



Investor Hour

Everything you always
wanted to know about
ASIC, but were too afraid
to ask...



ASIC

Australian Securities &
Investments Commission

5 July 2006

A snapshot of ASIC

- Independent regulator since 1991
- Very high profile agency
- One of the 3 economic regulators
- Ever increasing jurisdiction
- Growing budget - \$284m in FY07



What do we do?

- **Regulate financial markets**
- **Register and regulate corporations**
- **Facilitate business**
- **Protect consumers**
- **International role**



Our structure

- **Operate nationally**
- **Offices in all States & Territories**
- **Processing Centre in Traralgon**
- **About 1,400 people (FTE) in total**
- **3 Commissioners (only 2 at present)**



Who do we regulate?

- 1.45 million companies
- 6,000+ company auditors
- 750+ registered liquidators
- 13 markets & 4 clearing houses
- 4,400+ financial services businesses



Who do we protect?

- 15.7m people with a deposit account
- 10.5m investing through super
- 9.9m with credit cards
- 6.4m with a loan
- 4m owning shares
- 1.2m in managed investments



What we don't do

- Not a prudential regulator
- Don't look at competition issues
- Don't regulate credit or real property
- Don't 'approve' investments
- We don't make the rules



Some interesting statistics

- Answer about 770,000 inquiry calls
- Handled 12,000 complaints in FY06
- 5,000 mail items a day at 5.00am
- Less staff than in 1991
- We win about 95% of our cases!



How we're funded

- Entirely budget funded
- Big funding boost in recent budget
- Extra funding of \$234.6m over 4 years
- \$30m a year for enforcement action
- Raised about \$550m for the Cth



Our role in the share market

- **ASIC supervises the ASX – annual surveillance and report**
- **Market monitoring:**
 - **ASX referrals (how we got Citi)**
 - **Press, media, complaints (eg from ASA)**



Business facilitation

- **FY05 assisted \$41bn of transactions**
- **Approved about 3,000 applications for relief from the Corporations Act**
- **Nearly all big transactions involve ASIC input and assistance**



Some common misconceptions

- We're not subject to oversight
- We have extraordinary powers
- We don't have industry experience
- We don't consult enough
- We are “judge and jury”



What cases have we got on?

- One.Tel
- Westpoint
- Citigroup
- Fortescue Metals
- NAB foreign exchange traders



Infringement notices

- **Only 3: Solbec, QR Sciences & SDI**
- **Difficult in practice**
- **Chess move – what if they don't pay?**
- **Shareholders pay the penalty**
- **Directors?**



Better Prospectuses

- 4th quarter 05 was low point for big documents! (405 pages)
- Working on getting improvements
- Disclosure is the lynchpin of the Australian capital raising system



Assetless administrations

- **New fund administered by ASIC**
- **Allows liquidators to investigate failed companies with few or no assets**
- **We look for circumstances where:**
 - **a banning might be appropriate**
 - **breaches of the Corps Act might have occurred**



Non-binding remuneration vote

- Working better than expected
- Novogen (referred to us by ASA)
- Results for 2005 season – 43 failures
- Oxiana – a bit of recent controversy
- 2006 – recidivism will draw response



Hedging executive remuneration

- **'At risk' performance pay must be truly at risk**
- **Hedging mitigates risk**
- **Companies need to either prohibit hedging or properly disclose it**
- **More relaxed following vesting, but still a disclosure issue**



Off-market share buy-backs

- Heavy criticism from select few
- ASIC will continue to facilitate
- We asked for better disclosure
- Directors duties issue
- Short-form disclosure idea



Directors share trades

- **Directors must notify trades to market**
- **Important market information**
- **Vital sub-stratum of market integrity**
- **Roughly 20% non-compliance**
- **ASX and ASIC crackdown**



David Tweed

- **Still a problem**
- **Recently targeted AMP shareholders**
- **His offers strictly legal, but a bad deal**
- **Not convinced about more laws**
- **Expect more from us on this front**



Helping consumers

- **FIDO website**
- **Calculators**
- **Scams & Swindlers portal**
- **Practical advice – tips on advisers, banned people etc**



Internet Scamseek tool

- ASIC web 'spider' that operates 24/7
- We can:
 - assess risk associated with info on a website
 - identify people/entities in the text
 - mark sites above acceptable risk



Better Regulation

- **Banks report – Rethinking Regulation**
- **ASIC accessibility and transparency**
- **Tell us your ideas on better corporate regulation:**
 - **betterregulation@asic.gov.au**



ASIC Service Charter

- **Just released this as part of our Better Regulation initiatives**
- **Commitment to better service**
- **Sets out what you can expect from us and what we ask of you**



How you can help ASIC

- **Keep making suggestions on how we can do better**
- **Help us collect intel – if you see anything that looks suspicious let us know on 1 300 300 630**
- **Understand our limitations**



Question time



The end

