Investor Hour

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

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)
  – Iress, 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

• 4\textsuperscript{th} 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 our 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