



**ASIC**

Australian Securities & Investments Commission

## **Committee for Sydney presentation**

*Speaking notes for address by Greg Medcraft, Chairman, Australian Securities and Investments Commission*

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## Introduction

Thank you Chris Jordan [new Committee of Sydney president].

It is great to be speaking to the Committee for Sydney today.

As many of you might know, in a former life I was an investment banker and that allowed me to live all over the world.

But after experiencing different cities, I have returned to Australia and now live in Sydney – in Paddington – and I am not telling this audience anything new when I say this is one of the world's most beautiful and liveable cities.

And I presume the role of this Committee is to build on these enviable characteristics.

As a councillor at Woollahra Council, I have a personal interest in civic issues and I would like to recognise the Committee's work, especially its support and involvement in a number of major civic endeavours, including the:

- refurbishment of the Sydney Opera House,
- redevelopment of the University of Technology Sydney City campus (the Frank Gehry project), and
- Barangaroo renewal.

Transport is a constant and thorny issue – not just for people in the east – and I note the Committee's participation in the 'Decongesting Sydney' Forum last month, which brought leaders together to canvass longer-term transport options in both greater Sydney and the Sydney CBD.

But now on to other matters.

I have been ASIC Chairman since May this year, and in that time I have laid out a new strategic framework for the organisation.

Under my watch, ASIC will focus on three key outcomes:

### **Outcome 1 – confident and informed investors and financial consumers**

This has three areas:

## Sub topic 1: Education

Education: Investor responsibility for their investment decisions remains core to our system. Understanding risk / reward and diversification is paramount.

- MoneySmart<sup>7</sup> – Over 1.1 million unique visitors since its March launch.
- Helping Our Kids Understand Finance [6,000+ unique visits to the new website <http://www.teaching.financialliteracy.gov.au>]
- New media – YouTube, Twitter and Facebook
  - Almost 900 followers on Twitter,
  - 566 people 'liking' ASIC on Facebook, and
  - 29,000 views of our 32 YouTube videos.

Also just passed 50,000 people downloading our mobile app – contains calculators to assist with mortgages, super, credit cards etc

## Sub-topic 2: The gatekeepers

Holding the 'gatekeepers' of the financial services system to account is another important aspect.

Gatekeepers, in the widest definition of the term, includes accountants, directors, advisers, custodians, product manufacturers, market operators and participants.

ASIC will take action where gatekeepers do not meet their responsibilities.

### For example, Trio

A number of things achieved:

- On 12 August 2011, former Trio investment manager Shawn Richard sentenced to 3 years 9 months on two counts of dishonest conduct.
- EUs with former Trio chairman David Andrews. Prevented acting in any financial services role for 9 years.
- EUs 2 former directors – Keith Finkelde and David O'Bryen. Both banned for 4 years.

Trio investigations are continuing.

### **Centro**

ASIC acted where we believed that the directors' behaviour did not meet the expectations of the law.

Directors play an important role and they must not uncritically adopt the work of management on major issues for which they are responsible.

### **More generally**

*Scepticism:* Question the information you are provided, test the views presented to you.

*Accounting knowledge:* You are expected to have financial literacy and basic accounting knowledge. If not, retrain.

*Accountability and control:* You are perceived by shareholders to hold the executive to account. This is your responsibility.

Self-regulation has a significant role to play and industry standards are critical in terms of complementing regulation. They provide guidance on how to comply with the law and go beyond the law in setting standards, particularly in areas such as ethics.

### **Sub-topic 3: Consumer behaviour**

- Recognising how investors and consumers make decisions
  - Advertising CP – 30 August: We want ads that are accurate, balanced and help consumers make appropriate decisions.
  - Highlight upside and downside.
- Told industry types of ads we may focus on.
- New media: YouTube and Twitter (explain risks)
- Business model and its risks.
- Suitability.

## **Outcome 2 – fair and efficient financial markets.**

There are two parts to this:

### **Sub-topic 1: Market supervision**

In August 2010, ASIC assumed the market supervision function previously performed by ASX.

With the help of new systems and a top quality Market & Participant Supervision team, the transition last August occurred smoothly.

From January to June 2011 there were 23,494 trading alerts, with 121 matters requiring further consideration.

Some 35 matters were referred for investigation. These matters involved potential insider trading (17), market manipulation (6), possible breaches of the market integrity rules (10) and of continuous disclosure obligations (2).

## **Sub-topic 2: Market competition**

March 2011 – ASIC published its competition timetable.

April 2011 – ASIC published the Market Integrity Rules.

31 October 2011 – Chi-X started operating last week.

- ASIC has been monitoring the soft launch and no material issues were detected.
- Last night, Chi-X announced that tomorrow it will expand its offering to the ASX200 stocks and ETFs that are quoted on the ASX, excluding Exchange Traded Commodities. ASIC has no objections to this.

ASIC continues to engage with industry on a number of issues relating to implementation of the new Market Integrity Rules.

## **Outcome 3 – efficient registration and licensing**

Let me turn now to the third ASIC priority, which is efficient registration and licensing with a particular focus on small business.

A large part of our organisation is dedicated to collecting corporate and company information – and information on regulated professions – so that it is available to others.

### **Statistics**

ASIC's registers hold details of many stakeholders including:

- over 1.8 million companies,
- over 4,900 financial services licensees and over 6000 credit licensees, and
- about 6000 registered auditors and liquidators.

In the past year our public registers were searched more than 65 million times, while we handled over 1 million public enquiries and facilitated almost 2 million registry updates.

## How do we set our priorities?

Those are the key outcomes I want to promote over the coming five years.

I also wanted to give you some background on our approach to achieving these outcomes.

These are:

- our legislative responsibilities,
- systemic or regulatory risk,
- building resilience in the financial system

As Benjamin Franklin once said ‘an ounce of prevention is worth a pound of cure’

- Need to be proactive and forward looking
- Emerging risk committee
- the expectation gap between what stakeholders expect and what ASIC is doing, and
- Government policy objectives.

The key drivers we use to achieve the outcomes are:

- engagement with industry and stakeholders,
- surveillance,
- guidance,
- education,
- deterrence – we will continue to focus on taking on the big cases and pursue wrong-doers.

We recently decided to publish guidance on how we approach our compliance and deterrence role.

- Evidence
- Cost vs regulatory benefit

- Level of harm or loss; and
- Policy advice to Government.

## Conclusion

Ladies and gentlemen, I hope you can see from what I have talked about today, ASIC will continue to work hard to meet our priorities over the next few years:

- Confident and informed investors and financial consumers,
- fair and efficient financial markets, and
- efficient registration and licensing.

So, thank you for the opportunity to speak to you today.

I am happy to take questions now.