



A YEAR OF achievement

ASIC Annual Report
09–10



ASIC

Australian Securities & Investments Commission

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ASIC

Australian Securities & Investments Commission

TONY D'ALOISIO

Chairman

100 Market Street, Sydney
GPO Box 9827 Sydney NSW 2001
DX 653 Sydney

7 October 2010

The Hon David Bradbury, MP
Parliamentary Secretary to the Treasurer
Parliament House
CANBERRA ACT 2600

Dear Mr Bradbury,

In accordance with subsection 136(1) of the *Australian Securities and Investments Commission Act 2001* (ASIC Act), I am pleased to present you with the annual report of the Australian Securities and Investments Commission (ASIC) for the year ended 30 June 2010.

The report has been prepared in accordance with section 136 of the ASIC Act and the *Requirements for annual reports for departments, executive agencies and FMA Act bodies*, approved by the Joint Committee of Public Accounts and Audit in June 2010.

The theme of our report is 'A Year of Achievement' to emphasise the outcomes and benefits ASIC is delivering within its areas of responsibility.

I note that under subsection 136(3) of the ASIC Act, a copy of this report will be tabled in each House of Parliament within 15 sitting days of that House after the day on which you receive the report.

Yours sincerely,

Tony D'Aloisio

Chairman

AT A glance 09–10

We're using

the full suite of regulatory powers to assist and protect investors

... working hard

to educate and protect investors, recover investors' money when such actions are warranted, and punish wrongdoers

... building confidence

in Australia's financial system through well-informed industry surveillance and compliance

ASIC's role

Under s1(2) of the *Australian Securities and Investments Commission Act 2001* (ASIC Act), ASIC is responsible for:

- ♦ maintaining, facilitating and improving the performance of the financial system
- ♦ promoting confident and informed participation in the financial system

- ♦ administering laws effectively and reducing regulatory costs
- ♦ receiving and managing information and making public information available as quickly as possible
- ♦ enforcing the law.

ASIC's vision

For our functions in the financial economy: to exercise our powers to make a real difference by improving confidence in financial market integrity and protecting investors and consumers.

For our functions in the real economy: to deliver outstanding and cost-effective services.

For our priorities and outcomes, see pages 20 and 54.

... deterring

illegal behaviour by pursuing legal cases, including difficult ones where it's in the public interest to test important principles and clarify the law

... advising

on changes for improving the regulatory regime in Australia and overseas

... accepting

new responsibilities to improve markets and streamline oversight of areas, including consumer credit, ASX supervision and the registration of business names nationally

ASIC's activities

ASIC regulates 1.77 million companies across Australia, 4,874 financial services businesses and 16 financial markets.

ASIC works to improve Australia's financial system, including superannuation, managed funds, insurance, credit, deposit-taking and financial advice.

We also work to protect and educate retail investors and financial consumers.

ASIC works with Australian and international regulators on the regulatory reform agenda in financial markets, and gives advice to Australia's Commonwealth Government to aid its policy formulation and decision making.

ASIC's budget

ASIC's operating expenditure for 2009–10 was \$386.6 million.

ASIC's people

ASIC maintained an average of 1,932 full time employees in 2009–10 in offices in every state and territory.

ASIC's governance

ASIC is a Commonwealth Government body, led by six Commissioners, accountable to the Minister and the Parliament under the ASIC Act, and through administrative and judicial review.

chairman's REPORT

I am pleased to report that ASIC continues to deliver results for all our stakeholders – for the 1.77 million businesses that are registered through ASIC, the 4,874 licensees we license, and the many consumers, investors and creditors who rely on our work.

There have been many significant achievements this year, along with a few setbacks in high-profile court cases. This report details these achievements in 2009–10 in terms of our six strategic priorities, which relate to the financial economy and the real economy.

Our four financial economy priorities focus on retail investors, capital market integrity, capital flows and managing the domestic and international implications of the global financial crisis (GFC). Our two real economy priorities centre on lifting operational effectiveness and using new technology and processes to improve services and reduce costs. These will remain our priorities in the coming year, though we will gradually shift to a renewed focus on assisting small to medium business as the financial crisis abates.

Economic recovery

The dominant feature of the past year was the recovery in financial conditions after the extreme weakness seen during the GFC.

The ASX All Ordinaries Index rose by 9.5% in 2009–10. The S&P 500 in the United States rose by 11.6%. Credit markets also eased and companies continued to reduce gearing levels. The initial public offering (IPO) market bounced back, with \$11.5 billion raised, compared with only \$1.9 billion in 2008–09.

Even so, total market values remained below historical highs and there was continued volatility. Many businesses and individuals also continued to grapple with capital losses and other issues caused by the downturn.

Assisting retail investors

In this fragile environment, ASIC worked hard to assist and protect retail investors by promoting financial literacy, improving the quality of information given to investors and vigorously enforcing the law.

During the year, ASIC published a wide range of educational material and forced greater disclosure from those seeking to raise funds. We also completed 30 civil proceedings and obtained more than \$287 million in recoveries, costs and fines, with \$15.5 million in assets frozen.

A key focus has been to use s50 of the ASIC Act to seek compensation for investors who lose funds through failed investment schemes. This was done in the case of Westpoint, which collapsed in 2006, owing \$388 million to approximately 4,000 investors. Actions launched by ASIC have so far recovered \$24.5 million for Westpoint investors. Another \$49.2 million obtained through the liquidation process has also been distributed, a figure that is expected to reach \$56 million. Returns from companies not in liquidation are expected to reach \$22.5 million.

In all, investors are expected to see a return of about \$100 million of the \$388 million in losses. Further Westpoint proceedings are continuing with respect to directors, auditors and three Australian Financial Services (AFS) licensees. ASIC hopes to resolve more of these claims during 2010–11.

We also investigated the collapse of Storm Financial Limited. At the end of the financial year, ASIC was engaged in confidential

discussions seeking a commercial resolution that could be recommended to investors. This was one of numerous ongoing investigations.

Improving confidence in market integrity

Confidence is the bedrock of Australia's financial markets. ASIC increased its focus on continuous disclosure and deterring market abuse, such as insider trading and market manipulation.

We have 11 industry teams covering the key participants and gatekeepers in our financial markets, including accountants and auditors, corporations and emerging mining and resources interests, investment banks, investment managers, superannuation funds, financial advisers, brokers and market operators. These teams engage in extensive surveillance and compliance work aimed at lifting standards and, ultimately, confidence.

At year-end, ASIC had 69 enforcement matters relating to market integrity underway and achieved eight significant outcomes from 1 July 2009 to 30 June 2010 – one conviction for insider trading, one conviction and one civil penalty for market manipulation, one conviction and one civil penalty for making false and misleading statements to the ASX, and the banning of three stockbrokers from providing financial services due to market misconduct.

In other activities, ASIC reviewed the financial reports of 480 listed and unlisted entities, inspected audit firms and external administrators, and contributed to a range of government inquiries.

Engaging in global regulatory change

Through our membership of the International Organization of Securities Commissions (IOSCO), ASIC has influenced global policy responses to the GFC. We co-led work on the regulation of securitisation and credit default swap (CDS) markets, and played an active role in IOSCO's work on supervising hedge funds, over-the-counter (OTC) markets, regulating credit rating agencies and regulatory cooperation in the supervision of cross-border activity.

This involvement led to a recommendation that the Government amend Australia's *Corporations Act 2001* to further manage short selling activity, and guided ASIC's approach to licensing for credit rating agencies operating in Australia. It also informed our investigations of local hedge fund issues.

Real economy

ASIC continued to provide a high quality of service to businesses and individuals through our registry, licensing, contact centre and other real economy operations. We registered 157,667 new companies during the year and saw Australia recognised by the World Bank as the second fastest, and third easiest, place in the world to start a business where a strong regulatory framework is in place.



Chairman's report (continued)

ASIC also received 13,372 complaints from the public alleging misconduct and breaches of licence conditions. We took court action against 726 company directors, resulting in the successful prosecution of 554 individuals.

The ASIC Contact Centre fielded 646,770 phone calls and 63,827 emails – 8,000 more emails than in the previous year, with 98% being answered within two business days.

ASIC Summer School

The 15th ASIC Summer School was held in March 2010 in Melbourne and attracted 290 external participants from Australia and overseas, as well as 76 ASIC delegates, including Commissioners and senior leaders. It featured in-depth analysis of the issues, current thinking and the challenges for regulation of global and local securities markets following the GFC.

The Summer School is an important forum promoted by ASIC to broaden public policy debate. For more information, see www.asic.gov.au/summerschool.

New responsibilities

Highlighting the Government's confidence in ASIC, the organisation has been charged with a number of new responsibilities.

Markets supervision

ASIC assumed responsibility from the ASX for the supervision of trading on Australia's licensed equity, derivatives and futures markets on 1 August 2010. To manage a seamless transition, we put in place an integrated market surveillance system and developed a streamlined markets analysis methodology and relationship management model. We also built and trained a quality Market and Participant Supervision team within ASIC.

In a related activity, we commenced work on the regulatory implications of the Government's in-principle approval to introduce competition between markets for trading in listed shares in Australia and the approval of a new licensed market operator. This would effectively introduce a competitor to the ASX and require a regulatory framework that considers, among other things, market stability and rules about best execution and pre- and post-trade transparency.

Consumer credit

On 1 July 2010, ASIC became the national regulator for consumer credit and finance broking. This means that home loans, personal loans, credit cards, consumer leases, pre-arranged overdrafts and line of credit accounts, among other products and services, are now regulated under Commonwealth legislation and administered by ASIC.

Consumer credit was formerly regulated by the states and territories. The transfer to ASIC has involved extensive engagement with industry and other stakeholders, education and the establishment of an efficient registration and licensing process. Over 14,700 credit businesses registered with ASIC prior to 1 July 2010. ASIC also expanded its team and number of call centres to accommodate this expanded workload and increase in inquiries.

Trustee companies

On 6 May 2010, ASIC became responsible for the regulation of trustee companies.

Consumer Law

As part of the new Australian consumer law, from 1 July 2010, ASIC administers laws to deal with unfair terms in consumer contracts for financial products and financial services.

National Business Names

From April 2011, ASIC will be responsible for the National Business Names register. We are taking over this responsibility from the states and territories and working with the Australian Taxation Office (ATO) to cut time and costs for business to register under a new national regime.

Refined structure

On 28 June 2010, ASIC refined its operating structure to ensure we continue to efficiently and effectively deliver our functions.

The structure put in place in 2008 has been retained, but there has been a reallocation of responsibilities between the Chairman and Deputy Chair. ASIC's Market Integrity teams were also placed under the new Commissioner, Shane Tregillis. These changes will rebalance work within the Commission and ensure there is

a full-time Commissioner to oversee the critical transfer of surveillance from the ASX and the proposed introduction of market competition.

ASIC also streamlined its team structure, reducing the number of deterrence teams from eight to six, and reducing 14 stakeholder teams to 11. This enhancement of operational efficiency is aimed at maximising positive outcomes for consumers and investors and improving the service we deliver to stakeholders.

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ASIC refined its operating structure to ensure we continue to efficiently and effectively deliver our functions.

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Commission changes

ASIC welcomed the appointment of Shane Tregillis to the Commission and Belinda Gibson to the position of Deputy Chair.

Mr Tregillis was appointed as an ASIC Commissioner on 7 May 2010 and brings more than 20 years of experience in senior regulatory roles in Australia and Singapore. Prior to his appointment, Mr Tregillis was Deputy Managing Director (Market Conduct) of the Monetary Authority of Singapore, and he formerly held senior executive positions within ASIC.

Ms Gibson has been a Commissioner since 2007 and was formerly a Partner at law firm Mallesons Stephen Jaques. She has extensive knowledge of corporate governance and accounting practices in Australia.

These changes follow the departure of Deputy Chairman Jeremy Cooper to chair the Government's review of the Australian superannuation system from July 2009. Mr Cooper completed a five-year term as a Commissioner and Deputy Chairman, and ASIC is grateful for his excellent contribution.

Our people

The contribution of ASIC staff, their dedication and their desire to make a difference in public service is at the heart of ASIC's achievements. The community is fortunate to have such a dedicated group of people.

We launched the ASIC Senior Executive Leadership Program to support and drive the required culture to better enable ASIC to deliver on its strategic objectives. This involves assessment, executive coaching and development through the Macquarie Graduate School of Management.

As part of our commitment to developing the credentials of our professional staff, ASIC established the Lawyer Network Mentor Program. More than 100 ASIC lawyers are now being mentored by more senior staff, building legal excellence and supporting retention of critical skills.

ASIC introduced a new learning management system to facilitate online learning programs, webinars and podcasts, and Communities of Practice continue to be used to encourage networks of knowledge. We also ran a program to better understand our approach to employment.

Community involvement

Staff donate a proportion of their pay to 25 charities through ASIC's Workplace Giving program, as well as making a substantial contribution to the community through other fundraising and environmental initiatives.

This year, ASIC's people donated a total of \$137,000 through Workplace Giving and other events. They also gave their time through volunteering and providing pro bono professional services. ASIC supports these activities by providing staff with a day of paid volunteering leave.

Outlook

In 2010–11, ASIC will focus on implementing its significant new responsibilities, while ensuring we continue to deliver for all stakeholders in our six strategic priority areas.

On behalf of the Commission, I would like to thank all our stakeholders for their support during the year. I am particularly grateful for the contributions of the External Advisory Panel, the Australian Government Financial Literacy Board, the Market Advisory Panel and the Real Economy Business Advisory Committee. I'm also grateful to my fellow Commissioners and to our staff for their role in delivering the achievements outlined in this report and more broadly.

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Commissioners

Tony D'Aloisio, Chairman

BA, LLB (Hons)

Mr D'Aloisio became ASIC Chairman on 13 May 2007 for a four-year term. He held the position of ASIC Commissioner between 22 November 2006 and 13 May 2007.



Mr D'Aloisio has extensive commercial and legal experience and has been involved in business policy and regulation.

From 2004 to 2006, he was Managing Director and Chief Executive Officer at the Australian Stock Exchange. Before this, he was Chief Executive Partner at Mallesons Stephen Jaques from 1992 to 2004. Mr D'Aloisio joined Mallesons in 1977 where he practised as a commercial lawyer until taking up his role as Chief Executive Partner.

As ASIC Chairman, he has been an active member of the International Organization of Securities Commissions (IOSCO) Technical Committee and the IOSCO Executive Committee (since 2007), including co-chairing its Task Force on Unregulated Markets and Products. He is the Chair of the international Joint Forum, which is made up of senior bank, insurance and securities supervisors representing IOSCO, the Basel Committee on Banking Supervision and the International Association of Insurance Supervisors.

Prior to joining ASIC, Mr D'Aloisio held a number of directorships and was on the Board of Taxation from 2002 to 2004.

Belinda Gibson, Deputy Chair

BEC, LLB (Hons), LLM (Hons)

Ms Gibson was appointed as ASIC Deputy Chair on 7 May 2010, having become a Commissioner on 5 November 2007.



Prior to her appointment, Ms Gibson was a Partner at Mallesons Stephen Jaques where she specialised in transactional advice and in corporate and securities law. Ms Gibson has managerial experience through her role as Partner in Charge of the Sydney office of Mallesons from 2000 to 2003. Through her practice she has extensive knowledge of corporate governance and accounting practices in Australia.

She was also a director of Air Services Australia from 2001 to 2004, and a charitable body, the Sir Robert Menzies Memorial Foundation, from 1990 to 2007.

Dr Peter J. Boxall AO

BEc (Hons), MEd, PhD

Dr Boxall joined ASIC as a Commissioner on 2 February 2009.



Dr Boxall was previously Secretary of the Department of Resources, Energy and Tourism, following six years as Secretary of the Department of Employment and Workplace Relations and five years as Secretary of Finance and Administration with the Australian Government.

He is an economist, with a doctorate from the University of Chicago.

Dr Boxall commenced his career with the Reserve Bank of Australia (RBA), then spent seven years at the International Monetary Fund (IMF) in the United States, followed by graduate studies at the University of Chicago and a graduate fellowship at The Brookings Institution.

On returning to Australia in 1986, Dr Boxall joined the Department of Treasury. He was Senior Economic Adviser to the Leader and Deputy Leader of the Opposition in the late 1980s and early 1990s. He was Secretary of the Department of Treasury and Finance in South Australia, then Principal Adviser to the Treasurer, the Hon Peter Costello MP.

In 2007, Dr Boxall was made an Officer of the Order of Australia (AO) for services to economic and financial policy development and reform in the areas of accrual budgeting, taxation and workplace relations.

Greg Medcraft

BComm

Mr Medcraft joined ASIC as a Commissioner on 2 February 2009.

Prior to joining ASIC, Mr Medcraft was Chief Executive Officer and Executive Director at the Australian Securitisation Forum (ASF).

He spent nearly 30 years in investment banking at Société Générale (SG) in Australia, Asia, Europe and the Americas, where he became the Managing Director and Global Head of Securitization based in New York. Prior to his roles at SG, Mr Medcraft was a chartered accountant at KPMG.

In 2002, Mr Medcraft co-founded the American Securitization Forum and was its Chairman from 2005 until 2007, when he returned to Australia.

Mr Medcraft has been a director on the boards of various fund management companies both in Australia and overseas.

He has also been actively involved in the community, including as former Mayor of Woollahra (NSW) and Box Hill (Vic.), former Director and Deputy Chairman of KU Children's Services Pty Ltd and Director of the American Australian Association (AAA).



Michael Dwyer

MBA

Mr Dwyer became a Commissioner on 16 February 2009.

He has extensive experience as a chartered accountant and an



insolvency practitioner, including a term as National President of the Insolvency Practitioners Association of Australia. He also held positions as the National Chairman of the Business Recovery Group at Howarth Australia Ltd and as Partner in Charge of Corporate Recovery Practice at KPMG in Adelaide. Mr Dwyer has strong international knowledge of financial and operational restructuring.

Shane Tregillis

BComm, LLB, MComm

Mr Tregillis was appointed as an ASIC Commissioner on 7 May 2010.

He has over 20 years experience in senior regulatory roles in Australia and Singapore.

Prior to his appointment, Mr Tregillis was Deputy Managing Director (Market Conduct) of the Monetary Authority of Singapore, where he was responsible for capital market and business conduct regulation in Singapore. He was also Chair of the Financial Education Steering Committee.

Before joining MAS in November 2001, Mr Tregillis was Executive Director, Policy and Markets Regulation and a member of the National Executive Committee at ASIC. In this position he was responsible for regulatory policy, corporate finance (fundraising and takeovers) and markets regulation. He held senior executive positions at ASIC and its predecessors, with a wide range of regulatory and management responsibilities covering major market and clearing and settlement reforms, transition from the ASC to ASIC, and implementation of the managed investments regime.

Mr Tregillis has been actively engaged in international and regulatory developments, including as co-chair of the IOSCO-CPSS Joint Task Force on securities settlement systems.



Financial summary

ASIC's use of taxpayers' money for the outcomes approved by Parliament

	2009–10	2008–09	2007–08
Operating expenses			
Total	\$387m	\$295m	\$274m
Annual change	+31%	+8%	+7%
Fees and charges raised for the Commonwealth			
Total	\$582m	\$552m	\$545m
Annual change	+5%	+1%	+5%

Raised for the Commonwealth

ASIC raised \$582 million for the Commonwealth in fees and charges, up 5% in 2009–10, largely due to an increase in the number of newly incorporated companies over recent years.

ASIC expenses increased to \$387 million to sustain operations, further enhance ASIC's monitoring and enforcement capabilities, and prepare for the implementation of consumer credit regulation and the supervision of real-time trading on Australia's domestic licensed markets. There was also an increase in deterrence activities funded from the Enforcement Special Account.

\$582 million raised for the Commonwealth in fees and charges, up 5% in 2009–10

Appropriations and revenue

ASIC received \$370 million in appropriations and \$11 million in revenue from the sale of services and other sources, including \$1.6 million in recoveries for court and investigation costs.

In the Portfolio Budget Statements for 2010–11, ASIC received additional funding across the next four years of:

- ♦ \$53 million for the expansion of the Australian Business Number and Business Names Registration System
- ♦ \$5 million for sustaining the capabilities of the Superannuation Complaints Tribunal.

See ASIC's financial statements on page 82.

Parliament funds ASIC to achieve the following outcomes:

- ♦ improved confidence in financial market integrity and protection of investors and consumers through research, policy, education, compliance and deterrence that mitigates emerging risks
- ♦ streamlined and cost-effective interaction and access to information for business and the public through registry, licensing and business facilitation services.

ASIC outcomes*

	2009–10	2008–09	Change
Improved confidence in financial market integrity and protection of investors and consumers through research, policy, education, compliance and deterrence that mitigates emerging risks	\$301.5m	\$240.1m	+26%
Streamlined and cost-effective interaction and access to information for business and the public through registry, licensing and business facilitation services	\$85.0m	\$54.7m	+55%
Total	\$386.6m	\$294.8m	+31%

* Internal service costs are apportioned to these outcomes (more on page 54).

ASIC received \$370 million in appropriations and \$11 million in revenue from the sale of services and other sources.



ASIC staff in Perth took part in a team-building cricket match in February this year.

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Regulating through and beyond the crisis

Global and Australian financial conditions improved through much of 2009–10 after the extreme turbulence of the previous year, but markets remain volatile and fragile. Australia continues to fare better than most, both financially and economically, but Australian markets have not been immune to shocks from abroad and sharp swings in expectations.

The global economic improvement in 2009–10 was driven by an unprecedented combination of fiscal and monetary stimulus and recapitalisation of many systemically important financial institutions. However, since the start of 2010, concern has arisen over the sustainability of sovereign debt burdens, especially in some European countries, and the flow-on implications for holders of those debts. With many major developed economies running significant government budget deficits and high government debt-to-GDP ratios, markets have begun to anticipate greater fiscal restraint, paring back expectations of further global economic recovery.

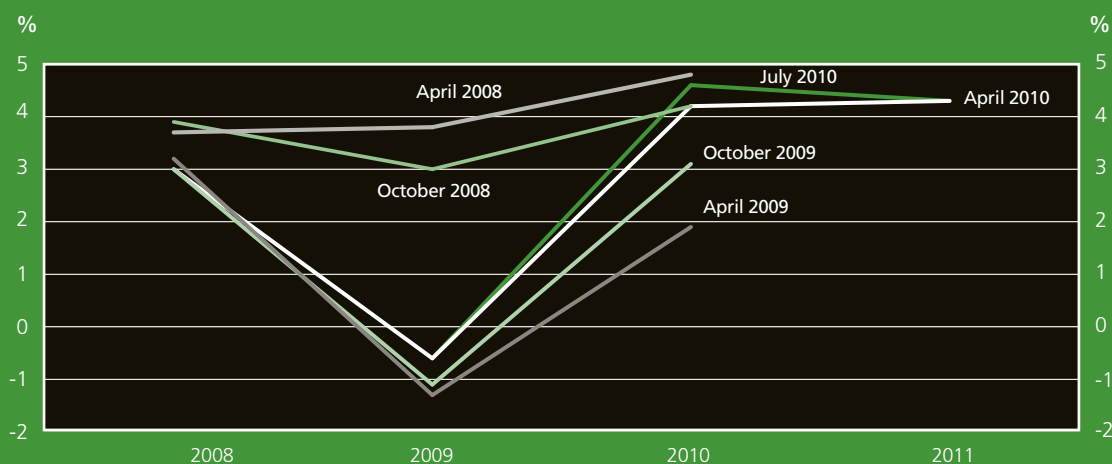
Important steps have been taken in 2009–10 to reduce the likelihood of a recurrence of the conditions that led to the GFC.



Alex Erskine, Chief Economist

Important steps have been taken in 2009–10 to reduce the likelihood of a recurrence of the conditions that led to the GFC.

IMF global real growth outlook



Source: IMF

Discussions on possible major reform to banking sector liquidity and capital requirements are in progress within the Basel framework. The UK, France and Germany have announced plans to implement a bank tax to repay bailout funds, and which will also provide funding for any future bailout, if required. The US also recently passed the US Financial Regulation Reform Bill.

The ASX All Ordinaries rose by 9.5% in 2009–10, despite a significant market contraction from mid-April 2010. In 2009–10 the US S&P 500 Index rose similarly, by 11.6%.

However, from 15 April to 30 June 2010 there was a significant decline in global equity markets. During this period, the ASX All Ordinaries Index fell 13.9% and the S&P 500 fell 14.9%.

When credit markets began to thaw in 2008–09, market pressures eased somewhat on companies with complex and geared business models. Companies, however, continued to de-leverage their balance sheets throughout 2009–10 by retiring debt, issuing new equity capital and/or increasing cash holdings.

The ASX All Ordinaries rose by 9.5% in 2009–10, despite a significant market contraction from mid-April 2010.

Secondary issuance on the ASX in 2009–10 was valued at \$58.8 billion, down by one-third from the previous year. It is likely the decline was due primarily to continuing business caution, the lower debt-to-equity ratios in the corporate sector and a much better capitalised financial sector.

Capital raised from Initial Public Offerings (IPO) was valued at \$11.5 billion in 2009–10 – well above the \$1.9 billion raised in the previous financial year. Drivers of this recovery include higher equities market valuations (and hence increased market confidence) as well as pent-up activity following very low issuance in 2008–09.

Australian All Ordinaries and US S&P 500

S&P 500 Index

ASX All Ordinaries Index



Source: Bloomberg

Regulating through and beyond the crisis (continued)

ASX domestic equity market capitalisation reached \$1.3 trillion in June 2010, having risen by 14.1% in the 2009–10 financial year.

Average end-of-day bid–ask spreads for the 50 largest companies listed on the ASX fell to 0.55% in 2009–10, down from 1.04% in 2008–09. This is indicative of increased liquidity in Australian equity markets, driven by improved investor sentiment. By comparison, in 2009–10 the average bid–ask spreads for the largest 50 stocks were 0.08% on the New York Stock Exchange, 0.09% on the London Stock Exchange and 0.24% on the Toronto Stock Exchange.

Share market trading volumes in 2009–10 on average were higher than in 2008–09, but showed an overall tendency to decline, falling from a daily average of \$1,982 million in August

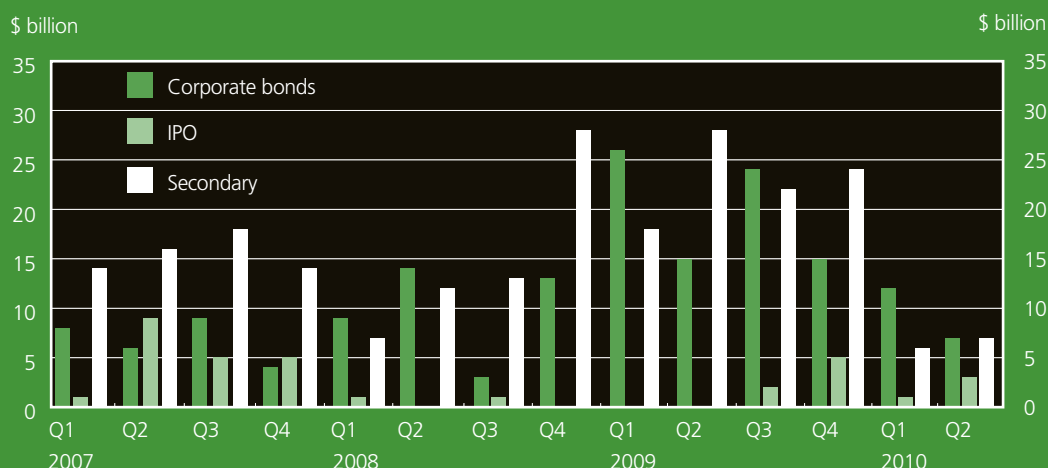
2009 to a low of \$1,055 million in December 2009. In June 2010 average daily trading volume reached \$1,248 million per day.

ASX domestic equity market capitalisation reached \$1.3 trillion in June 2010, having risen by 14.1% in the 2009–10 financial year. ASX domestic equity market capitalisation remained approximately 23.7% below the \$1.6 trillion peak reached in September 2007. In June 2010 there were 2,192 firms listed on the ASX – a slight reduction from the 2,198 firms listed in June 2009.

Corporate credit risk (more specifically, the risk of default) can be measured via the credit default swap (CDS) spread on a firm's debt. CDS spreads hence provide an overview of credit and financial conditions, as perceived by the market.

CDS spreads for Australian corporations, as measured by the iTraxx Australia CDS index, declined by 29.3% during 2009–10, implying that the market's perception of the credit risk of Australian corporations has improved. This development has been driven in part by the general de-leveraging by Australian corporations.

Australian corporate bond and equity issuance (IPO and secondary issues)



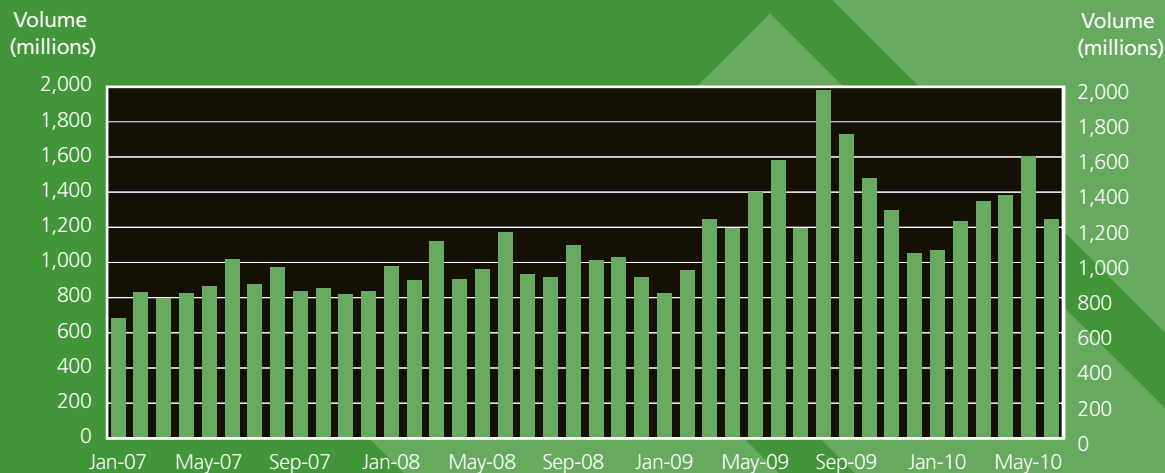
Source: Bloomberg and ASX

International and Australian debt market conditions also improved in 2009–10, although global liquidity has not returned to its pre-GFC level. Corporate bond issuance in Australia reached \$58.1 billion in 2009–10, up slightly from \$57.4 billion in 2008–09. In 2009–10, financial corporations raised \$56.2 billion through corporate bond issues while \$1.9 billion was raised by non-financial corporations. Despite the significant bond issues in the 2009–10 financial year, the vast majority of this issuance occurred in the third and fourth quarters of 2009 as firms sought to lock in future funding.

The Australian securitised mortgage market remained subdued during 2009–10. From June 2009 to March 2010, the value of securitised mortgages outstanding fell 14.7% to \$122.3 billion.

International and Australian debt market conditions also improved in 2009–10, although global liquidity has not returned to its pre-GFC level.

Average daily trading volume by month



Source: Bloomberg

year of action

Deterrence: summary and major actions

Criminal and civil prosecutions

With the Commonwealth Director of Public Prosecutions (CDPP), ASIC completed 23 criminal proceedings in 2009–10, with 22 criminals convicted, including 12 jailed.

ASIC's deterrence actions led to three convictions for market misconduct, including insider trading, manipulation and providing false information.

We completed 30 civil proceedings and obtained more than \$287 million in recoveries, costs and fines, with \$15.5 million in assets frozen.

ASIC was successful in 94% of civil litigation and 80% of criminal matters – an average of 91% overall. We concluded 156 matters during the year.

ASIC completed 23 criminal proceedings in 2009–10, with 22 criminals convicted, including 12 jailed.

Opes Prime

ASIC investigated issues arising from the collapse of Opes Prime and was part of a mediation to recover \$253 million in compensation for Opes Prime creditors. Clients have received a dividend of 37 cents in the dollar. Earlier this year, ASIC also brought criminal charges against the directors of Opes Prime Stockbroking for breaching their duties as directors (see more detail on page 22).

Storm Financial

ASIC is investigating a range of issues relating to Storm Financial Limited and its collapse, including investment home lending, margin lending and related advice. These investigations formally started on 12 December 2008 and are continuing. ASIC is seeking a commercial resolution – rather than protracted litigation – that can be recommended to investors.

ASIC has created a dedicated Storm website at: www.asic.gov.au/storm.

Westpoint

Since 2007, ASIC has launched 19 actions for the benefit of Westpoint investors. Following a global mediation in June 2009, continuing negotiations have resulted in a number of settlements whereby compensation has been or will shortly be paid to a number of Westpoint investors. Those settlements totalled \$24.5 million as of August 2010. Another \$49.2 million obtained through the liquidation process has also been distributed, a figure that is expected to reach \$56 million. Returns from companies not in liquidation are expected to reach \$22.5 million.

In all, investors are expected to see a return of about \$100 million of the \$388 million in losses. Further Westpoint proceedings are continuing with respect to directors, auditors and three Australian financial services (AFS) licensees. ASIC hopes to resolve more of these claims during 2010–11.

Property development (Letten)

In the 2009–10 financial year and July and August of 2010, the Federal Court in Victoria made declarations that 15 property development related managed investment schemes (MISs) associated with Melbourne-based company director Mark Ronald Letten were unregistered. The Court appointed receivers from KPMG to the unregistered MISs and 42 related companies. ASIC believes that approximately 1,000 investors placed more than

\$80 million in the projects, and the action taken will result in maximising the return to those investors. ASIC's investigation into this matter is continuing.

Banning directors

Targeted action led to 90 directors being banned for a total of 320 years. As a result of convictions obtained by ASIC during the year, a further 22 people were automatically disqualified from managing corporations for a total of 110 years from the date of their conviction or release from prison.

These cases included 10 directors from James Hardie who were banned for between five and 15 years for making false statements in 2001 about the adequacy of the company's asbestos compensation funding. Other bans related to directors' involvement in phoenix activity, company failures and market manipulation.

Phoenix trading

ASIC has conducted a long-running campaign to crack down on phoenix trading – where directors evade creditors by moving assets from an indebted company to another entity, and then put the first business into administration.

This year, the New South Wales Supreme Court found eight directors of unrelated companies to have acted in breach of the Corporations Act 2001 in illegal phoenix activity, and that their legal adviser, Timothy Donald Somerville, also contravened the Act by being involved in the directors' breaches. The eight directors and Mr Somerville were banned from managing corporations for a total of 22 years. This is the first time ASIC has successfully taken action against an adviser for involvement in facilitating illegal phoenix activity.

ASIC banned 70 company directors from managing companies for insolvency-related offences, which was an increase of 43% over 2008–09. (See page 37 'Complaints handling'.)

ASIC was successful in 94% of civil litigation and 80% of criminal matters – an average of 91% overall. We concluded 156 matters during the year.

Market integrity

Over the past 18 months, ASIC has put additional resources into improving confidence in the integrity of our markets by targeting insider trading and market manipulation. At year-end, we had 69 enforcement matters underway relating to market integrity (see page 28).

Australian Capital Reserve

Three former directors of Australian Capital Reserve Limited (ACR), Samuel Pogson, Murray Lapham and Steven Martin, were charged under the *Crimes Act 1900* (NSW) with one count each of making a false statement to obtain a financial advantage for ACR. Mr Pogson has also been charged under the Corporations Act with one count of making a false or misleading statement in a document lodged with ASIC. ASIC also accepted enforceable undertakings from partners of accounting practice Moore Stephens Sydney, Christopher Chandran and Scott Whiddett, not to practise as registered auditors for 12 months, as well as other obligations.

Deterrence: summary and major actions (continued)

Centro

ASIC launched civil penalty proceedings in the Federal Court of Australia against current and former directors and a former chief financial officer of various entities within the Centro Properties Group and Centro Retail Group. Central to ASIC's action is the responsibility of directors and chief financial officers to take reasonable steps to ensure information contained in financial reports and disclosed to the market is accurate, complies with relevant accounting standards and is not misleading.

Fincorp

The former Chairman and CEO of Fincorp Investments Limited, Eric Krecichwost, was charged with three counts of dishonestly using his position as a director of a company with the intention of directly or indirectly gaining an advantage for himself and others. Former Finance Director Jacob Lee Quigley faces one count of the same charge.

Fincorp collapsed in 2007 with losses to investors of approximately \$100 million.

One.Tel

On 26 February 2010, ASIC announced it would not appeal against the decision of the NSW Supreme Court dismissing ASIC's civil penalty proceedings against One.Tel's former Managing Director, Jodee Rich, and the company's former Finance Director, Mark Silbermann. ASIC was required to pay legal costs of \$13 million.

Octaviar

ASIC commenced civil penalty proceedings in the Supreme Court of Queensland against five former officers of various entities within the Octaviar (formerly MFS) group of companies in relation to the use of \$147.5 million in funds of the Premium Income Fund. In taking this action, ASIC addressed the core obligations of a responsible entity and its directors and officers to operate the fund with care and diligence, and in the best interests of the fund's members.

Convictions

Imprisonments	12
Suspended sentences/fines	11

Financial services offences

- ♦ Shaun White stole \$428,000 from self-managed superannuation funds: 4 years, 2 months
- ♦ Gerard Little unlawfully facilitated early access of superannuation funds: 2 years
- ♦ Atan Ona Kassongo unlawfully facilitated early access of superannuation funds: 2 years
- ♦ Samuel Saunders misappropriated over \$460,000 from investors: 2 years, 3 months

Unlicensed conduct

- ♦ Hugh Gordon carried on a financial services business without holding an AFS licence: 18 months
- ♦ Russell Collins-McBride aided, abetted, counselled and procured Power Financial Planning Pty Ltd to carry on a financial services business without an AFS licence: 6 months, fully suspended
- ♦ Barry Silver aided and abetted his company in carrying on a financial services business without holding an AFS licence: 6 months

Investment fraud

- ♦ Oliver Banovec was convicted of five fraud charges relating to a series of loans of almost \$500,000 where he fraudulently failed to on-lend the funds in accordance with the terms of the loan. He was also convicted on two counts of perjury: 7 years

Dishonest company directors and officers

- ♦ Keith McCoy failed to act in good faith in the best interests of a company of which he was company secretary: 2 years
- ♦ Joseph Wong misappropriated \$330,000 from a company of which he was the sole director: 2 years

Insider trading

- ♦ John Francis O'Reilly engaged in insider trading: 10 months (immediately released; fined \$30,000; 18 months good behaviour; and ordered to pay a pecuniary penalty to the Commonwealth of \$61,600)

Market misconduct

- ♦ Landan Roberts provided false and misleading information to the Australian Securities Exchange: 8 months
- ♦ Geoffrey Newing engaged in market manipulation: 22 months

Operating an unregistered MIS

- ♦ Brett Best operated an unregistered managed investment scheme and dishonestly gained a financial advantage for himself: 13 years

Bans, cancellations, suspensions, disqualifications, 2009–10

Financial services bannings	
Up to 3 years	1
3 to 5 years	6
5 to 10 years	7
Permanent	8
Total	22
AFS licence cancellations/suspensions	
Licences cancelled	16
Licences suspended	3
Disqualification from managing corporations	
Up to 3 years	46
3 to 5 years	40
5 to 10 years	3
Over 10 years	1
Total	90



ASIC Deputy Chair Belinda Gibson talks with a stakeholder at ASIC's Summer School in Melbourne, March 2010.

priorities and key achievements

FINANCIAL ECONOMY

make a real difference in improving confidence in financial market integrity

Assist and protect retail investors and consumers in the financial economy



- ◆ Sought compensation for retail investors for losses arising from corporate wrongdoing
- ◆ Encouraged better conduct, product design and disclosure regarding financial products, as well as completing product health checks
- ◆ Expanded financial literacy, receiving about 2.2 million visits to our FIDO website and creating resources for consumers, schools and Indigenous communities
- ◆ Prepared for the national regulation of consumer credit

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Build confidence in the integrity of Australia's capital markets



- ◆ Prepared to take over supervision of the ASX and SFE (now known as ASX 24) (since completed, see page 47)
- ◆ Took legal action against executives and advisers who abused the market, resulting in numerous convictions and penalties for insider trading, market manipulation and making false and misleading statements
- ◆ Lifted standards by reviewing financial reports and the conduct of market professionals, such as auditors and external administrators
- ◆ Provided policy input to enhance Australia's regulatory framework
- ◆ Put additional resources into improving confidence in the integrity of our markets, in particular by targeting insider trading and market manipulation

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Facilitate international capital flows and international cooperation



- ◆ Worked with IOSCO to develop regulatory responses to the global financial crisis (GFC)
- ◆ Pushed for increased standards of risk management and transparency in the market for complex financial instruments
- ◆ Introduced a new regulatory framework for credit rating agencies operating in Australia

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REAL ECONOMY

deliver outstanding and cost-effective services

Manage the domestic and international implications of the global financial crisis



- ◆ Continued to act on short selling, including implementing reporting requirements
- ◆ Assisted investors in GFC-affected schemes, allowing withdrawals from some frozen funds and providing other regulatory relief
- ◆ Facilitated capital raisings among Australian companies and real estate investment trusts impacted by the downturn
- ◆ Facilitated the issue of 'vanilla' corporate bonds
- ◆ Increased confidence in superannuation through education, improving disclosure and surveillance of some funds

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Lift operational effectiveness and service levels for all ASIC stakeholders



- ◆ Facilitated record levels of online lodgements, with 70% of all documents lodged with ASIC submitted online
- ◆ Registered 157,667 new companies, 84 auditors, 30 liquidators and 14,758 credit participants, and licensed 454 new financial service providers – well ahead of our service charter targets
- ◆ Dealt with 13,372 complaints from investors and consumers, meeting our target of finalising 70% within 28 days
- ◆ Successfully prosecuted 554 company directors for 1,010 offences, with penalties including 132 good behaviour bonds and fines totalling \$692,748
- ◆ Banned 70 company directors from managing companies for insolvency-related offences or phoenix trading – an increase of 43% over the previous year
- ◆ Expanded our operations, including new staff and a new call centre site in Adelaide, to prepare for ASIC's takeover of consumer credit regulation from July 2010

MORE ON PAGE

Improve services and reduce costs with new technologies and processes



- ◆ Continued the modernisation of ASIC's registry systems by making more services available online and updating core computing systems
- ◆ Prepared to introduce a cheaper and simpler national system for Australian business names
- ◆ Reduced red tape by cutting the number of pages in our 20 most-used forms
- ◆ Embraced the Standard Business Reporting initiative to make it easier for business to report financial information to Government

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PRIORITY 1

Assist and protect retail investors and consumers in the financial economy

ASIC helps retail investors and financial consumers make informed choices while deterring illegal behaviour. We have powers to protect consumers against misleading or deceptive and unconscionable conduct affecting all financial products and services, now including credit.

Even though financial markets steadied during 2009–10, many investors and consumers continued to be impacted by the GFC and the unscrupulous behaviour of some business and investment professionals.

Against this background, ASIC focused on:

- ♦ recovering funds associated with failed investments, and pursuing criminal behaviour
- ♦ supporting financial literacy in the community
- ♦ improving product disclosure and access to advice.

1. Recovering funds and pursuing illegal behaviour

Enforcement actions

Westpoint

Since 2007, ASIC has launched 19 actions for the benefit of Westpoint investors. Following a global mediation in June 2009, continuing negotiations have resulted in a number of settlements whereby compensation has been or will shortly be paid to a number of Westpoint investors. Those settlements totalled \$24.5 million as of August 2010. Another \$49.2 million obtained through the liquidation process has also been distributed, a figure that is expected to reach \$56 million. Returns from companies not in liquidation are expected to reach \$22.5 million.

In all, investors are expected to see a return of about \$100 million of the \$388 million in losses. Further Westpoint proceedings are continuing

with respect to directors, auditors and three AFS licensees. ASIC hopes to resolve more of these claims during 2010–11.

The settlements gained this year were with: Professional Investment Services Pty Ltd (\$5.9 million); Bongiorno Financial Advisers Pty Ltd and Bongiorno Financial Advisers (Aust) Ltd (\$2.6 million); State Trustees Ltd (\$13.5 million); and Glenhurst Corporation Pty Ltd and its insurer QBE Insurance (Australia) Ltd (\$2.5 million).

Opes Prime

ASIC took swift action to investigate issues arising from the collapse of Opes Prime and we assisted in the mediation that led to \$253 million in compensation for Opes Prime creditors. Through mediation discussions initiated by ASIC and liquidators, clients of Opes Prime avoided costly litigation and have received a dividend of 37 cents in the dollar.

Earlier this year, ASIC also brought criminal charges against the directors of Opes Prime Stockbroking for breaching their duties as directors.

We previously put in place an enforceable undertaking from ANZ Bank, which required it to complete a program to remedy deficiencies in operational procedures across ANZ Custodial Services securities lending operations.

Astarra/Trio Capital

ASIC acted quickly by using interim stop orders to prevent further money going into a number of Astarra MISs managed by Trio Capital Limited. Soon afterwards, ASIC suspended the AFS licence of Trio Capital Limited. We continue to work with the Australian Prudential Regulation Authority (APRA) and the liquidator of the company to investigate the affairs of Trio Capital, which holds assets of more than

\$400 million from over 10,000 investors. A public hearing involving the key directors of Trio Capital commenced in July 2010.

Arafura Equities

Brett Tony Best was sentenced to 13 years imprisonment for various charges related to operating an unregistered MIS while director of Arafura Equities Pty Ltd. This followed an investigation by ASIC into the operation and promotion of an illegal MIS operated by Arafura from 2003, which involved the trading of funds on foreign currency markets. The investigation found Arafura, Mr Best and promoters induced 200 clients to invest money in the scheme between 2003 and 2005.

David Hobbs and Future Trading

ASIC took enforcement action against a group of 14 managed investment funds that were based offshore and not licensed to operate in Australia, but were targeting local investors and self-managed superannuation funds. These were associated with, principally, David Hobbs of Nelson, New Zealand, and the former Vanuatu company, Future Trading Corporation Ltd.

Since 2002, more than 700 Australians have invested in excess of US\$42 million in the funds. ASIC asserts the scheme operators used offshore companies, and required investors to set up their own offshore companies to conceal the true nature of their operations and to circumvent Australia's financial services laws.

Insolvent trading

A well-functioning economy that encourages investment requires a means by which investors and creditors can recover funds in the event of business failure.

Over the year, ASIC has worked with insolvency practitioners involved in major corporate failures, such as Allco Finance Group Ltd, ABC Learning Centres Ltd, Timbercorp Limited and Great Southern Limited.

We visited over 150 companies as part of our National Insolvent Trading Program, which identifies companies nearing insolvency and encourages directors to take early action. More than 20% of all companies reviewed by ASIC in the year were placed into some form of external administration, thereby improving potential outcomes for investors. We also published a guide to help directors understand and comply with their duty to prevent insolvent trading.

ASIC continued to administer the Assetless Administration Fund (AAF), which provides grants to liquidators of companies that have little or no assets to enable them to conduct detailed investigations and report officer misconduct. ASIC paid out more than \$3.4 million to liquidators through the fund. Significant funded matters included the Elderslie Finance Corporation Limited, the Kleenmaid Group of companies, Storm Financial Limited and Firepower Operations Pty Ltd. See www.asic.gov.au/aafund for details.

Risk-based surveillance

ASIC now takes a more intensive and proactive risk-based approach to its surveillance activities. This involves identifying, analysing and evaluating the key risks in our regulated population and focusing our surveillance activities on those areas considered to be of highest risk.

This program sits alongside our ongoing reactive surveillance work, which is sourced directly from complaints or breach reports. We complement our financial advice surveillance work with innovative surveys of the advice market from the consumer's perspective. ASIC has previously undertaken two rounds of 'shadow shopping'

Priority 1 (continued)

using real consumers to monitor how well the advice market is meeting their needs, and has plans for more in the future.

Protecting consumers from aggressive credit insurance sales

During the year, ASIC raised concerns with a large financial institution about the sale and promotion of consumer credit insurance during credit cardholders' calls to activate new or replacement cards.

ASIC reviewed randomly selected recordings of direct market calls, which revealed instances of this institution selling one of its credit products to cardholders who had not agreed to purchase it and the use of ambiguous phrases by sales staff during the activation calls.

The institution responded constructively to ASIC's concerns and agreed to contact all affected customers and resolve concerns, including potentially refunding customers in appropriate circumstances.

ASIC is now looking at sales practices across the consumer credit insurance industry.

2. Improving product disclosure and access to advice

Reviewing disclosure documents

ASIC selects prospectuses and other fundraising documents for review if they appear to insufficiently outline risks for investors.

During the year, we finalised the review of 47 product disclosure statements (PDSs) involving structured and derivative products such as foreign exchange, margin foreign exchange, options, capital protected products, warrants, contracts for difference (CFDs), MISs (mainly hedge funds), futures and deferred purchase agreements. Of this total, 34 were identified as having material disclosure deficiencies and remedial actions were taken.

ASIC also obtained supplementary disclosure for PDSs in relation to 25 schemes involving agribusiness, financial assets and unlisted property investments. Our work also resulted in one stop order and withdrawal of two PDSs.

Further, we have commenced a risk-targeted review of superannuation PDSs. Approximately 65 matters are being considered for further action based on concerns that ASIC has with the disclosure of information in the PDS. In the financial year ASIC reviewed 879 prospectuses, issued 23 interim stop orders and 17 final stop orders.

ASIC considers complex legal requests for waivers or exemptions from the way the Corporations Act operates to facilitate business. The Corporations team worked on 1,576 applications in 2009–10, the vast majority of which were approved. ASIC also reviews takeover documents, prospectuses and governance matters.

Health checks

In March 2010, ASIC released the results of its 'health check' of the term deposit market, which was conducted against the background of recent strong growth in term deposits. The review looked at a number of authorised deposit-taking institutions that accounted for over 80% of Australia's total term deposits.

While the review confirmed that the market was working well, it identified risks for consumers associated with dual pricing of term deposits and recommended changes to minimise the risk of consumer deposits inadvertently being rolled over at below market rate. This review is a good example of ASIC and industry working cooperatively to address concerns and improve outcomes for investors.

We also completed a major health check of the CFD market, which identified the risks faced by retail investors in OTC CFDs. This led to the development of proposals for reform designed to prevent harm to retail investors interested in these products. Our study found issuers of CFDs need to do more to ensure investors understand the risks in trading these complex financial products and to put in place policies on who is suitable to trade in them.

Superannuation risk

ASIC aims to ensure the proper regulation of conduct and disclosure of issues regarding superannuation funds. We also work to improve

disclosure and advice, and assist in general member engagement in the superannuation industry.

This year we have been heavily involved in work related to disclosure of the investment risks borne by superannuation fund members. In early 2009, ASIC commenced work looking at labelling of investment strategies offered to fund members and the possibility of synthetic indicators to assist in explaining risk. Since then, ASIC's work has helped inform the Financial Services Working Group (FSWG) on shorter PDSs and the APRA/ASIC Working Group (also including the Financial Services Council and the Association of Superannuation Funds of Australia) on the labelling of investment options.

Fraud

ASIC is concerned by the recent increase in identity theft and we are liaising with the ATO and APRA about these issues. We are keen to see an increase in industry and consumer awareness of this issue. Our revised messages on illegal early access now also mention identity theft. We estimate that our consumer messages may have reached up to 4 million superannuation fund members as a result of distributions to industry associations, unions and trustees.

Assessment of financial market operators

ASIC is required to annually assess operators of licensed financial markets to ensure compliance with obligations under the Corporations Act. The ASX group operates the main retail markets in Australia and there are also eight other domestic markets and six foreign markets (such as Eurex and Chicago Mercantile Exchange) licensed to operate in this jurisdiction. ASIC's assessments of ASX and other retail markets focused on the operators' real-time supervision of trading activity as well as the operators' supervision and management of listed entities. This work is designed to assist and protect retail investors and consumers by ensuring that surveillance of trading activity is conducted in a way that better supports market integrity, and that listed entities disclose information in a way that assists investors and consumers in making their investment decisions.

Financial advice

ASIC has implemented a range of projects designed to regulate and increase access to financial advice. Key projects include: Improving Access to Advice, Improving Training Standards, and Improving Monitoring and Supervision of Representatives by Licensees through risk-based surveillance.

Superannuation advice

The intra-fund initiative was launched to address a need for simple advice about superannuation. ASIC released *Regulatory Guide 200*, which provides guidance to financial advisers and superannuation fund trustees on how to comply with the law when giving intra-fund advice.

This guidance explains relevant class order relief and how to give factual information, and general and personal intra-fund advice, about issues like changing investment options, contributions, insurance within the member's superannuation fund and accessing superannuation early in cases of financial hardship. ASIC also provides examples of how to give advice over the phone, by email, on the internet and in person.

3. Supporting financial literacy in the community

FIDO

ASIC's website for consumers and investors, FIDO (www.fido.gov.au), continued to be a popular source of independent information about finance and investor matters, receiving over 2,195,000 visits in the past year – an increase of over 45%. New content added to the site includes practical tips and steps on 'Investing between the flags' (see below), a margin loan calculator and dedicated content on credit, including downloadable factsheets.

Investing between the flags

ASIC formally launched its 'Investing between the flags' retail investor education initiative – a long-term campaign designed to teach Australians the basics of safer investing. Our resources include a general investing booklet and web-based material. By 30 June 2010,

Priority 1 (continued)

we had distributed over 37,000 copies of the booklet and received positive feedback on the campaign.

ASIC also developed and distributed investor guidance to accompany new regulatory initiatives on topics such as corporate bonds and capital guaranteed products; created new calculators to help consumers assess financial options; and produced credit-related education materials.

Promoting literacy in schools

ASIC facilitated and supported four meetings of the Australian Government Financial Literacy Board, which comprises leaders from industry, education and the non-government sector (see box).

In education, specifically, we established a National Education Reference Group, with a focus on guiding our financial literacy work in schools. ASIC and the Financial Literacy Board also successfully negotiated the inclusion of financial literacy in the new national Australian school curriculum.

We worked in partnership with the Queensland Department of Education to develop an Indigenous financial literacy schools program that will be piloted in Queensland, the Northern Territory and Western Australia in 2010–11.

Further, ASIC negotiated Australia's participation in the first international financial literacy assessment of 15-year-olds, to be conducted as part of the OECD Program for International Student Assessment (PISA) in

Financial Literacy Board

The Australian Government Financial Literacy Board is committed to improving financial literacy in Australia. The following members served on the Board during the 2009–10 year:*

Paul Clitheroe AM (Chairman), Executive Director, ipac securities

Group Captain Robert Brown, ADF Financial Services Consumer Council

Hamish Douglass, Chief Executive Officer, Magellan Financial Group Limited

Craig Dunn, Chief Executive Officer, AMP

Linda Elkins, General Manager, Marketing, Colonial First State

Fiona Guthrie, Executive Director, Australian Financial Counselling and Credit Reform Association (AFCRA)

Elaine Henry OAM, Chief Executive Officer, The Smith Family

Peter Kell, Deputy Chairman, Australian Competition and Consumer Commission

Kerrie Kelly, Executive Director, Insurance Council of Australia

Anthony Mackay, Executive Director of the Centre for Strategic Education

John McFarlane OBE, Former CEO, ANZ Banking Group Limited

Jan Pentland, Chair, Australian Financial Counselling and Credit Reform Association (AFCRA)

Ian Silk, CEO, AustralianSuper

Michael Smith OBE, CEO, ANZ Banking Group

Robert James Thomas, Chairman, Gardner Smith (Holdings) Pty Limited

* There were some changes in membership during the year. The untimely death of Jan Pentland on 15 August 2009 led to a new representative from AFCRA joining the Board in 2010. Jan will be remembered not just for her considerable contribution to the Board but also the legacy she left through her work at AFCRA, her counselling work at East Access Community Health and for her support of the various State Financial Counselling Associations.

Kerrie Kelly and John McFarlane vacated their positions on the Board at the end of 2009, also leading to new Board appointments. We would like to acknowledge the wealth of experience and expertise Ms Kelly and Mr McFarlane brought to the Board and to thank them for their contributions.

2012. We also represented Australia on the expert advisory group that will oversee the development of this assessment.

Day trading

Following investor complaints, ASIC conducted detailed and targeted surveillances on financial advisers promoting day trading schemes. A number of deterrence actions are underway. In July 2010 Christopher Koch was sentenced to 13 years two months in jail for deceptively promoting high returns. ASIC has previously issued media releases warning about 'get rich quick' schemes, and warning against buying trading software. ASIC published a FIDO page on 'The six rules of day trading systems'.

ASIC is concerned about misleading or deceptive conduct, and licensees not providing financial services efficiently, honestly and fairly – for example, by understating risks of trading strategies, by promoting frequent or excessive trading, or by deceptively promoting hypothetical trading results without reference to real trading. ASIC attended a trading and investments expo to educate investors.

Consumer Advisory Panel

The Consumer Advisory Panel (CAP) continued to meet quarterly and play an important role in ASIC's consumer protection activities by contributing to the Commission's understanding of consumer and investor issues. CAP advised ASIC on issues affecting consumers and retail investors of credit and financial products and services in a number of areas, including:

- ♦ bank penalty fees and switching
- ♦ Issues relating to door-to-door sales of financial products in indigenous communities
- ♦ MISs and frozen funds
- ♦ unsolicited offers to purchase shares
- ♦ payday lending.

CAP members also gave input to ASIC's consumer protection policies and contributed to interactive discussion workshops on:

- ♦ superannuation
- ♦ financial advice and commissions
- ♦ credit and debt collection

The Consumer Advisory Panel (CAP) continued to meet quarterly and play an important role in ASIC's consumer protection activities.

- ♦ unfair contract terms (in conjunction with the Australian Competition and Consumer Commission's (ACCC) Consumer Consultative Committee).

CAP membership is drawn from a diverse range of consumer and investor organisations and individual consumer advocates. The membership was refreshed at the start of 2010 as part of our usual rotation of CAP members and to reflect ASIC's focus on protecting retail investors and our new credit responsibilities under the new national credit regime. CAP has an independent Chair, Jenni Mack. Other members are:

- ♦ Australian Council on the Ageing (Ian Yates)
- ♦ Australian Financial Counselling and Credit Reform Association (Pam Mutton)
- ♦ Australian Investors Association (Jenni Eason)
- ♦ Australian Shareholders' Association (Stuart Wilson)
- ♦ Consumer Credit Legal Centre NSW (Karen Cox)
- ♦ Indigenous Consumer Assistance Network (Jon O'Mally)
- ♦ Legal Aid NSW (David McMillan)
- ♦ National Information Centre on Retirement Investments (Wendy Schilg)
- ♦ National Seniors Association (Michael O'Neill).

ASIC would like to thank Elissa Freeman, Leigh Shacklady, Tricia Ross and Carolyn Bond for their valuable contributions to CAP meetings over the years.



PRIORITY 2

Build confidence in the integrity of Australia's capital markets

With the capital markets remaining volatile and fragile, ASIC continued to focus on building and enhancing confidence among investors. This included taking legal action against people engaged in insider trading and market manipulation, refining restrictions on short selling, facilitating capital raisings and the corporate bond market, reviewing the parties that monitor market participants, such as auditors, and contributing to policy development.

ASIC continued to focus on building and enhancing confidence among investors.

Insider trading and market manipulation

ASIC has put additional resources into improving confidence in the integrity of our markets by targeting insider trading and market manipulation. As at 30 June 2010, we were conducting 69 enforcement matters relating to market integrity and had achieved eight significant outcomes:

- ♦ one conviction for insider trading
- ♦ one conviction and one civil penalty for market manipulation
- ♦ one conviction and one civil penalty for making false and misleading statements to the ASX
- ♦ the banning of three brokers from providing financial services for market misconduct.

At year-end, there were a further 12 civil and criminal matters still in litigation.

Examples of these actions include:

Market manipulation. On 18 March 2010, the former Genetic Technologies Limited executive Geoffrey Newing was sentenced to 22 months imprisonment (of which six were to be served before being eligible for release) after pleading guilty to five counts of market manipulation involving over 2.5 million of the company's shares.

Insider trading. John O'Reilly pleaded guilty to one count of insider trading of 50,000 Indophil Resources NL shares while he was a director of Lion Select Ltd. He was sentenced to 10 months imprisonment but released immediately on condition of good behaviour. Mr O'Reilly was also fined \$30,000 and ordered to pay a pecuniary penalty to the Commonwealth of \$61,600, being the cost of his purchase and the profit.

Misleading the ASX. The Federal Court of Australia ordered former Citofresh Managing Director Ravi Narain to pay a pecuniary penalty of \$20,000 to the Commonwealth; disqualified him from managing a corporation for seven years; and ordered him to pay ASIC's costs for the civil penalty proceeding we had brought against him. The order followed the Court's finding that Mr Narain had contravened s1041H(1) of the Corporations Act by personally making and authorising the company to make a misleading and deceptive statement to the ASX.

First market manipulation penalty – Select Vaccines

ASIC succeeded in obtaining a pecuniary penalty of \$80,000 and disqualification from managing a corporation for 10 years against Dr Martin Soust, the former CEO of listed biotechnology company Select Vaccines Limited.

The orders followed the Court's finding that Dr Soust had deliberately manipulated the price of Select Vaccines shares to earn himself a financial benefit. This was achieved by buying shares in his mother's name shortly before the close of the market for the 2007 calendar year, which had the effect of increasing the price of the shares from 2.0 cents to 2.5 cents (a 25% increase).

This case was the first successful civil penalty proceeding brought by ASIC for a breach of the market manipulation provisions of the Corporations Act, s1041A and s1041B. The judgment was published on 23 April 2010. ASIC also won legal costs.

ASIC actively encourages appropriate disclosure by those seeking to raise capital from investors or complete transactions.



Traralgon finance team members Denise Ball, Robyn Vincent, Berny Inglis and Tanya Thornton admire the Go Red for Women products for the National Heart Foundation.

Priority 2 (continued)

Disclosure and market facilitation

ASIC actively encourages appropriate disclosure by those seeking to raise capital from investors or complete transactions. During the year, we reinforced these initiatives, for example, by issuing eight interim stop orders on prospectuses.

In addition, we brought about compliance with continuous disclosure benchmarks on unlisted property funds (Centro, Becton, Trinity), aggressive mortgage funds (LM Managed Investments Limited, Pacific First Mortgage Fund, Shakespeare Haney Securities) and agribusiness (Align, Macquarie).

ASIC promoted best practice by issuing guidance on disclosures for unlisted debentures and overseeing changes to prospectuses and other documents. ASIC also ensured directors and independent experts made full and frank disclosures in relation to many high-profile transactions. ASIC also ensures that concerned parties comply with prospectus disclosure benchmarks for unlisted unrated debentures (*Regulatory Guide 69*) as well as benchmarks for advertising (*Regulatory Guide 156*) and continuous disclosure (*Regulatory Guide 198*).

During the year, ASIC reviewed 480 financial reports of listed entities and some larger unlisted entities.

Support for capital raising

ASIC facilitated the offering of debt products to retail shareholders through relief to reduce required documentation. We issued *Regulatory Guide 213* and recently received the first 'vanilla' bond prospectus for review.

In another initiative, ASIC released a policy to help companies raise capital more easily. This focused on measures that will allow retail investors to also participate in the capital raising – for example, by making rights issues and share purchase plans easier and more effective.

Policy contributions

ASIC's role is primarily to focus on policy issues around our regulatory work (such as issuing regulatory guides and statutory relief) and to assist Treasury, which carries prime responsibility for policy regarding the Corporations Act. During the year, ASIC made substantial submissions to the Ripoll/Parliamentary Joint Committee Inquiry into Financial Products and Services. We also appeared before and made submissions to the Senate Economics Committee as part of its Inquiry into Liquidators and Administrators.

Financial reporting and audit

During the year, ASIC reviewed 480 financial reports of listed entities and some larger unlisted entities. We publicly released suggested areas for boards, preparers of financial reports and auditors to focus on in future reporting.

ASIC also continued to inspect firms that audit entities of significant public interest, focusing on quality control systems and audit engagement file reviews. During the year, we issued our public report on 19 firm inspections substantially completed in the 18 months to 30 June 2009.

Independence project

ASIC reviewed 240 external administrations, involving approximately 80 insolvency firms, in order to test compliance with independence disclosure, as required by law. The review identified non-compliance by a broad range of practitioners and has achieved the following outcomes to date:

- ♦ a heightened awareness by insolvency practitioners of their independence requirements, through circulars and specific communications
- ♦ an undertaking by the Insolvency Practitioners Association of Australia to significantly revise its code of conduct to improve independence guidance for the profession.

These changes will help in providing better information to creditors.

Internalisations and deals

ASIC considered transactions that involved the internalisation of management of entities, including Babcock and Brown Infrastructure, Macquarie Airports, Macquarie Infrastructure Group and Macquarie Media. We gained greater disclosure and, in some cases, enhanced the protections available to shareholders.

Our actions led to improvements in the scheme documents for the proposed merger between Channel 7 and WesTrac, which were noted by the Court and parties, and we worked on CSR's proposed demerger of its sugar assets and the asbestos issues raised by the demerger.

Responsible entity behaviour

Responsible entities are licensed entities or bodies that operate MISs. By focusing on entities, ASIC has had an impact on boardroom behaviour and raised industry standards. For example, Aspen Funds Management Limited agreed to an external review of its compliance plan to ensure related party transactions were adequately addressed, and Centro changed its banking practices and disclosure policy to ensure compliance with *Regulatory Guide 166* and *Regulatory Guide 46*.

Expert reports

ASIC obtained amendments to numerous independent expert reports to better meet the expectations outlined in *Regulatory Guide 111*.

ASIC's role is primarily to focus on policy issues around our regulatory work (such as issuing regulatory guides and statutory relief) and to assist Treasury.



PRIORITY 3

Facilitate international capital flows and international cooperation

A key priority for ASIC is to encourage capital flows into and out of Australia while protecting Australian investors. Increasing access to international capital and investment opportunities drives liquidity in the Australian market, generates competition, increases diversification and offers better overall returns for local investors. In the wake of the GFC, ASIC actively cooperated with other regulators to develop policy responses for maintaining global confidence in the capital markets.

ASIC continued its work with regional counterparts (including New Zealand and Singapore) to reduce impediments to cross-border capital flows. The Trans-Tasman Mutual Recognition for Securities Offerings arrangement between Australia and New Zealand is an example of this work. This arrangement – which allows issuers of securities to use a single document to offer securities to investors – has been used more than 300 times since it came into effect in 2008. Recent research indicated cost savings of up to 90% for issuers using the arrangement.

In the wake of the GFC, ASIC also actively cooperated with other regulators to develop policy responses for maintaining global confidence in the capital markets.

IOSCO cooperation

ASIC continued to make a significant contribution to the work of the International Organization of Securities Commissions (IOSCO) – which is now seen as the global standards setter for securities regulation – as it developed plans to revise financial regulation after the financial crisis.

ASIC co-led work on the regulation of securitisation and credit default swap (CDS) markets, and played an active role in shaping IOSCO's work on supervising hedge funds, regulating credit rating agencies and improving cooperation between regulators in supervising cross-border activity.

IOSCO's guidance in these areas is making a difference and being reflected in national regulatory approaches. Its recommendations on securitisation and hedge funds are influencing various initiatives being taken in the US, Europe and Asia. IOSCO's work on credit rating agencies has been endorsed by the G20 as the basis for regulatory standards for that industry.

In Australia, we recommended amendments to the Corporations Act in relation to short selling activity. These set out a framework for a disclosure regime, a general prohibition on naked short selling, and clarification of ASIC's powers. These requirements are appropriate for Australia, and consistent with local market conditions and the IOSCO principles for the regulation of short selling.

Hedge funds

ASIC actively participated in the deliberations of the IOSCO Task Force on Unregulated Entities and initiated a dialogue with Treasury on options for the local implementation of its recommendations. By increasing our understanding of this area, this work facilitated ASIC's early investigation into Trio Capital's Astarra funds (see page 22).

OTC securities

ASIC is focused on increasing standards, risk management and transparency practices for complex financial instruments, such as over-the-counter (OTC) securities and derivatives, in line with IOSCO guidance. This includes participating in an OTC Working Group alongside APRA and the RBA.

Following the release of a survey report in May 2009, the working group worked with Treasury to amend legislation to give APRA the power to require market participants to report OTC trades to a trade repository (TR), thus providing transparency to Australian regulators.

Increasing access to international capital and investment opportunities drives liquidity in the Australian market, generates competition, increases diversification and offers better overall returns for local investors.

The working group is also in dialogue with larger banks and the Australian Financial Markets Association (AFMA) regarding access to offshore central clearing counterparties (CCPs). Further, the group is monitoring, through a quarterly survey, the industry's take-up of automated services (such as CCPs, TRs, electronic trading platforms and confirmations, and portfolio compression and reconciliation).

Finally, ASIC is participating in the OTC Derivative Regulators' Forum, comprising regulators and central banks from 15 countries, the European Union, and international standards-setting bodies. This will improve information sharing and cross-border consistency in the regulation of CCPs and TRs.

Credit rating agencies

Credit rating agencies play an important role by informing investors about the financial strength of companies, but came under considerable scrutiny after the GFC. From 1 January 2010, ASIC has required credit rating agencies to hold an AFS licence. Licence conditions require rating agencies to comply with the IOSCO Code of

Conduct for Credit Rating Agencies on an 'if not, why not' basis until 30 June 2010 and on a mandatory basis from 1 July 2010.

Cooperation with international regulators

ASIC continued to work with the Indonesian capital markets supervisory agency, Bapepam-LK, to build and strengthen their regulatory capability. A senior ASIC officer continued her deployment in Jakarta during the year to work with the regulator on projects which included developing licensing, surveillance and investor education programs.

ASIC continues to assist foreign regulators by obtaining information and evidence in Australia for their investigations, with a 72% increase in the number of requests made by ASIC to foreign regulators and a 19% increase in the number of requests received from foreign regulators.



Last year ASIC's Perth office got into the swing of cancer fundraiser Movember. Pictured is senior lawyer Ingrid McCormick shaving off investigator Ray Lane's luxurious offering.



PRIORITY 4

Manage the domestic and international implications of the global financial crisis

The effects of the GFC continued to be felt keenly in Australia and around the world during 2009–10. Much of ASIC's work focused on addressing weaknesses exposed by the GFC to provide immediate support to organisations and investors or seek to prevent similar issues occurring in the future.

Short selling

During the sharemarket turmoil of 2008, ASIC acted decisively to ban naked and covered short selling of shares to act as a 'circuit breaker' to potential losses in market confidence. Covered short selling was reintroduced in 2009.

In the 2009–10 year, ASIC continued to focus on this issue by implementing a system for net short sale position reporting, and by determining and implementing appropriate naked short selling exemptions for the orderly operation of the markets. This included recommending changes to Australia's Corporations Act in line with the international IOSCO principles for the regulation of short selling. ASIC also published guidance to assist short sellers and associated parties to meet their short position reporting obligations under the Act. The obligation for short sellers to report short positions was piloted in May 2010 and introduced fully from June.

Providing relief

To assist in the efficient operation of Australia's regulatory system, ASIC considers applications for exemptions from or modifications of chapters 6 and 6D of the Corporations Act and related provisions of the law. This year a number of these related to conditions arising from the GFC.

ASIC finalised 3,067 of 3,442 relief applications received in 2009–10. Examples include:

- ♦ relief to reduce disruptions to class actions in the wake of the Multiplex decision

- ♦ relief to facilitate the affordable housing scheme run by the Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA)
- ♦ relief to facilitate capital raisings by Australian real estate investment trusts in the aftermath of the GFC
- ♦ relief to facilitate investors' access to capital in frozen funds (hardship relief and rolling redemption relief)
- ♦ relief to facilitate capital raising by Australian companies
- ♦ relief to facilitate the issue of corporate bonds.

ASIC also reviewed a substantial number of filings by foreign financial service providers operating in Australia under licensing exemption, and processed requests from the Foreign Investment Review Board relating to the activities of foreign entities in Australia.

Superannuation fund surveillance

Many investors do not take an active interest in their superannuation, particularly when they first join the workforce. The GFC placed pressure on the superannuation system and made it more vital than ever for members to understand and engage with their investments held in superannuation.

In July 2009, ASIC visited more than 20 defined-benefit fund trustees. We obtained an updated understanding of their financial position and discussed their disclosure obligations. ASIC has monitored frozen redemptions within investment options of superannuation funds. This included visits to superannuation trustees exposed to frozen underlying investment options and discussing their disclosure obligations with them. Two frozen fund disclosure matters have also been referred within ASIC for possible enforcement action.

Communicating with advisers

ASIC improved communication with the financial advice industry in 2009–10 to better drive behavioural change. This was achieved through consultation on issues such as access to advice, the effects of business consolidation resulting from the GFC, and related issues surrounding the quality of advice received by consumers.

Outcomes included:

- ♦ five large licensees announced projects designed to improve and measure the quality of advice
- ♦ a major licensee restructured its advice business to ensure better quality of advice
- ♦ IFSA (now called the Financial Services Council), in conjunction with Ernst & Young, conducted a thought leadership project on how to measure quality advice
- ♦ to improve access to advice, some licensees explored the provision of advice using new scalable (limited) advice models.

Market exemptions

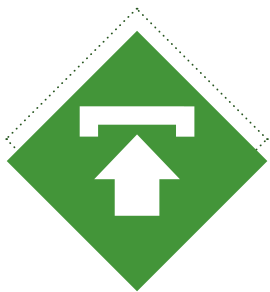
ASIC consulted with industry on criteria for exemption from licence provisions for professional markets. This supported a more flexible approach to the existing regime and in doing so:

- ♦ responded to international (post-GFC) proposals to have more OTC products traded on electronic platforms
- ♦ facilitated the use of platforms and products by Australian professional investors that may have not otherwise been accessible in this jurisdiction.

The effects of the GFC continued to be felt keenly in Australia and around the world during 2009–10.



ASIC leadership at a stopover in Traralgon to view ASIC's new credit registration interface, demonstrated by Aaron Whannell (seated). Starting from left are ASIC Chairman Tony D'Aloisio, Commissioner Dr Peter Boxall, Senior Executive Leader, Registry Services and Licensing, Rosanne Bell, and Senior Executive Leader, Real Economy, Kathrine Morgan-Wicks.



PRIORITY 5

Lift operational effectiveness and service levels for all ASIC stakeholders

ASIC's services touch a wide range of stakeholders, including consumers, investors and creditors of corporations and other businesses (see page 61). As an organisation, we are constantly striving to improve the efficiency of our operations and lift service levels. Among our key functions are managing the register of Australia's 1.77 million companies, licensing a range of market participants and handling inquiries and complaints from consumers and businesses.

Registrations and administrations

The total number of companies in ASIC's corporate register rose 4% to reach 1,768,526. This included the registration of 157,667 new companies – an increase of 14.7% over the 2008–09 year when the rate of new company registrations slowed by 8%.

The number of companies entering into external administration declined 7% to 9,269 in 2009–10 compared with 2008–09.

These statistics reflect the recovery in the Australian economy following the end of the GFC.

Unclaimed monies

ASIC maintains a register of unclaimed money in banks, credit unions and building societies; life insurance companies and friendly societies; and shares which have not been collected from companies. ASIC's register is publicly available for searching and claims can be made to our Unclaimed Monies unit. In 2009–10, ASIC received approximately \$102 million in unclaimed money and paid out approximately \$62 million in claims.

ASIC continued its program of actively reuniting owners with their unclaimed funds by finding and writing to 28,328 potential owners. Project Unite resulted in 2,476 successful claims totalling \$9.1 million. This is over four times the amount paid out through this process in 2008–09.

ASIC is working to further improve its internal processes and reunite more rightful owners with lost funds and property, with a focus on helping people achieve this directly rather than through agents who often receive a substantial proportion of the funds in fees.

Starting businesses

ASIC is focused on making it easier to start and do business in Australia, which is an important contribution to the real economy. We have made it a priority to improve the value we provide to the 1.77 million companies on our corporate registers and the approximately 160,000 new companies that register with us each year.

The World Bank recognised the efficiency of the current system this year, ranking Australia third in the world for ease of starting a business in its 2010 Doing Business report. Australia was also ranked the second-fastest place to start a business. As shown in the Service Charter results on page 41, ASIC completed 99% of 165,130 company incorporations within one business day last year.

Client Contact Centre

This year, ASIC's Client Contact Centre answered 80% of all calls within 60 seconds, down from 90% the previous year, with an average time of 35 seconds to answer a call. Of all inquiries, 92% were answered on the spot (compared with 94% the previous year). These falls were mostly due to some technology outages throughout the year that affected ASIC's legacy registry systems, and the establishment and training of new staff for ASIC's Adelaide call centre. We also referred more calls to specialist teams rather than answering them on the spot, reflecting ASIC's new or increased jurisdictions, such as credit.

The total number of companies in ASIC's corporate register rose 4% to reach 1,768,526. The number of companies entering into external administration declined 7% to 9,269 in 2009–10 compared with 2008–09.

Email volume to the Contact Centre increased by 16%, or more than 8,000 additional emails. We answered 98% of emails within two business days, compared with 99% last year.

ASIC established a dedicated credit team and a second call centre in Adelaide to assist with the increase in calls received from both the credit industry and consumers as we prepared to assume responsibility for the regulation of consumer credit. These initiatives were timely, with 3,480 credit-related calls received by the centre in the month of June 2010 alone, and an expected 3,000 credit calls per month on an ongoing basis. Consumers were particularly interested in mortgage exit fees, credit card fees and debt collectors' powers.

Complaints handling

Complaints from the public alleging misconduct and breach notifications from industry are extremely important to ASIC. At a minimum, they are a vital part of ASIC's intelligence and information gathering process, along with our direct industry and market liaison.

Over the course of 2009–10, ASIC sought to increase the transparency of its complaints handling processes by increasing the information we publish about complaints received and

by improving our own communication with complainants. In December we published a guide *How ASIC deals with your complaint* to provide clear information on ASIC's role and our complaints handling process.

This year, we dealt with 13,372 complaints – 2% less than last year. We finalised 70% within 28 days, meeting our target, and escalated an increased number of public complaints for compliance, investigation or surveillance (21% compared with 18% in 2008–09).

ASIC generally seeks to obtain compliance before launching prosecution action. Following complaints from insolvency practitioners, we sent 1,093 warning letters to individual company directors, requiring that they comply with the law in lodging documents or giving information to insolvency practitioners.

ASIC took court action against 726 company directors. As a result of these actions, 554 individuals were successfully prosecuted for 1,010 offences, with penalties including 132 good behaviour bonds, and fines and costs totalling \$813,768.

Under our project to target phoenix activity, ASIC banned 70 company directors from managing companies for insolvency and phoenix activity-related offences. This was an increase of 43% over the 2008–09 year. Forty-two disqualifications were based on reports from liquidators who received Assetless Administration funding.

Priority 5 (continued)

Complaint trends

Following our restructure in September 2008, ASIC implemented a keyword categorisation and risk and trend searches as a second layer of analysis for all complaints to ASIC. This has been highly beneficial in enabling us to understand themes and trends in complaints data and therefore to better assist with decision making in respect of surveillance, review and deterrence activity.

The keywords are grouped into broad ‘spheres’ that show the main areas of concern to the public. This year is the first full year for which this data is available (see table below).

While the number of public complaints finalised by ASIC has increased by 44% over the past seven years, this trend has not been even and has been affected by a number of high-volume complaint matters (e.g. the collapses of Westpoint, Storm Financial and Timbercorp) and prevailing economic conditions, such as the GFC (see chart on page 32). Increasing engagement with the public through Regional Commissioner roadshows has also increased public awareness of ASIC and the number of complaints reported to us.

Public complaints annual results

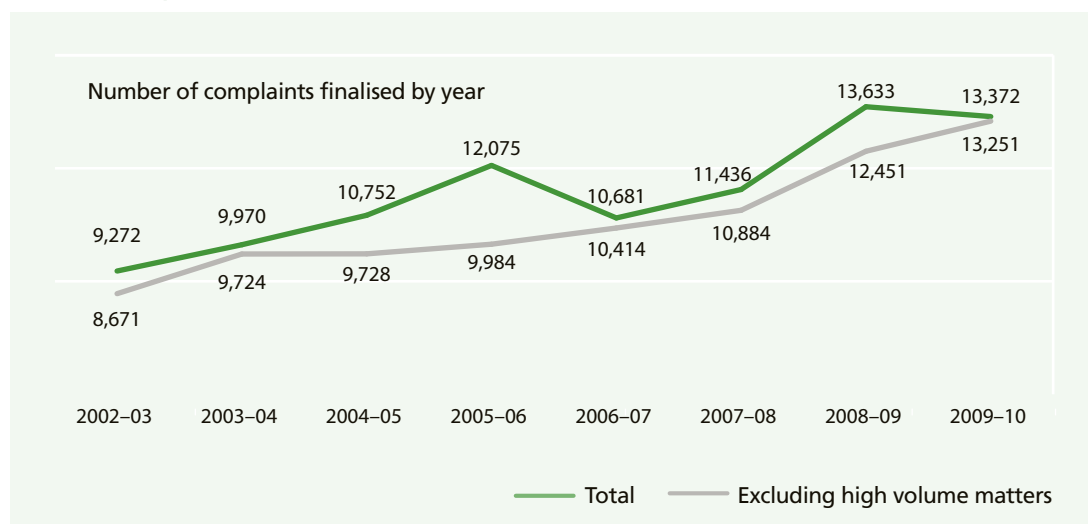
	2009–10	2008–09
Complaints finalised	13,372	13,633
Referred for compliance, investigation or surveillance	21%	18%
Resolved	21%	26%
No jurisdiction*	13%	9%
No breach/no offences*	8%	11%
Analysed, assessed and recorded	37%	36%

* In previous years these have been reported together. However, following ASIC’s strategic review in 2008, we reviewed our reporting to align with our new structure and to better differentiate matters falling outside of ASIC’s jurisdiction. As a result, some matters previously recorded as ‘Resolved’ are now recorded as being outside ASIC’s jurisdiction. Regardless, we still attempt to provide assistance to these complainants.

Public complaints – keyword categorisations

Complaint categorisation by sphere – main issue	2009–10
Corporations/corporate governance , including: failure to provide books and records, or a Report as to Affairs, to an insolvency practitioner; insolvency matters; insolvency practitioner misconduct, directors' duties, contractual issues; and late lodgement/failure to lodge financial reports.	52%
Financial services/retail investors , including: providing financial services without an AFS licence; financial advisers – quality of advice, dishonest conduct, licence obligations; credit – debtor harassment, fees and interest rates; managed investment schemes – frozen funds, disclosure; illegal early access to superannuation; misleading or deceptive conduct/unconscionable conduct; operating an unregistered MIS.	29%
Market integrity , including: insider trading; continuous disclosure; misleading statements; market manipulation.	5%
Registry integrity , including: incorrect address recorded on ASIC's register; lodging false documents with ASIC.	12%
Other issues	2%

Public complaint trends



Breach reports

ASIC saw a sharp increase during the year in the reporting of breaches relating to company financial reports, MISs and financial services licensees. We received and assessed 353 auditor breach reports under s311 and 1,210 breach reports in relation to MISs and AFS licensees in the year. Of these, ASIC referred 407 matters

for specialist review internally, or to assist with an existing investigation or surveillance (26%).

This compares with 249 auditor breach reports and 946 breach reports in relation to MISs and AFS licences in 2008–09, or an overall increase of 29%.

Priority 5 (continued)

Statutory reports

Liquidators, administrators and receivers (external administrators) are required to report to ASIC if they suspect that company officers have been guilty of an offence or, in the case of liquidators, if the return to unsecured creditors may be less than 50 cents in the dollar.

As part of our response to the GFC, ASIC committed to increasing action on reports

alleging misconduct from insolvency practitioners, following a 25% increase in insolvency appointments in 2008–09. This year, a significantly increased proportion of supplementary reports (33% compared with 24% in 2008–09) were referred for compliance, investigation or surveillance, or to assist with an existing investigation or surveillance. Fewer reports failed to identify any offences.

Statutory reports 2009–10

	2009–10	2008–09	2007–08
Total reports received	9,074	8,986	8,579
Reports assessed alleging misconduct or suspicious activity	6,509	6,228	6,886
Initial reports†			
Reports assessed alleging suspicious activity	5,748	5,656	5,835
Supplementary reports requested	11%	11%	17%
Analysed, assessed and recorded	89%	89%	83%
Supplementary reports††			
Supplementary reports assessed alleging misconduct	761	572	1,051
Referred for compliance, investigation or surveillance	23%	20%	10%
Referred to assist existing investigation or surveillance	10%	4%	7%
Analysed, assessed and recorded	66%	75%	79%
Identified no offences	1%	1%	4%

† Initial reports are electronic reports lodged under Schedule B of *Regulatory Guide 16*. Generally, ASIC will determine whether to request a supplementary report on the basis of an initial report.

†† Supplementary reports are typically detailed free-format reports, which detail the results of the external administrator’s inquiries and the evidence to support the alleged offences. Generally, ASIC can determine whether to commence a formal investigation on the basis of a supplementary report.

MIS scheme registrations

ASIC registers new managed investment schemes, which requires a qualitative review of the scheme documentation (compliance plan and constitution). During the year, we received 245 applications and finalised 244, all within statutory deadlines.

ASIC Service Charter

The ASIC Service Charter sets out the standards of service that industry and consumers who deal with ASIC can expect, and our performance against those standards.

Service Charter	Target	2009–10 performance	2008–09 performance
General phone inquiries	We aim to answer telephone inquiries on the spot	92% of calls answered on the spot (597,382 of 646,770) 8% (49,388 calls) referred to specialist staff	94% of calls answered on the spot (608,294 of 644,919) 6% (36,625 calls) referred to specialist staff
General email inquiries	We aim to reply within 48 hours to email inquiries	98% replied to within two business days (62,518 of 63,827)	99% replied to within two business days (54,635 of 55,127)
General correspondence about our public database and registers, including fee waivers	We aim to acknowledge receipt within 14 days, with a full response within 28 days	93% replied to within 28 days (43,093 of 46,390)	93% replied to within 28 days (44,059 of 47,446)
Correspondence received by our Correspondence Control Unit	We aim to acknowledge receipt within 14 days, with a full response within 28 days	100% acknowledged within 14 days (571 letters) 71% responded to within 28 days (397 of 571 letters)	100% acknowledged within 14 days (621 letters) 75% responded to within 28 days (464 of 621 letters)
Registering a company	We aim to complete company incorporations within one business day of receiving a complete application	99% completed in one business day (162,832 of 165,130) 98% of paper forms completed in one day (21,281 of 21,813) 99% of electronic forms completed in one day (141,562 of 143,317)	99% completed in one business day (141,392 of 142,613) 99% of paper forms completed in one day (19,986 of 20,269) 99% of electronic forms completed in one day (121,406 of 122,344)

Priority 5 (continued)

Service Charter	Target	2009–10 performance	2008–09 performance
Updating company information and status	We aim to enter critical changes to company information in the corporate register within two business days	<p>97% entered within two business days (1,101,309 of 1,133,617)</p> <p>88% of paper forms entered within two business days (200,156 of 227,217)</p> <p>99% of electronic forms entered within two business days (901,531 of 906,400)</p>	<p>98% entered within two business days (1,032,278 of 1,048,462)</p> <p>95% of paper forms entered within two business days (223,087 of 235,524)</p> <p>99% of electronic forms entered within two business days (809,191 of 812,938)</p>
Registering as an auditor	We aim to decide whether to register an auditor within 28 days of receiving a complete application	100% registered within 28 days (84 individual applications and 23 authorised audit companies)	100% registered within 28 days (97 individual applications and 22 authorised audit companies)
Registering as a liquidator	We aim to decide whether to register a liquidator or official liquidator within 28 days of receiving a complete application	<p>83% of liquidator applications decided within 28 days (25 of 30 applications)</p> <p>90% for official liquidators (27 of 30 applications)</p>	<p>88% of liquidator applications decided within 28 days (22 of 25 applications)</p> <p>88% for official liquidators (30 of 34 applications)</p>
Applying for or varying an AFS licence	We aim to decide whether to grant or vary an AFS licence within 28 days of receiving a complete application	<p>77% of new licences decided within 28 days (348 of 454 applications)</p> <p>83% of licence variations decided within 28 days (807 of 968 applications)</p> <p>This result is for all applications, including those where we did not initially receive all the information we needed to make a decision.</p>	<p>72% of new licences decided within 28 days (234 of 323 applications)</p> <p>84% of licence variations decided within 28 days (863 of 1,023 applications)</p> <p>This result is for all applications, including those where we did not initially receive all the information we needed to make a decision.</p>

Service Charter	Target	2009–10 performance	2008–09 performance
Applying for an Australian market licence	We aim to give the Minister our recommendation about simple applications to operate financial markets within 12 weeks of receiving an application	One recommendation sent to the Minister, sent 18 weeks from receipt of application	Not applicable (no recommendation made to the Minister in this period)
Registering a managed investment scheme	By law we must register an MIS within 14 days of receiving a complete application	99% registered within 14 days (244 of 245)	99% registered within 14 days (297 of 298)
Applying for relief	If you lodge an application for relief from the Corporations Act that does not raise new policy issues, we aim to give an in-principle decision within 21 days of receiving all necessary information and fees	74% of in-principle decisions made within 21 days (2,520 of 3,407 applications) This result is for all applications, including those where we did not initially receive all the information we needed to make a decision.	71% of in-principle decisions made within 21 days (2,080 of 2,935 applications) This result is for all applications, including those where we did not initially receive all the information we needed to make a decision.
Complaints about misconduct by a company or individual	We aim to respond within 28 days of receiving all relevant information	70% finalised within 28 days (9,321 of 13,372)	70% finalised within 28 days (9,602 of 13,633)



PRIORITY 6

Improve services and reduce costs with new technologies and processes

ASIC continued to leverage information and communications technology to make its operations more cost-effective, faster and more convenient for consumers, businesses and other stakeholders. This included the ongoing transformation of our corporate registry systems and the continued expansion in the use of the internet as a service delivery platform.

Online growth

Customers show a growing preference for electronic channels. During 2009–10, 70% of the 2.16 million forms lodged with ASIC were submitted online. This was an increase of 3.5% on the previous year.

Underlying these results is a 4.4% increase in the use of ASIC's website (EasyLodge), a 1.5% decline in the use of EDGE (third party proprietary software) and a 2.9% decline in the use of paper forms. At year-end, 77.3% of lodgers used our online portals and 22.7% used paper forms.

Record searching of ASIC information

ASIC's registers are of high value to our customers and this year we facilitated over 61 million search and access requests by the public, other government agencies and information brokers.

Registry transformation

ASIC has commenced a transformation program to modernise its registry operations so we can deliver outstanding and cost-effective services. Our vision is to transform our registry business to a customer-centric, simple, 100% online, high-performing service that adds value to the national economy. Registry transformation comprises a number of projects:

External portals. We started a program to upgrade and revitalise the way our external clients interact with us online for services such

as searching public registers, starting and running businesses and companies, lodging information and making payments. This includes a new service, due for release in 2010, that will allow users to search ASIC's public registers online and pay using a credit card. This will be followed by a service to allow for company and business names to be registered on our website.

National Business Names. ASIC has designed new processes to take over the National Business Names register from April 2011 and to integrate this system with the ATO (see page 47).

Migrating legacy registry systems. ASIC is modernising its registry technology under the wider STAR program to cut 'red tape' and improve how we support customers through online services and, particularly, our call centre. The project will run until 2012–13, and a series of changes will be delivered during this time.

Personal Property Securities Register (PPSR). As a result of Government reforms, ASIC's register of charges over company assets will become part of the PPSR in 2011.

The registry transformation vision has been developed in close consultation with our Real Economy Business Advisory Committee chaired by Commissioner Dr Peter Boxall. The Business Advisory Committee, which met twice in 2009–10, comprises representatives of key Real Economy stakeholders, including large registered agents, information brokers, AFS licensees and company officeholders.

International benchmarking

ASIC completed an international benchmarking process to look for best practice in registry management. We are an active participant in the International Corporate Registers Forum, comprising over 30 countries from corporate registrars around the world.

ASIC participated in a World Bank-led conference in Indonesia to assist developing countries in the Asia-Pacific to use Australia as a benchmark as they simplify their company registration processes and move online. We also furthered our work with the New Zealand Companies Office to create joint company registration and searching services in the near future. This is part of a whole-of-Government initiative to promote greater economic cooperation between Australia and New Zealand.

Standard Business Reporting

ASIC is part of the Standard Business Reporting (SBR) initiative to reduce the burden on business of reporting financial information to Government. This multi-agency Australian Government program will allow companies to use a single secure log-on to send information to relevant government agencies, including ASIC.

From 1 July 2010, ASIC can receive financial statements and reports using SBR-enabled software. SBR will also enhance ASIC's public registers by allowing financial information to be searched in the relevant extensible business reporting language (XBRL).

Streamlining forms

As we move more of our customers online, we have continued to improve services for paper lodgements. We have reviewed our top 20 forms that are lodged in paper format and significantly reduced the number of pages required to be lodged.



This year ASIC staff in Adelaide held a Pink Ribbon Morning Tea to raise awareness about breast cancer. Pictured is analyst Catrina Orr.

ASIC continued to leverage information and communications technology to make its operations more cost-effective, faster and more convenient.

year of action

New responsibilities

As a national body with a track record in regulation and administration, ASIC has been charged with a number of new responsibilities. These changes are designed to improve efficiency and consistency, and reflect the Government's confidence in ASIC. During the year, we made extensive changes to integrate these responsibilities, most of which commence in 2010–11.

Regulation of trustee companies

On 6 May 2010, ASIC became responsible for the regulation of traditional trustee company services. To prepare, we engaged with the Trustee Corporations Association to develop our regulatory approach, and issued industry guidance for trustee corporations about complying with the obligations as an AFS licensee when providing traditional trustee services.

Other regulatory reforms

As part of the AFS licensing regime, margin lenders were required to apply for a relevant authorisation by 30 June 2010. Between 1 February and 30 June, ASIC received over 850 applications.

From 1 May 2010, AFS licensees that are authorised to deal in general insurance products were required to collect and report on data on any insurance business they broker using a prescribed form (Form 701). APRA has been appointed an ASIC agent to collect forms on ASIC's behalf and provide them to ASIC for inclusion on our registers.

Consumer credit and new law

After 12 months of intense preparation, ASIC took over responsibility for regulating consumer credit from the states and territories on 1 July 2010, becoming the national regulator for consumer credit.

Home loans, personal loans, credit cards, consumer leases, pre-arranged overdrafts and line of credit accounts, among other products and services, are now regulated under Commonwealth legislation (*National Consumer Credit Protection Act 2009*), and are administered by ASIC.

ASIC worked closely with industry and other stakeholders, sought feedback on key proposals, and engaged in formal consultation at various stages throughout the credit preparation process. This included working with credit providers and intermediaries to help them prepare for the new regime, and conducting two national roadshows to all capitals and 24 regional centres. These were completed in conjunction with consumer credit legal services, and featured full-day training for more than 600 financial counsellors and credit advocates.

We issued 11 regulatory guides and nine information sheets to help businesses understand their obligations and the credit licensing process. We also established an efficient, online, client-focused registration and licensing process to help businesses comply with their obligations. Over 14,700 credit businesses registered with ASIC prior to 1 July 2010 and we received the first credit licence application within 45 minutes of opening the system at midnight on 1 July.

ASIC also developed various credit-related educational resources for consumers. These included a comprehensive credit booklet, 15 factsheets about various credit products and issues, and new information on the FIDO website.

We have put in place a 14-person credit outreach team that will work with specific groups of citizens and, in particular, with consumers and community workers. They will deliver targeted education programs to those with the greatest need or on issues that are causing the greatest problems in our community, such as mortgage stress.

On 15 June 2010, ASIC began assessing complaints under our new credit jurisdiction and ceased referring complainants back to state and territory regulators. We recruited 25 staff to handle this increase in complaint volumes. We also have a team focused on surveillance and compliance in credit, as well as new deterrence staff specialising in credit.

For more information, see www.asic.gov.au/credit.

ASX/ASX 24 supervision

On 1 August 2010, ASIC assumed responsibility for the supervision of trading on Australia's domestic licensed equity, derivatives and futures markets. This includes the ASX and ASX 24 (formerly known as Sydney Futures Exchange (SFE)). Having one whole-of-market supervisor will streamline supervision and enforcement. It is also the first step in the process for considering competition between market operators (see next item).

To manage a seamless transition, ASIC put in place an integrated market surveillance system, developed a streamlined markets analysis methodology and relationship management model, and engaged in extensive industry consultation.

ASIC issued its Market Integrity Rules based on existing rules around market integrity and established a Market Disciplinary Panel to determine whether rules have been breached.

ASIC also built and trained a quality Market and Participant Supervision (MPS) team, consisting of ASIC staff and external people, all with specialist market experience. The team was complemented by the ASX surveillance staff who transferred to ASIC on 1 August 2010. The activities of the MPS team included reviewing the risk profiles of 45 market participants.

Markets competition

On 31 March 2010, the Government announced its support for competition between markets for trading in listed shares in Australia. It also announced in-principle approval of Chi-X Australia Pty Ltd's Australian market licence application.

Following the announcement, ASIC has commenced work on the regulatory implications of the proposed change. ASIC will undertake extensive public consultation on a proposed framework for competition, including the potential regulatory and economic consequences of possible models.

We are particularly mindful to ensure market competition is implemented in a manner that continues to support the overall integrity of Australia's financial markets. In 2009 ASIC established a Market Supervision Advisory Panel to assist in managing the transfer of supervision and, more recently, to prepare for consultation on market competition.

Business names register

In 2011, ASIC will become responsible for the National Business Names register, taking over from the states and territories. A national online regime for business names will mean a reduction in red tape for businesses operating across state borders, which currently register the same name in different states and territories, and cost, due to a single lower national fee.

During 2009–10, ASIC participated in a government project to design the new online service, commenced building the required systems to prepare for data migration from the states and territories, and provided input into the development of policy and procedures. We also worked with the ATO's Australian Business Register to enable people to register a new business name and register for tax in a single online transaction.



On 1 July ASIC assumed responsibility for Australia's new national credit regime. Ahead of this date, ASIC conducted roadshows on the new regime in every state and territory capital and 24 regional centres.

Over 2,700 people attended and 55 presentations were held. A further 817 people watched a live webcast of one presentation with another 150 accessing a presentation on the ASIC website.

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ASIC's people

ASIC plays a unique role in the Australian economy and our people make a genuine difference to the markets we regulate.

Leadership development

The ASIC Senior Executive Leadership Program was launched in 2009 in response to findings from the 2008 strategic review, which identified leadership as a critical factor in building the culture required to enable ASIC to deliver on its strategic objectives. This involves three phases:

- ♦ assessment: a customised 360-degree online self-assessment survey conducted in June 2009, built around ASIC's core leader capabilities (market focus, looking forward, collaboration, accountable, achievement)
- ♦ feedback: commencing August 2009, executive coaching support was provided to help senior executive leaders understand the survey data and identify development priorities
- ♦ development: five customised modules developed in partnership with the Macquarie Graduate School of Management were progressively rolled out from February 2010.

Mentoring lawyers

ASIC established the Lawyer Network Mentor Program aimed at building legal excellence, supporting the retention of skills and knowledge, and further building mentors' people-management skills. Launched in February 2010, the program successfully established some 100 relationships involving staff at Executive Level 2 mentoring less experienced staff at ASIC 3 and ASIC 4 levels.

Building staff credentials

Improving staff credentials and expertise has been a key focus in 2009–10. A new learning management system has been introduced to facilitate online learning programs, webinars and podcasts. This has accommodated a flexible approach to learning, and programs continue to be developed and sourced to meet skill gaps and track individual learning. Communities of Practice continues to be used to encourage the facilitation of knowledge networks.

Defined 'Learning Pathways' have been established for lawyers, accountants and

auditors, and investigator networks. The pathways also contain core skills in the areas of self and interpersonal, business and technical skills, and have shaped the appointment of a panel of learning and development providers. As a result, we have a panel of around 40 providers made up of universities, professional and industry bodies for the delivery of relevant learning opportunities.

Building on our employment conditions

In 2009 and 2010, staff approved two new enterprise agreements to replace the existing ASIC collective agreement: one for ASIC 1–4 level staff and another for Executive Level staff. The two new agreements build on our employment conditions and will work to support a culture that rewards high performance and recognises flexibility as an integral component in balancing work and other commitments.

As part of the enterprise agreement process, our performance management system and practices were also enhanced via:

- ♦ the introduction of a new five-point performance rating scale to improve the identification and management of all aspects of performance
- ♦ the introduction of a performance rating calibration process to facilitate fairness and equity in performance assessment across ASIC
- ♦ educating managers about performance assessment tools and processes to improve their capability in this area
- ♦ stronger links between performance and reward through improved bonus options, and building these into our policies.



ASIC Chairman Tony D'Aloisio speaking with staff at a morning tea to mark the opening of ASIC's new Sydney headquarters.

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ASIC in the community

The ASIC in the Community program gives employees the opportunity to directly contribute to the community, either by Workplace Giving, volunteering or simply reducing our environmental footprint.

The program is in its third year with some 27 employees who volunteer their time to be part of the ASIC in the Community committee across all ASIC sites. A further 75 employees champion events when they occur.

Workplace Giving results

Through Workplace Giving, ASIC employees support 25 charities through direct donations from their pay. In 2009–10, 8.5% of ASIC employees donated to the program and raised \$62,401.

Inspiring events

During the year, ASIC in the Community hosted three national Workplace Giving speaker's events. The distinguished Australians who presented provided ASIC employees with insights into the work being done by the not-for-profit sector and encouraged them to participate in Workplace Giving.

The events were a discussion on the environment and its potential impact on the global poor with Tim Costello of World Vision and Don Henry from the Australian Conservation Foundation; a presentation on dementia and depression from the Hon John Watkins from Alzheimer's Australia NSW and the Hon Jeff Kennett from beyondblue; and a talk on 'The life you can save' from philosopher and ethicist Professor Peter Singer and Andrew Hewett, the Executive Director of Oxfam Australia.

Through Workplace Giving,
ASIC employees support 25
charities through direct
donations from their pay.

Other fundraising

ASIC employees participated in other coordinated fundraising events and appeals during the year. Through donations or sponsorship, they raised a further \$74,298. Combined with Workplace Giving, this produced a total of \$137,000. These additional events included:

- ♦ RSPCA Cup Cake Day: employees baked for each other and raised \$2,858
- ♦ Pink Ribbon Day: employees heard from breast cancer survivors, while raising \$5,913 to help fund research into the prevention and cure of breast cancer
- ♦ Movember: 26 employees participated in the month-long celebration of the moustache and raised \$9,975 for the Prostate Cancer Foundation of Australia and beyondblue
- ♦ Australia's Biggest Morning Tea: employees raised \$4,008 for Cancer Council state bodies
- ♦ ASIC employees generously donated goods during the festive season appeals for the Salvation Army, The Smith Family and St Vincent de Paul.



Tim Costello from World Vision addressing ASIC staff at an ASIC in the Community event.

ASIC in the community (continued)

Volunteering

Volunteering allows ASIC to make a wider contribution to society and build relationships among employees and the community. All ASIC employees have access to one day of volunteering leave for activities facilitated or approved by ASIC in the Community.

This year, ASIC employees took up the opportunity to volunteer on projects including:

- ♦ a book sale for Lifeline in Brisbane
- ♦ the National Breast Cancer Foundation Pink Ribbon Race Day in Hobart
- ♦ the Red Cross's Good Start Breakfast Club to serve primary school children in disadvantaged areas of Adelaide and Perth
- ♦ a luncheon in Sydney for the Mary MacKillop Disability Support Service
- ♦ the Latrobe City Council's Meals On Wheels program.

Volunteering allows ASIC to make a wider contribution to society and build relationships among employees and the community.

Pro bono legal work

ASIC lawyers in Sydney provided pro bono legal services to the National Children's Youth Law Centre. This is a community legal centre dedicated to addressing human rights issues for children and young people in Australia through legal change. It is the only centre of its kind in Australia.

Donating blood

Staff made over 150 blood donations during the year, which the Red Cross Blood Service estimates will save 700 lives. ASIC employees in Sydney were awarded the fourth highest corporate donor in the Sydney CBD during 2009.



International bioethicist Professor Peter Singer addressing ASIC staff in May 2010.

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ASIC and the environment

In all its locations, ASIC is committed to building on efforts to reduce its carbon footprint and energy consumption, and improve waste disposal practices.

6 Star Sydney office

ASIC relocated its offices in Sydney to new purpose-built premises at 100 Market Street at the end of the 2009–10 year. The office space supports a collaborative, flexible and team-orientated working environment, which has been awarded a Certified 6 Star Green Star – Office Design v2 rating, signifying world leadership in environmentally sustainable design. A process is in place to achieve a 4.5 star National Australian Built Environment Rating System (NABERS) rating, which will be achieved through efficient energy and water use, waste management and the way we maintain our internal environment.

Other office initiatives

ASIC's Melbourne office has maintained certification to International Standard ISO 14001:2004 *Environmental Management Systems* and was successfully re-audited during 2009–10. A pilot waste management and recycling program was initiated in March 2010, in conjunction with building management, which saw the landfill waste from seven ASIC floors reduced from 44% to 7% and the introduction of additional waste streams for recycling.

A range of environmental practices are in place across all ASIC offices, including recycling, the use of lighting sensors and timers, the use of recyclable goods, reduced packaging and the availability of parking for cyclists. Further, we focused on sustainable solutions during new office fitouts and refurbishment of sites in Hobart, Traralgon in Victoria, and Perth. This included maximising access to natural light, efficient lighting, effective acoustic design and the use of low volatile organic compound (VOC) paints and materials.

ASIC also adopted a greener approach to technology through the introduction of desktop virtualisation. This significantly reduces the environmental impacts of office computing

equipment by replacing traditional personal computers with smaller and more efficient devices. Superseded PCs were donated to schools as part of the Government Computer Technologies for Schools initiative.

In the coming year, ASIC will implement a policy to address the Australian Government's push for increased printing efficiency to further reduce our environmental impact.

Earth Hour and Ride to Work

ASIC staff participated in Earth Hour, taking steps to ensure non-essential lights, PCs and appliances were switched off before they left work on the weekend of 27–28 March 2010. Over 50 employees also participated in the Ride to Work Day in October 2009 and an environmental footprint web page was developed to raise awareness of environmental issues among ASIC staff.

Disclosure under the *Environment Protection and Biodiversity Conservation (EPBC) Act*

Section 516A of the EPBC Act requires ASIC to report matters relevant to environmentally sustainable development (ESD). To that end, we report that:

- ♦ the only activities relevant to ESD principles concern procurement of goods and services
- ♦ ASIC's administration of legislation is not related to ESD principles
- ♦ none of the outcomes specified for ASIC in an Appropriation Act have ESD implications
- ♦ ASIC reviews and increases the effectiveness of its environmental impact measures through internal evaluation regimes, environmental auditing, benchmarks and targets.

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ASIC in regional Australia

ASIC's work in regional Australia is focused on delivering efficient and cost-effective services to local stakeholders and ensuring local issues are identified and receive the required resources. Here are just a few examples of the work ASIC carries out with its regional stakeholders.

National credit roadshow

ASIC's national roadshow to inform industry and consumers about its new role as the regulator for consumer credit took in 24 regional centres across Australia. Many of these sessions were attended by the ASIC Regional Commissioners responsible for each state and territory.

Education in Tasmania

In June 2010, Tasmanian Regional Commissioner Julie Read conducted sessions for industry and retail investors in Burnie and Launceston. The industry session, 'Hot Topics in the Financial Services Sector', covered current topics, including credit licensing and financial services reform proposals. The retail investor session focused on basic investing principles.

ASIC's work in regional Australia is focused on delivering efficient and cost-effective services to local stakeholders and ensuring local issues are identified and receive the required resources.

Queensland liaison

ASIC continued its regular meetings with its Regional Liaison Committee, which comprises approximately 20 stakeholder representatives affected by ASIC's regulatory responsibilities. This committee met four times during 2009–10 and meetings were attended by an ASIC Commission member as well as the Queensland Regional Commissioner. In addition to the formal national credit roadshow, Regional Commissioner Maree Blake held additional stakeholder meetings in Cairns, Mackay and Townsville. ASIC's Brisbane office also delivered financial counselling sessions.

Victorian forums

During October, Victorian Regional Commissioner Warren Day conducted roadshows to business groups (members of local accounting and law firms as well as financial service providers) and forums open to the general public in Geelong, Wodonga, Shepparton, Bendigo and Ballarat. These stakeholders were able to hear about ASIC's forward program of new projects and ask questions about ASIC's operations and strategies. The public forums provided information about the relationship between risk and return, as well as learning how to avoid investment scams.

Western Australia sessions

Western Australia Regional Commissioner Bruce Dodd conducted two rounds of public information sessions in 2009–10. He visited Geraldton, Kalgoorlie, Bunbury and Albany to give regional consumers and investors an opportunity to hear directly from ASIC about its activities. Mr Dodd highlighted ASIC's role and responsibilities in the market, and offered information on basic investment practices that would allow for informed and confident decisions. This series of roadshows also foreshadowed ASIC's new role as consumer credit regulator.

Adelaide information

Throughout the year, South Australian Regional Commissioner Mark Bielecki held a series of booked-out information sessions in Adelaide. The purpose of the sessions was to increase the awareness of ASIC's role, responsibilities and offerings; provide basic information about investing and accessing financial services; and source regional intelligence. In addition, he held Regional Liaison Committee meetings; hosted a business stakeholder function together with a Commissioner; and spoke at public events.

Regional New South Wales and Australian Capital Territory

Delia Rickard, ASIC's ACT Regional Commissioner, held public meetings with industry and local consumers in Canberra and a number of regional NSW centres throughout the year. These helped ASIC better understand the issues affecting consumers and industry in regional centres such as Dubbo, Nowra and Wagga Wagga, as well as enabling ASIC to let consumers and industry know about its priorities and changes to its regulatory responsibilities that directly affected them.

Financial literacy in Northern Territory

In the Northern Territory, a key focus for Regional Commissioner Duncan Poulson's team was providing training about the new national credit laws and assessing complaints about consumer credit matters. This included outreach visits to remote Indigenous communities and a campaign targeting 'book up' providers to ensure that they understood the new credit licensing requirements. The team has also been active in supporting the delivery of a financial literacy program for Australian Defence Force personnel and their families who are based in the Northern Territory.

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Additional ASIC outcomes

ASIC's outcome framework sets out what ASIC has agreed to deliver to Government for 2009–10. It reflects the products and services ASIC delivers, and informs our budget and reporting process. Each year, details of the framework are outlined in the Portfolio Budget Statements, along with the relevant performance information. For resource

statements and resources for outcomes, see page 79. ASIC's 2009–10 framework and performance information is detailed below.

ASIC's outcome framework has been rewritten for the 2009–10 year to reflect ASIC's 2009–10 Portfolio Budget Statement.

Outcome 1: Improved confidence in financial market integrity and protection of investors and consumers through research, policy, education, compliance and deterrence that mitigates emerging risks

Program 1.1: Research, policy, compliance, education and information initiatives

Objective: Program 1.1 contributes to Outcome 1 by improving industry behaviour where market integrity and consumer confidence are most at risk, and by helping consumers and retail investors make well-informed decisions in the financial economy.

Program 1.1 deliverables	Key performance indicators	2009–10 achievements
Improving industry behaviour Financial economy programs for each major grouping of market participants designed to: <ul style="list-style-type: none"> ♦ monitor market developments and identify and prioritise factors and behaviours most likely to result in threats to market integrity and the fair treatment of consumers ♦ devise and implement information, guidance and regulatory initiatives most likely to reduce the threat of misconduct or mistreatment of consumers and retail investors ♦ target misconduct or mistreatment through tailored deterrence activity. 	Improved confidence in market integrity Improvements in quality and availability of financial advice Improvements in overall financial literacy levels	ASIC looked across the entire financial industry in order to bring about improvements in behaviour. The variety of work is illustrated by the following: <ul style="list-style-type: none"> ♦ of 47 specialised PDS reviews undertaken for OTC products, 34 had deficiencies and remedial action was taken ♦ we conducted a health check on authorised deposit-taking institutions that accounted for 80% of Australia's total term deposits ♦ 240 external administrators were reviewed to test compliance with independence disclosure. Significant policy contributions were made in our submissions to Parliamentary Inquiries into Financial Advisers and Insolvency. Guidance for appropriate behaviour can be seen in our review of compliance with rules surrounding mortgage schemes and unlisted debentures, consultation and advice on agribusiness, and the release of 11 new regulatory guides focusing mainly on credit.

Program 1.1 deliverables	Key performance indicators	2009–10 achievements
<p>Helping retail investors and consumers</p> <p>Retail investor and consumer programs designed to:</p> <ul style="list-style-type: none"> ♦ give consumers and retail investors access to clear, useful information about financial economy products and services ♦ make financial advice more accessible and reliable ♦ enhance community-wide financial literacy ♦ enable consumers and retail investors to better assess the benefits and risks of decisions about financial products and services. 	<p>Improvements in retail investor and consumer perception of information received about products and services</p> <p>Improvements in conduct of market participants and corporates</p>	<p>ASIC has a strong financial education focus. We distributed 37,000 <i>Investing between the flags</i> booklets, and information was sought from our FIDO consumer website 2,195,000 times, which is a 45% increase on 2008–09.</p> <p>We facilitated and supported four meetings of the Australian Government Financial Literacy Board, established a National Education Reference Group, and developed an Indigenous schools program to be piloted in Queensland.</p> <p>Our investor guidance ranged from corporate bonds and capital guaranteed products to the creation of new calculators to assess financial options, and production of credit-related education materials.</p>



ASIC has been supporting money management programs in remote Indigenous communities in the Northern Territory since 2006. MoneyBusiness provides Indigenous people with money management information and supports them to become self-reliant.

Pictured is ASIC's Hannah Roe with MoneyBusiness workers Andrina Tipuamantumirri (sitting) and Kathy Kerinaiaua.

Additional ASIC outcomes (continued)

Program 1.2: Enforcement/deterrence

Objective: Program 1.2 contributes to Outcome 1 by enforcing the law to maximise the deterrent effect and improve behaviour by entities subject to the laws that ASIC administers.

Program 1.2 deliverables	Key performance indicators	2009–10 achievements
<p>Deterrence programs designed to:</p> <ul style="list-style-type: none">investigate suspicious conduct and take appropriate and timely criminal, civil or administrative action, especially where market integrity and consumers and retail investors are most at riskcreate community confidence that the law is being effectively enforcedcommunicate clearly about ASIC's enforcement approach and outcomes to improve industry understanding and drive behavioural change in key risk areasencourage industry participation in enhanced standards of behaviour (alleviating the need for additional regulation). <p>ASIC finances preliminary investigations and reports by liquidators into the failure of companies with little or no assets that have been selected by ASIC, where it appears that enforcement action may result from the investigation and report. A particular focus of the Assetless Administration Fund is to curb phoenix activity.</p>	<p>Clear alignment between ASIC enforcement actions and key risk areas</p> <p>Improved stakeholder perceptions of how ASIC deals with people who do not comply with the law</p>	<p>Achievements illustrate a strong focus on enforcement action, striking an appropriate balance between criminal and civil proceedings.</p> <p>In collaboration with the CDPP, ASIC completed 23 criminal proceedings this year with an 80% success rate, including 12 imprisonments.</p> <p>We took 69 enforcement matters on market integrity with eight significant outcomes.</p> <p>Of the total 90 civil matters, we had a 94% success rate and 156 civil, administrative and criminal litigation actions were completed.</p> <p>A key focus of enforcement work was on company directors, with ASIC taking action against 726. Of these, 554 were prosecuted for 1,010 offences. Penalties included 132 good behaviour bonds and fines totalling \$692,748. As a result of targeted action, 90 directors were banned and a further 22 people were automatically disqualified from managing corporations from the date of their conviction or release from prison.</p> <p>As part of our work with insolvency practitioners, we visited 150 companies near insolvency. More than 20% of all companies reviewed this year were placed into some form of external administration, mostly by the directors. Our administration of the Assetless Administration Fund saw \$3.4 million paid out to liquidators.</p>

Outcome 2: Streamlined and cost-effective interaction and access to information for business and the public through registry, licensing and business facilitation services

Program 2.1: Legal infrastructure for companies and financial service providers

Objective: Program 2.1 contributes to Outcome 2 by improving ASIC's registry and stakeholder services by developing initiatives for business and consumer stakeholders to:

- ♦ simplify their interactions with ASIC
- ♦ reduce the cost of those interactions.

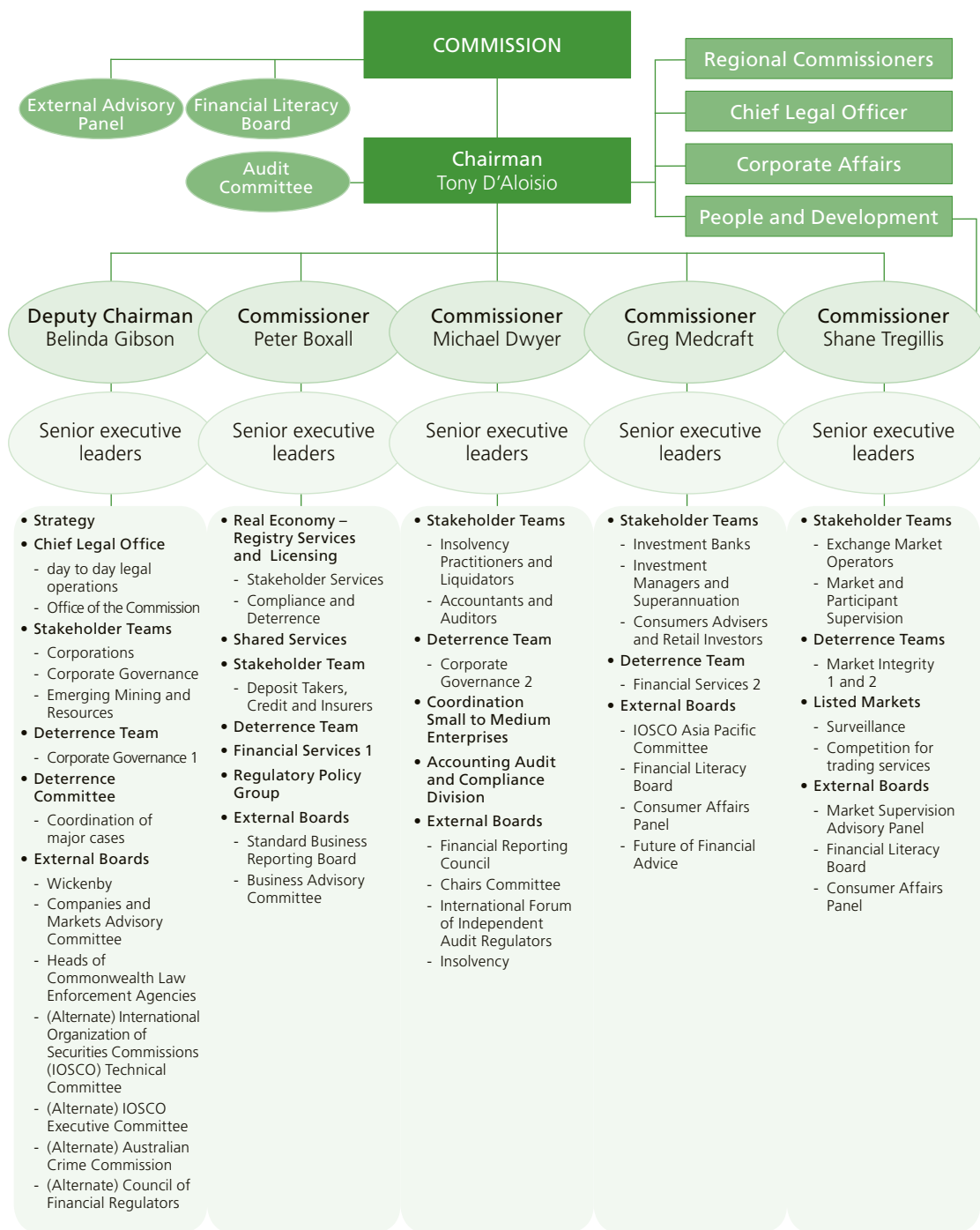
Program 2.1 deliverables	Key performance indicators	2009–10 achievements
Modernising registry services Programs designed to: <ul style="list-style-type: none"> ♦ provide stakeholders with modern, efficient, accurate and cost-effective corporate register and licensing systems ♦ improve public access to information about registered and licensed entities. 	Improved effectiveness and efficiency of registry and licensing services	<p>ASIC manages the registration of Australia's 1.77 million businesses. We recognise the public's growing preference for electronic channels and less 'red tape'.</p> <p>To this end, we completed an international benchmarking process to look for best practice in registry management and are creating a joint company registration searching function with New Zealand.</p> <p>Improvements facilitated the electronic lodgement of 70% of forms, and we have reduced the number of pages in our top 20 paper forms.</p>

Additional ASIC outcomes (continued)

Program 2.1 deliverables	Key performance indicators	2009–10 achievements
Improving stakeholder services		
Programs designed to:		
<ul style="list-style-type: none"> ♦ improve service delivery to better meet stakeholder needs ♦ take prompt and appropriate regulatory action on reports of misconduct ♦ provide accurate information and assistance to the public ♦ provide accurate and useful information to industry stakeholders about the regulatory system and ASIC's administration of it. 	Improved stakeholder satisfaction with ASIC's corporate register and other stakeholder services	<p>The improvements to our stakeholder services programs are reflected in our results, including:</p> <ul style="list-style-type: none"> ♦ 99% of company incorporations completed within one business day ♦ 97% of key documents lodged within 48 hours of receipt ♦ at least 80% of calls at our call centre answered within 60 seconds ♦ 98% of emails responded to within two business days ♦ 2,476 people reunited with a total of \$9.1 million unclaimed funds.
Facilitating business		
Initiatives designed to:		
<ul style="list-style-type: none"> ♦ reduce costs and 'red tape' for business by making it easier to transact with ASIC ♦ improve consultation with regulated entities and other stakeholders ♦ administer the law to enhance commercial certainty and reduce business costs ♦ facilitate inward and outward investment in Australian capital markets. 	ASIC's regulatory system not seen as a major barrier to inward and outward capital flows	<p>To create efficiencies ASIC considers exemptions from certain provisions in the law, as shown in our finalisation of 3,067 out of 3,442 relief applications.</p> <p>Results of our consultation on issues, such as access to advice and quality of advice, include five large licensees working on improvements to quality of advice, and three new scalable advice models being introduced by large licensees to improve access to advice.</p> <p>ASIC has actively cooperated with other regulators to respond to the GFC and facilitate capital flows. We co-led IOSCO work on CDSs, participated in deliberations on unregulated entities, and are helping monitor industry take-up of automated services.</p>

Organisational structure

This diagram reflects the new structure from June 2010.



Organisational structure (continued)

Structural refinement

In 2010, ASIC welcomed the new Deputy Chairman Belinda Gibson, and new Commissioner Shane Tregillis, along with significant increases in the scope of laws that ASIC regulates. As a result ASIC refined its operating structure to ensure we continue to efficiently and effectively deliver our functions.

This featured a reallocation of responsibilities between the Chairman and Deputy Chairman, and the Market Integrity teams being placed under Commissioner Shane Tregillis. These provided a full-time Commissioner to oversee the transfer of markets surveillance from the ASX to ASIC, and consequent bedding down of markets surveillance into business-as-usual activity.

ASIC also streamlined its team structure, reducing the number of deterrence teams from eight to six, and reducing 14 stakeholder teams to 11.



ASIC's Summer School, March 2010 in Melbourne. Reserve Bank of Australia Governor Glenn Stevens takes part in a panel discussion about the implications of the global reform agenda for Australia and how Australasian regulators will deal with the changes.

In detail, this involved:

- ♦ the merger of the Financial Services 2 team and Credit Deterrence team with two other Financial Services teams
- ♦ Major Fraud and International being allocated by major cases to Corporate Governance 1 and 2
- ♦ combining the Investment Managers with Super Funds teams
- ♦ combining the Financial Advisers and FLCARI (Financial Literacy, Consumers and Retail Investors) teams to form Consumers, Advisers and Retail Investors
- ♦ combining Credit Services with Deposit Takers and Insurers.

In 2010, ASIC welcomed the new Deputy Chairman Belinda Gibson, and new Commissioner Shane Tregillis, along with significant increases in the scope of laws that ASIC regulates.

ASIC's stakeholders

Who ASIC's work reaches

Our work affects consumers, investors and creditors of corporations and other businesses, including an estimated:*

- ♦ 17.3 million people who have a deposit account
- ♦ 11.3 million who have a major card (credit, debit or charge)
- ♦ 6.7 million who have a loan (e.g. home loan, mortgage on investment property, bridging loan, home equity loan, personal loan, lease)
- ♦ 3.8 million who directly hold shares (excluding any shares held in any type of managed investment or superannuation)
- ♦ 1.8 million who have invested (managed investment/superannuation) through a financial planner/adviser
- ♦ 0.8 million who invest in managed investments.



* Source: Roy Morgan Research, 12 months to March 2010, people aged 14+.

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Regional Commissioners

Regional Commissioners play a vital role in ensuring ASIC gathers information on developments and issues in the states and territories, and liaising with ASIC's external stakeholders and state and territory governments. They are also responsible for ensuring the effective delivery of services to stakeholders in their local areas.

An important part of ASIC's engagement with stakeholders is the attendance of ASIC Commissioners at regular Regional Liaison meetings held by ASIC in each state and territory with a wide range of stakeholder representatives.

Maree Blake (Qld)

Ms Blake joined ASIC in 2005 and held the position of Specialist Director, Corporations and Insolvency within the agency's former Enforcement directorate, where she was responsible for corporate governance, insolvency, and auditor and liquidator matters. She was appointed Regional Commissioner for Queensland in October 2008. Before joining ASIC, Ms Blake was a partner with Sims Partners Chartered Accountants and PPB Chartered Accountants, specialising in corporate restructuring and insolvency. She is a Fellow of CPA Australia and a Graduate Member of the Australian Institute of Company Directors (GMAICD).



Greg Yanco (NSW)

As well as being Regional Commissioner for NSW, Mr Yanco is Senior Executive Leader for Market and Participant Supervision. He was formerly Chief Executive Officer, AXE ECN Pty Limited, and Manager, Institutional and Wholesale Markets, during his career at the Australian Stock Exchange (1986–2006). Mr Yanco has extensive experience and



knowledge in financial market development, regulation and supervision. At the ASX, Mr Yanco implemented equity market structure changes and managed the operations of the market surveillance and investigations units. He is a CPA and a Master of the Securities and Derivatives Industry Association.

Delia Rickard (ACT)

Ms Rickard joined ASIC in 1999 and held a number of senior positions in the agency's former Consumer Protection directorate. She was appointed Regional Commissioner for ACT in 2004, and is also Senior Executive Leader for Consumers, Advisers and Retail Investors, working closely with the consumer sector, industry and other areas of government. Before joining ASIC, Ms Rickard ran the Australian Competition and Consumer Commission's consumer protection branch and also worked on the Secretariat for the Wallis Inquiry into Australia's financial system.



Warren Day (Vic.)

As well as being Regional Commissioner for Victoria, Mr Day is Senior Executive Leader for Stakeholder Services, which includes ASIC's Client Contact Centre and Misconduct and Breach Reporting teams.



Mr Day joined ASIC in 2003 as a senior lawyer in enforcement and from 2007 was the Specialist Director of Investor and Consumer Protection. Mr Day has led investigations about consumer protection, credit, and unlicensed conduct and illegal schemes. He was appointed Regional Commissioner for Victoria in October 2008. Before joining ASIC, Mr Day worked as a solicitor at Clayton Utz and as an auditor and analyst at the ATO.

Julie Read (Tas.)

Ms Read joined ASIC from the CDPP's Hobart office, where she was the Assistant Director for five years. She was appointed Regional Commissioner for Tasmania in 2002 and has brought her strong legal background and familiarity to ASIC's enforcement work. Before 1998, Ms Read worked with the Australian Government Solicitor's Office in Hobart and in private practice in a variety of commercial, criminal and civil litigation areas.



Mark Bielecki (SA)

Mr Bielecki is ASIC's South Australian Regional Commissioner and Senior Executive Leader of Corporate Governance. Among other roles, he was previously a Managing Partner of the commercial law firm Finlaysons in Adelaide, and of the Sydney office of law firm Thomsons. Mr Bielecki also led PricewaterhouseCoopers Legal's National Dispute Resolution and Litigation Business Unit.

In addition to his Regional Commissioner and Senior Executive Leader roles, Mr Bielecki sits on a number of ASIC Project Taskforce Boards, including the Board of the Credit Taskforce and the National Business Names Taskforce.



Bruce Dodd (WA)

Mr Dodd was appointed Regional Commissioner for Western Australia and Senior Executive Leader of Emerging Mining and Resources in September 2008. Formerly, he was Senior Partner and Partner in Charge in the Perth office of Mallesons Stephen Jaques, where he specialised in commercial dispute resolution, with a particular emphasis on insurance, insolvency and bank litigation. Mr Dodd has extensive experience in the financial and business markets in Western Australia.



Duncan Poulson (NT)

Mr Poulson was appointed Regional Commissioner for the Northern Territory in 2006, having previously served as a lawyer with ASIC since 2000. He has contributed to ASIC's enforcement, regulatory and educational programs throughout the Northern Territory. Before joining ASIC, Mr Poulson was a Lecturer in Commercial Law and International Business at the University of Tasmania, teaching in Tasmania and Asia. In recent times, his work with ASIC has focused on financial services consumer issues, with a particular emphasis on financial literacy initiatives.



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Working at ASIC

Health and safety

ASIC is committed to developing a workplace culture that values health and safety. We recognise our moral and legal responsibility to provide a safe and healthy work environment for employees, contractors and visitors. In support of this, ASIC has maintained Health and Safety Management Arrangements that outline the organisation's framework for managing health and safety in the workplace.

There were 15 workers' compensation claims lodged in 2009–10, with nine claims accepted, three rejected and three pending. The majority of claims were body-stressing injuries affecting back, neck, shoulder and limbs.

ASIC provided preventative education and training sessions across a range of occupational health and safety initiatives – including ergonomics in the workplace, manual handling, hazardous substances and working with hazardous documents – and conducted ergonomic assessments across all offices. The majority of Sydney staff relocated into new premises in 2010 and, subsequently, over 200 workstation assessments were conducted by occupational therapists as a preventative initiative.

Proactive programs

This year, ASIC launched a new initiative focusing on a Mental Health Education Program. The program was initially developed specifically for managers and team leaders to provide them with greater awareness of mental health in the workplace, and to help them recognise the signs and symptoms that support early intervention strategies. The next phase of this awareness program is being developed with a focus on educating staff at all levels.

As part of ASIC's wellbeing program, 795 staff received influenza vaccinations. ASIC encouraged good health by supporting teams in the Global Corporate Challenge in 2009, and staff participated in the 10,000 Steps Challenge. This saw 14 teams undertake a virtual walk from Port Douglas to Hobart with over 40 million steps completed.

Assistance for employees

ASIC's employee assistance program is available to provide independent assistance for personal and work-related problems. The annual utilisation was 5.54%, including family members, compared with a rate of 6.1% in 2008–09.

There were no serious personal injury notices sent to Comcare under s68 of the *Occupational Health and Safety Act 1991* and no investigations conducted during the year under s29, s46 or s47 of the Act.

Employment benefits

ASIC provides a range of financial rewards and non-financial benefits, such as flexible working arrangements, to attract and retain high-quality staff. Eligible employees received performance bonuses (ranging from 3% to 15% of salary) based on the outcomes of their performance review. There is also access to salary packaging and study assistance, including assistance with fees and leave to attend courses and exams.

ASIC encouraged good health by supporting teams in the Global Corporate Challenge in 2009, and staff participated in the 10,000 Steps Challenge.

Performance payments made in 2009–10 by classification*

Employee level	Number of recipients	Aggregate performance payments \$	Performance payment range		Average performance payment \$
			Minimum \$	Maximum \$	
ASIC 4	88	317,412	788	11,155	3,607
Exec 1	312	1,283,069	502	8,417	4,112
Exec 2	438	2,667,953	765	17,621	6,091
SES	52	691,616	2,936	29,376	13,300
ASIC	890	4,960,050	502	29,376	5,573

* This includes payments for the 2008–09 performance year paid in 2009–10, plus pro-rata payments for the 2009–10 year for staff who left ASIC in 2009–10.

In 2009–10, staff approved two new enterprise agreements to replace the existing ASIC collective agreement: one for ASIC 1–4 level staff and another for Executive Level staff. The agreements build on our employment conditions and will work to support a culture that rewards high performance and recognises flexibility as an integral component in balancing work and other commitments.

ASIC staff below the Senior Executive Service (SES) level are now covered by one of these two enterprise agreements relevant to their classification. These enterprise agreements

replaced the Australian Workplace Agreements (AWAs) that covered most staff, and any supplementation that was granted under the provisions of s24(1) of the *Public Service Act 1999* (Public Service Act).

The ASIC Act includes a specific employment power to engage executive and senior executive staff under s120(3) contracts on terms and conditions consistent with those of ASIC's Australian Public Service (APS) staff.

Industrial arrangements for ASIC staff (as at 30 June 2010)

Classification	ASIC Act s120(3) contract	AWA	EA*	EA [#]	Total
ASIC 1–3 (APS 1–5)			656		656
ASIC 4 (APS 6)			419		419
Exec 1	1			462	463
Exec 2				525	525
SES & equiv	31	23			54
Total	32	23	1,075	987	2,117[†]

* ASIC 1–4 Enterprise Agreement 2009–11

[#] Executive Level Enterprise Agreement 2009–11

[†] The actual number of industrial arrangements, which includes part-time staff

Working at ASIC (continued)

Salary ranges per annum (as at 30 June 2010)

Classification	Minimum \$	Maximum \$
ASIC 1	38,238	42,261
ASIC 2	44,468	53,201
ASIC 3	56,682	64,973
ASIC 4	67,825	76,782
Exec 1	89,095	103,835
Exec 2	101,455	142,496
SES	131,000	260,000

Remuneration for ASIC's SES level is determined by the responsibility and accountability of the role, comparison with the remuneration of SES officers across the APS (and, when appropriate, the external marketplace in order to attract and retain appropriately skilled staff), and the particular skills, knowledge and experience of SES-level candidates for the position.

Equal opportunity and merit

ASIC is an equal opportunity employer. Excluding contractors and agency temporary employees, 33% of senior executives are female. Women comprise 58% of total employees. Late in the financial year ASIC commenced a 'Women in ASIC' program to provide targeted support to women in their careers.

ASIC employees (including SCT* and CALDB† staff) by classification and location, average FTE‡ for years ended 30 June

	Vic		NSW		Qld		WA		SA		
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	
Chair			1	1							
Deputy Chair		1	1								
Member	1		2	2							
SES	14	12	34	30	2	2	2	1	1	2	
Exec 2	149	129	230	196	42	32	32	27	13	12	
Exec 1	109	93	185	160	42	29	38	31	17	12	
ASIC 4	135	123	129	115	42	34	25	16	18	17	
ASIC 3	124	122	73	70	32	26	13	11	13	14	
ASIC 2	197	183	28	18	16	15	16	12	10	7	
ASIC 1	33	26									
Contractors§	8	3	55	69	3		1	1			
Total	770	692	738	661	179	138	127	99	72	64	

* Superannuation Complaints Tribunal

† Companies, Auditors and Liquidators Disciplinary Board

‡ Inconsistencies in totals and subtotals are due to rounding

§ Includes all non-payroll IT contractors, secondees and agency staff

Staff ethics

All ASIC staff must adhere to the APS values and code of conduct under the Public Service Act. The values and code require impartiality, honesty, diligence and service, and all staff are required to attend training to learn about and apply the values and code.

Formal procedures require disclosure of any real or apparent conflict of interest. Commissioners and staff are required to take no part in decisions where real or apparent conflicts of interest may arise. ASIC has special reporting and decision-making procedures to maintain the integrity of its decisions.

Staff are required to keep a register of interests that supervisors may inspect at any time, and senior executives are required to submit statements of interests to the Chairman. Biannual disclosures are made by staff in February and July. The Commission has

appointed senior disclosure officers to advise managers and staff on how to handle possible conflicts.

Other resources

ASIC has internal and external grievance procedures, including review of actions under the Public Service Act and appeals to the APS Commission.

Dispute avoidance and settlement provisions are included in the ASIC enterprise agreements.

Fraud control

In 2009–10, ASIC continued to implement the strategies outlined in our Fraud Control Plan, which covers strategies and processes to prevent, detect, investigate and minimise the effects of fraud. ASIC maintained reporting and data collection mechanisms that met our needs and complied with Commonwealth Fraud Control Guidelines 2002.

	ACT		Tas		NT		Total		
	2010	2009	2010	2009	2010	2009	2010	2009	
							1	1	Chair
							1	1	Deputy Chair
							3	2	Member
	1	1	1	1			55	49	SES
	4	4	6	4			476	404	Exec 2
	3	6	5	5	2	2	400	338	Exec 1
	7	3	2	3			358	311	ASIC 4
	3	2	2	3	2	2	262	250	ASIC 3
	5	3	2	2			274	240	ASIC 2
							33	26	ASIC 1
	1	1					68	74	Contractors [§]
	24	20	18	18	4	4	1,931	1,696	Total

Working at ASIC (continued)

Operative and paid operative ASIC staff (including SCT* and CALDB† staff) by classification and gender, average FTE‡ for years ended 30 June

Employment type and classification	Ongoing full-time				Ongoing part-time				Non-ongoing full-time	
	Female		Male		Female		Male		Female	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Appointee§										
Chair										1
Deputy Chair									1	
Member										1
Appointee total									1	2
ASIC Act										
Exec 1			1	1						
Exec 2										1
SES	2	2		1					8	7
Contractors#									28	21
ASIC Act total	2	2	1	2					36	29
Public Service Act										
ASIC 1	6	2	2	1	4				12	11
ASIC 2	115	101	43	33	60	56	3	6	32	23
ASIC 3	137	124	79	70	21	23	1	5	20	13
ASIC 4	175	156	122	105	28	26	1	7	18	6
Exec 1	149	130	196	157	23	20	3	12	13	5
Exec 2	140	118	252	219	42	31	8	14	11	4
SES	8	11	13	11	2	2				
Public Service Act total	730	642	707	596	180	158	16	44	106	62
Total	732	645	708	598	180	158	16	44	143	93

* Superannuation Complaints Tribunal

† Companies, Auditors and Liquidators Disciplinary Board

‡ Inconsistencies in totals and subtotals are due to rounding

§ Includes the Chair and Acting Deputy (APS ongoing staff) of the SCT

Includes all non-payroll IT contractors, secondees and agency staff

Non-ongoing full-time		Non-ongoing part-time				Total		Employment type and classification
Male		Female		Male				
2010	2009	2010	2009	2010	2009	2010	2009	
1	1					1	1	Chair
	1					1	1	Deputy Chair
3	1					3	2	Member
4	3					5	4	Appointee total
								ASIC Act
	1						2	Exec 1
	1						2	Exec 2
20	10	1	1		4	31	25	SES
40	53					68	74	Contractors [#]
60	65	1	1		4	99	103	ASIC Act total
								Public Service Act
3	3	6	8		1	33	26	ASIC 1
12	4	7	13	2	4	274	240	ASIC 2
6	7	1	6		3	262	251	ASIC 3
9	4	4	5	1	1	358	310	ASIC 4
11	7	3	2	2	3	399	336	Exec 1
18	11	4	4		1	476	402	Exec 2
						24	24	SES
59	36	25	38	5	13	1,826	1,589	Public Service Act total
123	103	26	39	5	18	1,932	1,698	Total

year of action

Where ASIC fits in the regulatory picture

ASIC's statutory aims

In brief, s1(2) of the ASIC Act requires ASIC to strive to:

- ♦ maintain, facilitate and improve the performance of the financial system and entities within it
- ♦ promote confident and informed participation by investors and consumers in the financial system
- ♦ administer the law effectively and with a minimum of procedural requirements
- ♦ act to enforce and give effect to the law
- ♦ receive, process and store, efficiently and quickly, information that is given to ASIC
- ♦ make information about companies and other bodies available to the public as soon as practicable.

ASIC's legislation

ASIC regulates companies and financial services, and promotes investor, creditor and consumer protection under the *Australian Securities and Investments Commission Act 2001*, *Corporations Act 2001*, *Insurance Contracts Act 1984*, *Superannuation (Resolution of Complaints) Act 1993*, *Retirement Savings Accounts Act 1997*, *Superannuation Industry (Supervision) Act 1993*, *Life Insurance Act 1995*, *Medical Indemnity (Prudential Supervision and Product Standards) Act 2003* and the *First Home Saver Accounts Act 2008*. From 1 July 2010, ASIC regulates credit under the *National Consumer Credit Protection Act 2009*.

The ASIC Act, the Corporations Act and other Commonwealth regulatory legislation confer various powers and discretions on ASIC. The majority of these powers and discretions are subject to judicial or administrative review (or both), by the Federal Court and the Administrative Appeals Tribunal respectively.

Other regulators

ASIC cooperates with the following bodies through consultation at senior level and regular contact by operational and policy staff:

- ♦ The Australian Prudential Regulation Authority is the prudential regulator of the Australian financial services industry. It oversees banks, credit unions, building societies, general insurance and reinsurance companies, life insurance, friendly societies and most members of the superannuation industry.
- ♦ The Reserve Bank of Australia regulates monetary policy and the stability of the financial system.
- ♦ The Australian Competition and Consumer Commission promotes fair trading (except in financial services which are regulated by ASIC) and competition in the marketplace.
- ♦ The Australian Securities Exchange is a regulated commercial organisation with obligations to monitor and enforce its operating rules (e.g. the governance of listed companies and operational activities of brokers in relation to the market) derived from its licences.

ASIC is a member of the Council of Financial Regulators, the coordinating body for Australia's main financial regulatory agencies. Other members are the RBA, APRA and Treasury.

Relationship with the responsible Minister

The Ministers responsible for ASIC at 30 June 2010 were the Treasurer, the Hon Wayne Swan MP, and the Minister for Financial Services, Superannuation and Corporate Law, the Hon Chris Bowen MP.

Commissioners reported to the Minister through their annual report, and through briefings, submissions and meetings with the Treasurer or Minister Bowen. ASIC also briefed Treasury about current issues and proposed changes to the law.

Under s12 of the ASIC Act, the Minister may direct ASIC about policies or priorities for using its powers or performing its functions, but may not direct it about a particular case. Only one general direction has been given, in 1992, about collaboration and consultation between ASIC and the CDPP in the investigation and prosecution of corporate wrongdoing.

In addition, Commonwealth Ministers and departmental secretaries from time to time asked ASIC, along with other agencies, to conform to Government policies affecting its general administration – for example, by referring to particular sources of Government information when publishing ASIC information for small businesses. ASIC exchanged letters of intent with the former Government on expectations of ASIC. These letters are available on ASIC's website.

Reporting to Parliament

ASIC appeared before Committees of the Parliament of Australia on 11 occasions in 2009–10 the Parliamentary Joint Committee on Corporations and Financial Services (five), the Senate Standing Committee on Economics (five) and the Senate Select Committee on Agricultural and Related Industries (one).

ASIC also submitted its annual report and replied to Parliamentary questions and inquiries on behalf of constituents.

The Parliamentary Joint Committee on Corporations and Financial Services tabled statutory oversight reports on ASIC in September 2009, February 2010 and June 2010. This important process enabled parliamentarians to examine ASIC and make recommendations.

Relationship with states and territories

The Commonwealth assumed responsibility for corporate regulation from the states and the Northern Territory in 1991, under arrangements agreed (and subsequently revised) as set out in the *Corporations Agreement 2002*.

This Agreement requires the Commonwealth to consult the Ministerial Council for Corporations (MINCO), comprising Commonwealth, state and territory ministers, in appointing ASIC Commissioners, and requires ASIC to:

- ♦ consult the relevant state or territory minister in appointing regional commissioners
- ♦ maintain offices in each state capital and Darwin
- ♦ maintain certain minimum service levels in each state and the Northern Territory

- ♦ maintain regional liaison committees in each state and the Northern Territory to consult the local business community, and use its best endeavours to have a Commission member present at those meetings.

ASIC attended MINCO to observe and answer questions about the administration of the corporations legislation. It also attended the Ministerial Council on Consumer Affairs as part of its role in protecting consumers in credit.

The Ministers responsible for ASIC at 30 June 2010 were the Treasurer, the Hon Wayne Swan MP, and the Minister for Financial Services, Superannuation and Corporate Law, the Hon Chris Bowen MP.



Bernie Ripoll, Chairman of the Parliamentary Joint Committee on Corporations and Financial Services, joined committee members on a visit to ASIC's regional Victorian office at Traralgon in March 2010. Mr Ripoll is photographed with ASIC customer service consultant Louise Quigley.

Where ASIC fits in the regulatory picture (continued)

Commissioners

The Commission is responsible for the strategic direction of ASIC and its priorities. The Commission meets regularly, usually monthly:

- ♦ to make decisions on matters within ASIC's regulatory functions and powers that have strategic significance
- ♦ to oversee the management and operations of ASIC as a Commonwealth Government agency.

The Commission appoints and evaluates the performance of Senior Executive Leaders, and approves budgets and business plans for each team.

Individual Commissioners also have executive responsibility for particular stakeholder and deterrence teams: see page 59.

The Commission held 25 formal meetings in 2009–10.

Commission member	Eligible to attend	Attended
Tony D'Aloisio	17	17
Belinda Gibson	15	15
Peter Boxall	16	16
Michael Dwyer	17	15
Greg Medcraft	17	17
Shane Tregillis*	2	2

* Shane Tregillis was appointed as a Commissioner on 7 May 2010.

Commissioners' appointment and remuneration

The Governor-General, on the nomination of the Treasurer, appoints ASIC Commissioners. The Treasurer may nominate as Commissioners only people who are qualified by knowledge of, or experience in, business, administration

of companies, financial markets, financial products and financial services, law, economics or accounting.

Commissioners are appointed on fixed terms that may be terminated earlier only for reasons set out in s111 of the ASIC Act.

The Remuneration Tribunal sets Commissioners' remuneration, which is not linked to their performance.

Conflicts of interest

The ASIC Act requires Commission members to disclose to the Minister direct or indirect pecuniary interests in corporations carrying on business in Australia, businesses in Australia or interests regulated by ASIC, or arrangements or agreements for future business relationships.

Chief Legal Office

Michael Kingston, the Chief Legal Officer, is the primary source of legal advice to the Commission, providing legal counsel to the Chairman on major regulatory and enforcement matters and ASIC's operations and administration. Other independent legal and accounting experts also advised on specific matters.

Delegation of functions and powers

The Commission has delegated various powers and functions to Senior Executive Leaders, Regional Commissioners and staff reporting to them, to ensure that ASIC's business is carried out efficiently and effectively. Delegations are reviewed regularly and the Commission requires its delegates to act in accordance with policies and procedures approved by the Commission.

Financial governance

ASIC operates under the *Financial Management and Accountability Act 1997*, which primarily governs its use of Commonwealth resources and expenditure of public money. For more information about procurement policies, see Appendices on page 78.

revenue

Audit Committee and audit, assurance and compliance services

The Audit Committee, under a charter agreed between it and the Commission, assists ASIC's Chairman in maintaining and improving:

- ♦ the effectiveness and integrity of ASIC risk management and internal controls
- ♦ the credibility, objectivity and quality of ASIC's financial reporting and financial statements
- ♦ ASIC's compliance with relevant laws.

The Committee reviewed ASIC's 2009–10 Financial Statements and provided a degree of assurance to the Commissioners before they signed those statements.

The Committee met four times during the year.

Members	Eligible to attend	No. of meetings attended
Robert Savage Appointed Independent Member, March 2000 Chairman since January 2005 Reappointed as Chairman on 30 January 2008	4	4
Robert Lynn Appointed Independent Member, March 2002 Deputy Chairman since January 2005 Reappointed as Deputy Chairman on 30 January 2008 Retired on 29 January 2010	2	2
Byram Johnston Appointed Independent Member, January 2005 Reappointed as Independent Member on 19 January 2009	4	4
Belinda Gibson ASIC Commissioner Appointed December 2007 Term expired on 1 December 2009	2	2
Maree Blake ASIC Queensland Regional Commissioner Appointed September 2008	4	4
Michael Dwyer ASIC Commissioner Appointed on 1 December 2009	2	2
Geoffrey Applebee Appointed on 1 February 2010	2	2

Audit Committee and audit, assurance and compliance services (continued)

In addition, the Audit Committee had two special meetings during the year to review ASIC's draft Financial Statements and the annual *Financial Management and Accountability Act 1997* compliance certification process.

Independent Members are appointed from outside ASIC. The Deputy Chairman was replaced with a new Independent Member following the expiry of his term of appointment. All three Independent Members are Chartered Accountants and company directors and have significant financial and business experience.

The internal appointees are ASIC Commissioner Michael Dwyer (replacing Belinda Gibson), representing the Commission, and Queensland Regional Commissioner Maree Blake.

A Senior Executive Specialist – Audit, Assurance and Compliance was appointed during February 2010 to lead the Internal Audit team, and reports to the Audit Committee.

The Committee sent a report to the Commission after each meeting. The Chairman of the Audit Committee meets separately with the ASIC Chairman when required. A number of Senior Executive Leaders presented their objectives and priorities at Audit Committee meetings during the year.

ASIC's Audit, Assurance and Compliance function operates as a co-sourced audit arrangement with Deloitte Touche Tohmatsu.

The Australian National Audit Office provided external audit services. Both external and internal audit representatives attended Audit Committee meetings.

Robert R Savage

Chairman, ASIC Audit Committee
July 2010



Hans Hoogervorst, Chairman of the Netherlands Authority for the Financial Markets, gives a presentation on the global regulatory reform agenda at ASIC's Summer School in March 2010 in Melbourne.



appendices

Appendices

Publications

ASIC published the following free publications through its websites and Infoline:

- ♦ electronic newsletters: *FIDO News*, *Credit Reform Update*, *Market Supervision Update*
- ♦ printed newsletters: *InFocus* (company information)
- ♦ new consumer brochures (in English):
 - ♦ *Investing in corporate bonds?*
 - ♦ *Investing between the flags*
 - ♦ *Credit, loans and debt: stay out of trouble when you borrow money*
 - ♦ *Book-up for traders* (factsheet)
 - ♦ *Book-up for consumers* (factsheet)
 - ♦ Credit factsheets: *Can't pay your debts*, *Car loans*, *Consumer leases*, *Credit cards and store cards*, *Home loans*, *Interest-free deals*, *Love and loans*, *No or low-interest loans*, *Overdrafts*, *Payday loans and other high-cost credit*, *Personal loans*, *Rent to buy*, *Using a broker*, *Your credit report*
- ♦ updated consumer brochures (in English):
 - ♦ *You can complain* (also in five other languages)
 - ♦ *Money talks* (Indigenous radio series CD)
- ♦ information for industry: regulatory guides, consultation papers, reports, information sheets, on-demand podcasts, online services user guides and brochures, and legal (including gazettes), communication and corporate documents.

ASIC published for sale: *ASIC Digest*, *ASIC Working Guide for Accountants*, *ASIC Working Guide for Company Secretaries*, *ASIC Working Guide for Company Directors*, *ASIC Financial Services Policy Handbook*, *ASIC Forms on CD-ROM*, *ASIC Managed Investments Handbook*, and *ASIC Policy Alert*.

Freedom of Information Act

You have a right to apply to ASIC for access to documents in ASIC's possession under the *Freedom of Information Act 1982* (FOI Act).

You must apply in writing, stating documents you want to obtain. Requests should be addressed to the Administrative Law Coordinator in your state or territory. For further information on how to apply, visit www.asic.gov.au.

Categories of documents in ASIC's possession relate to matters including:

- ♦ operational matters such as:
 - ♦ licence and professional registration applications
 - ♦ applications from businesses, correspondence, internal working papers, policy proposals and submissions
 - ♦ administrative, civil and criminal enforcement matters, including documents obtained under ASIC's compulsory powers
- ♦ law reform, including submissions and proposal papers
- ♦ correspondence with members of the public, government entities, Parliamentary committees, business entities and other bodies
- ♦ administration, including accommodation, accounts, expenditure, invoices, audit, human resources, recruitment and staff management, delegation and authorisation
- ♦ reference materials, including those contained in the library, handbooks, guidelines, manuals, regulatory documents, media releases, information releases, pamphlets and annual reports
- ♦ other documents held as public database information (ASCOT).

As required by s9 of the FOI Act, ASIC advises that you may inspect and purchase by subscription the following documents from Thomson-CPD, phone 1800 036 186: *ASIC Digest*, which contains, among other things, regulatory documents, information brochures, media releases, ASIC advisories, information releases, summaries of most ASIC instruments, class orders, and pro formas for various types of standard relief.

Documents available to the public through ASIC's website (www.asic.gov.au), ASCOT or the *ASIC Digest* and library material maintained for reference purposes are not available under the FOI Act.

Commonwealth disability strategy report

As a regulator, ASIC publishes (in formats accessible for people with disabilities) all its publicly available information on regulations, quasi-regulations and compliance reporting. This occurs through its website on the day materials are released, in hard copy through ASIC's commercial publisher and on request through its Infoline. ASIC's website complies with accessibility guidelines, within the limits of the technology at its disposal.

As an employer, ASIC incorporates the requirements of the *Disability Discrimination Act 1992* when developing and reviewing employment policies, procedures and guidelines.

In particular:

- ♦ recruitment information is released in accessible electronic format, within 24 hours, or posted out in hard copy on request within 24 hours – no requests were received for other formats in the financial year
- ♦ human resources staff advise managers and recruiters on reasonable adjustments required for job applicants and staff with disabilities (including staff access to training)
- ♦ information on disability issues is included in training programs as appropriate.

Disclosure under Commonwealth Electoral Act

Section 311A of the *Commonwealth Electoral Act 1918* requires ASIC to report for the 2009–10 financial year on payments (exclusive of GST) made by it or on its behalf to:

- ♦ advertising agencies: Universal McCann \$120,520
- ♦ market research organisations: SFG Corporate \$82,500, Roy Morgan Research \$367,730, Gordon Renouf \$39,999, Security Industry Research Centre \$46,860, Australian Science Teachers Association \$48,384, Business Educators Australasia Inc \$32,670, Colmar Brunton Social Research \$207,582, Susan Bell Research \$66,874
- ♦ direct mail organisations: nil
- ♦ media advertising organisations: Adcorp Australia Pty Ltd \$97,769, Market U Pty Ltd \$66,440, Department of Treasury \$27,356, Mahlab Recruitment (Vic) Pty Ltd \$28,370.

In 2009–10 ASIC conducted an advertising campaign, 'Consumer Credit, Industry Awareness'. Further information is available at www.asic.gov.au/credit and in the reports on Australian Government Advertising prepared by the Department of Finance and Deregulation, available at: www.finance.gov.au/advertising/index.html.

Disclosure under CDDA Scheme

In 2009–10 ASIC made a payment under the Compensation for Detriment Caused by Defective Administration Scheme of \$6,236.10 to Saltronix Pty Ltd.

Disclosure under ASIC Act

As required by s136(2)(e) of the ASIC Act, ASIC reports that in 2009–10 it did not exercise its powers under Pt 15 of the *Retirement Savings Account Act 1997* or under Pt 29 of the *Superannuation Industry (Supervision) Act 1993*. No relevant applications were received.

Procurement

The *Financial Management and Accountability Act 1997* primarily governs ASIC’s use of Commonwealth resources and expenditure of public money. A central procurement team oversees procurement, ensuring that all requirements are adequately met.

Responsibility for procurement lies with the appropriate financial delegates within business units. They are supported by a central procurement team staffed by qualified procurement officers who provide advice on risk management, probity, specification development and contract management.

Low-risk procurements (valued at less than \$80,000) are managed by business units.

Procurements of \$80,000 or more are managed by the business unit and the central procurement team, which ensures that ASIC follows the principles and policies of the *Commonwealth Procurement Guidelines*.

All major contracts entered into in 2009–10 contained provisions, as required, allowing the Auditor-General access to information held by contractors relating to contract performance.

AusTender

ASIC advertises all tender opportunities through the AusTender website: www.tenders.gov.au.

ASIC has completed procurements to establish panels for the provision of the following goods and services:

- ♦ accounting services
- ♦ recruitment services
- ♦ legal document management services
- ♦ learning and development technical skills
- ♦ catering
- ♦ personal and business effectiveness skills.

Contracts of \$100,000 or more were reported on ASIC’s website, in accordance with the Senate Order on Departmental and Agency Contracts. Information on contracts and

consultancies awarded by ASIC is also available on the AusTender website. ASIC’s annual procurement plan was published on AusTender by 1 July 2010.

There were no contracts that were exempted from the contract reporting requirements.

Consultancy contracts

During 2009–10, 55 new consultancy contracts were entered into, involving total actual expenditure of \$3.59 million. In addition, 27 ongoing consultancy contracts were active during the 2009–10 year, involving total actual expenditure of \$5.6 million.

Consultancy – Trend Data

	2009 –10	2008 –09	2007 –08
Number of new consultancies	55	127	105
Expenditure on new consultancies	\$3.59m	\$4.53m	\$8.84m
Number of ongoing consultancies	27	24	86
Expenditure on ongoing consultancies	\$5.6m	\$0.28m	\$0.82m

Note: The above figures are GST inclusive and include all consultancies over \$10,000 as indicated on AusTender. The figures differ from the consultancy expenditure shown in page 108 of the financial statements, which is the value of all consulting costs exclusive of GST.

Annual reports contain information about actual expenditure on contracts for consultancies. Information on the value of contracts and consultancies is available on the AusTender website at: www.tenders.gov.au.

Agency resource statement

ASIC resource statement, 2009–10

\$'000

	Budget* 2009–10 (1)	Actual expenses 2009–10 (2)	Variation column (1) minus column (2)
Outcome 1: Improved confidence in financial market integrity and protection of investors and consumers through research, policy, education, compliance and deterrence that mitigates emerging risks			
A Administered expenses funded by administered appropriations	3,424	3,130	294
B Departmental expenses funded by departmental appropriations and own-source revenue	284,888	301,525	(16,637)
Total for Outcome 1 (A + B)	288,312	304,655	(16,343)
Staffing (average FTE)	1,428	1,506	(78)
Outcome 2: Streamlined and cost-effective interaction and access to information for business and the public through registry, licensing and business facilitation services			
A Administered expenses funded by administered appropriations	63,224	64,877	(1,653)
B Departmental expenses funded by departmental appropriations and own-source revenue	92,713	85,045	7,668
Total for Outcome 2 (A + B)	155,937	149,922	6,015
Staffing (average FTE)	532	425	107

* Based on the 2009–10 forecast as set out in ASIC's 2010–11 Portfolio Budget Statements.



ASIC's Regional Commissioners aim to have an active program of engagement with stakeholders in their state. Pictured is Tasmanian Regional Commissioner Julie Read with the AICD's Lyn Cox at a stakeholder lunch in Hobart.

Appendices (continued)

Six-year statistical summary

Business data	2009–10	2008–09	2007–08	2006–07	2005–06	2004–05
Companies (total)	1,768,526	1,700,891	1,645,805	1,572,054	1,480,684	1,427,573
New companies registered	157,667	137,410	149,403	156,424	121,298	121,463
Authorised financial markets	16*	16	17	17	15	13
Licensed clearing and settlement facilities	5	5	5	5	5	5
Australian financial services licensees	4,874	4,803	4,768	4,625	4,415	4,135
Registered company auditors	5,270	5,345	5,495	5,658	5,848	6,163
Registered liquidators	664	660	674	689	747	762
Registered managed investment schemes	4,339	4,651	5,108	4,680	4,310	4,093
Fundraising documents lodged	880	776	1,011	960	808	1,064
Product disclosure 'in use' notices	4,698	6,390	9,708	10,066	12,480	12,708
Takeovers	73	47	113	65	60	68

* Excludes 16 exempt professional markets and 68 exempt low volume markets.

ASIC performance data	2009–10	2008–09	2007–08	2006–07	2005–06	2004–05
Criminals jailed	12 ¹	19	23	21	17	27
Fundraising where ASIC required additional disclosure	\$6bn	\$4bn	\$3bn	\$17bn	\$10bn	\$6bn
Recoveries, costs compensation, fines or assets frozen	\$302m	\$28m	\$146m	\$140m	\$215m	\$123m
% successful litigation	91%	90%	94%	97%	94%	94%
Litigation concluded	156	186	280	430	386	193
Reports of crime and misconduct	13,372	13,633	11,436	10,682	12,075	10,752
Total searches of ASIC databases	61m	60m	51m	55m	45m	36m
% company data lodged on time	95%	95%	95%	95%	94%	94%
Fees and charges raised for the Commonwealth	\$582m	\$552m	\$545m	\$519m	\$543m	\$531m
Staff (average FTEs)	1,932	1,698	1,669	1,610	1,471	1,570
Financial summary (\$m)						
<i>Operations</i>						
Total operating expenses	387	295	274	256	218	208
Total operating revenue	381	315	292	258	225	208
<i>Financial position</i>						
Current assets	80	116	128	59	41	23
Non-current assets	175	96	50	50	37	35
Current liabilities	69	79	79	67	58	46
Non-current liabilities	69	21	23	21	13	11
Total equity	117	112	76	21	7	1

¹ Includes the jailing of Oswyn De Silva for contempt of court (civil action).

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

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INDEPENDENT AUDITOR'S REPORT

To the Parliamentary Secretary to the Treasurer

Scope

I have audited the accompanying financial statements of the Australian Securities and Investments Commission for the year ended 30 June 2010, which comprise: a Statement by the Chairman and Chief Financial Officer; Statement of Comprehensive Income; Balance Sheet; Statement of Changes in Equity; Cash Flow Statement; Schedule of Commitments; Schedule of Contingencies; Schedule of Asset Additions; Schedule of Administered Items and Notes to and forming part of the Financial Statements, including a Summary of significant accounting policies.

The Responsibility of the Chairman for the Financial Statements

The Agency's Chairman is responsible for the preparation and fair presentation of the financial statements in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, including the Australian Accounting Standards (which include the Australian Accounting Interpretations). This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I have conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. These auditing standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial

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statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Agency's Chairman, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

In conducting the audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the requirements of the Australian accounting profession.

Auditor's Opinion

In my opinion, the financial statements of the Australian Securities and Investments Commission:

- (a) have been prepared in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, including the Australian Accounting Standards; and
- (b) give a true and fair view of the matters required by the Finance Minister's Orders including the Australian Securities and Investments Commission's financial position as at 30 June 2010 and its financial performance and cash flows for the year then ended.

Australian National Audit Office



Carla Jago
Executive Director
Delegate of the Auditor-General

Canberra

30 July 2010

Statement by Chief Executive AND CHIEF FINANCIAL OFFICER

In our opinion, the attached financial statements for the year ended 30 June 2010 are based on properly maintained financial records and give a true and fair view of the matters required by the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, as amended.

This statement is made in accordance with a resolution of the Commission members.



A. M. D'Aloisio

Chairman
29 July 2010



M. M. Haerewa

Chief Financial Officer
29 July 2010

Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 \$'000	2009 \$'000
EXPENSES			
Employee benefits	3A	208,232	176,792
Supplier expenses ¹	3B	147,260	97,465
Depreciation and amortisation	3C	27,865	19,191
Finance costs	3D	488	468
Write-down and impairment of assets	3E	2,712	896
Losses from asset sales	3F	13	9
Total expenses	30B	386,570	294,821
LESS:			
Own-source income			
Own-source revenue			
Rendering of services	4A	3,734	3,370
Royalties	4B	250	236
Other revenues	4C	7,208	3,036
Total own-source revenue		11,192	6,642
Gains			
Other gains ¹	4D	172	158
Total gains		172	158
Total own-source income		11,364	6,800
Net cost of services		375,206	288,021
Revenues from Government	4E	370,229	307,796
(Deficit) / surplus attributable to the Australian Government ²		(4,977)	19,775
Other comprehensive income			
Changes in asset revaluation reserve ²		973	–
Total comprehensive (loss) / income attributable to the Australian Government ²		(4,004)	19,775

1 Supplier expenses for 2008–09 are \$28,516 higher than the amount reported in the 2008–09 financial statements. The increase, which is offset by an increase in 'Other gains' relates to ANAO audit fees received free of charge. Previously this cost was disclosed in the Schedule of Administered Items.

2 This is disclosed in the Statement of Changes in Equity.

The above statement should be read in conjunction with the accompanying notes.

Balance Sheet

AS AT 30 JUNE 2010

	Notes	2010 \$'000	2009 \$'000
ASSETS			
Financial assets			
Cash and cash equivalents	5A	189	2,950
Trade and other receivables	5B	72,046	108,366
Total financial assets		72,235	111,316
Non-financial assets			
Leasehold improvements	6A	68,072	27,043
Plant and equipment	6B	23,893	17,241
Intangibles	6C	82,611	52,149
Other non-financial assets	6D	8,271	4,247
Total non-financial assets		182,847	100,680
Total assets		255,082	211,996
LIABILITIES			
Payables			
Suppliers	7A	22,436	16,183
Other payables	7B	54,664	33,200
Total payables		77,100	49,383
Provisions			
Employee provisions	8A	50,071	43,332
Other provisions	8B	10,918	6,696
Total provisions		60,989	50,028
Total liabilities		138,089	99,411
Net assets		116,993	112,585
EQUITY			
Contributed equity		84,626	76,214
Reserves		6,473	8,900
Accumulated surplus		25,894	27,471
Total equity		116,993	112,585

The above balance sheet should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2010

	Notes	Accumulated surplus		Asset revaluation reserve		Contributed equity		Total equity	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Opening balance		27,471	7,696	8,900	8,900	76,214	59,354	112,585	75,950
Comprehensive income									
Revaluation									
Leasehold improvements ¹	6E	—	—	1,262	—	—	—	1,262	—
Restoration obligations ¹	8B	—	—	(289)	—	—	—	(289)	—
(Deficit) / surplus		(4,977)	19,775	—	—	—	—	(4,977)	19,775
Total comprehensive (loss) / income attributable to the Australian Government		(4,977)	19,775	973	—	—	—	(4,004)	19,775
Transfer from the asset revaluation reserve to retained earnings ²		3,400	—	(3,400)	—	—	—	—	—
Transactions with owners									
Contributions by owners									
Appropriations – contributed equity		—	—	—	—	10,065	20,595	10,065	20,595
Distribution to owners									
Returns of capital									
Finance Minister's determination ³									
No. 36 of 2008–09 Schedule 2 and Schedule 3		—	—	—	—	—	(1,757)	—	(1,757)
No. 38 of 2008–09 Schedule 2		—	—	—	—	—	(1,407)	—	(1,407)
No. 39 of 2008–09 Schedule 1		—	—	—	—	—	(571)	—	(571)
No. 11 of 2009–10 Schedule 8		—	—	—	—	(1,653)	—	(1,653)	—
Sub-total transactions with owners		—	—	—	—	8,412	16,860	8,412	16,860
Closing balance attributable to the Australian Government		25,894	27,471	6,473	8,900	84,626	76,214	116,993	112,585

1 On 1 June 2010 ASIC re-assessed the future cost to make good its premises. The increase in restoration obligation has been debited directly to the asset revaluation reserve as it reverses a previous credit to the reserve in respect of the leasehold improvements class of assets. The increase in depreciated replacement costs of leasehold improvements has also been credited directly to the asset revaluation reserve.

2 The transfer from the asset revaluation reserve to retained earnings relates to leasehold improvements previously revalued that ASIC no longer holds.

3 The reduction to equity in 2008–09 and 2009–10 relates to the Standard Business Reporting cross-agency initiative. The reduction to ASIC's equity has been re-directed to other agencies involved in the project.

The above statement should be read in conjunction with the accompanying notes.

Cash Flow Statement

FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 \$'000	2009 \$'000
Operating activities			
Cash received			
Appropriations		414,444	315,501
Services		3,475	4,832
Net GST received		20,067	15,169
Other cash received		7,459	3,272
Total cash received		445,445	338,774
Cash used			
Employees		199,310	168,805
Suppliers		170,078	127,629
Finance costs		–	3
Return to Government – ESA court costs recovered		815	–
Transfers to the Official Public Account ¹		7,574	–
Total cash used		(377,777)	(296,437)
Net cash from / (used by) operating activities	9	67,668	42,337
Investing activities			
Cash received			
Proceeds from sales of leasehold improvements, plant and equipment	3F	–	2
Cash used			
Purchase of leasehold improvements, plant and equipment and intangibles		78,841	64,476
Net cash (used) by investing activities		(78,841)	(64,474)
Financing activities			
Cash received			
Appropriations – contributed equity		8,412	16,860
Cash used			
Repayment of finance lease principal		–	(188)
Net cash from financing activities		8,412	16,672
Net increase / (decrease) in cash held		(2,761)	(5,465)
Cash and cash equivalents at the beginning of the reporting period		2,950	8,415
Cash and cash equivalents at the end of the reporting period	5A	189	2,950

1 The balance for 2009–10 includes cash received from independent sources which has been transferred to the Official Public Account. This is in accordance with the policy introduced by the Department of Finance and Deregulation from October 2009.

The above statement should be read in conjunction with the accompanying notes.

Schedule of Commitments

AS AT 30 JUNE 2010

	2010 \$'000	2009 \$'000
By type		
Commitments payable		
Capital commitments		
Leasehold improvements ¹	1,013	2,968
Plant and equipment ¹	3,663	3,118
Intangibles	8,337	3,086
Total capital commitments	13,013	9,172
Other commitments		
Operating leases ²	289,787	268,750
Other commitments (goods and services)	64,619	30,470
Total other commitments	354,406	299,220
Less: commitments receivable		
GST recoverable on commitments	33,402	28,036
Total commitments receivable	33,402	28,036
Net commitments by type	334,017	280,356
By maturity		
Commitments payable		
Capital commitments		
One year or less	13,013	9,172
Total capital commitments	13,013	9,172
Operating lease commitments		
One year or less	31,574	23,523
From one to five years	121,093	100,456
Over five years	137,120	144,771
Total operating lease commitments	289,787	268,750
Other commitments (goods and services)		
One year or less	20,122	30,470
From one to five years	44,497	–
Total other commitments	64,619	30,470
Less: commitments receivable		
GST recoverable on commitments		
One year or less	5,883	5,742
From one to five years	15,054	9,132
Over five years	12,465	13,162
Total commitments receivable	33,402	28,036
Net commitments by maturity	334,017	280,356

1 Outstanding contractual payments for purchases of leasehold improvements, plant and equipment and intangibles.

2 Operating leases included are effectively non-cancellable and comprise:

Nature of lease

Leases for office accommodation
Motor vehicles – senior executives
Office equipment

General description of leasing arrangement

Subject to fixed increases and annual or bi-annual rent reviews.
No contingent rentals exist. There are no purchase options available to ASIC.
No contingent rentals exist. There are no purchase options available to ASIC.

Commitments are GST inclusive where relevant.

The above schedule should be read in conjunction with the accompanying notes.

Schedule of Contingencies

AS AT 30 JUNE 2010

	Note	2010 \$'000	2009 \$'000
Contingent assets			
Contingent receivables		735	1,168
Total contingent assets	10	735	1,168
Contingent liabilities			
Contingent payables		50	120
Total contingent liabilities	10	50	120

Details of all contingent liabilities and assets, including those not included above because they cannot be quantified, are disclosed in Note 10: Contingent liabilities and assets.

The above schedule should be read in conjunction with the accompanying notes.

Schedule of Asset Additions

FOR THE YEAR ENDED 30 JUNE 2010

The following non-financial non-current assets were added in 2009–10

	Leasehold improvements \$'000	Plant & equipment \$'000	Intangibles \$'000	Total \$'000
Purchases:				
Funded by appropriation equity ¹	–	–	23,577	23,577
Funded by appropriation ordinary annual services ²	48,076	18,784	17,060	83,920
Total additions	48,076	18,784	40,637	107,497

1 This includes equity appropriated in previous years.

2 This includes leasehold improvements funded by a lessor's contribution to office fit-out.

The following non-financial non-current assets were added in 2008–09

	Leasehold improvements \$'000	Plant & equipment \$'000	Intangibles \$'000	Total \$'000
Purchases:				
Funded by appropriation equity	–	–	15,364	15,364
Funded by appropriation ordinary annual services	9,296	15,706	26,198	51,200
Total additions	9,296	15,706	41,562	66,564

The above schedule should be read in conjunction with the accompanying notes.

Schedule of Administered Items

FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 \$'000	2009 \$'000
Income administered on behalf of Government			
Revenue			
Non-taxation revenue			
Corporations Act fees and fines ¹	16A	581,509	551,728
Banking Act unclaimed moneys ²	16A	53,740	45,216
Life Insurance Act unclaimed moneys ³	16A	4,629	6,972
Total income administered on behalf of Government	20	639,878	603,916
Expenses administered on behalf of Government			
Grants ⁴	17A	3,130	3,076
Write-down and impairment of assets	17B	33,137	28,975
Other expenses ⁵	17C	31,740	30,915
Total expenses administered on behalf of Government ⁵	20	68,007	62,966

ASIC's functions in administering revenues and expenses on behalf of the Government are described below:

- 1 ASIC collects and administers revenue under the *Corporations Act 2001* and prescribed fees set by the *Corporations (Fees) Act 2001* and *Corporations (Review Fees) Act 2003*. This revenue is not available to ASIC and is remitted to the Official Public Account (OPA).
- 2 ASIC has responsibility for the administration of unclaimed monies received from banking and deposit taking institutions. Moneys received from banking and deposit taking institution accounts that remain inactive for seven years are transferred to the Commonwealth, and are deposited into the OPA.
- 3 ASIC also administers monies received from life insurance institutions and friendly societies. Monies received in respect of matured life insurance policies that have not been claimed for more than seven years are transferred to the Commonwealth and are deposited into the OPA.
- 4 On behalf of the Government, ASIC administers payments to registered insolvency practitioners. These payments are used to fund preliminary investigations of suspected breaches of directors' duties and fraudulent misconduct. The outcomes of the findings made by insolvency practitioners are reported to ASIC.
- 5 Total income administered on behalf of Government for 2008–09 is \$28,516 lower than the amount reported in the 2008–09 financial statements. The decrease, which is offset by a decrease in 'Other expenses' relates to ANAO audit fees received free of charge. This cost is now disclosed in ASIC's Statement of Comprehensive Income.

Note: Intra-Government transactions have been omitted.

The above schedule should be read in conjunction with the accompanying notes.

Schedule of Administered Items (continued)

AS AT 30 JUNE 2010

	Notes	2010 \$'000	2009 \$'000
Assets administered on behalf of Government			
Financial assets			
Cash and cash equivalents	18A	3,017	3,072
Receivables	18B	86,946	86,321
<i>Total assets administered on behalf of Government</i>		<u>89,963</u>	<u>89,393</u>
Liabilities administered on behalf of Government			
Payables			
Suppliers	19	7,826	6,414
<i>Administered assets less administered liabilities</i>	20	<u>82,137</u>	<u>82,979</u>

Note: Intra-Government transactions have been omitted.

The above schedule should be read in conjunction with the accompanying notes.

Schedule of Administered Items (continued)

FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 \$'000	2009 \$'000
Administered cash flows			
Operating activities			
Cash received			
Corporations Act fees and charges		549,181	520,595
Banking Act unclaimed moneys		53,740	45,216
Life Insurance Act unclaimed moneys		4,629	6,972
Net GST received		341	198
Total cash received		607,891	572,981
Cash used			
Refunds paid to:			
Deposit taking institution account holders		28,024	26,122
Life insurance policy holders		3,716	4,793
Grants		3,493	2,807
Total cash (used)		(35,233)	(33,722)
Net cash from operating activities	21	572,658	539,259
Net increase in cash held		572,658	539,259
Cash and cash equivalents at the beginning of the reporting period		3,072	3,064
Cash from Official Public Account for:			
– Appropriations	20	40,854	40,120
		43,926	43,184
Less: Cash to Official Public Account for:			
– Corporations Act fees and charges		554,478	526,709
– Banking Act unclaimed moneys		53,740	45,216
– Life Insurance Act unclaimed moneys		4,629	6,972
– Return of previous year unspent appropriation		347	474
– Section 30A GST refunded ¹		341	–
– Previous years' interest revenue		32	–
	20	(613,567)	(579,371)
Cash and cash equivalents at end of the reporting period	18A	3,017	3,072

1 From 1 July 2009 ASIC is required to remit GST refunded from the Australian Tax Office in respect of administered items, to the Official Public Account.

The above schedule should be read in conjunction with the accompanying notes.

Schedule of Administered Items (continued)

AS AT 30 JUNE 2010

Administered commitments

As at 30 June 2010 ASIC has no administered commitments payable (2009: \$0.5m). The commitments payable at 30 June 2009 relate to services from registered insolvency practitioners to investigate suspected breaches of the directors' duties and fraudulent misconduct. The administered commitments payable at 30 June 2009 were due within 1 year.

As at 30 June 2010 ASIC has no administered commitments receivable (2009: \$0.05m). The administered commitments receivable at 30 June 2009 relate to GST refundable and were received during the year ended 30 June 2010.

Administered contingent assets

There were no administered contingent assets as at 30 June 2010 (2009: nil).

	2010 \$'000	2009 \$'000
Administered contingent liabilities		
Payables – Refunds to claimants		
Banking Act administration ¹	37,242	35,709
Life Insurance Act unclaimed moneys ²	5,216	6,387
	42,458	42,096

1 Banking Act administration

Moneys from bank and deposit taking institution accounts inactive for seven or more years are transferred to the Commonwealth and are deposited into the OPA. The contingent liability disclosed above represents an estimate of future claims for repayment, where the validity of the claim has been established by the relevant institution.

The estimate of future claims for repayment at 30 June 2010 was determined using a methodology provided by an independent actuary (Russell Investment Group).

2 Life Insurance Act administration

Moneys in respect of matured life insurance policies that have not been claimed within seven years are transferred to the Commonwealth from life insurance companies and friendly societies, and are deposited into the OPA. The contingent liability disclosed above represents an estimate of the future claims for repayment, where the validity of the claim has been established by the relevant institution.

The estimate of future claims for repayment at 30 June 2010 was determined using a methodology provided by an independent actuary (Russell Investment Group).

The above schedule should be read in conjunction with the accompanying notes.

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2010

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Note 1: Summary of significant accounting policies

1.1 Objectives of the Australian Securities and Investments Commission

The Australian Securities and Investments Commission (ASIC) is an independent Commonwealth Government body operating under the *Australian Securities and Investments Commission Act 2001* (ASIC Act) to administer the *Corporations Act 2001*, and other legislation, throughout Australia. ASIC's objectives as outlined in section 1(2) of the ASIC Act include:

- the maintenance, facilitation and improvement in the performance of the financial system and the entities within that system in the interests of commercial certainty, reducing business costs, and the efficiency and development of the economy;
- the promotion of confident and informed participation of investors and consumers in the financial system;
- to administer the laws that confer functions and powers on it effectively and with a minimum of procedural requirements.

ASIC also collects and administers revenue under the *Corporations Act 2001* and prescribed fees set by the *Corporations (Fees) Act 2001* and *Corporations (Review Fees) Act 2003* (Note 1.6 refers).

ASIC's financial results are reported in the context of the Government's outcomes (Note 30 refers). Any intra-Government costs included in arriving at the amount shown as 'net cost/contribution of outcome' are eliminated in calculating the Federal budget outcome for the Government overall.

Government outcomes are the intended results, impacts or consequences of actions by the Australian Government on the Australian community. ASIC's outcomes are described below:

Outcome 1: Improved confidence in financial market integrity and protection of investors and consumers through research, policy, education, compliance and deterrence that mitigates emerging risks.

Outcome 2: Streamlined and cost-effective interaction and access to information for business and the public through registry, licensing and business facilitation services.

ASIC is an agency prescribed under Schedule 1, Part 1 of the *Financial Management and Accountability Regulations 1997* (FMA Regulations).

1.2 Basis of preparation of the financial statements

The financial statements and notes are required by section 49 of the *Financial Management and Accountability Act 1997* (FMA Act) and are general purpose financial statements.

The continued existence of ASIC in its present form and with its present programs is dependent on Government policy and on continuing appropriations by Parliament for ASIC's administration and programs.

The financial statements and notes have been prepared in accordance with the:

- Finance Minister's Orders (FMOs) for reporting periods ending on or after 1 July 2009; and
- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for certain assets and liabilities at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

The financial statements are presented in Australian dollars and values are rounded to the nearest thousand dollars unless otherwise specified.

Note 1: Summary of significant accounting policies (continued)

1.2 Basis of preparation of the financial statements (continued)

Unless an alternative treatment is specifically required by an accounting standard or the FMOs, assets and liabilities are recognised in the Balance Sheet when and only when it is probable that future economic benefits will flow to ASIC or a future sacrifice of economic benefits will be required and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under agreements equally proportionately unperformed are not recognised unless required by an accounting standard. Liabilities and assets that are not recognised are reported in the Schedule of Commitments or the Schedule of Contingencies (other than unquantifiable contingencies, which are reported at Note 10).

Unless alternative treatment is specifically required by an accounting standard, income and expenses are recognised in the Statement of Comprehensive Income when and only when the flow, consumption or loss of economic benefits has occurred and can be reliably measured.

Refer to Note 1.6 for the basis of preparation of the Schedule of Administered Items.

1.3 Changes in accounting policy

There have been no changes in accounting policies during the year ended 30 June 2010.

1.4 Significant accounting judgements and estimates

No accounting assumptions or estimates have been identified that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next accounting period.

1.5 New Australian Accounting Standards

Adoption of new Australian Accounting Standard requirements

No accounting standard has been adopted earlier than the application date as stated in the standard. No new accounting standards, amendments to standards and interpretations issued by the Australian Accounting Standards Board that are applicable to the current period, have had a material financial impact on ASIC.

Future Australian Accounting Standard requirements

No new standards, amendments to standards or interpretations that have been issued by the Australian Accounting Standards Board and are effective for future reporting periods, are expected to have a material financial impact on ASIC.

1.6 Reporting of administered activities

ASIC collects and administers revenue under the *Corporations Act 2001* and prescribed fees set by the *Corporations (Fees) Act 2001* and *Corporations (Review Fees) Act 2003*. This revenue is not available to ASIC and is remitted to the Official Public Account (OPA). Transactions and balances relating to these fees are reported as administered items.

Administered revenues, expenses, assets, liabilities and cash flows reported in the Schedule of Administered Items and related notes are accounted for on the same basis and using the same policies as for ASIC items, except where stated in Note 1.21.

Administered items are distinguished by shading in these financial statements.

Note 1: Summary of significant accounting policies (continued)

1.7 Revenue

Revenues from Government

Amounts appropriated for departmental outputs appropriations for the year (adjusted for any formal additions and reductions) are recognised as revenue when ASIC gains control of the appropriation, except for certain amounts that relate to activities that are reciprocal in nature, in which case revenue is recognised only when it has been earned.

Appropriations receivable are recognised at their nominal amounts.

Other types of revenue

Revenue from rendering of services is recognised by reference to the stage of completion of projects at the reporting date. Revenue is recognised when:

- the amount of revenue, stage of completion and transaction costs incurred can be reliably measured; and
- the probable economic benefits associated with the transaction will flow to ASIC.

The stage of completion of projects at the reporting date is determined by reference to the proportion that costs incurred to date bear to the estimated total costs of the transaction.

Receivables for services rendered, which have 30 day terms, are recognised at the nominal amounts due less any impairment allowance. Collectability of debts is reviewed at the end of the reporting period. Allowances are made when collectability of the debt is no longer probable.

1.8 Gains

Resources received free of charge

Resources received free of charge are recognised as gains when and only when a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense.

Contributions of assets at no cost acquisition for nominal consideration are recognised as gains at their fair value when the asset qualifies for recognition, unless received from another Government agency or authority as a consequence of a restructuring of administrative arrangements.

Resources received free of charge are recorded as either revenue or gains depending on their nature, i.e. whether they have been generated in the course of the ordinary activities of ASIC.

Sale of assets

Gains from disposal of non-current assets are recognised when control of the asset has passed to the buyer.

1.9 Transactions with the Government as owner

Equity injections

Amounts appropriated which are designated as 'equity injections' for a year (less any formal reductions) are recognised directly in contributed equity in that year.

Other distributions to owners

The FMOs require that distributions to owners be debited to contributed equity unless they are of the nature of a dividend. On 25 June 2009, the Finance Minister issued a determination to reduce ASIC's departmental output appropriations by \$3.735m in respect of prior year appropriations and ASIC's 2008–09 equity injection. On 29 June 2010, the Finance Minister issued a determination to reduce ASIC's departmental equity appropriations by \$1.653m. These reductions are shown in the Statement of Changes in Equity.

1.10 Employee benefits

Liabilities for services rendered by employees are recognised at the reporting date to the extent that they have not been settled.

Liabilities for 'short-term employee benefits' (as defined in AASB 119 *Employee Benefits*) and termination benefits due within twelve months of balance date are measured at their nominal amounts.

Note 1: Summary of significant accounting policies (continued)

1.10 Employee benefits (continued)

The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

All other employee benefit liabilities are measured at the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date.

Leave

The liability for employee benefits includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees of ASIC is estimated to be less than the annual entitlement for sick leave.

The leave liabilities are calculated on the basis of employees' remuneration, including ASIC's employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.

Actuarial reviews of long service leave are undertaken on a five yearly basis. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

Separation and redundancy

Provision is made for separation and redundancy benefit payments. ASIC recognises a provision for termination when it has developed a detailed formal plan for the terminations.

Superannuation

The majority of employees of ASIC are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS) or the PSS Accumulation Plan (PSSap).

The CSS and PSS are defined benefit schemes of the Australian Government. The PSSap is a defined contribution scheme.

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported by the Department of Finance and Deregulation as an administered item.

There are a small number of employees covered under state government and private superannuation schemes. The majority of employees employed in the state government superannuation scheme were originally employed by the various state governments and were transferred to ASIC at its inception in 1989.

ASIC makes employer contributions to the Australian Government and the various state superannuation schemes at rates determined by an actuary to be sufficient to meet the cost to the Government of the superannuation entitlements of ASIC's employees. The liability for superannuation recognised as at balance date represents the outstanding contributions payable as at 30 June.

1.11 Leases

A distinction is made between finance leases and operating leases. Finance leases effectively transfer from the lessor to the lessee substantially all the risks and rewards incidental to ownership of leased assets. An operating lease is a lease that is not a finance lease. In operating leases, the lessor effectively retains substantially all such risks and benefits.

Where an asset is acquired by means of a finance lease, the asset is capitalised at either the fair value of the leased property or, if lower, the present value of minimum lease payments at the inception of the contract and a liability is recognised at the same time and for the same amount.

The discount rate used is the interest rate implicit in the lease. Leased assets are depreciated over the period of the lease. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are expensed on a straight-line basis which is representative of the pattern of benefits derived from the leased assets.

Note 1: Summary of significant accounting policies (continued)

1.12 Finance costs

All finance costs are expensed as incurred.

1.13 Cash and cash equivalents

Cash and cash equivalents includes notes and coins held and any deposits in bank accounts with an original maturity of 3 months or less that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value. Cash is recognised at its nominal amount.

1.14 Financial assets

ASIC's financial assets are classified as 'loans and receivables' for the purposes of AASB 139 *Financial Instruments: Recognition and Measurement*.

Financial assets are recognised and derecognised at transaction date.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis.

Loans and receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

Impairment of financial assets

Financial assets are assessed for impairment at each balance date.

Financial assets held at amortised cost – if there is objective evidence that an impairment loss has been incurred for 'loans and receivables' financial assets, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount is reduced by way of an allowance account. The loss is recognised in the Statement of Comprehensive Income.

1.15 Financial liabilities

Financial liabilities are classified as 'other financial liabilities' for the purposes of AASB 139 *Financial Instruments: Recognition and Measurement*.

Financial liabilities are recognised and derecognised at transaction date.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Supplier and other payables are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

1.16 Contingent liabilities and contingent assets

Contingent liabilities and contingent assets are not recognised in the Balance Sheet but are reported in the relevant schedules and notes. They may arise from uncertainty as to the existence of a liability or asset, or represent an existing liability or asset in respect of which the amount cannot be reliably measured. Contingent assets are reported when the chance of settlement is probable but not virtually certain. Contingent liabilities are disclosed when the chance of settlement is greater than remote.

Note 1: Summary of significant accounting policies (continued)

1.17 Acquisition of assets

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and income at their fair value at the date of acquisition, unless acquired as a consequence of restructuring of administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferring agency's accounts immediately prior to the restructuring.

1.18 Leasehold improvements, plant and equipment

Asset recognition threshold

Purchases of leasehold improvements, plant and equipment are recognised initially at cost in the Balance Sheet, except for purchases costing less than \$2,000, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located, if it is contractually required. 'Make good' provisions in property leases are accounted for on this basis. These costs are included in the value of ASIC's leasehold improvements with a corresponding restoration provision recognised.

Revaluations

Fair values for each class of asset are determined as shown below:

Asset class	Fair value measured at
Leasehold improvements	Depreciated replacement cost
Plant and equipment	Market selling price

Following initial recognition at cost, leasehold improvements, plant and equipment are carried at fair value less accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do not differ materially from the assets' fair values as at the reporting date. The regularity of independent valuations depends upon the volatility of movements in market values for the relevant assets.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reverses a previous revaluation decrement of the same asset class that was previously recognised in the surplus/(deficit). Revaluation decrements for a class of assets are recognised directly in the surplus/(deficit) except to the extent that they reverse a previous revaluation increment for that class.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset restated to the revalued amount.

Note 1: Summary of significant accounting policies (continued)

1.18 Leasehold improvements, plant and equipment (continued)

Depreciation

Depreciable leasehold improvements, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to ASIC. Computer equipment is depreciated using the declining balance method while all other plant and equipment and leasehold improvements are depreciated using the straight-line method.

Depreciation rates (useful lives), residual values and depreciation methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

Depreciation rates applying to each class of depreciable asset are based on the following useful lives:

	2010	2009
Leasehold improvements	Lease term	Lease term
Computer equipment	1 to 5 years	1 to 5 years
Plant and equipment (owned)	2 to 95 years	2 to 95 years
Plant and equipment (leased)	n/a	2 to 5 years

Impairment

Leasehold improvements, plant and equipment are assessed for impairment at the end of each financial year. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if ASIC were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

1.19 Intangibles

ASIC's intangibles primarily comprise internally developed software for internal use. As there is no active market for the majority of ASIC's software assets these assets are carried at cost less accumulated amortisation and impairment losses.

Software is amortised on a straight-line basis over its anticipated useful life. The useful life of ASIC's software is 2 to 5 years (2009: 2 to 5 years).

All software assets are assessed for indications of impairment at the end of each financial year.

1.20 Taxation

ASIC is exempt from all forms of taxation except Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST).

Revenues, expenses, assets and liabilities are recognised net of GST except for receivables and payables and where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Note 1: Summary of significant accounting policies (continued)

1.21 Reporting of administered activities

Administered revenues, expenses, assets, liabilities and cash flows are disclosed in the Schedule of Administered Items and related notes.

Except where otherwise stated below, administered items are accounted for on the same basis and using the same policies as for departmental items, including the application of Australian Accounting Standards and Interpretations.

Administered cash transfers to and from the Official Public Account (OPA)

Revenue collected by ASIC for use by the Government rather than ASIC is administered revenue. Collections are transferred to the OPA maintained by the Department of Finance and Deregulation (DoFD). Conversely, cash is drawn from the OPA to make payments under Parliamentary appropriation on behalf of Government. These transfers to and from the OPA are adjustments to the administered cash held by ASIC on behalf of the Government and reported as such in the Statement of Cash Flows in the Schedule of Administered Items and in the administered reconciliation table in Note 20. Accordingly the Schedule of Administered Items largely reflects the Government's transactions, through ASIC, with parties outside the Government.

Revenue

All administered revenues are revenues relating to the course of ordinary activities performed by ASIC on behalf of the Australian Government.

Administered revenue is generated from annual review fees, other fees and search products prescribed under the *Corporations (Fees) Act 2001* and *Corporations (Review Fees) Act 2003*. Administered fee revenue is recognised on an accruals basis when:

- the client or the client group can be identified in a reliable manner;

- an amount of prescribed fee or other statutory charge is payable by the client or client group under legislative provisions; and
- the amount of the prescribed fee or other statutory charge payable by the client or the client group can be reliably measured.

Administered revenue is recognised at its nominal amount due and an expense is recognised for impaired debts. Collectability of debts is reviewed at balance date. Impairment allowances are recognised when collection of the debt is no longer probable.

Receivables

Administered revenue is recognised at its nominal value less an impairment allowance. The Finance Minister has determined that statutory receivables are not financial instruments and accordingly ASIC has assessed administered receivables for impairment under AASB 136 *Impairment of Assets* (FMO 31.1).

The impairment allowance is raised against receivables for any doubtful debts and any probable credit amendments, and is based on a review of outstanding debts at balance date. This includes an examination of individual large debts and disputed amounts with reference to historic collection patterns.

The impairment allowance expense is the result of estimation techniques to determine an estimate of current Corporations Act debts which are unlikely to be collected in future. Large debt amounts are individually reviewed while the impairment allowance of the remaining debts is estimated using sampling methodologies.

Administered receivables that are irrecoverable at law or are uneconomic to pursue are written off under section 34 of the FMA Act.

Note 1: Summary of significant accounting policies (continued)

1.21 Reporting of administered activities (continued) Unclaimed moneys – administered items

Banking Act administration

ASIC is responsible for the administration of unclaimed moneys from banking and deposit taking institutions.

In accordance with the *Banking Act 1959* moneys from bank and deposit taking institution accounts that are inactive for seven or more years are transferred to the Commonwealth and are deposited into the OPA. Refunds are paid to successful claimants out of the OPA.

Life Insurance Act administration

ASIC is responsible for the administration of unclaimed moneys from life insurance institutions.

In accordance with the *Life Insurance Act 1995* moneys in respect of matured life insurance policies that have not been claimed within seven years are transferred to the Commonwealth from life insurance companies and friendly societies, and are deposited into the OPA. Refunds are paid to successful claimants out of the OPA.

1.23 Expenditure of boards and tribunal

Pursuant to Parts 11 and 12 of the *Australian Securities and Investments Commission Act 2001* and the *Superannuation (Resolution of Complaints) Act 1993*, ASIC is required to support various boards and a tribunal to promote activities that enable ASIC to attain its aims. The boards are the Australian Accounting Standards Board (up to 30 June 2009) and the Companies Auditors and Liquidators Disciplinary Board. The tribunal is the Superannuation Complaints Tribunal. Employee and administrative expenditure incurred on behalf of these boards and the tribunal are included in the Statement of Comprehensive Income of ASIC (Note 26 refers).

1.24 Comparative figures

Where necessary, comparative figures have been adjusted to conform with changes in presentation in this financial report.

1.25 Rounding

Amounts have been rounded to the nearest \$1,000 except in relation to the following:

- remuneration of senior executive officers;
- remuneration of auditors; and
- administered fee write-offs and waivers.

1.26 Insurance

ASIC has insured for risks through Comcover, the Government's insurable risk managed fund. Workers' Compensation is insured through Comcare Australia.

Note 2: Events after the balance sheet date

There were no events occurring after balance date that had a material effect on the financial statements.

Note 3: Expenses

	2010 \$'000	2009 \$'000
Note 3A: Employee benefits		
Wages and salaries	162,595	135,819
Superannuation ¹		
Defined benefit schemes	13,666	13,867
Defined contribution schemes	11,819	7,914
Leave and other entitlements	18,199	17,780
Separation and redundancies ²	1,953	1,412
Total employee benefits	208,232	176,792

1 Contributions to superannuation schemes are at rates calculated to cover existing and emerging obligations. The employer contribution rate for the Commonwealth Superannuation Scheme was 18.5% (2009: 29.4%), the Public Sector Superannuation Scheme was 13.3% (2009: 13.8%), the PSS Accumulation Scheme was 15.4% (2009: 15.4%), and the superannuation productivity benefit was approximately 2.0% to 3.0% (2009: 2.0% to 3.0%).

2 Separation and redundancies are generally calculated on the basis of two weeks pay for every year of service for each employee with a minimum of four weeks and a maximum of 48 weeks.

Note 3B: Suppliers

Goods and services

Legal and forensic costs	52,220	25,762
Office, computer and software expenses	18,154	12,757
Property-related outgoings	9,106	6,453
Consultants	8,577	4,812
Travel	7,035	6,015
Communications	6,049	5,214
Recruitment	4,878	3,033
Information costs	4,481	3,151
Learning and development	4,212	3,668
Security	2,977	2,051
Postage and freight	2,085	1,828
Other goods and services ¹	2,914	4,498
Total goods and services ¹	122,688	79,242

Goods and services are made up of:

Provision of goods – related entities	26	7
Provision of goods – external parties	4,137	3,305
Rendering of services – related entities ¹	8,085	5,817
Rendering of services – external parties	110,440	70,113
Total goods and services ¹	122,688	79,242

1 Supplier expenses for 2008–09 are \$28,516 higher than the amount reported in the 2008–09 financial statements. The increase, which is offset by an increase in 'Other gains' relates to ANAO audit fees received free of charge. Previously this cost was disclosed in the Schedule of Administered Items.

Note 3: Expenses (continued)

	Notes	2010 \$'000	2009 \$'000
Note 3B: Suppliers (continued)			
Other supplier expenses			
Operating lease rentals from external entities:			
Minimum lease payments		21,520	16,457
Sublease payments		981	160
Workers compensation premiums		1,742	1,416
Fringe benefits tax		329	190
Total other supplier expenses		24,572	18,223
Total supplier expenses		147,260	97,465
Note 3C: Depreciation and amortisation			
Depreciation:			
Leasehold improvements		8,041	6,556
Plant and equipment		7,696	4,643
Total depreciation		15,737	11,199
Amortisation:			
Intangibles – Computer software		12,128	7,835
Assets held under finance leases		–	157
Total amortisation		12,128	7,992
Total depreciation and amortisation		27,865	19,191
Note 3D: Finance costs			
Finance leases		–	3
Unwinding of restoration provision discount	8B	488	465
Total finance costs		488	468
Note 3E: Write-down and impairment of assets			
Bad and doubtful debts expense		(26)	130
Write-off of leasehold improvements, plant and equipment and intangibles		2,738	766
Total write-down and impairment of assets		2,712	896
Note 3F: Losses from asset sales			
Plant and equipment			
Carrying value of assets sold	6E	13	11
Less: proceeds from sale		–	2
Total losses from asset sales		13	9

Note 4: Income

Revenue	Note	2010 \$'000	2009 \$'000
Note 4A: Rendering of services			
Rendering of services – related entities		1,950	2,022
Rendering of services – external parties		1,784	1,348
Total rendering of services		3,734	3,370
Note 4B: Royalties			
ASIC publications		250	236
Total royalties		250	236
Note 4C: Other revenues			
Cost recoveries ¹		1,627	1,754
Receipt from the Companies and Unclaimed Moneys Special Account ²		4,191	526
Professional and witness fees		275	335
Recovery of property rental and outgoings relating to prior year		9	18
AusAID revenue ³		248	261
Receipt from the Department of Treasury ⁴		588	–
Miscellaneous		270	142
Total other revenue		7,208	3,036

1 Amounts recovered by ASIC for court costs, investigations, professional fees, legal costs and prosecution disbursements.

2 Project costs recovered from the Companies and Unclaimed Moneys Special Account on approval of the Minister.
In 2009–10 ASIC received \$3.4m to create a financial literacy website.

3 Amount received by ASIC in respect of its participation in AusAID projects.

4 Amount received by ASIC in respect of its participation in the Financial Services Working Group.

Gains

Note 4D: Other gains			
Resources received free of charge ¹	14	172	158
Total other gains		172	158

As a prescribed agency ASIC receives audit services from the Australian National Audit Office free of charge. The fair value of that service is \$172,360 (2009: \$158,420) for the reporting period.

1 Resources received free of charge for 2008–09 are \$28,516 higher than the amount reported in the 2008–09 financial statements. The increase, which is offset by an increase in 'Supplier expenses' relates to ANAO audit fees received free of charge. Previously this cost was disclosed in the Schedule of Administered Items.

Note 4: Income (continued)

	Notes	2010 \$'000	2009 \$'000
Note 4E: Revenues from Government			
Appropriations:			
Departmental outputs ¹		316,156	280,699
Departmental Special Account ²	29A	54,073	27,097
Total revenues from Government		370,229	307,796

1 The increase in revenue for Departmental outputs primarily relates to additional funding provided to ASIC for the Global Financial Crisis, enhanced monitoring and surveillance capabilities and the increase in responsibilities for Credit Reform.

2 The revenue from Departmental Special Account relates to the Enforcement Special Account (Note 29A refers). The increase in revenue in 2009–10 relates to increased deterrence activities satisfying the criteria for funding from the Enforcement Special Account.

Note 5: Financial assets

Note 5A: Cash and cash equivalents

Cash on hand or on deposit		189	2,950
Total cash and cash equivalents	15A	189	2,950

Note 5B: Trade and other receivables

Goods and Services:

Goods and services – related entities		179	475
Goods and services – external parties		2,141	1,787
Total receivables for goods and services		2,320	2,262

Appropriations receivable:

Appropriations receivable ¹		65,563	103,016
Total appropriations receivable		65,563	103,016

1 The decrease in appropriations receivable largely relates to expenditure of a major IT project and increased capital expenditure for leasehold improvements.

Other receivables:

GST receivable from the Australian Taxation Office		4,499	3,457
Total other receivables		4,499	3,457
Total trade and other receivables (gross)		72,382	108,735

Less impairment allowance account:

Goods and services		336	369
Total impairment allowance account		336	369
Total trade and other receivables (net)		72,046	108,366

Receivables are expected to be recovered in:

No more than 12 months		72,046	108,366
Total trade and other receivables (net)		72,046	108,366

Note 5: Financial assets (continued)

	2010 \$'000	2009 \$'000
Note 5B: Trade and other receivables (continued)		
Receivables are aged as follows:		
Not overdue	71,937	108,305
Overdue by:		
Less than 30 days	18	110
30 to 60 days	3	4
More than 90 days	424	316
Total receivables (gross)	72,382	108,735
The impairment allowance account is aged as follows:		
Overdue by:		
Less than 30 days	–	70
More than 90 days	336	299
Total impairment allowance account	336	369
Reconciliation of the movement in the impairment allowance account		
Opening balance 1 July	369	239
Amounts written off	(7)	–
Amounts recovered and reversed	(47)	(2)
Increase in allowance for doubtful debts recognised in net surplus	21	132
Closing balance	336	369

Note 6: Non-financial assets**Note 6A: Leasehold improvements**

Leasehold improvements		
Work in progress	5,029	2,468
Fair value	81,444	39,292
Accumulated depreciation	(18,401)	(14,717)
Total leasehold improvements	68,072	27,043

All revaluations are conducted in accordance with the revaluation policy stated at Note 1.17. In 2006–07, Simon O'Leary AAPI MSAA, an independent valuer from the Australian Valuation Office conducted a revaluation of ASIC's leasehold improvements.

The carrying value of leasehold improvements were reviewed at 30 June 2010. No indicators of impairment were found for leasehold improvements at 30 June 2010.

Note 6: Non-financial assets (continued)

	2010 \$'000	2009 \$'000
Note 6B: Plant and equipment		
Plant and equipment:		
Fair value	44,769	32,131
Accumulated depreciation	(20,876)	(14,890)
Total plant and equipment	23,893	17,241

An independent valuation was undertaken by the Australian Valuation Office as at 30 April 2008. The valuation confirmed there was no material difference between the fair value and the carrying value of plant and equipment assets.

The carrying value of plant and equipment assets were reviewed at 30 June 2010. No indicators of impairment were found for plant and equipment at 30 June 2010.

Note 6C: Intangibles – computer software

Internally developed

– work in progress	16,385	18,132
– in use	48,129	23,848
– accumulated amortisation	(20,304)	(14,222)
	44,210	27,758

Purchased

– work in progress	21,847	12,844
– in use	24,041	15,741
– accumulated amortisation	(7,487)	(4,194)
	38,401	24,391

Total intangibles

	82,611	52,149
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The carrying value of intangible assets were reviewed at 30 June 2010. No indicators of impairment were found for intangibles at 30 June 2010.

Note 6D: Other non-financial assets

Prepayments	8,271	4,247
Total other non-financial assets	8,271	4,247

Total other non-financial assets are expected to be recovered in:

No more than 12 months	8,116	4,247
More than 12 months	155	–
	8,271	4,247

No indicators of impairment were found for other non-financial assets.

Note 6: Non-financial assets (continued)**Note 6E: Analysis of leasehold improvements, plant and equipment and intangibles****TABLE A: Reconciliation of the opening and closing balances of leasehold improvements, plant and equipment and intangibles (2009–10)**

	Leasehold improvements \$'000	Plant & equipment \$'000	Computer software internally developed \$'000	Computer software purchased \$'000	Total \$'000
As at 1 July 2009					
Gross book value	41,760	32,131	41,980	28,585	144,456
Accumulated depreciation/ amortisation and impairment	(14,717)	(14,890)	(14,222)	(4,194)	(48,023)
Net book value 1 July 2009	27,043	17,241	27,758	24,391	96,433
Additions:					
– by purchase	48,076	18,784	–	15,827	82,687
– internally developed	–	–	24,810	–	24,810
Total additions	48,076	18,784	24,810	15,827	107,497
Revaluations and impairments recognised in other comprehensive income	1,262	–	–	–	1,262
Reclassification	–	(4,143)	–	4,143	–
Depreciation expense	(8,041)	(7,696)	(6,168)	(5,960)	(27,865)
Write-offs	(268)	(280)	(2,190)	–	(2,738)
Disposals	–	(13)	–	–	(13)
Net book value 30 June 2010	68,072	23,893	44,210	38,401	174,576
Net book value as of 30 June 2010 represented by:					
Gross book value	86,473	44,769	64,514	45,888	241,644
Accumulated depreciation/ amortisation	(18,401)	(20,876)	(20,304)	(7,487)	(67,068)
	68,072	23,893	44,210	38,401	174,576

Note 6: Non-financial assets (continued)

Note 6E: Analysis of leasehold improvements, plant and equipment and intangibles

TABLE B: Reconciliation of the opening and closing balances of leasehold improvements, plant and equipment and intangibles (2008–09)

	Leasehold improvements \$'000	Plant & equipment \$'000	Computer software internally developed \$'000	Computer software purchased \$'000	Total \$'000
As at 1 July 2008					
Gross book value	33,219	22,474	40,145	13,911	109,749
Accumulated depreciation/ amortisation	(8,916)	(15,682)	(24,956)	(10,358)	(59,912)
Net book value 1 July 2008	24,303	6,792	15,189	3,553	49,837
Additions:					
– by purchase	9,296	15,706	–	23,453	48,455
– internally developed	–	–	18,109	–	18,109
Total additions	9,296	15,706	18,109	23,453	66,564
Depreciation/amortisation expense	(6,556)	(4,800)	(5,220)	(2,615)	(19,191)
Write-offs	–	(446)	(320)	–	(766)
Disposals:					
Other disposals	–	(11)	–	–	(11)
Net book value 30 June 2009	27,043	17,241	27,758	24,391	96,433
Net book value as of 30 June 2009 represented by:					
Gross book value	41,760	32,131	41,980	28,585	144,456
Accumulated depreciation/ amortisation	(14,717)	(14,890)	(14,222)	(4,194)	(48,023)
	27,043	17,241	27,758	24,391	96,433

Note 7: Payables

	Note	2010 \$'000	2009 \$'000
Note 7A: Suppliers			
Trade creditors and accruals	15A	22,436	16,183
Total supplier payables		22,436	16,183
Supplier payables expected to be settled within 12 months:			
Related entities		299	139
External parties		22,137	16,044
Total supplier payables		22,436	16,183
Note 7B: Other payables			
Unearned revenue – Government appropriations ¹		10,950	12,577
Operating lease rent payable		4,739	4,581
Other unearned revenue		367	715
Property lease incentives ²		28,101	7,007
Salaries and bonuses ³		10,022	7,998
Superannuation ³		485	322
Total other payables³		54,664	33,200
Total other payables are expected to be settled in:			
No more than 12 months		27,482	23,352
More than 12 months		27,182	9,848
Total other payables		54,664	33,200

1 Unearned revenue – Government appropriations represent appropriations for specific Government initiatives that have not been spent where the appropriation is conditional on any unspent balance being returned to Government.

2 Total property lease incentives are disclosed as deferred rental expenditure at 30 June 2010. The amortisation of these amounts will be made over the life of the lease.

3 Total other payables as at 30 June 2009 are \$8.32m higher than the amount disclosed in the 2008–09 financial statements. The increase relates to salaries, bonuses and superannuation which were previously included in the balance of employee provisions (Note 8A refers). The Finance Minister's Orders for 2009–10 require these amounts to be disclosed as 'Other payables'.

Note 8: Provisions

	2010 \$'000	2009 \$'000
Note 8A: Employee provisions		
Annual leave entitlement	15,997	14,300
Long service leave entitlement ¹	31,182	27,630
Separations and redundancies	2,892	1,402
Total employee provisions ²	50,071	43,332
Employee provisions are expected to be settled in:		
No more than 12 months	15,147	10,336
More than 12 months	34,924	32,996
Total employee provisions	50,071	43,332

1 The liability for long service leave has been determined in accordance with the methodology developed by an independent actuary as at 30 June 2008.

2 Total employee provisions as at 30 June 2009 are \$8.32m lower than the amount disclosed in the 2008–09 financial statements. The decrease relates to salaries, bonuses and superannuation which are now included in the balance of 'Other payables' (Note 7A refers).

Note 8B: Other provisions

Provision for restoration obligations – leased premises	10,918	6,696
Total other provisions	10,918	6,696
Other provisions are expected to be settled in:		
No more than 12 months	2,261	2,853
More than 12 months	8,657	3,843
Total other provisions	10,918	6,696
Reconciliation of the opening and closing balance of restoration provision		
Carrying amount 1 July	6,696	6,946
Additional provisions made	3,562	20
Amounts revalued	289	–
Amounts used	(47)	(643)
Amounts reversed	(70)	(92)
Unwinding of discount or change in discount rate	488	465
Closing balance 30 June	10,918	6,696

ASIC currently has 17 agreements (2009: 18) for the leasing of premises which have provisions requiring ASIC to restore the premises to their original condition at the conclusion of the lease. ASIC has made a provision to reflect the present value of the 'make good' obligations.

Note 9: Cash flow reconciliation

	2010 \$'000	2009 \$'000
Reconciliation of cash and cash equivalents as per Balance Sheet to Cash Flow Statement		
Cash and cash equivalents as per:		
Cash Flow Statement	189	2,950
Balance Sheet	189	2,950
Reconciliation of net cost of services to net cash from operating activities:		
Net cost of services	375,206	288,021
Add revenue from Government	370,229	307,796
(Deficit) / surplus attributable to the Australian Government	(4,977)	19,775
Adjustments for non-cash items		
Depreciation / amortisation	27,865	19,191
Net write-down of non-financial assets	2,738	766
Loss on disposal of assets	13	9
Changes in assets / liabilities		
(Increase) / decrease in net receivables	36,320	8,509
(Increase) in prepayments	(4,024)	(1,561)
Increase in employee provisions	6,739	8,016
Increase / (decrease) in supplier payables	6,253	(4,495)
Increase / (decrease) in other provisions and payables	(3,259)	(7,873)
Net cash from / (used by) operating activities	67,668	42,337

Note 10: Contingent liabilities and assets

	2010 \$'000	2009 \$'000
Contingent receivables		
Balance from previous period	1,168	3,711
<i>Adjustments to prior period contingent receivables:</i>		
Assets recognised	(202)	(988)
Estimates not realisable	(956)	(1,823)
Revisions to estimates	90	(263)
New contingent receivables	635	531
Total contingent assets	735	1,168
Contingent payables		
Balance from previous period	120	–
<i>Adjustments to prior period contingent payables:</i>		
Estimates not payable	(120)	–
New contingent payables	50	120
Total contingent liabilities	50	120

Quantifiable contingencies (ASIC departmental)

As at the date of this report, there are eight matters (2009: 12 matters) for which ASIC has received an award of costs in its favour, and agreement with respect to the quantum payable to ASIC has not been reached. ASIC has estimated these matters represent a combined receivable of \$0.735m (2009: \$1.168m), which is disclosed as a contingent asset because realisation of this debt is not virtually certain.

As at the date of this report, there is one matter (2009: two matters) in respect of which ASIC reasonably expects to have an award of costs against it. ASIC has estimated the potential liability for costs in relation to this matter is \$0.05m (2009: \$0.12m).

Quantifiable contingencies (assets held in trust)

Companies Unclaimed Moneys

Unclaimed moneys held by ASIC, pursuant to Part 9.7 of the *Corporations Act 2001*, that have not been claimed within six years are transferred to the Commonwealth and deposited into the Official Public Account. A contingent liability estimated to be \$0.912m (2009: \$0.92m) represents an estimate of future claims for repayment from the Official Public Account. The estimate of future claims for repayment at 30 June 2010 was determined using a methodology provided by an independent actuary (Russell Investment Group).

Note 10: Contingent liabilities and assets (continued)

Unquantifiable contingent liabilities

ASIC is party to many civil litigation matters arising out of its statutory duty to administer and enforce laws for which it is responsible. As at the date of this report there is one matter (2009: two matters) where costs have been awarded against ASIC but where it is not possible to reliably estimate the liability at this time. The quantum of costs payable has not been negotiated with the other party and the case concerned has been appealed by ASIC. The outcome of the appeal is likely to have a material impact on the quantum of costs payable.

In addition, like any corporate body, ASIC may from time to time be the subject of legal proceedings for damages brought against it, or may receive notice indicating that such proceedings may be brought. In either case ASIC, like any other party to civil litigation, may be required to pay the other party's costs if ASIC is unsuccessful.

Civil litigation brought, or threatened to be brought, against ASIC as a defendant

There are at the date of this report, two matters of this type where proceedings are current. In each of those matters, ASIC denies liability and is of the view that, save for having to pay legal fees and other out-of-pocket expenses, it is likely that ASIC will:

- (a) successfully defend the action instituted; and
- (b) not be required to pay any damages.

Future compensation claims

The Scheme for Compensation for Detriment Caused by Defective Administration (CDDA) is a method for agencies to provide compensation to persons who have been adversely affected by the maladministration of agencies, but who have no legal means to seek redress, such as a legal claim. It is not possible to estimate the value of potential future CDDA claims.

Unquantifiable contingent assets

Conversely, ASIC, like any other party to civil litigation may be entitled to recover costs arising out of such litigation if it is successful.

There is one matter at the date of this report where ASIC reasonably expects to have an award of costs in its favour however it is not possible to reliably estimate the amount recoverable.

Note 11: Related party disclosures

The Commissioners of ASIC during the financial year and to the date of this report were:

- A. M. D'Aloisio (Chairman)
- J. R. Cooper (Deputy Chairman to 10 July 2009)
- B. G. Gibson (Commissioner to 6 May 2010, Deputy Chairman from 7 May 2010)
- P. J. Boxall (Commissioner)
- M. J. Dwyer (Commissioner)
- G. J. Medcraft (Commissioner)
- S. F. Tregillis (Commissioner from 17 May 2010)

Loans to Commissioners and Commissioner-related entities

There were no loans made to Commissioners or Commissioner-related entities during the reporting period.

Other transactions with Commissioner-related entities

There were no other transactions with Commissioner-related entities during the reporting period, other than the payment of fees levied under the *Corporations (Fees) Act 2001* and *Corporations (Review Fees) Act 2003*.

Note 12: Remuneration of Commissioners

The Finance Minister's Orders for 2009–10 require separate disclosure of actual remuneration paid to Commissioners during the year (refer to Note 12A) and salary packages for Commissioners as at the reporting date (refer to Note 12B).

Note 12A: Total remuneration expense recognised in relation to Commissioners

	2010	2009
The number of Commissioners who received or were due to receive total remuneration of:		
\$145,000 to \$159,999	–	1
\$160,000 to \$174,999	–	1
\$235,000 to \$249,999 ¹	–	1
\$400,000 to \$414,999	2	1
\$415,000 to \$429,999	1	–
\$460,000 to \$474,999	–	1
\$490,000 to \$504,999	1	–
\$550,000 to \$564,999	–	1
\$595,000 to \$609,999	1	–
Total ²	5	6

	2010	2009
	\$	\$
Short-term employee benefits:		
Salary and bonuses (including leave taken)	1,981,007	1,690,435
Car parking ¹	63,586	49,093
Changes in leave provisions	61,503	88,766
Total short-term employee benefits	2,106,096	1,828,294
Superannuation (post-employment benefits)	231,799	183,387
Total remuneration expense for Commissioners shown above ¹	2,337,895	2,011,681

¹ Total remuneration for Commissioners for the year ended 30 June 2009 is \$49,093 higher than the amount disclosed in the 2008–09 financial statements. The increase relates to car parking benefits provided to Commissioners which were previously omitted from the calculation of remuneration.

² The total excludes Commissioners not employed for the full year where their remuneration for the period was less than \$145,000.

Note 12: Remuneration of Commissioners (continued)**Note 12B: Average annualised remuneration packages for Commissioners at 30 June**

	2010			2009		
	Commiss- ioners	Base Salary (including annual leave)	Total Remuner- ation Package	Commiss- ioners	Base Salary (including annual leave)	Total Remuner- ation Package
Total remuneration package:						
\$385,000 to \$399,999	–	–	–	3	343,538	395,967
\$400,000 to \$414,999	3	353,851	407,523	–	–	–
\$445,000 to \$459,999	–	–	–	1	416,369	454,793
\$460,000 to \$474,999	1	407,861	466,152	–	–	–
\$505,000 to \$519,999	1	412,796	506,604	–	–	–
\$520,000 to \$534,999	–	–	–	1	400,767	528,712
\$535,000 to \$549,999	–	–	–	1	497,043	542,691
\$550,000 to \$564,999	1	511,959	561,198	–	–	–
Total	<u>6</u>			<u>6</u>		

Note 13: Remuneration of senior executives

Note 13 discloses the remuneration of those senior executives who perform functions controlling operational activities that directly impact the economic function and viability of ASIC and whose employment conditions are equivalent to SES employment conditions of service.

The Finance Minister's Orders for 2009–10 require separate disclosure of actual remuneration paid to senior executives during the year (refer to Note 13A) and salary packages for senior executives as at the reporting date (refer to Note 13B).

Note 13A includes executives acting in a higher capacity where their remuneration during the period exceeds \$145,000. Note 13B discloses only those senior executives permanently appointed to a senior executive role as at reporting date.

Note 13: Remuneration of senior executives (continued)

Note 13A: Total expense recognised in relation to employment of senior executives

	2010	2009
The number of senior executives who received or were due to receive total remuneration of:		
less than \$145,000 ¹	–	1
\$145,000 to \$159,999	1	2
\$160,000 to \$174,999	6	–
\$175,000 to \$189,999	1	2
\$190,000 to \$204,999	1	2
\$205,000 to \$219,999	2	3
\$220,000 to \$234,999	2	4
\$235,000 to \$249,999	7	12
\$250,000 to \$264,999	2	1
\$265,000 to \$279,999	3	2
\$280,000 to \$294,999	2	2
\$295,000 to \$309,999	2	1
\$310,000 to \$324,999	2	3
\$325,000 to \$339,999	3	–
\$340,000 to \$354,999	1	–
\$355,000 to \$369,999	1	–
\$385,000 to \$399,999	3	–
\$400,000 to \$414,999	–	2
\$550,000 to \$564,999	–	1
Total ²	39	38
	2010	2009
	\$	\$
Short-term employee benefits:		
Salary and bonuses (including leave taken)	8,233,322	7,561,592
Changes in leave provisions	(122,113)	36,644
Motor vehicle allowances and other short-term benefits ²	1,004,346	842,042
Separation/termination benefits	64,800	275,000
Total Short-term employee benefits	9,180,355	8,715,278
Superannuation (post-employment benefits)	949,788	940,859
Total remuneration expense for senior executives ²	10,130,143	9,656,137

1 In accordance with the Finance Minister's Orders, this band excludes acting arrangements and part-year service. Senior executives in this bracket were not required to be disclosed in 2009–10 published financial statements.

2 Total remuneration for senior executives for the year ended 30 June 2009 is \$313,441 higher than the amount disclosed in the 2008–09 financial statements. The increase relates to car parking benefits provided to senior executives which were previously omitted from the calculation of remuneration.

Note 13: Remuneration of senior executives (continued)**Note 13B: Average annualised remuneration packages for substantive¹ senior executives at 30 June**

	2010			2009		
	Executives	Base Salary (including annual leave)	Total Remuner- ation Package ²	Executives	Base Salary (including annual leave)	Total Remuner- ation Package ²
Total remuneration package:						
\$190,000 to \$204,999	1	165,900	199,993	–	–	–
\$220,000 to \$234,999	2	178,000	228,659	5	182,646	231,624
\$235,000 to \$249,999	7	190,494	238,356	2	184,865	238,867
\$250,000 to \$264,999	1	200,575	250,093	2	198,623	258,345
\$265,000 to \$279,999	4	218,860	267,601	1	223,125	275,773
\$280,000 to \$294,999	2	238,607	285,041	2	222,813	284,487
\$295,000 to \$309,999	2	244,800	302,802	5	244,800	305,878
\$310,000 to \$324,999	6	248,100	313,484	6	252,300	314,773
\$340,000 to \$354,999	1	296,966	350,741	1	296,966	350,185
\$355,000 to \$369,999	1	272,763	359,789	–	–	–
\$370,000 to \$384,999	–	–	–	1	272,763	376,946
Total ¹	27			25		

1 'Substantive' capacity refers to the permanent role that the employee performs at 30 June.

2 The total remuneration package disclosed in this table excludes a potential performance bonus of up to 15% of base salary.

Note 14: Remuneration of auditors

	2010 \$	2009 \$
Financial statement audit services were provided free of charge to ASIC.		
The fair value ¹ of that service during the reporting period is:	172,360	158,420

No other services were provided by the Auditor-General.

1 Remuneration of auditors for 2008–09 is \$28,516 higher than the amount reported in the 2008–09 financial statements. Previously this cost was disclosed in the Schedule of Administered Items.

Note 15: Financial instruments

	2010 \$'000	2009 \$'000
Note 15A: Categories of financial instruments		
Financial assets		
Loans and receivables:		
Cash and cash equivalents	189	2,950
Receivables for goods and services (net of allowance for doubtful debts)	1,984	1,893
Carrying amount of financial assets	2,173	4,843
Financial liabilities		
At amortised cost:		
Trade creditors	22,436	16,183
Carrying amount of financial liabilities	22,436	16,183
Note 15B: Net income and (expense) from financial assets		
Loans and receivables		
Impairment	26	(130)
Net gain / (expense) from financial assets	26	(130)
Note 15C: Net income and (expense) from financial liabilities		
Financial liabilities – at amortised cost		
Interest expense	–	(3)

Note 15D: Fair values of financial instruments

The fair values of financial liabilities at amortised cost approximate their fair value.

Note 15E: Credit risk

ASIC is exposed to minimal credit risk as loans and receivables are cash and trade receivables. The maximum exposure to credit risk is the risk that arises from potential default of a debtor. This amount is equal to the total amount of trade receivables, 2010: \$2,319,998 (2009: \$2,262,411). ASIC has assessed the risk of the default on payment for each receivable and has allocated \$335,502 in 2010 (2009: \$369,068) to an allowance for doubtful debts account.

ASIC has policies and procedures that guide employees' debt recovery techniques that are to be applied where debts are past due.

ASIC holds no collateral to mitigate against credit risk.

The table below shows the credit quality of financial instruments not past due or individually determined as impaired.

Note 15: Financial instruments (continued)**Note 15E: Credit risk (continued)**

	Not past due nor impaired 2010 \$'000	Not past due nor impaired 2009 \$'000	Past due or impaired 2010 \$'000	Past due or impaired 2009 \$'000
Loans and receivables				
Cash and cash equivalents	189	2,950	–	–
Receivables for goods and services (gross)	1,875	1,832	445	430
Total	2,064	4,782	445	430

Ageing of financial assets that are past due but not impaired for 2010:

	Overdue by				
	0 to 30 days \$'000	31 to 60 days \$'000	61 to 90 days \$'000	More than 90 days \$'000	Total \$'000
Loans and receivables					
Receivables for goods and services	18	3	–	88	109
Total	18	3	–	88	109

Ageing of financial assets that are past due but not impaired for 2009:

	Overdue by				
	0 to 30 days \$'000	31 to 60 days \$'000	61 to 90 days \$'000	More than 90 days \$'000	Total \$'000
Loans and receivables					
Receivables for goods and services	40	4	–	17	61
Total	40	4	–	17	61

Note 15F: Liquidity risk

ASIC's financial liabilities are trade creditors. ASIC does not expect to have difficulty meeting its financial liabilities as and when they become due and payable.

All ASIC's financial liabilities as at 30 June 2010 and 30 June 2009 are payable within one year.

As at 30 June 2010 ASIC has no financial liabilities payable on demand (2009: nil).

Note 15G: Market risk**Currency risk**

ASIC's exposure to 'currency risk' is minimal as only a small number of contracts are in currencies other than Australian dollars.

Interest rate risk

ASIC's financial instruments are not exposed to interest rate risk.

Note 16: Income administered on behalf of Government

Revenue	2010 \$'000	2009 \$'000
Note 16A: Non-taxation revenue		
Corporations Act fees ¹	505,553	479,002
Corporations Act fines	75,956	72,726
<i>Corporations Act fees and fines</i>	581,509	551,728
Moneys received from banks and deposit taking institutions in respect of accounts inactive for seven or more years	53,740	45,216
Moneys received from life insurance institutions and friendly societies for policies not claimed within seven years	4,629	6,972
Total non-taxation revenue	639,878	603,916

Corporations Act fees and fines

	2010 \$'000	2010 \$'000	2010 \$'000	2009 \$'000	2009 \$'000	2009 \$'000
	Fees	Fines	Total	Fees	Fines	Total
Mandatory collections ¹	454,078	74,616	528,694	429,482	72,250	501,732
Information broker fees ²	50,827	–	50,827	48,878	–	48,878
Other fees ²	648	–	648	642	–	642
Court receivables ³	–	1,340	1,340	–	476	476
	505,553	75,956	581,509	479,002	72,726	551,728

1 Fees and charges arise from actions which are mandatory under the *Corporations Act 2001*. Examples include fees prescribed in the *Corporations (Fees) Act 2001* and the *Corporations (Review Fees) Act 2003*.

2 Fees and charges paid by information brokers (intermediaries between ASIC and the consumer) and other consumers for information provided by ASIC from its corporations information database.

3 Recovery of fines and penalties for contraventions of the *Corporations Act 2001*.

Note 17: Expenses administered on behalf of Government

Expenses	Notes	2010 \$'000	2009 \$'000
Note 17A: Grants			
Private sector:			
Insolvency practitioners ¹		3,130	3,076
Total grants		3,130	3,076

1 On behalf of the Government ASIC administers payments to registered insolvency practitioners to undertake preliminary investigations of suspected breaches of directors' duties and fraudulent conduct and to report the outcome of their findings to ASIC for further action as appropriate.

Note 17B: Write-down and impairment of assets

Bad and doubtful debts expense		30,065	26,963
Waiver of fees and charges owing		3,072	2,012
Total write-down and impairment of assets	18B	33,137	28,975

Note 17C: Other expenses

Refunds paid to bank and deposit taking institution account holders	25C	28,024	26,122
Refunds paid to life insurance policy holders	25C	3,716	4,793
Total other expenses		31,740	30,915

Note 18: Assets administered on behalf of Government

Financial assets	Notes	2010 \$'000	2009 \$'000
Note 18A: Cash and cash equivalents			
Cash at bank and on hand – Corporations Act		1,430	2,535
Cash at bank – Banking Act		456	456
Cash at bank – Life Insurance Act		5	5
Cash at bank – Insolvency law reform		1,126	76
Total cash and cash equivalents	24A	3,017	3,072
Note 18B: Receivables			
Corporations Act:			
Corporations Act fees and charges		114,344	110,741
Information brokers fees		5,209	5,661
Other receivables:			
GST receivable from ATO		152	76
Total receivables (gross)		119,705	116,478
Less: impairment allowance account:			
Corporations Act		32,759	30,157
Total receivables (net)		86,946	86,321
Receivables were aged as follows:			
Not overdue		59,812	58,762
Overdue by:			
Less than 30 days		14,348	14,977
30 to 60 days		8,089	6,962
61 to 90 days		3,607	3,442
More than 90 days		33,849	32,335
Total receivables (gross)		119,705	116,478
The impairment allowance account is aged as follows:			
Not overdue		384	388
Overdue by:			
Less than 30 days		810	719
30 to 60 days		1,198	965
61 to 90 days		983	773
More than 90 days		29,384	27,312
Total impairment allowance account		32,759	30,157
Receivables are due from entities that are not part of the Australian Government.			
Reconciliation of the movement in the impairment allowance account			
Opening balance 1 July		30,157	25,203
Amounts written off	31	(27,463)	(22,009)
Amounts waived	31	(3,072)	(2,012)
Increase in allowance for doubtful debts recognised as an expense		33,137	28,975
Closing balance		32,759	30,157

Note 19: Liabilities administered on behalf of Government

Payables	Note	2010 \$'000	2009 \$'000
Note 19: Suppliers			
Corporations Act refunds ¹		4,410	3,111
Unallocated moneys – Corporations Act ¹		2,431	2,373
Grants payable ²	24A	985	930
Total suppliers		7,826	6,414

All supplier payables are entities that are not part of the Australian Government.

1 All supplier payables are expected to be settled within 12 months. Settlement is usually made within 30 days.

2 Settlement is usually made according to the terms and conditions of each grant. This is usually within 30 days of performance and eligibility.

Note 20: Administered reconciliation table

<i>Opening administered assets less administered liabilities as at 1 July</i>	82,979	81,280
Plus: Administered revenues	639,878	603,916
Less: Administered expenses	(68,007)	(62,966)
Administered transfers (to) / from Australian Government:	–	–
Appropriation transfers from OPA:		
Special appropriations (unlimited)	40,854	40,120
Transfers to OPA	(613,567)	(579,371)
<i>Closing administered assets less administered liabilities as at 30 June</i>	82,137	82,979

Note 21: Administered cash flow reconciliation**Reconciliation of net contribution to budget outcome to net cash provided by operating activities**

Net contribution to budget outcome	571,871	540,950
Increase / (decrease) in allowance for doubtful debts	2,602	4,954
Increase in payables and provisions	1,412	1,571
(Increase) in receivables	(3,227)	(8,216)
	787	(1,691)
Net cash provided by operating activities	572,658	539,259

Note 22: Administered contingent liabilities**Quantifiable administered contingencies**

Quantifiable administered contingencies that are not remote are disclosed in the Schedule of Administered Items.

Unquantifiable administered contingencies

There are no unquantifiable administered contingent liabilities.

Note 23: Administered contingent assets

There are no administered contingent assets.

Note 24: Administered financial instruments

	2010 \$'000	2009 \$'000
Note 24A: Categories of financial instruments		
Financial assets		
Cash and cash equivalents	3,017	3,072
Financial liabilities		
At amortised cost:		
Grants payable	985	930

Note 24B: Fair values of financial instruments

The fair values of financial liabilities at amortised cost approximate their fair value.

Note 24C: Credit risk

ASIC's administered receivables arise as a result of a statutory obligation not a contractual obligation and are therefore not classified as financial instruments.

ASIC has no significant exposures to any concentrations of credit risk.

Note 24D: Liquidity risk

ASIC's administered financial liabilities are trade creditors. ASIC does not expect to have difficulty meeting its financial liabilities as and when they become due and payable.

All administered financial liabilities as at 30 June 2010 and 30 June 2009 are payable within one year.

Note 25: Appropriations

Table A1: Acquittal of authority to draw cash from the Consolidated Revenue Fund (CRF) for ordinary annual services appropriations

Particulars	Administered expenses <i>Outcome 1</i>		Departmental outputs		Total	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Balance brought forward from previous period (Appropriation Acts)	1,234	419	68,024	88,861	69,258	89,280
<i>Appropriation Act:</i>						
Appropriation Act (No. 1) 2009–2010 as passed	3,441	3,424	344,776	298,963	348,217	302,387
Appropriation Act (No. 3) 2009–2010 as passed	–	–	–	11,163	–	11,163
Appropriations reduced (Appropriation Act sections 10, 11 & 12) ¹	(347)	–	(247)	(156)	(594)	(156)
FMA Act:						
Appropriations to take account of recoverable GST (FMA Act section 30A) ²	340	198	16,666	13,856	17,006	14,054
Relevant agency receipts (FMA Act section 31)			10,119	8,104	10,119	8,104
Total appropriation available for payments	4,668	4,041	439,338	420,791	444,006	424,832
Cash payments made during the year (GST inclusive)	(3,525)	(2,807)	(353,595)	(322,767)	(357,120)	(325,574)
Appropriations credited to special accounts (GST exclusive)	–	–	(30,000)	(30,000)	(30,000)	(30,000)
Balance of authority to draw cash from the Consolidated Revenue Fund for ordinary annual services appropriations and as represented by:						
Cash at bank and on hand	1,143	1,234	55,743	68,024	56,886	69,258
Departmental appropriations receivable for ordinary annual services	1,126	76	189	2,950	1,315	3,026
Undrawn, unapplied administered appropriations	–	1,158	55,554	65,074	55,554	65,074
Adjustments under section 101.13 of the Finance Minister's Orders not reflected above ³	17	–	–	–	–	1,158
Balance as at 30 June	1,143	1,234	55,743	68,024	56,886	69,258

1 The amount in this line for administered expenses relates to 2008–09 funding not required. The amount in this line for departmental outputs relates to the Finance Minister's 'Determination to Reduce Appropriations Upon Request (No. 11 of 2009–2010)'.

2 The amounts in this line item are calculated on an accrual basis to the extent that an expense may have been incurred that includes GST but has not been paid by year end.

3 The amount in this line item for administered expenses relates to the Whole-of-Government savings initiative implemented in the 2009–10 'Portfolio Additional Estimates' budget round.

Note 25: Appropriations (continued)

Table A2: Acquittal of authority to draw cash from the Consolidated Revenue Fund for ordinary annual services appropriations (Reduction in Administered Items)

Particulars	Administered expenses <i>Outcome 1</i>		Total	
	2010	2009	2010	2009
Reduction in administered items				
Total administered items appropriated 2009–10 (2008–09)	3,441,000.00	3,424,000.00	3,441,000.00	3,424,000.00
Less administered items required by the agency as per <i>Appropriation Act</i> section 11 ¹ :				
<i>Appropriation Act (No. 1) 2009–10 (2008–09)</i>	3,131,080.08	3,076,850.05	3,131,080.08	3,076,850.05
To administered items required by ASIC as represented by:				
Spent	2,235,397.12	2,231,225.32	2,235,397.12	2,231,225.32
Retention	895,682.96	845,624.73	895,682.96	845,624.73
Total reduction in administered items – effective 2010–11 (2009–10)	309,919.92	347,149.95	309,919.92	347,149.95

¹ Administered items for 2009–10 will be reduced to these amounts when these financial statements are tabled in the Parliament as part of ASIC's 2009–10 annual report. This reduction is effective in 2010–11 (i.e. the year the report is tabled) and the amounts in the Total Reduction row will be reflected in Table A1 in the 2010–11 financial statements in the row 'Appropriations reduced (Appropriation Act sections 10, 11 & 12)'.

Note 25: Appropriations (continued)**Table B: Acquittal of authority to draw cash from the Consolidated Revenue Fund (CRF) for other than ordinary annual services appropriations**

Particulars	Non-operating Equity		Total	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Balance brought forward from previous period (Appropriation Acts)	29,103	25,368	29,103	25,368
<i>Appropriation Act:</i>				
<i>Appropriation Act (No. 2) 2009–2010 as passed</i>	9,015	17,117	9,015	17,117
<i>Appropriation Act (No. 4) 2009–2010 as passed</i>	1,050	3,478	1,050	3,478
Appropriations reduced (<i>Appropriation Act</i> sections 12, 13 & 14) ¹	(1,653)	(3,735)	(1,653)	(3,735)
<i>FMA Act:</i>				
Repayments to the Commonwealth (<i>FMA Act</i> section 30) ²	3,401	1,313	3,401	1,313
Total appropriations available for payments	40,916	43,541	40,916	43,541
Cash payments made during the year (GST inclusive)	(37,415)	(14,438)	(37,415)	(14,438)
Balance of authority to draw cash from the consolidated revenue fund for other than ordinary annual services appropriations and as represented by:	3,501	29,103	3,501	29,103
Departmental appropriations receivable for other than ordinary annual services	3,501	29,103	3,501	29,103
Balance as at 30 June	3,501	29,103	3,501	29,103

1 This balance relates to a determination of the Finance Minister to formally reduce ASIC's equity appropriation in respect of the Standard Business Reporting cross-agency project.

2 The amounts in this line item are calculated on an accrual basis to the extent that an expense may have been incurred that includes GST but has not been paid by year end.

Note 25: Appropriations (continued)

Note 25C: Acquittal of authority to draw cash from the Consolidated Revenue Fund for special appropriations (unlimited amounts)

ASIC receives special appropriations for refunds of collected moneys when required (further details are provided within the tables below). The purpose of this note is to summarise the actual utilisation of the CRF for these special appropriations compared to the initial estimate included in the Government's Budget for each class of appropriation.

	2010 \$'000	2009 \$'000
Banking Act 1959		
Legal authority – <i>Banking Act 1959</i>		
Purpose – ASIC has responsibility for the administration of unclaimed moneys from banking and deposit taking institutions. Moneys from banking and deposit taking institution accounts that remain inactive for seven or more years are transferred to the Commonwealth, and are deposited into the OPA.		
ASIC receives special appropriations from the OPA (section 69 <i>Banking Act 1959</i>) to refund amounts to banking and deposit taking institution account holders.		
All transactions under this Act are recognised as administered items.		
Cash payments made during the year	28,024	26,122
Total charged to appropriation	28,024	26,122
Estimated actual	28,882	21,780
Life Insurance Act 1995		
Legal authority – <i>Life Insurance Act 1995</i>		
Purpose – ASIC has responsibility for the administration of unclaimed moneys from life insurance institutions and friendly societies. Moneys in respect of matured life insurance policies that have not been claimed within seven years are transferred to the Commonwealth and are deposited into the OPA.		
ASIC receives special appropriations from the OPA (section 216 <i>Life Insurance Act 1995</i>) to refund amounts to life insurance policy holders.		
All transactions under this Act are recognised as administered items.		
Cash payments made during the year	3,716	4,793
Total charged to appropriation	3,716	4,793
Estimated actual	4,974	2,760

Note 25: Appropriations (continued)**Note 25C: Acquittal of authority to draw cash from the Consolidated Revenue Fund for special appropriations (unlimited amounts) (continued)**

	Note	2010 \$'000	2009 \$'000
Corporations Act 2001 (Refunds of overpaid Corporations Act fees and charges)			
Legal authority – <i>Corporations Act 2001</i>			
Purpose – ASIC has responsibility for the administration and collection of Corporations Act fees and charges. All fees and charges are deposited into the CRF as received. Refunds of overpayments are appropriated under section 28 of the FMA Act.			
All transactions of this type under this Act are recognised as administered items.			
Cash payments made during the year		5,756	5,824
Total charged to appropriation		5,756	5,824
Estimated actual		6,000	6,000

Corporations Act 2001 (Companies and Unclaimed Moneys Special Account)Legal authority – *Corporations Act 2001*

Purpose – ASIC has responsibility for the administration of unclaimed moneys from the Companies and Unclaimed Moneys Special Account. Moneys that are not claimed within six years are transferred to the Commonwealth (Part 9.7 of the *Corporations Act 2001*), and are deposited into the OPA. Refunds are appropriated under section 28 of the FMA Act.

All transactions of this type under Part 9.7 of this Act are recognised in Note 31: Special Accounts.

Cash payments made during the year	29B	881	767
Total charged to appropriation		881	767
Estimated actual		–	–

Note 26: Expenditure relating to statutory boards and tribunal

Pursuant to Parts 11 and 12 of the *Australian Securities and Investments Commission Act 2001*, ASIC is required to support statutory boards and a tribunal to promote activities that assist ASIC to attain its aims.

The following expenditure incurred on behalf of these boards and tribunal are included in the Statement of Comprehensive Income of ASIC:

	2010 \$'000	2009 \$'000
Companies Auditors and Liquidators Disciplinary Board	645	1,074
Australian Accounting Standards Board ¹	n/a	1,602
Superannuation Complaints Tribunal	5,015	4,612

The Superannuation Complaints Tribunal (SCT) is an independent body with distinct responsibilities as set out under the *Superannuation (Resolution of Complaints) Act 1993* and has operated under the budgetary umbrella of ASIC since 1 July 1998.

¹ The Australian Accounting Standards Board became an FMA agency on 1 July 2009. From that date the AASB has received departmental appropriations directly from the Department of Finance and Deregulation, therefore ASIC has incurred no expenditure in support of the AASB during the year ended 30 June 2010.

Note 27: Assets of deregistered companies vesting in ASIC

Section 601AD of the *Corporations Act 2001* provides that, on deregistration of a company, all of the company's property vests in ASIC. ASIC adopts a passive approach to administering vested property and accounts for any proceeds on realisation of those assets in accordance with its statutory duties.

ASIC generally only deals with vested property once an application is made by a third party for ASIC to exercise its powers under section 601AE of the *Corporations Act 2001*. ASIC does not consider it practical to value any identified property vesting and consequently such property is not recorded or disclosed in these financial statements.

Note 28: Security deposits from dealers, investment advisers and liquidators

The *Corporations Act 2001* and the Corporations Regulations 2001 require applicants for a dealers or investment advisers licence, and applicants for registration as a liquidator, to lodge a security deposit with ASIC. These moneys, deposits, stock, bonds or guarantees are not available to ASIC and are not recognised in the financial statements.

	2010 \$'000	2009 \$'000
Security deposits under Corporations Regulations 2001 regulation 7.6.02AA (dealers and investment advisers)		
Cash (at bank) ¹	63	63
Interest bearing deposits (at bank) ¹	320	320
Inscribed stock	20	20
Insurance bonds	20	20
Bank guarantees	22,550	25,820
Closing balance	22,973	26,243

1 Included in the balance of Security Deposits Special Account in Note 30D.

Security deposits under Corporations Act 2001 section 1284(1) (liquidators)

Insurance bonds	1,800	1,800
Closing balance	1,800	1,800

Note 29: Special Accounts

	2010 \$'000	2009 \$'000
Note 29A: Enforcement Special Account (Departmental)		
Legal authority – section 20(1) <i>Financial Management and Accountability Act 1997</i> and <i>Financial Management and Accountability Determination 2006/31 – Enforcement Special Account Establishment 2006</i>		
Appropriation – section 20 <i>Financial Management and Accountability Act 1997</i>		
Purpose – The Enforcement Special Account (ESA) is a departmental Special Account which was established by a determination of the Finance Minister on 13 September 2006 to fund the costs of ASIC arising from the investigation and litigation of matters of significant public interest.		
Balance carried forward from previous year	32,912	26,806
Appropriation for the reporting period	30,000	30,000
Available for payments	62,912	56,806
Costs recovered	815	–
Cash payments from the Special Account ¹	(57,219)	(23,894)
Balance available to draw down next year ²	6,508	32,912
Represented by:		
Cash – held in the OPA	6,508	32,912

¹ For the year ended 30 June 2010 ASIC recognised ESA revenue of \$54.073m (2009: \$27.097m), of which \$57.219m (2009: \$23.894m) was drawn down in cash during the year.

Note 29B: Companies and Unclaimed Moneys Special Account (Administered) – established 1 July 2007

Legal authority – section 21 *Financial Management and Accountability Act 1997* and section 133 of the *Australian Securities and Investments Commission Act 2001*

Appropriation – section 21 *Financial Management and Accountability Act 1997*

Purpose – The Companies and Unclaimed Moneys Special Account (CUMSA) was established on 1 July 2007 when ASIC became a prescribed agency under the *Financial Management and Accountability Act 1997*. The CUMSA was established to administer unclaimed moneys received by ASIC under section 1341 of the *Corporations Act 2001*.

Note 29: Special Accounts (continued)

	2010 \$'000	2009 \$'000
Note 29B: Companies and Unclaimed Moneys Special Account (Administered) – established 1 July 2007 (continued)		
Table A – Special Account		
Balance carried forward from previous year	8,902	9,378
Appropriation for the reporting period	881	767
Receipts during the year	43,599	72,588
Interest amounts credited	611	514
Investments realised	18,000	11,000
Available for payments	71,993	94,247
Cash transferred to Consolidated Revenue	(9,974)	(9,053)
Investments made from the Special Account	(12,000)	(46,000)
Disbursements	(30,212)	(26,760)
Administration costs	(880)	(584)
Special purpose disbursement	(11,712)	(2,948)
Balance carried to next period (excluding investment balances) and represented by:	7,215	8,902
Cash – held by ASIC	7,215	8,902

Table B – Special Account investment of Public Money

Special Appropriations under section 39 of the FMA Act		
Balance carried forward from previous year	261,692	214,262
Investments made from the Special Account	12,000	46,000
Investment income	8,929	12,430
Investments realised	(18,000)	(11,000)
Balance carried to next period	264,621	261,692

Note 29C: Deregistered Companies Trust Moneys Special Account (Trust)

Legal authority – section 20(1) *Financial Management and Accountability Act 1997* and *Financial Management and Accountability Determination 2008/02 – ASIC Deregistered Companies Trust Moneys Special Account Establishment 2008*

Appropriation – section 20 *Financial Management and Accountability Act 1997*

Purpose – The Deregistered Companies Trust Moneys Special Account was established by the Finance Minister on 18 February 2008 to manage property vesting in the Commonwealth as a result of the deregistration provisions of the *Corporations Act 2001*.

Balance carried forward from previous year	698	4,636
Receipts during the year	68	358
Interest received	32	79
Disbursements	(58)	(4,375)
Closing balance	740	698

Note 29: Special Accounts (continued)

	2010 \$'000	2009 \$'000
Note 29D: ASIC Security Deposits Special Account (Trust)		
Legal authority – section 20(1) <i>Financial Management and Accountability Act 1997</i> and <i>Financial Management and Accountability Determination 2008/03 – ASIC Security Deposits Special Account Establishment 2008</i>		
Appropriation – section 20 <i>Financial Management and Accountability Act 1997</i>		
Purpose – The ASIC Security Deposits Special Account was established by a determination of the Finance Minister on 18 February 2008 to manage security deposits lodged with ASIC by registered liquidators, licensed securities dealers, licensed investment advisers and financial services licensees.		
Balance carried forward from previous year	383	423
Disbursements	–	(40)
Closing balance	383	383

Note 29E: ASIC Investigations, Legal Proceedings, Settlements and Court Orders Special Account (Trust)

Legal authority – section 20(1) *Financial Management and Accountability Act 1997* and *Financial Management and Accountability Determination 2008/04 – ASIC Investigations, Legal Proceedings, Settlements and Court Orders Special Account Establishment 2008*

Appropriation – section 20 *Financial Management and Accountability Act 1997*

Purpose – The ASIC Investigations, Legal Proceedings, Settlements and Court Orders Special Account was established by a determination of the Finance Minister on 18 February 2008 to manage money or other property temporarily held by ASIC for the benefit of a person other than the Commonwealth as a result of investigations conducted by ASIC, legal proceedings to which ASIC is a party, deeds of settlement to which ASIC is a party, enforceable undertakings accepted by ASIC and court orders referring to ASIC.

Balance carried forward from previous year	87	124
Receipts during the year	22,005	14
Interest received	152	4
Disbursements	(8,523)	(55)
Closing balance	13,721	87

Note 29F: Other Trust Moneys Special Account (Administered)

Balance carried forward from previous year	1	–
Transfer from Security deposits – dealers and investment advisers	–	–
Receipts during the year	17	53
Disbursements	(18)	(52)
Balance carried to next period	–	1

Note 29G: Services for Other Governments and Non-Agency Bodies Special Account (Administered)

This Special Account was established on 31 December 1997 by the Department of Finance and Deregulation in accordance with the terms of section 20 of the FMA Act (Services for Other Governments and Non-Agency Bodies Account). This account was closed on 11 September 2009.

Note 30: Reporting of outcomes

From 2009–10 ASIC's outcome structure was redefined as a result of a whole-of-Government review conducted by the Department of Finance and Deregulation. The 2008–09 comparatives have been prepared on the same basis. ASIC's revised outcomes are:

Outcome 1: Improved confidence in financial market integrity and protection of investors and consumers through research, policy, education, compliance and deterrence that mitigates emerging risks

Outcome 2: Streamlined and cost effective interaction and access to information for business and the public, through registry, licensing and business facilitation services.

Note 30A: Net (cost) / contribution of outcome delivery

	Outcome 1		Outcome 2		Total	
	2010	2009	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses						
Administered	3,130	3,076	64,877	59,890	68,007	62,966
Departmental	301,525	240,116	85,045	54,705	386,570	294,821
Total expenses	304,655	243,192	149,922	114,595	454,577	357,787
Income from the non-Government sector						
Administered						
Non-taxation revenue	–	–	639,878	603,916	639,878	603,916
Total administered	–	–	639,878	603,916	639,878	603,916
Departmental						
Activities subject to cost recovery	1,627	1,754	–	–	1,627	1,754
Other	2,019	–	569	2,079	2,588	2,079
Total departmental	3,646	1,754	569	2,079	4,215	3,833
Total income from the non-Government sector	3,646	1,754	640,447	605,995	644,093	607,749
Net (cost) / contribution of outcome delivery	(301,009)	(241,438)	490,525	491,400	189,516	249,962

The above table excludes intra-Government transactions.

The table shows the net contribution to the Commonwealth Budget outcome by adding the departmental and administered expenses, less external departmental and administered revenues and costs recovered to produce a net contribution to the Budget outcome of \$189.516m (2009: \$249.962m). This derived amount is meaningful only when it is used to consider ASIC's contribution to the Budget outcome for the purposes of whole-of-Government reporting. It is not intended to represent or portray an alternative operating result for ASIC to that which is disclosed in the Statement of Comprehensive Income.

Administered expenses represent revenue forgone to the Commonwealth as a result of refunds and waivers and write-offs of fees and charges owing to the Commonwealth (not ASIC) under the Corporations Act. Administered revenues and administered expenses are detailed in Notes 16 and 17 respectively.

Note 30: Reporting of outcomes (continued)**Note 30B: Major classes of departmental expenses, income, assets and liabilities by outcomes**

	Outcome 1		Outcome 2		Not attributed		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Departmental expenses								
Employee benefits	162,421	144,137	45,811	32,655	–	–	208,232	176,792
Supplier expenses	114,863	79,302	32,397	18,163	–	–	147,260	97,465
Depreciation and amortisation	21,735	15,588	6,130	3,603	–	–	27,865	19,191
Finance costs	381	383	107	85	–	–	488	468
Write-down and impairment of assets	2,115	699	597	197	–	–	2,712	896
Losses from asset sales	10	7	3	2	–	–	13	9
Total departmental expenses	301,525	240,116	85,045	54,705	–	–	386,570	294,821
Departmental income								
Rendering of services	2,913	2,739	821	631	–	–	3,734	3,370
Royalties	195	190	55	46	–	–	250	236
Other revenues	5,622	2,697	1,586	339	–	–	7,208	3,036
Other gains	134	128	38	30	–	–	172	158
Revenues from Government	288,779	250,285	81,450	57,511	–	–	370,229	307,796
Total departmental income	297,643	256,039	83,950	58,557	–	–	381,593	314,596
Departmental assets								
Cash and cash equivalents	–	–	–	–	189	2,950	189	2,950
Trade and other receivables	56,196	87,776	15,850	20,590	–	–	72,046	108,366
Leasehold improvements	53,096	21,905	14,976	5,138	–	–	68,072	27,043
Plant and equipment	18,637	13,965	5,256	3,276	–	–	23,893	17,241
Intangibles	64,437	42,241	18,174	9,908	–	–	82,611	52,149
Other non-financial assets	6,451	3,440	1,820	807	–	–	8,271	4,247
Total departmental assets	198,817	169,327	56,076	39,719	189	2,950	255,082	211,996
Departmental liabilities								
Suppliers	17,500	13,108	4,936	3,075	–	–	22,436	16,183
Other payables	45,047	29,282	9,617	3,918	–	–	54,664	33,200
Employee provisions	39,055	35,099	11,016	8,233	–	–	50,071	43,332
Other provisions	8,516	5,424	2,402	1,272	–	–	10,918	6,696
Total departmental liabilities	110,118	82,913	27,971	16,498	–	–	138,089	99,411

The income and expenses disclosed in this table include intra-Government transactions that are eliminated in calculating the 'Net (cost) / contribution of outcome delivery' in Note 30A.

Note 30: Reporting of outcomes (continued)

Note 30C: Major classes of administered expenses, income, assets and liabilities by outcomes

	Outcome 1		Outcome 2		Not attributed		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Administered expenses								
Grants	3,130	3,076	–	–	–	–	3,130	3,076
Write-down and impairment of assets	–	–	33,137	28,975	–	–	33,137	28,975
Other expenses	–	–	31,740	30,915	–	–	31,740	30,915
Total administered expenses	3,130	3,076	64,877	59,890	–	–	68,007	62,966
Administered income								
Non-taxation revenue	–	–	639,878	603,916	–	–	639,878	603,916
Total administered income	–	–	639,878	603,916	–	–	639,878	603,916
Administered assets								
Cash and cash equivalents	1,126	76	1,891	2,996	–	–	3,017	3,072
Receivables	–	–	86,946	86,321	–	–	86,946	86,321
Total administered assets	1,126	76	88,837	89,317	–	–	89,963	89,393
Administered liabilities								
Suppliers	985	152	6,841	6,414	–	–	7,826	6,414
Total administered liabilities	985	152	6,841	6,414	–	–	7,826	6,414

The income and expenses disclosed in this table include intra-Government transactions that are eliminated in calculating the 'Net (cost) / contribution of outcome delivery' in Note 30A.

Note 31: Compensation and debt relief

	2010 \$'000	2009 \$'000
Departmental		
Expenses incurred in relation to one (2009: four) matter dealt with under the Compensation for Detriment caused by Defective Administration scheme during the reporting period	2	43

Administered

Included in the bad and doubtful debts expense in the Schedule of Administered Items are amounts written off under section 47 of the FMA Act. The number and aggregate amount of Commonwealth moneys written off during the financial year under this section is 160,948 items totalling \$27,463,323 (2009: 122,441 items totalling \$22,008,675).

The number and aggregate of amounts owing to the Commonwealth, the recovery of which was waived during the financial year pursuant to section 34(1) of the FMA Act is 147,099 items totalling \$3,071,808 (2009: 14,241 items totalling \$2,011,653).

End of financial statements

Glossary

ABA	Australian Bankers' Association	G20	The Group of Twenty Finance Ministers and Central Bank Governors
ACC	Australian Crime Commission	GDP	gross domestic product
ACCC	Australian Competition and Consumer Commission	GFC	global financial crisis
ACT	Australian Capital Territory	HOCOLEA	Heads of Commonwealth Operational Law Enforcement Agencies
AFCRCRA	Australian Financial Counselling and Credit Reform Association	IAIR	International Association of Insolvency Regulators
AFMA	Australian Financial Markets Association	ICA	Insurance Council of Australia
AFS licence	Australian financial services licence	ICAA	Institute of Chartered Accountants in Australia
AIA	Australian Investors' Association	IFIAR	International Forum of Independent Audit Regulators
AICD	Australian Institute of Company Directors	IFSA	Investment and Financial Services Association (now called the Financial Services Council)
AIMA	Alternative Investment Management Association	IMF	International Monetary Fund
APRA	Australian Prudential Regulation Authority	IOSCO	International Organization of Securities Commissions
APS	Australian Public Service	IPO	initial public offering
ASA	Australian Shareholders Association	JORC	Joint Ore Reserves Committee
ASFA	Association of Superannuation Funds of Australia Limited	MIS	managed investment scheme
ASIC	Australian Securities and Investments Commission	NSW	New South Wales
ASIC Act	Australian Securities and Investments Commission Act 2001	NT	Northern Territory
ASX	Australian Securities Exchange	NZ	New Zealand
ASX 24	the market formerly known as SFE	OECD	Organisation for Economic Cooperation and Development
ATO	Australian Taxation Office	OTC	over the counter
AWA	Australian Workplace Agreement	PDS	product disclosure statement
BCA	Business Council of Australia	Public Service Act	Public Service Act 1999
CAMAC	Corporations and Markets Advisory Committee	Qld	Queensland
CAP	Consumer Advisory Panel	RBA	Reserve Bank of Australia
CDPP	Commonwealth Director of Public Prosecutions	RPG	Regulatory Policy Group
CDS	credit default swap	SA	South Australia
CEO	Chief Executive Officer	SAA	Stockbrokers Association of Australia (formerly known as SDIA)
CFA	Consumers' Federation of Australia	SBR	Standard Business Reporting
CFD	contract for difference	SEL	Senior Executive Leader
COFR	Council of Financial Regulators	SES	Senior Executive Service
Corporations Act	Corporations Act 2001	SFE	Sydney Futures Exchange (now known as ASX 24)
CPSS	Committee on Payment and Settlement Systems	SME	small to medium enterprise
EDGE	ASIC's electronic document lodgement system	Tas.	Tasmania
FIDO	ASIC's website for consumers and investors	UK	United Kingdom
FMA Act	Financial Management and Accountability Act 1997	US	United States
FPA	Financial Planning Association	Vic.	Victoria
FRC	Financial Reporting Council	WA	Western Australia
FTE	full-time equivalent		

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Copies of this annual report:

Phone: 1300 300 630

Online: www.asic.gov.au/annualreport

Enquiries about this annual report:

Project Director, Annual Report

Phone: 02 9911 2000

Fax: 02 9911 2414

Email: annualreport@asic.gov.au

ISBNs

978-0-9805780-8-9 (paper copy)

978-0-9805533-0-7 (pdf on www.asic.gov.au)

978-0-9805780-9-6 (CD-ROM)