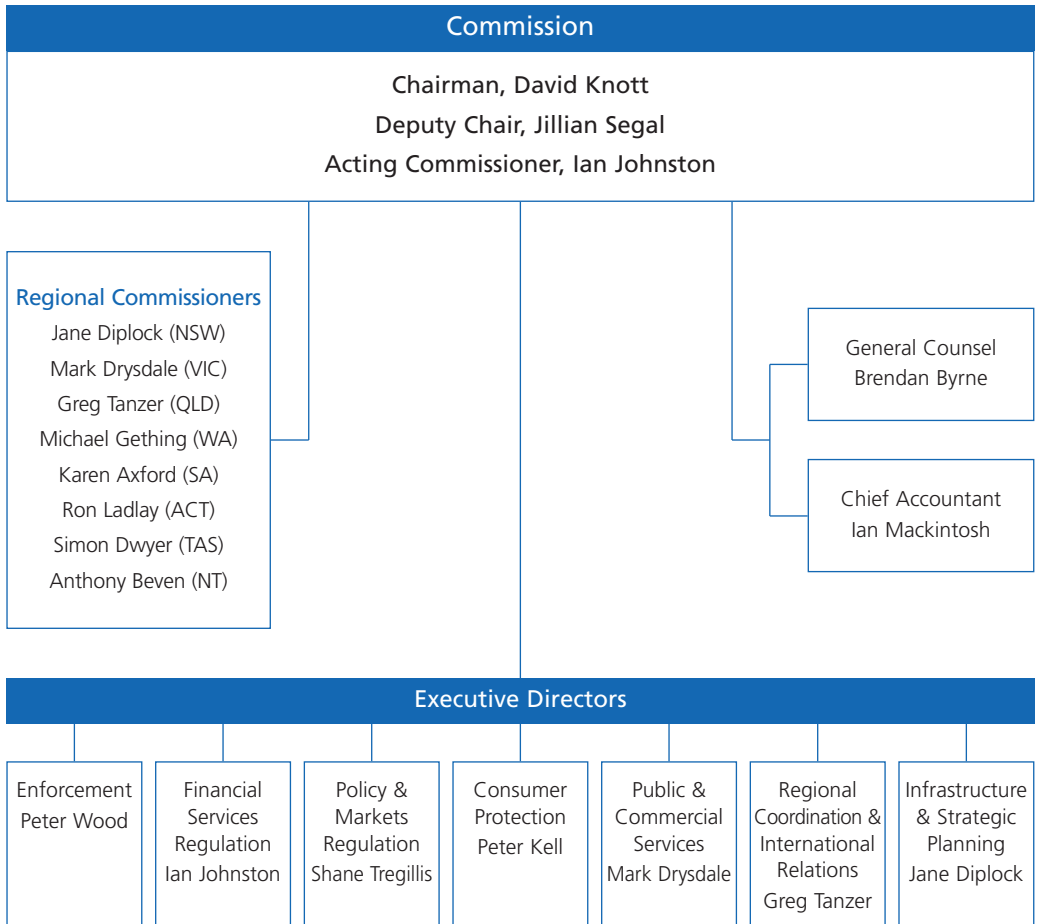
Our costs on goods and services, excluding property, representing 21% of outlays also remained steady compared to last year. We will continue to contain these costs. Property expenses for the year were \$20.1 million. We invested about

\$2.6 million in infrastructure, more than half of which was in information technology assets.

We paid out the final \$2.8 million instalment of a \$6.5 million loan we took out in 1998.

Revenue collected

Total revenue collected increased 3% to \$372 million, see pages 69 – 72 of our financial statements.



Description of ASIC directorates

	Enforcement	Financial services regulation	Market regulation and policy
Staff**	300 staff	130 staff	110 staff
Role	Investigate and act against misconduct.	Regulate financial advice and retail financial products.	Regulate markets, fundraising, takeovers and financial reporting; develop new policies.
Key events	<p>HIH insurance investigation begins. Royal Commission announced.</p> <p>One.Tel, Harris Scarfe, Satellite Group collapses signal increase in corporate problems.</p>	<p>ASIC launches investigation into solicitors' mortgage schemes.</p> <p>Minister introduced Financial Services Reform Bill.</p>	<p>Equity markets reduced investor returns from high technology sector.</p> <p>BHP-Billiton and Brambles proposed to form dual listed companies.</p>
Results	<p>25 prison sentences. Funds protected, frozen, compensation ordered in 90 cases, amounting to \$530 million.</p> <p>Court results dropped to 71% success in 150 matters, but above 70% target.</p> <p>Completed 91% of investigations within target times, despite large scale matters on hand.</p>	<p>30 advisers banned, 4 insurance brokers deregistered.</p> <p>FSR project publishes 9 policy papers and speaks to more than 2300 people at national seminars.</p> <p>Obligated more than 400 retail advisers to join a complaints scheme.</p>	<p>New guidelines and stricter standards applied to prospectuses resulting in 81 stop orders.</p> <p>Tighter regulation of high technology and dot.com companies with weak disclosure.</p> <p>4 new policies and 11 proposals issued to guide industry.</p>
Targets	<p>Raise visibility and public credibility of enforcement.</p> <p>Maintain target for successful criminal and civil litigation at 70%.</p> <p>Complete all investigations within 12 months.</p>	<p>Implement the Financial Services Reform Bill, if enacted.</p> <p>Raise standards of retail financial advice.</p> <p>Boost inspection of key risk areas in managed investment schemes.</p>	<p>Maintain vigilance over corporate disclosure to the market.</p> <p>Focus on prospectuses likely to fall short of adequate disclosure.</p> <p>Complete new policies on financial services reform legislation if enacted.</p>

* The work of these directorates received substantial support from other directorates.

** Full time equivalents, not including staff supporting the Commission, General Counsel, Chief Accountant and the Superannuation Complaints Tribunal. Numbers are estimates only.

Consumer protection*	International & regional coordination*	Public and commercial services	Infrastructure and strategic planning
15 staff	11 staff	340 staff	250 staff
Identify and act on consumer issues, approve complaints schemes, review codes of practice.	Coordinate international matters, State and Territory offices.	Maintain company database, assess public complaints, answer phone enquiries, sell imaging services.	IT and knowledge management, HR, finance, management services and strategic planning.
Consumer and industry bodies discussed ASIC's educational role.	ASIC alerted Australians to illegal offshore cold calling.	Slowdown in formation of new companies.	Government changed IT outsourcing plans.
Office of Consumer Protection upgraded to national directorate.	IOSCO surveillance of the internet for illegal investment offers.	Increased demand for ASIC internet services.	New Commission changed ASIC management structure.
Negotiated insurance refunds for Aboriginal communities.	Maintained database of offshore illegal operators to protect investors.	Free internet company searches increased by 44%.	Managed \$143 million in expenditure and \$372 million in revenue.
Completed two year review of EFT Code that boosts consumers' rights	Handled 294 requests for international assistance.	Assessed 6946 public complaints about corporate misconduct, up 26%, and launched online complaints facility.	Designed and implemented new national management structure
Issued draft consumer education strategy.	Maintained service levels in all States and Territories.	More efficient revenue management and banking.	Negotiated new certified agreement for staff.
Raise consumer protection profile of ASIC activities.	Coordinate joint action in Asia-Pacific against illegal cold calling.	Increase new companies incorporating and updating information electronically from 50% to 70%.	Manage increased workloads and improve staff performance.
Focus additional resources on identifying risks to consumers.	Work on international standards of disclosure, audit, clearing and settlement.	Implement new national structure for assessing rising numbers of public complaints.	Contribute to government output pricing review of ASIC services.
Issue and implement consumer education strategy.	Maintain service levels in all States and Territories.	Implement reforms affecting small companies, if enacted.	Develop and implement knowledge management strategies.

Commissioners



David Knott, LLB

ASIC Chairman from November 2000 for a five year term.

David Knott is a lawyer and Fellow of the Australian Institute of Company Directors. He is an ex-officio member of the Companies and Securities Advisory Committee and the Council of Financial Regulators. Previously he was ASIC Deputy Chairman from July 1999.

His career covers 13 years in private legal practice, specialising in company and commercial law, ten years in senior roles in investment banking, and nine years in the public sector. He has been a partner at Arthur Robinson and Co, Senior Executive Director Capel Court, Executive Director of the Australian Financial Institutions Commission, Chief Executive of Commonwealth Funds Management and Chief Operating Officer of APRA.



Jillian Segal, BA, LLB, LLM (Harv.)

ASIC Deputy Chair from November 2000 for a three year term.

Jillian Segal is a lawyer and Fellow of the Australian Institute of Company Directors. She was previously ASIC Commissioner from October 1997.

She has been Special Counsel at Dunhill Madden Butler advising on issues management, a partner and consultant to Allen, Allen and Hemsley, and a company director with particular experience in financial services. She was a Professorial Fellow in the Faculty of Law at the University of Wollongong, a member of the legal sub-committee of the Companies and Securities Advisory Committee and a member of the consultative committee for the Corporate Law Simplification project.



Ian Johnston

Acting Commissioner (January, May – June 2001).

Ian Johnston is a lawyer and is ASIC Executive Director, Financial Services Regulation. He previously served in senior ASIC roles, and has been a company director in the financial services sector and CEO of a major trustee company.

The Treasurer has appointed him to act as Commissioner, pending a permanent appointment.



Alan Cameron AM, BA, LLM (Hons)

ASIC Chairman until November 2000.

Alan Cameron is a lawyer. He served as Chairman from January 1993 until November 2000. Previously he was Commonwealth Ombudsman, and national executive partner of Blake Dawson Waldron, solicitors. He has held a range of other appointments and has been a director of a number of companies.

Supporting a voice for consumers

Consumer advocates usually work for organisations with small budgets and overworked staff. We funded a Consumer Advisory Panel of nine consumer and investor advocates experienced in financial services, under an independent Chair. The Panel gave them a voice to recommend research, alert us to issues and comment on policy. Read the Panel's report on page 41. We also consulted other investor and consumer organisations.

We encouraged consumers to comment on our work through the media, our website, speeches and investment expos. Our new consumer website, www.fido.asic.gov.au, launched an e-newsletter to tell people about financial tips and safety checks.

We supported the 10th anniversary conference of the Society of Consumer Affairs Professionals in Business, the main body for consumer protection professionals.

Building understanding and relationships

In November 2000, we organised a consumer-industry forum about consumer education in financial services. 43 people attended from 36 organisations.

We ran our sixth Summer School on 'Consumer protection in financial services', led by international and Australian experts. The five day School strengthened relationships between 88 local and overseas participants from the consumer movement, financial services organisations, government and our own staff.

Supporting professional standards

To encourage professional education in the financial industry, we sponsored prizes for two Securities Institute courses: Financial Markets Regulation and Compliance, and Assessing Company Performance.

Consulting industry associations and business

We met regularly with about 18 peak industry and professional associations, and consulted other organisations, companies and professionals, and helped thousands of directors and professionals over the phone. We invited comment on 11 proposed policies. More than 2300 people attended ASIC Speaks seminars about the proposed Financial Services Reform Bill.

We convened seven Regional Liaison Committees representing the business community in each State and Territory. They met about four times each year, received information on our performance and service, and offered ideas. A Commissioner usually attended these meetings.

Governance

Commissioners directed ASIC's affairs, making formal decisions at monthly Commission meetings. Our operations are organised into seven directorates, managed by Executive Directors reporting to the Commission. Commissioners and Executive Directors together formed an Executive Committee that met fortnightly.

Independent legal and accounting experts advised on specific matters. All Commissioners are legally qualified, but where necessary an individual Commissioner may obtain independent legal advice at ASIC expense.

Commissioners' appointment and remuneration

The Governor-General, on the nomination of the Treasurer, appointed Chairman David Knott and Deputy Chair Jillian Segal in November 2000 on fixed terms that may be terminated only for reasons set out in section 111 of the ASIC Act. The Treasurer appointed an Acting Commissioner in 2001, pending appointment of a third full time Commissioner. The Remuneration Tribunal set Commissioners' remuneration; see also page 89.

Reporting to Parliament

Commissioners reported to Parliament and the responsible Minister on ASIC's performance.

We appeared 15 times before six Commonwealth Parliamentary Committees, before the Parliamentary Joint Committee on Corporations and Securities three times, Senate Estimates

Committee three times, Senate Select Committee on Superannuation and Financial Services five times, Senate Economics References Committee two times, Joint Committee on the National Crime Authority once, and Senate Committee of Privileges once.

We submitted an annual report and responded to inquiries on behalf of constituents.

Role of the responsible Minister

The Treasurer, the Hon Peter Costello MP, and, in matters determined by him, the Minister for Financial Services and Regulation, the Hon Joe Hockey MP, are responsible for ASIC. Under sections 12 and 14 of the ASIC Act, the responsible Minister may direct how we use our powers, perform our functions or direct us to investigate. He gave no directions this year. Only one has ever been given, in September 1992.

Commissioners met regularly with the Minister for Financial Services and Regulation. We also briefed the Treasury about current issues and proposed changes to the law.

Role of State Ministers

Commissioners appointed Regional Commissioners in consultation with the relevant State and Territory Ministers, and submitted half yearly reports on our performance to them. We attended the Ministerial Council for Corporations, comprising Commonwealth, State and Territory Ministers, as an observer to answer questions.

Ethics and confidentiality

Our procedures require disclosure of any real or apparent conflict of interest. Commissioners and staff took no part in decisions where real or apparent conflicts of interest arose. We set up special reporting and decision making procedures to maintain the integrity of our decisions.

The Chairman and Commissioners disclosed to the Minister all direct or indirect pecuniary interests in businesses, companies or superannuation trusts, funds or retirement savings accounts or retirement savings account providers.

Senior executives disclosed their interests to the Chairman. Other staff kept registers of interests at work that supervisors may inspect at any time, and submitted annual returns of interests. Commissioners appointed senior disclosure officers to advise managers and staff on how to handle possible conflicts.

To safeguard confidential information, strict procedures reinforced the criminal law.

Investigating complaints about staff

To maintain public confidence in our staff and how they used their powers, we maintained formal inquiry procedures to investigate serious complaints.

We received seven complaints this year, five fewer than last year. The majority of the complaints alleged professional misconduct. Five complaints were found to be

unsubstantiated, one complaint partially substantiated, and one complaint is still under investigation. The partially substantiated complaint concerned the need for a more professional approach assisting a customer, and the staff member has been counselled. Of three matters under investigation at 30 June last year, one complaint was unsubstantiated, one partially substantiated, and one was substantiated.

In all cases we informed complainants of the outcome and of their right to go to the Commonwealth Ombudsman if not satisfied.

Audit

The Commonwealth Auditor-General audited ASIC's financial statements.

The Commission's Audit Committee examined internal and external audit matters and risk assessment, see its report on page 57. The independent Chair, Ms Merran Kelsall, is a senior chartered accountant and company director in private practice. The Deputy Chair is also independent. The Committee's charter conforms with Australian National Audit Office and Australian Institute of Company Directors guidelines.