



CHARTERED ACCOUNTANTS  
AUSTRALIA + NEW ZEALAND

22 May 2015

Mr Greg Kirk  
Senior Executive Leader  
Strategy Group  
Australian Securities & Investments Commission  
100 Market Street  
SYDNEY NSW 2000

Dear Greg,

### **ASIC Performance Framework**

Chartered Accountants Australia and New Zealand welcomes the opportunity to provide a submission on the Australian Securities & Investments Commission's (ASIC) Performance Framework (the Framework). Appendix B includes more information about our organisation.

### **Key points**

- We have not considered the hypothetical selected examples of self-assessment in accordance with your covering letter.
- It is important that any measures of good regulatory performance are robust and measurable which will enable them to demonstrate performance in the event of any decision by government to move to a user pays regulatory model. Accountability will be more important than ever in the event of a new funding model.
- We support the objectives of the key performance indicators listed. They are sound objectives which reflect ASIC's important regulatory role.
- We believe many of the examples of output based evidence are lists of what ASIC does rather than evidence of performance indicators.

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- The successful achievement of many of these indicators will be reliant on ASIC staff being well trained and in some cases having relevant industry experience and knowledge. There appears to be a disconnect between the need for training and development and the indicators listed.

Yours sincerely

**Rob Ward AM FCA**  
**Head of Leadership & Advocacy**

### List of outputs

The draft Framework as currently proposed may not achieve its objectives as it appears to focus on operations rather than the outcome of the operations. Measures to drive the achievement of objectives from regulatory activities would normally focus on input and output measures. For example, the regulator needs to have appropriate inputs, such as appropriately trained and supervised staff to achieve desired regulatory outcomes. These input measures would be relevant as KPIs. Equally output measures would focus on how the activities or operations achieve the aim – e.g. not unnecessarily impeding efficient operation or having clear and targeted communication – and not just on having taken place. We support the use of stakeholder feedback as a KPI.

Many of the examples provided as output/activity-based evidence are just lists of activities that ASIC does. They are not an indicator of performance nor do they provide accountability in respect of performance.

### Role of ASIC staff

The success of many of the indicators outlined in the Framework are dependent upon ASIC staff being trained and developed to be able to deliver the correct outcome. However, this does not appear to be reflected in the Framework or metrics. Some examples include:

KPI 1 refers to regulators demonstrating an understanding of the operating environment of the industry. The proposed evidence is just a series of stakeholder panels. While stakeholder panels are important and do help to promote industry knowledge they do not replace the need for staff training on industry issues. Recruiting staff with relevant industry backgrounds together with industry secondments are ways of improving industry knowledge.

Many of the panels are valuable and provide stakeholders with an understanding of the issues ASIC is addressing, however, there should be a demonstrated correlation between the activities of the panel or committee and improved processes, procedures or policies.

KPI 2 refers to regulator communication. The proposed evidence is making scripts available to the call centre. Again there is appears to be a disconnect between the role of staff and the need for training. Scripts are a useful tool but ineffective without the right training.

KPI 3 refers to regulator actions being proportionate to regulatory risk. One of the evidence metrics is a documented risk-based surveillance approach being available for staff use. Once again training is important for staff to understand how to apply a risk-based approach generally and specifically around the use of the risk framework. Currently it is not always clear that action is being taken that is proportionate to the underlying risk. It sometimes appears that staff do not always understand the connection which may point to the need for further training.

### Effective communication

KPI 2 is concerned with communication with regulated entities being clear, targeted and effective. Much of ASIC's communication with regulated entities is targeted to provide details of what is being done incorrectly. Often the examples of regulated entities which do things well provide good learning opportunities for a regulated sector.

Communication which is clear, targeted and effective must also be perceived by stakeholders as valuable. Similarly it is important to demonstrate how ASIC has conducted its operations to deliver against its service charter.

While supporting the risk based approach in KP3, it is vital that ASIC's communication about its surveillance activities appropriately highlights that it is risk-based and the outcomes are not necessarily an example of a market wide or systemic issue. In addition, where issues are found a metric should be developed that outlines the steps ASIC has taken to address them and then how they have achieved success by reducing a specific risk or problem ASIC has found.

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