



*protects investors, superannuants, depositors and insurance policy holders* **protecting you** *protects investors, superannuants, depositors and insurance policy holders*



**ASIC**

Australian Securities &  
Investments Commission

Annual Report  
1999-2000

# ASIC at a glance

## The Australian Securities and Investments Commission

- is an independent Commonwealth government body established by the *Australian Securities and Investments Commission Act 1989*.
- began on 1 January 1991 as the Australian Securities Commission, to administer the Corporations Law. In July 1998 it received new consumer protection responsibilities and its current name.
- regulates and enforces laws that promote honesty and fairness in financial markets, products and services and in Australian companies.
- underpins the strength, growth and international reputation of Australia's financial markets.

### *protects investors, superannuants, depositors and insurance policy holders*

- maintains a public database on Australia's 1.2 million companies to provide certainty in commercial dealings.
- works with other financial, consumer and law enforcement bodies in Australia and internationally.
- reports to the Commonwealth Parliament directly and through the Treasurer, the Hon Peter Costello, MP and Minister for Financial Services and Regulation, the Hon Joe Hockey, MP.
- employs 1,234 full time equivalent staff around Australia, under the direction of three full time Commissioners appointed by the Governor-General on the nomination of the Treasurer.

## We work to achieve these outcomes

- Investors and consumers act prudently and rely on the integrity of the market because we enforce their rights, warn them of risks and take action to improve standards of behaviour across the financial sector.
- Companies and market participants behave honestly and fairly because we actively enforce the law with strength, judgement and consistency.
- Our staff are highly motivated, professional and effective because we support, develop and challenge them.
- Government and our other stakeholders acknowledge that we deliver on our mandate and use our resources and administer Commonwealth revenue effectively and efficiently.

# 1999-2000 in brief



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We caused listed companies to make a record \$2,400 million worth of corrections in their financial statements to better inform their shareholders.

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We banned 50 unsuitable people from giving investment advice, the highest ever.

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We succeeded in 84% of our 461 Court cases. Courts gaoled 25 people, including insider traders Simon Hannes and Kenneth Firns.

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People used our public database twice as often for free company information, now 3.2 million times per year, and 2.7 million times for paid searches, up 25%.

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Our long and difficult Yannon investigation concluded when the Commonwealth Director of Public Prosecutions decided to lay no charges. (In 1996 we helped Coles Myer Ltd recover most of the \$18 million it lost.)

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After we inspected how two major banks offered investment advice, they entered into enforceable undertakings to ensure clients receive a fair and accurate impression of commissions, fees and services and to upgrade staff training and compliance.

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We hosted 445 delegates from 91 countries at the International Organisation of Securities Commissions' successful annual conference, the biggest international event in our history.

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High Court judgments cast doubt over how the Corporations Law operates. We supported proposals for States to refer powers to the Commonwealth to remove those doubts.

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In our benchmarking survey, a sample of 560 people rated our effectiveness higher than in the last survey. We improved most in regulating financial reporting, corporate disclosure, market integrity and enforcing the law.

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Our costs held steady at \$135 million. To keep within budget, we have cut 70 positions and reduced some activities, including small business. We collected and transferred \$361 million in company fees to consolidated revenue, up 9%.

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# Who we regulate and how we do it

## Organisations and people we regulate

Superannuation funds  
Life and general insurance companies  
Deposit taking by banks, credit unions, building societies, friendly societies

## We regulate them by

- Setting standards about what they tell their customers
- Monitoring their sales practices and compliance with codes of practice
- Checking customer complaints systems
- Co-operating with APRA
- Investigating and taking action against misconduct

Investment advisers  
Insurance agents and brokers

- Setting standards for their education, training and operations
- Licensing them before they start operating
- Recording their details and the names of their authorised representatives on a public register
- Monitoring the quality of advice they give
- Investigating and taking action against misconduct

Australian Stock Exchange Ltd (ASX Ltd)

- Advising the Minister on changes to its rules
- Monitoring what ASX Ltd says and does as a listed company
- Monitoring trading in ASX Ltd shares
- Investigating and taking action against misconduct of listed companies, brokers and traders that the ASX tells us about

Sydney Futures Exchange and other markets authorised by the Minister

- Advising the Minister on whether to approve new markets
- Advising the Minister on changes to market rules
- Investigating and taking action against misconduct that the market operators tell us about

Managed investments

- Setting standards for their operations
- Licensing them before they start operating
- Recording their details and the names on a public register
- Receiving prospectuses before money is raised
- Monitoring their sales practices and operations
- Investigating and taking action against misconduct

Companies

- Registering each company with a unique number
- Recording the company's number, name, directors and other information on a public register
- Granting or refusing their requests for relief from the law
- Receiving prospectuses before money is raised
- Monitoring what directors say and do
- Inspecting company financial statements
- Investigating and taking action against misconduct

Company auditors and liquidators

- Registering them before they start operating
- Monitoring their work
- Investigating and taking action against misconduct

# Where we fit in the regulatory picture



We are one of three Commonwealth government bodies that regulate the financial system.

We protect markets and consumers from manipulation, deception and unfair practices. We regulate advising, selling and disclosure of all financial products and services to consumers, except credit. We are also the Corporations Law watchdog, promoting honesty and fairness in companies and in the market.

The Australian Prudential Regulation Authority (APRA) is responsible for promoting the safety and soundness of deposit taking institutions, life and general insurance companies, and larger superannuation funds.

The Reserve Bank of Australia (RBA) is responsible for monetary policy and the stability of the financial system.

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## Further information

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

## About this report

This report is produced under section 36 of the *Commonwealth Authorities and Companies Act 1997*. We met the requirement to transmit it to the Minister in time for tabling in Parliament on or before 30 October. We obtain and use feedback about our report from Parliamentarians. We aim to meet best practice in reporting as well as legal requirements. Last year's report won a Gold Award from Annual Report Awards Australia Inc.

# Results for 1999-2000

What we planned to do	What we achieved
<p>Stakeholders increase effective communication to build support, to encourage compliance and to give investors and consumers more skill and confidence</p>	<ul style="list-style-type: none"><li>• Gave evidence to Parliamentary Committees 11 times (4 times last year), and made six written submissions</li><li>• Increased effective communication with most, but not all, stakeholders according to independent research</li><li>• Increased positive media coverage of ASIC generally and of enforcement, although Yannon result increased negative coverage</li><li>• Increased circulation of our monthly newsletter from 5,000 to 6,000 and increased public seminars for business</li><li>• Increased use of our consumer website by 125% (7,440 visits monthly), issued 14 warnings and consumer alerts on current issues; launched <i>WatchDOG</i> our new investor and consumer website</li></ul>
<p>Operations take faster, more effective regulatory and enforcement action; tackle patterns of misconduct, not just individual cases; and build electronic-commerce capacities</p>	<ul style="list-style-type: none"><li>• Performed more effectively, achieved greater positive impact on the market and on individual firms, and improved enforcement although more to be done, according to independent research</li><li>• Finished 174 corporate investigations within 12 months, and 48 market investigations within 9 months, faster than last year but still below target. Court results steady; bannings and enforceable undertakings more than double</li><li>• Achieved most objectives in first year of proactive campaigns, but need to upgrade research and analysis and involve more staff (see page 9)</li><li>• Sevenfold increase in electronic enforcement activities, with 60 staff trained in basic techniques; automated surveillance slowed for budgetary reasons (see page 26)</li><li>• Issued new policies to help companies adjust to new fundraising and takeover laws; set up internet searches for investment offers; allowed fundraisers to receive applications for securities over the internet</li></ul>



What we planned to do	What we achieved
Operations <i>Continued</i>	<ul style="list-style-type: none"><li>• Reduced manual processing of company data by award-winning electronic company registration system (used by more than 46% of all new companies), launched do-it-yourself internet updating for small companies, and promoted electronic lodgment: up 9% for company annual returns and up 11% for changes to company details</li><li>• Implemented two major IT applications that integrate systems, manage data and streamline processes for reports of misconduct and for managed investments</li><li>• Completed all Y2K projects, tested and signed off on trouble free Y2K transition by 2.15 pm New Year's Day</li></ul>
Our staff <i>lead, develop and challenge staff to boost our regulatory effectiveness</i>	<ul style="list-style-type: none"><li>• Improved performance despite increased work-loads, new responsibilities and law reform, with no increase in staff numbers</li><li>• Increased spending on learning and development by about 10% and related it more closely to regulatory and enforcement activities</li><li>• Implemented performance management for all staff for the first time; 90% of first appraisals completed on time</li></ul>
Finance <i>control costs, increase efficiency and align financial management with core business</i>	<ul style="list-style-type: none"><li>• Controlled overall costs within agreed budget, despite increased volume and complexity of work and no increase in core funding</li><li>• Collected \$361 million in fees on behalf of the Commonwealth, up 9%</li><li>• Installed new systems to process staff pay, leave, and benefits (reducing paper transactions) and upgraded revenue management and reporting</li><li>• Implemented new travel management system and helped cut travel costs by about 15%</li></ul>

# Results with three year comparison

Result	1999/2000	1998/99	1997/98
<b>Net cost to government steady</b>			
\$ millions	135	137	127
Annual change	-1%	8%	2%
<b>Staff numbers up slightly</b>			
Average full time equivalents	1234	1206	1120
Annual change	2%	7%	-11%
<b>Fees collected for the Commonwealth up 9%</b>			
\$ millions	361	332	324
Annual change	9%	2%	8.7%
<b>Major enforcement actions up, minor matters down</b>			
Total enforcement actions completed	461	564	199
Annual change	-18%	183%	12%
<b>Court results remained above 70% target</b>			
% successful	84%	89%	90%
Annual change	-6%	-1%	7%
<b>New investigations steady</b>			
Annual change	234 nil	233 8%	215 16%
<b>Corporate investigations finished faster</b>			
Number completed within 12 months	174	146	137
% completed within 12 months	95%	90%	85%
Annual change	6%	6%	27%
<b>Market investigations finished faster</b>			
Number completed within 9 months	48	61	28
% completed within 9 months	83%	74%	70%
Annual change	11%	6%	46%
<b>Fundraising relief applications steady</b>			
Annual change	1534 -4%	1598 -33%	2373 16%
<b>Fundraising relief applications processed on target</b>			
% processed within 10 business days	80%	76%	83%
Annual change	5%	-8%	28%
<b>Prospectuses registered/lodged up</b>			
Annual change	1033 46%	707 4%	683 13%
<b>% company annual returns lodged on time</b>			
Annual change	94% +1%	93% -1%	94% 4.8%
<b>% annual returns lodged electronically up</b>			
Annual change	63% 7%	59% 9%	54% 20%
<b>% on-line company searches up</b>			
Annual change	94% 2%	92% 4%	88% 4.7%
<b>Calls to Infoline rise</b>			
Annual change	107,000 3%	104,000 17%	89,000 27%
<b>Infoline helped most callers on the spot</b>			
Annual change	92% 1%	91% -2%	93% 24%
<b>% IT mainframe availability steady</b>			
Annual change	99.7 nil	99.7 0.1%	99.8% 1.8%





Areas of work	What we plan to deliver over three years
<p>Stakeholders</p> <p>increase effective communication, build support, encourage compliance and give investors and consumers more skill and confidence</p>	<ul style="list-style-type: none"> <li>• Increase help for investors and consumers in mainstream media by 20%, and raise ASIC's profile</li> <li>• Account to Parliament and government for our performance; meet increasing requests for submissions, especially on law reform</li> <li>• Maintain effective communication with stakeholders, and meet needs for more information</li> <li>• Increase use of our consumer website by 100%</li> </ul>
<p>Operations</p> <p>take faster, more effective regulatory and enforcement action; tackle patterns of misconduct, not just individual cases; and build electronic-commerce capacities</p>	<ul style="list-style-type: none"> <li>• Maintain goal of completing all investigations within 12 months. Deliver timely results on matters of special urgency or national significance</li> <li>• Raise the business community's rating (in benchmarking studies) of our enforcement performance from moderate to good</li> <li>• Maintain our target for successful criminal and civil litigation at 70%</li> <li>• Upgrade our ability to enforce the law over the internet and in e-commerce</li> <li>• Boost surveillance, compliance reviews and campaigns, if necessary up to a quarter of the work of regulatory and enforcement staff; reduce reactive activities; upgrade research and analysis</li> <li>• Issue new policies to help companies adjust to financial services reform legislation if approved</li> <li>• Increase the percentage of new companies incorporating electronically from 46% to 75%</li> <li>• Increase the percentage of companies updating information electronically from 63% to 70%, and reduce manual processing</li> </ul>
<p>Our staff</p> <p>lead, develop and challenge staff to boost our regulatory effectiveness</p>	<ul style="list-style-type: none"> <li>• Handle workloads, new responsibilities and law reform and improve performance without increasing staff numbers</li> <li>• Modernise employment conditions to give staff and the organisation more flexible recruitment, employment and working conditions</li> <li>• New IT services that extend what staff can do from their desktop</li> <li>• Continue learning and development focus on regulatory and enforcement activities</li> </ul>
<p>Finance</p> <p>control costs, increase efficiency and align financial management with core business</p>	<ul style="list-style-type: none"> <li>• Contain overall costs within the budget approved by Parliament</li> <li>• Collect fees for the Commonwealth, meeting audit standards for management and reporting</li> <li>• Continue to reduce costs of goods and services through operational efficiencies</li> </ul>