



ASIC

Australian Securities & Investments Commission

Parliamentary Joint Committee: ASIC oversight hearings—Opening statement

*Speaking notes from Greg Medcraft, Chairman,
Australian Securities and Investments Commission*

12 September 2012

Thank you Chairman.

I'm pleased to appear before the Parliamentary Joint Committee today.

With me are Deputy Chair Belinda Gibson and Commissioners Peter Kell, John Price and Greg Tanzer.

I would like to update the Committee on some of our work since we last appeared in late June and how we are delivering against our strategic framework.

As a reminder, this framework is:

- confident and informed investors and financial consumers;
- fair and efficient financial markets; and
- efficient registration and licensing.

Confident and informed investors and financial consumers

Education

MoneySmart website

This week, MoneySmart won the US Web Marketing Associations' 'Outstanding website' award in the Government category at the 2012 Web Awards.

More generally, there have been:

- over 2,700,000 unique visitors to MoneySmart since March 2011;
- 1,170 Facebook likes;
- 1,900 Twitter followers;
- 198 public videos on YouTube viewed over 58,000 times; and
- over 145,000 downloads of MoneySmart apps.

There were three major initiatives in August:

Track my Spend

A smartphone app was launched in mid-August to give users an up-to-the-minute snapshot of their spending habits.

- 34,000 downloads.

During the media campaign, the app was listed as the #1 finance app in Australia (ahead of Commonwealth Bank's app).

MoneySmart Teaching

In August, ASIC joined primary teachers and education leaders from across the country to launch the MoneySmart Teaching Primary package.

The resource was developed by ASIC to help teachers deliver financial literacy in primary schools.

The package is driving the Helping Our Kids Understand Finances initiative—announced in 2010.

- Rolled out to 90 schools, and then expanded to cover the rest of the country.

MoneySmart Week

In the first week of this month, ASIC took part in MoneySmart Week and, as part of this, encouraged Australians to do a Money Health Check.

- 22,962 people did the health check.

Gatekeepers

Advisers—FOFA

In August, ASIC released consultation papers containing proposed guidance on two aspects of the Future of Financial Advice (FOFA) reforms—scaled advice and the best interests duty. Submissions are due by 20 September.

The work seeks to promote confident and informed investors and financial consumers, noting the value good financial advice can provide to consumers in helping them make important financial decisions.

Directors—AWB

In August, the Supreme Court of Victoria banned former AWB managing director Andrew Lindberg from managing corporations until 14 September 2014.

It also ordered him to pay a \$100,000 fine, after finding he breached his duties as an AWB director.

This follows his admission in May that he breached parts of the Corporations Act arising from AWB's supply of wheat to Iraq under the United Nations Oil-for-Food Programme.

These breaches were failing to act with care and diligence, and failing to discharge his duties as a director in good faith and for a proper purpose.

Surveillance Chart

This week, ASIC released for the first time a snapshot of its surveillance work. This is part of a commitment to improve transparency and increase understanding of our work.

We have a copy of this chart for the Committee.

The Surveillance Chart for the 2011–12 financial year shows how often ASIC proactively undertakes surveillance of its regulated populations through both on-site visits and desk-based reviews.

This chart shows how ASIC verifies that gatekeepers of the financial system are complying with their obligations.

Enforcement report

This week we released the second of our six-monthly enforcement reports, detailing enforcement outcomes in the period 1 January 2012 to 30 June 2012.

The report summarises ASIC's actions against a range of gatekeepers, such as financial advisers, auditors and directors, and demonstrates what we expect of these groups—that is, to:

- act honestly;
- be competent;
- be diligent; and
- properly manage conflicts of interest.

While ASIC is focused on proactive regulation to minimise the misconduct, our enforcement activities remain an important part of our regulatory approach.

It is part of a wider campaign to boost ASIC's transparency.

Consumer behaviour

A focus for ASIC is advertising of financial services and, since we last appeared in June, ASIC has taken action against the ads of four financial services groups [GE Capital, RAMS, Money3 Corporation Ltd and Cash Today Pty Ltd].

Fair and efficient financial markets

Insider trading—Hanlong

In July, former Hanlong mining executive Calvin Zhu pleaded guilty to three insider trading charges to conduct, stretching back to December 2006.

This is a fast result—the guilty plea came less than a year after ASIC identified suspicious trading.

Mr Zhu will be sentenced later this month.

The Zhu case is the latest in a string of 22 market integrity cases brought by ASIC over the past three years.

Financial markets infrastructure

ASIC is focusing on high-frequency trading and dark pools. Recent events overseas are a reminder of the speed and automation of markets and the importance of having robust controls over those systems. Changes in technology have led to these market developments and are a concern of regulators around the world.

In August, ASIC proposed rules and guidance on automated trading, which cover high-frequency trading.

Our proposals aim to build confidence in the integrity of our equity markets.

We have proposed for market participants:

- a kill switch—requiring direct control over filters and automated controls to suspend orders and/or systems;
- automated order processing testing—revising the process of certifying systems and reviewing changes at least yearly; and
- guidance on the stress testing of algorithms and order flow (i.e. the ability of participants to manage highly automated trading).

Efficient registration and licensing

Our priorities are to:

- focus on small business; and
- deliver efficient registration and licensing.

Business names

We went live with a new national business names system at the end of May. We are working through the initial start-up aspects of the new system.

Business has embraced the system—while there have been some delays, these are being dealt with.

We are also ironing out some technical issues.

But overall, it is:

- easier—because you can do it all online and only need to do it once rather than through separate state registers;
- cheaper—savings to business are significant; and
- quicker—you can search and apply online.

It replaces eight state and territory systems, simplifying business name registration in Australia by offering a single online service.

Updated Service Charter

This week ASIC released an updated Service Charter outlining the level of performance people can expect to receive from ASIC.

We have a copy of the new charter for the Committee.

This charter sets out the standards of service expected for the most common types of interaction between ASIC and the public, such as complaints, requests and applications.

It's been updated to reflect ASIC's new responsibilities, values and strategic outcomes. It also sets clearer performance targets.

That concludes our opening comments Chairman.

We are ready to take your questions.