



ANNUAL REPORT

2013–2014

- ◆ investor and financial consumer trust and confidence
- ◆ fair, orderly and transparent markets
- ◆ efficient and accessible registration



ASIC

Australian Securities & Investments Commission

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ASIC

Australian Securities & Investments Commission

GREG MEDCRAFT

Chairman

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

10 October 2014

Senator the Hon Mathias Cormann
Minister for Finance and Acting Assistant Treasurer
Parliament House
CANBERRA ACT 2600

Dear Minister

I am pleased to give you the annual report of the Australian Securities and Investments Commission for the year ended 30 June 2014.

The report has been prepared in accordance with section 136 of the *Australian Securities and Investments Commission Act 2001* and the 'Requirements for Annual Reports' guide, approved by the Joint Committee of Public Accounts and Audit, and published by the Department of the Prime Minister and Cabinet on 29 May 2014.

I note that you are required under section 136 to cause the report to be tabled in each House within 15 sitting days of receiving it.

Yours sincerely

A handwritten signature in black ink, appearing to read 'G Medcraft', with a long horizontal line extending to the right.

Greg Medcraft

Chairman

Chairman's report

ASIC's objective is to allow markets to allocate capital efficiently to fund the real economy and, in turn, economic growth. This contributes to improved standards of living for all Australians.

Markets cannot achieve their fundamental purpose in funding the real economy if investors, financial consumers and issuers do not have trust and confidence in them.

ASIC is Australia's frontline and integrated financial services and markets regulator and making sure Australians have this trust and confidence is at the heart of everything we do.

To support our fundamental objective, we have refined our strategic priorities:

Priority 1: Investor and financial consumer trust and confidence

Priority 2: Fair, orderly and transparent markets

Priority 3: Efficient and accessible registration



Greg Medcraft, Chairman

Challenges

We are living in a time of rapid innovation and change – and this is only likely to increase. Change brings opportunity, but also risk.

In this age of innovation, ASIC's key external challenges are:

- 1. The balance between a market-based system and investor and financial consumer protection** – Our particular focus is on ensuring that the participants we regulate have a culture and systems that emphasise the best interests of their customers.
- 2. Digital disruption in our financial services and markets** – Traditional business models in financial services and markets are being disrupted by new digital strategies at an accelerating pace. In financial services, crowd funding and peer-to-peer lending platforms are disrupting traditional ways of accessing capital. In our markets, we see digital disruption in high-frequency trading and dark liquidity.

The potential of digitisation in terms of access, competition and efficiency is yet to be fully realised and we are monitoring our financial services and markets to identify emerging risks.

- 3. Structural change in our financial system** – This is mainly through the growth of market-based financing, which is largely driven by the growth in superannuation. Market-based financing is an area that ASIC primarily regulates and its growth has impacts on our ongoing work.

For example, ASIC regulates the financial products that superannuation funds invest in and the gatekeepers supporting those who invest in financial products. This includes auditors, directors, financial advisers, custodians, investment managers, liquidators and market operators and participants.

4. Financial innovation-driven complexity

– Financial innovation-driven complexity in products, markets and technology is accelerating change in our financial services and markets.

In response, we are exploring how to apply insights from behavioural economics to our regulatory responses to take account of how people really behave.

We are also focusing on how financial products are marketed. In 2013–14, our work resulted in 127 advertisements being amended or withdrawn to ensure investors and financial consumers are not misled.

5. Globalisation – The global financial system has become more integrated, competitive and complex. Encouraging further cross-border activity and integration of international markets is likely to deliver significant economic benefits to Australian markets, providers, investors and financial consumers.

Many of the issues facing Australia need a global approach and our international work allows us to take action today for the longer-term benefit of Australians. Examples of this are our work with other Australian and international regulators to implement G20 commitments to reform our over-the-counter (OTC) derivative markets and on the Asia Region Funds Passport.

Detect. Understand. Respond

ASIC is a law enforcement agency. We use around 70% of our regulatory resources on surveillance and enforcement.

A key aspect of what we do is holding gatekeepers to account. For those who intentionally break the law, we will make the best use of our resources and powers to ensure the ramifications are severe.

We will take enforcement action against any entity, no matter their size or reputation.

Where we see non-compliance, we act quickly and decisively through our 'detect, understand and respond' approach.

Detect

We detect wrongdoing through:

- ♦ surveillance
- ♦ breach reports
- ♦ reports from the public and whistleblowers
- ♦ data gathering and matching.

Understand

We analyse intelligence to assess risks early and, where appropriate, respond quickly.

Respond

We respond to wrongdoing or the risk of wrongdoing by:

- ♦ disrupting harmful behaviour
- ♦ taking tough, timely enforcement action
- ♦ communicating the actions we take
- ♦ educating investors and financial consumers
- ♦ providing guidance to gatekeepers
- ♦ providing policy advice to Government.

Chairman's report *continued*

ASIC's people

Our talented and dedicated staff work at ASIC for good reason. They are hard working, passionate and resilient.

ASIC's people are also highly skilled and professional. Our values – accountability, professionalism and teamwork – guide us in achieving our strategic priorities.

We invest in recruiting and developing high-potential talent to build our organisational capability.

We value a diverse and inclusive workplace and this year we established the ASIC Diversity Council to embed our access and equity program, including a multicultural plan. We have also adopted and are committed to achieving voluntary targets for the number of women in senior positions at ASIC. I am a strong supporter of these initiatives.

Outlook

ASIC is ready to embrace the opportunities and challenges the coming 12 months will bring.

We operate in a dynamic and complex environment, with greater resourcing pressures.

Our budget has been reduced by around \$120 million over four years. This is in addition to the increased efficiency dividend of around \$47 million over four years, and other savings measures.

In 2014–15, our operating budget will reduce by \$44 million or around 12%. Our average staffing levels will fall by 20%.

We have anticipated the effect of these cuts and have been proactive in conducting a voluntary redundancy campaign. We will continue to adjust our resource allocation to reflect the available funding, and our statutory role.

One trade-off is that our proactive surveillance will substantially reduce.

Regulatory environment

In light of changes since the Wallis Inquiry and those that will inevitably come in the future, the Government's Financial System Inquiry is timely. ASIC has provided detailed submissions and information to the Inquiry and looks forward to further opportunities to contribute in 2014–15.

We welcome the Senate Economics References Committee report into our performance, and have used it as an opportunity to improve our processes and procedures. We are committed to learning from our experiences.

In light of the uncertainty and lack of stability in ASIC's funding, it was pleasing to see the Senate Committee's recommendation that ASIC should be primarily funded through a user-pays model. We will continue to push the case for a user-pays funding model for ASIC. Such a model is not about increasing ASIC's budget but about providing the economic incentives to drive the Government's desired regulatory outcomes for the financial system.

In our resource-precious and rapidly changing environment, I know that the exceptional men and women of ASIC are ready for the opportunities and challenges ahead.



Greg Medcraft
Chairman

Key outcomes 2013–14

PRIORITY 1: Investor and financial consumer trust and confidence

Engagement

DETAILS: PAGES 26–28.

685 meetings with industry groups and other stakeholders

81 credit outreach events reaching **700** financial counsellors and consumer advocates

5 consultation papers published

816 relief applications received; **518** approved and **48** refused

Surveillance

DETAILS: PAGES 28–31.

860 high-intensity surveillances completed

127 instances of potentially misleading or deceptive promotional material withdrawn or amended

Proactive, risk-based surveillance focused on financial advice (SMSFs and 'capital protected' products), platform compliance, and payday lenders

Guidance

DETAILS: PAGES 31–32.

10 new or revised regulatory guides published, including on what super funds have to disclose on their websites

18 new or revised information sheets, including to support the Stronger Super reforms

17 class orders, including amendments and repeals

Education

DETAILS: PAGES 32–34.

4.7 million unique visits to ASIC's MoneySmart website – **86%** of users took action on their finances after visiting MoneySmart

112,000 downloads of our TrackMySPEND app

122 MoneySmart Rookie education and training sessions, attended by over **1,265** people

1,400 schools engaged with MoneySmart Teaching with over **40,000** teaching resources distributed

Enforcement

DETAILS: PAGES 34–36.

113 investigations and **95** criminal and civil litigation and administrative actions completed, including **15** criminal proceedings with **8** imprisonments secured

\$172.6 million in compensation or remediation secured for investors and financial consumers

103 individuals or companies banned from providing financial services or credit services

Action taken on, for example, breaches by financial service directors, loan fraud and misleading representations

Policy advice

DETAILS: PAGES 36–37.

10 public submissions, testifying **twice** and answered over **140** questions on notice to the Senate Inquiry into ASIC's performance

Policy work on cross-border regulation and retail investor and financial consumer education, with other regulators and IOSCO

Key outcomes 2013–14 continued

PRIORITY 2: Fair, orderly and transparent markets

Engagement	DETAILS: PAGES 38–39.	Enforcement	DETAILS: PAGES 45–48.
<p>487 meetings with industry groups and other stakeholders</p> <p>58 meetings through the investment bank liaison program</p> <p>4 consultation papers published</p> <p>1,913 relief applications received; 1,528 approved and 85 refused</p>		<p>125 investigations and 54 criminal and civil litigation and administrative actions completed including 17 criminal proceedings with 6 imprisonments secured</p> <p>314 additional summary prosecutions for strict liability offences</p> <p>\$2.7 million in compensation or remediation secured for investors and financial consumers</p> <p>62 individuals disqualified or removed from directing companies</p> <p>Actions taken on, for example, market manipulation and insider trading, directors' duties and other breaches of the Corporations Act</p>	
Surveillance	DETAILS: PAGES 40–43.	Policy advice	DETAILS: PAGE 48.
<p>907 high-intensity surveillances completed</p> <p>Proactive risk-based surveillance focused on financial reporting, audit, the handling of confidential information by listed companies and hybrid products</p> <p>36,346 trading alerts produced as part of our real-time supervision of financial markets, with further inquiries into 224 matters</p>		<p>Major policy submission to the Financial System Inquiry on future financial system regulatory architecture</p> <p>Work on OTC derivative reforms through the OTC Working Group and on IOSCO's Assessment Committee</p>	
Guidance	DETAILS: PAGES 43–45.		
<p>13 new or revised regulatory guides, including guidance on derivative transaction reporting</p> <p>29 new or revised information sheets</p> <p>24 class orders, including amendments and repeals</p> <p>New market integrity rules, including regulating high-frequency trading</p>			

PRIORITY 3: Efficient and accessible registration

DETAILS: PAGES 50–58.	
<p>2.12 million companies now registered with ASIC in total, with 212,573 new companies registered in 2013–14</p> <p>1.99 million business names registered on the national Business Names Register in total</p> <p>Over \$79 million in estimated savings in fees to register or renew business names (from the introduction of the national Business Names Register in May 2012 until 30 June 2014)</p>	<p>1 million calls and online inquiries responded to by our Customer Contact Centre</p> <p>\$309 million paid to owners of unclaimed money</p> <p>86.1% of 2.4 million forms were lodged online</p> <p>76.2 million searches of ASIC registers</p>

Major enforcement outcomes

Outcome	2013–14	2012–13
Criminal and civil litigation and administrative actions completed ¹	149	144
Criminal and civil litigation completed successfully ²	90%	95%
New criminal and civil litigation and administrative actions commenced ¹	163	149
Investigations commenced	224	193
Investigations completed	238	187
Criminal proceedings completed	31	25
No. of people convicted	30	21 ³
No. of people imprisoned	14	8 ³
Non-custodial sentences/fines	16	13
Civil proceedings completed	13	15
Illegal schemes shut down or other action taken	0	39
People disqualified or removed from directing companies	62	72
People/companies banned from financial services	57	50
People/companies banned from credit services	46	38
Action taken against auditors and liquidators	13	7
No. of enforceable undertakings accepted	26	20

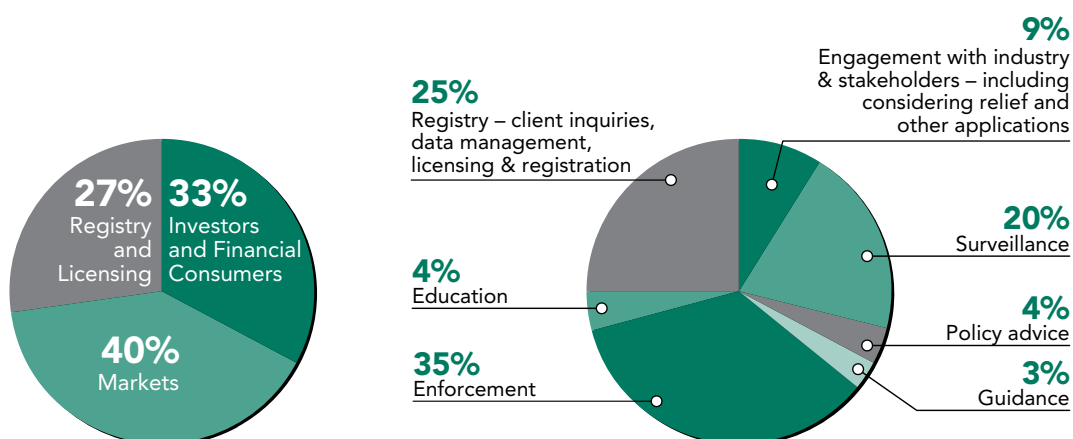
1. Excludes summary prosecutions for strict liability offences.

2. Excludes administrative actions and summary prosecutions for strict liability offences.

3. One 2012–13 criminal outcome was quashed on appeal.

ASIC's priorities – resource allocation

The following charts indicate the proportion of ASIC's 2013–14 operating expenditure allocated to achieving each of our three priorities and to each of the tools we use to achieve these priorities. The percentages are based on ASIC's staff, supplier, finance and asset impairment costs in 2013–14 – totalling \$340.4 million. This figure reflects ASIC's 2013–14 actual costs excluding statutory bodies, and ASIC's costs to support the statutory bodies.



Government priorities and parliamentary inquiries

Financial System Inquiry

In December 2013, the Government announced the terms of reference for the Financial System Inquiry. The Inquiry is charged with examining how the financial system could be positioned to best meet Australia's evolving needs and support Australia's economic growth.

As Australia's integrated corporate, markets, financial services and consumer credit regulator, ASIC plays a key role in the Australian financial system.

We made a submission to the Inquiry in April 2014. We proposed a number of reforms in light of major developments in the financial system and the broader economy, lessons from financial regulation, and reconsidering regulatory philosophy, including to:

- ♦ ensure the superannuation system better meets the needs of those consumers entering retirement
- ♦ lift the standards in financial advice
- ♦ participate strategically in global financial markets
- ♦ better manage systemic risk
- ♦ improve conduct through a more flexible regulatory toolkit
- ♦ prescribe penalties that provide the incentive for better conduct
- ♦ institute a better funding model for ASIC to better reflect the costs of regulation.

We also provided research support to the Inquiry.

The Inquiry is ongoing, and expects to release its final report in November 2014.

Senate Inquiry into ASIC's performance

In June 2013, the Senate referred an inquiry into the performance of ASIC to the Senate Economics Reference Committee. The Committee released its report on the Inquiry on 26 June 2014.

We had a core team of seven staff dedicated to responding to the Inquiry. The team consulted extensively across ASIC and coordinated our 10 public submissions. We also provided testimony at two public hearings and answered over 140 questions on notice from the hearings and subsequent questions on notice from the Secretariat.

ASIC response

ASIC welcomed the Senate Inquiry into our performance.

We want to do the best job we possibly can and we have sought to learn from, and respond to, the issues identified through the Inquiry.

We have improved our processes and procedures to address the concerns raised through three main elements this year.



ASIC's Annual Forum 2014, which focussed on the theme 'Regulating for real people, markets and globalisation', attracted 418 delegates. Here, ASIC Commissioners outline priorities for the year ahead, in a session chaired by journalist Ticky Fullerton.

Communication

We are committed to being transparent about all of our regulatory outcomes and improving our communication.

For those who report misconduct to us, we have made changes to ensure our teams have the skills to deal effectively and sensitively with the public and whistleblowers.

As part of our National Financial Literacy Strategy, ASIC continues to provide clear, practical information for investors and financial consumers.

We have been upfront with industry about our expectations of them and have pointed out where those expectations are not being met. For example, we have publicly signalled that we expect licensees to improve the quality and timeliness of breach reporting.

We are also revamping our website to make it more accessible and targeted to those who use it – business, finance professionals and consumers. We will also ensure our media releases are updated more promptly – including to acknowledge any changes arising from appeals.

Emerging risks

ASIC is focused on identifying emerging risks across our whole organisation, from the staff level to our Commission-led Emerging Risk Committee. We are also developing tools to enable us to better analyse and cross-match data.

We analyse the intelligence we gather from our wide range of stakeholders – including from complaints, reports of misconduct and breach reports – to identify emerging risks.

Consistent with this, we are publishing our Strategic Outlook for the coming year, which sets out the key risks to investors, financial consumers, and the sectors and participants we regulate. It also sets out our planned actions to address these risks.

Enforcement action

We are committed to strong and swift enforcement action.

ASIC is particularly conscious of the community expectation that we take action where the law is broken and investor funds are at risk. We are looking right across our processes to ensure we act as quickly as possible.

We are also making changes so that where we negotiate agreed outcomes through enforceable undertakings, the terms of the undertaking are as specific and clear as possible, and the monitoring more independent and effective. We will also be more transparent about the outcomes of our monitoring activities.

Reducing ‘red tape’

ASIC has pursued a range of initiatives to reduce red tape and lower compliance costs for businesses and individuals. We know the regulatory burden unnecessary red tape can impose.

This year, we set up a dedicated project team within ASIC to further our deregulatory initiatives. We work closely with Treasury, the Office of Best Practice Regulation and the Government to identify and cut red tape.

In 2013–14, ASIC implemented red tape reductions that achieved \$46.1 million in compliance savings for business, a significant contribution to the Government’s annual red tape reduction target.

In May 2014, we released a report outlining ongoing and new initiatives to cut red tape and lower compliance costs for our regulated population. We sought feedback on new deregulatory proposals, including opportunities to remove or simplify our forms.

We are in the process of reviewing stakeholder feedback and have begun work on streamlining some forms. For example, in June 2014, ASIC made changes to its Product Disclosure Statement in-use notice forms to remove questions on superannuation fees – this will save industry over \$300,000 a year.

Government priorities and parliamentary inquiries continued

Providing relief

Businesses frequently approach ASIC for assistance to help make the law work better for them.

We use our relief powers to set aside certain requirements of the law where there is a net regulatory benefit.

In 2013–14, ASIC received 2,729 applications for relief.

Of those, we made 2,046 decisions to facilitate business or cut red tape by granting relief. We refused 133 applications, 330 applications were withdrawn, and we continue to assess the rest.

We also provide industry-wide relief where appropriate. This provides substantial compliance cost savings for small and large businesses. For example, we gave transitional relief that deferred commencement of the superannuation portfolio holdings and product dashboard disclosure requirements from 1 July 2014 to 1 July 2015.

To promote transparency, we release a report three times a year on these decisions to cut red tape.

Making it easier for business

We implement changes to streamline our processes and make it easier for business to interact with us and meet their obligations. This reduces red tape.

In 2013–14, we transitioned business to use online channels for company lodgement, primarily through our ASIC Connect website. Our services went fully online from 1 July 2014, making it easier and cheaper for business.

We estimate that ASIC's Business Names Register has already saved business over \$79 million in reduced fees to register or renew business names, in its first two years of operation. We expect that it will save business over \$209 million in its first five years.

These initiatives have been supported by a range of other initiatives to improve efficiency. See pages 50–56.



Shaping the behaviour of regulated populations via communications is a crucial part of ASIC's work. In 2013–14, ASIC increased its inhouse production of videos, which are posted online and tweeted to nearly 4,000 subscribers.

Commissioners

Greg Medcraft

Chairman, BComm

Greg Medcraft was appointed ASIC Chairman on 13 May 2011 for a five-year term.

Greg joined as ASIC Commissioner in February 2009. Prior to ASIC, Greg was Chief Executive Officer and Executive Director at the Australian Securitisation Forum (ASF).

Greg spent nearly 30 years in investment banking at Société Générale in Australia, Asia, Europe and the Americas. More recently, he was the Managing Director and Global Head of Securitisation, based in New York.

In 2002, Greg co-founded the American Securitization Forum and was its Chairman from 2005 until 2007 when he returned to Australia. In January 2008, he was appointed Chairman Emeritus of the Forum.

Before joining Société Générale, Greg worked as a chartered accountant with KPMG.

Greg was elected by the IOSCO Board in May 2012 as its Chair. His term commenced in March 2013. In his capacity as IOSCO Board Chair, Greg is also a member of the Financial Stability Board, which reports to the G20.



Peter Kell

Deputy Chairman, BA (Hons)

Peter Kell commenced as Deputy Chair on 6 May 2013. Prior to this appointment, he was a Commissioner from 7 November 2011.

From August 2008, Peter was Deputy Chair of the Australian Competition and Consumer Commission (ACCC). He was President of the International Consumer Protection Enforcement Network in 2009–10, and also served on the Consumer Policy Committee of the Organisation for Economic Co-operation and Development (OECD). Peter has been on the Australian Government Financial Literacy Board since its establishment, and is a member of the Commonwealth Consumer Affairs Advisory Council.

Before joining the ACCC, Peter was Chief Executive of CHOICE (formerly the Australian Consumers Association) and a board member of the global consumer organisation Consumers International.

Between 1998 and 2004, he was ASIC's Executive Director of Consumer Protection and its New South Wales Regional Commissioner.



ASIC Commissioners, June 2014

Commissioners continued

Cathie Armour

BEd, LLB (Hons), LLM

Cathie Armour commenced as an ASIC Commissioner on 3 June 2013.

Cathie has 18 years experience in legal counsel leadership roles in international financial institutions. Most recently, she was General Counsel for Macquarie Capital and an Executive Director of Macquarie Group, advising on equity, debt and private capital markets, mergers and acquisitions and financial investment transactions. She has also held senior compliance and operational risk positions at Macquarie Capital and at JP Morgan in Australia. Before she joined ASIC, Cathie was also a member of the ASX Tribunal.

Cathie previously worked in private legal practice for the forerunners of the firms King & Wood Mallesons and Allens in Sydney and for Milbank, Tweed, Hadley & McCloy in New York.



John Price

BA, LLB (Hons)

John Price commenced as an ASIC Commissioner on 21 March 2012.

He has over 15 years regulatory experience in a variety of regulatory roles at ASIC relating to policy making, fundraising, mergers and acquisitions, financial services and products, licensing, insolvency and financial reporting and audit.

John was previously a member of CAMAC, an advisory body to Government on corporate and markets issues, and he is a current member of the Financial Reporting Council, a body providing broad oversight of various accounting and audit-related issues in Australia.

John is also a current member of the Council of Financial Regulators, the coordinating body for Australia's main financial regulatory agencies.

Prior to joining ASIC, John worked in the Gold Coast and Brisbane offices of Corrs Chambers Westgarth, a national law firm.



Greg Tanzer

BEd, LLB (Hons)

Greg Tanzer commenced as an ASIC Commissioner on 5 March 2012.

He served as Secretary General of IOSCO from 2008 until early 2012.

Greg was previously Executive Director, Consumer Protection and International at ASIC, where he worked in various senior positions from 1992 to 2008.

Before joining ASIC, Greg worked in the Australian Government Attorney-General's Department and the Department of Finance.





1

ABOUT ASIC

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1.1 ASIC's role

ASIC is Australia's integrated corporate, markets, financial services and consumer credit regulator.

ASIC contributes to Australia's economic reputation and wellbeing by ensuring that investors and financial consumers have trust and confidence in Australia's financial services and through fair, orderly and transparent markets.

The *Australian Securities and Investments Commission Act 2001* requires ASIC to strive to:

- ◆ maintain, facilitate and improve the performance of the financial system and entities within it in the interests of commercial certainty, reducing business costs, and the efficiency and development of the economy
- ◆ promote confident and informed participation by investors and consumers in the financial system
- ◆ administer the law effectively and with a minimum of procedural requirements
- ◆ receive, process and store – efficiently and quickly – the information that it receives
- ◆ make information about companies and other bodies available to the public as soon as practicable
- ◆ take whatever action it can, and which is necessary, to enforce and give effect to the law.

ASIC regulates companies, financial markets and financial services, and promotes investor, financial consumer and creditor protection under the:

- ◆ *Australian Securities and Investments Commission Act 2001* (ASIC Act)
- ◆ *Banking Act 1959*
- ◆ *Business Names Registration Act 2011*
- ◆ *Corporations Act 2001* (Corporations Act)
- ◆ *First Home Saver Accounts Act 2008*
- ◆ *Insurance Contracts Act 1984*
- ◆ *Life Insurance Act 1995*
- ◆ *Medical Indemnity (Prudential Supervision and Product Standards) Act 2003*
- ◆ *National Consumer Credit Protection Act 2009* (National Credit Act)
- ◆ *Retirement Savings Accounts Act 1997*
- ◆ *Superannuation (Resolution of Complaints) Act 1993*
- ◆ *Superannuation Industry (Supervision) Act 1993*.

1.1.1 Other regulators

ASIC is a member of the Council of Financial Regulators, the coordinating body for Australia's main financial regulatory agencies. Other members are the Australian Prudential Regulation Authority (APRA), Treasury and the Reserve Bank of Australia (RBA). ASIC maintains an operational and policy relationship with the Australian Competition and Consumer Commission (ACCC). ASIC is also a member of the International Organization of Securities Commissions (IOSCO).

1.1.2 Responsible Ministers

At 30 June 2014, the Ministers responsible for ASIC were the Minister for Finance and Acting Assistant Treasurer, Senator the Hon Mathias Cormann; the Treasurer, the Hon Joe Hockey MP; the Minister for Small Business, the Hon Bruce Billson MP; and the Parliamentary Secretary to the Treasurer, the Hon Steven Ciobo MP.

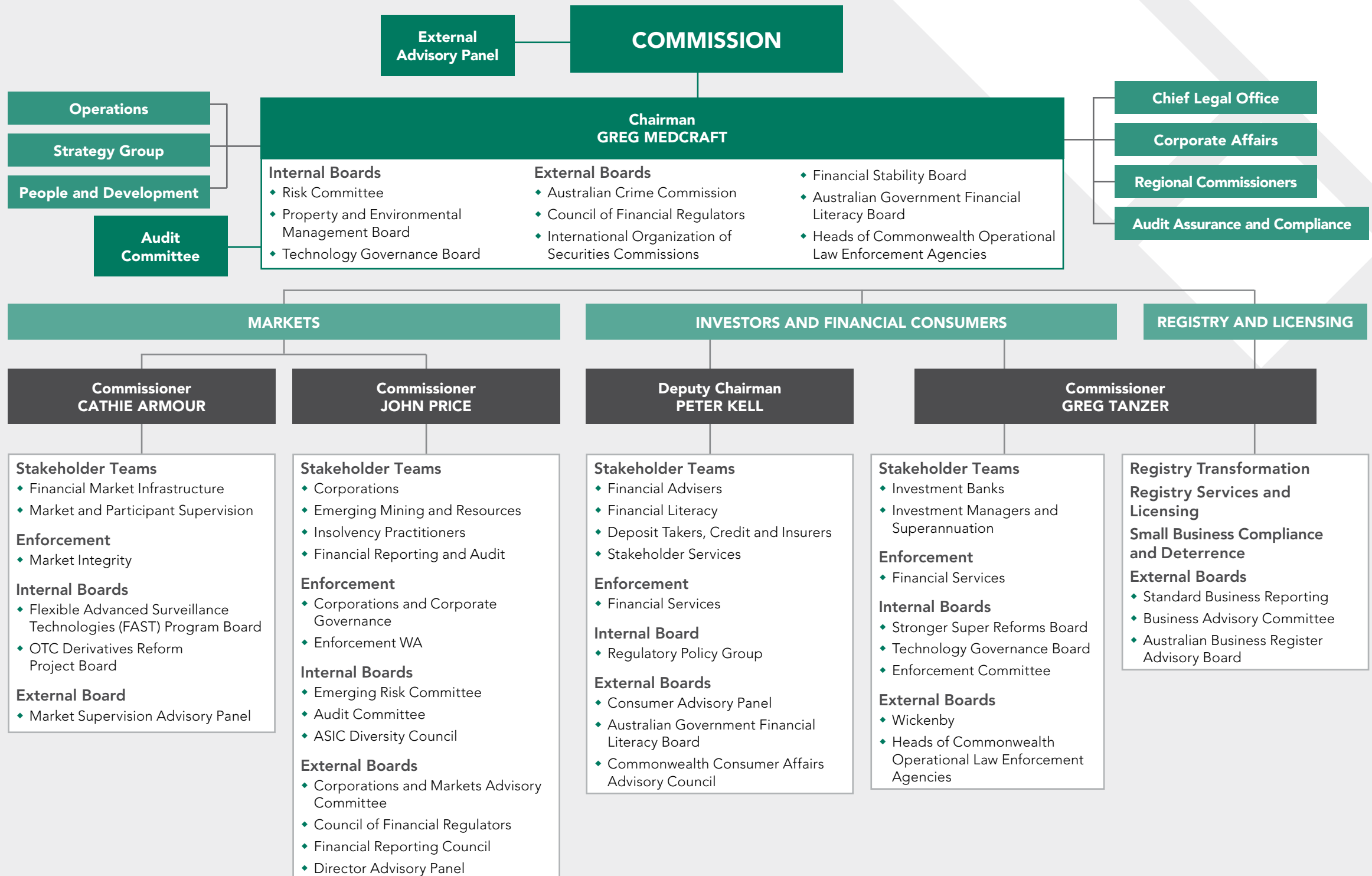
1.1.3 Parliamentary oversight

The Parliamentary Joint Committee on Corporations and Financial Services provides parliamentary oversight of ASIC. ASIC also appears before the Senate Standing Committee on Economics. ASIC appears before other parliamentary committees and inquiries as required.

1.1.4 Relationship with states and territories

ASIC is a member of the Legislative and Governance Forum for Corporations, which provides oversight for Council of Australian Governments (COAG) Ministers on legislation, inter-governmental agreements and treaties.

1.2 Corporate structure at 30 June 2014



Examples of ASIC's work in 2013–14

Under 15s

We give children the knowledge and skills to establish good financial habits into adulthood through our financial literacy work.

- ◆ **Over 10,000 teachers** have been trained to use the MoneySmart Teaching resources for primary and secondary schools.
- ◆ More than **1,400 schools** have engaged with the MoneySmart Teaching program.
- ◆ **12,500 primary school children** have played ASIC's MoneySmart Town game to learn better financial habits.

15–24 years

We help young people get on the right financial track with MoneySmart Rookie. It helps young adults make smart financial decisions and avoid common pitfalls when buying a first car, moving out of home or starting their first job.

- ◆ **90,000 people** have accessed the MoneySmart Rookie website materials.
- ◆ **15,000 educators** have used the MoneySmart Rookie education materials.
- ◆ TrackMySPEND app has been **downloaded over 112,000 times**, allowing Australians to track their personal expenses on the go, and manage their money better.

25–34 years

We help Australians make good financial choices for their future.

- ◆ **56,000 people** use the MoneySmart online budget planner each month to work out where their money is going.
- ◆ ASIC cracked down on misleading or deceptive advertising for credit cards and financial products – **127 ads were withdrawn or fixed**.
- ◆ **Better information** is available about MySuper with the 'MySuper product dashboard' now widely used by industry.

65+ years

We help Australians make the most of their money in retirement and avoid costly mistakes with our guide on 'Financial decisions in retirement'.

- ◆ Our **MoneySmart reverse mortgage calculator** shows the long-term impact of a reverse mortgage on home equity.
- ◆ ASIC revised **guidance for super funds** to encourage equal disclosure of both pension and accumulation phases in shorter Product Disclosure Statements.
 - ◆ ASIC reviewed **SMSF advice practices** to ensure retirement income can be maximised.

50–64 years

We work to ensure that Australians approaching retirement can have trust and confidence in their financial investments.

- ◆ ASIC **improved prospectuses** and prevented fundraising activities when there was poor disclosure to investors.
- ◆ ASIC **reviewed complex products** to help investors better understand investment risks.
- ◆ We warned about **property investments** for SMSFs when real estate agents are not licensed to give financial advice.
- ◆ Our **MoneySmart retirement planner** helps consumers determine their likely income from super and the age pension.

35–49 years

We help Australians in a range of circumstances, often when they have a lot to juggle, like paying down mortgages, caring for families, or finding a new job.

- ◆ Our **MoneySmart mortgage calculator** is used by over 56,000 people every month.
- ◆ ASIC stopped banks and other credit providers from overcharging interest and fees on mortgage accounts, with **over \$122 million refunded** to consumers.
- ◆ We **tackled loan fraud**, banning 17 individuals and obtaining 4 criminal convictions.

ASIC assists all Australians at every stage of life and in many different circumstances. We help them to make the most of financial opportunities and deal with challenges when they experience hardship.

1.4 Regulated populations and key responsibilities¹

INVESTORS AND FINANCIAL CONSUMERS

Deposit-takers, credit and insurers

168 authorised deposit-takers; 5,837 Australian credit licensees; 29,798 credit representatives; 97 licensed general insurance companies; 28 life insurers; 12 friendly societies; 636 non-cash payment facility providers; 12 trustee companies.

ASIC staff: 68

Stakeholder engagement: 71 industry meetings

- ◆ Ensuring deposit-takers, credit licensees (lenders and intermediaries), insurance providers, traditional trustee companies, and non-cash payment facility providers are complying with the law.
- ◆ Implementing recent regulatory reforms in consumer credit and insurance regulation.

Financial advisers

AFS licensees licensed to provide personal advice (3,391 licensees) or general advice (1,454 licensees); 2 ASIC-approved external dispute resolution schemes.

ASIC staff: 28

Stakeholder engagement: 192 industry meetings

- ◆ Ensuring that financial advice licensees, insurance brokers and their representatives comply with the law.
- ◆ Overseeing the ASIC-approved external dispute resolution schemes.
- ◆ Conducting projects on topical consumer policy issues.

Financial literacy

Approximately 20 million financial services consumers.²

ASIC staff: 31

- ◆ Leading the financial literacy strategy, supporting the Financial Literacy Board.
- ◆ Providing financial consumer and retail investor guidance, tools and education.

Investment banks

25 investment banks; 250 hedge fund managers/responsible entities; 61 retail OTC derivative providers; 7 credit rating agencies; 29 wholesale electricity derivatives dealers.

ASIC staff: 25

Stakeholder engagement: 284 industry meetings

- ◆ Ensuring that investment banks, hedge funds, private equity providers, retail OTC derivative providers, credit rating agencies and dealers in derivatives relating to the wholesale price of electricity comply with the law.

Investment managers and superannuation

More than \$1 trillion funds under management; 165 superannuation fund trustees; 485 active responsible entities; 3,673³ registered managed investment schemes; 614 foreign financial service providers; 718 custodial service providers.

ASIC staff: 39

Stakeholder engagement: 138 industry meetings

- ◆ Ensuring that responsible entities, superannuation trustees and custodians comply with the law.
- ◆ Registering and regulating managed investment schemes, including managed funds, listed and unlisted property trusts, mortgage funds, infrastructure schemes and agribusiness schemes.
- ◆ Regulating financial product disclosure and promotional material issued by responsible entities and superannuation trustees.
- ◆ Regulating exempted foreign financial service providers and foreign collective investment schemes and operators.

Enforcement

Financial services (includes consumer credit)

ASIC staff: 110⁴

- ◆ Investigating suspected misconduct in financial services and taking enforcement action to achieve criminal convictions (through CDDP), civil penalties or administrative sanctions. Focus on financial and credit products and advice.

1.4 Regulated populations and key responsibilities¹

continued

MARKETS

Corporations (including emerging mining and resources companies)

2.12 million registered companies, of which 21,767 are public companies, and 2,252 are listed entities (including registered schemes and foreign companies).

ASIC staff: 48

Stakeholder engagement: 62 industry meetings

- ♦ Improving market integrity by influencing fair, orderly and transparent behaviour by companies in fundraising, mergers and acquisitions, and other key transactions, focusing on large and complex transactions by listed entities.
- ♦ Promoting market participation by ensuring appropriate disclosure for investors.

Financial market infrastructure

40 authorised financial markets; 6 licensed clearing and settlement facilities.

ASIC staff: 22

Stakeholder engagement: 54 industry meetings

- ♦ Promoting fair, orderly and transparent financial markets and fair and effective clearing and settlement facilities, by supervising and assessing operators for compliance with statutory obligations, and by setting standards through market integrity rules.
- ♦ Advising the Minister on applications for market and clearing and settlement licences, licence exemptions and operating rules.

Insolvency practitioners

696 registered liquidators; 9,822 companies entering external administration.

ASIC staff: 23

Stakeholder engagement: 29 industry meetings

- ♦ Ensuring insolvency practitioners comply with the law.
- ♦ Promoting a fair, orderly and transparent insolvency market, and confidence in insolvent company administration and ASIC's supervision of registered liquidators.
- ♦ Implementing insolvency reforms and initiatives.
- ♦ Administering the Assetless Administration Fund.
- ♦ Administrative winding up of abandoned companies.

Financial reporting and audit

4,729 registered company auditors; 28,000 companies required to produce financial reports; 7,073 SMSF auditors.

ASIC staff: 30

Stakeholder engagement: 189 industry meetings

- ♦ Promoting market trust and confidence in the quality of financial reports by ensuring that financial reports and auditors comply with the law.

Market and participant supervision

133 market participants; 800 securities dealers; 7 markets.

ASIC staff: 62

(includes new integrated market surveillance system development)

Stakeholder engagement: 153 industry meetings

- ♦ Ensuring that market participants and indirect participants comply with the law and meet their obligations as AFS licensees and under the market integrity rules (for participants).
- ♦ Supervising equities and derivatives markets for instances of market misconduct that disrupt market integrity, including market manipulation, insider trading, breaches of continuous disclosure obligations, and abnormal algorithmic trading.

Enforcement

Markets enforcement

ASIC staff: 119.5⁴

- ♦ Investigating suspected misconduct and taking enforcement action to achieve criminal convictions (through CDPP), civil penalties or administrative sanctions, with a focus on corporate governance and market integrity.
- ♦ Corporate governance: investigating misconduct by company officers, advisers, liquidators and auditors.
- ♦ Market integrity: focus on alleged insider trading, market manipulation, continuous disclosure, making of false and/or misleading statements, contraventions of market integrity rules.

REGISTRY AND LICENSING SERVICES

Registry and licensing services, Customer Contact Centre, property law and unclaimed money

76.2 million searches of ASIC registers. Licensing and registration services for 2.12 million companies, 1.99 million business names, 5,101 AFS licensees, 5,837 credit licensees, 4,729 registered company auditors, 7,073 registered SMSF auditors, 696 registered liquidators, 3,673³ registered managed investment schemes. Over 900,000 calls handled by Customer Contact Centre. \$309 million of unclaimed money paid in response to more than 37,500 claims. 1,224 new matters received and 1,312 matters finalised regarding property of deregistered companies.

ASIC staff: 264
(includes registry, licensing, Customer Contact Centre, property law, unclaimed money)

- ◆ Providing registry and licensing services for companies, AFS and credit licensees, liquidators and auditors, personal property securities, managed investment schemes.
- ◆ Administering unclaimed money.
- ◆ Providing public and non-public access to registry information.
- ◆ Providing Customer Contact Centre for the public, consumers, regulated populations.
- ◆ Administering property of deregistered companies, resolving cases.
- ◆ Administering the national Business Names Register.

Surveillance and enforcement

Small business compliance and deterrence

ASIC staff: 38

Stakeholder engagement: 80 industry meetings

- ◆ Investigating alleged misconduct and failure to meet statutory requirements in licensing and registration by licensees, companies, other entities, directors and company officers.

Misconduct and breach reporting

ASIC staff: 70

- ◆ Receiving and assessing reports of misconduct (10,507 received and 10,530 finalised by ASIC in 2013–14).
- ◆ Receiving and assessing statutory reports from liquidators, administrators and reviewers (10,545 received and 10,522 finalised by ASIC in 2013–14).
- ◆ Receiving and assessing breach reports from licensees and auditors (1,406 received and 1,388 finalised by ASIC in 2013–14).
- ◆ Handling requests for assistance to and from foreign regulators (810 received and 844 finalised in 2013–14).

1. Data is indicative. See relevant sections of annual report for 2013–14 data. All staff figures are average net FTE and represent staff dedicated to respective populations. Each team undertakes a range of work using our regulatory tools of stakeholder engagement, surveillance, guidance, education, enforcement and policy advice. For further details of our surveillance coverage, see pages 22–23. Excludes Strategy Group, Corporate Affairs, Operations, People and Development, and statutory bodies.

2. ABS 2011, *Australian Census of Population and Housing*, Cat. No. 2001.0, Australian Bureau of Statistics, Canberra.

3. Excluding managed investment schemes in wind up or strike off.

4. Plus 119 staff providing enforcement support services, legal counsel.

1.5 ASIC's surveillance coverage of regulated populations

This chart provides a snapshot of ASIC's surveillance coverage in 2013–14 and our anticipated surveillance coverage in 2014–15. The chart shows the regulated population and the average number of years it would theoretically take to cover the entire population through high-intensity surveillances, based on the number of surveillances ASIC conducted in 2013–14. A high-intensity surveillance lasts for more than two days and includes both on-site visits and desk-based reviews.

INVESTORS AND FINANCIAL CONSUMERS

Financial advisers		Investment banks	
2013–14	2014–15	2013–14	2014–15
Surveillance resources: 16	Est: 20	Surveillance resources: 8	Est: 5.5
Surveillance coverage: 3,391 AFS licensees authorised to provide personal advice <ul style="list-style-type: none"> ◆ Top 20 – 0.7 years ↑ ◆ Next 30 – 0.8 years ↓ ◆ Remaining 3,341 – primarily reactive surveillances — 1,454 AFS licensees authorised to provide general advice – reactive surveillances only ↓ 2 ASIC-approved external dispute resolution schemes – every year —		Surveillance coverage: 25 investment banks – twice a year ↓ 250 hedge fund investment managers/responsible entities – primarily reactive surveillances N/A 61 retail OTC derivative providers – every year ↓ 7 credit rating agencies – every year —	
Investment managers and superannuation		Deposit-takers, credit and insurers	
2013–14	2014–15	2013–14	2014–15
Surveillance resources: 14	Est: 10	Surveillance resources: 42	Est: 35
Surveillance coverage: 485 active responsible entities including hedge fund operators in 2014–15 <ul style="list-style-type: none"> ◆ Top 25 – 70% of funds under management – every 2 years ↓ ◆ 9 identified as most at risk of non-compliance – every year ↓ ◆ 91 responsible entities in sectors where we have identified risks or have concerns – varies from year to year ↓ ◆ Remaining 360 – primarily reactive surveillances — 165 super fund trustees <ul style="list-style-type: none"> ◆ 5 identified as most at risk of non-compliance – every year — ◆ Remaining 160 – primarily reactive surveillances — 20 major custodians – 2.9 years ↓		Surveillance coverage: 168 authorised deposit-taking institutions (ADIs) <ul style="list-style-type: none"> ◆ Big 4 – every year — ◆ Remaining 164 – 13 years ↓ 125 insurers – 7 years on average ↓ 636 licensed non-cash payment facility providers – primarily reactive surveillances — 12 trustee companies – 7 years ↓ 5,706 non-ADI credit licensees (lenders and intermediaries) with 23,923 credit representatives – 37 years ↓ Supplemented by reactive surveillances and reviews to target risks or concerns —	
Investment managers and superannuation		Small business compliance and deterrence	
2013–14	2014–15	2013–14	2014–15
Surveillance resources: 14	Est: 10	Surveillance resources: 10	Est: 7
Surveillance coverage: 485 active responsible entities including hedge fund operators in 2014–15 <ul style="list-style-type: none"> ◆ Top 25 – 70% of funds under management – every 2 years ↓ ◆ 9 identified as most at risk of non-compliance – every year ↓ ◆ 91 responsible entities in sectors where we have identified risks or have concerns – varies from year to year ↓ ◆ Remaining 360 – primarily reactive surveillances — 165 super fund trustees <ul style="list-style-type: none"> ◆ 5 identified as most at risk of non-compliance – every year — ◆ Remaining 160 – primarily reactive surveillances — 20 major custodians – 2.9 years ↓		Surveillance coverage: 6,223 companies identified in the top 5 risk industries for the potential to conduct illegal phoenix activity – 29 years ↓ Supplemented by reactive surveillances and reviews to target risks or concerns —	

ASIC's risk-based approach to surveillance means that some portion of the population would be examined multiple times while others would not be examined at all. The data is indicative only.

Staff numbers are full-time equivalents (FTE) that are allocated to undertake surveillances in each team. They do not represent the total staff for each team that undertakes a range of work.

MARKETS

Market and participant supervision		Financial reporting and audit	
2013-14	2014-15	2013-14	2014-15
Surveillance resources: 36	Est: 35.4	Surveillance resources: 23	Est: 21
Surveillance coverage: Monitoring of the ASX, Chi-X, NSX and ASX 24 markets – every day 133 market participants – 3.3 years 800 securities dealers ♦ 100 larger entities (clients and volumes) – 4 years ♦ 700 smaller entities – reactive surveillances and targeted reviews of high-risk entities only Supplemented by reactive surveillances and reviews to target risks or concerns	— — ↓ ↓ —	Surveillance coverage: Financial reports of 2,000 listed entities (excludes foreign companies) and 26,000 unlisted entities ♦ Top 500 listed entities – 3 years ♦ Remaining 1,500 listed entities (excludes foreign companies) – 9 years ♦ 2,100 unlisted public interest entities – 25 years ♦ 100 large proprietary companies – 54 years 86 audit firms that audit listed entities: ♦ Big 4 audit 96.2% of listed entities by market capitalisation – 1.5 years ♦ Next 18 audit 3.5% of listed entities by market capitalisation – 2.5 years ♦ Remaining 64 audit 0.3% of listed entities by market capitalisation – 10.3 years Supplemented by reactive surveillances	— ↓ ↓ ↓ ↓ ↓ ↓ —
Corporations (including emerging mining and resources companies)		Financial market infrastructure	
2013-14	2014-15	2013-14	2014-15
Surveillance resources: 21	Est: 20	Surveillance resources: 5	Est: 3
Surveillance coverage: 21,767 public companies, including 2,252 listed entities (excludes foreign companies) ♦ All control transactions for listed entities ♦ A significant proportion of prospectuses ♦ A small sample of entities in areas of emerging risk – every year ♦ Remaining entities – reactive surveillances only	— — — —	Surveillance coverage: 40 authorised financial markets ♦ 18 licensed financial markets – every year ♦ Other – reactive surveillances only 6 licensed clearing and settlement facilities – every year	— — —
Insolvency practitioners		Key	
2013-14	2014-15	Surveillance coverage in 2014-15 anticipated to:	
Surveillance resources: 16	Est: 12.5	↑ increase	— remain stable
Surveillance coverage: 696 registered liquidators – 3.7 years	—	↓ decrease	

1.6 Financial summary and expenditure

1.6.1 Appropriations and revenue

In 2013–14, ASIC received \$347 million in appropriation revenue, compared with \$350 million in 2012–13. In addition ASIC received \$5 million in other revenue, compared with \$17 million in 2012–13. The decrease in appropriation revenue relates to a decrease in revenue drawn down to fund investigations from the Enforcement Special Account, largely offset by a net increase in operational funding, as well as funding for specific initiatives. These included implementing ASIC's G20 commitments regarding OTC derivatives, increasing service levels in the Customer Contact Centre, and additional operating funding for the Superannuation Complaints Tribunal.

The decrease in other revenue predominantly relates to the reduction in the recovery of costs from the Companies Unclaimed Monies Special Account, which was abolished in December 2012.

1.6.2 Revenue for the Commonwealth

In 2013–14, ASIC raised \$763 million for the Commonwealth in fees and charges, an increase of 6% from 2012–13. The increase in revenue is driven by an increase in the corporate registry (new companies), an increase in Business Names revenue and fee indexation of 2.5%.

1.6.3 Outcomes and expenditure

Parliament funds ASIC to achieve the following outcome:

Improved confidence in Australia's financial markets through promoting informed investors and financial consumers, facilitating fair and efficient markets and delivering efficient registry systems.

ASIC expenses were \$405 million in 2013–14, which is 1% lower than in 2012–13. The decrease in expenditure relates to lower expenditure for investigations funded by ASIC's Enforcement Special Account, partially offset by expenditure for new initiatives relating to implementing ASIC's G20 commitments regarding OTC derivatives, increasing service levels in the Customer Contact Centre, and additional operating funding for the Superannuation Complaints Tribunal.

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

	2013–14	2012–13	2011–12
Operating expenses			
Total	\$405m	\$411m	\$384m
Annual change on previous year	-1%	+7%	-
Fees and charges raised for the Commonwealth			
Total	\$763m	\$717m	\$664m
Annual change on previous year	+6%	+8%	+7%



2

OUTCOMES IN DETAIL

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2.1 Priority 1 – Investor and financial consumer trust and confidence



Consumer trust and confidence in the financial system promotes financial stability and economic growth over the long term. This contributes to financial wellbeing and better living standards for all Australians.

2.1.1 Engagement with stakeholders

Engagement in the investors' and financial consumers' area helps us to detect misconduct by gathering intelligence and to understand market and consumer behaviour.

Our stakeholders are diverse. In 2013–14, our engagement ranged from meeting with investment banks and hedge fund operators, to training teachers and social workers to teach students about financial literacy.

We held a total of 685 meetings with industry groups and other stakeholders, including the Financial Services Council, the Australian Bankers' Association, the Financial Planning Association of Australia and the Consumer Action Law Centre.

Financial advisers

Facilitating FOFA reforms

The Future of Financial Advice (FOFA) reforms address some of the conflicts of interest that threaten quality financial advice. The FOFA reforms became mandatory on 1 July 2013.

In 2013–14, ASIC took a facilitative approach to assist licensees to comply with their new obligations.

We continued to engage with stakeholders to assist compliance with the reforms, including regular liaison meetings with industry associations such as the Financial Planning Association. We met over 60 licensees that provide personal advice to retail clients to better understand their experience in complying with the new FOFA obligations and to facilitate their compliance.

ASIC continues to work closely with Treasury to bed down the FOFA reforms. The Government has recently made changes to these reforms, and passed regulatory amendments on 30 June 2014.

Investment managers and superannuation

Engagement program

In 2013–14, we held 140 meetings with funds management stakeholders on issues like implementing the Stronger Super reforms. We held regular liaison meetings with industry associations such as the Australian Institute of Superannuation Trustees, the Association of Superannuation Funds of Australia, and the Financial Services Council.

Fee and cost disclosure

We commenced work to better understand fee and cost disclosure practices of superannuation and managed investment product issuers, and sought to identify any impediments to good and consistent disclosure. We completed a series of roundtables with industry participants and met with consultants and experts.



Investment banks

Business liaison

In 2013–14, we held 58 meetings as part of our business liaison and engagement program with investment banks. This program gives us timely information and intelligence about material business and culture changes in leading investment banks through proactive engagement with their senior business leaders and responsible managers. It assists us to detect and understand emerging risks to the fair and orderly operation of Australian financial markets.

Hedge funds

We met with 35 parties drawn from hedge fund investors, hedge fund operators and service providers to better understand the evolving risks in this sector and inform our supervision. We found broad agreement with our focus on disclosure, manager misconduct and systemic risk.

Deposit-takers, credit and insurers

Hardship arrangements for credit consumers

In February 2014, we held a roundtable with stakeholders, including Treasury, industry representatives, external dispute resolution schemes and consumer advocates to consult on more permanent hardship arrangements for credit consumers experiencing financial difficulty. We extended the existing transitional arrangements until 2015 to assist this consultation.

Community outreach

In 2013–14, ASIC completed a national roadshow in every state and territory to reach and train financial counsellors, community lawyers and other consumer advocates on the 2013 enhancements to the National Credit Act. We also provided refresher training for those new to consumer law, and helped financial counsellors and other consumer advocates understand the importance of, and processes for, reporting misconduct to ASIC.

Nationally, we reached more than 700 financial counsellors and consumer advocates. We held a total of 81 sessions: 32 in metropolitan areas, 46 in regional centres and three in remote locations (Karratha, Broome and Kununurra).

Financial literacy

ASIC establishes and sustains partnerships with a growing number of organisations that are active and enthusiastic about financial literacy. We develop and promote financial literacy initiatives with other government and regulatory agencies, as well as with key financial services industry bodies and the community sector.

This year, we developed new partnerships with the Department of Social Services, Department of Human Services and Department of Employment to better reach Australians at times when they have money decisions to make.

ASIC's national roadshow reached over 700 financial counsellors and consumer advocates

2.1 Priority 1 – Investor and financial consumer trust and confidence *continued*

ASIC coordinates a cross-sectoral Financial Literacy Community of Practice, now in its sixth year and with over 500 members Australia-wide. It provides a forum for agencies to share program information and research findings. We also provide the Secretariat for the Australian Government Financial Literacy Board, and participate in interagency forums such as Consumer Affairs Australia and New Zealand's Education and Information Advisory Committee and the Australian Financial Inclusion Network.

2.1.2 Surveillance

We adopt a risk-based approach to surveillance. We 'detect, understand and respond' – our objective is to allocate our resources efficiently to achieve the greatest market impact.

ASIC acts in response to breach reports and reports of misconduct from the public and whistleblowers. We also act on intelligence from external dispute resolution (EDR) schemes. EDR schemes are required to report to us when they identify serious misconduct and systemic issues, including trends and patterns in disputes.

In 2013–14, we commenced 856 and completed 860 high-intensity surveillances relating to Priority 1.

Financial advisers

We monitor how financial advisers and Australian financial services (AFS) licensees comply with their obligations and take action where we detect breaches of the law.

Improving the quality of self-managed super fund advice

In 2013–14, ASIC's self-managed superannuation fund (SMSF) taskforce conducted a proactive risk review of the SMSF sector. The review concluded that the quality of advice on SMSFs could be significantly improved and posed a large risk to SMSF investors.

In September 2013, we released a consultation paper discussing proposals about disclosure obligations on advisers to SMSFs and the level of resources consumers should have before setting up an SMSF.

We also took action where we had concerns about the quality of advice. For example, we responded to concerns about advice on

establishing an SMSF provided to clients by AFS licensee Anne Street Partners Financial Services Pty Ltd (Anne Street Partners). Anne Street Partners agreed to implement a number of measures to review and improve its advice process and to ensure clients receive good quality financial advice, particularly SMSF advice.

In November 2013, we warned the real estate industry about recommending property investment through SMSFs. ASIC identified that some real estate agents are offering commissions or benefits to financial advisers who recommend investors use an SMSF to purchase the real estate agents' properties.

'Capital protected' products

Products promoted as having 'capital protection' or a 'capital guarantee' can be complex. Complex product design can make it difficult for investors to understand the inherent risks.

In 2013–14, ASIC responded to concerns about 'capital protected' products. We addressed adviser behaviour where we found deficiencies in financial advice or disclosure, and swiftly stopped potentially misleading advertising by product providers.

As part of our ongoing proactive risk surveillance program, we assessed financial services firms' advice to investors about capital protected products. In December 2013, we released a report on our assessment that found deficiencies in advice and disclosure to clients. ASIC's work resulted in:

- ♦ two licensees no longer advising on those products
- ♦ process and system improvements, including seven licensees agreeing to conduct a wider review of client files and systems to address our concerns
- ♦ a licensee terminating two advisers as their authorised representatives
- ♦ adviser remediation, with three licensees requiring some advisers to be subject to closer monitoring, increased training and accreditation requirements
- ♦ seven licensees providing positive investor outcomes such as fee refunds, advice reviews and corrective disclosure to clients.

In July 2013, ASIC action resulted in the Commonwealth Bank of Australia (CBA) and HSBC Bank changing potentially misleading promotional material for certain 'protected' and 'capital protected' structured products. In September 2013, Credit Suisse Investments Services (Australia) Limited, UBS AG (Australia branch) and Instreet Investment Ltd also stopped or changed their advertising of certain complex products to ensure it was more appropriate and accurate.

Investment managers and superannuation

This year, we conducted 324 surveillances on our funds management stakeholders, with a particular focus on platform compliance, risk-profiled funds and higher-risk managed fund models.

Platform compliance

Funds under administration in platforms for holding and dealing with investments almost doubled from \$239 billion in September 2004 to \$449 billion in June 2014, split between superannuation and non-superannuation funds.¹ This growth represents a significant structural shift in our economy as the integrity of platforms affects the investments of many Australians.

In 2013–14, ASIC reviewed platform operators to test their compliance with recent regulatory changes. We looked at their implementation of our updated guidance including conflicts management in corporate structures, payment of remuneration and other benefits, financial resource requirements, disclosure of fees and costs and breach reporting. We will continue to monitor areas of concern, including remuneration and other benefits.

Risk-profiled responsible entities and super fund trustees

We profiled responsible entities and superannuation fund trustees against risk indicators for their compliance with requirements relating to the use of scheme assets, disclosure, corporate governance, and their licence conditions.

We undertook surveillance on 10 responsible entities and one superannuation fund trustee exhibiting higher risks of non-compliance. As a result, we obtained improvements in compliance functions, additional disclosure for investors, and – in one case – additional licence conditions.

Riskier managed investment scheme models

We reviewed higher-risk managed fund models and tested the financial resourcing of responsible entities. Our proactive surveillances led to a number of positive behavioural changes in the market. For example, two responsible entities agreed to wind up their funds and cancel their AFS licences and three others had their AFS licences suspended over our concerns about their compliance with financial resource requirements.

Investment banks

We conduct risk-based surveillances to better understand and respond to issues in our investment banks. We also undertake reactive surveillances after detecting concerns on a range of regulatory issues.

Wholesale and systemic risk reviews

In 2013–14, ASIC engaged in a proactive surveillance on 21 investment banks' appetite for and attitude and approach to conduct risk, with a specific focus on wholesale risk.

We gained insight into our stakeholders' approach to conduct risk at a group, domestic, business unit and individual level. Our work resulted in a number of positive behavioural changes by investment banks, and we continue to engage with our stakeholders on remaining areas of concern.

We also completed a systemic risk assessment of 21 investment banks. The review identifies whether any significant investment banking group or entity pose a systemic risk to wholesale financial markets in Australia and, if appropriate, recommends further work.

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2.1 Priority 1 – Investor and financial consumer trust and confidence *continued*

Retail OTC derivative issuers

Our continued focus on retail over-the-counter (OTC) derivative issuers has resulted in more positive behaviour in the industry this year.

We reviewed compliance with the enhanced financial requirements and liaised with a number of issuers on incorrect accounting assumptions, deficient financial calculations and non-compliant reporting. The requirements are intended to help issuers manage the risk of loss and increase investor trust and confidence in the market.

In August 2013, we imposed additional conditions on an AFS licence because of inadequacies in the licensee's risk management systems.

We negotiated corrective disclosure by issuers following our reviews of retail OTC issuer websites. Our concerns included the unauthorised use of ASIC's logo, statements that appeared to overstate the safety of trading in retail OTC derivative products, and general incorrect or inadequate disclosure around the issuers and their services.

Deposit-takers, credit and insurers

In 2013–14, ASIC continued to tackle poor or exploitative conduct in credit and insurance – particularly among vulnerable or disadvantaged consumers.

Payday lending

From 1 July 2013, enhancements to the National Credit Act came into effect aimed at payday lending, including interest rate caps.

In 2013–14, we reviewed the payday lending industry to see how it complied with increased responsible lending obligations and how it responded to our earlier published concerns about responsible lending in this market. Our work in this area is ongoing.

Scam websites and illegal lending

We detected problems with scam credit websites and illegal lenders based overseas.

For example, in August 2013, ASIC issued a public warning notice under our new Australian Consumer Law powers about a South African website, which contained statements that Mike Morgan Loans was a licensed credit provider when it was not.

In March 2014, we gave a general warning to consumers against overseas lending scams. We continue to investigate unlicensed entities as we become aware of them.

Add-on insurance products

In July 2013, ASIC released a research report on credit card related consumer credit insurance. We found that there was significant room to improve a consumer claims experience, as credit card insurance claims are denied more often than other forms of general insurance products.

ASIC also conducted an industry surveillance on the handling of credit card insurance claims, complaints and cancellations, including instances of mis-selling.

In August 2013, ASIC finalised negotiations for \$15 million to be paid back to more than 30,000 car owners. This followed ASIC's industry-wide review into the financing of tyre and rim insurance premiums by some of Australia's largest car financiers. We detected systemic breaches of the National Credit Code, which only allows the financing of certain insurance premiums for one year.

We continue to focus on concerns in the add-on insurance market.

Other surveillance – promotional material

We monitor promotional material to ensure investors and financial consumers can have trust and confidence in financial products and services.

We use a range of regulatory tools to respond to misleading and deceptive promotional material and sales practices.

This year, we stepped up our use of infringement notices using our new Australian Consumer Law powers.

In 2013–14, ASIC action resulted in over 127 instances of potentially misleading or deceptive promotional material being withdrawn or amended. We issued 19 infringement notices to 11 companies for potentially misleading advertising, with penalties paid totalling more than \$212,000. We also accepted two enforceable undertakings and negotiated 110 outcomes in response to misleading or deceptive advertising and sales practices.

- ◆ We negotiated with industry associations, the Australian Bankers' Association and the Customer Owned Banking Association, to improve potentially misleading disclosure and marketing practices for pensioner deeming accounts by some of their members.
- ◆ Wealth Within Limited paid \$20,400 in penalties after we issued two infringement notices for potentially misleading online advertisements that overstated investment returns of Wealth Within's individually managed account service.
- ◆ Virgin Money (Australia) Pty Limited paid \$30,600 in penalties after we issued three infringement notices for potentially misleading online and television advertising for its 'Quick and Easy' life insurance product.

2.1.3 Guidance – setting rules, standards and expectations

Regulatory reforms, increased competition and heightened consumer expectations are driving innovation in financial products and services.

ASIC continues to respond and adapt to structural changes and complexity in the market through our guidance.

Financial advisers

Testing investment research

In September 2013, we updated our regulatory guidance to strongly encourage all advice providers to test the market for investment research and to re-evaluate product offerings of current or prospective third party research providers. We provided a checklist for licensees and advisers to test the quality of information provided and to consider conflicts of interest.

Investment managers and superannuation

Implementing Stronger Super

In 2013–14, ASIC helped to bed down the Stronger Super reforms. These reforms aim to reduce compliance burdens and costs to industry and maximise retirement income for members. The introduction of MySuper allows superannuation funds to offer a simple, low-cost default product to improve transparency and comparability for members.

Many of these reforms came into effect on 1 July 2013, with staggered implementation for specific measures throughout the year.

ASIC took a facilitative approach to compliance by superannuation fund trustees. We gave transitional relief and a no-action position to assist industry to implement the reforms, and issued regulatory materials and guidance.

In December 2013, we set out guidance on the new 'product dashboard' requirements for MySuper products and the new fee and costs disclosure requirements. This followed our consumer testing on the MySuper 'product dashboard'.

ASIC also released an information sheet on fee disclosure and regulatory guidance about the relief for executive officer remuneration and systemic transparency requirements under the Stronger Super reforms.

In June 2014, we issued additional guidance on how to disclose information about superannuation funds and their trustees on their websites.

In 2013–14, ASIC action resulted in over 127 instances of potentially misleading or deceptive promotional material being withdrawn or amended

2.1 Priority 1 – Investor and financial consumer trust and confidence *continued*

Investment banks

Electricity derivatives

In April 2014, ASIC released a report about the written risk management policies of AFS licensees that trade in OTC derivatives in the Australian wholesale electricity market. We found that these licensees generally comply with their legal obligation to have adequate risk management systems.

As a result of our review we developed the Benchmark Electricity Risk Management Calculator, a self-assessment tool designed to assist AFS licensees to measure their risk management policies and practices against their peers. It educates AFS licensees and provides greater transparency on how risk is managed in the market.

Hedge funds

In September 2013, ASIC released a report that found that hedge funds operating in Australia do not currently pose a systemic risk to the Australian financial system. ASIC's review was done at the request of the Financial Stability Board, as part of IOSCO's second global data-gathering exercise on hedge fund sector risk. This work will inform broader international work assessing the systemic risk of hedge funds.

In October 2013, after extensive industry consultation, we refined our definition of hedge funds to ensure our hedge fund disclosure requirements are appropriately targeted at those funds posing more complex risks to investors. It relieved some lower-risk funds from the more extensive disclosure obligations imposed on hedge funds.

Other guidance – complex products

Financial products are growing in complexity, and increasingly available to investors and financial consumers.

ASIC's Complex Products Working Group conducted a review of the risks posed to investors by complex products and our approach to regulating complex products.

In January 2014, we published our report on understanding and responding to complex products. We considered the whole of the product lifecycle – development, distribution, sale and post-sale – and set out our recent and current work in regulating complex products. We also identified opportunities for further work, including collaborating with industry.

This work has informed a range of our regulatory activities on complex products like hybrid securities, capital protected products and retail derivatives. For example, in February 2014, we developed a quiz on our MoneySmart website to help investors understand the risks and complexities of hybrid securities and to encourage them to be fully informed before they invest.

2.1.4 Education

We continue to help investors and financial consumers make appropriate choices when they deal with money and financial products and services, including through our MoneySmart website.

ASIC and the National Financial Literacy Strategy

In 2013–14, ASIC led the review of Australia's National Financial Literacy Strategy. This review identified key issues and priorities to shape a new strategy for 2014–17.

We consulted extensively across different sectors – government, financial services, education and the community sector. This stakeholder input helped us to develop an agreed framework to guide the work of all relevant agencies and organisations. More than 200 stakeholders participated.

As part of our consultation, we conducted a National Financial Literacy Stocktake Survey. This provided a snapshot of financial literacy initiatives in Australia. The survey report outlined 112 initiatives submitted by 64 organisations across the business, community, education and government sectors.

The National Financial Literacy Strategy 2014–17 was endorsed by the Australian Government Financial Literacy Board in February 2014 and approved by ASIC's Commission in April 2014. We released the final strategy in August 2014, and it has received support from all stakeholders.

Enhancing ASIC's MoneySmart website

ASIC's MoneySmart website is the central hub for free, impartial and comprehensive investor and financial consumer information on money matters. It also provides financial literacy teaching resources for educators, with more than 18,000 websites linking to MoneySmart.

Over 4.7 million people visited MoneySmart in 2013–14. It attracts, on average, over 400,000 unique visitors a month. Our regular brand awareness research shows that 26% of adult Australians are aware of MoneySmart and 86% of users took action on their finances after visiting MoneySmart.

Our suite of online calculators and apps is extremely popular. MoneySmart is optimised for use on mobile devices and 38% of our traffic now comes from smartphones and tablets.

Our most popular calculators are the budget planner and the mortgage calculator, with over 56,000 people using each of these calculators every month. Our TrackMySPEND app also remains popular and was downloaded over 112,000 times during 2013–14.

We launched new and improved tools to help consumers make good financial decisions, including a new 'interest-free' deal calculator in December 2013, an enhanced net worth calculator in January 2014, and an updated budget planner in June 2014.

We also use social media to promote our MoneySmart content. We have over 26,000 Facebook fans and more than 4,900 Twitter followers. In 2013–14, MoneySmart's 265 YouTube videos were viewed over 69,000 times. We also reached over 700,000 people through Twitter.

Expanding MoneySmart Teaching

ASIC's MoneySmart Teaching program is aligned to the Australian Curriculum. It features high quality online resources and units of work for primary and secondary school students.

We deliver the MoneySmart Teaching program through a National Partnership Project Agreement 2013–17 in New South Wales, Victoria, Western Australia, South Australia, Queensland and the Northern Territory. We also engage with the Australian Capital Territory and Tasmanian education departments to provide national coverage.

The program continues to build on the initial trial phase. This year, we had over 45,000 views of our online resources and more than 1,400 schools engaged in some aspect of ASIC's MoneySmart Teaching program. Over 10,000 teachers have received face-to-face professional development and we have distributed over 40,000 copies of teaching resources to schools nationally.

MoneySmart Rookie

In 2013–14, we rolled out training and awareness of MoneySmart Rookie, our financial education initiative for young people.

This included comprehensive website and video resources on the MoneySmart website, and extensive community and teacher education resources. Some 90,000 people accessed the website materials for young people and more than 15,000 educators accessed the education materials this year.

We also delivered 122 'train the trainer' sessions on how to use these resources to 1,265 youth and community workers, youth mentors, financial counsellors, teachers, counsellors, social workers and other educators.

Indigenous financial consumers

ASIC's Indigenous Outreach Program assists Aboriginal and Torres Strait Islander consumers to be confident when making financial decisions. We provide resources for Indigenous consumers and the organisations and professionals that support them.

Our Indigenous outreach team delivered workshops and training in over 40 urban, regional and remote locations during 2013–14. This included trips to 15 remote locations in Western Australia, South Australia, Queensland and the Torres Strait Islands.

2.1 Priority 1 – Investor and financial consumer trust and confidence *continued*

ASIC provided financial literacy training in Western Australian prisons in collaboration with the Western Australian Department of Corrective Services and Legal Aid WA.

We continue to work with the superannuation industry to improve access for Indigenous Australians to their superannuation fund information and benefits.

We maintain a telephone and email Indigenous helpline, which provides practical assistance and referrals to Indigenous consumers and advocates. Callers typically contact the helpline via the MoneySmart website, or after the outreach team has visited their community. The helpline receives about 200 inquiries a year.

International financial literacy education

ASIC represents Australia on the OECD International Network on Financial Education. This network promotes and facilitates international cooperation between policy makers and other stakeholders on financial education issues worldwide. It produces analytical and comparative reports and develops some international best practice guidelines that have been endorsed by the G20 and Asia–Pacific Economic Cooperation (APEC).

2.1.5 Enforcement

We take tough and timely action to enforce the law and deal with misconduct that puts investors and financial consumers at risk. We use a range of regulatory tools to obtain the most appropriate outcome.

In 2013–14, we completed 95 civil and criminal litigation and administrative actions, and 113 investigations to promote investor and financial consumer trust and confidence in the financial system. We secured 15 criminal convictions and eight imprisonments.

Financial advice and services

Protecting investors

ASIC has taken enforcement action against advisers and licensees to protect the public.

In 2013–14, ASIC cancelled or suspended 23 AFS licences and six additional AFS licensees agreed to have conditions imposed on their licences.

We permanently banned 20 individuals from providing financial advice, and two individuals agreed to stay out of the industry permanently. A further 12 individuals were banned or agreed to stay out of the industry for shorter periods of time.

For example, this year we:

- ♦ permanently banned Travers David Loy from providing financial services after ASIC found he fraudulently pocketed more than \$1.2 million by fabricating and submitting 38 false income protection claims
- ♦ permanently banned Glenn Evans after entering into contracts with individuals and SMSF trustees to invest in listed Australian equities and derivatives. He had dishonest dealings with client funds, including using them for his own purpose
- ♦ cancelled the AFS licence of Parramatta-based insurance broker, WD Gelle Insurance and Finance Brokers Pty Ltd, after it failed to comply with its licence obligations to provide its services honestly and efficiently because of, among other things, dishonest dealings with client funds.

Our investigations also resulted in:

- ♦ Brian Veitch, a former financial adviser for WealthSure Pty Ltd, being sentenced to six years and two months imprisonment, with a four-year non-parole period. Mr Veitch pleaded guilty to 22 charges, including fraudulently withdrawing money from client accounts without client consent, and using that money for his own purposes
- ♦ Lawson Donald, a former Bell Potter Securities adviser, being imprisoned for one year after his original suspended sentence was quashed by the NSW Court of Criminal Appeal. He pleaded guilty to dishonest conduct involving more than \$1.7 million.

Financial service gatekeepers

ASIC holds gatekeepers to account so investors can have trust and confidence in their investments.

ASIC took action against Bill Lewski, Michael Wooldridge, Peter Clarke, Mark Butler and Kim Jaques, former directors of Australian Property Custodian Holdings Limited (APCHL), the responsible entity of the Prime Retirement and Aged Care Property Trust, for not acting in the best interests of their members. The Federal Court found the former directors liable for breaching their duties as officers of APCHL.

Seeking fair investor outcomes

In 2013–14, we recovered \$50 million in compensation or remediation for investors.

ASIC intervened in the court-approved settlement of the class action by former Storm Financial investors against Macquarie Bank Ltd. We thought the distribution of compensation was unfair to a majority of class members and unduly favoured investors who funded the class action. The appeal court agreed that the distribution of the settlement was not fair and reasonable for all class members so a new, fairer settlement was negotiated.

Consumer credit

In 2013–14, we achieved a large number of outcomes to promote compliance with the National Credit Act, including:

- ◆ four criminal convictions for credit offences
- ◆ over \$122 million being refunded or compensated to almost 300,000 consumer accounts due to overcharged interest or fees
- ◆ four infringement notices paid totalling \$77,000 under the National Credit Act
- ◆ 13 individuals or companies permanently banned from engaging in credit activities
- ◆ 13 individuals banned from, or giving an undertaking to refrain from, providing credit for between three and seven years
- ◆ 20 Australian credit licences suspended or cancelled (including one negotiated outcome where the licensee agreed to cancel its credit licence).

Consumer credit refunds

In October 2013, ASIC negotiated to expand the scope of a review into the Bank of Queensland Limited's compliance systems and remediation processes. This followed further reports of errors in its calculation of interest rates and fees, which meant borrowers were overcharged interest. The errors have affected approximately 46,000 customers to date and resulted in an increase of refunds and remediation costs from \$12 million reported last year, to a further \$46 million in 2013–14. ASIC took action last year to ensure the Bank of Queensland Limited's failure to link mortgage offset accounts to some eligible home loan accounts and subsequent errors were rectified.

In January 2014, Australia and New Zealand Banking Group Limited (ANZ) announced it would refund over \$75 million to approximately 235,000 customer accounts. ANZ reported breaches to us after overcharging interest to borrowers due to errors calculating interest rates for linked mortgage offset accounts and a failure to apply agreed interest rate discounts to some eligible home loan accounts.

Loan fraud

Loan fraud reduces consumer trust and confidence in credit markets. ASIC takes strong action where we detect brokers submitting fraudulent loan applications.

In 2013–14, we:

- ◆ banned 17 individuals
- ◆ negotiated for one individual to cancel his Australian credit licence
- ◆ obtained four criminal convictions concerning loan fraud.

These included the conviction of Hee Seng Lee for providing false information to banks to secure approvals for home loans totalling over \$7.5 million. He was sentenced to two years imprisonment to be served by way of an intensive correction order.

2.1 Priority 1 – Investor and financial consumer trust and confidence *continued*

Misleading representations

ASIC commenced proceedings against consumer credit provider GE Capital Finance Australia (trading as GE Money) in October 2013. In July 2014, the Federal Court made declarations and ordered GE Money to pay a penalty of \$1.5 million after GE Money admitted to making false or misleading representations to more than 700,000 of its credit card customers. In determining the penalty, the court took into account GE Money's cooperation with ASIC's investigation.

Protecting vulnerable consumers

In 2013–14, we used our powers to protect some of Australia's most vulnerable and disadvantaged consumers, with a specific focus on remote Indigenous communities. For example:

- ◆ In October 2013, we conducted an extensive surveillance on unconscionable conduct that resulted in Mr Rental Port Augusta, a franchisee of a national household goods rental business, releasing Indigenous consumers from their lease contracts. This means they now own their rented goods and owe no further money.
- ◆ In November 2013, ASIC issued an infringement notice for \$27,000 and accepted an enforceable undertaking from national rental goods provider 'Rent-the-Roo' for breaches of responsible lending laws targeting Indigenous consumers in remote communities.
- ◆ In February 2014, ASIC accepted an enforceable undertaking from Home Essentials Australia Pty Ltd, I Love My Water Pty Ltd, Triple Bay Group Pty Ltd and Triple Bay Pty Ltd, and the companies' principals. Our investigation found that these companies engaged in unlicensed credit activities and unconscionable dealing with Indigenous consumers. They also agreed to contribute \$250,000 to fund work improving the financial literacy of Indigenous consumers.

Investment banks

Retail derivatives

In February 2014, ASIC accepted an enforceable undertaking from an online foreign exchange broker for acting outside of its AFS licence authorisations by providing managed discretionary account services. The undertaking also addressed misleading representations made on the licensee's website and during presentations to potential investors.

2.1.6 Policy advice and implementation

ASIC has taken an active role – domestically and internationally – in policy advice and implementation in 2013–14.

ASIC continued its ongoing policy work with Treasury and the Australian Prudential Regulation Authority (APRA) on the Stronger Super reforms (see page 31) and on the Future of Financial Advice reforms (see page 26).

CAMAC reviews

In 2013–14, ASIC assisted the Corporate and Markets Advisory Committee (CAMAC) review of the establishment and operation of managed investment schemes. This report was released in March 2014 and proposed a range of recommendations, including a new regulatory structure to streamline the operation of schemes and reduce compliance costs.

We have also examined consumer and technologically driven products such as crowd funding. ASIC helped CAMAC complete its review of regulation of crowd-sourced equity funding in Australia. CAMAC submitted its report to Government in May 2014.

Carbon markets

ASIC has ongoing responsibility for the regulation of financial services and financial products related to carbon emissions. Since the Government's implementation of their Direct Action policy, ASIC has been engaged with the Department of Treasury, the Clean Energy Regulator and the Department of Environment to develop new regulations and arrangements for the oversight of financial services and financial products, particularly for the proposed Emissions Reduction Fund.

International policy and coordination

We play an active role in ensuring that international regulatory settings appropriately target risks in global markets, and work to facilitate economic benefits for our markets and end users. This is increasingly important as financial facilities, products and services are delivered across borders.

We recognise that many of the issues facing Australia are global, and need a global approach that works for us. Our work allows us to take action for the longer-term benefit of investors, financial consumers and businesses in Australia.

IOSCO Board

This year, ASIC has continued to be significantly involved in developing international regulatory policy.

ASIC Chairman, Greg Medcraft, continued in his role as Chair of the IOSCO Board. In this role he has driven the IOSCO 2020 Review. This review will set out the strategic plan of IOSCO for 2015–2020 and defines the outcomes IOSCO wants to achieve by 2020. ASIC has also played a role in establishing IOSCO's new Standing Committee on Retail Investors and supporting its policy work on retail investor education, financial literacy and investor protection. The Committee first met in July 2013 and will be a forum to share experiences and develop approaches in these fundamental areas.

As IOSCO Board Chair, ASIC Chairman Greg Medcraft also sits on the Financial Stability Board's Plenary and Steering Committee, the International Financial Reporting Standards Monitoring Board and is co-chair of the Committee on Payment and Market Infrastructures – IOSCO Steering Group.

ASIC has used these key positions to advance work in a number of areas. For example, we helped develop the IOSCO report on retail structured products released in December 2013. The report sets out best practice regulatory responses that securities regulators globally may find useful to deal with such complex products.

Cross-border compliance for managed funds

In July 2013, ASIC entered into 29 supervisory cooperation arrangements with European Union securities regulators, agreeing to help each other supervise fund managers operating across borders. This cooperation is crucial in allowing Australian fund managers to manage and market alternative investment funds (AIFs) in the European Union. It will reduce business compliance costs of Australian

fund managers seeking to operate across borders, and strengthen our relationship with overseas counterparts.

ASIC also provided technical assistance in developing the 'Asia Region Funds Passport' consultation paper released by Treasury and other Asian government agencies in April 2014. The paper proposes a multilaterally agreed framework to facilitate the cross-border marketing of managed funds across participating economies in the Asia region. This is intended to streamline compliance for managed funds operating in Asia.

International cooperation requests

We develop and maintain close cooperative relationships with many international financial regulators and other law enforcement agencies as part of our regulatory and enforcement activities. ASIC makes and receives international requests on investigations, compliance and surveillance (enforcement), policy research, general referrals, delegations and licensing or due diligence requests.

In 2013–14, we made 362 international cooperation requests and received 448 requests from international financial regulators and other law enforcement agencies.

There was an increase in the number of international requests to ASIC for assistance in enforcement matters (98 in 2012–13; 116 in 2013–14), and a particular increase in the number of requests seeking ASIC's assistance to compel material from third parties under the *Mutual Assistance in Business Regulation Act 1992*.

We met with 41 delegations from both emerging and developed market jurisdictions to discuss topics such as ASIC's market regulation, the Future of Financial Advice reforms, consumer protection and financial literacy. International interest in Australia's financial regulatory system and ASIC's role, structure and strategic management continued, with a number of high-level delegations meeting with ASIC Commissioners and staff to discuss these topics.

2.2 Priority 2 – Fair, orderly and transparent markets



Fair, orderly and transparent financial markets promote the efficient allocation of capital to fund the real economy and drive innovation in the interests of all Australians.

2.2.1 Engagement with industry and stakeholders

Markets have become more integrated, competitive and complex – with increased cross-border activity and international financial regulation.

ASIC engages extensively both domestically and internationally to ensure that our markets are fair, orderly and transparent.

We held a total of 487 meetings with industry groups in 2013–14, including a broad range of domestic stakeholders, such as the Stockbrokers Association of Australia, Australian Financial Markets Association, the Governance Institute of Australia, the Australian Institute of Company Directors, and the Business Council of Australia. We also undertake extensive international cooperation and bilateral engagement with our counterparts overseas to assist our stakeholders operate internationally.

Financial market infrastructure

Substituted compliance

ASIC collaborates with our international counterparts to enable our market infrastructure and participants to rely on their compliance with Australian laws when operating in another jurisdiction, as a substitute for that jurisdiction's laws. This is designed to reduce red tape for Australian business and promote market efficiency – delivering significant initial and ongoing compliance cost savings.

We consult extensively with our stakeholders to progress this work.

ASIC has put in place principles to facilitate substituted compliance and enhance relationships between Australian regulators and foreign counterparts through working closely with IOSCO and the OTC Derivatives Regulators Group (ODRG).

In December 2013, the US Commodity Futures Trading Commission (CFTC) announced that major Australian banks will be able to comply with certain CFTC requirements as registered swap dealers by complying with Australian regulatory regimes administered by ASIC and the Australian Prudential Regulation Authority. We also continue to work with the CFTC on other matters such as Australian-based trading platforms seeking relief from CFTC obligations.

We worked with the CFTC and the Reserve Bank of Australia (RBA) to finalise a memorandum of understanding to cooperate and share information in the supervision and oversight of clearing and settlement facilities that operate across US and Australian borders.

In June 2014, following ASIC's extensive engagement with the European Securities and Markets Authority (ESMA), the European Commission announced that it would propose recognition of Australia's regime for central counterparties as sufficiently equivalent to the European Union regime.

These developments in international recognition endorse the strength of Australia's regulatory regime.



Market and participant supervision

Early engagement

We engage with market participants early to address compliance concerns. Our discussions with market participants led to the amendment of trading procedures on 30 occasions between 1 January and 30 June 2014. We also regularly meet with market participants (including fund managers, hedge funds and individual traders) to raise our concerns where we detect unusual trading patterns that may indicate market misconduct.

Corporations, including emerging mining and resource companies

Director Advisory Panel

In December 2013, ASIC established a Director Advisory Panel (see page 153). The panel channels senior-level advice from company directors of listed entities so we can gain a deeper understanding of developments and systemic risks in the corporate sector. The members of the panel are drawn from entities of different size and from different sectors and locations to provide ASIC with views from a broad spectrum of Australian listed entities.

Director share trading

In March 2014, ASIC held a roundtable to discuss the regulation of director share trading. The roundtable was attended by the ASX and a number of industry and professional bodies.

Financial reporting and audit

ASIC maintains strong relationships with the three largest professional accounting bodies – CPA Australia, the Institute of Chartered Accountants in Australia (now operating as Chartered Accountants Australia and New Zealand) and the Institute of Public Accountants. In 2013–14, we held over 50 meetings with these bodies, either separately or with others, to discuss key issues that are of interest to them and their members.

Insolvency practitioners

Liaison with registered liquidators

We consult regularly with the Australian Restructuring Insolvency and Turnaround Association (ARITA), the main organisation representing registered liquidators. We have liaised closely on current market issues, law reform and other developments.

We hold regional meetings twice a year in each state and the Australian Capital Territory with our insolvency market stakeholders to obtain direct feedback on emerging issues.

ASIC undertakes extensive international cooperation and bilateral engagement with our counterparts overseas

2.2 Priority 2 – Fair, orderly and transparent markets

continued

2.2.2 Surveillance

We work to detect, understand and respond to risks that threaten fair, orderly and transparent markets.

We continue to focus our proactive risk-based surveillance on areas of high risk, and on those entities and activities that have the highest market impact.

We also conduct surveillances to encourage positive behavioural change – for example, corporate compliance – in our stakeholders.

In 2013–14, we commenced 907 and completed 897 surveillances.

Financial market infrastructure

Market assessment reports

In 2013–14, we continued to assess market and clearing and settlement facility licensees' compliance with their legal obligations.

In 2013–14, we published assessment reports on 11 market licensees – nine domestic and two overseas – and five clearing and settlement facility operators.

We released our second assessment of Chi-X Australia in March 2014, and our most recent assessment report for the ASX Group in July 2014. In both assessments, we concluded that Chi-X Australia and the ASX Group met their statutory obligations. However, we agreed actions that focus on the ongoing improvement in the operation of each market – three in the case of Chi-X, and seven in the case of ASX Group.



Enforcement Senior Executive Leader Chris Savundra at a press conference with AFP Assistant Commissioner Ian McCartney following the arrest of two men for alleged insider trading offences. ASIC and the AFP led a joint investigation into suspicious foreign exchange trading.

Market and participant supervision

New market surveillance capability

In 2013–14, ASIC began to roll out the Flexible Advanced Surveillance Technologies (FAST) program. The FAST program is a four-year, multi-stage program of work that offers us:

- ♦ increased functionality and capability to perform market surveillance, including increased accuracy in trading alerts and trading data
- ♦ efficiency gains in preparing trading reports and evidence
- ♦ productivity gains, avoiding the need to employ additional market analysts, less time spent performing complex surveillance, and database improvements.

In September 2013, we launched the Market Analysis Intelligence (MAI) – the first of a number of key FAST deliverables. MAI replaces our previous surveillance system and provides real-time monitoring and the ability to develop customised reporting to assist us to detect market misconduct such as insider trading and market manipulation. MAI enables ASIC to adapt to increased message traffic, new technologies and trading techniques, and helps us handle the continued increase in trading messages generated by high-frequency and algorithmic trading.

MAI was delivered with a cost saving of approximately \$5 million against budget. This saving has enabled ASIC to reduce the costs it needs to recover from industry.

Market participant supervision

In 2013–14, ASIC produced 36,346 trading alerts and conducted inquiries into 224 matters. We also conducted a range of surveillances including 52 risk-based assessment visits, 128 compliance reviews, and engaged with market participants to improve practices in 56 instances.

We published our seventh and eighth twice-yearly reports on supervision of Australian financial markets and market participants to promote transparency and accountability. These reports highlight ASIC's responsiveness to market misconduct, including market manipulation and insider trading.

Corporations, including emerging mining and resource companies

Confidential information

In May 2014, ASIC released a report on the handling of confidential, price-sensitive information by listed companies during analyst and investor briefings and by their advisers before the announcement of market-sensitive corporate transactions. This followed work on understanding listed companies' practices concerning confidential information. We identified specific concerns about:

- ◆ the risk of selective disclosure during briefings
- ◆ the risk of delegating responsibility to advisers to deal with information about transactions, particularly where soundings are conducted before the announcement of corporate transactions.

Our report highlighted our concerns to the market and encouraged listed entities to take ownership of the issue. It informs our ongoing focus on insider trading and on listed entities failing to comply with the continuous disclosure laws.

Hybrid products

In August 2013, ASIC released a report about recent hybrid product offers in Australia. We found that there had been over \$18 billion of hybrid securities issued by banks and corporates since November 2011. The report discussed ASIC's work with issuers and their advisers to help improve prospectus disclosure and ensure messages are not misleading. We also examined the selling practices of issuers and brokers. ASIC continues to review how issuers, brokers, advisers and asset managers treat or describe hybrids.

Improving prospectus disclosure

In 2013–14, ASIC improved disclosure in 141 prospectuses. On 53 occasions, we extended the time investors had to review prospectuses. We issued 26 interim stop orders and seven final stop orders to prevent fundraising, where we had concerns about the disclosure to investors.

Emerging market issuers

In August 2013, ASIC released a report providing a 'health check' on emerging market issuers in Australia in light of high-profile collapses overseas. We found a significant proportion of companies listed on Australian markets have substantial operations in emerging markets. We identified risks for investors about the adequacy of disclosure on the emerging market issuers' businesses or their assets.

Our ongoing focus on the capital raising activities of these entities aims to improve disclosure to Australian investors, particularly on corporate governance and risk issues.

Monitoring takeovers

Following the release of ASIC's comprehensive regulatory guidance on takeovers, we have focused on compliance with takeover obligations to ensure transactions take place in an efficient, competitive and informed market.

ASIC monitored 57 new takeover bids in 2013–14. Where necessary, we intervened to seek better disclosure or conduct to ensure companies' transactions were appropriate and legal.

For example, ASIC intervened in transactions deciding the control of Laneway Resources Ltd and PR Finance Group Ltd. In the case of Laneway Resources Ltd, this occurred because we were concerned that the proposals were an abuse of the rights issues and underwriting exceptions.

We also participated in the 24 applications made to the Takeovers Panel and made submissions where the panel conducted proceedings.

This year, we assessed the disclosure and terms of 40 new proposed acquisitions under court-approved schemes of arrangement, including associated options schemes, schemes to effect restructures and creditors' schemes.

2.2 Priority 2 – Fair, orderly and transparent markets

continued

Financial reporting and audit

Financial reports

ASIC undertakes extensive work to improve the quality of financial reports. Our work focuses on the disclosure of useful and meaningful information to investors and other users of financial reports.

In 2013–14, we reviewed financial reports of 425 listed and large unlisted entities, and 100 large proprietary companies. We continued to detect deficiencies in some key areas, such as the impairment of goodwill and other non-current assets, non-consolidation of controlled entities and key disclosures about going concern and the assumptions underlying asset valuations.

ASIC made specific inquiries of 87 entities on 160 matters for reporting periods from 30 June 2013 to 31 May 2014. Our risk-based surveillance led to material changes to 4% of the financial reports we reviewed in previous reporting periods.

Improving audit quality

Auditors play a vital role in ensuring markets are fair and transparent.

ASIC continues to work with directors, audit committees and auditors to improve audit quality. We released our most recent public audit inspection report in June 2014 with results of our risk-based inspections of audit firms for the 18 months to 31 December 2013. We reviewed 454 key audit areas across 107 files at firms of different sizes, on a risk targeted basis. In our view, in 20% of cases, audit firms did not obtain reasonable assurance that the financial report as a whole was free of material misstatement, compared with 18% in the previous 18-month reporting period.

At our request, the largest six firms developed action plans to improve audit quality. These plans first applied for the year ended 30 June 2013.

We are also working with other securities regulators and audit oversight regulators internationally on a number of initiatives to improve audit quality.

Annual reporting obligations

Some companies, registered schemes and disclosing entities need to lodge their annual reports with ASIC.

During 2013–14, we obtained 35 civil orders to enforce compliance with notices we issued to companies not meeting annual reporting obligations. An additional 40 companies complied with lodgement requirements.

Eight companies were convicted of 68 strict liability offences for not complying with their reporting obligations and were fined a total of \$91,500.

Insolvency practitioners

We continue to focus on raising the standard of registered liquidators. ASIC conducts a range of proactive surveillance targeting external administrators who exhibit certain risk criteria, or neglect their responsibilities and obligations.

Raising liquidator standards

In April 2014, we released our report on the supervision of registered liquidators for 2013. This report reflects ASIC's extensive review through more than 250 surveillances during 2013. It outlines the supervisory, enforcement and educative work we undertook and our continued focus on practitioner independence, competence and inappropriate gain, particularly remuneration.

External administrators need to prepare declarations about relevant relationships and indemnities to fully inform creditors about their independence. This year, we identified a significant improvement in independence declarations, and reports of alleged misconduct about registered liquidators. During the year, we reviewed the adequacy of 64 independence declarations. In about 78% of cases, declarations were adequate. Where declarations were found to be inadequate, registered liquidators issued replacement declarations.

In 2013–14, we also completed 13 reviews as part of our remuneration monitoring work. This resulted in better disclosure to creditors, with registered liquidators agreeing to reduce their fees, and adjourning meetings of creditors to provide further information to all creditors.

Powers to appoint liquidators

ASIC has used its new wind-up powers to appoint liquidators to assist employees to gain access to their entitlements under the Fair Entitlements Guarantee. In 2013–14, we exercised our powers to appoint liquidators to 19 abandoned companies where we were satisfied that threshold requirements were met.

Small business

Combating illegal phoenixing

Illegal phoenix activity – transferring assets of an indebted company to a new company to avoid paying creditors, tax or employee entitlements – can undermine fair, orderly and transparent markets.

Our surveillance program targeted company directors with a history of failed companies to detect and combat illegal phoenix activity. During 2013–14, we identified a target 1,400 companies and 2,500 individuals in the building and construction, labour hire, transport, security and cleaning industries. As a result of our risk assessment, we conducted 214 surveillances. We identified a range of concerns, including the use of false statutory declarations in Australia's building and construction sector. Our investigations are ongoing.

We also work closely with other government agencies in the Inter-Agency Phoenix Forum to tackle illegal phoenix activity.

2.2.3 Guidance – setting rules, standards and expectations

Technology, the globalisation of financial markets, and regulatory change – like international OTC derivative reforms – are driving change in markets.

ASIC has responded to structural shifts and significant developments in Australian and international financial markets, with new rules, standards and expectations.

Financial market infrastructure

OTC derivatives trade reporting

In July 2013, ASIC issued the final rules and regulatory guidance for over-the counter (OTC) derivatives trade reporting obligations for financial institutions and the regulation of derivative trade repositories. This package of rules gave effect to the Australian Government's G20 commitments on OTC derivatives trade reporting. This is intended to promote financial stability.

In August 2013, we issued additional guidance to assist reporting entities to comply with their new obligations. We have continued to engage closely with reporting entities through industry working groups.

In 2013–14, we provided a number of reporting entities with transitional relief around certain aspects of the regime, for example to reflect the readiness of their trade reporting service providers. We also deferred and split the commencement of Phase 3 of the trade reporting reforms until 2015 to assist industry compliance with the new obligations.

Developments in market infrastructure

In 2013–14, Australia's financial market infrastructure experienced a number of significant developments. This is changing the financial market landscape.

For the first time, ASIC received applications for derivative trade repository licences and approvals. On recommendations of ASIC and the RBA, the Minister granted a new licence to LCH.Clearnet Ltd to operate a clearing service for OTC derivatives. ASIC has also worked jointly with the RBA to discuss the feasibility of other clearing and settlement operators in Australia.

ASIC worked with the RBA and ASX Group clearing and settlement facility licensees to develop and implement complex changes to clearing and settlement facility rules. These changes comply with international financial stability standards for clearing and settlement facilities. These included rule changes approved by the Minister to enable ASX Clear (Futures) to operate clearing services for OTC derivatives and for a new client clearing service for futures contracts traded on ASX 24.

2.2 Priority 2 – Fair, orderly and transparent markets

continued

In November 2013, Asia Pacific Exchange Ltd (APX) satisfied our conditions set out in its Australian market licence variation for a reactivation of its equities market.

In 2013–14, new electronic trading platforms – including six swap execution facilities – commenced operations in the Australian market.

Existing market platforms continue to advance innovations, from new order types to a range of new service offerings for participants and issuers. ASIC monitors such developments to ensure they meet regulatory requirements and expectations.

Market and participant supervision

Dark liquidity and high-frequency trading

ASIC responds to technologically driven changes to the market like dark liquidity and high-frequency trading (HFT).

In August 2013, ASIC set standards on dark liquidity and HFT through new market integrity rules to address our concerns and promote fair, orderly and transparent markets. These standards reflect extensive consultation with industry to improve the transparency and integrity of crossing systems. They also strengthen requirements for market participants to deter market manipulation.

This was progressed by our dark liquidity taskforce, which addresses concerns about the impact of dark liquidity on market efficiency and quality. Our HFT taskforce also looked at concerns about disorderliness and unfairness in the market.

In May 2014, we reported on our review of earlier rule changes affecting 'dark trading'. We found trends in dark liquidity have improved since we introduced the rules. This confirms that our work is improving market fairness and transparency.

We continue to monitor technological shifts in the market, such as HFT, algorithmic trading and automated order processing.

Our supervision of HFT has been bolstered by the successful rollout of ASIC's new market surveillance system. MAI enables us to interrogate large data sets and review granular information on the behaviour of HFT and algorithmic traders.

Corporations, including emerging mining and resource companies

Electronic disclosure

ASIC continues to facilitate electronic disclosure. In March 2014, we updated our guidance to assist the electronic offers of securities. The guidance sets out our views on the way the internet and other electronic means can be used in making offers of securities, and 'good practice' principles to assist those who distribute electronic disclosure documents.

We also removed our previous relief, where electronic copies of the electronic disclosure document needed to be provided to us when lodging the paper copy. This reduces compliance costs for business.

Employee incentive schemes

In November 2013, ASIC issued a consultation paper proposing to widen our relief to a broader range of employee incentive arrangements. Employee incentive schemes are an important tool for companies to retain staff, and a way for employees to share in the success of their company. Our proposals aim to reduce business costs, and enhance the efficiency and development of the economy.

Improving reporting in the exploration and mining sector

We worked with the resources industry, the Joint Ore Reserves Committee (JORC), and the ASX in updating the JORC Code in the ASX Listing Rules and providing guidance on public reporting for mining and oil and gas companies. These changes came into effect on 1 December 2013.

This has enhanced transparency and disclosure in the exploration, mining and energy sectors. We achieved improved disclosures in lodged documents and continued to work with industry to embed improvements to disclosure practices.

Financial reporting and audit

Directors' responsibilities

In August 2013, ASIC issued an information sheet on directors and financial reporting. We explain directors' financial reporting responsibilities, a company's duty to keep proper books and records, what directors should consider when their company is preparing a financial report, their financial literacy obligations and their relationship with the auditor.

In March 2014, we also released an information sheet to help directors and audit committees develop robust standards in delivering quality external audits of financial reports.

Insolvency practitioners

Liquidator assistance

ASIC contributed to the enhanced guidance in the Australian Restructuring Insolvency and Turnaround Association's revised Code of Professional Practice, released in January 2014. Our work, including on liquidator independence, informed our contribution (see page 42).

2.2.4 Enforcement

We use a range of regulatory tools and take enforcement action to stop, punish and deter unlawful activities and misconduct that threatens fair, orderly and transparent markets.

In 2013–14, we completed 54 civil and criminal litigation and administrative actions, and 125 investigations to promote market integrity. We secured 15 criminal convictions and six imprisonments.

Transparent markets

Continuous disclosure

We take action where the systems and controls of listed entities and their advisers allow the release of confidential, market-sensitive information.

ASIC obtained orders from the Federal Court imposing a \$1.2 million penalty against Newcrest Mining Limited (Newcrest) for contravening its continuous disclosure obligations by briefing analysts on market-sensitive information before it was disclosed to the market. This followed Newcrest's admission of these contraventions and a joint submission made to the court on penalties.

Urgent injunctions

In March 2014, ASIC acted swiftly to stop Sino Australia Oil and Gas Ltd from transferring company funds from two bank accounts. ASIC used its powers to obtain urgent orders from the Federal Court to protect shareholder funds raised during an initial public offering from being transferred for purposes that were not disclosed, or not properly disclosed, in the offer prospectuses.

Market misconduct

Insider trading

ASIC is committed to detecting and prosecuting insider trading. This year we achieved eight insider trading criminal outcomes, including seven criminal convictions.

- ♦ John Kay Jin Khoo, a former banking associate at the Royal Bank of Canada pleaded guilty to communicating inside information while working at the bank on a number of proposed acquisitions and takeovers. He was sentenced to 23 months imprisonment, reduced on appeal to a minimum of 14 months.
- ♦ Former Gunns Limited chairman, John Eugene Gay, was convicted of insider trading and fined \$50,000. Mr Gay is the most senior executive to be convicted of insider trading in Australia.
- ♦ We investigated Christopher Jordinson, former chief executive of resources company UCL Resources Ltd, about insider trading that saw his nephew and two others profit by almost \$20,000. Mr Jordinson pleaded guilty and received a two-year sentence of imprisonment, fully suspended on the condition of a two-year good behaviour bond.

We also launched Operation Leith – a joint initiative of ASIC and the Australian Federal Police – after detecting suspicious trading in foreign exchange derivatives. The complex investigation resulted in the arrest of two men who were charged with insider trading, money laundering, corruption and abuse of public office offences.

2.2 Priority 2 – Fair, orderly and transparent markets

continued

Market manipulation

Market manipulation damages fair, orderly and transparent markets. Where we identify market manipulation, we act to enforce the law as appropriate. Our enforcement action in 2013–14 included:

- ♦ Day trader Kristoffer John Watts pleaded guilty to three rolled-up charges of market manipulation when trading in contracts for difference. He was sentenced to two years imprisonment, with 21 months of the sentence suspended.
- ♦ Thai Quoc Tang pleaded guilty to two rolled-up market manipulation charges. He was convicted and sentenced to two years imprisonment for each offence, with 20 months of the sentence suspended. Mr Tang was the sixth largest shareholder of Tissue Therapies Ltd (TIS) and manipulated the market to create a false and misleading appearance about the price for, and of active trading in, TIS shares on the ASX.

Bank benchmark rates

In December 2013 and January 2014, we accepted enforceable undertakings from UBS AG (UBS) and BNP Paribas (BNP) for potential misconduct involving the Australian Bank Bill Swap Rate.

UBS and BNP have undertaken to ensure their participation in how Australian interest rate benchmarks are set upholds the integrity and reliability of the benchmarks in accordance with its obligations under the Commodity Futures Trading Commission Orders.

UBS and BNP also made a voluntary contribution of \$1 million each to fund independent financial literacy projects in Australia.

False statements

Former investment manager Tony Maher, with links to the failed firm Trio Capital, was sentenced to 25 months imprisonment for making false statements regarding the valuation of investments made by the ARP Growth Funds over two years. He was charged with 20 offences.

Holding gatekeepers to account

Directors, company officers, auditors, insolvency practitioners and other market participants play a crucial gatekeeping role in the Australian financial market.

Director duties

Company directors are expected to act honestly and in the best interests of the company they govern.

Ronald David Williams and Gary David Maile, former directors of Selection One Finance Pty Ltd (Selection One), pleaded guilty to breaches of directors' duties for misrepresentations to investors about the poor financial performance of Selection One. This left 88 investors \$20.92 million out of pocket when Selection One was placed in voluntary administration. Mr Williams and Mr Maile were sentenced to four years and three months imprisonment each with a non-parole period of 16 months.

The former Chief Executive of Western Australian hotel chain Compass Hotel Group Ltd (CHGL), Bryan Northcote was re-sentenced to three years and six months imprisonment after his original sentence was quashed by the NSW Court of Criminal Appeal. He pleaded guilty to breaching directors' duties by dishonestly withholding information from the CHGL board, using his position to gain a financial advantage and submitting false and misleading documents to ASIC.

Deception and false accounting

We expect directors and company officers to act with integrity and in the interests of the companies they serve.

Russell Johnson, former sole director of Sonray Capital Markets Pty Ltd (Sonray), was sentenced to six-and-half-years imprisonment in April 2014. Sonray collapsed in 2010 owing more than \$46 million and, as a result of our investigation, Mr Johnson was charged with multiple offences including false accounting, theft and deception and conspiracy to steal.

Director disqualifications

ASIC can also administratively disqualify individuals who have been directors of at least two failed companies over the previous seven years, where the liquidator has reported that unsecured creditors will receive less than 50 cents in the dollar.

In 2013–14, we disqualified 60 directors from managing corporations.

For example, Justin Russell North and his wife Georgina were banned from managing corporations for two years and 18 months respectively due to their failure to exercise their powers and discharge their directors' duties with care and diligence.

Liquidator reports funded by the Assetless Administration Fund facilitated 78% of these disqualifications. ASIC administers this fund and assists liquidators to conduct preliminary investigations of companies that have few or no assets.

Insolvency practitioners

In 2013–14, ASIC achieved eight enforcement outcomes against liquidators who failed to meet their obligations to creditors. These liquidators failed to adequately and properly carry out their duties to certain companies they were appointed to, for example, by drawing inappropriate remuneration at the expense of creditors:

- ◆ In August 2013, ASIC obtained court orders prohibiting the re-registration of Melbourne liquidator, Andrew Leonard Dunner and requiring him to return \$700,000 in excessive remuneration.
- ◆ In November 2013, ASIC cancelled the registration of Victorian liquidator Avitus Thomas Fernandez, after an adverse decision by the statutory disciplinary body the Companies Auditors and Liquidators Disciplinary Board.
- ◆ In June 2014, ASIC cancelled the registration of Wagga Wagga liquidator Stephen Alan Jay following a negotiated agreement.

Liquidator Assistance Program

ASIC may intervene if a company's officers and related individuals fail to provide an external administrator the assistance they need to address a failed company's affairs. ASIC received 1,559 requests for assistance from external administrators (75 more than in 2012–13).

In 2013–14, 497 individuals complied as a result of ASIC's intervention – a compliance rate of 39%.

In the same period, 314 individuals were prosecuted for 609 strict liability offences for failing to assist, which resulted in around \$768,000 in fines and costs.

Markets Disciplinary Panel infringement notices

The Markets Disciplinary Panel (MDP) is a peer review body that exercises ASIC's power to issue infringement notices and accept enforceable undertakings for alleged breaches of ASIC's market integrity rules. The market integrity rules apply to market operators and market participants to ensure that markets are fair and orderly.

In 2013–14, the MDP issued 15 infringement notices with over \$1.1 million in penalties.¹ These included:

- ◆ Macquarie Bank Limited (Macquarie), for allegedly failing on two separate occasions to deposit a total of \$23 million received from clients into client accounts maintained by Macquarie, and designated as clients' segregated accounts. Macquarie paid a \$175,000 penalty.
- ◆ Credit Suisse Equities (Australia) Limited (Credit Suisse), for allegedly not having in place adequate organisational and technical resources for its Automated Order Processing system to account for corporate actions. This interfered with the efficiency and integrity of the ASX market and resulted in the market for a stock not being fair and orderly. Credit Suisse paid a \$95,000 penalty.

1. Compliance is not an admission of guilt or liability. The recipient is not taken to have contravened s798H(1) of the Corporations Act.

2.2 Priority 2 – Fair, orderly and transparent markets

continued

2.2.5 Policy advice and implementation

OTC derivatives reform

In 2013–14, ASIC worked closely with other agencies in the Council of Financial Regulators (CFR) and industry, to continue to implement Australia's G20 commitments to reform OTC derivatives markets in the Australian context.

CFR coordinates the work on OTC derivatives reform through the OTC Working Group, which is chaired by ASIC. ASIC, APRA and the RBA have conducted periodic market assessment reviews on the OTC derivatives market. The review has informed the regulators' recommendations to the Australian Government on key aspects of the reforms.

In February 2014, Treasury published a proposals paper recommending a central clearing mandate for these OTC derivatives transactions based on the recommendations of the regulators.

In April 2014, the regulators also released a report recommending that Government consider implementing a mandatory clearing obligation for OTC derivatives transactions in Australian dollar interest rate derivatives for internationally active dealers. The Government is currently considering both recommendations.

International engagement

We engage with international regulatory bodies to ensure Australian markets can continue to access global OTC markets for the ultimate benefit of Australian end users.

In 2013–14, ASIC participated in a range of international groups that work to implement the G20 OTC derivatives reforms and address related cross-border issues, including the ODRG, the Financial Stability Board's OTC Derivatives Working Group, the IOSCO Taskforce on OTC Derivatives Regulation, and IOSCO's Asia–Pacific Regulatory Committee. We also undertook substantial bilateral engagement on OTC derivatives reforms with regulators in the Asia–Pacific region, such as the Monetary Authority of Singapore, the Hong Kong Securities and Futures Commission, and the Ontario Securities Commission.

International policy and cooperation

IOSCO reform

ASIC has been particularly active in international regulatory policy work in global markets over the past year with ASIC Chairman, Greg Medcraft, continuing in his role as Chair of IOSCO (to which he was appointed in 2012) and in furtherance of the priorities of Australia's presidency of the G20 in 2014 (see page 37).

ASIC also chairs the IOSCO Assessment Committee which monitors policy implementation by IOSCO members. Over the past year, the Assessment Committee has completed thematic reviews on the implementation of Principles 6 and 7 covering systemic risk management and reviews of the regulatory perimeter, and of the IOSCO Objectives and Principles of Securities Regulation (IOSCO Principles) and the IOSCO Principles for Financial Benchmarks.

The Assessment Committee also commenced four thematic reviews, including on the regulation of derivatives market intermediaries and the regulation of money market funds.



In 2013–14 ASIC lawyer Davis Zhang (centre) undertook a three-month secondment at the China Securities Regulatory Commission.



We use market data and market news feeds, as well as real-time surveillance, as part of our work to ensure markets remain fair, orderly and transparent.



ASIC Senior Specialist David Dworjanyan presenting on ASIC's Flexible Advanced Surveillance Technologies (FAST) program at the Stockbrokers Association of Australia annual conference.



Ivy Chen, ASIC Senior Specialist (Geology) and Jane Gouvernet, Senior Executive Leader, Emerging Mining and Resources, discussing mining industry data.

2.3 Priority 3 – Efficient and accessible registration



ASIC oversees company registration and notifications, the Australian financial services (AFS) licensing and credit licensing regimes, business names registration, and the registration of company auditors, SMSF auditors and liquidators.

In 2013–14, we maintained our focus on making it easier to do business.

In 2013–14, we worked to separate the management of our registry and regulatory functions to commence in 2014–15. This internal separation provides greater opportunity to specialise our registry business. It will also make the costs of running both functions more transparent.

2.3.1 Doing more business online

Doing business online is easier and cheaper. Our online services allow business customers to complete registrations and update details direct to our registers.

In 2013–14, 86.1% of all 2.4 million registry lodgements with ASIC were submitted online, up from 83.8% last year. Almost 100% of customers for our business name and SMSF auditor registers use our ASIC Connect online services, accessible through our website, substantially cutting the cost of doing business.

In 2013–14, there were 15.7 million visits to the www.asic.gov.au website, which provides an access point to our services and information about the registers.

In 2013–14, there were 1.57 million visits to our website for business name information, a significant increase of 19% or 250,000 from last year. We have also improved the business names website content to make it easier for our customers to find information.

Searching online

In 2013–14, 76.2 million searches of ASIC registers were requested, an increase of 8.2 million searches from last year, with almost 100% of those searches requested online.

Searches were carried out either directly with ASIC, mostly through our website, or through commercial information brokers.

In 2013–14, there were 52.8 million company register searches (a 6% increase from last year), 21.2 million Business Name Register searches (a 33% increase from last year), and over 2.2 million searches of ASIC's professional roles and banned or disqualified registers (a 5% increase from last year).

ASIC's online service – ASIC Connect – allows customers to conduct registry searches through ASIC's website. Searches by mail and over the counter fell by 20% to 9,586 in 2013–14.

Most searches of the ASIC registers are provided free of charge. In 2013–14, a fee was paid for 4.6 million or 6% of all searches. ASIC collected \$57.3 million for the Commonwealth.

NZAUConnect mobile app

In August 2013, we launched the NZAUConnect app, in partnership with the New Zealand Companies Office. Consumers in Australia and New Zealand are now able to quickly and easily find details on almost five million registered organisations using their smartphones.



There have been over 9,600 downloads of NZAUCConnect since its release, with more than 78,000 searches conducted of the Australian registers.

The app was recognised by the International Association of Commercial Administrators, winning a 2014 Merit Award.

Social media and online help

ASIC continues to use Facebook, Twitter and YouTube social media channels to raise awareness of our registry services and to connect with customers online.

In 2013–14, our ASIC Connect Facebook followers increased to almost 2,500 (a 66% increase from last year) and our ASIC Connect Twitter followers increased to 6,700 (a 52% increase from last year).

In addition to increasing our social media presence, we expanded our range of online help tools through the release of nine easy-to-understand online user guides covering the key transaction topics for business name and SMSF auditor customers. On our dedicated YouTube channel, we published five instructional videos on topics such as how to sign up, update and renew a business name, as well as how to conduct searches using the ASIC Connect service on our website. To date, these videos have been viewed more than 46,000 times.

2.3.2 Supporting small business

Small business represents 96% of all businesses registered with ASIC.

We have made small business compliance easier.

In November 2013, ASIC launched our online hub to help small businesses better understand their legal obligations and our role. The hub makes practical information for small businesses more accessible. There have been almost 20,800 visits to the online hub since its launch.

In March 2014, ASIC launched the 'Pay Now' service to make it easier for small businesses to renew their business name registration. Over 75% of customers are choosing this service to renew their business name registration.

In 2013–14, we simplified the processes for transferring a business name registration, including the steps businesses can take if they commence transfer of a business name and the sale of the business does not proceed.

We also released a booklet to help small business comply with their legal obligations. This is the first of a series of tools and resources that we are developing to make compliance more straightforward.

On 24 June 2014, we launched ASIC's Business Checks app, a mobile app to help small businesses undertake important checks before they enter into business transactions with other organisations.

2.3.3 Improving connectivity for business across government

In 2013–14, we continued to improve our services that connect business to Government. ASIC collaborates with Government and other government agencies to enhance and link the services we deliver to business. This is intended to save businesses time and reduce costs.

2.3 Priority 3 – Efficient and accessible registration

continued

The joint Australian Business Number (ABN) and Business Name registration service provides a single customer interface hosted by the ATO-administered Australian Business Register (ABR). In 2013–14, 13% of ASIC business name registrations were received through this channel, doubling the use of this service from the previous year. This has strengthened the links between the ASIC and ABR registers, and improved consistency and transparency of information.

We improved the integrity of the information on the Business Name register by adding ABNs to over 350,000 records for business names transferred to ASIC in 2012 from state and territory registers. This has increased the total number of ABNs on the register to 1.3 million, or around 65% of total registrations.

We introduced use of the AUSkey for our business name register. AUSkey is a single credential for businesses to use to log in when interacting with Government.

ASIC Commissioner Greg Tanzer is a member of the Advisory Board to the ABR which helps strengthen the links across government. Greg is also a member of the Standard Business Reporting Board, which operates under a mandate to improve services that connect business to government.

2.3.4 Efficient and accessible registers

Companies register

A record 2.12 million companies are now registered with ASIC.

In 2013–14, we registered 212,573 new companies. This reflects an increase of 10.6% from last year, and steady increases over the last five years.

Company deregistration continues to increase, with 109,147 companies deregistered this year, an increase of 3.3% from last year. The ratio of company deregistration to total registered companies remained steady at 5.2%.

The number of companies entering external administration decreased by around 9% in 2013–14. A total of 9,822 companies entered external administration during 2013–14, compared to 10,746 in 2012–13.

Business Names Register

ASIC has operated the national Business Names Register since May 2012. Almost 100% of business names registration applications are now completed online.

Since the launch of the Business Names Register, we have saved business over \$79 million through reduced fees to register or renew a name.



The Registry and Licensing Business Advisory Committee plays a crucial role in ensuring our services meet the needs of stakeholders, particularly small business.

Business Names Register – key statistics

Measure	% change from 2012–13 to 2013–14	2013–14	2012–13	Notes
Business names registered on the national Business Names Register at 30 June	+15%	1,994,001	1,740,780	At 30 June 2014, over 509,000 business names were eligible for cancellation for non-payment of renewal fees. In June 2014, we commenced a pilot program for ASIC-initiated cancellation of business names.
Business names newly registered with ASIC	+9%	299,988	274,349	40% of these business names were one-year registrations and 60% were three-year registrations. About 30% of registrations were conducted between 5 pm and 8 am.
Requests for business name registration received through the ABR joint service ¹	+113%	39,614	18,583	We received 13% of business name registrations through this channel in 2013–14, doubling over the last year.
Business names cancelled	+33%	53,034	39,921	99% of cancellations were customer initiated.
Business Names Register updates	+8%	98,544	91,210	Three-quarters of all maintenance transactions are to update an address (42%) or apply to cancel a business name (33%).
Business name renewal notices issued by ASIC	+6%	626,746	593,168	ASIC issues renewal notices when the business name registration is due to expire. More than 1.4 million business names were transferred to ASIC on establishment of the national register in May 2012. The final 30% of these business names (about 420,000) will receive their first renewal from ASIC in 2014–15.
Business names renewed	+24%	351,540	282,697	Customers may choose not to renew if, for example, they no longer require the business name. In 2013–14, 52% of renewals issued were completed.
Business name registrations received online (%)	0%	99.99%	99.99%	Customers use ASIC Connect to register a business name and can choose to pay immediately by credit card.

1. This figure represents requests received via the ABR and differs from completed registrations.

2.3 Priority 3 – Efficient and accessible registration

continued

Business Names Register – key statistics continued

Measure	% change from 2012–13 to 2013–14	2013–14	2012–13	Notes
Business names registered by next business day	+7%	94%	87%	
Searches of the Business Names Register	+33%	21.2m	16.0m	97% of searches were provided free of charge.
Access to Business Names Register	+0.08%	99.57%	99.49%	The percentage of time – between the hours of 8.30 am and 7.00 pm AEST, Monday to Friday – that the Business Names Register was available to search.
Savings to businesses in reduced fees to register or renew a business name	N/A	\$40.2m	\$38.0m	Current fees to register and renew a business name nationally, compared with the average weighted fees to register and renew a business name in one state/territory before the national online register was implemented.
Cost to register a business name – 1 year	N/A	\$33	\$30	Fees increased to \$33 and \$76 on 1 July 2013.
Cost to register a business name – 3 years	N/A	\$76	\$70	



Staff at ASIC's Traralgon office.

SMSF auditor register

SMSF auditor registration became mandatory from 1 July 2013. Auditors conducting SMSF audits need to apply for registration online using ASIC Connect.

We received a high number of registrations during the transition period from 31 January to 30 June 2013 as existing SMSF auditors responded to the new requirements. To deal with the increase, we hired a team of 50 temporary staff. Registrations in 2013–14, after the transition period ended, were significantly lower and were assessed as part of the normal workload of the auditor registration team.

SMSF auditor register – key statistics

	2013–14	2012–13
SMSF auditors registered at 30 June	7,073	5,935
Refusals	3	1 ¹
Applications for SMSF auditor registration	240	7,194
Applications received online	100%	100%
Searches of SMSF auditor register	74,068	42,444
Searches conducted online	100%	100%
Applications registered within 28 days of receipt of full application	79%	98%
Cost to register as an SMSF auditor	\$100	\$100

1. ASIC refused a further 159 applications as incomplete, or withdrawn voluntarily by applicant before our decision.

Limited AFS licence available to accountants

From 1 July 2013, accountants have three years to obtain a 'limited' AFS licence if they wish to continue giving their clients financial advice on SMSFs. This licence will enable them to give a class of product advice. The existing exemption will be repealed on 1 July 2016.

ASIC has worked closely with the relevant professional bodies to help accountants understand their obligations, apply for the 'limited' AFS licence, and comply with incoming annual compliance certificate requirements and licence conditions.

We issued 31 'limited' AFS licences in 2013–14.

ASIC's insolvency notice website

ASIC's stand-alone website for publishing insolvency notices online continues to reduce costs for business. It provides easy access to almost all notices on external administration and company deregistration.

In 2013–14, 7,514 registered users published 28,972 insolvency notices on the website.

ASIC published 114,081 notices of intention to deregister a company on the website.

Stakeholder visits to the website reached 767,000 in 2013–14, up significantly from about 430,000 in 2012–13.

On 1 July 2013, we also reduced the fee to publish a notice on the website, from \$400 for most notices to \$145.

2.3.5 Efficient customer contact

Our Customer Contact Centre provides a valuable service to Australians. We worked hard to make our customer contact experience more efficient and accessible. This year, our Customer Contact Centre answered more calls and answered them more quickly.

In 2013–14, we responded to over one million calls and online inquiries.

We handled 911,447 calls – a 27% increase in calls from last year. With the assistance of additional Government funding over two years, we have been able to increase our staffing levels in 2013–14 and 2014–15. This allowed us to improve our call response speed to 2 minutes and 28 seconds, from an average of 13 minutes in 2012–13.

This reflects the Federal Government's investment of \$7.8 million to improve the Customer Contact Centre service level to support the online business names registration service.

We answered over 85% of calls on the spot and referred 12.3% of complex inquiries to specialist staff. We responded to over 90% of inquiries through the website within two business days, a 17% increase from 2012–13.

2.3 Priority 3 – Efficient and accessible registration

continued

The Customer Contact Centre dealt with a majority of inquiries about business names (46%) and companies (45%), as outlined in the table below.

Topic	Number of inquiries	Percentage of all inquiries dealt with by the Customer Contact Centre
Business names	444,715	46%
Companies ¹	430,098	45%
Other ²	36,179	4%
Online complaints	12,118	1%
Investor or financial consumer matters	11,549	1%
Financial services licences	9,080	1%
Credit licences	6,815	1%
SMSFs	3,708	< 1%
Auditors	2,242	< 1%
Liquidators	844	< 1%
Managed investment schemes	681	< 1%

1. All company-related inquiries, including registration, renewal, forms lodgement, fee payments and changes to officers.
2. Includes all other call types not included in the table, including calls about unclaimed money and matters that do not relate to ASIC.



The Minister for Small Business, the Hon Bruce Billson MP (centre), with Victorian Regional Commissioner Warren Day and ASIC Chairman Greg Medcraft, during a visit to ASIC's Traralgon office.

2.3.6 Unclaimed money

ASIC reunites people with their unclaimed money. We maintain a register of unclaimed money from banks, credit unions, building societies, life insurance companies and friendly societies, as well as shares that have not been collected from companies. The public can search our register and make claims to our Unclaimed Money team.

In 2013–14, ASIC received \$231 million in unclaimed money, substantially less than the \$641 million we received in 2012–13.

We paid out a total of \$309.6 million in claims in 2013–14, compared with \$72.6 million in the previous year. For the first time, we paid claimants interest – \$2.7 million of

the \$309 million – on unclaimed money for periods from 1 July 2013 onwards, at a rate of 2.5% for 2013–14.¹

The differences between 2013–14 and last year are because legislative changes in December 2012 made accounts unclaimed if they are inactive for three years instead of seven years. The 2012–13 collection included unclaimed money from bank accounts that had been inactive for between three and seven years.

We aim to process claims within 28 days of receiving all necessary claim documentation. In 2013–14, ASIC acted efficiently to process banking and life insurance unclaimed money claims in an average of 14 days and company unclaimed money in an average of 22 days.²

Amount paid to owners of unclaimed money, 2013–14

Claims by type	2013–14 (\$)			2012–13 (\$) ¹
	Principal	Interest	Total	
Company	28,412,986	287,808	28,700,794	27,600,678 ²
Banking	266,756,383	2,319,380	269,075,763	40,479,162
Life insurance	11,671,043	122,144	11,793,187	4,466,125
Deregistered company trust money	17,084	N/A	17,084	31,868
Total	306,857,496	2,729,332	309,586,828	72,577,833

1. Interest was not payable on unclaimed money claims before 1 July 2013.
2. In December 2012, the Government changed the administrative arrangements that apply to unclaimed money under the Corporations Act. The \$27.6 million represents total company claims for 2012–13, which are disclosed in ASIC's financial statements as payments from the Companies and Unclaimed Money's Special Account or as an expense in the Schedule of Administered items.

1. Rates as advised on ASIC's MoneySmart website www.moneysmart.gov.au/tools-and-resources/find-unclaimed-money/interest-paid-on-unclaimed-money.
2. For company unclaimed money, an owner makes a claim to ASIC directly and we assess whether the claimant is the owner of the money.

2.3 Priority 3 – Efficient and accessible registration

continued

2.3.7 Managing property vested in ASIC

ASIC administers the property of deregistered companies. This property remains vested in ASIC until it is lawfully dealt with or evidence is provided that the property no longer vests in ASIC for some other reason. Trust property remains vested in the Commonwealth, with ASIC acting on behalf of the Commonwealth.

ASIC accounts for any proceeds on realisation of the property by transferring them into the Official Public Account in accordance with its statutory duties.

We received 1,224 new matters in 2013–14, and finalised 1,312 – both decreases on the previous year. The following table shows vested properties of deregistered companies by number of cases.

Vested properties of deregistered companies (by number of cases)

	2013–14	2012–13
Total new matters	1,224	1,317
Total finalised matters	1,312	1,478
Property disposals		
Transferred	233	201
Sold	6	15
No longer vested ¹	714	609
Other ²	79	72
Total property disposals	1,032	897

1. Property is removed from ASIC's records when the company is reinstated, a third party lawfully deals with the asset or evidence is provided that the property no longer vests in ASIC.

2. Includes where the vested property interest has been discharged, released, surrendered, withdrawn or has lapsed.

Assets of deregistered companies vesting in ASIC

Section 601AD of the Corporations Act provides that, on deregistration of a company, all of the company's property vests in ASIC. ASIC accounts for any proceeds on realisation of those assets in accordance with our statutory duties.

ASIC generally only deals with vested property once a third party applies for ASIC to exercise its powers under s601AE or 601AF of the Corporations Act.

ASIC does not consider it practical to value any identified property vested and, consequently, such property is not recorded or disclosed in these financial statements.

2.4 Assessing misconduct and other reports

2.4.1 Misconduct reports from the public

ASIC encourages members of the public to report concerns about financial services misconduct to us. We use this information to detect, understand and respond to misconduct.

We record and assess every report of alleged misconduct that we receive and aim to acknowledge each report within three business days. We make a range of preliminary inquiries and conduct an initial assessment to see if the alleged misconduct suggests a breach of a law that we administer.

In many cases, we may not have enough evidence to commence a formal investigation or surveillance. In that circumstance, we contact the person who reported the matter to ASIC and explain why we have come to that decision. We keep the information on our databases, and review it if additional reports are made or more evidence becomes available.

ASIC has been working to improve public understanding of our jurisdiction and the matters that we can deal with, to simplify reporting processes, and to ensure we respond promptly and consistently to those who lodge reports with us.

In 2013–14, we published 12 more information sheets to explain our role in response to concerns frequently reported to us. These information sheets – now 16 in total – have been viewed more than 20,000 times in 2013–14. We also released seven YouTube video clips, which more than 4,800 stakeholders have watched.

The figure below shows the total number of reports finalised each year, together with the underlying trend after high-volume matters have been removed. High-volume matters are those where ASIC has received 100 or more reports of misconduct about the same entity and the same issue. There were no high-volume matters in 2013–14.

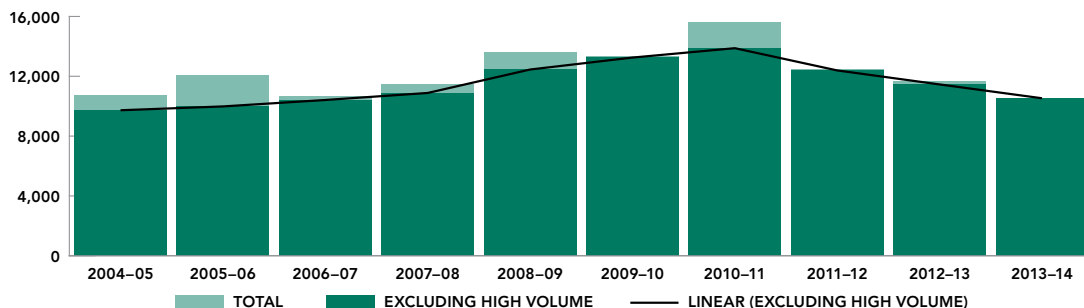
In 2013–14, ASIC dealt with 10,530 reports of alleged misconduct, 9% fewer than in 2012–13. This brings the total number of reports to ASIC back to levels we experienced before the global financial crisis.

The decline in misconduct reports over this period has been largely confined to financial services with an additional decline in reports about registered and unregistered managed investment schemes. However, the decline in reports about unregistered managed investment schemes has been offset by an increase in concerns about unlicensed financial services.

We also saw a decrease in the number and proportion of reports about credit this year. This may reflect a more stable interest rate climate and the bedding down of the National Credit Act, including the positive impact of responsible lending obligations.

There was little change from the previous year in the relative proportions of matters about market and registry integrity.

Misconduct reports – by trend



2.4 Assessing misconduct and other reports continued

Misconduct reports – by category

Category	2013–14	2012–13
Corporations and corporate governance		
Failure to provide books and records or a report as to affairs to an insolvency practitioner	13%	11%
Insolvency matters	8%	6%
Contractual issues (includes concerns about non-provision of goods and services, quality of goods and services)	3%	5%
Insolvency practitioner misconduct	3%	3%
Other (e.g. directors' duties, internal disputes)	16%	16%
Subtotal	43%	41%
Financial services and retail investors		
Credit	14%	16%
Operating an unregistered managed investment scheme or providing financial services without an AFS licence	6%	5%
Managed investment schemes	2%	3%
Superannuation	2%	1%
Potential scam	1%	2%
Other (e.g. insurance, advice, breach of licence conditions, misleading or deceptive conduct, unconscionable conduct)	14%	15%
Subtotal	39%	42%
Market integrity – including insider trading, continuous disclosure, misleading statements, or market manipulation	6%	6%
Registry integrity – including incorrect address recorded on ASIC's register or lodging false documents with ASIC	9%	9%
Other issues	3%	2%
Total	100%	100%

Misconduct reports – by outcome

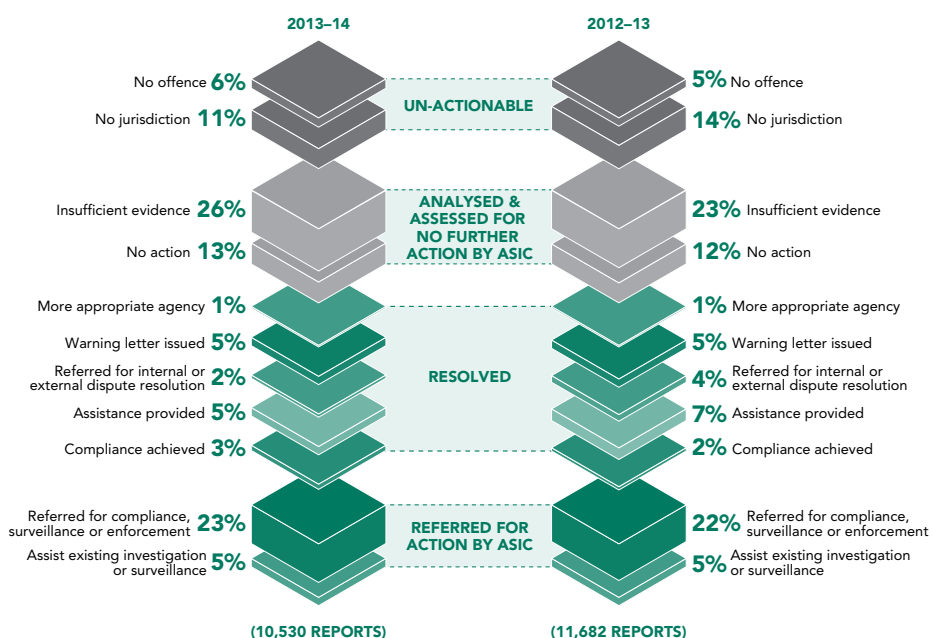
	2013–14	2012–13
Total misconduct reports finalised	10,530	11,682
Outcome		
Referred for compliance, surveillance or investigation ¹	28%	27%
Resolved ²	16%	19%
Analysed and assessed for no further action ³	39%	35%
No jurisdiction ⁴	11%	14%
No breach or offences	6%	5%
Total	100%	100%

1. The matters ASIC takes into account in deciding whether or not to commence a formal investigation are set out in more detail in Information Sheet 151 *ASIC's approach to enforcement*.
2. This can involve referral to an external dispute resolution scheme, ASIC issuing a warning letter to the party that may be in breach of the Corporations Act, ASIC providing assistance to the reporter in the form of guidance and information about how best to resolve the matter themselves or ASIC taking action to achieve compliance.
3. Preliminary inquiries made and information provided analysed and assessed for no further action by ASIC, due to insufficient evidence or other reason, such as another agency or law enforcement body or third party (e.g. a liquidator) is better placed to appropriately deal with the underlying issues or is already taking action.
4. Where relevant, ASIC directs reporter to appropriate agency or solution.

Note: Where ASIC receives reports about the same entity and issue, we merge these matters.

The figure below provides a more detailed view of how we handle the reports of misconduct we receive.

Misconduct reports – by outcome



2.4 Assessing misconduct and other reports *continued*

2.4.2 Breach reports from licensees and auditors

ASIC uses breach reports from licensees and auditors to detect misconduct.

The Corporations Act requires AFS licensees to tell ASIC in writing within 10 business days about any significant breach (or likely breach) of their obligations. Failure to report a significant breach (or likely breach) in itself can be a significant breach.

As part of their breach report, we expect licensees to advise us about how they identified the breach, how long it lasted, what steps they have taken to rectify the breach and what steps they have taken or will take to ensure compliance in the future.

When we assess the breach report, we consider the steps the licensee has taken and may decide that no action is required.

ASIC also receives breach reports from auditors, where they have reasonable grounds to suspect a breach of the Corporations Act by the company they are appointed to audit.¹

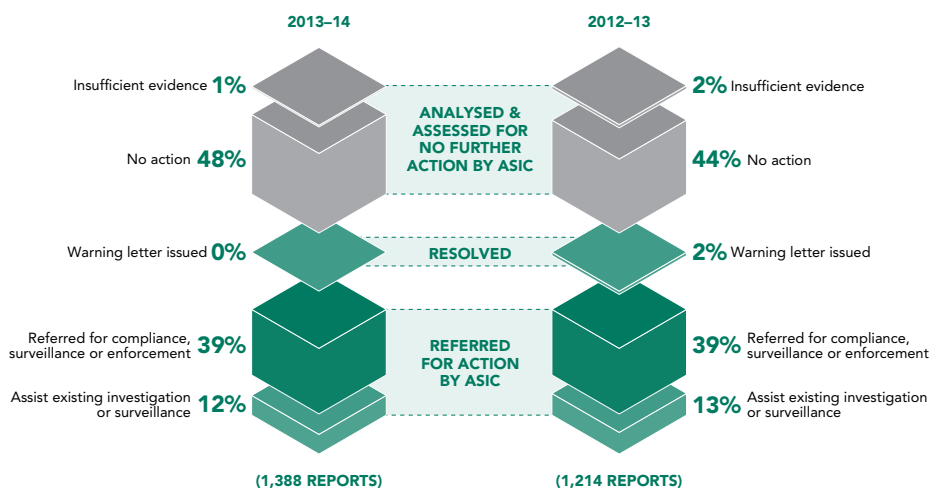
In 2013–14, we dealt with 996 breach reports about managed investment schemes and AFS licensees and 392 breach reports from auditors, a total increase of 14% from 2012–13.

Breach reports – by type and outcome

	2013–14	2012–13
Type		
Auditor breach reports	392	314
Breach reports about AFS licensees and managed investment schemes	996	900
Total breach reports finalised	1,388	1,214
Outcome		
Referred for compliance, investigation or surveillance	51%	52%
Analysed and assessed for no further action	49%	48%
Total	100%	100%

1. For more information about the matters that require an auditor to report a breach of the law to ASIC, see s311 of the Corporations Act.

Breach reports – by outcome



2.4.3 Statutory reports from liquidators, administrators and receivers

Liquidators, administrators and receivers (external administrators) need 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.

External administrators generally lodge an initial report electronically. Many initial reports do not report misconduct and are not assessed further.

We determine whether to request a supplementary report based on the assessment of the initial report. Supplementary reports typically set out the results of the external administrator’s inquiries and the evidence to support the alleged offences. Generally, we can determine whether to commence a formal investigation on the basis of a supplementary report.

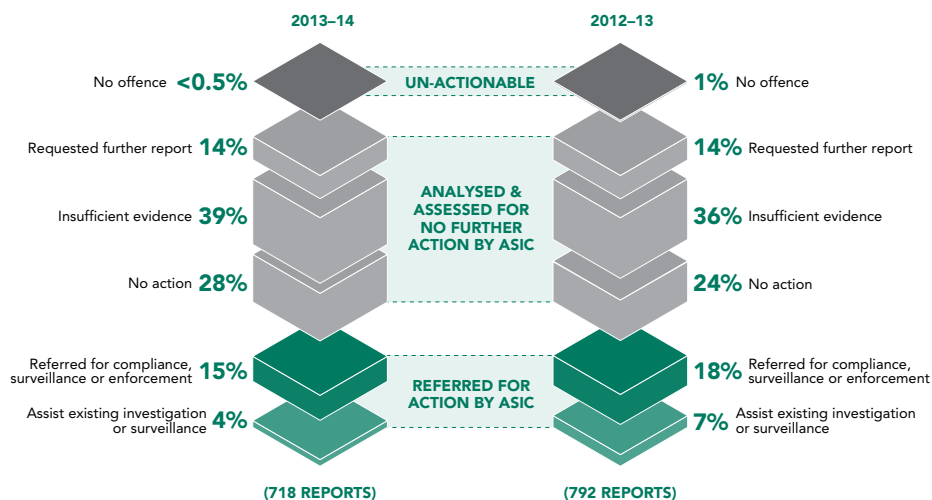
The number of reports we received from external administrators increased slightly in 2013–14, and more of those triggered a request for a further report. In 2013–14, we referred 19% of these reports for compliance, investigation or surveillance, compared with 25% in 2012–13. In nearly half of the cases identified as ‘Analysed and assessed for no further action’, ASIC determined, after conducting preliminary inquiries, that there was insufficient evidence to warrant commencing a formal investigation. In another fifth of these cases, we requested a supplementary report from the external administrator.

2.4 Assessing misconduct and other reports continued

Statutory reports – by type and outcome

	2013–14	2012–13
Initial reports from liquidators, administrators and receivers		
Reports alleging misconduct	7,509	6,985
Reports not alleging misconduct	2,295	2,467
Initial reports – outcomes		
Supplementary reports requested	11%	10%
Analysed and assessed for no further action	89%	90%
Total	100%	100%
Supplementary reports requested and received by ASIC		
Supplementary reports alleging misconduct	718	792
Supplementary reports – outcomes		
Referred for compliance, investigation or surveillance	19%	25%
Analysed and assessed for no further action	81%	74%
Identified no offences	<0.5%	1%
Total	100%	100%
Total statutory reports received (initial + supplementary)	10,522	10,244

Supplementary statutory reports – by outcome



2.5 Performance against Service Charter

2.5.1 ASIC Service Charter results

The ASIC Service Charter covers the most common interactions between ASIC and our stakeholders and sets performance targets for each. The following table sets out our performance against the key measures outlined in the Service Charter.

ASIC is generally meeting our service standards. However, our current performance has been affected by decreased resources, an increase in

more complex applications and complaints, and a stronger approach to high-risk applications and complaints.

We anticipate our resourcing will continue to affect the service levels that the public can expect from us. In response, we are currently revising our Service Charter to better reflect our resourcing capacity in 2014–15, our separate registry and regulatory businesses, and to report against new services we have become responsible for in recent years, such as business names.

ASIC Service Charter performance

Service	Service Charter target	2013–14	2012–13
General phone queries	ASIC aims to answer telephone queries on the spot	87.7% of calls answered on the spot (799,209 of 911,447) 12.3% (112,238) referred to specialist staff	80.5% of calls answered on the spot (576,513 of 716,382) 19.5% (139,869) referred to specialist staff
General email queries	ASIC aims to reply to email queries ¹ within 2 business days	90.3% replied to in 2 business days (70,355 of 77,893)	77% replied to in 2 business days (111,399 of 144,204)
General correspondence about our public database and registers, including fee waivers	ASIC aims to acknowledge receipt within 14 days of receiving correspondence, with full response within 28 days	100% replied to in 28 business days (27,792 of 27,792)	85% replied to in 28 business days (17,387 of 20,478)
Registering a company	We aim to complete company registrations within one business day ²	99% completed in 1 business day (220,527 of 223,849) 96% of paper forms completed in 1 day (17,667 of 18,371) 99% of electronic forms completed in 1 day (202,860 of 205,478)	98% completed in 1 business day (200,326 of 204,035) 97% of paper forms completed in 1 day (17,753 of 18,217) 98% of electronic forms completed in 1 day (182,573 of 185,818)
Updating company information and status	We aim to enter critical changes to company information in the corporate register within 2 business days	98% entered within 2 business days (1,047,455 of 1,069,410) 86% of paper forms entered in 2 business days (97,075 of 112,289) 99% of electronic forms entered in 2 business days (950,380 of 957,121)	98% entered within 2 business days. (995,676 of 1,013,048) 91% of paper forms entered in 2 business days (105,997 of 116,733) 99% of electronic forms entered in 2 business days (889,679 of 896,315)

1. Email queries lodged via the 'Ask us a question' webmail facility on ASIC's website.

2. Includes all applications received, regardless of whether applications approved or a company registered.

2.5 Performance against Service Charter continued

Service	Service Charter target	2013–14	2012–13
Registering as an auditor	We aim to decide whether to register an auditor within 28 days of receiving a complete application	92% registered within 28 days (71 individual applications and 19 authorised audit companies)	92% registered within 28 days (123 individual applications and 16 authorised audit companies)
Registering as a liquidator	We aim to decide whether to register a liquidator or official liquidator within 28 days ¹	93% of liquidator applications decided within 28 days (41 of 44 applications) 100% for official liquidators (44 of 44 applications)	100% of liquidator applications decided within 28 days (37 of 37 applications) 98% for official liquidators (44 of 45 applications)
Applying for or varying an AFS licence	We aim to decide whether to grant or vary an AFS licence within 28 days ¹	71% of licences granted within 28 days (283 of 396 applications) 74% of licence variations decided in 28 days (496 of 666 applications) ²	79% of licences granted within 28 days (374 of 472 applications) 83% of licence variations decided in 28 days (649 of 784 applications) ²
Registering a managed investment scheme	By law we must register a managed investment scheme within 14 days of receiving a complete application	100% registered in 14 days (242 of 242)	100% registered in 14 days (205 of 205)
Applying for or varying a credit licence	We aim to decide whether to grant or vary a credit licence within 28 days ¹	75% of all licence applications decided within 28 days (359 of 477) 92% of licence variations decided in 28 days (196 of 214)	91% of all licence applications decided within 28 days (406 of 445) 98% of licence variations decided in 28 days (199 of 203) ³
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 (target: 70%)	70% of in-principle decisions made within 21 days (1,701 of 2,433 applications) ²	71% of in-principle decisions made within 21 days (1,935 of 2,744 applications) ²
Complaints about misconduct by a company or individual	If someone reports alleged misconduct by a company or an individual, ASIC aims to respond within 28 days of receiving all relevant information (target: 70%) ⁴	69% finalised within 28 days (7,264 of 10,530)	76% finalised within 28 days (8,828 of 11,682)

1. Applications beyond the 28-day target are generally complex ones, requiring, for example, additional policy work or legal review.
2. This result includes all applications, including those where we did not initially receive all the information we needed to make a decision.
3. These numbers updated as credit licence application processing is now measured and reported on same basis as AFS licence processing.
4. Reports beyond the 28-day target are generally complex ones or ones requiring considerable additional work.

2.6 Regional activities

Regional commissioners



Peter Cuzner
Australian
Capital
Territory



Chris Van Homrigh
New South
Wales



Duncan Poulson
Northern
Territory



Brett Bassett
Queensland



Mark Bielecki
South
Australia



Chris Green
Tasmania



Warren Day
Victoria



Jane Gouvernet
Western
Australia

In 2013–14, ASIC's regional commissioners led a range of initiatives in each state and territory. Our regional commissioners act as ASIC's local ambassadors, engaging with business and local communities through regular stakeholder liaison meetings and promoting ASIC initiatives.

This year they supported ASIC initiatives to provide training to educators on how to use MoneySmart Rookie and to consumer advocates about the consumer credit legislation. They also facilitated regional insolvency liaison meetings.

Key regional highlights included:

- ♦ **Australian Capital Territory** – we promoted our financial literacy work at the ACT Career Education day, university and TAFE open days for students.
- ♦ **New South Wales** – we partnered with NSW Fair Trading, the Energy and Water Ombudsman of NSW, the Telecommunications Industry Ombudsman, The Aged-care Rights Service and the Private Health Insurance Ombudsman to provide consumer rights information to seniors at the Royal Easter Show.
- ♦ **Northern Territory** – we hosted a MoneySmart showcase event in Darwin together with the ACCC and the Telecommunications Industry Ombudsman. We also assisted the national distribution of ASIC's audio posters with messages about ATM fees in 18 Indigenous languages.
- ♦ **Queensland** – we attended the Small Business conference in Bundaberg, where the regional commissioner made a presentation to stakeholders.
- ♦ **South Australia** – we attended Field Days in three regions: Lucindale in the South East of South Australia, the Paskeville Field Days on the Yorke Peninsula and the Riverland Field Days. We shared tips about safer investing, money and small business with our regional stakeholders.
- ♦ **Tasmania** – we delivered training in Hobart, Launceston and on the North West Coast to educators about how to use MoneySmart Rookie and to consumer advocates about the consumer credit legislation.
- ♦ **Western Australia** – we held 16 industry liaison meetings to gain an understanding of the issues currently being encountered in Western Australia.

2.6 Regional activities continued

Ministers visit our Traralgon office in Victoria

ASIC was pleased to host the Minister for Small Business, the Hon Bruce Billson MP, at our Traralgon office in Victoria in December 2013. The visit also included the member for Gippsland and Parliamentary Secretary to the Minister for Defence, the Hon Darren Chester MP.

We gave the Ministers a tour of the various parts of the registry business, including the ASIC Customer Contact Centre. This was a highlight of the visit, and demonstrated the online business names registration and renewal service.



The Ministers with ASIC Customer Service Officer Tessa Veitch.



ASIC's Emerging Mining and Resources team is based in Western Australia. The team's focus includes the mining industry, with familiarity gained from visits to mine sites such as the Kalgoorlie Superpit. Pictured are Senior Specialist (Geology) Ivy Chen and WA Regional Commissioner Jane Gouvernet.



ASIC staff promoting financial literacy resources at the Lucindale Field Days in South Australia in March 2014.



ASIC has produced 'talking posters' with messages about ATM fees in 18 Indigenous languages, and distributed these to communities throughout Australia.



3

PEOPLE, COMMUNITY AND THE ENVIRONMENT

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3.1 ASIC's people

3.1.1 Building capabilities

In 2013–14, we continued to build the capabilities of our talented and dedicated staff.

Executive development

We continued to develop the leadership competencies of senior executives and senior managers through a range of initiatives including: formal learning, on-the-job development, attendance at business schools, coaching and professional networks.

Learning initiatives and professional networks

In 2013–14, we delivered 167 learning initiatives on compliance, professional and technical, leadership, behavioural and business topics.

Our Legal, Enforcement, and Accounting/Auditor professional networks continue to build core skills and knowledge. The Professional Network Advisory Boards provided direction on the curriculum for each core technical area.

Managing and retaining talent

In 2013–14, we focused on high-potential talent and senior executive development. We continued to embed our talent and succession framework, identifying succession plans for critical senior executive positions and managing high-potential talent through close management of their development plans and on-the-job learning.

Our graduate program remains a key strategy for building our capabilities. Over 1,700 graduates applied for the 2014 program. Twenty graduates commenced the 12-month program in January. They come from a range of disciplines, including law, commerce, business, economics and accounting.

3.1.2 Focus on diversity

We remain committed to a diverse and inclusive workplace.

In 2013–14, we established the ASIC Diversity Council, a governing body for all of ASIC's diversity committees and activities.

The ASIC Diversity Council, chaired by Commissioner John Price, provides visible, strategic leadership to improve diversity outcomes across ASIC. These include our Reconciliation Action Plan, initiatives for women and those with a disability, an access and equity program, and a new LGBTI employee network group.

Multicultural plan

We established a multicultural plan as part of our access and equity program. We developed a governance framework and guiding principles to direct our focus on improving the accessibility of our customer services in culturally and linguistically diverse communities.

Learning initiatives, 2013–14

Category	Initiatives delivered	No. of completions
Compliance	11	3,938
Professional & technical	111	4,231
Leadership	9	280
Behavioural	11	880
Business	25	421
Total 2013–14	167	9,750
Total 2012–13	105	6,561

As part of the governance framework, we consider how our work with these communities is integrated into our business planning process each year.

We are also designing cultural competency training for all of our people, which will be rolled out in 2014–15.

Women in leadership

We continue to encourage women in leadership and senior positions as a major part of our diversity strategy for 2013–15. To increase the proportion of women in leadership and senior positions, we have endorsed voluntary calendar year targets for 2013–15.

In 2013–14, we made progress against these targets. We met our 50% target at Executive Level 1, and continue to work towards our targets at the more senior levels.

We remain committed to retaining and promoting women to leadership and senior positions. Our progress has been slower than we anticipated. Reductions in overall staffing numbers and the recruitment slow-down have impeded our ability to achieve our targets.

Nonetheless, we continue to identify women in our talent mapping exercises and to select and train them for higher duties where opportunities are available. We have also developed relevant objectives and success measures in leadership performance agreements to improve gender diversity outcomes.

In 2013–14, we also continued our ‘Women in ASIC’ program. At our annual International Women’s Day event, the inaugural 2014 Women in Leadership award was presented to a female employee who demonstrated outstanding leadership in her role.

3.1.3 Focus on work health and safety

In 2013–14, we established our Work Health and Safety (WHS) plan for 2013–15. This focuses on implementing measurable business objectives to improve health and safety for all of our people in the workplace.

We implemented a comprehensive WHS program and emphasised how to manage risks and prevent injuries as a result of exposure to hazards during work activities.

We identified workplace hazards and undertook regular hazard inspections to control associated risks. We assessed systems of work and put risk controls in place through the WHS risk management program.

We have received routine incident reports from the business and seen a slight decrease in incidents reported in 2013–14 from the previous year. We have also implemented robust processes for investigating incidents.

Targets for women in leadership

	Actuals, as at 30 June 2014	Actuals, as at 30 June 2013	2013 target	2014 target	2015 target
Senior Executive Service	37.50%	36%	44%	47%	50%
Executive Level 2	44.42%	44%	47%	50%	
Executive Level 1	51.05%	50%	50%		

3.1 ASIC's people *continued*

Performance payments, 2013–14, by classification¹

Classification	No. of recipients	Aggregate	Payment range		
			Minimum	Maximum	Average
ASIC 4	328	\$1,081,738	\$576	\$12,399	\$3,298
Exec 1	443	\$2,399,736	\$467	\$14,971	\$5,417
Exec 2	526	\$4,525,191	\$838	\$32,114	\$8,603
SES	49	\$796,228	\$5,585	\$39,785	\$16,250
Total	1,346	\$8,802,893			

1. Includes payments for the 2012–13 performance year that were paid in 2013–14, plus pro rata payments for the 2013–14 performance year for staff who left ASIC in 2013–14.

Salary ranges per annum, 2013–14

Classification	Minimum per annum	Maximum per annum
ASIC 1	\$42,409	\$46,872
ASIC 2	\$49,321	\$59,007
ASIC 3	\$62,867	\$72,063
ASIC 4	\$75,225	\$85,160
Exec 1	\$98,583	\$114,032
Exec 2	\$111,677	\$156,488
SES	\$156,488	\$300,226



Industrial arrangements for ASIC staff, as at 30 June 2014

Classification	ASIC Act s120(3) contract	AWA ¹	EA ²	Total
ASIC 1			40	40
ASIC 2			229	229
ASIC 3			222	222
ASIC 4			342	342
Exec 1	1		434	435
Exec 2	6		497	503
SES	23	15	7	45
Total	30	15	1,771	1,816

1. Australian Workplace Agreement.

2. Enterprise Agreement.



3.1 ASIC's people continued

ASIC employees, by location^{1,2}

Classification	Vic.		NSW		Qld		WA		
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	
Chairman			1	1					
Deputy Chairman			1	1					
Member	1	1	2	2					
SES	11	13	29	25	1	1	2	1	
Exec 2	143	130	245	229	36	30	28	28	
Exec 1	111	107	211	201	36	35	32	27	
ASIC 4	137	184	122	175	47	55	13	24	
ASIC 3	114	84	70	57	24	26	14	9	
ASIC 2	169	173	23	27	14	15	9	8	
ASIC 1	30	52	2	1	1	1		1	
Contractors ³	2	3	9	9	1				
Total	717	747	715	726	159	163	98	98	

1. Net average number over 12 months on FTE basis.

2. Includes staff at the Superannuation Complaints Tribunal and the Companies Auditors and Liquidators Disciplinary Board.

3. Includes BAU contractors, secondments and agency staff.

Note: Data rounded – some totals and subtotals may vary.





	SA		ACT		Tas.		NT		Total	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
									1	1
									1	1
									3	3
	1	2			1	1			45	43
	9	8	5	5	7	6			473	435
	11	13	2	4	4	6	1	2	408	393
	15	21	2	2		1			336	463
	14	9	1	2	3	3	2	2	242	192
	16	19	1	3	2	2			234	247
									33	55
									12	12
	65	71	11	18	17	16	3	4	1,785	1,844



3.1 ASIC's people *continued*

Combined totals for Commissioners, and employees under ASIC Act and Public Service Act, by gender^{1,2}

Classification	Ongoing full-time				Ongoing part-time				
	Female		Male		Female		Male		
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	
Appointee									
Chairman									
Deputy Chairman									
Member									
ASIC Act	1	1							
SES	1	1							
Exec 2									
Contractors ³									
Public Service Act	648	666	680	700	192	201	18	20	
SES	5	6	11	8	3	1	1	1	
Exec 2	133	110	246	226	51	55	8	8	
Exec 1	133	120	193	198	42	41	4	4	
ASIC 4	156	216	116	170	30	34		1	
ASIC 3	120	89	82	58	13	10	1	2	
ASIC 2	97	117	30	37	50	55	4	5	
ASIC 1	6	7	3	3	2	4			
TOTAL	649	667	680	701	192	201	18	20	

1. Net average number over 12 months on FTE basis.

2. Includes staff at the Superannuation Complaints Tribunal and the Companies Auditors and Liquidators Disciplinary Board.

3. Includes BAU contractors, secondments and agency staff.

Note: Data rounded – some totals and subtotals may vary.

3.1.4 Voluntary redundancies

In 2013-14, we offered our ongoing employees the opportunity to express interest in voluntary redundancy. We considered our ability to meet business plan priorities and to maintain relevant skills when making decisions about the applications we received. 163 employees left ASIC through the program as at 30 June 2014.

	Non-ongoing full-time				Non-ongoing part-time				Total	
	Female		Male		Female		Male			
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
	1	1	4	4					5	5
			1	1					1	1
				1					1	1
	1	1	3	2					3	3
	9	8	28	27	2	2	1		40	39
	7	6	18	19	1				26	27
			2						2	
	2	2	9	8	1	2	1		12	12
	107	100	70	80	21	27	3	7	1,740	1,800
									19	16
	4	9	24	25	3	2	1		469	435
	18	7	16	18	2	2	1	3	409	393
	23	31	8	9	1	1			335	463
	14	18	11	15	1		1		242	192
	39	16	8	8	7	7	0	2	234	247
	10	19	3	5	7	15	1	1	32	55
	117	109	102	110	23	29	4	7	1,785	1,844

3.2 ASIC in the community

The ASIC in the Community program aims to create a climate of positive staff engagement and to make a positive impact on the community. The program provides three key channels for our people to contribute funds, time and in-kind support to charities and community organisations.

In 2013–14, ASIC employees' total community contribution through workplace giving, fundraising and volunteering was \$164,771.

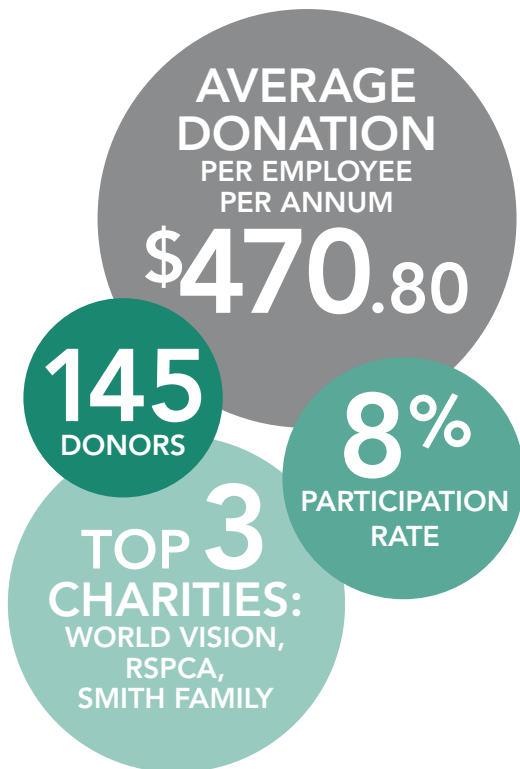
3.2.1 Workplace giving and fundraising

ASIC's workplace giving program makes donating simple and tax effective, and provides a steady flow of funds for the charity.

ASIC in the Community coordinates a national calendar of fundraising events to raise funds for causes our people are passionate about.



ASIC's workplace giving program supports a range of charities including Médecins Sans Frontières (MSF). In May 2014, Dr Chatu Yapa spoke to staff about MSF's work and her recent assignment in the Philippines, helping victims of Typhoon Haiyan.



Workplace giving

In 2013–14, ASIC employees donated \$86,157 through workplace giving, distributed to 35 different charities and community organisations.

Fundraising

In 2013–14, we raised a total of \$35,499 through fundraising events. Some highlights include:

- ♦ Pink Ribbon events in all offices, raising \$6,229 for the National Breast Cancer Foundation
- ♦ ASIC men in teams around the country competed to raise funds for the Movember Men's Health Campaign, raising \$8,460
- ♦ the ASIC Graduate Group 2013 created a six-month campaign which resulted in \$4,664 donated to the Children's Hospital Foundations Australia.

Volunteering and pro bono work

Volunteering is a vital way for ASIC people to give back to the community. ASIC supports volunteering by providing one day's paid leave per calendar year for all employees. In 2013–14, the total value of our volunteering was \$43,115.

A total of 150 employees volunteered in a range of activities, including:

- ◆ 70 ASIC Sydney staff serving meals to homeless people at the Exodus Loaves and Fishes restaurant
- ◆ 32 ASIC lawyers in Canberra, Sydney, Brisbane, Perth and Melbourne providing pro bono legal services to the National Children's and Youth Law Centre. This community legal centre is a leader in addressing human rights issues for young people in Australia
- ◆ regular volunteer stints by 25 ASIC staff at the Sacred Heart Mission in St Kilda, Melbourne, helping to provide free hot nutritious meals to those in need.

3.2.2 *iTrack* youth mentoring – providing valuable role models

The Smith Family's *iTrack* is an online-based mentoring program which is offered to senior high school students from low socio-economic status areas.

The goal of *iTrack* is to support and engage disadvantaged kids, many of whom lack role models, resources and networks, by matching them with mentors who are active members of the workforce.

In 2013–14, 13 ASIC staff participated in the program. Volunteers can participate in *iTrack* from any location, as it is delivered through an online secure chat room.



Dr Lisa O'Brien, Chief Executive of The Smith Family, Australia's leading children's charity and one of our workplace giving partners, with ASIC Chairman Greg Medcraft.



Flex and his new owner, Zoe, visited the ASIC Brisbane office in August 2013 to help raise funds for the RSPCA.

3.2.3 National speakers program

ASIC in the Community organises a number of national speakers events throughout the year, featuring well-known Australians who advocate for charities we support.

We do this to engage and encourage our people in their community activities and to provide an opportunity for our staff to learn more about the impact of their contributions.

Highlights of the 2013–14 national speakers program include:

- ◆ a presentation by business leader and exceptional philanthropist David Gonski AC to a national ASIC audience about corporate giving and his own motivations to participate in philanthropy
- ◆ an address by Mick Gooda, Aboriginal and Torres Strait Islander Social Justice Commissioner, Australian Human Rights Commission, about key issues in the reconciliation process.

3.3 Indigenous awareness and action at ASIC

ASIC is committed to developing programs and resources to provide services to Aboriginal and Torres Strait Islander consumers in a manner that is equitable, responsive and relevant to their needs.

3.3.1 Engagement with Indigenous consumers and investors

ASIC has a strong track record of taking action against financial services providers whose misconduct disadvantages Indigenous consumers (see page 36).

There are a number of reasons why Indigenous consumers are targeted by unscrupulous traders. These include relatively low levels of financial literacy, limited English (which may be a second or third language), and limited access to a broad range of providers. Additionally, the more remote their location, the more difficult it is for Indigenous consumers to obtain access to advice and advocacy services.

The Indigenous Outreach Program seeks to address these issues by building trust with communities. It does this by achieving tangible outcomes (such as refunds) that demonstrate ASIC's commitment to addressing misconduct, building community members' knowledge about their consumer rights (working with local financial counsellors and legal services), and providing culturally appropriate financial literacy resources and presentations.



ASIC lawyer Alya Gordon promoting Indigenous Outreach Program resources at a community day in Mildura.

3.3.2 Other initiatives

ASIC demonstrates its commitment to reconciliation and Indigenous Australians through a number of ongoing initiatives and programs. In 2013–14, we:

- ♦ published our third Reconciliation Action Plan (RAP), which includes a commitment to develop a more comprehensive, stand-alone Indigenous employment strategy
- ♦ continued to procure a range of goods and services from Indigenous businesses
- ♦ supported two staff secondments to the Kimberley and North East Arnhem Land, as part of our Jawun Indigenous Corporate Partnership. The ASIC secondees worked on projects where their skills and experience enabled them to contribute to the Indigenous organisations with which they were working.

3.3.3 NAIDOC Week and reconciliation

ASIC in the Community and the Indigenous Outreach Program arranged a number of events focusing on reconciliation, particularly during NAIDOC Week and Reconciliation Week.

Adjunct Professor Dennis Eggington spoke to ASIC staff about law and justice issues affecting Aboriginal people; Senior Lecturer Heron Loban spoke about the impact of historical, cultural and locational factors on Indigenous consumers; and Dr Megan Davis spoke about recognition of Aboriginal and Torres Strait Islander peoples in the Constitution.



ASIC lawyers Hannah Woods and Jessica Naimo with Fran Manuela, financial counsellor with the Pilbara Community Legal Service, during an Indigenous Outreach Program visit to the Pilbara region.

3.4 Environmental performance

In 2013–14, ASIC continued to reduce our energy and water consumption, through a range of ongoing and new initiatives.

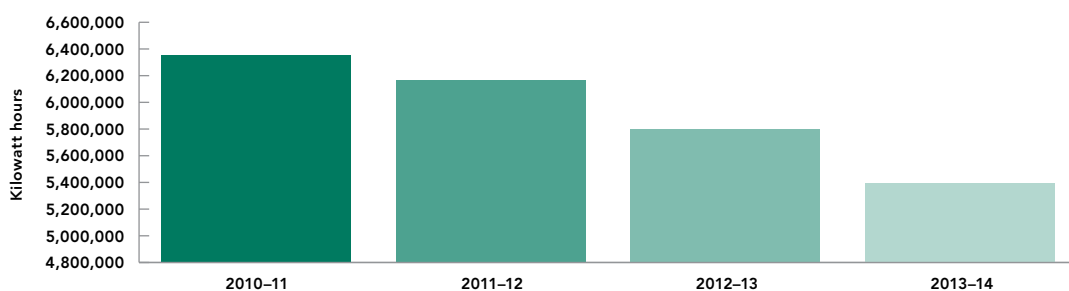
3.4.1 Key statistics

ASIC energy consumption

Descriptor	2013–14	% change from 2012–13	2012–13	2011–12
Light and power – ASIC tenancies (kWh)	3,868,746	–7%	4,178,094	4,536,095
MJ per person	7,038	–4.5%	7,373	7,840
Light and power – ASIC computer centres (kWh)	1,109,868	–6%	1,183,106	1,197,011
MJ per m ²	8,023	–2%	8,184	7,698
Transport energy (GJ)	213	–60%	536	633

The Energy Efficiency in Government Operations Policy sets a target of electricity consumption of 7,500 MJ or less per person. ASIC has met this target for the last two years, with a year-on-year reduction in electricity consumption per person.

Total electricity consumption for all sites



3.4.2 Environmental performance in detail

Energy efficiency

The fitout and staff relocation of ASIC’s Melbourne office has been the primary focus for 2013–14, with all work completed by 2 June 2014. The project allowed ASIC to address some of the environmental deficiencies that existed in the previous tenancy.

Major energy efficiencies have been achieved through:

- a reduction in occupied space of around 2,000 m², resulting in reduced light and power consumption

- a significant reduction in size of the server room, as well as consolidation of the computer room equipment. This will reduce energy consumption and heating/cooling requirements in future years
- an upgrade of all lighting to energy-efficient compact fluorescent tubes, as well as the use of LED technology in suitable areas
- lighting motion sensors, which now operate throughout the entire office.

3.4 Environmental performance continued

Waste

To reduce landfill, approximately 35% of loose furniture from ASIC's previous office space in Melbourne was re-used as part of the 2013–14 fitout of the new office space.

Recycling arrangements in all ASIC's offices for paper and co-mingled products continued throughout the year, along with programs for recycling fluorescent lights, batteries and mobile phones.

For all redundant IT equipment, ASIC continued to utilise the organisation Greenbox Australia, which specialises in recycling end-of-life IT equipment. Their provision of recycling is a complete service, with any items that are assessed as non-functional being recycled using zero-landfill techniques.

Water

The landlord for the new Melbourne office space has installed flow restrictors on all taps in the tenancy which will assist in reducing water consumption in bathrooms and kitchens. This building has a rainwater capture system with an on-site capacity of 35,200 litres which reduces overall building water consumption.

In the Sydney office the use of grey water in all toilets within the building has continued to reduce overall water consumption.

Information technology

In 2013–14, ASIC completed the replacement of all 'virtual machine' desktops with an all-in-one desktop terminal, which will reduce energy consumption at each desktop across all offices.

Travel

To reduce ASIC's carbon footprint, ASIC during 2013–14 reduced its vehicle fleet by 47%, and continues to promote public transport as a means of travel for staff.

By 30 June 2014, 100% of ASIC's remaining vehicle fleet achieved a Green Vehicle Guide rating of 10.5 or better, which is well in excess of the Government's target of 28% of all fleet vehicles achieving this rating.

We continued to reduce the kilometres travelled in our vehicle fleet, with a 39% reduction in kilometres travelled in 2013–14.

ASIC's transport energy (GJ) consumption for 2013–14 decreased by 60%. This is as a result of the combined effects of changing the fleet vehicles to higher rated Green Vehicles and reducing the kilometres travelled. The remaining fleet vehicles consumed less fuel and used more energy-efficient fuel. This resulted in a greater decline in transport energy consumption than anticipated.

The introduction of car sharing options in Melbourne, Sydney and Brisbane, through ASIC's use of the GoGet carshare service, has also contributed towards an environmentally sustainable transport solution. With staff in all these offices now regularly utilising this solution, ASIC is contributing to a reduction of vehicles on the road, which can help lower emissions, traffic congestion and parking problems.

We continue to promote video conferencing as a preferred alternative to air travel. There was a 14% increase in the number of video conferences in 2013–14 and slight reduction in air travel.

Property

To comply with the Commonwealth Property Management Framework and to reduce our environmental footprint, we have continued to reduce our property portfolio to improve space efficiency. During 2013–14, ASIC sublet 420 m² of space and in June 2014 divested an additional 2,976 m², resulting in an overall 8% reduction in total occupied space.

These reductions were achieved through:

- ◆ a 2% reduction in space at the Sydney office
- ◆ a 30% reduction in space at the Melbourne office.

The overall space reduction will contribute to reductions in energy usage in future years.

In 2014–15, ASIC will continue to build on environmental achievements by continuing with proven successful environmental initiatives and exploring new opportunities to reduce energy and emissions, waste, and water consumption.



4

FINANCIAL STATEMENTS

Financial Statements

FOR THE YEAR ENDED 30 JUNE 2014

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INDEPENDENT AUDITOR'S REPORT

To the Acting Assistant Treasurer

Report on the Financial Statements

I have audited the accompanying financial statements of the Australian Securities and Investments Commission for the year ended 30 June 2014, which comprise: a Statement by the Chief Executive and Chief Financial Officer; Statement of Comprehensive Income; Statement of Financial Position; Statement of Changes in Equity; Cash Flow Statement; Schedule of Commitments; Schedule of Contingencies; Administered Schedule of Comprehensive Income; Administered Schedule of Assets and Liabilities; Administered Reconciliation Schedule; Administered Cash Flow Statement; Administered Schedule of Commitments and Contingencies; and Notes to and forming part of the financial statements comprising a Summary of Significant Accounting Policies and other explanatory information.

Chairman's Responsibility for the Financial Statements

The Chairman of the Australian Securities and Investments Commission is responsible for the preparation of financial statements that give a true and fair view in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, including the Australian Accounting Standards, and for such internal control as is necessary to enable the preparation of financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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 about 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 statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Australian Securities and Investments Commission's preparation of the financial statements that give a true and fair view 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 Australian Securities and Investments Commission's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the

Independent Auditor's Report

reasonableness of accounting estimates made by the Chairman of the Australian Securities and Investments Commission, 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 my audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the requirements of the Australian accounting profession.

Opinion

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

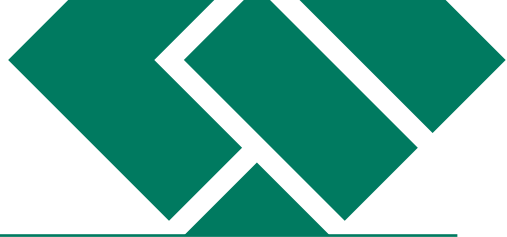
- (a) have been prepared in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, including the Australian Accounting Standards; and
- (b) give a true and fair view of the matters required by the Finance Minister's Orders, including the Australian Securities and Investments Commission's financial position as at 30 June 2014 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
15 August 2014

Statement by Chief Executive and Chief Financial Officer

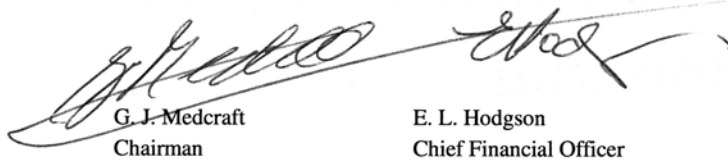


AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION

STATEMENT BY CHIEF EXECUTIVE AND CHIEF FINANCIAL OFFICER

In our opinion, the attached financial statements for the year 30 June 2014 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.



G. J. Medcraft
Chairman

E. L. Hodgson
Chief Financial Officer

15 August 2014

15 August 2014

Statement of Comprehensive Income


FOR THE YEAR ENDED 30 JUNE 2014

EXPENSES	Notes	2014 \$'000	2013 \$'000
Employee benefits	3A	237,052	231,579
Supplier expenses	3B	108,319	127,571
Depreciation and amortisation	3C,35	55,990	51,355
Finance costs	3D	896	285
Write-down and impairment of assets	3E	3,197	479
Total expenses (A)	33A	405,454	411,269
LESS:			
OWN-SOURCE INCOME			
Own-source revenue			
Rendering of services	4A	1,547	2,679
Royalties	4B	185	190
Other revenue	4C	2,865	13,805
Total own-source revenue		4,597	16,674
Gains			
Other gains	4D	434	405
Total own-source income (B)		5,031	17,079
Net cost of services (A) – (B)		400,423	394,190
Revenues from Government	4E	346,802	350,030
(Deficit) attributable to the Australian Government		(53,621)	(44,160)
OTHER COMPREHENSIVE INCOME			
Items not subject to subsequent reclassification to net cost of services			
Changes in asset revaluation reserve		(2,847)	–
Total comprehensive (loss) attributable to the Australian Government	35	(56,468)	(44,160)

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position

AS AT 30 JUNE 2014



ASSETS	Notes	2014 \$'000	2013 \$'000
Financial assets			
Cash and cash equivalents	5A	15,129	1,062
Trade and other receivables	5B	102,442	107,963
<i>Total financial assets</i>		117,571	109,025
Non-financial assets			
Leasehold improvements	7A,7D	41,422	47,716
Plant and equipment	7B,7D	23,269	21,678
Intangibles	7C,7D	98,171	117,737
Other non-financial assets	7E	17,550	8,873
<i>Total non-financial assets</i>		180,412	196,004
Total assets		297,983	305,029
LIABILITIES			
Payables			
Suppliers	8A	39,025	25,098
Other payables	8B	69,405	56,642
<i>Total payables</i>		108,430	81,740
Provisions			
Employee provisions	9A	56,882	65,758
Other provisions	9B	18,262	17,186
<i>Total provisions</i>		75,144	82,944
Total liabilities		183,574	164,684
<i>Net assets</i>		114,409	140,345
EQUITY			
Contributed equity		262,681	232,149
Reserves		6,366	9,213
Accumulated (deficit)		(154,638)	(101,017)
<i>Total equity</i>		114,409	140,345

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity


FOR THE YEAR ENDED 30 JUNE 2014

	Notes	Retained earnings		Asset revaluation reserve		Contributed equity		Total equity	
		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Opening balance		(101,017)	(56,857)	9,213	9,213	232,149	202,425	140,345	154,781
<i>Comprehensive income</i>									
Other comprehensive income									
Leasehold improvements		-	-	(1,831)	-	-	-	(1,831)	-
Plant and equipment		-	-	(1,016)	-	-	-	(1,016)	-
(Deficit) for the period		(53,621)	(44,160)					(53,621)	(44,160)
<i>Total comprehensive (loss) / income attributable to the Australian Government</i>	35,7D	(53,621)	(44,160)	(2,847)	-	-	-	(56,468)	(44,160)
Transactions with owners									
<i>Contributions by owners</i>									
Equity injections – Appropriations		-	-	-	-	11,791	15,790	11,791	15,790
Departmental capital budget		-	-	-	-	18,741	13,934	18,741	13,934
Sub-total transactions with owners		-	-	-	-	30,532	29,724	30,532	29,724
Closing balance attributable to the Australian Government		(154,638)	(101,017)	6,366	9,213	262,681	232,149	114,409	140,345

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Cash Flow Statement

FOR THE YEAR ENDED 30 JUNE 2014



	Notes	2014 \$'000	2013 \$'000
OPERATING ACTIVITIES			
Cash received			
Appropriations		355,989	341,987
Services		1,546	5,522
Net GST received		13,502	13,788
Other cash received		15,892	7,885
<i>Total cash received</i>		<u>386,929</u>	<u>369,182</u>
Cash used			
Employees		238,503	221,001
Suppliers		123,265	143,359
Transfers to the Official Public Account		8,739	10,907
<i>Total cash used</i>		<u>(370,507)</u>	<u>(375,267)</u>
Net cash from / (used by) operating activities	10	<u>16,422</u>	<u>(6,085)</u>
INVESTING ACTIVITIES			
Cash used			
Purchase of leasehold improvements, plant and equipment and intangibles		32,887	31,354
Net cash (used) by investing activities		<u>(32,887)</u>	<u>(31,354)</u>
FINANCING ACTIVITIES			
Cash received			
Appropriations – contributed equity		30,532	29,724
Net cash from financing activities		<u>30,532</u>	<u>29,724</u>
<i>Net increase / (decrease) in cash held</i>		14,067	(7,715)
Cash and cash equivalents at the beginning of the reporting period		1,062	8,777
Cash and cash equivalents at the end of the reporting period	5A	<u>15,129</u>	<u>1,062</u>

The above Cash Flow Statement should be read in conjunction with the accompanying notes.

Schedule of Commitments

AS AT 30 JUNE 2014

BY TYPE	2014 \$'000	2013 \$'000
Commitments payable		
Capital commitments		
Intangibles ¹	704	209
<i>Total capital commitments</i>	<u>704</u>	<u>209</u>
Other commitments		
Operating leases ²	208,966	193,746
Other commitments (goods and services)	34,566	42,900
<i>Total other commitments</i>	<u>243,532</u>	<u>236,646</u>
Less: commitments receivable		
GST recoverable on commitments	24,102	20,477
Sublease revenue receivable	–	969
<i>Total commitments receivable</i>	<u>24,102</u>	<u>21,446</u>
Net commitments by type	<u>220,134</u>	<u>215,409</u>
BY MATURITY		
Commitments payable		
Capital commitments		
One year or less	704	209
<i>Total capital commitments</i>	<u>704</u>	<u>209</u>
Operating lease commitments		
One year or less	27,513	31,530
From one to five years	110,138	116,139
Over five years	71,315	46,077
<i>Total operating lease commitments</i>	<u>208,966</u>	<u>193,746</u>
Other commitments (goods and services)		
One year or less	25,484	40,520
From one to five years	9,082	2,380
<i>Total other commitments</i>	<u>34,566</u>	<u>42,900</u>
Less: commitments receivable		
One year or less	5,132	6,534
From one to five years	11,839	10,723
Over five years	7,131	4,189
<i>Total commitments receivable</i>	<u>24,102</u>	<u>21,446</u>
Net commitments by maturity	<u>220,134</u>	<u>215,409</u>

1 Outstanding contractual payments for purchases of software licenses.

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 of Commitments should be read in conjunction with Note 1 of the Financial Statements.

Schedule of Contingencies

AS AT 30 JUNE 2014



	Notes	2014 \$'000	2013 \$'000
CONTINGENT ASSETS			
Claims for costs		806	757
Total contingent assets	11	806	757
CONTINGENT LIABILITIES			
Claims for costs		-	-
Total contingent liabilities	11	-	-
Net contingent assets/(liabilities)		806	757

Details of all contingent liabilities and assets, including those not included above because they cannot be quantified, are disclosed in Note 11: Contingent liabilities and assets.

The above Schedule of Contingencies should be read in conjunction with the accompanying notes.

Administered Schedule of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2014

NET COST OF SERVICES	Notes	2014 \$'000	2013 \$'000
EXPENSES			
Grants	18A	2,132	2,203
Write-down and impairment of assets	18B	44,588	43,401
Other expenses ^{1,2}	18C	244,848	501,873
<i>Total expenses administered on behalf of Government</i>		291,568	547,477
LESS:			
INCOME			
Revenue			
Non-taxation revenue			
Corporations Act, National Consumer Credit Protection Act, Business Names Registration (Fees) Act and Superannuation Industry (Supervision) Act fees and fines	19	762,844	717,415
Banking Act unclaimed monies ¹	19	130,001	520,442
Life Insurance Act unclaimed monies ¹	19	16,445	31,083
Corporations Act unclaimed monies ²	19	84,751	331,300
<i>Total own-source revenue administered on behalf of Government</i>		994,041	1,600,240
Net contribution by services		702,473	1,052,763

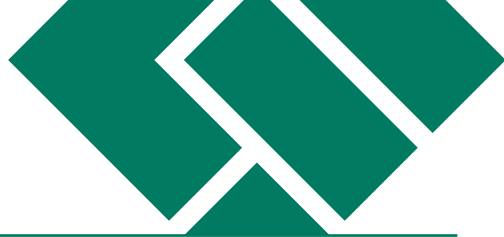
1 ASIC has responsibility for the administration of monies received from banking and deposit taking institutions as well as life insurance institutions and friendly societies. In 2012–13 the Government changed the definition of these unclaimed monies to include accounts or policies that have been inactive for more than three years (previously the inactive period was seven years). This resulted in a substantial one-off increase in administered revenue and the provision for claims payable in 2012–13.

2 ASIC has responsibility for the administration of unclaimed monies under section 1341 of the *Corporations Act 2001*. In 2012–13 the Government changed the administrative arrangements for these unclaimed monies, funds are now transferred to the Official Public Account (OPA) on a daily basis (previously these funds remained in a trust fund maintained by ASIC for a period of six years, Note 31B refers). This resulted in a substantial one-off increase in administered revenue and the provision for claims payable in 2012–13.

The above Schedules should be read in conjunction with the accompanying notes including reporting of administered activities in accounting policy Note 1.20.

Administered Schedule of Assets and Liabilities

AS AT 30 JUNE 2014



ASSETS	Notes	2014 \$'000	2013 \$'000
Financial assets			
Cash and cash equivalents	20A	3,876	3,560
Receivables	20B	112,869	107,869
<i>Total assets administered on behalf of Government</i>	26	<u>116,745</u>	<u>111,429</u>
LIABILITIES			
Payables			
Other payables	21A	20,837	18,719
Provisions	21B	435,848	502,571
<i>Total liabilities administered on behalf of Government</i>		<u>456,685</u>	<u>521,290</u>
Net assets/(liabilities)		<u>(339,940)</u>	<u>(409,861)</u>

Administered Reconciliation Schedule

AS AT 30 JUNE 2014

	2014 \$'000	2013 \$'000
Opening administered assets less administered liabilities	(409,861)	26,530
Net (cost of)/contribution by services:		
Plus: Administered income	994,040	1,600,241
Less: Administered expenses	(291,567)	(547,477)
Administered transfers to/from Australian Government:		
Appropriation transfers from Official Public Account:		
Special (unlimited) and ordinary appropriations		
Appropriation Act No. 1	4,325	5,950
Banking Act unclaimed monies	268,912	40,479
Life Insurance Act unclaimed monies	11,894	4,466
Section 28 FMA Act	39,541	21,602
Total of Appropriation transfers from Official Public Account	<u>324,672</u>	<u>72,497</u>
Administered transfers to Official Public Account	(957,224)	(1,561,652)
Closing administered assets less administered liabilities	<u>(339,940)</u>	<u>(409,861)</u>

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

Administered Cash Flow Statement

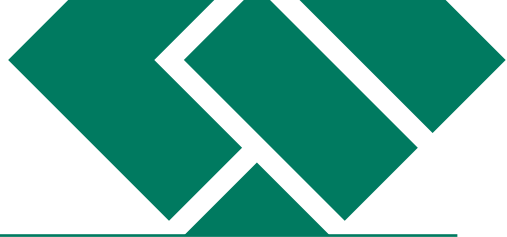
FOR THE YEAR ENDED 30 JUNE 2014

OPERATING ACTIVITIES	Notes	2014 \$'000	2013 \$'000
Cash received			
Corporations Act, National Consumer Credit Protection Act, Business Names Registration (Fees) Act and Superannuation Industry (Supervision) Act		714,097	674,580
Corporations Act unclaimed monies		84,751	331,300
Banking Act unclaimed monies		130,001	520,442
Life Insurance Act unclaimed monies		16,445	31,083
Net GST received		256	35
Total cash received		945,550	1,557,440
Cash used			
Refunds paid to:			
Company shareholders		28,701	18,871
Deposit taking institution account holders		269,076	40,479
Life insurance policy holders		11,793	4,466
Promotion expenses for MoneySmart initiatives		823	–
Grants		2,289	2,282
Total cash (used)		(312,682)	(66,098)
Net cash from operating activities	22	632,868	1,491,342
Net increase in cash held		632,868	1,491,342
Cash and cash equivalents at the beginning of the reporting period			
		3,560	1,373
Cash from Official Public Account for:			
– Appropriations		324,672	72,497
		328,232	73,870
Less: Cash to Official Public Account for:			
– Corporations Act, National Consumer Credit Protection Act and Business Names Registration (Fees) Act fees and charges		726,027	678,686
– Corporations Act unclaimed monies		84,751	331,441
– Banking Act unclaimed monies		130,001	520,442
– Life Insurance Act unclaimed monies		16,445	31,083
		(957,224)	(1,561,652)
Cash and cash equivalents at end of the reporting period	20A	3,876	3,560

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

Administered Schedule of Commitments and Contingencies

AS AT 30 JUNE 2014



ADMINISTERED COMMITMENTS

As at 30 June 2014 ASIC has \$0.739m administered commitments payable (2013: \$0.232m). The commitments payable at 30 June 2014 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 2014 were due within 1 year.

As at 30 June 2014 ASIC has \$0.067m administered commitments receivable (2013: \$0.021m). The administered commitments receivable at 30 June 2014 relate to GST refundable.

ADMINISTERED CONTINGENT ASSETS

There were no administered contingent assets as at 30 June 2014 (2013: nil).

ADMINISTERED CONTINGENT LIABILITIES	Notes	2014 \$'000	2013 \$'000
Liabilities – Refunds to claimants			
Banking Act unclaimed monies	23	439,259	426,983
Life Insurance Act unclaimed monies	23	57,251	49,617
Corporations Act unclaimed monies	23	219,052	276,289
Total administered contingent liabilities		715,562	752,889

Details of each class of contingent liabilities in the above table are disclosed in Note 23.

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

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2014

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 the section 1(2) of the ASIC Act include:

- ♦ the promotion of confident and informed participation of investors and consumers in the financial system;
- ♦ 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; and
- ♦ to administer the laws that confer functions and powers on it effectively and with a minimum of procedural requirements.

ASIC collects and administers revenue under the *Corporations Act 2001* and the *National Consumer Credit Protection Act 2009* and prescribed fees set by the *Corporations (Fees) Act 2001*, the *Corporations (Review Fees) Act 2003*, the *National Consumer Credit Protection Act 2009*, the *Business Names Registration (Fees) Regulations 2010* and *Superannuation Industry (Supervision) Act 1993*. 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 items are distinguished by shading in these financial statements.

ASIC's financial results are reported in the context of the Government's outcomes (Note 33 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 is structured to meet a single outcome:

Improved confidence in Australia's financial markets through promoting informed investors and financial consumers, facilitating fair and efficient markets and delivering efficient registry systems.

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.

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

Monitoring of constitutional and other legal requirements

The Australian Government continues to have regard to developments in case law, including the High Court's most recent decision on Commonwealth expenditure in *Williams v Commonwealth* [2014] HCA 23, as they contribute to the larger body of law relevant to the development of Commonwealth programs. In accordance with its general practice, the Government will continue to monitor and assess risk and decide on any appropriate actions to respond to risks of expenditure not being consistent with constitutional or other legal requirements

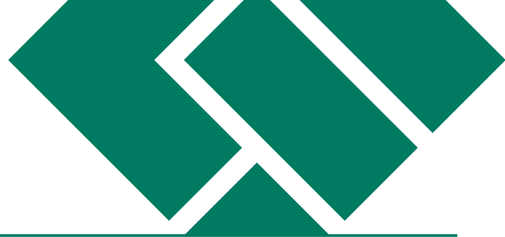
1.2 Basis of preparation of the financial statements

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

- ♦ Finance Minister's Orders (FMOs) for Financial Reporting (incorporating policy and guidance) for reporting periods ending on or after 1 July 2011;
- ♦ Finance Minister's Amendment Orders (Financial Statements for reporting periods ending on or after 1 July 2013); 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



Note 1: Summary of significant accounting policies (continued)

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.

Unless an alternative treatment is specifically required by an accounting standard or the FMOs, assets and liabilities are recognised in the Statement of Financial Position 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 executor contracts are not recognised unless required by an accounting standard. Liabilities and assets that are not recognised are reported in the Schedule of Commitments or Contingent Liabilities and Assets (Note 11).

Unless alternative treatment is specifically required by an accounting standard or the FMOs, 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.

Administered revenues, expenses, assets, liabilities and cash flows are reported in the Administered Schedule of Comprehensive Income; Administered Schedule of Assets and Liabilities; Administered Cash Flow Statement; Administered Schedule of Commitments and Contingencies and Administered Reconciliation Schedule. These schedules and related notes are accounted for on the same basis and using the same policies as for ASIC items, except where stated in Note 1.20.

1.3 Significant accounting judgements and estimates

ASIC has recognised a provision for likely future claims of unclaimed monies collected by ASIC up to the reporting date. The outstanding amount of unclaimed monies unlikely to be refunded is disclosed as a contingent liability. The provisions and contingent liabilities have been valued independently by a registered actuary.

The provision has been estimated assuming the historic claims pattern experienced since 2004 (when records became available on ASIC's website) will continue at the same rate despite the reforms to unclaimed monies in 2012–13 (Note 1.20 refers).

1.4 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. The following new accounting standards, amendments to standards and interpretations were issued by the Australian Accounting Standards Board prior to the signing date and are applicable to the current reporting period, but have not had a material financial impact on ASIC.

- ♦ AASB 119 *Employee Benefits 2014*
- ♦ AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)*
- ♦ AASB 13 *Fair Value Measurement 2014*
- ♦ AASB 2012-6 *Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures*
- ♦ AASB 2012-2 *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities*
- ♦ AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle*
- ♦ AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13*

Other new standards or revised standards that were issued prior to the signing date and are applicable to the current reporting period did not have a financial impact, and are not expected to have a future financial impact on ASIC.

Future Australian Accounting Standard requirements

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.

- ♦ AASB 1055 *Budgetary Reporting*

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2014

Note 1: Summary of significant accounting policies (continued)

1.5 Revenue

Revenues from Government

Amounts appropriated for departmental appropriations for the year (adjusted for any formal additions and reductions) are recognised as Revenue from Government 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.

Parental Leave Payments Scheme

ASIC has offset amounts received under the Parental Leave Payments Scheme by amounts paid to employees under that scheme, because these transactions are only incidental to the main revenue-generating activities of ASIC. Amounts received by ASIC not yet paid to employees are presented gross as cash and a liability (payable).

1.6 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.

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).

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

Sale of assets

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

1.7 Transactions with the Government as owner

Departmental capital budget (DCB)

Introduced from 1 July 2010, the DCB funds ASIC's business-as-usual asset replacements (i.e. assets below \$10m) and payout of make-good provisions.

Equity injections

Equity injections are used to fund the replacement of major project assets (i.e. assets over \$10 million) and new assets approved through the Commonwealth budget process.

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.

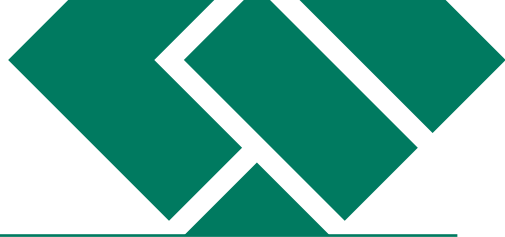
1.8 Employee benefits

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 expected within twelve months of the end of reporting period are measured at their nominal amounts.

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.



Note 1: Summary of significant accounting policies (continued)

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 at the estimated salary rates that will be applied at the time leave is taken, 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.

The liability for long service leave has been determined by reference to the work of an actuary as at 31 October 2012. 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 and has informed those employees affected that it will carry out 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 these defined-benefit schemes 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 as an administered item.

There are a minority of employees who are members of either a state government or private superannuation scheme. All employees who are members of state government superannuation schemes were originally employed by the various state governments and were transferred to ASIC at its inception in 1989.

ASIC makes employer contributions to the defined-benefit Australian Government sponsored schemes 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. ASIC expenses contributions to defined-benefit and defined-contribution plans. The liability for superannuation recognised as at balance date represents the outstanding contributions payable.

1.9 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.

1.10 Finance costs

All finance costs are expensed as incurred.

1.11 Cash

Cash and cash equivalents includes notes and coins held and any deposits in bank accounts with an original maturity of three 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.

1.12 Fair value measurement

ASIC has deemed transfer between levels of the fair value hierarchy to have occurred between level 2 and 3 as at 30 June 2014.

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2014

Note 1: Summary of significant accounting policies (continued)

1.13 Financial assets

ASIC's financial assets are classified as 'loans and receivables' for the purposes of AASB139 *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.

1.14 Financial liabilities

Financial liabilities are classified as 'other financial liabilities' for the purposes of AASB139 *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. These liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

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).

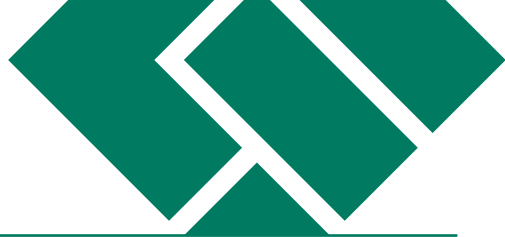
1.15 Contingent liabilities and contingent assets

Contingent liabilities and contingent assets are not recognised in the Statement of Financial Position 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.

1.16 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 transferor agency's accounts immediately prior to the restructuring.



Note 1: Summary of significant accounting policies (continued)

Asset recognition threshold

Purchases of leasehold improvements, plant and equipment are recognised initially at cost in the Statement of Financial Position, 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.

1.17 Leasehold improvements, plant and equipment

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.

Depreciation

All depreciable leasehold improvements, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives using the straight-line method of depreciations.

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:

	2014	2013
Leasehold improvements	Lease term	Lease term
Plant and equipment (owned)	2 to 95 years	2 to 95 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.

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2014

Note 1: Summary of significant accounting policies (continued)

1.18 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 lives of ASIC's software is 2 to 10 years (2013: 2 to 10 years).

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

1.19 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).

1.20 Reporting of administered activities

Administered revenues, expenses, assets, liabilities and cash flows are disclosed in the: Administered Schedule of Comprehensive Income; Administered Schedule of Assets and Liabilities; Administered Cashflow Statement; Administered Reconciliation Schedule; Administered Schedule of Commitments and Contingencies 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.

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 fees and fines under the *Corporations (Fees) Act 2001*, *Corporations (Review Fees) Act 2003*, National Consumer Credit Protection (Fees) Regulation 2010, Business Names Registration

(Fees) Regulation 2012 and *Superannuation Industry (Supervision) Act 1993*. 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 debt is no longer probable.

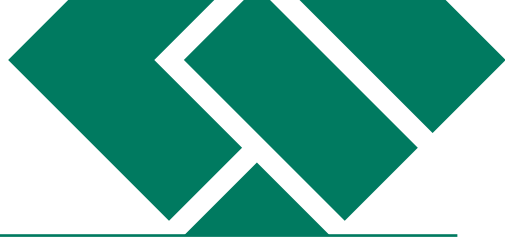
ASIC also receives unclaimed monies under the *Banking Act 1959*, *Life Insurance Act 1995* and *Corporations Act 2001*. This revenue is not available to ASIC and is transferred to the OPA.

Expenses

Administered expenses for refunds of unclaimed monies under the *Banking Act 1959*, *Life Insurance Act 1995* and *Corporations Act 2001* are recognised by estimating the value of claims likely to be repaid in respect of unclaimed money collected by ASIC as at balance date. The methodology used to determine the value of probable claims is determined by an independent actuary. Successful claims are paid out of the provision account.

Administered cash transfers to and from the 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 (DoF). Conversely, cash is drawn from the OPA to make payments under Parliamentary appropriation on behalf of the 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 Schedule of Administered Cash Flows and in the Administered Reconciliation Schedule.



Note 1: Summary of significant accounting policies (continued)

Accordingly the Schedule of Administered Items largely reflects the Government's transactions, through ASIC, with parties outside the Government.

Receivables

Administered receivables are recognised at their 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 receivables which are unlikely to be collected in future.

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

Provisions

The other provisions recognised in the Administered Schedule of Assets and Liabilities are for estimated claims payable from collections of unclaimed monies administered by ASIC as at balance date. The estimate of future claims for repayment was calculated using a methodology determined by an independent actuary. ASIC has recognised the provision for claims payable under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.

Contingent liabilities

The contingent liability disclosed in the Schedule of Administered Commitments and Contingencies represents an estimate of unclaimed monies that are unlikely to be refunded, but not considered remote.

1.21 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 the Companies Auditors and Liquidators Disciplinary Board and the Superannuation Complaints Tribunal. Employee and administrative expenditure incurred on behalf of this board and the tribunal are included in the Statement of Comprehensive Income of ASIC (Note 28 refers).

1.22 Comparative figures

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

1.23 Rounding

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

- ♦ remuneration of Commissioners;
- ♦ remuneration of senior executive officers and other highly paid staff;
- ♦ remuneration of auditors;
- ♦ compensation and debt relief; and
- ♦ appropriations.

1.24 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.

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2014

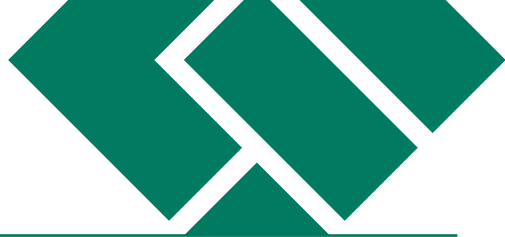
Note 3: Expenses

	2014 \$'000	2013 \$'000
Note 3A: Employee benefits		
Wages and salaries	176,914	175,378
Superannuation ¹		
Defined-benefit schemes	12,632	12,182
Defined-contribution schemes	16,957	16,128
Leave and other entitlements	14,486	26,505
Separation and redundancies ²	16,063	1,386
Total employee benefits	237,052	231,579

1 Contributions to defined benefit superannuation schemes are at rates calculated to cover existing and emerging obligations. The employer contribution rate for the Commonwealth Superannuation Scheme was 13.6% (2013: 14.3%), the Public Sector Superannuation Scheme was 14.8% (2013: 14.1%), the PSS Accumulation Scheme was 15.4% (2013: 15.4%), and the superannuation productivity benefit was approximately 2.0% to 3.0% (2013: 2.0% to 3.0%). The contribution is calculated based on the relevant salary for super at the time the contributions are made.

2 The majority of separations and redundancies are 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.

	2014 \$'000	2013 \$'000
Note 3B: Suppliers		
Goods and services		
Legal and forensic costs	10,943	24,247
Office, computer and software expenses	24,335	20,703
Property-related outgoings	8,824	8,468
Consultants and specialist services	6,682	10,202
Travel	4,501	4,265
Communications	3,844	7,523
Recruitment	1,174	1,103
Information costs	9,630	8,553
Learning and development	4,017	3,890
Security	2,858	2,763
Postage and freight	2,293	2,577
Other goods and services	6,212	6,265
Total goods and services	85,313	100,559
Goods and services are made up of:		
Provision of goods – related entities	7	5
Provision of goods – external parties	3,335	2,917
Rendering of services – related entities	6,790	8,907
Rendering of services – external parties	75,181	88,730
Total goods and services	85,313	100,559



Note 3: Expenses (continued)

	Note	2014 \$'000	2013 \$'000
Note 3B: Suppliers (continued)			
Other supplier expenses			
Operating lease rentals from external entities:			
Minimum lease payments		20,763	24,359
Sublease payments		–	553
Workers compensation premiums		2,006	1,845
Fringe benefits tax		237	255
Total other supplier expenses		23,006	27,012
Total supplier expenses		108,319	127,571
Note 3C: Depreciation and amortisation			
Depreciation:			
Leasehold improvements		9,081	8,340
Plant and equipment		6,909	6,614
Total depreciation		15,990	14,954
Amortisation:			
Intangibles – Computer software		40,000	36,401
Total amortisation		40,000	36,401
Total depreciation and amortisation		55,990	51,355
Note 3D: Finance costs			
Unwinding of restoration provision discount	9B	896	285
Total finance costs		896	285
Note 3E: Write-down and impairment of assets			
Impairment of financial instruments		31	71
Write-off of plant & equipment and intangibles		3,166	408
Total write-down and impairment of assets		3,197	479

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2014

Note 4: Income

Revenue	Notes	2014 \$'000	2013 \$'000
Note 4A: Rendering of services			
Rendering of services – related entities		904	870
Rendering of services – external parties		643	1,809
Total rendering of services		1,547	2,679
Note 4B: Royalties			
ASIC publications		185	190
Total royalties		185	190
Note 4C: Other revenues			
Cost recoveries ¹		1,476	2,442
Receipts for special projects ²		–	9,515
Professional and witness fees		42	66
Sublease rent and property recoveries		1,139	879
Recovery of doubtful debts relating to prior year		–	5
Workers compensation refunds relating to prior year		–	129
Miscellaneous		208	769
Total other revenue		2,865	13,805

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 Monies Special Account on approval of the Minister.

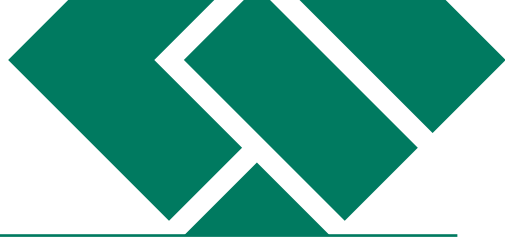
Gains

Note 4D: Other gains			
Proceeds on sale of assets – plant and equipment		–	205
Resources received free of charge ¹		434	200
Total other gains		434	405

1 As a prescribed agency ASIC receives audit services from the Australian National Audit Office (ANAO) note 15 refers, and the Australian Taxation Office (ATO) free of charge. The fair value of that service for the ANAO is \$200,000 (2013: \$200,000) and ATO is \$234,024 (2013:nil) for the reporting period.

Revenues from Government

Note 4E: Revenues from Government			
Appropriations:			
Departmental outputs		336,374	324,833
Departmental Special Account	31A	10,428	25,197
Total revenues from Government		346,802	350,030



Note 5: Financial assets

	Notes	2014 \$'000	2013 \$'000
Note 5A: Cash and cash equivalents			
Cash on hand or on deposit		15,129	1,062
<i>Total cash and cash equivalents</i>	16A	15,129	1,062
Note 5B: Trade and other receivables			
Goods and Services:			
Goods and services – related entities		211	809
Goods and services – external parties		2,019	886
<i>Total receivables for goods and services</i>		2,230	1,695
Credit terms for goods and services were within 30 days. (2013: 30 days)			
Appropriations receivable:			
Appropriations receivable	17	95,713	102,003
<i>Total appropriations receivable</i>		95,713	102,003
Other receivables:			
GST receivable from the Australian Taxation Office	17	4,670	4,481
<i>Total other receivables</i>		4,670	4,481
<i>Total trade and other receivables (gross)</i>		102,613	108,179
Less impairment allowance account:			
Goods and services		171	216
<i>Total impairment allowance account</i>		171	216
<i>Total trade and other receivables (net)</i>		102,442	107,963
Receivables are expected to be recovered in:			
No more than 12 months		102,442	107,963
<i>Total trade and other receivables (net)</i>		102,442	107,963
Receivables are aged as follows:			
Not overdue		102,325	107,574
Overdue by:			
Less than 30 days		100	341
30 to 60 days		16	24
61 to 90 days		1	–
More than 90 days		171	240
<i>Total receivables (gross)</i>		102,613	108,179
The impairment allowance account is aged as follows:			
Not overdue		–	–
Overdue by:			
More than 90 days		171	216
<i>Total impairment allowance account</i>		171	216
Reconciliation of the movement in the impairment allowance account			
Opening balance		216	188
Amounts recovered and reversed		(76)	(43)
Increase recognised in net surplus / (deficit)		31	71
Closing balance		171	216

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2014

Note 6: Fair value measurement

The following tables provide an analysis of assets and liabilities that are measured at fair value. The different levels of the fair value hierarchy are defined below.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

Note 6A: Fair value measurement

Fair value measurements at the end of the reporting period by hierarchy for non-financial assets in 2014

	Fair value measurements at the end of the reporting period using			
	Fair value \$'000	Level 1 inputs \$'000	Level 2 inputs \$'000	Level 3 inputs \$'000
Non-financial assets:				
Leasehold improvements	41,422	–	–	41,422
Plant and equipment	23,269	–	4,441	18,828
Total non-financial assets	64,691	–	4,441	60,250

Assets not measured at fair value in the Statement of Financial Position:

Non-financial assets ¹	–	–	–	–
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1 ASIC did not measure any non-financial assets at fair value on a non-recurring basis as at 30 June 2014.

Fair value measurement – highest and best use

ASIC's assets are held for operational purposes and not held for the purposes of deriving a profit. The current use of the assets is considered the highest and best use.

Fair value measurements at the end of the reporting period by hierarchy for non-financial assets in 2013

	Fair value measurements at the end of the reporting period using			
	Fair value \$'000	Level 1 inputs \$'000	Level 2 inputs \$'000	Level 3 inputs \$'000
Non-financial assets:				
Leasehold improvements	47,716	–	–	47,716
Plant and equipment	21,678	–	–	21,678
Total non-financial assets	69,394	–	–	69,394

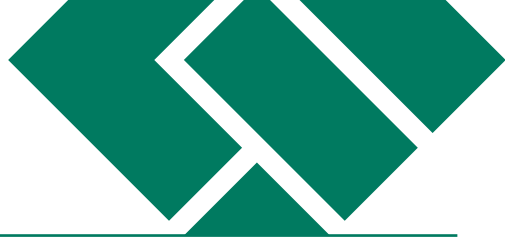
Assets not measured at fair value in the Statement of Financial Position:

Non-financial assets ¹	–	–	–	–
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1 ASIC did not measure any non-financial assets at fair value on a non-recurring basis as at 30 June 2013.

Fair value measurement – highest and best use

ASIC's assets are held for operational purposes and not held for the purposes of deriving a profit. The current use of the assets is considered the highest and best use.



Note 6: Fair value measurement (continued)

Note 6B: Level 1 and Level 2 transfers for recurring fair value measurements

There have been no transfers between levels of the hierarchy during the year.

ASIC's policy for determining when transfers between levels are deemed to have occurred can be found in Note 1.

Note 6C: Valuation technique and inputs for Level 2 and Level 3 fair value measurements

Level 2 and 3 fair value measurements – valuation technique and the inputs used for assets in 2014

	Category (Level 2 or Level 3)	Fair value	Valuation technique(s) ¹	Inputs used	Range (weighted average) ²
Non-financial assets:					
Leasehold improvements	3	41,422	Depreciated replacement cost (DRC)	Replacement cost new (price per square metre)	
				Consumed economic benefit / Obsolescence of asset	52.0% – 4.0% (9.2%) per annum
Plant and equipment	2	4,441	Market approach	Adjusted market transactions	
Plant and equipment	3	18,828	Depreciated replacement cost (DRC)	Replacement cost new	
				Consumed economic benefit / Obsolescence of asset	23.0% – 10.0% (18.5%) per annum

1 There have been no changes to valuation techniques.

2 Significant unobservable inputs only. Not applicable for assets or liabilities in the Level 2 category.

There were no significant inter-relationships between unobservable inputs that materially affect fair value.

Level 2 and 3 fair value measurements – valuation technique and the inputs used for assets in 2013

	Category (Level 2 or Level 3)	Fair value	Valuation technique ¹	Inputs used	Range (weighted average) ²
Non-financial assets:					
Leasehold improvements	3	47,716	Depreciated replacement cost (DRC)	Replacement cost new (price per square metre)	
				Consumed economic benefit / Obsolescence of asset	52.0% – 4.0% (9.2%) per annum
Plant and equipment	2	–	Market approach	Adjusted market transactions	
Plant and equipment	3	21,678	Depreciated replacement cost (DRC)	Replacement cost new	
				Consumed economic benefit / Obsolescence of asset	23.0% – 10.0% (18.5%) per annum

1 There have been no changes to valuation techniques.

2 Significant unobservable inputs only. Not applicable for assets or liabilities in the Level 2 category.

There were no significant inter-relationships between unobservable inputs that materially affect fair value.

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2014

Note 6: Fair value measurement (continued)

Note 6C: Valuation technique and inputs for Level 2 and Level 3 fair value measurements (continued)

Recurring and non-recurring Level 3 fair value measurements – valuation processes

ASIC procured the service of the Rodney Hyman Asset Services (RHAS) to undertake a comprehensive valuation of all non-financial assets at 30 June 2012. ASIC conducted a review of the leasehold improvements as at 30 June 2013.

ASIC tests the procedures of the valuation model as an internal management review at least once every 12 months (with a formal revaluation undertaken once every three years). If a particular asset class experiences significant and volatile changes in fair value (i.e. where indicators suggest that the value of the class has changed materially since the previous reporting period), that class is subject to specific valuation in the reporting period, where practicable, regardless of the timing of the last specific valuation. ASIC has engaged Australian Valuation Solutions (AVS) to provide written assurance that the models developed comply with AASB 13.

There is no change in the valuation technique since the prior year.

Significant Level 3 inputs utilised by the entity are derived and evaluated as follows:

Leasehold Improvements – Consumed economic benefit / Obsolescence of asset

Assets that do not transact with enough frequency or transparency to develop objective opinions of value from observable market evidence have been measured utilising the cost (Depreciated Replacement Cost or DRC) approach. Under the DRC approach the estimated cost to replace the asset is calculated and then adjusted to take into account its consumed economic benefit / asset obsolescence (accumulated Depreciation). Consumed economic benefit / asset obsolescence has been determined based on professional judgment regarding physical, economic and external obsolescence factors relevant to the asset under consideration.

The weighted average is determined by assessing the fair value measurement as a proportion of the total fair value for the class against the total useful life of each asset.

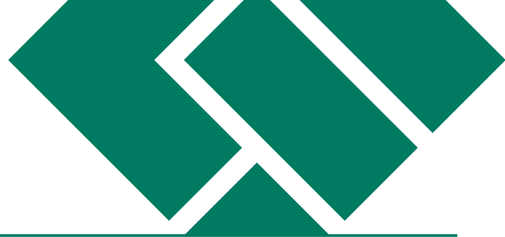
Plant and Equipment – Consumed economic benefit / Obsolescence of asset

Assets that do not transact with enough frequency or transparency to develop objective opinions of value from observable market evidence have been measured utilising the cost (Depreciated Replacement Cost or DRC) approach. Under the DRC approach the estimated cost to replace the asset is calculated and then adjusted to take into account its consumed economic benefit / asset obsolescence (accumulated Depreciation). Consumed economic benefit / asset obsolescence has been determined based on professional judgment regarding physical, economic and external obsolescence factors relevant to the asset under consideration.

Recurring Level 3 fair value measurements – sensitivity of inputs

Leasehold Improvements & Property, Plant and Equipment – Consumed economic benefit / Obsolescence of asset

The significant unobservable inputs used in the fair value measurement of the entity's leasehold improvements and property, plant and equipment asset classes relate to the consumed economic benefit / asset obsolescence (accumulated depreciation). A significant increase (decrease) in this input would result in a significantly lower (higher) fair value measurement.



Note 6: Fair value measurement (continued)

Note 6D: Reconciliation for recurring Level 3 fair value measurements

Recurring Level 3 fair value measurements – reconciliation for assets

	Non-financial assets		
	Leasehold improvements	Plant and equipment	Total
	2014 \$'000	2014 \$'000	2014 \$'000
Opening balance ¹	47,716	21,678	69,394
Total gains/(losses) in accumulated depreciation ²	(9,081)	(6,909)	(15,990)
Purchases	7,366	9,928	17,294
Disposals ³	(2,748)	(412)	(3,160)
Revaluations ⁴	(1,831)	(1,016)	(2,847)
Settlements	–	–	–
Transfers into Level 3 ⁵	–	–	–
Transfers out of Level 3 ⁵	–	(4,441)	(4,441)
Closing balance	41,422	18,828	60,250
Changes in unrealised gains/(losses) recognised ⁴	(1,831)	(1,016)	(2,847)

1 Opening balance as determined in accordance with AASB 13

2 Depreciation is represented in the Statement of Comprehensive Income.

3 The gains/(losses) of write-offs is represented in the Statement of Comprehensive Income.

4 The unrealised gains/(losses) in revaluations is represented in the Statement of Changes In Equity

5 There has been a transfer between levels of the hierarchy during the year for Plant & Equipment.

ASIC's policy for determining when transfers between levels are deemed to have occurred can be found in Note 1.

Note 7: Non-financial assets

	2014 \$'000	2013 \$'000
Note 7A: Leasehold improvements		
Work in progress	–	5
Fair value	80,384	91,146
Accumulated depreciation	(38,962)	(43,435)
Total leasehold improvements	41,422	47,716

All revaluations are conducted in accordance with the revaluation policy stated in Note 1.17. In 2013–14, Australian Valuation Solutions Pty Ltd an independent valuer conducted a formal valuation of ASIC's leasehold improvements. As a result of the revaluation, an increment of \$1.831m for leasehold improvements was credited to the asset revaluation reserve and included in the Statement of Comprehensive Income.

The carrying value of leasehold improvements was reviewed at 30 June 2014. No indication of impairments were found for leasehold improvements at 30 June 2014.

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2014

Note 7: Non-financial assets (continued)

	2014 \$'000	2013 \$'000
Note 7B: Plant and equipment		
Fair value	58,793	54,740
Accumulated depreciation	(35,524)	(33,062)
Total plant and equipment	23,269	21,678

An independent valuation was undertaken by the Australian Valuation Solutions Pty Ltd as at 30 June 2014. As a result of the revaluation, an increment of \$1.016m for plant and equipment was credited to the asset revaluation reserve and included in the Statement of Comprehensive Income.

The carrying value of plant and equipment assets was reviewed at 30 June 2014. No indication of impairments were found for plant and equipment at 30 June 2014.

Note 7C: Intangibles

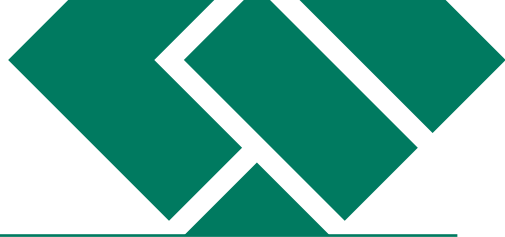
Internally developed

– work in progress	4,366	13,987
– in use	186,129	164,118
– accumulated amortisation	(126,458)	(93,096)
	64,037	85,009

Purchased

– work in progress	22,866	18,850
– in use	34,187	36,364
– accumulated amortisation	(22,919)	(22,486)
	34,134	32,728
Total intangibles	98,171	117,737

The carrying value of intangible assets was reviewed at 30 June 2014, with no indicators of impairment found.



Note 7: Non-financial assets (continued)

Note 7D: 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 (2013–14)

	Leasehold improvements \$'000	Plant & equipment \$'000	Computer software internally developed \$'000	Computer software purchased \$'000	Total \$'000
As at 1 July 2013					
Gross book value	91,151	54,740	178,105	55,214	379,210
Accumulated depreciation/ amortisation and impairment	(43,435)	(33,062)	(93,096)	(22,486)	(192,079)
Net book value 1 July 2013	47,716	21,678	85,009	32,728	187,131
Additions:					
by purchase	7,366	9,928	–	4,587	21,881
internally developed	–	–	15,853	–	15,853
Total additions	7,366	9,928	15,853	4,587	37,734
Revaluations and impairments recognised in operating result	(1,831)	(1,016)	–	–	(2,847)
Depreciation/amortisation expense	(9,081)	(6,909)	(36,820)	(3,180)	(55,990)
Write-offs recognised in the operating result	(2,748)	(412)	(5)	(1)	(3,166)
Net book value 30 June 2014	41,422	23,269	64,037	34,134	162,862
Net book value as at 30 June 2014 represented by:					
Gross book value	80,384	58,793	190,495	57,053	386,725
Accumulated depreciation/ amortisation	(38,962)	(35,524)	(126,458)	(22,919)	(223,863)
Total as at 30 June 2014	41,422	23,269	64,037	34,134	162,862

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2014

Note 7: Non-financial assets (continued)

TABLE B: Reconciliation of the opening and closing balances of leasehold improvements, plant and equipment and intangibles (2012–13)

	Leasehold improvements \$'000	Plant & equipment \$'000	Computer software internally developed \$'000	Computer software purchased \$'000	Total \$'000
As at 1 July 2012					
Gross book value	90,707	54,789	161,027	49,144	355,667
Accumulated depreciation/ amortisation	(35,095)	(28,361)	(61,200)	(17,994)	(142,650)
Net book value 1 July 2012	55,612	26,428	99,827	31,150	213,017
Additions:					
by purchase	444	2,272	–	6,069	8,785
internally developed	–	–	17,092	–	17,092
Total additions	444	2,272	17,092	6,069	25,877
Revaluations and impairments recognised in operating result		–			–
Depreciation/amortisation expense	(8,340)	(6,614)	(31,910)	(4,491)	(51,355)
Write-offs recognised in the operating result	–	(408)	–	–	(408)
Net book value 30 June 2013	47,716	21,678	85,009	32,728	187,131
Net book value as at 30 June 2013 represented by:					
Gross book value	91,151	54,740	178,105	55,214	379,210
Accumulated depreciation/ amortisation	(43,435)	(33,062)	(93,096)	(22,486)	(192,079)
Total as at 30 June 2013	47,716	21,678	85,009	32,728	187,131
				2014 \$'000	2013 \$'000
Note 7E: Other non-financial assets					
Prepayments				9,714	8,873
Rent free asset				7,836	–
Total other non-financial assets				17,550	8,873
Total other non-financial assets expected to be recovered in:					
No more than 12 months				12,889	7,429
More than 12 months				4,661	1,444
Total other non-financial assets				17,550	8,873

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

Note 8: Payables

	Note	2014 \$'000	2013 \$'000
Note 8A: Suppliers			
Trade creditors and accruals	16A	39,025	25,098
Total supplier payables		39,025	25,098
Supplier payables expected to be settled within 12 months:			
Related entities		154	931
External parties		38,871	24,167
Total supplier payables		39,025	25,098
Note 8B: Other payables			
Operating lease rent payable		11,469	11,515
Refund to Government ¹		–	5,842
Other unearned revenue ²		238	174
Property lease incentives ³		34,563	23,377
Salaries and bonuses		17,637	14,972
Separations and redundancies		4,937	–
Superannuation		561	762
Total other payables		69,405	56,642
Total other payables are expected to be settled in:			
No more than 12 months		30,670	26,406
More than 12 months		38,735	30,236
Total other payables		69,405	56,642

1 The savings realised in the funding for the supervision of Australia's financial markets and competition for market services are to be returned to Government.

2 The other unearned revenue for 2012–13 relates to projects that have been approved for funding from the Companies and Unclaimed Monies Special Account.

3 Total property lease incentives are disclosed as deferred rental expenditure at 30 June 2014. The amortisation of these amounts will be made over the life of the lease.

Note 9: Provisions

	2014 \$'000	2013 \$'000
Note 9A: Employee provisions		
Annual leave entitlement	18,314	19,824
Long service leave entitlement ¹	34,370	42,166
Separations and redundancies	–	3,768
Restructuring provision	4,198	–
Total employee provisions	56,882	65,758
Employee provisions are expected to be settled in:		
No more than 12 months	19,087	19,669
More than 12 months	37,795	46,089
Total employee provisions	56,882	65,758

1 The liability for long service leave has been determined in accordance with the methodology developed by an independent actuary, refer to Note 1.8.

Notes to and forming part of the financial statements

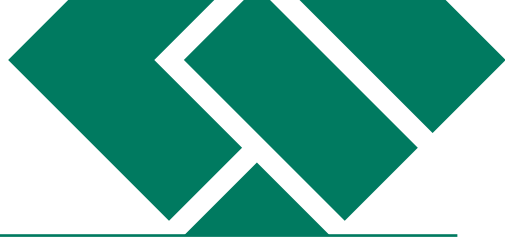
FOR THE YEAR ENDED 30 JUNE 2014

Note 9: Provisions (continued)

	2014 \$'000	2013 \$'000
Note 9B: Other provisions		
Provision for restoration obligations – leased premises	9,797	9,204
Provision for adverse cost orders	8,465	7,982
Total other provisions	18,262	17,186
Other provisions are expected to be settled in:		
No more than 12 months	1,098	56
More than 12 months	17,164	17,130
Total other provisions	18,262	17,186

<i>Reconciliation of the opening and closing balance of other provisions</i>	Provision for Settlement Costs	Provision for Restoration Costs	Total Other Provisions
Carrying amount 1 July	7,982	9,204	17,186
Amounts used	–	(56)	(56)
Amounts reversed and additions	483	(247)	236
Unwinding of discount or change in discount rate	–	896	896
Closing balance 30 June	8,465	9,797	18,262

ASIC currently has nine lease agreements (2013: 10) 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 10: Cash flow reconciliation

	2014 \$'000	2013 \$'000
Reconciliation of cash and cash equivalents as per Balance Sheet to Cash Flow Statement		
Cash and cash equivalents as per:		
Cash Flow Statement	15,129	1,062
Statement of Financial Position	15,129	1,062
Reconciliation of net cost of services to net cash from operating activities:		
Net cost of services	(400,423)	(394,190)
Add revenue from Government	346,802	350,030
(Deficit) attributable to the Australian Government	(53,621)	(44,160)
Adjustments for non-cash items		
Depreciation / amortisation	55,990	51,355
Net write-down of non-financial assets	3,166	408
Changes in assets / liabilities		
(Increase) / decrease in net receivables	5,521	(18,482)
(Increase) / decrease in other non-financial assets	(8,677)	(74)
Increase / (decrease) in employee provisions	(8,876)	9,064
Increase / (decrease) in supplier payables	9,080	(6,079)
Increase / (decrease) in other provisions and payables	13,839	1,883
Net cash from operating activities	16,422	(6,085)

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2014

Note 11: Contingent liabilities and assets

	2014 \$'000	2013 \$'000
Contingent assets		
<i>Claims for costs</i>		
Balance from previous period	757	709
<i>Adjustments to prior period contingent receivables:</i>		
Assets recognised	(376)	(103)
Estimates not realisable	–	–
Revisions to estimates	255	(81)
New contingent receivables	170	232
Total contingent assets	806	757
Contingent liabilities		
<i>Claims for costs</i>		
Balance from previous period	–	350
<i>Adjustments to prior period contingent payables:</i>		
Estimates not payable	–	(350)
New contingent payables	–	–
Total contingent liabilities	–	–
Net contingent assets/(liabilities)	806	757

Quantifiable contingencies (ASIC departmental)

As at the date of this report, there are 10 matters (2013: 9 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 \$0.806m (2013: \$0.757m), which is disclosed as a contingent asset because realisation of this debt is not virtually certain.

Unquantifiable contingencies (ASIC departmental)

ASIC is party to many civil litigation matters arising out of its statutory duty to administer and enforce laws for which it is responsible.

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.

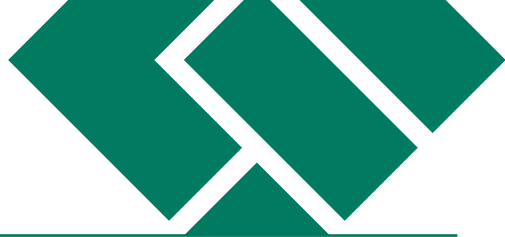
As at the date of this report there are civil matters that may result in an award of costs in favour or against ASIC.

Civil litigation brought, or threatened to be brought, against ASIC as a defendant

There is, at the date of this report, one matter of this type where proceedings are current. In this matter, 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:

- successfully defend the action instituted; and
- not be required to pay any damages.

Conversely, ASIC, like any other party to civil litigation may be entitled to recover costs arising out of such litigation if it is successful.



Note 11: Contingent liabilities and assets (continued)

In addition to the matters specifically referred to in this Note, ASIC has legal action pending in a number of other matters. Due to the uncertainty over the outcome of outstanding and pending court cases, duration of court cases and the legal costs of the opposing party, ASIC is unable to reliably estimate either its potential payments to, or potential cost recoveries from, opposing litigants. There may also be other matters where ASIC has received an award of costs in its favour, however no contingent asset has been disclosed because recovery of the debt is not probable. There may also be other matters where no contingency has been quantified because the costs awarded for or against ASIC are estimated to be less than \$20,000 each.

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.

Note 12: Related party disclosures

The Commissioners of ASIC during the financial year were:

- G. J. Medcraft (Chairman)
- P. R. Kell (Deputy Chairman)
- J. D. Price (Commissioner)
- G. M. Tanzer (Commissioner)
- C. A. Armour (Commissioner)

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 13: Remuneration of Commissioners

Note 13A: Total remuneration expense recognised in relation to Commissioners

	2014 \$	2013 \$
Short-term employee benefits:		
Salary	2,558,868	2,504,976
Car parking fringe benefits	60,503	59,839
Total short-term employee benefits	2,619,371	2,564,815
Post-employment benefits:		
Superannuation	229,729	385,579
Other long-term benefits:		
Annual leave accrued	51,900	(47,690)
Long service leave accrued	55,994	62,611
Total remuneration expense for Commissioners¹	2,956,994	2,965,315

1 The number of Commissioners whose remuneration is disclosed above is 5 (2013:7).

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2014

Note 13: Remuneration of Commissioners (continued)

Note 13B: Average annual reportable remuneration paid to Commissioners during the reporting period¹

The following definitions are used in the tables in notes 13B, 14B and 14C

Reportable salary includes the following:

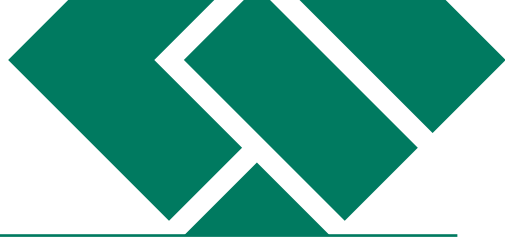
- gross payments (less any bonuses paid, which are separated out and disclosed in the 'bonus paid' column);
- reportable fringe benefits (at the net amount prior to 'grossing up' to account for tax benefits);
- reportable employer superannuation contributions; and
- exempt foreign employment income.

2014				
Average annual reportable remuneration ²	Commissioners No.	Reportable salary \$	Contributed superannuation \$	Total \$
Total remuneration (including part-time arrangements):				
\$465,000 to \$494,999	1	429,375	62,415	491,790
\$495,000 to \$524,999	2	470,091	46,743	516,834
\$555,000 to \$584,999	1	489,071	69,362	558,433
\$705,000 to \$734,999	1	689,139	25,000	714,139
Total	5			

2013				
Average annual reportable remuneration ²	Commissioners No.	Reportable salary \$	Contributed superannuation \$	Total \$
Total remuneration (including part-time arrangements):				
Less than \$195,000	1	23,674	1,923	25,597
\$495,000 to \$524,999	3	459,927	52,105	512,032
\$675,000 to \$704,999	2	568,745	125,981	694,726
Total	6			

1 This table reports on Commissioners who are employed by ASIC during the reporting period. Each row represents an average figure, based on headcount for the individuals in the band and in accordance with a determination of the Remuneration Tribunal for each individual.

2 Each row represents an averaged figure, based on headcount for the individuals in the band.



Note 14: Remuneration of senior executives

Note 14 discloses the remuneration of those senior executives who are either classified in Groups 9–11 of the Public Service Classification Rules 2000 or those who perform functions controlling operational activities that directly impact the economic function and viability of ASIC and whose employment conditions are equivalent to Senior Executive Service (SES) employment conditions of service.

Note 14A includes executives acting in a higher capacity where their senior executive remuneration during the period exceeds \$195,000. Note 14B discloses only those senior executives appointed to a senior executive role in a substantive capacity during the reporting period. Note 14A is prepared on an accruals basis, therefore the performance bonus expense in Note 14A may differ from the cash 'Bonus paid' in Note 14B.

Note 14A: Total expense recognised in relation to employment of senior executives

	2014 \$	2013 \$
Short-term employee benefits:		
Salary and performance bonuses	8,006,470	7,965,658
Motor vehicle allowances and other short-term benefits	1,104,908	1,014,034
Total short-term employee benefits	9,111,378	8,979,692
Post-employment benefits:		
Superannuation	893,169	840,691
Other long-term benefits:		
Annual leave accrued	(183,979)	4,845
Long service leave accrued	47,854	202,509
Termination benefits	–	–
Severance benefits	141,391	–
<i>Total remuneration expense for senior executives</i> ¹	10,009,813	10,027,737

¹ Excludes acting arrangements and part-year service where remuneration expensed was less than \$195,000. The number of senior executives whose remuneration is disclosed above is 33 (2013: 33).

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2014

Note 14: Remuneration of senior executives (continued)

Note 14B: Average annual reportable remuneration paid to substantive senior executives during the reporting period¹

The following definitions are used in the tables in Notes 14B and 14C.

Reportable allowances are the average actual allowances paid as per the 'total allowances' line on individuals' payment summaries.

Bonus paid represents average actual bonuses paid during the reporting period in that reportable remuneration band. The 'bonus paid' within a particular band may vary between financial years due to various factors such as individuals commencing with or leaving ASIC during the financial year. Bonus payments taken as superannuation are included in reportable salary.

For definition of *Reportable salary and contributed superannuation*¹, refer to Note 13B.

Average annual reportable remuneration ²	2014					
	Senior Executives No.	Reportable salary \$	Contributed superannuation \$	Reportable allowances \$	Bonus paid \$	Total \$
Total remuneration (including part-time arrangements):						
Less than \$195,000	4	109,265	13,171	–	5,065	127,501
\$195,000 to \$224,999	1	176,254	26,610	–	15,469	218,333
\$225,000 to \$254,999	2	205,276	14,795	–	21,241	241,312
\$255,000 to \$284,999	4	238,880	21,257	61	15,136	275,334
\$285,000 to \$314,999	4	253,002	27,440	–	18,296	298,738
\$315,000 to \$344,999	4	273,586	30,052	–	18,306	321,944
\$345,000 to \$374,999	4	305,435	27,947	–	20,260	353,642
\$375,000 to \$404,999	2	329,578	39,070	–	22,746	391,394
Total	25					

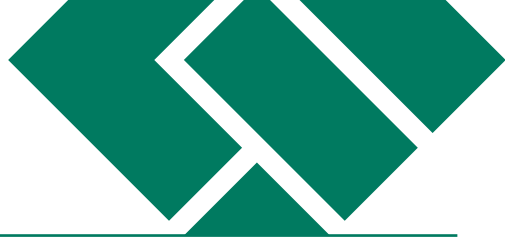
1 This table reports on substantive senior executives who are employed by ASIC during the reporting period.

2 Each row represents an averaged figure, based on headcount for the individuals in the band.

Average annual reportable remuneration ²	2013					
	Senior Executives No.	Reportable salary \$	Contributed superannuation \$	Reportable allowances \$	Bonus paid \$	Total \$
Total remuneration (including part-time arrangements):						
Less than \$195,000	2	127,681	17,387	–	3,697	148,765
\$225,000 to \$254,999	1	199,582	15,687	–	12,441	227,710
\$255,000 to \$284,999	6	235,969	22,011	47	11,164	269,191
\$285,000 to \$314,999	4	247,969	27,612	–	22,335	297,916
\$315,000 to \$344,999	8	289,641	25,842	–	13,532	329,015
\$345,000 to \$374,999	1	295,568	38,142	–	24,193	357,903
\$375,000 to \$404,999	1	346,050	25,148	–	15,907	387,105
Total	23					

1 This table reports on substantive senior executives who are employed by ASIC during the reporting period.

2 Each row represents an averaged figure, based on headcount for the individuals in the band.



Note 14: Remuneration of senior executives (continued)

Note 14C: Other highly paid staff

Average annual reportable remuneration ¹	2014					
	No. of staff	Reportable salary \$	Contributed superannuation \$	Reportable allowances \$	Bonus paid \$	Total \$
Total remuneration (including part-time arrangements):						
\$195,000 to \$224,999	24	167,202	27,920	11	10,263	205,396
\$225,000 to \$254,999	13	201,813	28,401	11	6,847	237,072
\$255,000 to \$284,999	8	222,942	31,864	–	11,691	266,497
\$285,000 to \$314,999	1	238,455	36,270	–	21,579	296,304
\$375,000 to \$404,999	1	256,257	110,386	–	11,491	378,134
\$435,000 to \$464,999	1	270,309	151,052	–	18,243	439,604
Total	48					

Average annual reportable remuneration ¹	2013					
	No. of staff	Reportable salary \$	Contributed superannuation \$	Reportable allowances \$	Bonus paid \$	Total \$
Total remuneration (including part-time arrangements):						
\$195,000 to \$224,999	15	170,093	24,008	–	12,216	206,317
\$225,000 to \$254,999	12	201,268	27,122	23	11,035	239,448
\$255,000 to \$284,999	3	230,631	31,012	48	7,871	269,562
\$285,000 to \$314,999	3	243,952	34,491	–	18,670	297,113
\$315,000 to \$344,999	1	260,464	34,847	–	21,123	316,434
Total	34					

¹ This table reports staff:

- a) who were employed by ASIC during the reporting period;
- b) whose reportable remuneration was \$195,000 or more for the reporting period; and
- c) were not required to be disclosed in Note 13B or Note 14B.

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2014

Note 15: Remuneration of auditors

	2014 \$	2013 \$
Financial statement audit services were provided free of charge to ASIC.		
The fair value of that service during the reporting period is:	200,000	200,000

No other services were provided by the Australian National Audit Office (ANAO).

Note 16: Financial instruments

	Note	2014 \$'000	2013 \$'000
Note 16A: Categories of financial instruments			
Financial assets			
Loans and receivables:			
Cash and cash equivalents		15,129	1,062
Receivables for goods and services (net of impairment allowance)		2,059	1,479
<i>Carrying amount of financial assets</i>	17	17,188	2,541
Financial liabilities			
At amortised cost:			
Trade creditors		39,025	33,080
<i>Carrying amount of financial liabilities</i>		39,025	33,080

Note 16B: Net gains or losses on financial assets

Loans and receivables			
Impairment		(31)	(71)
<i>Net gain/(expense) from financial assets</i>		(31)	(71)

Note 16C: Fair values of financial instruments

The fair values of financial liabilities at amortised cost approximate their fair value. The market value of the financial instruments are all Level 3: Fair Value, derived from inputs that are not based on observable market data.

ASIC does not have any assets pledged or held as collateral in the financial instruments disclosures.

Note 16D: Credit risk

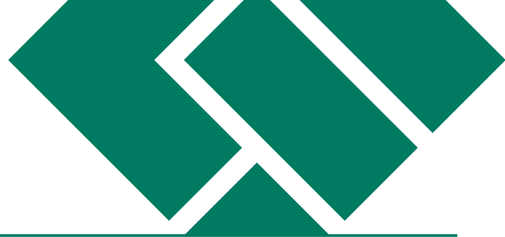
ASIC is exposed to minimal credit risk as loans and receivables are cash and trade receivables. The maximum exposure to credit risk is the risk that arises from potential default of a debtor. This amount is equal to the total amount of trade receivables, 2014: \$2,229,780, (2013: \$1,695,338). ASIC has assessed the risk of the default on payment for each receivable and has allocated \$170,735 in 2014 (2013: \$216,054) to the impairment allowance account.

ASIC has policies and procedures that guide debt recovery techniques that are to be applied by ASIC employees where debts are past due.

ASIC holds no collateral to mitigate against credit risk.

The following three tables illustrate ASIC's gross exposure to credit risk, excluding any collateral or credit enhancements.

AASB 7 requires that the classification of financial instruments at fair value be determined by reference to the source of inputs used to derive the fair value. ASIC's Financial Instruments are classified as Class 1.



Note 16: Financial instruments (continued)

Credit quality of financial instruments not past due or individually determined as impaired.

	Not past due nor impaired 2014 \$'000	Not past due nor impaired 2013 \$'000	Past due or impaired 2014 \$'000	Past due or impaired 2013 \$'000
Loans and receivables				
Cash and cash equivalents	15,129	1,062	–	–
Receivables for goods and services (gross)	1,943	1,090	287	605
Total	17,072	2,152	287	605

Ageing of financial assets that are past due but not impaired for 2014:

	Overdue by				Total \$'000
	0 to 30 days \$'000	31 to 60 days \$'000	61 to 90 days \$'000	More than 90 days \$'000	
Loans and receivables					
Receivables for goods and services	100	16	1	170	287
Total	100	16	1	170	287

Ageing of financial assets that are past due but not impaired for 2013:

	Overdue by				Total \$'000
	0 to 30 days \$'000	31 to 60 days \$'000	61 to 90 days \$'000	More than 90 days \$'000	
Loans and receivables					
Receivables for goods and services	341	24	4	20	389
Total	341	24	4	20	389

Note 16E: 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.

ASIC receives appropriations from the Federal Government to deliver the outcomes defined in Note 1.1. ASIC is an Financial Management and Accountability (FMA) agency and is therefore required to comply with government policies, including the prompt payment of suppliers.

All ASIC's financial liabilities as at 30 June 2014 and 30 June 2013 were payable within one year.

As at 30 June 2014 ASIC has no financial liabilities payable on demand (2013: nil).

Note 16F: 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.

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2014

Note 17: Financial assets reconciliation

	2014 \$'000	2013 \$'000
Note 17: Financial assets		
Total financial assets as per balance sheet	117,571	109,025
Less: non-financial instrument components:		
Appropriations receivable	95,713	102,003
GST receivable included in financial assets	4,670	4,481
Total non-financial instrument components	100,383	106,484
Total financial assets as per financial instruments note (Note 16)	17,188	2,541

Note 18: Administered – Expenses

EXPENSES	Note	2014 \$'000	2013 \$'000
Note 18A: Grants			
Private Sector:			
Insolvency practitioners ¹		2,132	2,203
<i>Total grants</i>		2,132	2,203

1 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 18B: Write-down and impairment of assets

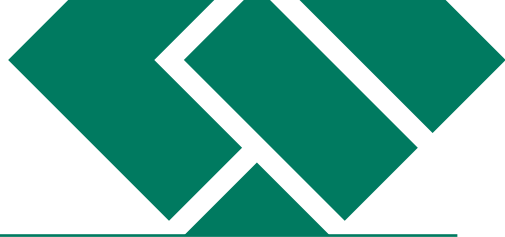
Impairment on receivables		41,745	40,467
Waiver of fees and charges owing		2,843	2,934
<i>Total write-down and impairment of assets</i>	20B	44,588	43,401

Note 18C: Other expenses

Claims – Bank and deposit taking institution account holders ¹		109,205	389,990
Claims – Life Insurance policy holders ¹		7,846	29,121
Claims – Corporations Act 2001 ¹		125,797	82,762
Promotional costs for MoneySmart initiatives		2,000	–
<i>Total other expenses²</i>		244,848	501,873

1 Administered expenses for refunds of unclaimed money are recognised by the value of claims likely to be paid in respect of unclaimed money collected by ASIC. The value of claims has been determined in accordance with the methodology developed by an independent actuary.

2 The expense for 2012–13 includes a significant increase as a result of the reforms to unclaimed monies. ASIC estimates the increase to be \$81.412m for Corporations Act, \$324.310m for Banking Act and \$21.984m for Life Insurance Act unclaimed monies.



Note 19: Administered – Income

Revenue	2014 \$'000	2013 \$'000
Non-taxation revenue		
Note 19: Non-taxation revenue		
Fees	673,362	632,166
Fines	89,482	85,249
Total fees and fines	762,844	717,415
Corporations Act unclaimed monies ¹	84,751	331,300
Banking Act unclaimed monies ¹	130,001	520,442
Life Insurance Act unclaimed monies ¹	16,445	31,083
Total non-taxation revenue	994,041	1,600,240

- 1 The revenue for 2012–13 includes a significant increase as a result of the reforms to unclaimed monies. ASIC estimates the increase to be \$217.338m for Corporations Act, \$454.760m for Banking Act and \$23.946m for Life Insurance Act unclaimed monies.

Corporations Act, National Consumer Credit Protection Act, Business Names Registration Act and Superannuation Industry (Supervision) Act 1993 fees and fines

	2014 \$'000	2014 \$'000	2014 \$'000	2013 \$'000	2013 \$'000	2013 \$'000
	Fees	Fines	Total	Fees	Fines	Total
Mandatory collections ¹						
– Corporations Act	566,634	86,987	653,621	534,956	83,282	618,238
– Business Names	43,406	–	43,406	33,947	–	33,947
– Other	6,034	250	6,284	6,019	211	6,230
Information broker fees ²	52,434	–	52,434	52,536	–	52,536
Other search fees ²	4,854	–	4,854	4,708	–	4,708
Court/infringement revenue ³	–	2,245	2,245	–	1,756	1,756
	673,362	89,482	762,844	632,166	85,249	717,415

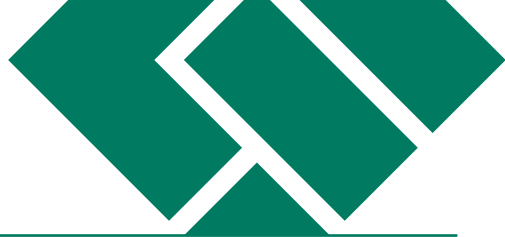
- 1 Fees and charges arise from actions which are mandatory under the *Corporations Act 2001*, *National Consumer Credit Protection Act 2009*, *Business Names Registration (Fees) Act 2011* and *Superannuation Industry (Supervision) Act 1993*.
- 2 Fees and charges paid by information brokers and other consumers for information provided by ASIC from Registers.
- 3 Recovery of fines and penalties for contraventions of the *Corporations Act 2001* and the *National Consumer Credit Protection Act 2009*.

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2014

Note 20: Administered – Financial assets

Financial assets	Notes	2014 \$'000	2013 \$'000
Note 20A: Cash and cash equivalents			
<i>Total cash and cash equivalents</i>	25A	3,876	3,560
Note 20B: Receivables			
Fee and fines receivable		160,345	154,681
Information brokers fees		7,377	5,149
GST receivable from ATO	26	281	124
<i>Total receivables (gross)</i>		168,003	159,954
Less: impairment allowance account:			
Fees and fines		55,134	52,085
<i>Total receivables (net)</i>		112,869	107,869
Receivables were aged as follows:			
Not overdue		83,755	79,050
Overdue by:			
Less than 30 days		11,910	12,521
30 to 60 days		10,658	9,580
61 to 90 days		5,083	5,239
More than 90 days		56,597	53,564
<i>Total receivables (gross)</i>		168,003	159,954
The impairment allowance account is aged as follows:			
Not overdue		402	416
Overdue by:			
Less than 30 days		959	1,259
30 to 60 days		1,552	1,602
61 to 90 days		1,314	1,396
More than 90 days		50,907	47,412
<i>Total impairment allowance account</i>		55,134	52,085
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		52,085	45,733
Amounts written off		(38,696)	(34,115)
Amounts waived		(2,843)	(2,934)
Increase in impairment allowance recognised as an expense		44,588	43,401
<i>Closing balance</i>		55,134	52,085



Note 21: Administered – Payables

	Note	2014 \$'000	2013 \$'000
Note 21A: Other payables			
Refund of fees payable		11,857	13,293
Unallocated monies ¹		6,797	4,676
Grants payable ²	25A	806	750
Advertising suppliers payables ²		1,377	–
Total other payables		20,837	18,719

All other payables are entities that are not part of the Australian Government.

- 1 All other payables are expected to be settled within 12 months. Settlement is usually made within 30 days.
- 2 Settlement is made according to the terms and conditions of each grant. This is usually within 30 days of performance and eligibility.

Note 21B: Provisions

Corporations Act claims		180,586	83,491
Banking Act claims		228,739	388,610
Life Insurance Act claims		26,523	30,470
Total other provisions		435,848	502,571

The estimate of future claims for repayment was calculated using a methodology determined by an independent actuary.

Reconciliation of the opening and closing balance of other provisions

Carrying amount 1 July		502,571	64,514
Amounts recognised		242,848	501,873
Amounts used		(309,571)	(63,816)
Closing balance 30 June		435,848	502,571

Note 22: Administered cash flow reconciliation

Reconciliation of cash and cash equivalents as per Administered Schedule of Assets and Liabilities to the Administered Cash Flow Statement

	2014 \$'000	2013 \$'000
Cash and cash equivalents as per:		
Administered Cash Flow Statement	3,876	3,560
Schedule of Administered Assets and Liabilities	3,876	3,560
Reconciliation of net cost of services to net cash from operating activities:		
Net contribution by services	702,473	1,052,763
Changes in assets/liabilities		
Increase / (decrease) in allowance for doubtful debts	3,049	6,352
Increase / (decrease) in payables and provisions	(64,605)	441,731
(Increase) / decrease in receivables	(8,049)	(9,504)
Net cash provided by operating activities	632,868	1,491,342

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2014

Note 23: Administered contingent liabilities

Quantifiable administered contingencies

Quantifiable administered contingencies that are not remote are disclosed in the Schedule of Administered Items.

Banking Act, Life Insurance Act and Corporations Act administration

An actuarial assessment of the amount of claims that are likely to be lodged with ASIC in respect to unclaimed monies was conducted by an independent actuary. ASIC used the actuary's calculation for the likely claims payable. The principal value of this estimate was deducted from the total balance of unclaimed monies to derive the contingent liability at 30 June 2014 for:

Banking Act \$439.259m (2013: \$426.983m)
Life Insurance Act \$57.251m (2013: \$49.617m)
Corporations Act \$219.052m (2013: \$276.289m)

Unquantifiable administered contingencies

There are no unquantifiable administered contingent liabilities.

Note 24: Administered contingent assets

There are no administered contingent assets.

Note 25: Administered financial instruments

	2014 \$'000	2013 \$'000
Note 25A: Categories of financial instruments		
Financial assets		
Cash and cash equivalents	3,876	3,560
Financial liabilities		
At amortised cost:		
Grants payable	806	750
Advertising suppliers payables	1,377	–
Total financial liabilities held at amortised cost	2,183	750

Note 25B: Fair values of financial instruments

The fair values of financial liabilities at amortised cost approximate their fair value.

Note 25C: Credit risk

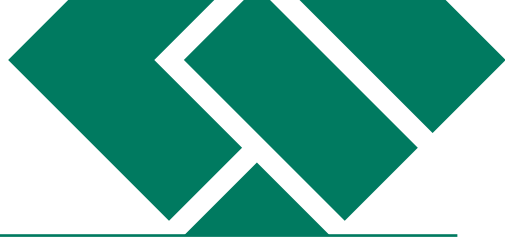
ASIC's administered receivables arise as a result of a statutory obligation not a contractual obligation and are therefore not classified as financial instruments.

ASIC has no significant exposures to any concentrations of credit risk.

Note 25D: Liquidity risk

ASIC's administered financial liabilities are trade creditors. ASIC is able to meet its financial liabilities as and when they become due and payable.

All administered financial liabilities as at 30 June 2014 and 30 June 2013 are payable within one year.



Note 26: Administered financial assets reconciliation

	2014 \$'000	2013 \$'000
Note 26: Financial assets		
Total financial assets as per Schedule of Administered Assets and Liabilities	116,745	111,429
Less: non-financial instrument components		
Net statutory receivables ¹	112,588	107,745
GST receivable from the Australian Taxation Office	281	124
Total non-financial instrument components	112,869	107,869
Total administered financial assets as per financial instruments note	3,876	3,560

1 Statutory receivables relate to outstanding fees and fines under the *Corporations Act 2001*, *National Consumer Credit Protection Act 2009*, *Business Names Registration (Fees) Act 2011* and the *Superannuation Industry (Supervision) Act 1993*. In accordance with the FMOs these are not classified as financial instruments because they relate to a legislative rather than contractual obligation.

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2014

Note 27: Appropriations

Table A1: Annual appropriations ('recoverable GST exclusive')

	2014 Appropriations				Appropriations applied in 2014 (current and prior years) \$'000	Variance ² \$'000
	Appropriation Act		FMA Act			
	Annual Appropriation \$'000	Appropriations reduced ¹ \$'000	Section 31 \$'000	Total appropriation \$'000		
DEPARTMENTAL						
Ordinary annual services	382,103	-	17,438	399,541	370,951	28,590
Other services						
Equity	11,791	-	-	11,791	9,896	1,895
Total departmental	393,894	-	17,438	411,332	380,847	30,485
ADMINISTERED						
Ordinary annual services						
Administered items	6,329	(2,197)		4,132	2,829	1,303
Total administered	6,329	(2,197)		4,132	2,829	1,303

1 Departmental appropriations do not lapse at financial year-end. However, the responsible Minister may decide that part or all of a departmental appropriation is not required and request the Finance Minister to reduce that appropriation. During the 2014-15 budget round, ASIC received \$3,012m for Departmental Appropriations (No. 1 of 2014-2015) for Voluntary redundancy funding. This is recognised as appropriation receivable in the 2013-14 financial statements to reflect Table 1.2 page 155 of the Portfolio Budget Statements 2014-15.

2 The variance in ordinary annual services appropriation relates to deferred outlay for the Enforcement Special Account and savings in the Enhanced Market Supervision project. The variance in equity funding relates to deferred capital expenditure for the implementation of the Insolvency Reform Programme, Flexible Advanced Surveillance Technologies, Competition for Market Services and the Future of Financial Advice reforms.

Note 27: Appropriations (continued)

Table A2: Annual appropriations ('recoverable GST exclusive')

	2013 Appropriations				Appropriations applied in 2014 (current and prior years) \$'000	Variance ² \$'000
	Appropriation Act		FMA Act			
	Annual Appropriation \$'000	Appropriations reduced ¹ \$'000	Section 31 \$'000	Total appropriation \$'000		
DEPARTMENTAL						
Ordinary annual services	372,677	(5,842)	13,407	380,242	371,517	8,725
Other services						
Equity	13,934	–		13,934	10,168	3,766
Total departmental	386,611	(5,842)	13,407	394,176	381,685	12,491
ADMINISTERED						
Ordinary annual services						
Administered items	3,566	(1,363)		2,203	2,075	128
Total administered	3,566	(1,363)		2,203	2,075	128

¹ Departmental appropriations do not lapse at financial year-end. However, the responsible Minister may decide that part or all of a departmental appropriation is not required and request the Finance Minister to reduce that appropriation. On 5th August 2013, the Finance Minister issued 'Instrument to Reduce Appropriations (No. 1 of 2013–2014)'. This instrument reduced ASIC's departmental Appropriation Act (No. 1) 2012–2013 by \$5.842m under section 12 of Appropriation Act (No. 1) 2012–2013 following a request from ASIC's Minister.

² The savings in ordinary annual services appropriation related to deferred outlay for the Enforcement Special Account and savings in the Enhanced Market Supervision project. The savings in equity funding relate to deferred capital expenditure for the implementation of the Insolvency Reform Programme and the Future of Financial Advice reforms.

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2014

Note 27: Appropriations (continued)

Table B1: Departmental Capital Budget ('recoverable GST exclusive')

	2014 Capital Budget Appropriation		Capital Budget Appropriations applied in 2014 (current and prior years)				
	Appropriation Act	FMA Act	Total Capital Budget Appropriation \$'000	Payment for non-financial assets ³ \$'000	Payment for other purposes \$'000	Total payments \$'000	Variance ⁴ \$'000
Annual Capital Appropriation \$'000		Section 32 \$'000					
Appropriations reduced ² \$'000							
Departmental Capital Budget ¹	18,741	–	18,741	22,991	–	22,991	(4,250)

DEPARTMENTAL

Ordinary annual services – Departmental Capital Budget¹

- 1 Departmental Capital Budgets are appropriated through Appropriation Acts (Nos. 1, 3, 5). They form part of ordinary annual services, and are not separately identified in the Appropriation Acts. For more information on ordinary annual services appropriations, please see Table A: Annual appropriations.
- 2 Appropriations reduced under Appropriation Acts (Nos. 1, 3, 5) 2013–2014: sections 10, 11, 12 and 15 or via a determination by the Finance Minister.
- 3 Payments made on non-financial assets include purchases of assets, expenditure on assets which has been capitalised, costs incurred to make good an asset to its original condition, and the capital repayment component of finance leases.
- 4 The variance relates to capital expenditure accrued in 2012–13 paid in 2013–14.

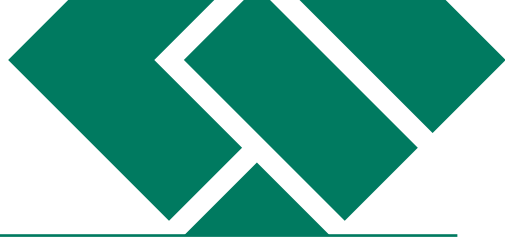
Table B2: Departmental Capital Budget ('recoverable GST exclusive')

	2013 Capital Budget Appropriation		Capital Budget Appropriations applied in 2014 (current and prior years)				
	Appropriation Act	FMA Act	Total Capital Budget Appropriation \$'000	Payment for non-financial assets ³ \$'000	Payment for other purposes \$'000	Total payments \$'000	Variance ⁴ \$'000
Annual Capital Appropriation \$'000		Section 32 \$'000					
Appropriations reduced ² \$'000							
Departmental Capital Budget ¹	15,790	–	15,790	21,186	–	21,186	(5,396)

DEPARTMENTAL

Ordinary annual services – Departmental Capital Budget¹

- 1 Departmental Capital Budgets are appropriated through Appropriation Acts (Nos. 1, 3, 5). They form part of ordinary annual services, and are not separately identified in the Appropriation Acts. For more information on ordinary annual services appropriations, please see Table A: Annual appropriations.
- 2 Appropriations reduced under Appropriation Acts (Nos. 1, 3, 5) 2012–2013: sections 10, 11, 12 and 15 or via a determination by the Finance Minister.
- 3 Payments made on non-financial assets include purchases of assets, expenditure on assets which has been capitalised, costs incurred to make good an asset to its original condition, and the capital repayment component of finance leases.
- 4 The variance relates to capital expenditure accrued in 2011–12 paid in 2012–13.



Note 27: Appropriations (continued)

Table C: Unspent departmental appropriations ('recoverable GST exclusive')

	Notes	2014 \$'000	2013 \$'000
Authority			
<i>Appropriation Act (No. 1) 2011–2012</i>		–	25,000
<i>Appropriation Act (No. 1) 2012–2013</i>		–	62,592
<i>Appropriation Act (No. 1) DCB 2012–2013</i>		–	649
<i>Appropriation Act (No. 2) 2012–2013</i>		3,056	4,856
<i>Appropriation Act (No. 1) DCB 2013–2014</i>		–	–
<i>Appropriation Act (No. 2) 2013–2014</i>		1,895	–
<i>Appropriation Act (No. 1) 2013–2014</i>		80,311	–
Enforcement Special Account	31A	51,900	33,794
Total		<u>137,162</u>	<u>126,891</u>

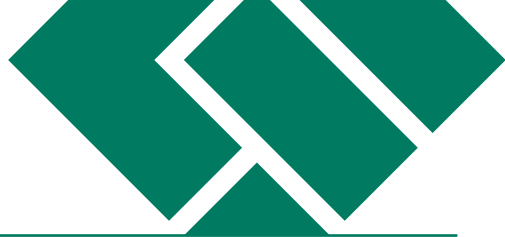
Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2014

Note 27: Appropriations (continued)

Table D: Special appropriations ('recoverable GST exclusive')

Authority	Type	Purpose	Appropriation applied	
			2014 \$'000	2013 \$'000
s69 <i>Banking Act 1959</i> , Administered	Unlimited	ASIC has responsibility for the administration of unclaimed monies from banking and deposit taking institutions. 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.	269,076	40,479
s216 <i>Life Insurance Act 1995</i> , Administered	Unlimited	ASIC had responsibility for the administration of unclaimed monies from life insurance institutions and friendly societies. ASIC receives special appropriations from the OPA (section 216 <i>Life Insurance Act 1995</i>) to refund amounts to life insurance policy holders.	11,793	4,466
s28 <i>FMA Act 1997</i> , <i>Corporations Act 2001</i> (Refunds of overpaid Corporations Act fees and charges), Administered	Unlimited	ASIC has responsibility for the administration and collection of Corporations Act fees and charges. All fees and charges are deposited into the OPA as received. Refunds of overpayments are appropriated under section 28 of the <i>FMA Act 1997</i> .	8,321	6,402
s28 <i>FMA Act 1997</i> , <i>Corporations Act 2001</i> (refunds of unclaimed money held under s1341 <i>Corporations Act 2001</i>), Administered	Unlimited	ASIC has responsibility for the administration of unclaimed monies from the Companies and Unclaimed Monies Special Account up to 5 December 2012.	–	675
s28 <i>FMA Act 1997</i> , <i>Corporations Act 2001</i> (refunds of unclaimed money held under s1341 <i>Corporations Act 2001</i>), Administered	Unlimited	From 6 December 2012 ASIC has responsibility for the administration of unclaimed monies under s1341 of the <i>Corporations Act 2001</i> .	28,413	18,196
Total			317,603	70,218



Note 27: Appropriations (continued)

Table E1: Reduction in administered items ('recoverable GST exclusive')

2014	Amount required ³ – by Appropriation Act	Total amount required ³	Total amount appropriated ⁴	Total reduction ⁵
Ordinary annual services	Act (No.1)			
Outcome 1	4,131,819.07	4,131,819.07	6,329,000.00	2,197,180.93

Notes:

- 1 Numbers in this section of the table must be disclosed to the cent.
- 2 Administered items for 2014 were reduced to these amounts when these financial statements were tabled in Parliament as part of ASIC's 2013–14 annual report. This reduction is effective in 2015, but the amounts are reflected in Table A in the 2013–14 financial statements in the column 'Appropriations reduced' as they were adjustments to 2013 appropriations.
- 3 Amount required as per Appropriation Act (Act 1 s11; Act 2 s12).
- 4 Total amount appropriated in 2013–14.
- 5 Total reduction effective in 2014–15.

Table E2: Reduction in administered items ('recoverable GST exclusive')

2013	Amount required ³ – by Appropriation Act	Total amount required ³	Total amount appropriated ⁴	Total reduction ⁵
Ordinary annual services	Act (No.1)			
Outcome 1	2,202,578.87	2,202,578.87	3,566,000.00	1,363,421.13

Notes:

- 1 Numbers in this section of the table must be disclosed to the cent.
- 2 Administered items for 2013 were reduced to these amounts when these financial statements were tabled in Parliament as part of ASIC's 2012–13 annual report. This reduction is effective in 2014, but the amounts are reflected in Table A in the 2012–13 financial statements in the column 'Appropriations reduced' as they were adjustments to 2012 appropriations.
- 3 Amount required as per Appropriation Act (Act 1 s11; Act 2 s12).
- 4 Total amount appropriated in 2012–13.
- 5 Total reduction effective in 2013–14.

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2014

Note 28: 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 direct expenditure incurred on behalf of these boards and tribunal are included in the Statement of Comprehensive Income of ASIC:

	2014 \$'000	2013 \$'000
Companies Auditors and Liquidators Disciplinary Board	1,004	624
Superannuation Complaints Tribunal	6,642	6,099

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.

Note 29: Assets of deregistered companies vesting in ASIC

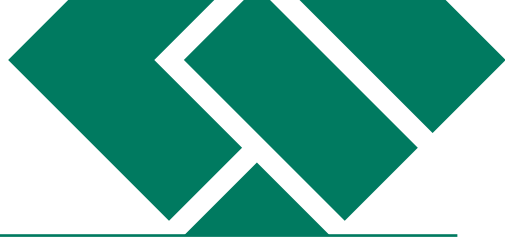
Section 601AD of the *Corporations Act 2001* provides that, on deregistration of a company, all of the company's property vests in ASIC. In 2011–12 ASIC began taking a proactive approach to administering vested property and accounts for any proceeds on realisation of those assets in accordance with its 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 30: Security deposits from dealers, investment advisers and liquidators

The *Corporations Act 2001* and the *Corporations Regulations 2001* requires applicants for a dealer's or investment adviser's licence, and applicants for registration as a liquidator, to lodge a security deposit with ASIC. These monies, deposits, stock, bonds or guarantees are not available to ASIC and are not recognised in the financial statements.

	2014 \$'000	2013 \$'000
Security deposits under <i>Corporations Regulations 2001</i> regulation 7.6.02AA (dealers and investment advisers)		
Cash (at bank)	323	343
Inscribed stock	20	20
Bank guarantees	10,030	10,590
Closing balance	10,373	10,953
Security deposits under <i>Corporations Act 2001</i> section 1284(1) (liquidators)		
Insurance bonds	1,800	1,800
Closing balance	1,800	1,800



Note 31: Special Accounts and FMA Act section 39

Note 31A: Enforcement Special Account (Departmental)

Legal authority – section 20 (1) *Financial Management and Accountability Act 1997* and *Financial Management and Accountability Determination 2006/31 – Enforcement Special Account Establishment 2006*

Appropriation – section 20 *Financial Management and Accountability Act 1997*

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.

	2014 \$'000	2013 \$'000
Balance carried forward from previous year	33,794	20,086
Appropriation for the reporting period	30,000	30,000
Costs recovered	1,123	2,166
Available for payments	64,917	52,252
Cash payments from the Special Account ¹	(13,017)	(18,458)
Balance carried forward to the next period	51,900	33,794
Represented by:		
Cash – held in the OPA	51,900	33,794

¹ For the period ended 30 June 2014 ASIC recognised ESA revenue of \$10.428m (2013: \$25.197m), and \$11.894m (2013: \$16.292m) was drawn down in cash during the year.

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2014

Note 31: Special Accounts and FMA Act section 39 (continued)

Note 31B: Companies and Unclaimed monies Special Account (Special Public Money)

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*

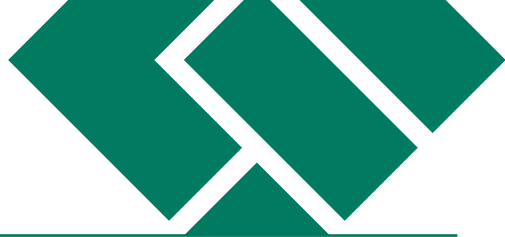
Purpose – The Companies and Unclaimed Monies Special Account (CUMSA) was established on 1 July 2007 when ASIC became a prescribed agency under the *Financial Management and Accountability Act 1997*. The CUMSA was established to administer unclaimed monies received by ASIC under section 1341 of the *Corporations Act 2001*.

On 5 December 2012 the Government abolished the CUMSA.

Table A – Special Account	2014 \$'000	2013 \$'000
Balance carried forward from previous year	–	7,096
Appropriation for the reporting period	–	675
Receipts during the year	–	50,513
Interest amounts credited	–	361
Investments realised	–	76,106
Available for payments	–	134,751
Investments made from the Special Account	–	(34,965)
Disbursements	–	(9,404)
Administration costs	–	(916)
Special purpose disbursement	–	(7,513)
Special Account prior to transfer	–	81,953
Cash transferred to Consolidated Revenue	–	(81,953)
Cash and cash equivalents	–	–

Table B – Special Account investment of public money

Special Appropriations under section 39 of the FMA Act		
Balance carried forward from previous year	–	243,566
Investments made from the Special Account	–	34,965
Investment income	–	7,960
Investments realised	–	(76,106)
Cash transferred to Consolidated Revenue	–	(210,385)
Closing balance	–	–



Note 31: Special Accounts and FMA Act section 39 (continued)

Note 31C: Deregistered Companies Trust Monies Special Account (Special Public Money)

Legal authority – section 20(1) *Financial Management and Accountability Act 1997* and *Financial Management and Accountability Determination 2008/02 – ASIC Deregistered Companies Trust monies Special Account Establishment 2008*

Appropriation – section 20 *Financial Management and Accountability Act 1997*

Purpose – The Deregistered Companies Trust Monies 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*.

	2014 \$'000	2013 \$'000
Balance carried forward from previous year	1,436	1,011
Receipts during the year	109	422
Interest received	35	35
Available for payments	1,580	1,468
Disbursements	(34)	(32)
Closing balance	1,546	1,436

Note 31D: ASIC Security Deposits Special Account (Special Public Money)

Legal authority – section 20(1) *Financial Management and Accountability Act 1997* and *Financial Management and Accountability Determination 2008/03 – ASIC Security Deposits Special Account Establishment 2008*

Appropriation – section 20 *Financial Management and Accountability Act 1997*

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	456	384
Receipts during the year	–	100
Interest received	9	12
Available for payments	465	496
Disbursements	(20)	(40)
Closing balance	445	456

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2014

Note 31: Special Accounts and FMA Act section 39 (continued)

Note 31E: ASIC Investigations, Legal Proceedings, Settlements and Court Orders Special Account (Special Public Money)

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.

	2014 \$'000	2013 \$'000
Balance carried forward from previous year	11	11,019
Receipts during the year	809	–
Interest received	–	219
Available for payments	820	11,238
Disbursements	(809)	(11,227)
Closing balance	11	11

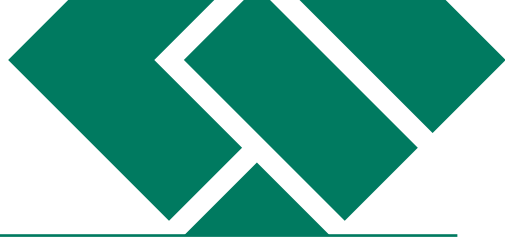
Note 31F: Services for Other Entities and Trust Monies Special Account – Australian Securities and Investments Commission (Special Public Money)

Legal authority – subsection 20(1) of the *Financial Management and Accountability Act 1997* and *Financial Management and Accountability Determination 2012/07* establishes a Special Account entitled 'Services for Other Entities and Trust monies Special Account – Australian Securities and Investments Commission'.

Appropriation – section 20 *Financial Management and Accountability Act 1997*

Purpose – The Services for Other Entities and Trust Monies Special Account – Australian Securities and Investments Commission (SOETM) was established on 30 May 2012. The SOETM combines the purposes of the Other Trust Monies and the Services for other Government and Non-agency Bodies Special Accounts into a single standard-purpose Special Account. The SOETM enables ASIC to continue to hold and expend amounts on behalf of persons or entities other than the Commonwealth. The SOETM will typically be used to accommodate small amounts of miscellaneous monies, for example, amounts received in connection with services performed for or on behalf of any persons or entities that are not Agencies as prescribed under the FMA Act, such as other governments.

Balance carried forward from previous year	–	–
Receipts during the year	189	8,341
Available for payments	189	8,341
Disbursements	(189)	(8,341)
Closing balance	–	–



Note 32: Compensation and debt relief

	2014 \$	2013 \$
Departmental		
No expenses incurred in relation to matters dealt with under the 'Compensation for Detriment caused by Defective Administration scheme' during the reporting period (2013: no matters).	-	-

No waivers of amounts owing to the Australian Government were made pursuant to subsection 34(1) of the *Financial Management and Accountability Act 1997* (2013: nil). No ex-gratia payments were provided for during the reporting period (2013: nil). No payments were provided in special circumstances relating to APS employment pursuant to section 73 of the *Public Service Act 1999* during the reporting period (2013: nil).

Administered

Included in the impairment allowance 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 monies written off during the financial year under this section is 246,567 items totalling \$38,696,145 (2013: 226,015 items totalling \$34,115,404).

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 16,402 items totalling \$2,843,323 (2013: 17,078 items totalling \$2,934,095).

None of the above payments were paid on a periodic basis (2013:nil). No ex-gratia payments were provided for during the reporting period (2013:nil). No payments were provided in special circumstances relating to APS employment pursuant to section 73 of the *Public Service Act 1999* during the reporting period (2013: nil).

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2014

Note 33: Reporting of outcomes

ASIC's outcome during the reporting period was:

Improved confidence in Australia's financial markets through promoting informed investors and financial consumers, facilitating fair and efficient markets and delivering efficient registry systems.

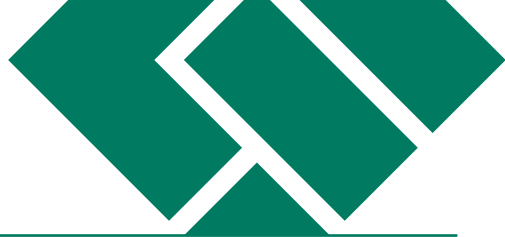
Note 33A: Net (cost) / contribution of outcome delivery

	Outcome 1	
	2014	2013
	\$'000	\$'000
Departmental		
Expenses	405,454	411,269
Own-source income	3,693	6,155
Administered		
Expenses	291,568	547,477
Own-source income	994,041	1,600,240
Net (cost) / contribution of outcome delivery	300,712	647,649

Net costs shown include intra-government costs that are eliminated in calculating the Budget outcome.

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 \$300.712m (2013: \$647.649m). 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 of unclaimed monies and waivers and write-offs of fees and charges owing to the Commonwealth (not ASIC) under the Corporations Act. Administered expenses and administered income are detailed in Notes 18 and 19 respectively.



Note 34: Administered receipts subject to cost recovery policy

Note 34A: Receipts pursuant to cost recovery provisions

	2014 \$'000	2013 \$'000
Significant cost recovery arrangements		
Supervision of Australia's financial markets and competition for market services.	17,776	19,183
Total receipts subject to cost recovery policy	17,776	19,183
Receivables		
Receivables are aged as follows:		
Not overdue	4,948	4,952
Overdue by:		
Less than 30 days	136	1
30 to 60 days	2	–
Total receivables (gross)	5,086	4,953

Funding was approved in the 2011–12 Budget Measures to recover the additional costs required by ASIC to enhance its supervision of Australia's financial markets and competition for market services. ASIC began recovering the incremental costs from 1 January 2012.

Note 35: Net cash appropriation arrangements

	2014 \$'000	2013 \$'000
Total comprehensive income excluding depreciation/amortisation expenses previously funded through revenue appropriations attributable to ASIC ^{1,2}	(478)	7,195
Less: depreciation/amortisation expenses previously funded through revenue appropriation	(55,990)	(51,355)
Total comprehensive income / (loss) as per the Statement of Comprehensive Income	(56,468)	(44,160)

1 From 2010–11, the Government introduced net cash appropriation arrangements, where revenue appropriations for depreciation/amortisation expenses ceased. Entities now receive a separate capital budget provided through equity appropriations. Capital budgets are to be appropriated in the period when cash payment for capital expenditure is required. The 'Departmental Capital Budget' is used to fund the replacement of ASIC's business as usual assets (i.e individual assets with a value of less than \$10m).

2 Total comprehensive income excluding depreciation, amortisation and asset revaluation reserve is a surplus of \$2.369m.

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2014

Note 36: Compliance with statutory conditions for payments from Consolidated Revenue Fund

Section 83 of the Constitution provides that no amount may be paid out of the Consolidated Revenue Fund except under an appropriation made by law. The Department of Finance provided information to all agencies in 2011 regarding the need for risk assessments in relation to compliance with statutory conditions on payments from special appropriations, including special accounts.

ASIC have reviewed exposure to risks of not complying with statutory conditions on payments from appropriations. The plan involved:

- ♦ identifying each special appropriation and special account;
- ♦ determining the risk of non-compliance by assessing the difficulty of administering the statutory conditions and assessing the extent to which existing payment systems and processes satisfy those conditions;
- ♦ determining procedures to confirm risk assessments in medium risk cases and to quantify the extent of non-compliance, if any, in higher risk situations;
- ♦ obtaining legal advice as appropriate to resolve questions of potential non-compliance; and
- ♦ considering legislative or procedural changes to reduce the risk of non-compliance in the future to an acceptably low level.

ASIC identified seven appropriations involving statutory conditions for payment, comprising:

- ♦ two special appropriations; and
- ♦ five special accounts.

During 2013–14 it was noted there could be breaches of Section 83 under certain circumstances with payments for long service leave, goods and services tax and payments under determinations of the Remuneration Tribunal. ASIC has reviewed its processes and controls over payments for these items to minimise the possibility for future breaches as a result of these payments. ASIC has determined that there is a low risk of particular circumstances mentioned in the legal advice applying to the agency.

As at 30 June 2014 ASIC is not aware of any non compliance with Section 83 (2013: 1 circumstance, total \$20,484.36).

End of financial statements



5

APPENDICES

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5.1 The role of Commissioners

The Commission is responsible for ASIC's strategic direction and its priorities. The Commission meets monthly (except January) to:

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

The Commission appoints and evaluates the performance of its Senior Executive Leaders, and approves budgets and business plans for each team. Individual Commissioners also have executive responsibility for particular stakeholder and enforcement teams. See pages 15–16 for ASIC's corporate structure.

The Commission held 15 meetings in 2013–14.

Commission meetings, 2013–14

Commissioner	Eligible to attend	Attended
Greg Medcraft	11 scheduled meetings	11
	4 unscheduled meetings	3
Peter Kell	11 scheduled meetings	10
	4 unscheduled meetings	4
Greg Tanzer	11 scheduled meetings	11
	4 unscheduled meetings	4
John Price	11 scheduled meetings	11
	4 unscheduled meetings	4
Cathie Armour	11 scheduled meetings	11
	4 unscheduled meetings	4

Unscheduled Commission meetings are called to obtain Commission approval on specific issues that are generally of an administrative nature (such as granting delegations) and do not require the attendance of the full Commission.

The Chairman was absent from one unscheduled monthly Commission meeting because he was overseas representing ASIC as Chairman of the International Organization of Securities Commissions (IOSCO) Board. Through this role, the Chairman is able to shape the direction of global securities reforms, increase the global profile of ASIC and enhance cooperation between ASIC and other overseas financial services regulators.

The Deputy Chairman was absent from one scheduled monthly meeting while on annual leave.

The Governor-General, on the nomination of the Treasurer, appoints 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 only for reasons set out in s111 of the *Australian Securities and Investments Commission Act 2001* (ASIC Act). The Remuneration Tribunal sets Commissioners' remuneration, which is not linked to their performance.

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, interests regulated by ASIC, or arrangements or agreements for future business relationships.

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. Other independent legal and accounting experts also advise on specific matters.

The Commission delegates 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.

Additional information on ASIC's internal governance is published on our website at www.asic.gov.au/internal-governance.

In 2013–14, ASIC operated under the *Financial Management and Accountability Act 1997*, which governed, primarily, its use of Australian Government resources and expenditure of public money. From 1 July 2014, ASIC operates under the *Public Governance, Performance and Accountability Act 2013*.

5.2 Audit Committee and audit, assurance and compliance services

The Audit Committee operates independently of management and plays a key role in assisting the Chairman to discharge his responsibilities for the efficient, effective, economical and ethical use of Commonwealth resources. The Committee does this by providing independent oversight of, and reporting to the Chairman on, ASIC's governance and internal control frameworks, financial reporting, and compliance with relevant legislation.

The Committee reviewed ASIC's 2013–14 financial statements and provided advice to the Chairman and Commissioners on the preparation and review of financial statements before the Chairman signed the statements. The Committee met four times during the year supplemented by one special meeting to review ASIC's draft financial statements and the annual *Financial Management and Accountability Act 1997* compliance certificate.

Audit Committee meetings, 2013–14

Members	Eligible to attend	Attended
Byram Johnston OAM Appointed Independent Member in January 2005 Reappointed as an independent member commencing 19 January 2010 Appointed as Chairman commencing 30 January 2011	4 main meetings 1 special meeting	4 1
Geoffrey Applebee Appointed Independent Member on 1 February 2010 Appointed as Deputy Chairman commencing 15 December 2010	4 main meetings 1 special meeting	4 1
David Prothero Appointed Independent Member on 1 March 2011	4 main meetings 1 special meeting	4 1
Chris Van Homrigh Senior Executive Leader, Investment Banks Appointed committee member November 2011	4 main meetings 1 special meeting	3 1
John Price ASIC Commissioner Appointed committee member May 2013	4 main meetings 1 special meeting	4 1

All three independent members are chartered accountants and company directors with significant financial, business and community experience. The internal appointees are Commissioner John Price and Chris Van Homrigh.

The internal audit function is provided by ASIC's Audit, Assurance and Compliance business unit supported by KPMG in a co-sourced arrangement. The Australian National Audit Office provides external audit services. Senior external and internal audit representatives attend audit committee meetings.

Byram Johnston OAM **Chairman**

Audit Committee
July 2014

5.3 External committees and panels

5.3.1 Australian Government Financial Literacy Board

The Australian Government Financial Literacy Board works to improve financial literacy in Australia. Its members are:

- ◆ Paul Clitheroe AM, ipac securities (Board Chairman)
- ◆ Air Commodore Robert Brown, Australian Defence Force Financial Services Consumer Council
- ◆ Hamish Douglass, Magellan Financial Group Australia
- ◆ Craig Dunn, company director
- ◆ Linda Elkins, Colonial First State
- ◆ Fiona Guthrie, Financial Counselling Australia
- ◆ Elaine Henry OAM, company director
- ◆ Peter Kell, Deputy Chairman, Australian Securities and Investments Commission
- ◆ Anthony Mackay, Centre for Strategic Education
- ◆ Greg Medcraft, Chairman, Australian Securities and Investments Commission
- ◆ Ian Silk, Australian Super
- ◆ Michael Smith OBE, ANZ Banking Group Limited
- ◆ Robert Thomas, Bank of China, Australia.

5.3.2 Consumer Advisory Panel

The Consumer Advisory Panel (CAP) advises ASIC on current issues faced by retail investors and consumers in the financial services and credit industries. CAP also informs ASIC's surveillance, enforcement, policy and financial education initiatives.

In 2013–14, existing CAP organisational membership continued:

- ◆ Jenni Mack (Panel Chair)
- ◆ Australian Shareholders' Association (Richard Wilkins)
- ◆ CHOICE (Erin Turner)
- ◆ Consumer Action Law Centre (Vic) (Gerard Brody)
- ◆ Consumer Credit Legal Centre (NSW) Inc (Karen Cox)

- ◆ Consumers' Federation of Australia (Nicola Howell)
- ◆ COTA Australia (Ian Yates)
- ◆ Financial Counselling Australia (Rosalyn Williams)
- ◆ Indigenous Consumer Assistance Network (Ken Smithson)
- ◆ Legal Aid NSW (David Coorey)
- ◆ National Information Centre on Retirement Investments (Wendy Schilg).

In 2013–14, CAP introduced two sub-committees – a consumer issues sub-committee and an investment issues sub-committee. This was designed to enable CAP to focus more closely on issues consumers and investors respectively face.

CAP also invited two special guests to attend meetings in 2013–14. They were:

- ◆ the Melbourne SMSF Group, represented by Viv Elliston
- ◆ the SMSF Owners' Alliance, represented by Duncan Fairweather.

We thank these guests for their contributions.

We thank the outgoing individual representatives of the Consumers' Federation of Australia (Gordon Renouf), Financial Counselling Australia (Carmel Franklin), Indigenous Consumer Assistance Network (Ray Kent) and CHOICE (Elizabeth McNess) for their contribution to CAP in 2013–14.

In 2013–14, CAP commissioned the following research and submissions:

- ◆ Ernst & Young to conduct research on what makes a good financial comparison website, and identify the risks and benefits to consumers of these websites
- ◆ BIS Shrapnel Pty Limited to conduct research on financial difficulty businesses that operate in the Australian market.

In 2013–14, we also introduced new arrangements for how CAP members provide misconduct reports. This included internal processes for tracking progress of reported misconduct, and regular reporting back to CAP members as we progress and finalise matters.

5.3.3 Director Advisory Panel

The Director Advisory Panel was established in 2013 to channel senior level advice from company directors of listed entities so that we can gain a deeper understanding of developments and systemic risks in the corporate sector.

The members of the panel are drawn from entities of different size, sector and location to enable the panel to provide ASIC with views from a broad spectrum of Australian listed entities.

Panel members in 2013–14 included:

- ◆ John Price, Commissioner, Australian Securities and Investments Commission (Panel Chair)
- ◆ Graham Bradley AM
- ◆ Bruce Brook
- ◆ Elizabeth Bryan
- ◆ Harvey Collins
- ◆ Dr Eileen Doyle
- ◆ Paula Dwyer
- ◆ David Flanagan
- ◆ Fiona Harris
- ◆ Jane Harvey
- ◆ Jacqueline Hey
- ◆ Brian Long
- ◆ Dr Helen Nugent AO
- ◆ Susan Oliver
- ◆ John Pegler
- ◆ Dr Sally Pitkin
- ◆ Michael Smith
- ◆ Kate Spargo
- ◆ Gene Tilbrook.

In 2013–14, the Panel discussed how listed entities and their advisers handle confidential information, director share trading, employee incentive schemes and corporate fundraising, as well as providing director input into ASIC-wide issues.

5.3.4 External Advisory Panel

The External Advisory Panel assists ASIC to gain a better understanding of developments and systemic risks in the financial system and markets. The panel provides advice and feedback to ASIC on a range of matters and current issues of concern. Members are from a range of sectors and hold, or have held, senior positions. Members sit in a personal capacity – they do not represent individual organisations. This ensures they can provide a broad range of views, free from vested interests.

Panel members in 2013–14 included:

- ◆ Mark Johnson AO (Panel Chairman)
- ◆ Allan Moss AO (Panel Deputy Chairman)
- ◆ Maile Carnegie
- ◆ Melinda Cilento
- ◆ Paula Dwyer
- ◆ Stephen Fitzgerald
- ◆ Tony Gill
- ◆ David Gonski AC
- ◆ Fiona Guthrie
- ◆ Professor Jennifer Hill
- ◆ Andrew Love
- ◆ Jenni Mack
- ◆ Andrew Mohl
- ◆ Dr Sally Pitkin
- ◆ Ian Silk
- ◆ John Trowbridge
- ◆ President of the Business Council of Australia (currently Catherine Livingstone AO).

As part of the panel's processes, three panel members retired at the end of 2013. We thank Catriona Lowe, Professor Ian Ramsay and Jenny Seabrook for their contributions.

In addition:

- ◆ Jo-Anne Bloch resigned in May 2014 due to relocating overseas
- ◆ James Millar AM resigned in January 2014
- ◆ the then President of the Business Council of Australia, Tony Shepherd AO, resigned in November 2013 due to his appointment as the Chairman of the Government's National Commission of Audit.

5.3 External committees and panels continued

During 2013–14, the panel provided feedback on a number of matters including the Financial System Inquiry, developments in Australian financial markets, re-emergence of hybrid financial products and vulnerable consumers.

5.3.5 Markets Disciplinary Panel

The Markets Disciplinary Panel (MDP) is the forum for disciplinary action against market operators and participants for alleged breaches of the market integrity rules. It is a peer review body, consisting of part-time members with relevant market or professional experience. The current members of MDP have, or have had, senior roles in broking firms and investment banks.

ASIC established MDP to make decisions about whether to issue infringement notices or accept enforceable undertakings for alleged breaches of the market integrity rules. ASIC decides which matters to refer to MDP for determination.

MDP members in 2013–14 included:

- ◆ Lisa Gay (Panel Chair)
- ◆ Cilla Boreham, JBWere Limited
- ◆ Richard Brasher, Northcape Capital Pty Ltd
- ◆ Anne Brown, consultant
- ◆ Ian Chambers, Morgan Stanley Australia Ltd
- ◆ Leigh Conder (panel member)
- ◆ Peter Curry, MAP Capital Advisors Pty Ltd
- ◆ Simon Gray, Shaw Stockbroking Limited
- ◆ Adrian Holst, Baillieu Holst Ltd
- ◆ Jane Lamming, CIMB Group
- ◆ Geoffrey Louw, Bell Potter Securities Limited
- ◆ Michael Manford, Patersons Securities Limited
- ◆ Russell McKimm, Patersons Securities Limited
- ◆ Ian Nissen, Citigroup Pty Limited
- ◆ Sadie Powers, Patersons Securities Limited
- ◆ Mark Pugsley, Resource Development Group Limited
- ◆ Peter Robson, ITG Australia Limited
- ◆ Glenn Rosewall, BBY Limited
- ◆ John Steinthal, consultant financial adviser

- ◆ Andrew Tanner, Goldman Sachs Australia Pty Ltd
- ◆ Victoria Weekes, Risk Compliance Solutions Pty Ltd.

Members of MDP made determinations on alleged breaches of the market integrity rules during 2013–14.

The infringement notices for finalised matters are published in the MDP Infringement Notices Register on the ASIC website. MDP issued 15 infringement notices during 2013–14.

There were 12 matters concerning alleged breaches of market integrity rules for the ASX market and three matters concerning alleged breaches of market integrity rules for the ASX 24 market. MDP imposed a total of \$1,103,400 in penalties in these matters, which ranged from \$30,000 to \$175,000.

5.3.6 Market Supervision Advisory Panel

The Market Supervision Advisory Panel advises ASIC on its approach to its responsibilities for day-to-day supervision of the Australian market and on broader market developments. Panel members are from the financial services industry, with experience in the legal, compliance, retail and institutional aspects of broking.

Panel members in 2013–14 included:

- ◆ Cathie Armour, Commissioner, Australian Securities and Investments Commission (Panel Chairman)
- ◆ Stewart Adams, Morgan Stanley Smith Barney Australia
- ◆ Keith Birch, Goldman Sachs Australia Pty Ltd
- ◆ Richard Burns, CommSec
- ◆ David Dixon, Colonial First State Global Asset Management
- ◆ Anastasia Economou, Credit Suisse
- ◆ John Lee, Susquehanna Pacific
- ◆ Daniel McAuliffe, Treasury
- ◆ Will Psomadellis, Schroders Investment Management Australia Limited
- ◆ Dean Surkitt, Bell Financial Group
- ◆ Scott Webster, UBS AG Australia
- ◆ Daniel Weinberg, Optiver

ASIC representatives include Greg Yanco, Senior Executive Leader, Market Participant Supervision, and Oliver Harvey, Senior Executive Leader, Financial Market Infrastructure.

We would like to thank the outgoing members for their valuable contributions:

- ◆ Paul Hilgers, Optiver
- ◆ Brad Usasz, Wilson HTM Investment Group
- ◆ Stephen Karpin, CommSec.

During 2013–14, the panel provided advice on:

- ◆ market structure initiatives including ASIC's proposals on market-related deregulatory initiatives and efficiencies
- ◆ the work of ASIC's taskforces on dark liquidity and high-frequency trading
- ◆ market surveillance issues, including ASIC's new surveillance system.

5.3.7 Registry and Licensing Business Advisory Committee

The Registry and Licensing Business Advisory Committee provides an ongoing means of direct consultation with the business community, providing input and opinion on the impact of current and proposed registry and licensing services, with particular emphasis on small business.

The committee's scope includes advice on strategic directions, performance feedback, and reporting on the trends and needs of business. It advises on proposed legislative change and on the appropriateness of corporate registry objectives and initiatives, with a focus on the impact to business and to ASIC operations.

The committee members are drawn from a wide range of business community, industry and professional organisations. Each member of the committee represents an area of experience and expertise relevant to the planning and delivery of ASIC's registry and licensing objectives and initiatives. They contribute their knowledge, experience and expertise of business, industry and ASIC to the advisory process.

The committee members in 2013–14 were:

- ◆ Greg Tanzer, Commissioner, Australian Securities and Investments Commission (Committee Chairman)
- ◆ Paula Allen, Institute of Chartered Accountants Australia
- ◆ Chris Boys, Dun & Bradstreet
- ◆ Robin Buckham, Family Business Australia
- ◆ Wayne Debernardi, Institute of Public Accountants
- ◆ Judith Fox, Chartered Secretaries Australia
- ◆ Andrew Madry, Australian Institute of Company Directors
- ◆ Geoff Nicoll, Law Council of Australia
- ◆ Colin Porter, CreditorWatch
- ◆ Warren Renden, BGL Corporate Solutions
- ◆ Peter Strong, Council of Small Business Organisations of Australia
- ◆ Anna Tantau, CPA Australia
- ◆ Claire Wivell Plater, The Fold Legal Pty Ltd
- ◆ Myron Zlotnick, Reckon Group.

We thank Reece Agland, Philippa Taylor and Guy Surkyn, outgoing representatives of Institute of Public Accountants, Family Business Australia and Dun & Bradstreet respectively, for their valuable contributions.

During 2013–14, the committee was actively engaged in providing feedback on, and input to, our strategies for increasing online registry interaction, customer engagement and strategic communications. In addition, we gave the committee updates about our continued improvements to our registry services, including the introduction of the new online business name renewal service.

5.4 Portfolio budget statement outcomes

ASIC's outcomes for 2013–14 are reported below against the Government's Portfolio Budget Statements.

Outcome 1: Improved confidence in Australia's financial markets through promoting informed investors and financial consumers, facilitating fair and efficient markets and delivering efficient registry systems

Program 1.1: Australian Securities and Investments Commission

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

This program also seeks to improve ASIC's registry and stakeholder services by developing initiatives for business and consumer stakeholders to simplify and reduce the cost of interactions with ASIC.

Program 1.1 deliverables	Key performance indicators	2013–14 key outcomes
Confident and informed investors and financial consumers		
<ul style="list-style-type: none"> ♦ Educate investors and promote information about risk, reward and diversification so that they can make informed investment decisions ♦ Hold people with a trusted role in the financial system (gatekeepers, such as auditors, directors, advisers, custodians, product manufacturers and distributors, market operators and participants) to account ♦ Recognise how investors and financial consumers make decisions 	<ul style="list-style-type: none"> ♦ Investors and consumers can make informed decisions ♦ Product issuers, credit providers and financial/credit advisers meet required standards ♦ Fair and efficient processes for resolution of disputes 	<ul style="list-style-type: none"> ♦ Over 4.7 million visited ASIC's MoneySmart website, which provides free, impartial and comprehensive investor and financial consumer information on money matters – 86% of users took action on their finances after visiting MoneySmart ♦ Our TrackMySPEND app was downloaded over 112,000 times ♦ 90,000 people accessed MoneySmart Rookie resources, ASIC's flagship financial education program for young people ♦ Our Indigenous Outreach team visited over 40 urban, regional and remote locations to provide resources and information for Indigenous financial consumers and the organisations and professionals that support them ♦ We undertook proactive, risk-based surveillances focused on, for example, SMSF advice, platform compliance, systemic risks of investment banks and payday lending ♦ We permanently banned 20 individuals from providing financial advice and cancelled or suspended 23 AFS licences and permanently banned 13 individuals or companies from engaging in credit activities and cancelled or suspended 20 Australian credit licences ♦ 127 advertisements for financial products and services were withdrawn or amended ♦ ASIC continued its direct and ongoing oversight of two ASIC-approved external dispute resolution schemes ♦ We dealt with 10,530 reports of alleged misconduct, 69% of which were finalised within 28 days

Program 1.1 deliverables

Key performance indicators

2013–14 key outcomes

Fair and efficient financial markets

- | | | |
|--|--|---|
| <ul style="list-style-type: none"> ◆ Supervise equities and derivatives markets for instances of market misconduct ◆ Supervise market operators for compliance with statutory obligations ◆ Promote good corporate governance ◆ Hold people with a trusted role in the financial system to account if they are not meeting their obligations | <ul style="list-style-type: none"> ◆ Participants in financial markets meet required standards ◆ Financial markets are orderly and efficient ◆ Issuers and their officers meet required standards | <ul style="list-style-type: none"> ◆ ASIC launched ‘Market Analysis Intelligence’ as part of the roll-out of our new real-time integrated market surveillance system, the Flexible Advanced Surveillance Technologies program – this increases our functionality and capability to perform market surveillances ◆ We produced 36,346 trading alerts and conducted inquiries into 224 matters with market participants ◆ We undertook proactive, risk-based surveillances focused on, for example, improving audit quality, raising liquidator standards, hybrid products, and emerging market issuers ◆ ASIC either stopped, or improved disclosure on, 141 prospectuses, including extending the exposure period on 53 prospectuses ◆ We monitored 57 new takeover bids and intervened to seek better disclosure or conduct ◆ We disqualified 60 directors from managing corporations through administrative action ◆ ASIC issued the final rules and regulatory guidance for OTC derivatives and market integrity rules on dark liquidity and high-frequency trading |
|--|--|---|

Efficient licensing and registration

- | | | |
|---|---|--|
| <ul style="list-style-type: none"> ◆ Provide stakeholders with a modern, efficient, accurate and cost-effective corporate register and licensing system ◆ Improve public access to information about registered and licensed entities ◆ Reduce costs and red tape for business by making it easier to transact with ASIC ◆ Administer the law to enhance commercial certainty and reduce business costs | <ul style="list-style-type: none"> ◆ Registration and licensing is efficient, accurate and cost effective for business ◆ Business complies with ongoing registration and licensing obligations ◆ The public has easy access to information on ASIC registers | <ul style="list-style-type: none"> ◆ 212,573 new companies registered, an increase of 10.6% compared with previous year ◆ 299,988 business names were newly registered on the national Business Names Register – 99% were registered within one business day of ASIC receiving the application ◆ Businesses saved over \$40 million in reduced fees to register or renew a business name ◆ 15.7 million visits to the www.asic.gov.au website, which provides an access point to our services and information about registers ◆ 76.2 million searches of ASIC registers were conducted ◆ 86.1% of all 2.4 million registry lodgements with ASIC were submitted online ◆ ASIC’s Customer Contact Centre handled over 1 million calls and online queries – our call response speed increased significantly to 2 minutes and 28 seconds ◆ We established the online hub to help small businesses better understand their legal obligations and our role – there were 20,800 visits since its launch in November 2013 |
|---|---|--|

5.4 Portfolio budget statement outcomes continued

Program 1.1 deliverables	Key performance indicators	2013–14 key outcomes
Misconduct is dealt with and deterred		
<ul style="list-style-type: none"> Misconduct is dealt with and deterred across all three priorities 	<ul style="list-style-type: none"> Clear alignment between ASIC enforcement actions and key risk areas Improved stakeholder perceptions of how ASIC deals with people who do not comply with the law 	<ul style="list-style-type: none"> ASIC achieved 596 enforcement outcomes, including criminal and civil litigation, administrative action, and enforceable undertakings. Secured \$175.3 million in compensation or remediation for investors and financial consumers 103 individuals or companies banned from providing financial services or credit services 314 additional summary prosecutions for strict liability offences 62 disqualified or removed from directing companies See the 'Outcomes in detail' section for more information about major enforcement actions

Program 1.2 *Banking Act 1959, Life Insurance Act 1995, unclaimed monies and special accounts*

Program 1.2 objective: ASIC is responsible for the administration of unclaimed money from banking and deposit-taking institutions and life insurance institutions.

Program 1.2 deliverables	Key performance indicators	2013–14 key outcomes
<ul style="list-style-type: none"> Provide an accurate register of unclaimed money and special accounts administered by ASIC 	<ul style="list-style-type: none"> Refunds of unclaimed money are paid to successful claimants promptly Payments of money from special accounts are paid out promptly in accordance with the specified purposes or appropriate legislation 	<ul style="list-style-type: none"> ASIC received \$231 million in unclaimed money – approximately \$309 million was paid out in claims, including \$2.7 million in interest ASIC paid money for banking and life insurance unclaimed money in an average of 14 days and company unclaimed money in an average of 22 days

5.4.1 Agency resource statement 2013–14

		Actual available appropriation for 2013–14 \$'000s	Cash payments made ¹ 2013–14 \$'000s	Balance remaining 2013–14 \$'000s
Ordinary annual services²				
Departmental				
Departmental appropriation ³		487,782	376,793	110,989
Administered expenses				
Outcome 1 – Assetless				
Administration Fund		6,329	2,081	N/A
Total ordinary annual services	A	494,111	378,874	N/A
Other services				
Departmental non-operating				
Equity injections ⁴		16,647	9,896	6,751
Total other services	B	16,647	9,896	6,751
Total available annual appropriations (A+B)		510,758	388,770	N/A
Special appropriations limited by criteria/amount				
<i>Banking Act 1959</i>		N/A	269,076	N/A
<i>Life Insurance Act 1995</i>		N/A	11,793	N/A
Total special appropriations	C	N/A	280,869	N/A
Total appropriations excluding Special Accounts (A+B+C)		510,758	669,639	N/A
Special Account⁵				
Opening balance		33,794	N/A	N/A
Appropriation receipts		30,000	N/A	N/A
Costs recovered		1,123	N/A	N/A
Payments made		N/A	13,017	N/A
Total Special Account	D	64,917	13,017	N/A
Total resourcing (A+B+C+D)		575,675	682,656	N/A
Less appropriations drawn from annual appropriations above and credited to Special Accounts		(30,000)	–	N/A
Total net resourcing for ASIC		545,675	682,656	N/A

1. Does not include GST.

2. Appropriation Bill (No. 1) 2013–14, prior year departmental appropriation and s31 relevant agency receipts.

3. Includes \$18.7m for the Departmental Capital Budget. For accounting purposes this amount has been designated as 'contributions by owners'.

4. Appropriation Bill (No. 2) 2013–14.

5. Does not include Special Public Money.

5.4 Portfolio budget statement outcomes *continued*

5.4.2 Expenses by outcome

	Budget ¹ 2013–14 (1) \$'000s	Actual expenses 2013–14 (2) \$'000s	Variance column (1) minus column (2) \$'000s
Outcome 1: Improved confidence in Australia's financial markets through promoting informed investors and financial consumers, facilitating fair and efficient markets and delivering efficient registry systems.			
A Administered expenses funded by administered appropriations	6,329	4,132	3,216
B Departmental expenses funded by departmental appropriations and own-source revenue	417,890	349,464	18,983
Total for Outcome 1 (A + B)	424,219	353,596	22,199
Average FTE²	1,782	1,785	(3)

1. Based on the 2013–14 forecast as set out in ASIC's 2014–15 Portfolio Budget Statements.

2. 2014–15 Portfolio Budget Statements quoted the average staffing level which is different to FTE. The average staffing level includes employees working on capital projects while the FTE excludes employees working on capital projects.

5.5 Six-year summary of key stakeholder data

5.5.1 Summary of key stakeholder data, 2008–14

Business data	2013–14	2012–13	2011–12	2010–11	2009–10	2008–09
Companies (total)	2,118,666	2,012,241	1,921,545	1,839,772	1,768,526	1,700,891
New companies registered	212,573 ¹	192,211	176,062	163,276	157,667	137,410
Australian financial services (AFS) licensees	5,101	5,043	4,955	4,883	4,874	4,803
Authorised financial markets	40 ²	18	18	17	16	16
Licensed clearing and settlement facilities	6	6	5	5	5	5
Registered company auditors	4,729	4,852	4,985	5,114	5,207	5,345
Registered liquidators	696	685	680	669	664	660
Registered managed investment schemes	3,673	4,152	4,289	4,270	4,339	4,651
Credit licences	5,837	5,856	6,004	6,081	N/A ⁵	N/A ⁵
Fundraising documents lodged	1,095	821	799	957	880	776
Product disclosure 'in-use' notices	5,461	4,988	4,758	4,593	4,698	6,390
Takeovers	59	45	55	72	73	47
Fundraising where ASIC required additional disclosure	\$6.7bn	\$3.5bn	\$7bn	\$3.4bn	\$6bn	\$4bn
Recoveries, costs, compensation, fines or assets frozen	\$214.6m	\$222.4m	\$19.8m	\$113m	\$302m	\$28m
% successful criminal and civil litigation ³	90%	95%	92%	90%	91%	90%
Criminal and civil litigation and administrative actions concluded ⁴	149	144	179	202	156	186
Criminals imprisoned	14	9	20	16	12	19
Reports of crime or misconduct	10,530	11,682	12,516	15,634	13,372	13,633
Total searches of ASIC databases	76.2m	68.0m	71.2m	68.5m	61m	60m
Business names (total)	1,994,001	1,740,780	1,488,898	N/A ⁵	N/A ⁵	N/A ⁵

5.5 Six-year summary of key stakeholder data continued

Business data	2013–14	2012–13	2011–12	2010–11	2009–10	2008–09
New business names registered	299,988	274,349	19,131	N/A ⁵	N/A ⁵	N/A ⁵
Registered SMSF auditors	7,073	5,935	N/A ⁵	N/A ⁵	N/A ⁵	N/A ⁵
% company data lodged on time	96%	95%	95%	95%	95%	95%
Fees and charges collected for the Commonwealth	\$763m	\$717m	\$664m	\$622m	\$582m	\$552m
Staff (average FTEs)	1,785	1,844	1,738	1,893	1,932	1,698

1. Successful and completed registrations.

2. This includes domestic and overseas financial markets that are licensed to operate in Australia as well as financial markets that are exempt from the requirement to be licensed.

3. Excludes administrative actions and summary prosecutions for strict liability offences.

4. Excludes summary prosecutions for strict liability offences.

5. N/A means not applicable because legislative requirements had not commenced.

5.6 Reports required under statute and other reporting requirements

5.6.1 Australian Securities and Investments Commission Act 2001

As required by s136(2)(e), ASIC reports that in 2013–14 it received 16 applications to grant relief under Pt 15 of the *Retirement Savings Account Act 1997* and exercised its powers to do so on three occasions. The other applications received were either withdrawn, not approved, approved outside the 2013–14 reporting period or a decision is pending.

ASIC issued one legislative instrument under Pt 29 of the *Superannuation Industry (Supervision) Act 1993* in 2013–14, to exempt licensees from the disclosure-related obligation in s29QC of that Act until 1 July 2015.

As required under s136(2)(g), ASIC reports that during 2013–14 it conducted inspections of three Australian audit firms jointly with the United States Public Company Accounting Oversight Board (PCAOB) under the terms of an agreement between the two organisations.

In connection with these joint inspections, ASIC shares certain information with the PCAOB under s11(14) of the ASIC Act. The inspections focus on audit quality and include reviews of firms' quality control systems relating to audit, auditor independence systems, and working papers for selected audit engagements.

ASIC did not conduct any joint inspections with the Canadian Public Accountability Board or share any information with them under the relevant provisions of the ASIC Act during 2013–14.

5.6.2 Commonwealth fraud control guidelines

During 2013–14, ASIC has reviewed its fraud exposures and has an approved fraud control policy and plan in place. ASIC has appropriate fraud prevention, detection, investigation, reporting and data collection procedures and processes in place to minimise the effects of fraud and to comply with the Commonwealth fraud control guidelines.

5.6.3 Compensation for detriment caused by defective administration

There were no payments made in 2013–14 under the Scheme for Compensation for Detriment caused by Defective Administration (CDDA Scheme).

5.6.4 External scrutiny of agency

Judicial decisions and decisions of administrative tribunals

There were no judicial decisions, administrative tribunal decisions or decisions by the Australian Information Commissioner in 2013–14 that have had, or may have, a significant impact on ASIC's operations.

Reports by Parliamentary Joint Committee on Corporations and Financial Services

There has been one ASIC oversight report between 1 July 2013 and 30 June 2014.

The report on the 2012–13 annual report of bodies established under the ASIC Act was tabled on 19 March 2014.

Senate Economics Committee

The Senate Economics Committee noted ASIC's *Annual Report 2012–13* and noted ASIC's provision of answers to questions on notice.

The Senate Economics Committee's report on its inquiry into the performance of the Australian Securities and Investments Commission was tabled on 26 June 2014.

ASIC has made 10 public submissions to the inquiry, including one correcting submission and one confidential submission.

Reports by Auditor-General

The Auditor-General issued Audit Report No. 48 2013–14, *Administration of the Australian Business Register*.

5.6 Reports required under statute and other reporting requirements *continued*

5.6.5 *Freedom of Information Act 1982*

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

Applications must be in writing, state that they are made pursuant to the FOI Act, provide information to identify the documents requested and provide details of where notices under the FOI Act can be sent to the applicant.

Requests by email should be sent to:

foirequest@asic.gov.au

or you may lodge a mail request to:

The Senior Manager
Administrative Law Team
GPO Box 9827
Melbourne VIC 3001

For further information on how to apply, visit **www.asic.gov.au**.

Categories of documents in ASIC's possession include:

in relation to operational matters:

- ♦ 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;

in relation to other matters:

- ♦ 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).

Members of the public can inspect ASIC regulatory documents, information brochures, media releases, reports, class orders and other regulatory publications on the ASIC website, **www.asic.gov.au**.

ASIC Digest, which includes ASIC regulatory documents and additional information, is published by Thomson Reuters under the terms of an agreement with ASIC.

ASIC Digest is available by subscription from Thomson Reuters, phone 1300 304 197.

Information from ASIC's registers and databases that is available to the public for the payment of a fee cannot be obtained under the FOI Act.

Agencies subject to the FOI Act are required to publish information for the public as part of the Information Publication Scheme (IPS).

This requirement is in Pt 2 of the FOI Act and has replaced the former requirement to publish a s8 statement in an annual report.

ASIC's Information Publication Plan, showing what information is published in accordance with the IPS requirements is accessible at **www.asic.gov.au/IPS**.

5.6.6 Grants programs

The Assetless Administration Fund (AA Fund) is a grant scheme established by the Australian Government and administered by ASIC. Currently, the scheme funds preliminary investigations and reports by liquidators into the failure of companies that have few or no assets, where it appears that enforcement action may result from the investigations and report, and funds liquidators for the winding-up of companies under Pt 5.4C of the Corporations Act. The AA Fund may also fund actions by liquidators to recover assets where fraudulent or unlawful phoenix activity is suspected.

The funding allocation for 2013–14 was \$3.5 million. In 2013–14, under the grant scheme, ASIC received 462 banning (EX02) applications, 121 'Matters other than section 206F – Director banning' (EX03) applications – a record number – and 32 winding-up activities. ASIC paid and committed \$2.8 million to liquidators during 2013–14.

Funded reports assisted in approximately 76% of director bannings for 2013–14, an increase of 18% on 2012–13.

Information on grants by ASIC under the AA Fund is available at: www.asic.gov.au/aafund.

5.7 Consultancies and expenditure on advertising

5.7.1 Commonwealth Electoral Act 1918

Section 311A of the *Commonwealth Electoral Act 1918* requires agencies to report on expenditure to advertising agencies, market research organisations, polling organisations, direct mail organisations and media advertising organisations. Sums less than \$12,400 are not required to be reported. All sums are GST inclusive, and are actual expenditure for 2013–14.

Information on advertising campaign expenditure greater than \$250,000 is available in the reports on Australian Government advertising prepared by the Department of Finance. Those reports are available at www.finance.gov.au/advertising/index.html.

Expenditure on advertising agency services in 2013–14

Agency	Expenditure	Purpose
Spinach Advertising	\$217,331	MoneySmart campaign development
Universal McCann	\$1,588,107	Advertising placement for MoneySmart Campaign
Universal McCann	\$165,000	Search engine optimisation services

Expenditure on services by market research¹, polling, direct mail, and media advertising organisations in 2013–14

Agency	Expenditure	Purpose
GFK Australia Pty Ltd	\$33,550	Indigenous advertising research
GFK Australia Pty Ltd	\$124,190	Advertising development research
Sweeney Research	\$111,373	MoneySmart brand tracking research
Sweeney Research	\$48,755	Consumer research for 'add-on' insurance
Les Bell and Associates Pty Ltd (Susan Bell Research)	\$65,000	Consumer research and report for home insurance
ORIMA Research Pty Ltd	\$53,445	Staff and internal customer surveys
Deloitte Touche Tohmatsu	\$30,000	Small business survey

1. We have listed market research organisations that are recognised by the Australian Market and Social Research Society (AMRS) and the Association of Market and Social Research Organisations (AMSRO).

5.7.2 Managing procurement

The *Financial Management and Accountability Act 1997* (FMA Act) and Financial Management and Accountability Regulations 2010 (FMA Regulations) primarily govern ASIC's use of Commonwealth resources and expenditure of public money. Responsibility for compliance with the Commonwealth Procurement Rules (CPRs) lies with the appropriate financial delegates.

The delegates are supported by a central procurement team of qualified procurement officers who:

- ◆ develop and maintain ASIC's procurement processes and systems designed to promote compliance with the FMA Act, FMA Regulations and the CPRs for all levels of procurement
- ◆ manage complex and/or high-risk procurement activities including procurements that are subject to the Mandatory Procurement Procedures of the CPRs.

ASIC's procurement framework aims to facilitate compliance with the core principles and policies of the CPRs, including 'value for money', 'encouraging competition', 'efficient, effective, ethical and economical use of resources' and 'accountability and transparency'. ASIC undertakes regular audits of procurement and any instances of non-compliance are reported through the CEO certification process and addressed as required through process improvement initiatives.

All major contracts entered into in 2013–14 contained provisions, as required, allowing the Auditor-General access to information held by contractors relating to contract performance.

5.7.3 Using AusTender

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

During 2013–14, ASIC implemented seven standing offer arrangements (procurement panels) including two cooperative arrangements and awarded 809 procurement activities (each valued at \$10,000 or more reported on AusTender) for a total value of \$95.5 million. Of these procurements, 208 were valued in excess of \$80,000 for a total value of \$75.2 million.

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 2013 and was updated in January 2014.

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

5.7.4 Consultancy contracts

During 2013–14, 65 new consultancy contracts were entered into, involving total expenditure of \$2.209 million. In addition, 30 ongoing consultancy contracts were active during the year, involving total expenditure of \$2.364 million.

Consultancy trend data

	2013–14	2012–13	2011–12
Number of new consultancies	65	62	26
Expenditure on new consultancies (millions)	\$2.209	\$4.242	\$2.828
Number of ongoing consultancies	30	16	6
Expenditure on ongoing consultancies (millions)	\$2.364	\$3.961	\$1.704

Note: The above figures are GST inclusive and include all consultancies valued over \$10,000 as indicated on AusTender. The figures differ from the consultancy expenditure shown on page 106 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: www.tenders.gov.au.

5.7.5 Policy on selection and engagement of consultants

ASIC's consultancy budget is managed centrally and business units seeking to engage consultants are required to prepare a business case seeking funding. Requests to engage consultants must be linked to outcomes in business plans and contribute to ASIC's strategic priorities. Once the engagement of a consultant is approved, the procurement method used will be in accordance with the Commonwealth Procurement Guidelines and ASIC's procurement policies.

Of the 65 consultants engaged by ASIC during 2013–14, 40 were for specialised or professional skills, 13 were for skills not currently available within ASIC and 12 were for independent research or assessment. The method of procurement used was open tender for 24 engagements (including engagements from panels), pre-qualified tender for three engagements and limited tender for 38 engagements.

The main categories for which the consultants were engaged were:

- ◆ business intelligence
- ◆ information technology
- ◆ education and training
- ◆ strategic planning consultation services.

5.8 ASIC's use of its powers

Since 2010–11, ASIC has reported the use of our compulsory information-gathering powers under statute. This appendix discloses data by number of instances in 2013–14, with comparative data for the previous year.

Use of significant compulsory information-gathering powers		No. of notices 2013–14	No. of notices 2012–13
Appear for examination			
s19 ASIC Act ¹	Requirement to appear for examination	512	448
s58 ASIC Act	Power to summons a witness and take evidence	0	0
s253 National Credit Act ¹	Requirement to provide reasonable assistance	81	66
Give reasonable assistance			
s1317R Corporations Act	Power to require assistance in prosecutions	5	43
s49(3) ASIC Act	Power to require reasonable assistance in prosecutions	58	20
s51 National Credit Act	Requirement to provide reasonable assistance	0	0
s601FF Corporations Act	Power to conduct surveillance/monitor managed investment scheme	0	3
s274(4) National Credit Act	Requirement to provide reasonable assistance	6	0
s912E Corporations Act	Power to require assistance and disclosure of books and information from an AFS licensee	650	582
Produce documents			
s266 National Credit Act	Requirement to produce books (credit activities)	143	210
s267 National Credit Act	Requirement to produce books	221	190
s30 ASIC Act	Notice to produce books about affairs of body corporate or registered scheme	1,059	969
s31 ASIC Act	Notice to produce books about financial products	116	187
s32A ASIC Act	Notice to produce books about financial services	1	6
s33 ASIC Act	Notice to produce books in person's possession	1,199	1,109

Use of significant compulsory information-gathering powers		No. of notices 2013–14	No. of notices 2012–13
Provide information			
s12GY(2) ASIC Act	ASIC to require claims to be substantiated	0	0
s601HD Corporations Act	Power to request information about compliance plan of a registered scheme	0	0
s49(1) National Credit Act	Requirement to provide information (statement)	66	49
s912C Corporations Act	Power to require information from an AFS licensee	408	344
Item 17 Sch 2 National Credit Act	Power to require information (obtain statement or audit report)	0	0
s672A Corporations Act	Power to require disclosure of relevant interests	55	55
s672B Corporations Act	Power to require disclosure of relevant interests	1	4
s37(4) National Credit Act	Power to request information or audit report from licence applicant	0	0
s792D Corporations Act	Power to require reasonable assistance from a market licensee	3	17
Provide information and produce books			
s30A ASIC Act	Notice to auditors requiring information or books	43	57
Search warrants			
s3E <i>Crimes Act 1914</i>	Warrants to search premises/conveyance or person	27 ²	30
s36 ASIC Act	Warrant to search premises	0	1
Use of other powers			
Obligations of carriers and carriage service providers			
s313 <i>Telecommunications Act 1997</i>	Request for help as is reasonably necessary for enforcing the criminal law and laws imposing pecuniary penalties	0	10
Provide documents, information or evidence			
s10(2) <i>Mutual Assistance in Business Regulation Act 1992</i>	Requirement to produce documents, to give information or to appear to give evidence and produce documents	24	23

1. These notices may also include directions to provide reasonable assistance or produce documents.
2. Of the 27 warrants issued (for seven individual investigations), 25 were executed.

Glossary

AFS licence	Australian financial services licence
ASIC Act	<i>Australian Securities and Investments Commission Act 2001</i>
ASIC Connect	ASIC's online portal for business name registration and searching companies, business names and other registers
Assetless Administration Fund	A grant scheme established by the Australian Government and administered by ASIC. It funds preliminary investigations and reports by liquidators into the failure of companies that have few or no assets
ASX	ASX Limited or the exchange market operated by ASX Limited
Business Names Register	ASIC's national business names registration service, which was launched on 28 May 2012
CDPP	Commonwealth Director of Public Prosecutions
Corporations Act	<i>Corporations Act 2001</i>
dark liquidity or dark pools	A type of matching system characterised by the absence of pre-trade transparency, meaning that bids and offers are not made publicly available as is the case with, for example, the ASX's central order limit book
derivative	A financial instrument where the value is derived from an underlying asset, such as a share, commodity or index. Common derivatives include options and futures contracts
financial difficulty businesses	Businesses that offer commercial products or services to individuals experiencing financial difficulty. These include credit repair firms, debt agreement administrators, and budgeting and debt negotiation firms
FOFA reforms	The Government's Future of Financial Advice reforms, which aim to improve the conduct of financial advisers and the way that retail clients engage with advisers and advice. Some elements of the reforms came into force on 1 July 2012, with compliance mandatory from 1 July 2013
G20	Group of 20 of the world's largest economies (19 countries and the European Union)
G20 commitments	Commitments made by the G20 nations in September 2009 for the operation of OTC derivatives markets
hedge fund	A fund that aims to make money in both rising and falling markets by using strategies such as options and futures contracts to minimise any losses

high-frequency trading	While there is no commonly agreed definition of high-frequency trading, it is characterised by: the use of high-speed computer programs to generate, transmit and execute orders on markets; the generation of large numbers of orders, many of which are cancelled rapidly; and typically holding positions for very short time horizons and ending the day with a zero position
hybrid securities	Securities that combine 'equity-like' and 'debt-like' characteristics
IOSCO	International Organization of Securities Commissions
MoneySmart	ASIC's consumer website, which provides money tips and tools, and aims to help consumers and investors make financial decisions that improve their lives
MySuper	The low-cost default superannuation product created as part of the Stronger Super reforms
National Credit Act	<i>National Consumer Credit Protection Act 2009</i>
National Financial Literacy Strategy	The National Financial Literacy Strategy, developed by ASIC, provides national direction for this priority area. The Strategy was comprehensively reviewed and updated by ASIC during 2013–14, identifying key issues and priorities for 2014–17, and launched on 1 August 2014.
OTC	Over-the-counter
payday lending	Small-amount or short-term loans to individuals that generally attract significantly higher interest rates and costs than other types of loans
phoenix activity	Typically, phoenix activity involves transferring the assets of a company (the previous company) to a subsequent company in circumstances where the previous company was unable to pay its debts, and the transfer may have been conducted in a manner so as to deprive unsecured creditors equal access to its assets, and there is a connection between the management or shareholding of the previous company and the subsequent company
platforms	Investor directed portfolio services (IDPS) and IDPS-like schemes
SMSF	Self-managed superannuation fund
Stronger Super reforms	The Stronger Super reforms are the Government's response to the review of Australia's superannuation system (Super System Review). These reforms aim to create a simple low-cost default superannuation product, make the processing of everyday transactions easier, cheaper and faster, and strengthen the governance and integrity of the superannuation system
substituted compliance	Australian market participants are allowed to rely on their compliance with Australian requirements when seeking to operate in another jurisdiction, as a substitute for that jurisdiction's requirements

Compliance index

Part of Report	Description	Requirement	Location (page/s)
	Letter of transmittal	Mandatory	1
	Table of contents	Mandatory	Inside front cover
	Index	Mandatory	176
	Glossary	Mandatory	170
	Contact officer(s)	Mandatory	Inside back cover
	Internet home page address and Internet address for report	Mandatory	Inside back cover
Review by Secretary	Review by departmental secretary	Mandatory	2–4
	Summary of significant issues and developments	Suggested	2–4
	Overview of department's performance and financial results	Suggested	2–10, 24
	Outlook for following year	Suggested	4
	Significant issues and developments – portfolio	Portfolio departments – suggested	N/A
Departmental overview	Role and functions	Mandatory	14
	Organisational structure	Mandatory	15–16
	Outcome and program structure	Mandatory	2, 5–7, 19–21
	Where outcome and program structures differ from PB Statements/PAES or other portfolio statements accompanying any other additional appropriation bills (other portfolio statements), details of variation and reasons for change	Mandatory	156–160
	Portfolio structure	Portfolio departments – mandatory	N/A

Part of Report	Description	Requirement	Location (page/s)
Report on performance	Review of performance during the year in relation to programs and contribution to outcomes	Mandatory	5–7, 25–68, 161–162
	Actual performance in relation to deliverables and KPIs set out in PB Statements/PAES or other portfolio statements	Mandatory	156–160
	Where performance targets differ from the PBS/PAES, details of both former and new targets, and reasons for the change	Mandatory	156–160
	Narrative discussion and analysis of performance	Mandatory	25–68
	Trend information	Mandatory	59, 161–162, 167
	Significant changes in nature of principal functions/services	Suggested	N/A
	Performance of purchaser/provider arrangements	If applicable, suggested	N/A
	Factors, events or trends influencing departmental performance	Suggested	2–4, 7
	Contribution of risk management in achieving objectives	Suggested	2–3, 9, 22–23, 27–30, 32, 39–43
	Social inclusion outcomes	If applicable, mandatory	N/A
	Performance against service charter customer service standards, complaints data, and the department's response to complaints	If applicable, mandatory	65–66
	Discussion and analysis of the department's financial performance	Mandatory	24
	Discussion of any significant changes from the prior year, from budget or anticipated to have a significant impact on future operations	Mandatory	2–4, 22–23, 24
	Agency resource statement and summary resource tables by outcomes	Mandatory	159–160

Compliance index continued

Part of Report	Description	Requirement	Location (page/s)
Corporate governance	Agency heads are required to certify that their agency comply with the Commonwealth Fraud Control Guidelines.	Mandatory	163
	Statement of the main corporate governance practices in place	Mandatory	150–151
	Names of the senior executive and their responsibilities	Suggested	11–12, 15–16
	Senior management committees and their roles	Suggested	15–16, 150–151
	Corporate and operational planning and associated performance reporting and review	Suggested	
	Approach adopted to identifying areas of significant financial or operational risk	Suggested	
	Policy and practices on the establishment and maintenance of appropriate ethical standards	Suggested	4, 70–71
External scrutiny	How nature and amount of remuneration for SES officers is determined	Suggested	
	Significant developments in external scrutiny	Mandatory	4, 8, 14, 163
	Judicial decisions and decisions of administrative tribunals	Mandatory	163
Management of human resources	Reports by the Auditor-General, a Parliamentary Committee or the Commonwealth Ombudsman	Mandatory	8, 163
	Assessment of effectiveness in managing and developing human resources to achieve departmental objectives	Mandatory	70–71
	Workforce planning, staff turnover and retention	Suggested	70
	Impact and features of enterprise or collective agreements, individual flexibility arrangements (IFAs), determinations, common law contracts and AWAs	Suggested	
	Training and development undertaken and its impact	Suggested	70
	Work health and safety performance	Suggested	71
	Productivity gains	Suggested	
	Statistics on staffing	Mandatory	71–77
	Enterprise or collective agreements, IFAs, determinations, common law contracts and AWAs	Mandatory	73
Performance pay	Mandatory	72	
Assets management	Assessment of effectiveness of assets management	If applicable, mandatory	N/A

Part of Report	Description	Requirement	Location (page/s)
Purchasing	Assessment of purchasing against core policies and principles	Mandatory	166–167
Consultants	The annual report must include a summary statement detailing the number of new consultancy services contracts let during the year; the total actual expenditure on all new consultancy contracts let during the year (inclusive of GST); the number of ongoing consultancy contracts that were active in the reporting year; and the total actual expenditure in the reporting year on the ongoing consultancy contracts (inclusive of GST). The annual report must include a statement noting that information on contracts and consultancies is available through the AusTender website.	Mandatory	166–167
Australian National Audit Office access clauses	Absence of provisions in contracts allowing access by the Auditor-General	Mandatory	167
Exempt contracts	Contracts exempt from the AusTender	Mandatory	167
Financial statements	Financial Statements	Mandatory	83–148
Other mandatory information	Work health and safety (Schedule 2, Part 4 of the <i>Work Health and Safety Act 2011</i>)	Mandatory	71
	Advertising and Market Research (s311A of the <i>Commonwealth Electoral Act 1918</i>) and statement on advertising campaigns	Mandatory	166
	Ecologically sustainable development and environmental performance (s516A of the <i>Environment Protection and Biodiversity Conservation Act 1999</i>)	Mandatory	81–82
	Compliance with the agency's obligations under the <i>Carer Recognition Act 2010</i>	If applicable, mandatory	N/A
	Grant programs	Mandatory	165
	Disability reporting – explicit and transparent reference to agency-level information available through other reporting mechanisms	Mandatory	70
	Information Publication Scheme statement	Mandatory	164
	Correction of material errors in previous annual report	If applicable, mandatory	N/A
	List of requirements	Mandatory	172

Note: N/A means not applicable.

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