

## 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                        |
| <b>Surveillance coverage:</b><br>3,391 AFS licensees authorised to provide personal advice <ul style="list-style-type: none"> <li>♦ Top 20 – 0.7 years</li> <li>♦ Next 30 – 0.8 years</li> <li>♦ Remaining 3,341 – primarily reactive surveillances</li> </ul> 1,454 AFS licensees authorised to provide general advice – reactive surveillances only<br>2 ASIC-approved external dispute resolution schemes – every year   | ↑<br>↓<br>–<br>↓<br>–                | <b>Surveillance coverage:</b><br>25 investment banks – twice a year<br>250 hedge fund investment managers/responsible entities – primarily reactive surveillances<br>61 retail OTC derivative providers – every year<br>7 credit rating agencies – every year   | ↓<br>N/A<br>↓<br>–              |
| 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                         |
| <b>Surveillance coverage:</b><br>485 active responsible entities including hedge fund operators in 2014–15 <ul style="list-style-type: none"> <li>♦ Top 25 – 70% of funds under management – every 2 years</li> <li>♦ 9 identified as most at risk of non-compliance – every year</li> <li>♦ 91 responsible entities in sectors where we have identified risks or have concerns – varies from year to year</li> <li>♦ Remaining 360 – primarily reactive surveillances</li> </ul> 165 super fund trustees <ul style="list-style-type: none"> <li>♦ 5 identified as most at risk of non-compliance – every year</li> <li>♦ Remaining 160 – primarily reactive surveillances</li> </ul> 20 major custodians – 2.9 years   | ↓<br>↓<br>↓<br>–<br>–<br>↓           | <b>Surveillance coverage:</b><br>168 authorised deposit-taking institutions (ADIs) <ul style="list-style-type: none"> <li>♦ Big 4 – every year</li> <li>♦ Remaining 164 – 13 years</li> </ul> 125 insurers – 7 years on average<br>636 licensed non-cash payment facility providers – primarily reactive surveillances<br>12 trustee companies – 7 years<br>5,706 non-ADI credit licensees (lenders and intermediaries) with 23,923 credit representatives – 37 years<br>Supplemented by reactive surveillances and reviews to target risks or concerns | –<br>↓<br>↓<br>–<br>↓<br>↓<br>– |
| Small business compliance and deterrence  |                                      | Corporations (including emerging mining and resources companies)  |                                 |
| 2013–14   | 2014–15                              | 2013–14   | 2014–15                         |
| Surveillance resources: 10  | Est: 7                               | Surveillance resources: 21  | Est: 20                         |
| <b>Surveillance coverage:</b><br>6,223 companies identified in the top 5 risk industries for the potential to conduct illegal phoenix activity – 29 years<br>Supplemented by reactive surveillances and reviews to target risks or concerns   | ↓<br>–                               | <b>Surveillance coverage:</b><br>21,767 public companies, including 2,252 listed entities (excludes foreign companies) <ul style="list-style-type: none"> <li>♦ All control transactions for listed entities</li> <li>♦ A significant proportion of prospectuses</li> <li>♦ A small sample of entities in areas of emerging risk – every year</li> <li>♦ Remaining entities – reactive surveillances only</li> </ul>  | –<br>–<br>–<br>–                |
| Insolvency practitioners  |                                      | Market and participant supervision  |                                 |
| 2013–14   | 2014–15                              | 2013–14   | 2014–15                         |
| Surveillance resources: 16  | Est: 12.5                            | Surveillance resources: 36  | Est: 35.4                       |
| <b>Surveillance coverage:</b><br>696 registered liquidators – 3.7 years   | –                                    | <b>Surveillance coverage:</b><br>Monitoring of the ASX, Chi-X, NSX and ASX 24 markets – every day<br>133 market participants – 3.3 years<br>800 securities dealers <ul style="list-style-type: none"> <li>♦ 100 larger entities (clients and volumes) – 4 years</li> <li>♦ 700 smaller entities – reactive surveillances and targeted reviews of high-risk entities only</li> </ul> Supplemented by reactive surveillances and reviews to target risks or concerns  | –<br>–<br>↓<br>↓<br>–           |
| Financial reporting and audit   |                                      | Financial market infrastructure   |                                 |
| 2013–14   | 2014–15                              | 2013–14   | 2014–15                         |
| Surveillance resources: 23  | Est: 21                              | Surveillance resources: 5   | Est: 3                          |
| <b>Surveillance coverage:</b><br>Financial reports of 2,000 listed entities (excludes foreign companies) and 26,000 unlisted entities <ul style="list-style-type: none"> <li>♦ Top 500 listed entities – 3 years</li> <li>♦ Remaining 1,500 listed entities (excludes foreign companies) – 9 years</li> <li>♦ 2,100 unlisted public interest entities – 25 years</li> <li>♦ 100 large proprietary companies – 54 years</li> </ul> 86 audit firms that audit listed entities: <ul style="list-style-type: none"> <li>♦ Big 4 audit 96.2% of listed entities by market capitalisation – 1.5 years</li> <li>♦ Next 18 audit 3.5% of listed entities by market capitalisation – 2.5 years</li> <li>♦ Remaining 64 audit 0.3% of listed entities by market capitalisation – 10.3 years</li> </ul> Supplemented by reactive surveillances | –<br>↓<br>↓<br>↓<br>↓<br>↓<br>↓<br>– | <b>Surveillance coverage:</b><br>40 authorised financial markets <ul style="list-style-type: none"> <li>♦ 18 licensed financial markets – every year</li> <li>♦ Other – reactive surveillances only</li> </ul> 6 licensed clearing and settlement facilities – every year   | –<br>–<br>–                     |

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

| Financial reporting and audit   |                                      | Financial market infrastructure   |             |
|---|--------------------------------------|---|-------------|
| 2013–14   | 2014–15                              | 2013–14   | 2014–15     |
| Surveillance resources: 23  | Est: 21                              | Surveillance resources: 5   | Est: 3      |
| <b>Surveillance coverage:</b><br>Financial reports of 2,000 listed entities (excludes foreign companies) and 26,000 unlisted entities <ul style="list-style-type: none"> <li>♦ Top 500 listed entities – 3 years</li> <li>♦ Remaining 1,500 listed entities (excludes foreign companies) – 9 years</li> <li>♦ 2,100 unlisted public interest entities – 25 years</li> <li>♦ 100 large proprietary companies – 54 years</li> </ul> 86 audit firms that audit listed entities: <ul style="list-style-type: none"> <li>♦ Big 4 audit 96.2% of listed entities by market capitalisation – 1.5 years</li> <li>♦ Next 18 audit 3.5% of listed entities by market capitalisation – 2.5 years</li> <li>♦ Remaining 64 audit 0.3% of listed entities by market capitalisation – 10.3 years</li> </ul> Supplemented by reactive surveillances | –<br>↓<br>↓<br>↓<br>↓<br>↓<br>↓<br>– | <b>Surveillance coverage:</b><br>40 authorised financial markets <ul style="list-style-type: none"> <li>♦ 18 licensed financial markets – every year</li> <li>♦ Other – reactive surveillances only</li> </ul> 6 licensed clearing and settlement facilities – every year | –<br>–<br>– |
| Key   |                                      |   |             |
| Surveillance coverage in 2014–15 anticipated to:  |                                      |   |             |
| ↑ increase<br>– remain stable<br>↓ decrease   |                                      |   |             |