



ANNUAL REPORT

2014–2015

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



ASIC

Australian Securities & Investments Commission

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**FOR
GOOD
REASON**

- > Investor and financial consumer trust and confidence
- > Fair, orderly, transparent and efficient markets
- > Efficient and accessible registration



ASIC

Australian Securities & Investments Commission

GREG MEDCRAFT

Chairman

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

15 October 2015

The Hon Scott Morrison MP
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 2015.

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 30 June 2015.

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 faithfully

Greg Medcraft
Chairman

Chairman's report

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

But markets cannot achieve their purpose in funding the real economy without trust and confidence in them.

As Australia's integrated corporate, markets, financial services and consumer credit regulator, ASIC contributes to Australia's economic reputation and wellbeing. Ensuring investors and financial consumers have trust and confidence in the financial system is at the heart of everything we do.

It is why our strategic priorities are to:

Priority 1: Promote investor and financial consumer trust and confidence

Priority 2: Ensure fair, orderly, transparent and efficient markets

Priority 3: Provide efficient and accessible registration

Our free-market system is based on the principles of investor responsibility, gatekeeper responsibility and the rule of law.

Understanding the behaviour of investors, consumers and gatekeepers, and applying the right interventions including 'nudges', is central to achieving our priorities.

While investors must take responsibility for their decisions, we know their behaviour is influenced by their financial literacy – their knowledge, skills and attitudes – and their behavioural biases. This is why ASIC is focused on providing education and tools to help Australians with their financial decisions.

We assist investors and financial consumers to participate confidently in our financial system by providing financial education through multiple channels recognising the information asymmetry between them and financial services gatekeepers.

This education is targeted at a wide cross-section of our community, from primary and secondary students and apprentices and trainees to people with limited English-language skills, Indigenous people and military personnel, not to mention

those who are simply approaching or going through a life event such as buying a home, divorce or retirement.

For example, ASIC's MoneySmart website – www.moneysmart.gov.au – has over 500 pages of information, and was visited over 5 million times in 2014–15. That is a 15% increase on the year before.

With the MoneySmart Teaching program, our target is embedding financial literacy in the National Curriculum. So far 34% of the nation's schools have engaged in the program. In addition, 14,000 teachers have undertaken professional development in financial literacy.

Our gatekeepers are those who have a legal responsibility in the financial system, for instance, product manufacturers, responsible entities, lenders, advisers, directors and auditors. The behaviour of these gatekeepers is driven by culture, incentives and deterrence.

Each of these drivers of gatekeeper behaviour can affect trust and confidence in the financial system, and whether our markets are fair, orderly, transparent and efficient. Operating in this environment, we work to ensure gatekeepers fulfil their legal responsibilities through our guidance, our surveillance and our enforcement. We seek to ensure the rule of law operates in the way intended, and we provide policy advice to Government to ensure the right deterrents are in place.

Challenges

Our environment continues to change and we are faced with new opportunities and emerging risks.

ASIC's long-term challenges are:

1. Conduct risk and the balance between a free market-based system and investor and financial consumer protection

We want to make sure participants in our financial system are focused squarely on customers first. And this focus should be reflected in their culture and conduct. Where culture, incentive structures and risk management are poor or misaligned, then conduct risk can crystallise and conflict with the interests of customers. For customers, this can lead to poor outcomes.

We also need to balance the need for intervention with helping business and allowing businesses to take risks. In this regard, we have cut red tape by almost \$470 million since September 2013.

2. Digital disruption and cyber resilience in our financial services and markets

Digital innovations are disrupting business models in financial services and markets. To keep pace with these changes, in 2015 ASIC launched its Innovation Hub. The hub helps financial technology start-ups navigate the regulatory system, without compromising our strategic priorities.

We also set up a Digital Finance Advisory Committee to help us monitor and understand these developments. Digital platforms that enable crowd-sourced equity funding, marketplace lending, advice and digital currencies have grown. For instance, 'blockchain' technology has the potential to alter fundamentally settlement and registration processes and trading in financial markets.

3. Structural change driven by superannuation

Structural change continues to test the regulatory environment, particularly with the growth in superannuation savings.

ASIC regulates many of the financial products in which superannuation funds invest and the gatekeepers that manage and advise on super.

The spread of market-based financing, driven by growth in super, an ageing population and an evolving funds management industry, impacts our work.

We are meeting this challenge by stepping up our surveillances, responding where clients are getting poor-quality financial advice, and addressing incentives and poor risk management, particularly in large, vertically integrated institutions.

We set up a special project to focus on the conduct of large financial advice firms with some investigations ongoing. In 2014–15, 14 individuals were permanently banned from providing financial advice, and a further 23 individuals were banned or agreed to stay out of the industry



Greg Medcraft, Chairman

for shorter periods of time. We also conducted 321 funds management surveillances, including reviewing risk management practices.

4. Complexity driven by financial innovation

The breadth of financial innovation is creating more complexity in products and markets.

To deal with this growing complexity, we are using behavioural insights to better understand how consumers and gatekeepers really behave.

We continue to monitor the marketing of financial products to make sure people are not misled. We have been active in this area. In 2014–15, our work resulted in 54 advertisements being changed or withdrawn.

5. Globalisation

Developments in technology, innovation and international regulation are making the global financial system more integrated, more competitive and more complex. Encouraging further cross-border activity and integration of international markets will mean significant benefits to our Australian markets, our providers and to consumers.

We are implementing G20 commitments to reform our over-the-counter (OTC) derivative markets and our involvement in the International Organization of Securities Commissions (IOSCO) has resulted in a cross-border regulatory toolkit.

We are working with the Securities and Exchange Commission in the US to enable mutual recognition of retail debt capital offering documents, giving Australian retail investors easier access to a broader range of debt instruments, maturity options, credit ratings and industry sectors. Reciprocally, this will allow Australian issuers of debt instruments easier access to the US retail debt market.

Detect. Understand. Respond.

We use our ‘detect, understand and respond’ approach to achieve the best risk resilience we can in the financial system with the resources we have.

Where there is wrongdoing or risk of wrongdoing, we will use the right ‘nudge’ to change gatekeepers’ behaviour.

ASIC is a law enforcement agency. In fact, we devote around 70% of our regulatory resources to surveillance and enforcement.

And for those who break the law intentionally, we will make best use of our resources and powers to ensure there are meaningful consequences.

Our actions are focused on areas that pose the greatest risk to people and the markets we regulate.

Engagement

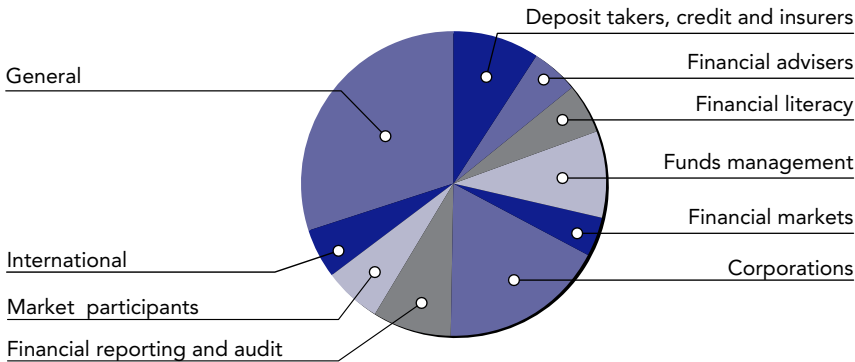
One of the ways that ASIC responds to misconduct or the risk of misconduct is through engagement. Engaging with the boards of our key stakeholders through regular meetings contributes to ASIC achieving our strategic priorities. In 2014–15, our Commission held 13 formal meetings collectively with the boards of financial institutions and industry associations, and individually met with more than 180 Chief Executive Officers and Executive Committees.

The Commission also delivered almost 100 speeches to a wide range of external stakeholders.

Engaging with boards of financial institutions enables ASIC to provide direct feedback to those who oversee these institutions about any compliance or culture issues we are seeing within their organisation. We have shared the outcomes of our surveillances with the relevant boards, and have discussed our concerns where we have found a lack of good culture or compliance.

Engaging with boards of key industry associations allows ASIC to share, often at a thematic level, regulatory, compliance and enforcement issues we are seeing in their industries. Industry associations can then pass this feedback on to their members. Industry associations also share information about matters of interest or concern, which enhances ASIC’s understanding of emerging risks.

Commission speeches by stakeholder group, 2014–15



ASIC's people

At ASIC, we pride ourselves on our people and our culture. Our staff bring a range of experiences and diversity of thought to what we do.

ASIC's people are highly skilled professionals. Our values – accountability, professionalism and teamwork – guide us in the way we work, the way we make decisions and how we interact with each other and our stakeholders.

We have done a review to determine the capabilities we need over the longer term. A big part of our workforce planning is informed by our Staff Survey, which in 2014–15 showed our people have a very high level of engagement.

We value a diverse and inclusive workplace and in 2014–15 we set up the ASIC Diversity Council. Along with our existing Women in ASIC program and multicultural and Indigenous committees, we have established LGBTI and accessibility committees. I strongly support these initiatives and the value diversity brings to our workplace.

Outlook

ASIC is ready to embrace the opportunities and challenges that the longer term will bring.

We recently released our four-year Corporate Plan, which sets out in more detail the challenges we will face and how we will meet them.

We are undertaking some significant internal changes across ASIC, which will streamline the way we capture, share and use information. These projects will build our capabilities, improve our processes and deliver smarter data and better tools for regulation.

This helps us operate better in a dynamic and complex regulatory environment, despite resourcing pressures.

We continue to advocate for an industry funding model to provide us with certainty of funding and to promote better regulatory outcomes. In August 2015, the Government released a consultation paper seeking views on this model and we welcome this process. Such a model will establish a price signal for resources used, which will drive efficiencies in the way ASIC allocates its resources. It will also improve our transparency and accountability. That means business will better understand the job we do by having greater visibility of the cost of doing that job.

We are also supporting the Government in its plans to have a private operator upgrade and operate the registry business.

We look forward to the Government's response to the Financial System Inquiry (FSI). The FSI provided an important and timely opportunity to take stock of where financial system regulation could be improved in Australia.

We also welcome the Government's capability review of ASIC, which will ensure ASIC is best positioned to meet future regulatory challenges.

I know that the exceptional men and women of ASIC are ready to meet these opportunities and challenges that lie ahead over the coming 12 months.



Greg Medcraft
Chairman

Key outcomes 2014–15

PRIORITY 1: Investor and financial consumer trust and confidence

Outcome	2014–15	2013–14	2012–13	2011–12
Engagement				
Meetings with industry groups and other stakeholders ¹	627	685	281	> 200
Consultation papers published	6	5	18	11
Industry reports published	10	14	7	7
Surveillance				
High-intensity surveillances completed	557	860	871	> 750
<i>In 2014–15, proactive, risk-based surveillance focused on areas such as financial advice, property schemes disclosure, payday lenders and home building and motor vehicle insurance.</i>				
Instances of potentially misleading or deceptive promotional material withdrawn or amended	54	127	120	80
Guidance				
New or revised regulatory guides published	9	10	31	19
New or revised information sheets	13	18	14	17
Legislative instruments, including amendments and repeals	19	17	21	24
Relief applications received ²	581	816	1,071	Not available
Approved ²	409	518	616	Not available
Refused ²	41	48	172	Not available
Withdrawn ²	59	250	283	Not available
In progress ²	72			Not available
Education				
Unique visits to ASIC's MoneySmart website	5.4 million	4.7 million	3.7 million	1.9 million
Users who took action on their finances after visiting MoneySmart	89%	86%	90%	89%
Number of unique school interactions with MoneySmart Teaching ³	3,185	396	92	Not applicable
Enforcement				
Investigations				
Investigations commenced	77	97	81	103

1. Data reflects reporting in given years on the basis of corporate structure and methodology at that time. Since 2013–14, meetings involving multiple ASIC teams have been counted against each team involved. Data does not include meetings held by Commissioners.

2. Data reflects point-in-time reporting in given years (not available for 2011–12). Break-down of withdrawn and in-progress applications not available in 2013–14 or 2012–13.

3. The MoneySmart Teaching program started in August 2012.

Outcome	2014–15	2013–14	2012–13	2011–12
Investigations completed	88	113	92	118
Criminal actions				
Criminal litigation completed ⁴	7	16	14	14
Criminal litigation completed successfully ⁴	86%	94%	86%	100%
New criminal litigation commenced ⁴	11	13	8	14
Number of people convicted	6	15	12	13
Number of people imprisoned	3	8	8	10
Non-custodial sentences/fines	3	7	4	2
Total dollar value of fines	\$10,000	\$5,000	\$75,000	\$12,000
Civil actions				
Civil litigation completed	43	12	39	79
Civil litigation completed successfully	86%	100%	100%	92%
New civil litigation commenced	20	31	37	36
Total dollar value of civil penalties	\$18,975,000	\$1,500,000	\$677,500	–
Administrative actions⁵				
Administrative actions completed	64	67	58	34
New administrative actions commenced	74	60	59	41
People/companies banned from financial services ⁶	53	63	50	45
People/companies banned from credit services	39	46	38	9
Enforceable undertakings				
Enforceable undertakings accepted	10	18	12	16
Infringement notices				
Number of infringement notices issued	70	20	8	Not applicable
Dollar value of infringement notices	\$710,440	\$240,200	\$25,300	Not applicable
Compensation				
Compensation or remediation secured	\$35.2 million	\$172.6 million	\$203.9 million	\$11.4 million
Policy advice				

In 2014–15, we made several submissions to Senate and Parliamentary Joint Committee Inquiries. We also provided policy advice in areas such as cross-border marketing of managed funds and provided technical assistance to Indonesia.

4. Excludes summary prosecutions for strict liability offences.

5. An administrative action is a decision by a delegate of ASIC to exercise a statutory protective power. Examples of an administrative action are a decision to disqualify a person from managing corporations, prohibit a person from providing financial services or engaging in credit activities, cancel or suspend an Australian financial services (AFS) licence or credit licence, or impose additional conditions on an AFS licence or credit licence.

6. Includes instances where conditions were placed on an AFS licensee.

Key outcomes 2014–15 continued

PRIORITY 2: Fair, orderly, transparent and efficient markets

Outcome	2014–15	2013–14	2012–13	2011–12
Engagement				
Meetings with industry groups and other stakeholders ¹	876	487	345	> 200
Consultation papers published	7	4	16	5
Industry reports published	4	4	5	
Surveillance				
High-intensity surveillances completed	459	907	1,286	> 700
In 2014–15, proactive, risk-based surveillance focused on areas such as financial benchmarks, retail OTC derivative trading, fundraising disclosure, financial reporting, auditors and registered liquidators.				
Trading alerts produced as part of our real-time supervision of financial markets	37,763	36,346	40,368	> 20,000
Number of matters further inquiries were made into as a result of trading alerts	214	224	180	131
Guidance				
New or revised regulatory guides published	13	13	17	10
New or revised information sheets	10	29	13	13
Legislative instruments, including amendments and repeals	20	24	21	5
Relief applications received ²	1,576	1,913	2,023	Not available
Approved ²	1,064	1,528	1,431	Not available
Refused ²	106	85	186	Not available
Withdrawn ²	268	300	406	Not available
In progress ²	138			Not available
Enforcement				
Investigations				
Investigations commenced	152	127	112	70
Investigations completed	143	125	94	65
Criminal actions				
Criminal litigation completed ³	18	16	13	20

1. Data reflects reporting in given years on the basis of corporate structure and methodology at that time. Since 2013–14, meetings involving multiple ASIC teams have been counted against each team involved. Data does not include meetings held by Commissioners.

2. Data reflects point-in-time reporting in given years (not available for 2011–12). Break-down of withdrawn and in-progress applications not available in 2013–14 or 2012–13.

3. Excludes summary prosecutions for strict liability offences.

Outcome	2014–15	2013–14	2012–13	2011–12
Criminal litigation completed successfully ³	94%	88%	85%	80%
New criminal litigation commenced ³	17	17	20	13
Number of people convicted	17	15	10	14
Number of people imprisoned	9	6	2	10
Non-custodial sentences/fines	8	9	9	6
Total dollar value of fines	\$40,000	\$80,000	\$105,000	\$22,000
Civil actions				
Civil litigation completed	11	16	11	23
Civil litigation completed successfully	55% ⁴	81%	100%	96%
New civil litigation commenced	14	21	17	16
Total dollar value of civil penalties	–	\$1,200,000	\$140,000	\$30,000
Administrative actions⁵				
Administrative actions completed	24	22	9	10
New administrative actions commenced	30	21	8	14
People disqualified or removed from directing companies	40	62	72	84
Action taken against auditors and liquidators	6	13	7	7
Enforceable undertakings				
Enforceable undertakings accepted	10	8	8	6
Infringement notices				
Number of infringement notices issued	13	19	9	4
Dollar value of infringement notices	\$673,000	\$1,213,000	\$452,000	\$120,000
Summary prosecutions				
Summary prosecutions for strict liability offences	355	314	528	402
Compensation				
Compensation or remediation secured for investors and financial consumers	\$943,418	\$2.7 million	–	–
Policy advice				

In 2014–15, we made several submissions to Senate and Parliamentary Joint Committee Inquiries. We also provided policy advice in areas such as corporate bonds, OTC derivative reforms, cyber resilience and financial benchmarks.

3. Excludes summary prosecutions for strict liability offences.

4. Of the 11 proceedings completed in this category in 2014–15, four of the five unsuccessful actions against individual subjects relate to the matter of Mariner Corporation Limited, which involved litigation on an untested provision of the Corporations Act.

5. An administrative action is a decision by a delegate of ASIC or the Companies Auditors and Liquidators Disciplinary Board (CALDB) to exercise a statutory protective power. Examples of an administrative action are a decision to disqualify a person from managing corporations, prohibit a person from providing financial services or engaging in credit activities, cancel or suspend an AFS licence or credit licence, impose additional conditions on an AFS licence or credit licence or cancel the registration of a person as an auditor or a liquidator.

Key outcomes 2014–15 continued

Timeliness and cost of enforcement actions

ASIC recognises the importance of delivering timely enforcement outcomes to deter wrongdoing and promote investor and financial consumer trust and confidence in the financial system and fair, orderly, transparent and efficient markets.

To support our commitment to transparency, for each of the last four years, we report on the average time to:

- ♦ complete the investigation phase of our enforcement activities
- ♦ decision for our criminal, civil and administrative actions finalised in each year.

In all cases, we measure times from the date matters are first drawn to ASIC’s attention.

We measure the length of our criminal investigations to the date of referral to the DPP, and civil and administrative investigations to the date proceedings are filed or matters are referred to an ASIC delegate or the CALDB.

The time involved in achieving enforcement outcomes can vary depending on many factors. As enforcement actions tend to run over several years, care needs to be taken in comparing one year to another. For example, the table below shows that the average time for civil actions in which a judgment was achieved in 2014–15 was substantially greater than in the preceding years. This is because

in 2014–15 we achieved final civil outcomes in two matters, Storm and Kamanga Holdings, which were commenced many years previously (6 and 15 years respectively). Excluding those matters, the average times would be similar to the previous years.

The cost involved in achieving enforcement outcomes can also vary. While we cannot currently specify the actual cost of criminal, civil and administrative actions individually, we generally expect administrative actions to be the least expensive. They typically require less resources in the investigation phase to produce a brief, and the costs associated with administrative hearings tend to be minimal. In contrast, criminal and civil actions (including the evidence gathering process) are normally more resource intensive. As the cost of running a criminal trial is borne by the DPP, the cost of civil actions is generally greater for ASIC given it funds counsel through the investigation and litigation phases, as well as the full cost of the civil hearing. In addition, ASIC ordinarily needs to pay a substantial portion of the legal costs of the defendant where we are unsuccessful in civil action, which we do not need to do in criminal or administrative actions.

We will continue to enhance how we measure these factors in the coming year, including the relative cost of different enforcement actions.

Average times associated with enforcement actions

	2014–15	2013–14	2012–13	2011–12	4-year average
Criminal actions					
Average time to complete investigation	16 mths	18 mths	19 mths	23 mths	19 mths
Average time to criminal court decision	45 mths	40 mths	48 mths	53 mths	46 mths
Civil actions					
Average time to complete investigation	28 mths	20 mths	15 mths	12 mths	19 mths
Average time to civil court decision	53 mths	35 mths	35 mths	37 mths	40 mths
Administrative actions					
Average time to complete investigation	32 mths	33 mths	18 mths	21 mths	28 mths
Average time to administrative decision	22 mths	22 mths	19 mths	17 mths	21 mths

Note: Times rounded to the nearest month.

PRIORITY 3: Efficient and accessible registration

Total companies registered		2.12 million	2.01 million	1.92 million
New companies registered		212,573	192,211	176,062
Total business names registered		1.99 million	1.74 million	1.49 million
New business names registered		299,988	274,349	19,131 ¹
Estimated savings in fees to register or renew business names		\$40.2 million	\$38 million	\$1.1 million ¹
Calls and online inquiries responded to by our Customer Contact Centre		1,080,690 ²	881,064	645,742
Forms lodged online		2.4 million	2.4 million	2.1 million
Percentage of forms lodged online		86.1%	84%	75.5%
Number of searches of ASIC registers		76.2 million	68.0 million	71.2 million

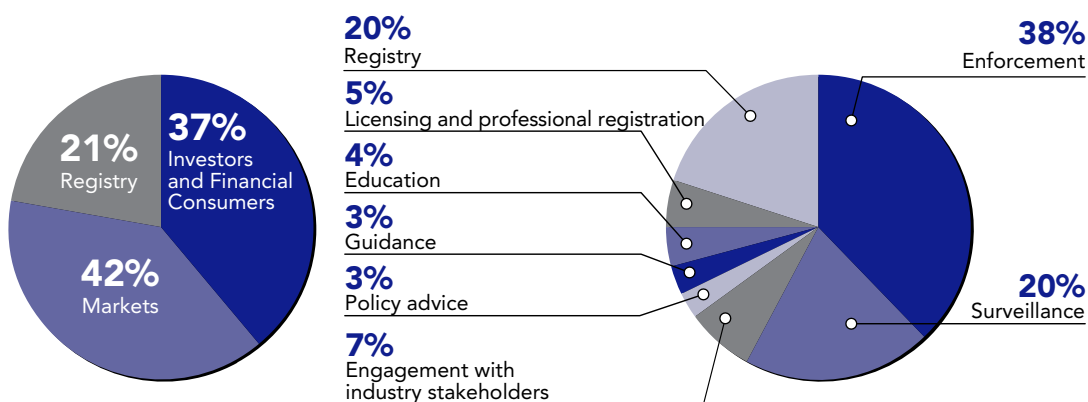
1. From the introduction of the national Business Names Register in May 2012.

2. Includes new online business name inquiry channels.

ASIC's priorities – resource allocation

The following charts indicate the proportion of ASIC's 2014–15 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 2014–15 – totalling \$304.9 million. This figure reflects ASIC's 2014–15 actual costs excluding statutory bodies, and ASIC's costs to support the statutory bodies.



Government priorities and parliamentary inquiries

Financial System Inquiry

The Financial System Inquiry delivered its final report to Government in December 2014. The inquiry examined how the financial system could best meet Australia's evolving needs and support economic growth. It made 44 recommendations across themes of efficiency, resilience and fairness.

ASIC made two public submissions, one in the initial consultation phase and one responding to the inquiry's interim report.

The inquiry supported many of the changes ASIC recommended in its submissions. These include:

- ♦ lifting standards in financial advice
- ♦ a more flexible regulatory toolkit for ASIC, including product intervention powers and obligations for product issuers and distributors to consider the type of consumer whose financial needs would be addressed by buying the product and the channel best suited to distributing the product
- ♦ increased penalties to encourage better conduct
- ♦ an industry funding model for ASIC
- ♦ ensuring the super system better meets the needs of the retirement phase through default annuity products.

We look forward to the Government's response to the Financial System Inquiry.

Financial Advisers Register

This year, ASIC launched the Financial Advisers Register, which captures financial adviser qualification, training and professional membership details. The register enables consumers to find out information about advisers and choose an adviser.

Life insurance advice reform proposals

In October 2014, ASIC released a review of retail life insurance advice. The review found that 37% of life insurance advice did not comply with the minimum standards in the Corporations Act. In response, industry commissioned the Trowbridge Report.

The Financial System Inquiry's final report referenced the Working Group supporting the development of the Trowbridge Report, and recommended a level commission structure for life insurance advice.

The Trowbridge Report was delivered in March 2015.

On 25 June 2015, the Government announced it would proceed with a reform package developed by industry, which included proposals to ban the payment of upfront and ongoing commissions above a certain level to advisers and to introduce clawback provisions.

ASIC announced that we would work with Government, industry and other stakeholders to help lift standards and ensure better outcomes for consumers. We are currently in discussions with Treasury and industry stakeholders on the options for implementation of the reform proposals.

Making it easier for business

ASIC continues to reduce red tape and lower compliance costs and in 2013–14 we set up a team to further our deregulatory initiatives. We continue to work closely with Treasury, the Office of Best Practice Regulation and the Government to cut red tape.

In 2014–15, ASIC achieved \$119.6 million in compliance savings for business, a significant contribution to the Government's annual red tape reduction target and exceeding the Government's target for ASIC. To date, our total compliance cost savings for business are almost \$470 million, since September 2013.

We are committed to continuing to streamline our processes and make it easier for business to interact with us. For example:

- ♦ in 2014–15, we launched our Innovation Hub to foster innovation and to help fintech start-ups comply with their obligations
- ♦ we estimate that ASIC's Business Names Register will save business over \$215 million, in reduced fees to register or renew business names, in its first five years of operation (May 2012 to June 2017)

- ♦ in May 2015, we piloted our Market Entity Compliance System, a portal that helps market participants, including market infrastructure providers, to comply with their obligations and maintains a record of their interactions with ASIC. The system was rolled out in July 2015.

Providing relief

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

We use our relief powers to set aside certain requirements of the law where there are compliance cost savings that outweigh regulatory risk – including to investors and financial consumers – or result in a small regulatory detriment at most.

In 2014–15, ASIC received 2,157 applications for relief. Of those, we made 1,473 decisions to cut red tape by granting relief. We refused 147 applications, 327 applications were withdrawn, and we are assessing the remaining 210.

We provide industry-wide relief through legislative instruments where appropriate and this provides cost savings for businesses. For example, this year, we gave transitional relief for reporting entities, exempting them from parts of the ASIC Derivative Transaction Rules (Reporting) 2013.

To ensure the transparency of our decisions, we release a report three times a year on our decisions to cut red tape.

Sunseting class orders

Under the *Legislative Instruments Act 2003*, all class orders ‘sunset’ or automatically lapse after a specified period (mostly 10 years) unless we take action to preserve them.

At 30 June 2015, there were over 300 ASIC class orders in operation. Of these, 12 were due to sunset in 2015, 85 in 2016, and 134 in 2017.

There is substantial work involved in reviewing sunseting class orders, and we consult with affected stakeholders on all class orders.

In 2014–15, ASIC published six consultation papers seeking stakeholders’ views on remaking 24 class orders, repealing 60 and allowing 2 to sunset.

Sunseting supplements the ordinary processes we use to keep our legislative instruments up to date.

Other parliamentary inquiries

In 2014–15, ASIC made eight public submissions to Senate and Parliamentary Joint Committee Inquiries, including to the PJC inquiry into the *Telecommunications (Interception and Access) Amendment (Data Retention) Bill 2014*, which reported in February 2015.

Other key submissions ASIC made this year included our submissions to the inquiries highlighted below, and the Senate Inquiry into foreign bribery, the Senate Inquiry into corporate tax avoidance and the Senate Inquiry into insolvency in the Australian construction industry. These inquiries are ongoing.

PJC Inquiry into lifting professional, ethical and education standards in the financial services industry

The Parliamentary Joint Committee on Corporations and Financial Services reported in December 2014 on its inquiry into proposals to lift the professional, ethical and education standards in the financial advice sector.

ASIC made a submission in September 2014 setting out our position on:

- ♦ the required level of adviser training
- ♦ how this should be assessed
- ♦ what is required to develop professionalism in the financial advice sector
- ♦ the role of codes of conduct and co-regulation in implementing professional, ethical and education standards.

The inquiry’s recommendations include proposals advocated by ASIC – a minimum degree qualification, a professional year, ongoing professional development and a registration exam. The inquiry also recommended advisers hold membership of a new standard-setting body with an approved professional association.

The Government is consulting to seek views on the recommendations to improve adviser professional standards, including how the proposed model can be implemented.

Senate Inquiry into financial advice reforms

In September 2014, the Senate announced an inquiry into the implications of financial advice reforms.

Government priorities and parliamentary inquiries continued

Ensuring consumers have access to reliable financial advice is a priority for ASIC. We made a submission in December 2014, welcoming the recent changes to the financial advice laws, but noting more could be done to increase competence and professional standards and enhance consumer protection.

The inquiry is expected to report in February 2016.

Senate Inquiry into digital currency

In October 2014, the Senate announced an inquiry into digital currency.

ASIC made a submission in December 2014 noting that our key issues are whether digital currencies are financial products and whether they are being used to facilitate certain types of crime.

ASIC provides guidance to industry and consumers on digital currencies and their place in the financial services regulatory regime. At a global level, ASIC is also engaged with international regulatory developments around digital currencies.

The Senate Committee's report, released in August 2015, recommended the Australian Government consider establishing a Digital Economy Taskforce to gather further information on the uses, opportunities and risks of digital currencies. This would enable regulators like us to monitor developments, and determine if and when it may be appropriate to regulate digital currency businesses. For example, the inquiry noted the potential of blockchain technology as a new way of recording ownership of assets, and the need to explore the implications of it.

Senate Inquiry into forestry managed investment schemes

In July 2014, the Senate announced an inquiry into the structure and development of forestry managed investment schemes.

ASIC made a submission in September 2014. Our submission covered ASIC's response to recommendations from prior inquiries, an analysis of the current forestry managed investment scheme market, and an outline of ASIC's actions on the collapse of identified responsible entities of forestry managed investment schemes.

The Committee is expected to report by 12 November 2015.

Senate Inquiry into ASIC's performance

In June 2013, the Senate referred an inquiry into the performance of ASIC to the Senate Economics References Committee. In response to the Committee's report of 26 June 2014, we have improved our processes and procedures to address concerns about communication, emerging risks and enforcement action.

We remain committed to evaluating our performance and learning from our previous experience. We continue to improve our practices so we can work more effectively.

For example, in 2014–15 we:

- ♦ established an Office of the Whistleblower to monitor the handling of all whistleblower reports, manage staff development and training, and handle the relationship with whistleblowers on more complex matters. The Office will build on improvements we have made to our whistleblower arrangements through the adoption of a centralised monitoring procedure
- ♦ re-designed our website, www.asic.gov.au, to provide greater accessibility and usability. The newly designed website gives greater prominence to information about our role and functions
- ♦ updated our guidance on enforceable undertakings with information on independent experts and publicity for enforceable undertakings.

To enhance transparency in response to the Senate Inquiry's recommendations, we have also provided additional commentary on:

- ♦ the work of financial services and consumer credit external dispute resolution (EDR) schemes, and the significant issues EDR schemes have raised (see page 48)
- ♦ how we monitor enforceable undertakings, and how the undertakings have led to improved compliance with the law and encouraged a culture of compliance (see page 46).

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 International Organization of Securities Commissions (IOSCO) Board in May 2012 as its Chair and was re-elected in October 2014. 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 was appointed ASIC Deputy Chair on 6 May 2013 for a five-year term. 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.



Commissioners continued

Cathie Armour

BEd, LLB (Hons), LLM

Cathie Armour commenced as an ASIC Commissioner on 3 June 2013 for a four-year term.

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 for a three-year term, which was extended for a further three years on 21 March 2015.

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 also of the Financial Reporting Council, a body providing broad oversight of various accounting and audit-related issues in Australia.

John is 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 23 January 2012 for a four-year term.

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. He is a qualified solicitor and barrister.





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's vision is to allow markets to fund the real economy and, in turn, economic growth. This contributes to improved standards of living for all Australians. We look to achieve this by focusing on our strategic priorities of:

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

The *Australian Securities and Investments Commission Act 2001* (ASIC Act) 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 we receive
- ♦ make information about companies and other bodies available to the public as soon as practicable
- ♦ take whatever action we can, and which is necessary, to enforce and give effect to the law.

ASIC enforces the law and regulates companies, financial markets and financial services under the:

- ♦ *Australian Securities and Investments Commission Act 2001*
- ♦ *Banking Act 1959*
- ♦ *Business Names Registration Act 2011*
- ♦ *Business Names Registration (Transitional and Consequential Provisions) Act 2011*
- ♦ *Corporations Act 2001* (Corporations Act)
- ♦ *First Home Saver Accounts Act 2008* (now repealed, effective from 1 July 2015)
- ♦ *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)
- ♦ *National Consumer Credit Protection (Transitional and Consequential Provisions) Act 2009*
- ♦ *Retirement Savings Accounts Act 1997*
- ♦ *Superannuation (Resolution of Complaints) Act 1993*
- ♦ *Superannuation Industry (Supervision) Act 1993.*

1.1.1 Relationship with 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 also maintains an operational and policy relationship with:

- ♦ Attorney-General's Department
- ♦ Australian Competition and Consumer Commission
- ♦ Australian Crime Commission
- ♦ Australian Federal Police
- ♦ Australian Prudential Regulation Authority
- ♦ Australian Taxation Office
- ♦ Australian Transaction Reports and Analysis Centre
- ♦ Commonwealth Director of Public Prosecutions
- ♦ Commonwealth Ombudsman
- ♦ Fair Work Ombudsman
- ♦ Reserve Bank of Australia.

1.1.2 Working with the International Organization of Securities Commissions (IOSCO)

ASIC is a member of IOSCO and a number of its Standing Committees. ASIC Chairman, Greg Medcraft, is the Chair of the IOSCO Board. ASIC is also the inaugural Chair of the IOSCO Assessment Committee, which is responsible for reviewing member implementation of IOSCO standards, recommendations and guidance.

IOSCO Board

In 2014–15, ASIC has continued to be significantly invested in shaping and influencing international regulatory policy. In October 2014, ASIC Chairman, Greg Medcraft, was re-elected Chair of the IOSCO Board. In this role, he chaired the IOSCO 2020 Working Group, which has developed a strategic plan and resourcing and funding plan for IOSCO for 2015–20. The plan was approved by the IOSCO Presidents' Committee in June 2015 and subsequently published.

IOSCO's strategic objective is to allow the markets its members regulate to perform their fundamental purpose of funding the real economy and driving economic growth by ensuring:

- ♦ investors have trust and confidence in markets
- ♦ markets are fair, efficient and transparent
- ♦ the financial system risks they pose are mitigated.

The challenges IOSCO faces that shape its strategy include:

- ♦ conduct risk
- ♦ digital disruption and cyber resilience
- ♦ globalisation of financial markets and products
- ♦ structural change and the growth of market-based financing
- ♦ complexity driven by innovation in products, markets and technology.

To respond to these challenges, IOSCO is focused on three main areas of activity:

1. Standard setting – developing standards and guidance in response to the global risks identified.
2. Assisting its members – building their regulatory capacity and cooperating to develop, supervise and enforce the laws of their jurisdiction.
3. Advocacy – acting as an advocate for the collective interests of its members in international forums.

Standard setting

ASIC is also a member of IOSCO's Committee on Enforcement and the Exchange of Information (Committee 4). In this role in 2014–15, we helped develop the IOSCO report on credible deterrence frameworks, released in June 2015.

The report identifies key enforcement factors that may deter misconduct in international securities and investment markets. It also provides securities regulators globally with a timely basis for designing, developing and reviewing enforcement strategies.

1.1 ASIC's role continued

Assisting IOSCO members

ASIC's Chairman spearheaded efforts to grow IOSCO's capacity-building work. This has included work underway to develop an online capacity-building toolkit that provides access to resources, particularly in the areas of surveillance and enforcement, rolling out seminar programs and progressing a pilot IOSCO capacity-building regional hubs initiative.

Work also continues to enhance IOSCO's Multilateral Memorandum of Understanding (MMOU) – a cooperation arrangement that enables 105 regulators to share information to combat cross-border fraud and misconduct – to deal with the increasingly digital environment that we operate in. These enhancements will make it easier for IOSCO to take action on cross-border transactions. It has been used over 3,000 times in 2014–15.

In 2014–15, ASIC also led the development of the IOSCO Global Secondment Register. The register is an online tool that helps members to identify suitable secondment opportunities between IOSCO members and will facilitate the building of skills and strong working relationships between IOSCO members. The register was launched in May 2015.

ASIC as inaugural chair of the IOSCO Assessment Committee designed and led a number of reviews of member implementation of IOSCO standards, recommendations and guidance. The Committee finalised seven reviews during the year covering a range of post-crisis reforms, including the implementation of reforms to the regulation of money market funds and securitisation. These reviews have assisted members in identifying where further reform work is needed.

These initiatives will assist countries to develop, supervise and enforce the laws in their jurisdictions, helping to underpin investor and financial consumer trust and confidence. They will also help build mutual trust and cooperation between jurisdictions and promote cross-border capital flows.

Advocacy

As IOSCO Board Chair, ASIC Chairman Greg Medcraft sits on a number of committees, including the Financial Stability Board's Plenary and Steering Committee. His participation has ensured the agenda and work of these Committees benefits from the insights of markets regulators globally.

Under ASIC's leadership, IOSCO has also undertaken work on supporting the use of market-based financing to fund infrastructure, which was aligned with Australia's G20 growth agenda.

1.1.3 International cooperation


ASIC is linked to a global network of regulators to get the best outcomes for Australians.

Innovation, developments in technology and international financial regulation mean financial markets throughout the world and the global financial system are increasingly integrated, competitive and complex – calling for coordinated international responses.

International cooperation requests

We maintain close relationships with peer regulators and law enforcement agencies to facilitate international regulation and enforcement.

In 2014–15, we made 330 international cooperation requests and received 424 requests on activities such as compliance and surveillance, investigations, enforcement, policy and licensing.



This included 99 requests to ASIC for assistance in enforcement matters, including 15 requests seeking ASIC's assistance to compel material from third parties under the *Mutual Assistance in Business Regulation Act 1992*.

We met with 31 delegations, including from emerging markets, to discuss consumer protection and market regulation.

Bilateral engagement

ASIC enters into memoranda of understanding (MOUs) with peer agencies to promote cross-border cooperation and facilitate information sharing.

In 2014–15, we entered into six MOUs, including with the Korean Financial Services Commission and Financial Supervisory Service, the Gibraltar Financial Services Commission and the US Commodity Futures Trading Commission (CFTC) on supervisory cooperation.

1.1.4 Relationship with states and territories

The states have referred their corporations power to the Commonwealth, and the Commonwealth, states and territories are parties to the Corporations Agreement 2002 (Corporations Agreement) that underpins the current legislative scheme.

The Corporations Agreement provides for the Legislative and Governance Forum for Corporations – which ASIC attends as an observer.

Under the Corporations Agreement and ASIC Act, ASIC maintains regional offices and business centres in each state and territory, and minimum service levels through them, and consults with state or territory Ministers on the appointment of Regional Commissioners. Regional Commissioners brief the local business community on ASIC's work through regional liaison committees in each state and territory (for more information, see pages 80–81).

ASIC also provides state and territory government agencies with free online access to our companies database under the Corporations Agreement, and must respond to requests from state or territory Ministers for information that is not available on the companies database.

These arrangements are currently required to be renewed every five years, and the current arrangements expire on 15 July 2016.

1.1.5 Responsible Ministers

At 30 June 2015, the Ministers responsible for ASIC were the Assistant Treasurer, the Hon Josh Frydenberg MP; 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 Kelly O'Dwyer MP.

1.1.6 Parliamentary oversight

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

1.1 ASIC’s role continued

1.1.7 Correspondence with Parliamentarians

We receive correspondence from Parliamentarians both directly and indirectly through requests from Treasury. We record and track this correspondence in our correspondence control system. We aim to respond to 100% of correspondence within 28 days of receipt.

In 2014–15, we responded to 263 letters and emails from Parliamentarians directly and indirectly, which was slightly less than the previous year. We responded to 96% of correspondence within 14 days and 100% of correspondence within 28 days.

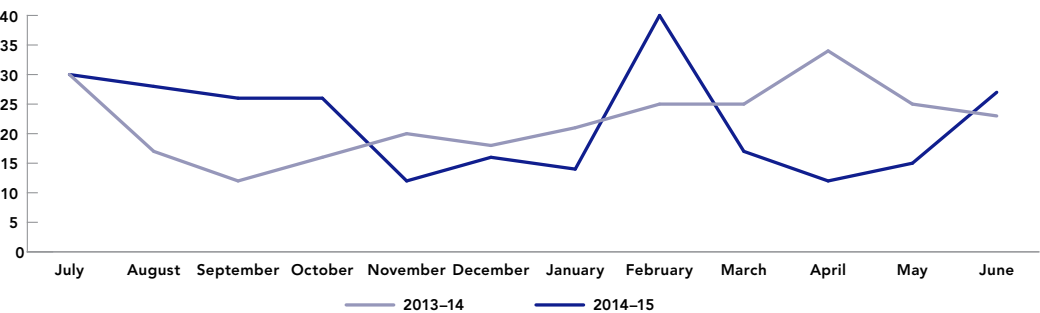
1.1.8 Financial and operational oversight

ASIC is a corporate Commonwealth entity under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), which primarily governs ASIC’s use and management of public resources.

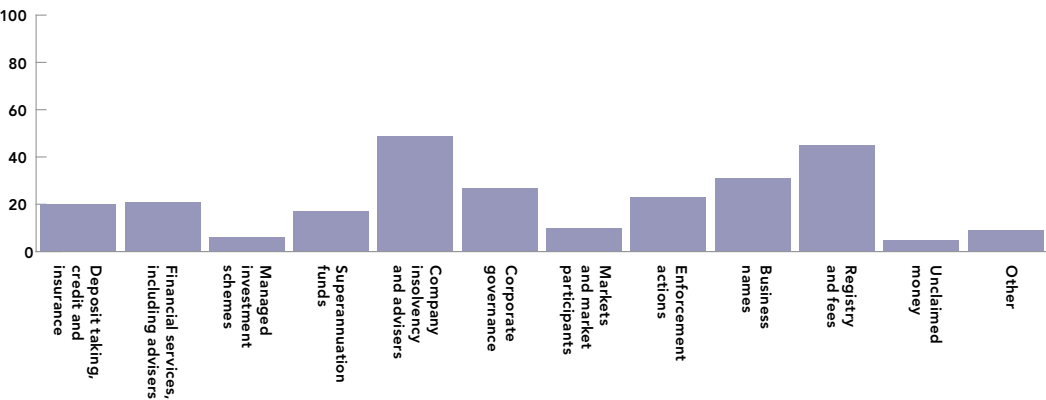
The PGPA Act also requires ASIC to prepare a Corporate Plan covering ASIC’s purposes, environment, performance, capability and risk oversight and management for the forward estimates period. ASIC published our first Corporate Plan for the period 2015–16 to 2018–19 on 31 August 2015.

The Auditor-General is the auditor of all Commonwealth entities, and audits ASIC’s annual financial statements on behalf of the Parliament.

Volume of correspondence received from Parliamentarians 2014–15



Correspondence received by subject 2014–15



1.2 Corporate structure at 30 June 2015



MISSION

DRAFT

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regulators
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s

- ◆ Financial Stability Board
- ◆ Heads of Commonwealth Operational Law Enforcement Agencies
- ◆ Australian Government Financial Literacy Board

Chief Legal Office

Corporate Affairs

Regional Commissioners

Audit Assurance and Compliance

INVESTORS AND FINANCIAL CONSUMERS

REGISTRY

ty Chairman
TER KELL

Commissioner
GREG TANZER

Teams
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racy
s, Credit and Insurers
and Intelligence

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Stakeholder Teams

- ◆ Investment Managers and Superannuation
- ◆ Small Business Compliance and Deterrence

Enforcement

- ◆ Financial Services

Internal Boards

- ◆ Technology Governance Board
- ◆ Enforcement Committee

External Boards

- ◆ Wickenby
- ◆ Heads of Commonwealth Operational Law Enforcement Agencies

Registry

External Boards

- ◆ Standard Business Reporting
- ◆ Business Advisory Committee
- ◆ Australian Business Register Advisory Board

1.3 Regulated populations and key responsibilities¹

INVESTORS AND FINANCIAL CONSUMERS

Deposit-takers, credit and insurers

164 authorised deposit-takers; 5,779 Australian credit licensees; 33,736 credit representatives; 97 licensed general insurance companies; 27 life insurers; 10 friendly societies; 602 non-cash payment facility providers; 12 trustee companies.

ASIC staff: 59

Stakeholder engagement: 84 industry meetings

- ♦ Focusing on how deposit-takers, credit licensees (lenders and intermediaries), insurance providers, traditional trustee companies and non-cash payment facility providers comply with the law.
- ♦ Conducting research and industry surveillances to improve outcomes for consumers and industry.
- ♦ Actively engaging with industry stakeholders to understand and facilitate innovation in consumer financial services.
- ♦ Responding to financial services issues impacting Indigenous consumers through the Indigenous Outreach Program.

Financial advisers

AFS licensees licensed to provide personal advice (3,443 licensees) or general advice (1,521 licensees); 2 ASIC-approved external dispute resolution schemes.

ASIC staff: 32

Stakeholder engagement: 266 industry meetings

- ♦ Focusing on how financial advice licensees and their representatives comply with the law.
- ♦ Overseeing the ASIC-approved external dispute resolution schemes.
- ♦ Conducting research on topical consumer policy issues.
- ♦ Implementing recent law reform on financial advice conduct.

Financial literacy

Approximately 20 million financial services consumers.²

ASIC staff: 27

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

Investment managers and superannuation

More than \$1 trillion in funds under management; 156 superannuation fund trustees; 460 active responsible entities; 3,642³ registered managed investment schemes; 727 foreign financial service providers; 859 custodial service providers.

ASIC staff: 44

Stakeholder engagement: 203 industry meetings

- ♦ Focusing on how responsible entities, superannuation trustees and custodians comply with the law.
- ♦ Registering managed investment schemes, and oversight of managed funds, including hedge funds, listed and unlisted property trusts, mortgage funds, infrastructure schemes and agribusiness schemes.
- ♦ Reviewing financial product disclosure and promotional material issued by responsible entities and superannuation trustees.
- ♦ Oversight of exempted foreign financial service providers and foreign collective investment schemes and operators.

Small business compliance and deterrence

ASIC staff: 33

Stakeholder engagement: 74 industry meetings

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

Assessment and intelligence

ASIC staff: 130

- ♦ Receiving and assessing reports of misconduct (9,644 received and 9,669 finalised by ASIC in 2014–15).
- ♦ Receiving and assessing statutory reports from liquidators, administrators and receivers (9,428 received and 9,450 finalised by ASIC in 2014–15).
- ♦ Receiving and assessing breach reports from licensees and auditors (1,649 received and 1,635 finalised by ASIC in 2014–15).
- ♦ Handling requests for assistance to and from foreign regulators (754 received and 706 finalised in 2014–15).

MARKETS

Corporations (including emerging mining and resources companies)

2.25 million registered companies, of which 23,792 are public companies, and 2,140 are listed entities (including registered schemes and foreign companies).

ASIC staff: 46

- Stakeholder engagement: 65 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

43 authorised financial markets; 7 licensed clearing and settlement facilities; 1 licensed derivative trade repository.

ASIC staff: 26

- Stakeholder engagement: 283 industry meetings
- ♦ Focusing on how financial markets, clearing and settlement facilities and derivative trade repositories meet statutory objectives, and comply with statutory requirements.
 - ♦ Setting standards through market integrity rules and derivative trade repository rules.
 - ♦ Advising the Minister on applications for financial market, clearing and settlement, and derivative trade repository licences, licence exemptions and operating rules.

Insolvency practitioners

711 registered liquidators; 9,177 companies entering external administration.

ASIC staff: 21

- Stakeholder engagement: 32 industry meetings
- ♦ Focusing on how insolvency practitioners comply with the law.
 - ♦ Promoting a fair, orderly and transparent 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.

Investment banks

24 investment banks; 65 retail OTC derivative providers; 7 credit rating agencies; 42 wholesale electricity derivative dealers.

ASIC staff: 19

- Stakeholder engagement: 186 industry meetings
- ♦ Focusing on how investment banks, 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.

Financial reporting and audit

4,596 registered company auditors; 28,000 companies required to produce financial reports; 6,669 SMSF auditors.

ASIC staff: 32

- Stakeholder engagement: 59 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

125 market participants; 1,162 securities dealers; 7 markets.

ASIC staff: 66 (includes new integrated market surveillance system development)

- Stakeholder engagement: 251 industry meetings
- ♦ Focusing on how 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 equity and derivative 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

Financial services and credit enforcement

ASIC staff: 65⁴

- ♦ Investigating suspected misconduct in financial services and taking enforcement action to achieve criminal convictions (through DPP), civil outcomes (including penalties) or administrative sanctions, with a focus on financial and credit products and advice.

Markets enforcement

ASIC staff: 100⁴

- ♦ Investigating suspected misconduct and taking enforcement action to achieve criminal convictions (through DPP), civil outcomes (including 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.

Enforcement Western Australia

ASIC staff: 20⁴

- ♦ Investigating suspected misconduct and taking enforcement action to achieve criminal convictions (through DPP), civil outcomes (including penalties) or administrative sanctions, with a focus on financial services (10 staff) and market integrity and corporate governance (10 staff).

REGISTRY SERVICES

Registry services and Customer Contact Centre

86.2 million searches of ASIC registers. Registry services for 2.25 million companies, 2.15 million business names, 5,198 AFS licensees, 5,779 credit licensees, 22,548 financial advisers on the Financial Advisers Register, 4,596 registered company auditors, 6,669 registered SMSF auditors, 711 registered liquidators, 3,642³ registered managed investment schemes. Over 888,000 calls handled by Customer Contact Centre.

ASIC staff: 227

- ♦ Providing registry services for companies, AFS and credit licensees, liquidators and auditors, personal property securities, managed investment schemes.
- ♦ Providing public and non-public access to registry information.
- ♦ Providing Customer Contact Centre for the public, consumers, regulated populations.
- ♦ Administering the national Business Names Register and the Financial Advisers Register.

1. Data is indicative. See relevant sections of annual report for 2014–15 data. All staff figures are average net full-time equivalents (FTE) and represent staff dedicated to respective populations, including operational staff working on non-business-as-usual projects. 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 28–29. Excludes Strategy Group, Chief Legal Office, 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 70 FTE working on Enforcement Special Account matters, and an additional 90 FTE providing enforcement support services and legal counsel.

1.4 ASIC's surveillance coverage of regulated populations

This chart provides a snapshot of ASIC's surveillance coverage in 2014–15 and our anticipated surveillance coverage in 2015–16. 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 2014–15. 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	
2014–15	2015–16
Surveillance resources: 21	Est: 19
Surveillance coverage: 3,443 AFS licensees authorised to provide personal advice <ul style="list-style-type: none"> ♦ Top 20 – 43% of advisers – 0.4 years ♦ Next 30 – 19% of advisers – 1.8 years ♦ Remaining 3,393 – <i>primarily reactive surveillances</i> 1,521 AFS licensees authorised to provide general advice – <i>reactive surveillances only</i>	↑ — — —
Investment managers and superannuation	
2014–15	2015–16
Surveillance resources: 9	Est: 8
Surveillance coverage: 460 active responsible entities, including hedge fund operators <ul style="list-style-type: none"> ♦ Top 20 – 70% of funds under management – every 2 years ♦ 10 identified as most at risk of non-compliance – every year ♦ 121 responsible entities where we have identified risks or have concerns – <i>varies from year to year</i> ♦ Remaining 309 – <i>primarily reactive surveillances</i> 156 super fund trustees <ul style="list-style-type: none"> ♦ 5 identified as most at risk of non-compliance – every year ♦ 24 where we have identified risks or concerns – <i>varies from year to year</i> ♦ Remaining 127 – <i>primarily reactive surveillances</i> 20 major custodians – 3 years	— ↓ ↓ — — — ↓
Deposit-takers, credit and insurers	
2014–15	2015–16
Surveillance resources: 37	Est: 38
Surveillance coverage: 164 authorised deposit-taking institutions (ADIs) <ul style="list-style-type: none"> ♦ Big 4 – 77% of retail deposits and 79% of owner-occupied mortgages – every year ♦ Remaining 160 – 13 years 124 insurers – 7 years on average 602 licensed non-cash payment facility providers – <i>primarily reactive surveillances</i> 12 trustee companies – 7 years 5,654 non-ADI credit licensees (lenders and intermediaries) with 27,799 credit representatives – 37 years Supplemented by reactive surveillances and reviews to target risks or concerns	— — — — — — —
Small business compliance and deterrence	
2014–15	2015–16
Surveillance resources: 10	Est: 9
Surveillance coverage: 2,072 companies identified in the top 5 risk industries for the potential to conduct illegal phoenix activity – 40 years Supplemented by reactive surveillances and reviews to target risks or concerns	↓ —
Key	
Surveillance coverage in 2015–16 anticipated to:	
↑ increase — remain stable ↓ decrease	

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

2014–15	2015–16
Surveillance resources: 38	Est: 36

Surveillance coverage:

Monitoring of the ASX, Chi-X, NSX and ASX 24 markets – *every day*

125 market participants – *3.3 years*

1,162 securities dealers – *reactive surveillances and targeted reviews of high-risk entities only*

Supplemented by reactive surveillances and reviews to target risks or concerns

↑

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Corporations (including emerging mining and resources companies)

2014–15	2015–16
Surveillance resources: 8	Est: 8

Surveillance coverage:

23,792 public companies, including 1,966 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*

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Investment banks

2014–15	2015–16
Surveillance resources: 11	Est: 10

Surveillance coverage:

24 investment banks – *twice a year*

65 retail OTC derivative providers – *every year*

7 credit rating agencies – *every year*

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Financial reporting and audit

2014–15	2015–16
Surveillance resources: 25	Est: 24

Surveillance coverage:

Financial reports of around 2,000 listed entities (excludes foreign companies) and 26,000 unlisted entities

• Top 500 listed entities – 98% of total market capitalisation – *2.9 years*

• Remaining 1,500 listed entities (excludes foreign companies) – *9 years*

• 2,100 unlisted public interest entities – *25 years*

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Coverage of listed entity audits at 125 audit firms¹

• Big 4 audit 96.5% of listed entities by market capitalisation – *17 years*

• Next 20 audit 3.1% of listed entities by market capitalisation – *50 years*

• Remaining 101 audit 0.3% of listed entities by market capitalisation – *49 years*

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Supplemented by reactive surveillances

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Financial market infrastructure

2014–15	2015–16
Surveillance resources: 14	Est: 15

Surveillance coverage:

43 authorised financial markets

• 19 licensed financial markets – 100% of equities and futures market – *every year*

• Remaining 24 – *reactive surveillances only*

7 licensed clearing and settlement facilities – *every year*

1 licensed derivative trade repository – *every year*

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Insolvency practitioners

2014–15	2015–16
Surveillance resources: 12	Est: 12

Surveillance coverage:

711 registered liquidators – *5.5 years*

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1. From 1 July 2014, we have reviewed audit files on a continuous basis. We now indicate the average number of years it would take to review the audits of all listed entities audited by audit firms, rather than – as previously – the number of years between visits to audit firms.

1.5 ASIC for all Australians

ASIC assists Australians at every stage of life and in many different circumstances. We help them to make the most of financial opportunities, make financial decisions and deal with challenges when they occur. ASIC's MoneySmart website was visited over 5 million times in 2014–15 – an increase of 15% on the previous year. It offers more than 500 pages of free, impartial and comprehensive information on money matters, and is directed to people from a wide range of demographic groups. 89% of people took action on their finances after visiting MoneySmart in 2014–15.

Examples of ASIC's work at life stages in 2014–15



Budgeting and saving

- ♦ **67,000 people** used ASIC's **MoneySmart online budget planner** each month to work out where their money is going.
- ♦ ASIC's updated **TrackMyGOALS app** enables people to set, plan and track their savings goals.
- ♦ Our **TrackMySPEND app** has been **downloaded over 106,000 times**, allowing Australians to track their personal expenses on the go and manage their money better.



Getting a credit card and applying for a lease or personal loan

- ♦ ASIC cracked down on misleading or deceptive advertising for credit cards and financial products – **54 ads were withdrawn or fixed**.
- ♦ ASIC **reviewed the payday lending industry** and warned the industry to improve its practices to protect some of the most financially vulnerable members of the community.
- ♦ Our new **rent vs buy calculator** enables consumers to compare the cost of renting electrical goods and furniture (a consumer lease) with the cost of borrowing money to buy them.



Getting and servicing a mortgage

- ♦ ASIC's **MoneySmart mortgage calculator** was used by over 42,000 people every month.
- ♦ ASIC's **MoneySmart reverse mortgage calculator** shows the long-term impact of a reverse mortgage on home equity.
- ♦ Our new **MoneySmart interest-only mortgage calculator** helps Australians understand how much more interest they will pay with an interest-only mortgage compared to a principal and interest loan.
- ♦ ASIC stopped banks and other credit providers from overcharging interest and fees on accounts, with **over \$4.4 million refunded to consumers**.



Getting financial advice and life insurance

- ♦ ASIC reviewed **retail life insurance advice** practices to improve the quality of advice people receive.
- ♦ Our new **Financial Advisers Register** helps consumers find out information about advisers and helps them choose an adviser.
- ♦ ASIC updated our **consumer information to help Australians better understand their life insurance needs**.
- ♦ ASIC took **action against firms and advisers** that put their financial interests ahead of the interests of their customers.



Examples of ASIC's work for particular demographic groups in 2014–15



School children

- ◆ Over **4,000 teachers** have been trained to use the MoneySmart Teaching resources for primary and secondary schools, bringing the total teachers trained since 2012 to more than 14,000.
- ◆ More than **3,100 schools**, or 34% of the nation's schools, have engaged with the MoneySmart Teaching program.



Apprentices and trainees

Our new **Be MoneySmart online training** resource helps apprentices and trainees better understand personal taxation, superannuation, insurance, debt management and budgeting.



Indigenous communities

- ◆ The **Avoid a funeral rip-off campaign** - a joint initiative through the National Indigenous Consumer Strategy Reference Group - provides Indigenous consumers with the knowledge they need to make an informed choice about funeral savings and insurance plans so they can avoid a funeral rip-off.
- ◆ Our new **Be Smart Buy Smart resource** helps Indigenous consumers get a fair go when shopping and save time, money and trouble.



Women

Our new **Women's Money Toolkit** helps Australian women manage their finances, make money decisions at key life stages and enhance their financial wellbeing.



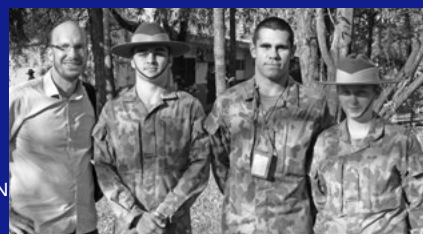
Defence Force

- ◆ The **Australian Defence Force (ADF)** repackages ASIC's consumer and investor information on the ADF Consumer website to help Defence Force staff and their families make smart financial decisions when getting financial advice, managing their money and buying a car.
- ◆ ASIC provides **monthly articles for the ADF Financial Services Consumer Centre newsletter** on various money management topics, helping ADF personnel make informed decisions and plans about their financial affairs.



Retirees and those approaching retirement

- ◆ ASIC's **MoneySmart retirement planner** helps consumers determine their likely income from super and the age pension.
- ◆ ASIC enhanced how super funds can provide their members with **forecasts of retirement benefits** in periodic statements.
- ◆ ASIC reviewed **SMSF advice practices** to promote greater adequacy of retirement income.



1.6 Financial summary and expenditure

1.6.1 Outcomes

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.

from the Enforcement Special Account (ESA) to fund investigations), representing a 10% reduction compared with 2013–14. We received approximately \$5 million of own-source revenue, which is consistent with the previous year.

ASIC incurred expenditure (excluding depreciation and amortisation) of approximately \$313 million, representing a 10% reduction compared with 2013–14.

1.6.2 Revenue for the Commonwealth

In 2014–15, ASIC raised \$824 million for the Commonwealth in fees and charges, an increase of 8% from 2013–14. The increase in revenue is driven by continued net company growth coupled with fee indexation.

The decrease in appropriation revenue relates to a net decrease in both operational funding and funding for special initiatives. A permanent savings measure was applied to reduce operational funding by 10%. In addition, there has been a reduction in non-ongoing funding for operational support and other initiatives, including OTC derivative reforms, dealing in carbon permits and superannuation reforms.

1.6.3 Revenue, appropriations and expenditure

In 2014–15, ASIC received approximately \$312 million in appropriation revenue from Government (including approximately \$16 million

The decrease in expenditure is consistent with the reduction in appropriation revenue and represents a general reduction in staff and supplier expenditure.

Table of 2014–15 revenue, appropriations and expenses

	2014–15 \$'000	2013–14 \$'000	Change \$'000	%
Revenues from Government (inc. ESA)	311,942	346,802	(34,860)	-10%
Own-source revenue	4,844	5,031	(187)	-4%
Total revenue	316,786	351,833	(35,047)	-10%
Total expenses ¹	312,920	349,464	(36,544)	-10%
Surplus ²	3,866	2,369	1,497	63%

1. Total expenses before depreciation/amortisation expenses previously funded through revenue appropriation. Total expenses including depreciation and amortisation is \$354,293,000 (2013–14: \$405,454,000).

2. Surplus before depreciation/amortisation expenses previously funded through revenue appropriation and changes in asset revaluation reserve. Figure includes amortisation of lease incentives relating to Sydney and Melbourne tenancies (2014–15: \$3.4 million, 2013–14: \$1.7 million).

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

	2014–15	2013–14	2012–13
Operating expenses			
Total	\$354m	\$405m	\$411m
Annual change on previous year	-12%	-1%	+7%
Fees and charges raised for the Commonwealth			
Total	\$824m	\$763m	\$717m
Annual change on previous year	+8%	+6%	+8%

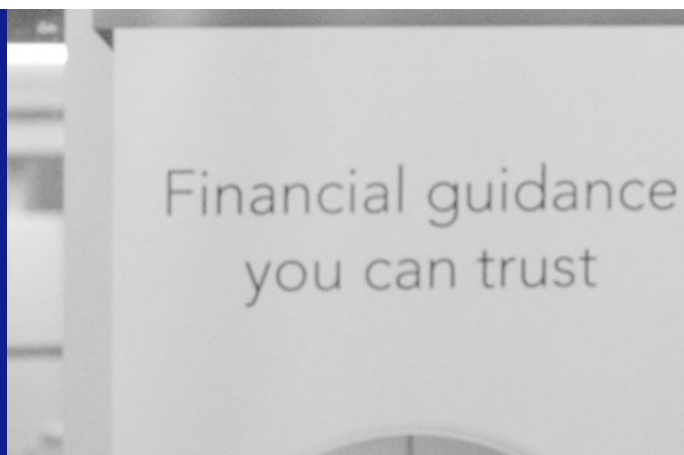


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OUTCOMES IN DETAIL

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2.1 Priority 1 – Investor and financial consumer trust and confidence



ASIC's fundamental objective is to allow markets to fund the real economy and, in turn, economic growth. This is dependent on Australian investors and financial consumers having trust and confidence in our financial system.

We are increasingly using social media channels to shape the behaviour of investors and financial consumers, and those we regulate. At 30 June 2015, we had over 11,000 ASIC MoneySmart Twitter followers and over 7,000 ASIC Media Twitter followers. We regularly produce videos for YouTube and are building a following on LinkedIn.

2.1.1 Engagement with stakeholders

Our engagement with stakeholders in the investor and consumer areas helps us to understand consumer behaviour and detect misconduct by gatekeepers.

Our stakeholders are diverse. In 2014–15, our engagement ranged from meeting with banks and wealth management institutions, to training teachers and social workers to teach students about financial literacy.

In 2014–15, we held 627 meetings with industry groups and other stakeholders, including the Financial Planning Association, the Financial Services Council, the Australian Bankers' Association and the Financial Ombudsman Service.

Financial advisers

In 2014–15, we held 266 meetings with financial advice industry stakeholders, such as the Association of Financial Advisers and the Financial Planning Association, on issues such as implementing the Future of Financial

Advice (FOFA) reforms, challenges facing the life insurance advice sector, improving adviser professionalism, advice on self-managed superannuation funds (SMSFs) and emerging issues such as robo-advice.

Financial Advisers Register

In March 2015, ASIC launched the first stage of the Financial Advisers Register. The register enables consumers to find out information about advisers and helps them choose an adviser. It also gives employers greater ability to assess new financial advisers and will improve ASIC's ability to identify and monitor financial advisers.

In June 2015, the register was updated to capture financial adviser qualification, training and professional membership details.

Investment managers and superannuation

In 2014–15, we held 203 meetings with funds management stakeholders on issues including the implementation of superannuation reforms, changes to fee and cost disclosure, and crowd-sourced equity funding. We held regular liaison meetings with industry associations such as the Association of Superannuation Funds of Australia, the Alternative Investment Management Association and the Financial Services Council.

Forestry managed investment schemes

We continued to engage with responsible entities, administrators and lenders on forestry managed investment schemes. We also actively engaged with lenders and administrators to encourage proper consideration of hardship cases in any recovery actions arising from settlements in these matters.



Deposit-takers, credit and insurers

In 2014–15, we held 84 liaison meetings with stakeholders. We held regular liaison meetings with industry associations such as the Australian Bankers' Association, the Customer Owned Banking Association and the Mortgage and Finance Association of Australia to provide further guidance to industry in areas where ASIC would like to see cultural change, such as in the payday lending industry and in the sale of add-on insurance products.

North Queensland home insurance comparison website

The Government announced a website designed to help residents compare home building and contents insurance policy features and indicative premiums offered in North Queensland, which ASIC subsequently launched in March 2015. This region has been severely affected in recent times by natural disasters contributing to rising insurance premiums. ASIC worked closely with the Insurance Council of Australia and its members to establish the website.

Financial literacy

Stakeholder engagement and partnerships

ASIC liaises and partners with a range of organisations to improve the financial literacy of all Australians.

Since its establishment in 2014, ASIC has led the Government Connect Working Group with representatives from other Australian Government organisations, including the Department of Social Services and the Department of Human Services. This group develops resources for vulnerable consumers and the intermediaries who work with them to help consumers make better financial decisions.

We collaborated with the Department of Human Services to help people who use its frontline services make financial decisions with the help of ASIC's MoneySmart online tools and resources. For example, we developed a new 'rent vs buy calculator' to enable consumers to compare the cost of renting electrical goods and furniture (a consumer lease) with the cost of borrowing money to buy them.

In 2014–15, we also partnered with the Office for Women in the Department of Prime Minister and Cabinet to develop a new Women's Money Toolkit. This is a free online resource designed to address needs of Australian women and help them manage their finances, make money decisions at key life stages and enhance their financial wellbeing. The Toolkit was developed in support of the National Financial Literacy Strategy to assist women who face challenges as a result of variable workforce participation, longer life expectancy and, on average, lower superannuation balances.

Research on financial literacy

The Australian Financial Attitudes and Behaviour Tracker is new research that explores financial attitudes and behaviours of Australians, measured at regular intervals. Over time, the Tracker will help build a picture of Australians' financial attitudes and behaviours.

In December 2014 and June 2015, ASIC released a report on the first and second waves of the Tracker. The reports contained benchmark findings on the financial attitudes and behaviours of Australians.

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

The reports revealed that the proportion of surveyed Australians who:

- ♦ had a budget in the last six months increased in Wave 2 (77%) from Wave 1 (73%). The proportion who reported they had a budget and mostly stuck to it over the last six months also increased in Wave 2 (50%) from Wave 1 (44%)
- ♦ had a short-term (3–5 year) financial plan increased (Wave 2: 43%; Wave 1: 38%), although there was no change in the 22% who reported having a long-term (15–20 year) financial plan
- ♦ were aware of the investment concept of ‘risk/return trade-off’ remained relatively stable from Wave 1 to Wave 2 (Wave 1: 41%; Wave 2: 40%), and there was no change in the 28% who said they had heard of the concept but did not really understand it
- ♦ found dealing with money stressful and overwhelming was relatively consistent in Wave 1 (30%) and Wave 2 (31%).

ASIC participated in the Steering Committee of the 2014 ANZ Survey of Adult Financial Literacy in Australia. This survey included a new section that considered women’s financial attitudes, knowledge and financial literacy. The 2014 findings – the fifth in the series – were launched in May 2015 and included:

- ♦ Australians remain relatively cautious compared with the years before the global financial crisis: three-quarters try to save regularly and credit usage is lower
- ♦ compared with the previous survey in 2011, there has been rapid growth in online payments, especially through mobile phones and tablets
- ♦ on average, women are less impulsive towards their finances than men and find dealing with money more stressful.

Small business

In 2014–15, we held 74 meetings with small business to educate and help small to medium enterprises protect themselves, especially against unlawful phoenix company behaviour.

In 2014–15, we conducted presentations in every state and territory to business advisers, small business associations and at industry events and conferences to educate them

about what is lawful and to explain ASIC’s role and the resources we have to help them. We also partnered with other government agencies to better engage with small business, including through the Government Business Education Network in Victoria and the BizLink program in Western Australia and South Australia.

Other engagement – digital disclosure and investor self-assessment

ASIC worked with product providers AMP and Vanguard to develop and user test a short, online ‘key facts’ sheet and a self-assessment tool. These were designed to boost investors’ understanding of financial products and to improve outcomes for them using evidence-based behavioural insights. We will make an announcement about the results of the user testing in 2015 and will use the findings to inform our broader work on digital disclosure.

2.1.2 Surveillance


ASIC allocates its resources to achieve the greatest market impact. With less resources, we are generally unable to conduct random sampling-based surveillance. Instead, we focus on strategically important gatekeepers to direct surveillance resources towards the risks that pose the greatest threat.

As part of this risk-based approach, we gather intelligence from our proactive surveillance on potential and actual wrongdoing. We also act in response to breach reports, reports of misconduct from the public and whistleblowers, and information from external dispute resolution (EDR) schemes.

In 2014–15, we commenced 508 and completed 557 high-intensity surveillances lasting for two or more days.

Financial advisers

With compulsory superannuation and an ageing population, there is a critical need for accessible, sound financial advice. Good quality financial advice can be important for people to both plan ahead for retirement and assess suitable retirement income options.



ASIC's 2013 stakeholder survey results suggest that many investors and financial consumers do not have confidence in financial advisers, with only 23% agreeing that they operate with integrity.¹ The 2014 ANZ Survey of Adult Financial Literacy in Australia found declining levels of trust for financial professionals in general – 48% of respondents said they would trust a financial professional and accept what they recommend, down from 51% in 2011.²

If investor and financial consumer trust and confidence in the financial advice sector is to be lifted, standards in the industry need to be significantly strengthened.

In 2014–15, we conducted 166 surveillances to monitor how financial advisers and AFS licensees comply with their obligations and to take action where we detected breaches of the law.

Retail life insurance advice

Life insurance is a product through which consumers manage risk for themselves and their families.

ASIC conducted a proactive surveillance of retail life insurance advice to better understand the quality of advice consumers receive.

In October 2014, we released a surveillance report. We concluded that the quality of life insurance advice could be significantly improved. We found that high upfront commissions are more strongly correlated with non-compliant advice, including where the recommendation is to switch products. We are working with the Government on options for implementation of its life insurance reform proposals, including to ban the payment of upfront and ongoing commissions above a certain level (see page 12).

We took action where we had specific concerns about the quality of advice. For example, we imposed AFS licence conditions on Guardian Advice, requiring it to appoint an independent

consultant to review its compliance with its licensee obligations and to develop a plan to rectify any identified deficiencies.

Self-managed superannuation fund advice

This year, we continued to closely monitor advice on SMSFs.

We took action where we had specific concerns about the quality of advice. For example, we identified concerns about the advice InterPrac Financial Planning Pty Ltd (InterPrac) gave to clients about establishing an SMSF. In response, Interprac improved its advice processes and took steps to ensure clients receive better financial advice.

We also issued two infringement notices for potentially misleading and deceptive statements on SMSFs.

Wealth management

In October 2014, we set up a specialist wealth management project to focus on the conduct of the large financial advice firms, with the objective of lifting advice standards.

We conducted proactive risk-based surveillances with a focus on compliance in large financial institutions. We have significant work underway on these entities.

We also commenced investigations looking at multiple instances of AFS licensees charging consumers for financial advice where the advice does not appear to have been provided.

Investment managers and superannuation

In 2014–15, we conducted 321 funds management surveillances, with a focus on risk management by responsible entities, property scheme disclosure and hedge funds. We aim to identify potential problems early and work with industry to fix them.

1. ASIC, *ASIC Stakeholder Survey 2013*, September 2013. The investor and consumer segment included members of the general public, direct investors and small businesses. While sample sizes varied by question, most of the questions cited covered 787 investors and consumers. Survey questions generally used a five-point scale and included a 'don't know' option for those respondents who felt unable to offer an informed opinion. 'Don't know' responses have not been removed when calculating percentage results (e.g. the percentage of respondents who held positive or negative views).

2. ANZ, *ANZ Survey of Adult Financial Literacy in Australia, 2011, 2014*. The ANZ survey did not seek respondents' views on their trust of financial planners/advisers specifically.

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

Risk management by responsible entities

In 2014–15, we inquired about the risk management practices of responsible entities of managed investment schemes. In light of increased market volatility, we focused on funds that may experience liquidity challenges in tighter markets, such as certain fixed income funds.

Property scheme disclosure

While property schemes have become popular investment vehicles for SMSFs looking to invest in real estate, they carry risks as well as opportunities.

In July 2014, we released the results of our review of disclosure to investors by the unlisted property industry. We found unlisted property schemes were failing to adequately disclose against benchmarks on an ‘if not, why not’ basis. We put these benchmarks in place in March 2012 to improve investors’ awareness of these products’ risks.

Our work resulted in one scheme withdrawing its Product Disclosure Statement (PDS) and improvements in disclosure in three other entities.

Risk-profiled responsible entities, hedge fund managers and superannuation fund trustees

We profiled responsible entities, hedge fund managers and superannuation fund trustees against risk indicators such as their compliance with requirements on the use and valuation of scheme assets, disclosure and corporate governance, as well as AFS licence conditions.

We undertook surveillance on eight responsible entities, nine hedge fund managers and five superannuation fund trustees, which our profiling indicated were at higher risk of non-compliance. As a result, we obtained improvements in compliance functions, additional disclosure for investors, additional AFS licence conditions and also monitored a change of management of two registered schemes.

Fee and cost disclosure

Disclosure of fees and costs on a consistent and comparable basis allows consumers to make meaningful product comparisons.

In 2014–15, ASIC reviewed fee disclosure practices in the superannuation and managed investment industries.

In July 2014, we published a report that identified some inconsistency in the way superannuation and managed fund issuers disclose fees and costs.

In December 2014, we released a class order clarifying key fee and cost disclosure requirements for PDSs and periodic statements so that consumers can have confidence that industry is disclosing fees and costs more accurately and in the same manner.

We continue to work to modify fee and cost disclosure obligations in the law to make them clearer and less costly to comply with.

Promotional materials

We monitored promotional material to ensure investors and financial consumers can have trust and confidence in the managed funds sector. Our action resulted in outcomes including:

- ♦ BT Funds Management Limited paid \$20,400 in penalties after we issued two infringement notices for potentially misleading statements contained in the online advertising of BT Super
- ♦ Equity Trustees Limited and Como Financial Services Pty Ltd each paid \$20,400 in penalties after we issued infringement notices for potentially misleading conduct related to a website promoting the Good Super superannuation fund.¹


Deposit-takers, credit and insurers

In 2014–15, ASIC continued to undertake surveillance of credit licensees to ensure compliance with the responsible lending obligations. We also continued our surveillance of the banking, credit and insurance industry to address the sale of inappropriate products to consumers.

Payday lending

Australians seeking small loans through payday lenders include some of the most financially vulnerable members of the community, and ASIC has had a strong focus on its regulation since becoming the national credit regulator in 2010.

1. Compliance with an infringement notice is not an admission of guilt or liability. A person is not regarded as having contravened the law merely because they pay the penalty stated in the infringement notice.



In March 2015, we released a report on our review of the payday lending industry, which concluded that payday lenders are falling short in meeting responsible lending and small amount loan obligations introduced in 2013. We warned the industry to improve its practices and commenced investigations in a number of cases. The Federal Court awarded penalties of almost \$19 million against payday lender, The Cash Store Pty Ltd (in liquidation), and loan funder, Assistive Finance Australia Pty Ltd, for systemic failure to comply with consumer lending laws (see page 44). Our work in this area is ongoing.

‘Low doc’ loans

We reviewed how lenders that provide low doc home loans were complying with their responsible lending obligations following the introduction of responsible lending laws in 2010.

In September 2014, we published a report that found that lenders had tightened their low doc lending practices since the introduction of responsible lending laws. For example, lenders are providing low doc loans to a narrower range of borrowers, and are obtaining additional information to verify a self-employed borrower’s income.

Interest-only loans

Demand for interest-only loans has grown by over 80% since 2012. ASIC reviewed how 11 lenders, including the big four banks, were complying with responsible lending laws when providing interest-only loans. Our review looked at how consumers were assessed for loans by lenders with a focus on the affordability of the loans over the longer term.

In August 2015, we released a report that found lenders have been falling short of their responsible lending obligations when providing interest-only loans. Lenders are often failing to consider whether an interest-only loan will meet a consumer’s needs, particularly in the medium to long-term.

Following ASIC’s review, all 11 lenders have changed their practices in line with ASIC’s recommendations or have committed to implementing necessary changes in the coming months. ASIC has commenced follow-up investigations in certain cases that are ongoing. Where necessary, ASIC is considering enforcement action or other regulatory action.

Home building and motor vehicle insurance

Inadequate insurance can be devastating for individuals who suffer loss. In 2014–15, we reviewed the sale of home building insurance. This was the third in a series of ASIC reviews looking at home building under-insurance.

In October 2014, we released two reports that identified that the home insurance industry can implement measures to improve consumers’ understanding of their policies, and help ensure they buy products that meet their needs. We will continue to monitor areas of concern, including the advertising of home insurance products.

In February 2015, we also published a report on no-claims discount (NCD) schemes for motor vehicle insurance policies. Our report found that NCD schemes create an erroneous impression that claims history is separated from other factors that determine the price of an insurance policy. As a result, generally inadequate disclosure prevents consumers from making informed decisions about motor vehicle insurance policies or making claims.

ASIC warned those insurers with NCD schemes to implement measures to improve consumers’ understanding of these schemes.

Add-on insurance products

Add-on insurance policies have at times been a source of consumer problems in Australia and other jurisdictions.

In 2014–15, ASIC conducted initial inquiries into add-on insurance products being sold by car dealerships, and the commercial relationships between insurers, lenders and car dealerships.

Our initial work showed that commissions paid by insurers to car dealers can be very high – 50% of the premium or more – while the amount of the premium available to the insurer to meet claims is very low.

As a result, ASIC decided to conduct a comprehensive review of the add-on insurance sector. Our work is ongoing.

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

Other surveillance – promotional materials

Advertising or promotional material that does not accurately describe a product, including its key features and exclusions, can be misleading and can create unrealistic expectations that lead to poor decisions, resulting in inappropriate products being purchased.

In 2014–15, we retained our focus on monitoring promotional material to ensure investors and financial consumers can have trust and confidence in financial products and services and the promotional material that describes them.

In 2014–15, ASIC action resulted in 54 instances of potentially misleading or deceptive promotional material being withdrawn or amended. We accepted two enforceable undertakings in response to misleading or deceptive advertising or sales practices. We also issued 32 infringement notices to 15 companies for potentially misleading advertising, with penalties totalling more than \$319,000.¹ For example:

- ♦ National Australia Bank, AFS licensee for UBank, paid \$40,800 in penalties after we issued four infringement notices for potentially misleading representations in an advertising campaign that promoted an offer of an EFTPOS gift card for consumers who obtained a home loan with UBank. ASIC was concerned that some details of UBank's offer were not disclosed or were not disclosed in a clear and prominent manner.
- ♦ AAI Limited (trading as AAMI) paid \$20,400 in penalties after we issued two infringement notices for potentially false or misleading television and online advertising promoting AAMI car insurance.

2.1.3 Guidance – setting rules, standards and expectations

ASIC continues to respond and adapt to structural changes and complexity in the financial services industry through our guidance.

Financial advisers

Record keeping

Keeping records of advice and transactions is important to ensuring clients receive quality advice and ensuring financial services are provided efficiently, honestly and fairly.

In September 2014, we released a class order updating financial advisers' record-keeping obligations. The updated obligations require AFS licensees to keep records to demonstrate compliance with FOFA when they give personal advice to retail clients.

Investment managers and superannuation

Superannuation forecasts

In November 2014, we broadened the ability of superannuation fund trustees to provide members with forecasts of retirement benefits in periodic statements. We changed our class order relief to allow superannuation funds to include an estimate of the age pension that might be available to a member, along with the member's superannuation benefit, at retirement.

Hedge funds

In July 2015, ASIC released a report providing a snapshot of the Australian hedge funds sector, following our 2014 review at the request of the International Organization of Securities Commissions (IOSCO). This report complements another we published in September 2013, which found hedge funds in Australia do not pose a systemic risk to the Australian financial system, and confirms that this is still the case.

Deposit-takers, credit and insurers

Responsible lending

In November 2014, we updated our regulatory guidance for credit licensees to help them meet their responsible lending obligations.

This follows the Federal Court decision in our action against The Cash Store Pty Ltd, which determined that reasonable inquiries about a consumer's financial situation includes inquiries about living expenses.

1. Compliance with an infringement notice is not an admission of guilt or liability. A person is not regarded as having contravened the law merely because they pay the penalty stated in the infringement notice.

Debt collection

In July 2014, ASIC and the Australian Competition and Consumer Commission (ACCC) issued updated guidelines to help businesses carry out their debt collection activities in a way that is fair, measured and consistent with consumer protection laws.

In December 2014, we also jointly released a guide with the ACCC to help consumers who are in trouble with debt deal with collectors and creditors. The guide covers how and when debt collectors can contact someone and provides examples of inappropriate debt collector behaviour.

Small business

In October 2014, ASIC released a series of videos to help business owners use our Business Names Register and other online services.

In May 2015, as part of the Australian Taxation Office (ATO) sponsored Small Business Fix-it Squads, we released a suite of easy-to-access materials to help small business owners make informed decisions about their business structure and meet their legal responsibilities, including an online guide to help small business owners understand their role and responsibilities as company directors.

ASIC also has a dedicated 'Small Business Hub' on its website to draw together useful information for small businesses and links to other agency websites.

Other guidance – digital disclosure

In July 2015, ASIC released new guidance and waivers to remove barriers to businesses providing disclosures through digital channels and to encourage innovative communication of information about financial products and services. The changes enable PDSs and other disclosure documents to be delivered digitally as the default option, unless the consumer opts out.

2.1.4 Education

We empower investors and financial consumers to make better financial decisions, including through the information and tools available on ASIC's MoneySmart website.

ASIC and the National Financial Literacy Strategy

In August 2014, ASIC released the National Financial Literacy Strategy 2014–17. The strategy sets out a national direction for financial literacy and provides a practical framework for action. The National Financial Literacy Strategy reflects widespread stakeholder consultation, research and international best practice, and is built around five strategic priorities.

1. Educate the next generation, particularly through the formal education system.
2. Increase the use of free, impartial information, tools and resources.
3. Provide quality targeted guidance and support.
4. Strengthen coordination and effective partnerships.
5. Improve research, measurement and evaluation.

ASIC is responsible for leading and coordinating the National Financial Literacy Strategy, and we continue to monitor progress and implementation.

Enhancing ASIC's MoneySmart website

ASIC's MoneySmart website is a central hub for trusted and impartial financial guidance and online tools on money matters.

Over 5 million people visited ASIC's MoneySmart website in 2014–15. It attracts, on average, over 650,000 visits a month. Research shows that 28% of adult Australians in the survey sample are aware of MoneySmart, and 89% of users took action on their finances after visiting MoneySmart. Further, 10,000 external organisations link to ASIC's MoneySmart.

Our suite of responsive online tools and mobile apps is designed to prompt consumers to take action, and leverages the increased use of smartphones and tablets. Nearly half (41%) of the visits to ASIC's MoneySmart now come from these devices, and the website is optimised for mobile devices.

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

In 2014–15, we launched new and improved tools to help consumers make good financial decisions. For example, ASIC's free TrackMyGOALS app released in September 2014 allows people to set, plan and track their savings goals. We also released a new parental leave calculator and career break superannuation calculator in May 2015, which is included in the MoneySmart Women's Money Toolkit.

In April and May 2015, ASIC conducted a national campaign to build awareness and increase usage of ASIC's MoneySmart website, featuring interactive videos, as well as print and digital advertising, including for culturally and linguistically diverse and Indigenous audiences. The campaign also included key messages about managing investment risk, managing credit, maximising superannuation savings and getting financial advice.

Expanding MoneySmart Teaching

ASIC's MoneySmart Teaching program features high quality resources for primary and secondary students that are aligned with the Australian Curriculum. This includes units of work, digital activities and an online video-based five-module resource for vocational education and training (VET) students.

We continued to deliver and support ASIC's MoneySmart Teaching program in New South Wales, Victoria, Western Australia, South Australia, Queensland and the Northern Territory under a National Partnership Agreement. We also engaged with schools in the Australian Capital Territory and Tasmania to provide national coverage.

ASIC's MoneySmart Teaching program continues to expand, with over 3,100 schools engaged in the program in 2014–15. Since 2012, over 14,000 teachers have received professional development in financial literacy through ASIC's MoneySmart Teaching workshops.

In March 2015, we launched ASIC's Be MoneySmart online training resource for VET students, including apprentices and trainees, to improve their financial literacy by better understanding personal taxation, superannuation, insurance, debt management and budgeting. The new resource supports accredited training at Certificate III level, and can be used in other settings such as workplaces and by community organisations for non-accredited training.


Indigenous financial consumers

ASIC's Indigenous Outreach Program helps Aboriginal and Torres Strait Islander consumers to be confident when making financial decisions.

In 2014–15, our Indigenous outreach team reached more than 965 stakeholders nationally, including consumer advocates, government agencies, financial counsellors and industry representatives. We delivered education, advice and assistance through 45 formal engagements across Australia. This included 27 in metropolitan areas, three in regional centres and 15 in remote locations throughout Western Australia, South Australia and Queensland.

In 2014–15, ASIC worked with the superannuation industry to encourage the development of policies to facilitate Indigenous members' access to their superannuation. As part of this work, ASIC presented at the inaugural Indigenous Super Summit held in June 2015. ASIC also invited QSuper on an outreach visit to Lockhart River to demonstrate some of the practical issues facing Indigenous Australians in remote communities, and to help individuals wishing to access their superannuation.

We participated in the National Indigenous Consumer Strategy Reference Group. This resulted in a number of Indigenous consumer awareness initiatives with other Government agencies, including the 'Avoid a funeral rip-off' campaign and the 'Be Smart, Buy Smart' resource.



ASIC continued to provide financial literacy training to the Bindjareb group in Western Australian prisons in collaboration with the Western Australian Department of Corrective Services and Legal Aid WA through the Fairbridge Bindjareb Project. The Bindjareb group are an interned Indigenous group guaranteed employment in the mining industry on release from a prison farm.

We also educated residents of remote Indigenous communities in the Northern Territory, Queensland, South Australia and Western Australia about the availability of fee-free ATM transactions.

We continue to maintain a telephone and email Indigenous helpline, which provides practical assistance to Indigenous consumers and receives about 200 inquiries a year.

International financial literacy education

ASIC is a member of IOSCO's new Committee on Retail Investors (Committee 8), supporting its policy work on retail investor education, financial literacy and investor protection. In 2014–15, we led the development of an IOSCO report on investment risk education. The report explores how regulators can use education to help retail investors make more informed investment decisions, profiles initiatives that have worked well and identifies key themes and good practice.

ASIC represents Australia on the Organisation for Economic Co-operation and Development (OECD) International Network on Financial Education. This network promotes and facilitates international cooperation between policy makers and other stakeholders on financial education issues worldwide. In 2014–15, we were one of a small number of countries to contribute to the OECD's policy handbook on the implementation of national strategies for financial education, reflecting ASIC's considerable experience in this area.

2.1.5 Enforcement

ASIC is a law enforcement agency. We take tough and timely action to enforce the law and deal with misconduct that puts investors and financial consumers at risk.

The trust and confidence of investors and financial consumers has been significantly eroded over the past few years due to poor conduct in the financial services industry, including poor advice and mis-selling of financial products. We have used a range of enforcement approaches to obtain the most appropriate outcome in cases of misconduct in 2014–15. The considerations leading to enforcement outcomes can be varied, as can their effects, and we typically pursue a combination of remedies. We take enforcement action designed to punish wrongdoers, protect investors or compensate people. We also try to resolve matters through negotiation or issuing infringement notices.¹

In 2014–15, we completed 114 civil and criminal court proceedings and administrative actions, and 88 investigations to promote investor and financial consumer trust and confidence in the financial system. Our activities resulted in punitive, protective, compensatory and negotiated outcomes, including six criminal convictions and three imprisonments.

Evidence Management System – EMS Ringtail

In 2014–15, ASIC completed its Evidence Management System (EMS) Ringtail project.

The Ringtail system allows ASIC to handle vast amounts of electronic evidence, reducing the time to process evidence, particularly for large matters. Ringtail has delivered around \$10 million in quantifiable benefits for ASIC in 2014–15.

1. ASIC can also take action to preserve assets and correct disclosures. See Information Sheet 151 *ASIC's approach to enforcement* (INFO 151) for more detail.

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

Punitive outcomes¹

Financial advice and services

ASIC has taken enforcement action to punish advisers and AFS licensees where they have not complied with their legal obligations. For example, in 2014–15, our investigations resulted in the following outcomes:

- ♦ Melinda Scott, a former financial adviser for Roach Graham Scott Pty Ltd, was imprisoned for six years and three months, with a three year and ten month non-parole period. She pleaded guilty to defrauding more than 150 clients of over \$5.9 million over a 20 year period.
- ♦ Todd Michael King, a former Perth-based financial adviser, was sentenced to two years jail (made eligible for parole) for stealing almost \$1.5 million worth of Wesfarmers Ltd shares.

Financial services gatekeepers

ASIC continues to take action to hold gatekeepers to account so investors can have trust and confidence in their investments in financial markets.

For example, our investigations in 2014–15 resulted in Mark Ronald Letten, a former director of LGH Holdings Ltd (in liquidation) and the principal of the accounting firm Lettens Pty Ltd, being sentenced to five years and eight months imprisonment, with a three year non-parole period. Mr Letten pleaded guilty to 27 charges, including operating unregistered managed investment schemes and carrying on a financial services business without an AFS licence.

Consumer credit

ASIC has continued to take a strong approach to compliance with the National Credit Act in the five years since its introduction.

In 2014–15, we achieved a number of outcomes to punish wrongdoing and promote compliance with the National Credit Act, including one criminal conviction for loan fraud.

We are committed to taking action on loan fraud involving false loan applications and related documents, and to prevent lenders from providing loans to consumers they cannot afford and to stop businesses from taking unfair advantage of financially vulnerable people. For example, our actions resulted in the following outcomes:

- ♦ One Melbourne man pleaded guilty to a charge of conspiring to defraud financial institutions following our investigation into the use of false documents in support of loan applications valued at approximately \$79 million, which were submitted on behalf of clients of Myra Home Loans Pty Ltd trading as Myra Financial Services.
- ♦ The Federal Court awarded record penalties totalling almost \$19 million against payday lender, The Cash Store Pty Ltd (in liquidation) (The Cash Store), and loan funder, Assistive Finance Australia Pty Ltd, for systemic failure to comply with consumer lending laws. The court found that The Cash Store had unconscionably sold consumer credit insurance to customers mainly on low incomes or in receipt of Centrelink benefits.

Protective outcomes²

Financial advice and services

ASIC has taken enforcement action to protect the public where, for example, advisers and AFS licensees have not acted in the interests of financial consumers and investors or have not complied with their legal obligations.

In 2014–15, ASIC cancelled, suspended or placed conditions on 17 AFS licences, with one additional AFS licensee agreeing to implement a regime of supervision, review and audit.

Fourteen individuals were permanently banned from providing financial advice. A further 23 individuals were banned or agreed to stay out of the industry for shorter periods of time.

1. Punitive outcomes may serve a purpose of punishment, but can also serve other purposes, such as general and specific deterrence and protection of the public. The categorisation in this report of an outcome as punitive does not purport to describe the court's reasons for imposing that outcome.

2. The categorisation in this report of an outcome as protective does not purport to describe the Court's reasons for imposing that outcome.

For example, in 2014–15:

- ♦ We permanently banned Lee Robert Robin from providing financial services after ASIC found he had engaged in misleading or deceptive conduct while causing unsecured fixed interest notes to be issued in Protect Ensure Pty Ltd and failed to comply with financial services laws.
- ♦ We permanently banned Lewis Fellowes from providing financial services after we found he had engaged in both dishonest and misleading or deceptive conduct with six clients. He had transferred more than \$480,000 of client funds from their margin lending accounts into his and his wife's personal accounts without the knowledge or authorisation of his clients. He also transferred \$1 million from a client's bank account to his own.
- ♦ We cancelled the AFS licences of a number of companies after we found that they had failed to lodge audited annual statements, including Protect Ensure Pty Ltd and Green Stride Investment Management Pty Ltd.

Our investigations also resulted in Gold Coast businessman Craig Gore being permanently banned by the Federal Court from providing financial services following his involvement in the misuse of more than \$4 million raised from SMSF investors. The Federal Court also banned other associated individuals from providing financial services, ranging from seven and a half years to permanently.

Financial services gatekeepers

ASIC continues to hold gatekeepers to account to protect investors and financial consumers.

For example, the High Court dismissed an appeal by Wellington Capital Ltd (Wellington) against a Federal Court decision that found Wellington – as responsible entity of the Premium Income Fund – had acted without power in distributing Asset Resolution Ltd shares to unit holders in the fund.

Consumer credit

In 2014–15, we achieved a large number of protective outcomes to promote compliance with the National Credit Act, including:

- ♦ four individuals permanently banned from engaging in credit activities
- ♦ seven individuals banned from engaging in credit activities for between three and ten years
- ♦ 28 Australian credit licences suspended or cancelled
- ♦ seven individuals banned for loan fraud
- ♦ 38 infringement notices paid totalling \$391,000 under the National Credit Act.¹

We acted to protect consumers from poor repossession practices by motor vehicle finance companies. BMW Australia Finance Ltd paid \$306,000 in penalties after we issued 36 infringement notices for failing to provide consumers with information setting out their rights and the options available to them after a finance company repossesses a mortgaged vehicle or the consumer voluntarily returns that vehicle.¹

1. Compliance with an infringement notice is not an admission of guilt or liability. A person is not regarded as having contravened the law merely because they pay the penalty stated in the infringement notice.

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

Remedial outcomes: Enforceable undertakings – improving culture and compliance

In February 2015, ASIC issued updated guidance to enhance transparency around our approach to accepting enforceable undertakings. This includes guidance about independent experts and publicity for enforceable undertakings.

In 2014–15, ASIC accepted 20 enforceable undertakings. In accordance with our policy introduced in February 2015, we have commenced reporting publicly on compliance with undertakings given on or after 9 March 2015. Following acceptance of an enforceable undertaking, we also worked with companies and independent experts to improve the culture and compliance practices of companies, resulting in improved compliance with the law and positive, long-lasting behavioural change. For example:

- ♦ In January 2013, ASIC accepted an enforceable undertaking from Macquarie Equities Limited (Macquarie Equities) to address ASIC's concerns about systemic deficiencies in its compliance with financial services laws. We met and spoke with Macquarie Equities and its independent expert regularly (often several times a week) to proactively monitor compliance with the undertaking and ongoing changes in its business. As a result, Macquarie Equities has implemented significant changes to its financial advice and private wealth business. These include a new monitoring framework, as well as enhanced controls for managing compliance risks, leading to improvements in Macquarie Equities' ability to identify and address compliance risks. The independent expert reported a marked improvement in the risk culture of Macquarie Equities. While the enforceable undertaking concluded in January 2015, Macquarie Equities has agreed to an additional 12-month program of work to ensure that all reforms are fully implemented and tested by the independent expert.
- ♦ In October 2014, ASIC accepted an enforceable undertaking from Equanimity Concepts Pty Ltd (Equanimity) to address ASIC's concerns about Equanimity's compliance frameworks and advertising practices. In accordance with the enforceable undertaking, Equanimity engaged an independent expert who released its initial report in December 2014, making 15 recommendations on Equanimity's compliance processes. From January to May 2015, ASIC monitored progress under the enforceable undertaking to ensure that the 15 recommendations were appropriately implemented. The enforceable undertaking concluded in May 2015. As a result of the enforceable undertaking, Equanimity's compliance processes have improved and its advertising procedures have been revised to ensure that Equanimity's advertising complies with the law. It is expected that the newly implemented procedures will encourage a culture of compliance within Equanimity.
- ♦ In July 2013, ASIC accepted an enforceable undertaking from Fair Loans Foundation Pty Ltd (Fair Loans) to address ASIC's concerns that consumers were being overcharged interest. In accordance with the enforceable undertaking, Fair Loans appointed an independent consultant to monitor its compliance with the enforceable undertaking. We reviewed the independent consultant's reports regularly to ensure that Fair Loans was refunding consumers overcharged interest and that improvements were being made to its compliance processes. The enforceable undertaking concluded in August 2015 with the final payment of consumer refunds. In its final report, the independent consultant reported that Fair Loans was meeting its compliance obligations, making sound, well-supported lending decisions and engaging in credit activities to a standard required of an Australian credit licensee. The enforceable undertaking has led to greater awareness and focus by Fair Loans on its legislative obligations and has assisted with building a culture of compliance within Fair Loans.

Compensatory outcomes

When investors and financial consumers have suffered loss due to alleged failures within an organisation, ASIC often works with that organisation to ensure people are appropriately compensated.

Financial advice and services

In 2014–15, we recovered \$30 million in compensation for investors and financial consumers. For example, our actions resulted in:

- ♦ Macquarie Investment Management Ltd agreeing to refund over \$5.5 million to around 2,300 clients affected by system errors, including failing to apply sufficient tax credits to the GST portion of client fees and charging administration fees that exceeded the maximum disclosed in the product offering documents.
- ♦ Bank of Queensland Ltd agreeing, without admission of liability, to pay approximately \$17 million as compensation for losses suffered on investments made through Storm Financial Ltd (receivers and managers appointed) (in liquidation).

Consumer credit

In 2014–15, our actions also resulted in over \$4.4 million being refunded or compensated to over 614,000 consumer accounts due to overcharged interest or fees.

We also achieved significant consumer credit refunds for systemic failures, including:

- ♦ In October 2014, the Commonwealth Bank of Australia (CBA) agreed to refund about \$2.2 million to about 45,000 customers who had money left on expired CBA Travel Money Cards.
- ♦ In March 2015, Allianz Australia Insurance Ltd agreed to refund just over \$400,000 in insurance premiums for insurance sold by The Cash Store alongside payday loans issued to consumers. This followed ASIC's action against The Cash Store.

- ♦ In April 2015, Allianz Australia Insurance Ltd and Allianz Australia Life Insurance Ltd also agreed to refund approximately 20,000 customers over \$1.4 million, after reporting breaches to ASIC about failing to refund stamp duty amounts owed to customers with consumer credit insurance policies and overcharging almost 3,000 customers who paid their insurance premium by monthly instalments.

2.1.6 Policy advice and implementation

ASIC continues to take an active role in policy advice and implementation directed to promoting investor and financial consumer trust and confidence in the financial system.

We are committed to participating fully in the global regulatory reform agenda to make our financial system work better, be more resilient, and facilitate economic benefits in Australia and around the world.

Technical assistance to Indonesia

This year, ASIC contributed to a self-assessment by Otoritas Jasa Keuangan (OJK), the Indonesian securities regulator, of implementation of the IOSCO Objectives and Principles for securities regulation. ASIC is providing technical assistance to address areas for improvement identified in the self-assessment.

Cross-border marketing of managed funds

ASIC continued to provide technical assistance to Treasury in developing and negotiating the Asia Region Funds Passport. Once implemented, the Passport will provide a multilaterally agreed framework to facilitate the cross-border marketing of managed funds across participating economies in the Asian region.

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

External dispute resolution schemes

ASIC's role

ASIC administers the financial services and consumer credit dispute resolution framework, which includes internal dispute resolution (IDR) and external dispute resolution (EDR). Within this framework, ASIC is responsible for setting or approving standards for IDR procedures and approving and overseeing the effective operation of EDR schemes.

ASIC publishes guidance to ensure that EDR schemes meet the approval criteria, which include benchmarks relating to independent governance, efficiency, effectiveness, accountability and fairness. Each quarter, senior ASIC staff meet with senior EDR scheme personnel to discuss key trends and issues arising from complaints, as well as policy and regulatory issues and law reform.

There are currently two ASIC-approved EDR schemes: the Financial Ombudsman Service (FOS) and the Credit and Investments Ombudsman (CIO).

Systemic issues and misconduct

As well as resolving many thousands of disputes each year, EDR schemes must identify, resolve and report on systemic issues and cases of serious misconduct to ASIC.

Systemic issues typically have implications beyond the immediate actions and rights of the parties to the dispute, such as where a system error inside a financial institution affects many consumers. The schemes identify potential systemic issues arising out of disputes and first raise these directly with licensees. Where a systemic issue is confirmed, the relevant licensee must work with the scheme to remedy the problem, which could include compensating consumers or refunding fees or money paid. Not all matters will be confirmed as definite systemic issues. However, they may result in other positive outcomes for licensees and consumers. For example, they may help licensees identify training gaps or opportunities for improvements to processes or consumer communications.

Serious misconduct may involve fraudulent conduct, grossly negligent or inefficient

conduct, or wilful or flagrant breaches of relevant laws.

In 2014–15, FOS reported 62 definite systemic issues and 14 cases of serious misconduct to ASIC. The CIO reported 31 definite systemic issues and 11 definite cases of serious misconduct. ASIC assessed these reports and, where appropriate, used the information to inform current or new investigations.

External review of schemes

Under ASIC's approval guidelines, approved schemes must commission an independent review of their operations and procedures every five years.

In July 2013, FOS engaged Cameronralph Navigator to conduct this review. The review found that there had been significant improvements in key aspects of FOS's performance, including in the clarity and quality of FOS's decisions, and that FOS met all of the benchmarks for industry-based EDR schemes except timeliness. The key recommendation was the need for FOS to eliminate dispute backlogs and reshape its dispute processes to reduce the time taken to resolve new disputes.

In response, FOS implemented a number of changes, including the introduction of a new process to fast track decisions for simpler and low-value disputes. It also added specialist expertise earlier in the dispute process to reduce the number of times a dispute changes hands.

FOS implemented its new streamlined dispute process on 1 July 2015 and has notified ASIC that its dispute backlogs across all dispute areas have been eliminated.

CIO is due for its next independent review in 2016.

Terms of reference

In 2014, FOS consulted extensively on a number of changes to its terms of reference (TOR) to give effect to the 2013 independent review recommendations. In late 2014, ASIC approved a number of changes to FOS's TOR, the majority of which came into effect on 1 January 2015.

ASIC at work



The External Advisory Panel assists ASIC to gain a better understanding of developments and systemic risks in the financial system and markets.



ASIC lawyer Alya Gordon (left) and performer Sean Choolburra at the Big Koori Super Day Out, held in Redfern, Sydney in September 2014.



Dr Vinita Godinho addressing an ASIC-organised conference on financial and commercial literacy for Indigenous Australians, Darwin, December 2014.



ASIC Chairman Greg Medcraft and Korean Financial Services Commission Chairman Shin Je-Yoon, after signing an MOU on supervisory cooperation in February 2015.



ASIC Deputy Chairman Peter Kell at the ASIC Annual Dinner 2015.

2.2 Priority 2 – Fair, orderly, transparent and efficient markets



Fair, orderly and transparent financial markets enable the efficient allocation of capital to fund the real economy – driving economic growth in the interests of all Australians.

2.2.1 Engagement with industry and stakeholders

Poor corporate culture and conduct can erode investor trust and confidence. We engage with our stakeholders to promote good conduct and shift culture in the right direction.

In 2014–15, we held 876 meetings with domestic stakeholders, including industry groups such as the Australian Financial Markets Association (AFMA), the Business Council of Australia, the Law Council of Australia and the Australian Institute of Company Directors (AICD).

Financial market infrastructure

In 2014–15, we held 283 meetings with financial market infrastructure stakeholders such as the Depository Trust and Clearing Corporation (DTCC) and the Australian Financial Markets Association (AFMA) on issues, including the implementation of the DTCC's trade repository services and the G20 OTC derivative trade reporting and clearing obligations in Australia.

We engage with industry and overseas regulators to better understand trends and developments. We hold central roles in international bodies and working groups that shape international regulation in financial market infrastructure.

Market Entity Compliance System

In May 2015, ASIC launched the pilot of our Market Entity Compliance System (MECS) based on the Microsoft Dynamics CRM platform. This is the second deliverable of our Flexible Advanced Surveillance Technology (FAST) program, which is aimed at improving the way ASIC monitors and supervises our financial markets.

MECS is a web portal that will make it easier for market participants, including market infrastructure providers, to manage their relationship with ASIC and help them comply with their regulatory obligations. It was rolled out in July 2015.

Market and participant supervision

In 2014–15, we held 251 meetings with market participants, including 99 compliance liaison visits. We engage with market participants to disrupt poor conduct and achieve positive behavioural change where we detect market misconduct, including unusual trading patterns. As part of our early engagement process, we regularly meet with market participants to raise our concerns. In 2014–15, our discussions with market participants led to trading procedure amendments on 52 occasions. We maintain a dialogue with market participants as part of our risk assessment and compliance liaison. In addition, we analyse trading activity, which may involve on-site reviews at market participants' premises.

Dark liquidity and high-frequency trading

We continue to respond to developments such as dark liquidity and high-frequency trading (HFT).



In 2014–15, we reviewed HFT developments in the equities market and examined HFT in the futures market. We are reviewing how dark liquidity and dark trading venues are evolving – including by testing their impact on price formation.

As part of our reviews, we meet with industry and overseas regulators to better understand market developments. For example, we attend IOSCO's Committee on Regulation of Market Intermediaries (Committee 3) and participate in the Asia-Pacific Regulators Dialogue on Market Surveillance, Market Conduct Roundtable and Business Conduct Roundtable.

Investment banks

In 2014–15, we held 186 meetings with investment banking stakeholders on issues such as changes to corporate advisory, capital markets and fixed income, currency and commodity business strategies, key risks and metrics, and emerging issues or trends in the investment banking industry.

Corporations, including emerging mining and resource companies

In 2014–15, ASIC held 65 meetings with stakeholders, including the Australian Institute of Company Directors, ASX, the Governance Institute of Australia and the Australian Shareholders' Association, to discuss issues such as emerging market trends in corporate finance transactions, the continued popularity of backdoor listings as a means to have new business ventures listed on ASX, procedures at company meetings such as the use of polls and proxies, and changes to ASIC guidance on employee incentive schemes and collective action by institutional investors.

Corporate finance meetings

In 2014–15, we continued our bi-annual meetings in five states to communicate with stakeholders about fundraising, mergers and acquisitions and corporate governance issues and initiatives.

Listed companies in Western Australia

Our emerging mining and resources team engages closely with the Western Australian listed company market to address its unique characteristics. Western Australia accounts for over 35% of listed entities – largely in the mining and resources sector.

The downturn in commodities prices has meant companies have sought further efficiencies or looked for reverse merger or 'backdoor listing' opportunities – often with technology companies seeking to go public.

In 2014–15, we held 25 meetings with entities or advisers with interests in the Western Australian market. Our dialogue allows us to understand the drivers and risks in changing market conditions, and deliver regulatory messages such as tackling deficiencies in disclosure in backdoor listings and highlighting the importance of cyber resilience.

eLearning for hybrid securities

ASIC has a strong interest in how investors understand complex products, such as hybrid securities.

We worked with the Commonwealth Bank of Australia (CBA) to review an online investor module on hybrids to help retail investors better understand this complex product. In August 2014, CBA launched the 'Bank hybrid securities basics' module with their hybrids offer.

2.2 Priority 2 – Fair, orderly, transparent and efficient markets *continued*

ASIC also commissioned preliminary research into how behavioural biases may influence investor preferences towards hybrid securities over the less complex financial products of bonds or shares.

In March 2015, we published a report on the research findings. A key finding was that investors who were subject to an ‘illusion of control’ or ‘overconfidence’ bias relatively increased their hybrid allocation in a mock portfolio. This will inform conversations with industry, assist in the development of regulatory interventions, and contribute to improvements in ASIC’s programs to advise and educate investors to make more informed decisions.

Financial reporting and audit

We maintain strong relationships with Australia’s three largest accounting bodies – CPA Australia, Chartered Accountants Australia and New Zealand, and the Institute of Public Accountants. In 2014–15, we held 59 meetings with these bodies.

We liaise with other stakeholders on financial reporting and audit, including accounting firms, the Group of 100, the AICD, user groups, and local and international standard setters.

We work with firms internationally through the International Forum of Independent Audit Regulators (IFIAR) to improve audit quality, and work with other IFIAR members on initiatives such as improved information sharing and auditing standards. We also work with other securities regulators through IOSCO to improve financial reporting and audit quality.

Insolvency practitioners

Liaison with registered liquidators

In 2014–15, we held 32 meetings with stakeholders, including the Australian Restructuring Insolvency and Turnaround Association (ARITA), the main organisation representing insolvency practitioners (including registered liquidators).

We hold bi-annual regional meetings in each state and the Australian Capital Territory with registered liquidators and other stakeholders in the insolvency market.

2.2.2 Surveillance

ASIC works to detect, understand and respond to risks that threaten fair, orderly, transparent and efficient markets.

We focus our proactive surveillance on areas of high risk, and on those entities and activities that have the greatest market impact.

Our surveillances aim to encourage positive behavioural change – for example, improved corporate culture and conduct.

In 2014–15, we commenced 480 and completed 459 high-intensity surveillances.

Financial market infrastructure

Thematic market assessments

We have shifted focus from annual reviews of each market to thematic reviews targeted at strategic risk.

In 2014–15, ASIC did our first thematic market assessment focused on exchange listing functions.

Robust listing standards underpin the fair and efficient operation of capital markets. We assessed exchange listing standards for their appropriateness and how they are administered by the exchanges.

Derivative trade repository licence

In November 2014, ASIC granted an Australian derivative trade repository (ADTR) licence to DTCC Data Repository (Singapore) Pty Ltd (DDRS) through equivalency arrangements – a first of its kind and a key step in mandatory trade reporting requirements for OTC derivatives.

We granted the ADTR licence after an extensive process to ensure DDRS complied with Australian standards, including cybersecurity and governance, while remaining subject to day-to-day oversight by the Monetary Authority of Singapore.

OTC clearing and settlement facility

In September 2014, the Chicago Mercantile Exchange Inc. was approved as Australia’s third licensed clearing and settlement facility for OTC derivatives. This followed advice from ASIC and the RBA that robust supervisory cooperation and information sharing agreements were in place between ASIC, the RBA and the US



Commodity Futures Trading Commission as Chicago Mercantile Exchange Inc.'s primary home regulator. This has given Australian participants the ability to choose central clearing arrangements from the United States, in addition to Australia and the European Union, and to select central clearing arrangements best suited to their business models and risk appetites. This development also furthers our Group of Twenty (G20) obligations on the central clearing of OTC derivatives. Having a choice of central counterparties was an important precondition to the Government's decision to impose a central clearing mandate in Australia for certain OTC interest rate derivatives.

Market and participant supervision

Market participant supervision

ASIC's real-time market surveillance technologies help us to detect market misconduct and better respond to changing market conditions. For example, the recently implemented Consolidated Trading Tool allows our market analysts to create an instant snapshot of any security or trading account. They can then use analytical metrics to determine if suspicious trading has occurred.

New ASIC market integrity rules require participants to provide specific data on orders to market operators – improving visibility of traders and trading behaviour.

In 2014–15, ASIC produced 37,763 trading alerts and conducted inquiries into 214 matters. We also conducted a range of surveillances, including 35 risk-based assessment visits and 110 compliance reviews, and engaged with market participants to improve practices in 50 instances.

For example, in December 2014, we accepted an enforceable undertaking from First Prudential Markets Pty Ltd due to concerns about its processes for detecting and dealing with manipulative client trading for contracts for difference.

Our enhanced surveillance has also helped stop cyber attacks – such as identity fraud on client accounts. We worked with market participants to ensure action was taken in these

cases. Where account hacking has occurred, we have prevented the distribution of profits from these crimes.

In addition, this capability helped ASIC detect potential breaches of market integrity rules by traders placing very small orders in unlit dark pools to test liquidity. Our discussions with market participants and end clients stopped the behaviour.

Real-time market surveillance

In 2014–15, we bedded down the Market Analysis Intelligence (MAI) – the first of the four deliverables of ASIC's FAST program.

MAI helps us to adapt to increased message traffic, new technologies and trading techniques. It also helps us handle the increase in trading messages generated by HFT.

We continue to enhance MAI with a new reporting function and by enabling data to be merged through the Consolidated Trading Tool for a snapshot of individual securities or trading accounts. We have developed baseline MAI functionality to analyse new OTC derivatives trade reporting data.

MAI has improved efficiency and cut costs for ASIC and market participants by automating processes that were manual and time-intensive. This allows us to better target our actions, and develop customised reporting.

In 2014–15, following the rollout of client identifiers in MAI, the volume of notices requesting information from market participants decreased by 29% and the time taken by market participants to respond to the notices is estimated to have decreased by 67%. This is due to the improved information ASIC can now access via MAI, which enables ASIC to adopt a more targeted approach to issuing notices.

2.2 Priority 2 – Fair, orderly, transparent and efficient markets continued

Investment banks

Financial benchmarks

We continued surveillance into the culture and conduct around financial benchmarks, such as key interest rate and foreign exchange benchmarks. Our inquiries are informed by benchmark-related conduct and oversight issues observed overseas. Our investigations are ongoing.

Business engagement program

We held 39 meetings with investment banks as part of our engagement with corporate banking, mergers and acquisitions, corporate advisory, equity capital markets, debt capital markets and global markets (including fixed income currency and commodities, and equities) businesses.

This program produces intelligence on investment banking through engagement with business leaders and responsible managers from investment banks operating in Australia. The program covers material business and culture changes to assist us in better understanding emerging risks.

Conduct risk workstreams

Following our 2014 review of 21 investment banks' appetite, attitude and approach to conduct risk, we provided feedback to each institution with a view to lifting standards.

ASIC developed the '3 C's conduct message' (covering communication, challenge and complacency) to highlight weaknesses. This message is applicable to all of ASIC's regulated population, not only investment banks.

To date, a presentation covering the '3 C's conduct message' and industry feedback has been given to over 1,700 bankers – with presentations to boards, executive committees, leadership forums, team meetings, town halls (some covering wholesale and retail businesses) and to industry bodies such as AFMA and the Association Cambiste Internationale (ACI) the Financial Markets Association, which represents the interests of market professionals in foreign exchange and money markets across the world.

Conduct Calculator

In 2014–15, ASIC issued a 'Conduct Calculator' to 19 investment banks to understand how they manage conduct risk in their domestic investment banking, sales and trading operations. It was also designed to help improve their conduct risk frameworks. In June 2015, we provided feedback to the banks on our high-level observations of industry trends that will allow them to compare responses with their peers.

Retail OTC derivative trading

OTC derivative trading is complex and risky – made more accessible by electronic trading platforms. It can be misunderstood or mis-sold to investors.

Our surveillance of the retail OTC derivative market has resulted in regulatory action in 2014–15 (see page 60).

We targeted high-risk areas by monitoring new entrants to the market, detecting unlicensed retail margin foreign exchange trading – particularly those operating offshore – investigating retail margin foreign exchange brokers' risk management systems, and addressing false and misleading statements to investors.

We also negotiated corrective disclosures by issuers following reviews of retail foreign exchange brokers and product issuer websites.

Improving cyber resilience


ASIC developed a Cyber Resilience Model to better understand how investment banks manage cyber resilience.

The Cyber Resilience Model was sent to 18 investment banks to complete on a voluntary basis. Each investment bank was given feedback on overarching trends across all respondents and how they compared against other institutions.

Global supervision

We continue to work closely with our international counterparts to coordinate global supervision of investment banks, retail derivatives and credit rating agencies (CRAs).

In 2014–15, we attended several supervisory colleges to help with the coordination and cooperation of the cross-border regulation of global investment banks and CRAs.



These colleges provide a forum for regulators to hear directly from senior management of institutions and to share information between regulators necessary for effective supervision.

We continued to consult with our peer regulators, including the Financial Conduct Authority (UK), the Swiss Financial Markets Supervisory Authority, the Hong Kong Securities and Futures Commission and the Bank of England, on issues such as conduct risk and OTC retail derivatives.

Corporations, including emerging mining and resources

Fair and transparent capital markets are integral to economic growth.

We focus on corporate transactions – such as fundraising, takeovers and schemes of arrangement – as key disclosures to investors and the market.

Improving fundraising disclosure

In 2014–15, we reviewed 578 prospectuses and offer documents.

Our actions improved disclosure in almost 30% of these reviews. On 62 occasions, we extended the time before offers to investors could be made because of disclosure issues. We issued 51 interim stop orders, and revoked 22 when corrective disclosure was lodged. We made 14 final stop orders to prevent fundraising where we had concerns about disclosure.

In February 2015, we also placed a stop order prohibiting Bitcoin Group Limited from promoting an initial public offering before it lodged an offer document with ASIC.

Monitoring takeovers

ASIC monitored 43 new takeover bids in 2014–15. Where necessary, we intervened to seek better disclosure or conduct to ensure companies' transactions and control transparency was appropriate and legal – including where novel structures appeared to avoid takeover requirements.

For example, we made an application to the Takeovers Panel due to concerns of undisclosed associations affecting the control of Richfield International Limited (Richfield). In April 2015, the Takeovers Panel made a declaration of

unacceptable circumstances and ordered amended substantial holder disclosure and the vesting of Richfield shares in ASIC.

This year, we also assessed the disclosure and terms of 31 new proposed acquisitions under court-approved schemes of arrangement, including associated options schemes, schemes to effect restructures and creditors' schemes.

Corporate governance

We monitor the conduct of directors and other important gatekeepers.

We did surveillances of related party transactions – particularly in fundraising and control transactions – to assess conflicts of interest. In 2014–15, we received 377 related party transactions for review and required re-lodgement of almost 17% of those notices.

Financial reporting and audit

Financial reporting

Financial reports provide information that informs investors and the market.

In 2014–15, ASIC reviewed over 400 financial reports of listed and other public interest entities as part of our surveillance to ensure financial reports provide useful information.

In 2014–15, we focused directors and auditors on the reporting of non-financial asset impairment, off-balance sheet arrangements, revenue recognition, expense deferral and tax accounting.

Our inquiries resulted in changes in the financial reporting of 10 ASX-listed entities with total adjustments to profit of over \$630 million.

We also launched a new means of digital financial reporting to make financial reports easier to navigate and help comparisons between companies over time.

Annual reporting obligations

The lodgement of annual reports with ASIC is a key disclosure requirement for many companies, registered schemes and disclosing entities.

During 2014–15, we targeted entities to enforce notices issued where annual reporting obligations were not met. 39 entities subsequently complied and we obtained civil orders against 38 others to enforce compliance.

2.2 Priority 2 – Fair, orderly, transparent and efficient markets *continued*

Nineteen companies were the subject of 125 strict liability offences for not complying with their reporting obligations, and were fined a total of \$194,800.

Improving audit quality

Auditors play a vital role to ensure markets are fair and transparent. We work with directors, audit committees and auditors to improve audit quality.

In 2014–15, we undertook a risk-based review of 80 audit files at 12 firms of different sizes. At our request, the largest six firms developed plans to improve audit quality. We continue to work with firms on improving audit quality.

Monitoring auditors

ASIC acts to ensure registered auditors – as gatekeepers – take responsibility for their roles.

In 2014–15, we deregistered 373 SMSF auditors for not meeting a requirement to pass a competency exam. Another two SMSF auditors were deregistered as a result of deficient audits.

Two auditors, Joanne Loh and Neil Turner, agreed to have their company auditor registration cancelled after ASIC raised concerns with their audits. Two other auditors had their registrations suspended by the Company Auditors and Liquidators Disciplinary Board (CALDB) for failing to comply with registration conditions.

Insolvency practitioners

Supervising registered liquidators

ASIC continued its work to raise registered liquidator standards – to ensure their competence and independence, and to prevent improper gain.

In April 2015, we released a report on our extensive supervision of registered liquidators for the 2014 calendar year. We identified a continuing reduction in the number of reports of alleged misconduct about registered liquidators.

In 2014–15, we conducted:

- ♦ four reviews of firms identified as most at risk of non-compliance
- ♦ 41 reviews of registered liquidators' independence declarations
- ♦ 31 reviews of liquidator remuneration
- ♦ 53 reactive surveillance reviews.

This resulted in a number of enforcement actions, including 23 registered liquidators changing their behaviour or practices as a result of our intervention, 13 registered liquidators having been subject to formal investigation or enforcement action, and two applications to the CALDB.

Improving processes and compliance

Liquidators must communicate effectively and inform creditors through notice and lodgement requirements.

We are working to improve processes for, and increase compliance of, registered liquidators.

ASIC's published notices website is in its third year and provides a single point for searching almost all notices on external administration and company deregistration. In 2014–15, registered users of the website increased from 7,512 (in 2013–14) to 11,368. Visits to the website increased by 17.6% to over 900,000.

We reviewed the lodgement history of over 200 registered liquidators and found 64% of liquidators had an outstanding form lodgement and 46% had an outstanding published notice. We identified 18 registered liquidators with high levels of non-compliance for heightened scrutiny, including enforcement action.

We are also employing behavioural insights to improve *Form 507 Report as to affairs*, which directors of failed companies must complete to assist liquidators.

Powers to appoint liquidators

We use our wind-up powers to appoint liquidators to abandoned companies and help employees access their entitlements under the Fair Entitlements Guarantee.

In 2014–15, we exercised our powers to appoint liquidators to 31 abandoned companies that owed 98 employees more than \$995,000 in entitlements.

Combating illegal phoenix activity

Illegal phoenix activity – transferring assets of an indebted company to a new company to avoid paying creditors, tax or other employee entitlements – undermines market integrity.

In 2014–15, our surveillance targeted company directors with a history of failed companies as well as registered liquidators. We identified approximately 2,500 directors – who operate more than 7,000 companies – who may qualify for administrative disqualification, and used our coercive powers to investigate further. We identified seven instances of illegal phoenix activity. Of those, two were referred to the Australian Taxation Office, one referral has been made to the Commonwealth Director of Public Prosecutions and four matters are still under investigation.

As part of our registered liquidator surveillance program, we worked with other government agencies to review registered liquidator conduct on transactions where there were concerns about illegal phoenix activity.

In 2014–15, we widened our program to look at the use of false statutory declarations in Australia's building and construction sector. We reviewed the financial and statutory declaration data of 40 companies to identify where mid-level contractors provided false statutory declarations to principal contractors. Of those 40 companies, we identified 10 instances of alleged false statutory declarations to obtain payments. We are preparing to take further action against those contractors.

We continued our work as a member of the Inter-Agency Phoenix Forum, a Government initiative to address illegal phoenix activity.

2.2.3 Guidance – setting rules, standards and expectations

ASIC has responded to significant developments in Australian and international financial markets, with new rules, standards and expectations – while, at the same time, focusing on improving market efficiency.

Financial market infrastructure

Cyber resilience

The pace of technological change has increased the risk of cyber attacks on our markets.

In March 2015, ASIC released a cyber resilience report – providing a 'health check' to help financial markets and the financial system prepare, respond and adapt to, and recover from, a cyber attack.

It considers how the laws we administer require critical infrastructure and entities in this system to manage cyber risks and encourages risk-based management practices.

Market and participant supervision

Streamlining market integrity rules

In 2014–15, we repealed obligations grandfathered in ASIC market integrity rules that imposed unnecessary costs on business. This included the removal of rules that required certain market participants to obtain ASIC's consent to share certain characteristics with other market participants (the business connections rules) and restricted certain transactions such as special crossings during takeovers, schemes of arrangement and buy-backs.

Corporations, including emerging mining and resource companies

We issue regulatory guidance and grant waivers of the law (relief) to enhance capital market efficiency and cut business costs.

In 2014–15, our outcomes included:

- ♦ In October 2014, we helped foreign companies make offers of CHESS Depository Interests (CDIs) over their shares to investors in Australia.
- ♦ In October 2014, we facilitated better employee incentive schemes – this measure saves businesses over \$3 million a year.
- ♦ In May 2015, we reduced the financial reporting costs of externally administered companies and registered schemes being wound up.
- ♦ In June 2015, we helped investors take collective action to improve the corporate governance of listed entities.

2.2 Priority 2 – Fair, orderly, transparent and efficient markets *continued*

Financial reporting and audit

Financial reporting quiz

In December 2014, we launched a quiz to help directors test their knowledge of financial reporting. The quiz was developed with the AICD and Australia's three largest accounting bodies, and has been completed by more than 2,000 directors.

Impairment of non-financial assets

In June 2015, we released an information sheet to help directors and audit committees value non-financial assets in response to our concerns with the impairment of goodwill and other non-financial assets shown by companies.

Auditor resignation

In June 2015, we revised regulatory guidance on our approach to consenting to the resignation, removal or replacement of public company auditors.

2.2.4 Enforcement

We take enforcement action to stop misconduct that threatens our markets and hold gatekeepers to account. We have used a range of enforcement approaches to obtain the most appropriate outcome in cases of misconduct in 2014–15. The considerations leading to enforcement outcomes can be varied, as can their effects, and we typically pursue a combination of remedies. We take enforcement action designed to punish wrongdoers, protect investors or compensate people. We also try to resolve matters through negotiation or issuing infringement notices.¹

In 2014–15, we completed 53 civil and criminal court proceedings and administrative actions and 143 investigations to promote market integrity resulting in punitive, protective, compensatory and negotiated outcomes, including 17 criminal convictions and 9 imprisonments.

Punitive outcomes²

Insider trading

Insider trading disrupts fair and efficient markets, and ASIC has taken enforcement action to punish those who illegally trade in this way.

This year, we secured four insider trading criminal results, including two imprisonments.

In March 2015, Lukas James Kamay was sentenced to a term of seven years and three months, and Christopher Russell Hill was sentenced to a term of three years and three months, for their roles in Australia's largest insider trading scheme amounting to \$7 million. The two men pleaded guilty to multiple charges relating to insider trading. This followed joint action by ASIC and the Australian Federal Police after ASIC became aware of the unlawful activity. Mr Kamay is appealing his sentence.

In June 2015, Daniel Joffe, a former analyst with ratings agency Moody's, was sentenced to two years and three months in jail, and Nathan Stromer was sentenced to two years in jail – with both sentences fully suspended – after pleading guilty to multiple charges of insider trading. Stromer was also required to pay a pecuniary penalty order of \$229,349.

Market manipulation

Market manipulation undermines fair and transparent markets and we pursue individuals who act illegally for personal gain.

Former Genetic Technologies Ltd (GTG) Chief Executive Officer Dr Mervyn Jacobson was convicted of 35 charges for his involvement in the manipulation of GTG shares over a six month period. He was sentenced to two years and eight months in jail. Dr Jacobson's conviction marked the culmination of ASIC's largest ever market manipulation investigation, resulting in the prosecution of five persons and administrative banning of three client advisers.

1. ASIC can also take action to preserve assets and correct disclosures. See Information Sheet 151 *ASIC's approach to enforcement* (INFO 151) for more detail.

2. Punitive outcomes may serve a purpose of punishment, but can also serve other purposes, such as general and specific deterrence and protection of the public. The categorisation in this report of an outcome as punitive does not purport to describe the court's reasons for imposing that outcome.

Director duties

Directors and other gatekeepers play a crucial gatekeeping role in the Australian financial market.

As a result of our investigations, five former directors, in their capacity as officers of Australian Property Custodian Holdings Ltd (APCHL) (as the responsible entity of Prime Trust), who breached their directors' duties by resolving to make an illegal related party payment of more than \$30 million, were disqualified from managing a company for a combined total of 25 years and three months and fined a total of \$310,000. In May, the Full Court of the Federal Court reserved its decision on appeals and cross-appeals against the findings.

Director deception and fraud

ASIC takes strong action against directors who engage in dishonest offences involving deception and fraud. For example, in 2014–15:

- ♦ Former Chief Executive Officer of Phosphagenics Ltd (Phosphagenics), Dr Esra Ogru, was sentenced to six years jail for her role in the theft of more than \$6.1 million following charges brought by ASIC. Robert Gianello, a former Phosphagenics employee, was also sentenced to four years jail for his role in the theft of more than \$4.6 million from the company. Dr Woei-Jia Jiang was sentenced to two years and six months jail for his role in the theft of more than \$4.3 million from the company.
- ♦ Former Chief Financial Officer of ABC Learning Centres Limited (ABC Learning), James Black, was sentenced to 18 months jail (wholly suspended) and released on a two year good behaviour bond after pleading guilty to making available false or misleading information about ABC Learning.
- ♦ Former Perth director, Andy Kay Hooi Lim, was sentenced to 12 months jail (wholly suspended) and ordered to pay \$10,000 after pleading guilty to fraud.

Disqualified directors

Individuals who manage companies while disqualified face serious consequences.

In 2014–15, five directors were convicted of managing a company while disqualified following ASIC investigations. For example, Michael Vincent Iannello was convicted of managing Vibo Constructions Pty Ltd while disqualified as a director and sentenced to 100 hours community service. Colin Norman was convicted of managing Northside Couriers Pty Ltd while disqualified as a director and fined \$3,000.

Liquidator Assistance Program

ASIC may intervene if a company's officers and related individuals fail to provide an external administrator with the help they need to address a failed company's affairs. ASIC received 1,417 requests for help from external administrators in 2014–15.

In 2014–15, 441 individuals complied as a result of ASIC's intervention – a compliance rate of 35%.

In the same period, 355 individuals were prosecuted for 680 strict liability offences for failing to help, which resulted in around \$914,675 in fines and costs.

Protective outcomes¹

Market manipulation

ASIC continues to pursue individuals who engage in market manipulation to protect investors.

In April 2015, we banned Anton Kerstens from providing financial services for five years. Our investigation found Mr Kerstens' dealings through his company, Ark Equities, created a false and misleading appearance of the price and the market for Cauldron Energy Limited shares, and that they were intended to affect the trading of others. Mr Kerstens has applied to the Administrative Appeals Tribunal for a review of ASIC's decision.

1. The categorisation in this report of an outcome as protective does not purport to describe the court's reasons for imposing that outcome.

2.2 Priority 2 – Fair, orderly, transparent and efficient markets *continued*

Retail OTC derivative trading

We have increased our focus on ‘rogue’ participants in the retail OTC derivative industry to better protect investors.

In 2014–15, we cancelled or suspended four AFS licences, and issued five media releases and one formal public warning notice informing consumers of various unlicensed providers.

Overall, we achieved 17 public outcomes, which addressed matters such as unlicensed activity, false and misleading statements, and a failure to comply with AFS licensing obligations. For example:

- ♦ In July 2014, we took court action to shut down Vault Market Pty Ltd (Vault Market) for operating an unlicensed online foreign exchange business. In November 2014, Vault Market was found to have been acting unlicensed and engaging in misleading and deceptive conduct. We also banned Vault Market’s sole director MD Anamul Amin from providing financial services for eight years and managing a corporation for five years.
- ♦ In September 2014, we cancelled the AFS licence of online foreign exchange broker Global Derivative Services Pty Ltd after an investigation found it failed to comply with a number of its AFS licence obligations.
- ♦ In November 2014, we cancelled the AFS licence of foreign exchange broker Rainbow Legend Group Pty Ltd for failing to comply with its AFS licensing obligations, including making false and misleading statements.
- ♦ In February 2015, we issued a warning against dealing with unlicensed binary option provider Opteck.com for marketing binary options to Australian investors, but operating from Belize.

We also acted to prevent regulatory arbitrage. In October 2014, following inquiries by ASIC, AFS licensee Pepperstone Group Ltd agreed to stop providing financial services, including derivatives and foreign exchange contracts, in Japan that were contrary to Japanese regulation.

Continuous disclosure

In 2014–15, ASIC took action to protect investors from companies that failed to meet continuous disclosure and other reporting requirements.

For example:

- ♦ In August 2014, we restricted Padbury Mining Limited from issuing its reduced content prospectus until 1 May 2015, to ensure investors were in a better position to assess the company’s prospects and financial position.
- ♦ In January 2015, we stopped Pluton Resources Limited (receivers and managers appointed) from issuing a reduced content prospectus until 15 January 2016, for failure to lodge a financial report and meet its continuous disclosure obligations.
- ♦ In May 2015, we stopped Kaboko Mining Limited from issuing a reduced content prospectus for 12 months, also for a failure to lodge financial reports.

We also issued infringement notices to Coal Fe Resources Ltd (now Aus Asia Minerals Ltd) and Rhinomed Limited for potential breaches of continuous disclosure requirements, each paying a \$33,000 penalty.¹

Directors’ duties

ASIC continues to take action to protect investors where directors fail to discharge their duties with care and diligence or fail to act in good faith in the best interests of the corporations they serve.

In May 2015, ASIC disqualified Geoff Vere Reed for three years and two months and Derry Bernard Hill for one year from managing corporations after they breached their directors’ duties as directors of Reed Construction Australia Pty Limited.

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.

1. Compliance with an infringement notice is not an admission of guilt or liability. A person is not regarded as having contravened the law merely because they pay the penalty stated in the infringement notice.

In 2014–15, we disqualified or removed 40 directors from managing corporations.

Liquidator reports funded by the Assetless Administration (AA) Fund facilitated 81% of these disqualifications. ASIC administers the AA Fund and helps liquidators to do preliminary investigations of companies that have few or no assets.

Insolvency practitioners

We take strong action to endeavour to ensure liquidators meet their obligations to creditors.

For example, in 2014–15 we:

- ♦ successfully obtained a Federal Court order to replace the liquidators of Walton Construction Pty Ltd (in liquidation) and Walton Construction (Qld) Pty Ltd (in liquidation). The court agreed that a prior relationship between the liquidators and another party might be seen to compromise the liquidators' independence and ability to act impartially in creditors' interests. This decision has contributed to setting the standards of liquidator independence.
- ♦ cancelled the registration of Pino Fiorentino following an application to the CALDB. He had dishonestly used his position as the liquidator of ERB International Pty Ltd, failed to act in good faith in the best interests of the company and its creditors, lacked competence and failed to comply with his legal requirements.

Markets Disciplinary Panel infringement notices

The Markets Disciplinary Panel (MDP) is a peer review body that exercises ASIC's power to issue infringement notices or accept enforceable undertakings for alleged breaches of the market integrity rules.

In 2014–15, the MDP issued nine infringement notices¹ with \$541,000 in penalties (see pages 159–160). These included:

- ♦ Merrill Lynch Equities (Australia) Limited (Merrill Lynch), for allegedly failing to have in place an appropriate automated price filter for one client account and the entry of an order which resulted in a market not being fair and orderly. Merrill Lynch paid a \$96,000 penalty.

- ♦ FC Stone Australia Pty Ltd (FC Stone), for allegedly failing to demonstrate certain prudent risk management procedures, to perform an accurate daily reconciliation, to provide two monthly reconciliations by the due dates and to provide two requested ad hoc net tangible assets (NTA) returns. FC Stone paid a \$130,000 penalty.

Remedial outcomes: Enforceable undertakings

Benchmark misconduct

In July 2014, ASIC accepted an enforceable undertaking from the Royal Bank of Scotland plc and the Royal Bank of Scotland N.V. (RBS) for potential misconduct involving the Australian Bank Bill Swap Rate. RBS also made a voluntary contribution of \$1.6 million to fund independent financial literacy projects in Australia.

This is the third outcome achieved as part of our investigations into financial benchmark rates. More details about these investigations are set out in Report 440 *Financial benchmarks*.

Insolvency practitioners

ASIC accepted an enforceable undertaking from liquidator Ross Stephen Thomson for his handling of three external administrations and an enforceable undertaking from liquidator Colin Roland Tuckwell. Mr Thomson and Mr Tuckwell acknowledged ASIC's views, including that they had failed to properly investigate a company's affairs, improperly withdrawn remuneration, inadequately recorded their work, and not lodged documents with ASIC.

2.2.5 Policy advice and implementation

Domestic policy

Corporate bonds

In 2014–15, ASIC helped Treasury develop policy to make it easier for companies to offer simple retail corporate bonds, including streamlined disclosure through a two-part prospectus.

1. Compliance with an infringement notice 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, transparent and efficient markets *continued*

Competition in clearing

ASIC worked closely with the Council of Financial Regulators (CFR) to review restrictions on competition in the clearing and settlement of cash equities following the Government's request in February 2015.

OTC derivatives reform

In 2014–15, ASIC continued to work closely with other CFR members and peer jurisdictions to implement Australia's G20 commitments to OTC derivatives reforms – intended to enhance market transparency, cooperation and financial stability following the global financial crisis.

CFR coordinates the work on OTC derivative reforms through the OTC Working Group chaired by ASIC.

In 2014–15, ASIC bedded down phase one of the OTC derivative trade reporting requirements. It enables us to obtain insights from OTC derivatives trade data, including trend analysis.

In October 2014, we granted relief to reporting entities from elements of the ASIC Derivative Transaction Rules (Reporting) 2013. Our changes ensure a smooth and low-cost implementation of the new requirements. We estimate this will lead to an annual saving of over \$2.2 million in compliance costs.

We also worked with Treasury on draft regulations to provide relief from the trade reporting requirements for some reporting entities with low OTC derivative transactions – allowing 'single-sided reporting'.

In 2014–15, Treasury and ASIC consulted on draft regulations and rules to implement mandatory central clearing requirements for certain OTC derivatives – the next stage in Australia meeting its G20 commitments.

As financial market infrastructure like central clearing of OTC derivatives has grown in importance, failing infrastructure can pose a risk to financial stability. In March 2015, Treasury released a consultation paper on a proposed financial market infrastructure resolution framework – with recovery and resolution mechanisms consistent with Financial Stability Board (FSB) standards.

International policy

ASIC Chairman Greg Medcraft's continued leadership as IOSCO Chair and member of the FSB in 2014–15 advances ASIC as a global regulatory leader (see pages 19–20). IOSCO, through the Chairman's participation in the FSB's Plenary and Committees, is at the forefront of ensuring global regulation of financial markets and non-banks is designed appropriately, and based on the expertise of securities regulators.

Improving capital markets

The Chairman's leadership of IOSCO has progressed work to transform 'shadow banking' into resilient market-based financing to fund economic growth.

IOSCO has progressed cross-sectoral work through the Basel Committee on Banking Supervision (BCBS)-IOSCO Task Force on Securitisation Markets to develop criteria for simple, transparent and comparable securitisations.

The IOSCO Assessment Committee, led by ASIC, did peer reviews on the implementation of IOSCO's money market fund principles and recommendations to align securitisation incentives – deliverables under the G20 Leaders' Road Map on Shadow Banking. Preliminary findings were submitted to the G20 Leaders Summit and FSB in November 2014 and will be reported on in 2015.

Cyber resilience

ASIC has championed IOSCO's increased focus on the cyber resilience of market participants, services and infrastructure. IOSCO continued its joint work with the Committee on Payments and Market Infrastructure (CPMI) to investigate cyber risks and produce guidance to improve resilience and collaboration.

Financial benchmarks

We participated in IOSCO's work on financial benchmarks – including leading a review of the adoption of IOSCO's *Principles for financial benchmarks* by the administrators of four benchmarks (with results published in July and September 2014) and participating in a high-level review of 36 benchmarks across different markets and geographies (with results published in February 2015).

Credit rating agencies

As a member of the IOSCO Committee on Credit Rating Agencies (Committee 6), ASIC worked closely with international regulators to develop a revised IOSCO Code of Conduct for Credit Rating Agencies (IOSCO CRA Code), released in March 2015. The revised IOSCO CRA Code enhances the credit rating process, independence and management of conflicts of interest, transparency and timeliness of ratings disclosure and protection of confidential information.

Market intermediaries

IOSCO responds to innovative global market developments – such as crowd-sourced equity funding.

ASIC, as a member of the IOSCO Committee on Regulation of Market Intermediaries (Committee 3), helped develop a survey of IOSCO members' regulatory approaches to crowd-sourced equity funding. The survey results were compiled and reported to the IOSCO Board in June 2015.

International implementation of OTC derivative reforms

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

In November 2014, ASIC, in our role as Chair of the OTC Derivatives Regulators Group, reported to the G20 on cross-border implementation.

ASIC is also a participant of the IOSCO Task Force on OTC Derivatives, working with the CPMI to monitor the implementation of the IOSCO-CPMI *Principles for financial market infrastructure*, including the implementation of global central clearing of OTC derivatives.

Substituted compliance

ASIC collaborates with our international counterparts to support compliance and equivalence for Australian financial market infrastructure and participants. This is designed to assist our stakeholders to operate across borders and to promote market efficiency.

In September 2014, ASIC entered into a world-first MOU with the Monetary Authority of Singapore (MAS) to allow trade repositories licensed in one jurisdiction to provide relevant data to the authority in the other. This follows ASIC's licensing of a Singapore-based trade repository through equivalency arrangements (see page 52).

In November 2014, ASIC established two MOUs with the European Securities and Markets Authority (ESMA) to facilitate substituted compliance for financial market infrastructure.

We concluded an MOU with the RBA and ESMA to allow Australian central counterparties (CCPs) to apply for equivalence recognition to operate in the European Union.

We also entered into an additional MOU with ESMA on OTC derivative reporting. The MOU allows ASIC to have direct access to information on derivative contracts held in European Union trade repositories, which we need to fulfil our responsibilities and mandate.

2.3 Priority 3 – Efficient and accessible registration



ASIC continues to oversee company registration and notifications, the AFS licensing and credit licensing regimes, business names registration, and the registration of company auditors, SMSF auditors, liquidators and, from March 2015, financial advisers.

We continued to transform our registry business – including digitising our services – to provide efficient and accessible registers and to make it easier to do business in Australia.

2.3.1 Registry business

ASIC's registry business – the companies register, Business Names Register and other corporate and professional registers – forms a critical part of Australia's economic infrastructure and is essential to the efficient operation of Australia's economy.

In May 2014, the Government announced a scoping study, led by the Department of Finance, into potential ownership options for the ASIC registry.

In July 2014, we separated the internal management of the ASIC registry and regulatory functions. This separation has provided greater opportunity to specialise our registry business, and makes the costs of running both functions more transparent.

In May 2015, the Government announced a competitive tender process to test the capacity of a private sector operator to upgrade and operate the ASIC registry. This work is underway and we are providing support to the Government through this process.

2.3.2 Doing more business online

Doing business online is easier and cheaper

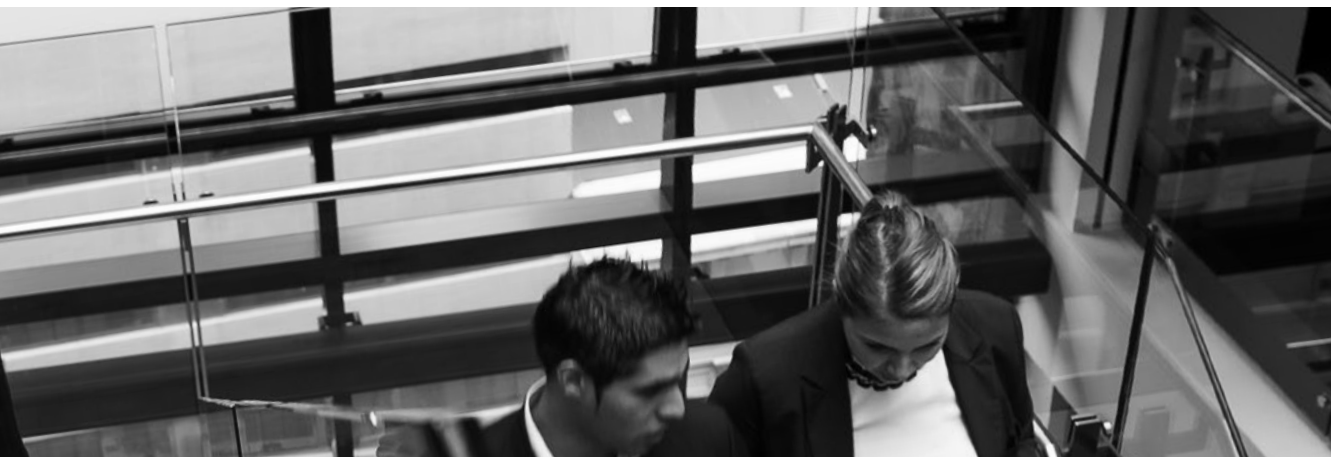
In 2014–15, we continued to transform our registry business. Digitising our services provides a more contemporary service for customers, consistent with the Government's digital economy agenda.

New registers introduced by ASIC since 2010 are fully online. These registers include the Business Names Register, the register of SMSF auditors, the Financial Advisers Register and the register of credit licensees. We continue our work to encourage those still lodging paper forms to lodge online.

We expanded information services available to customers by making ASIC's free registry datasets available for downloading in bulk online at www.data.gov.au.

We continue to provide a valuable service to Australians as we respond to their inquiries through our Customer Contact Centre and website.

Our redesign of the website in late 2014 has made it easier for our customers to access commonly used transactions and information about our registers. In 2014–15, there were 15.7 million visits to the www.asic.gov.au website.



Registry lodgement

More businesses than ever before are transacting with us online.

In 2014–15, 87% of all 2.7 million registry lodgements with ASIC were submitted online, up from 86.1% in 2013–14 (a 0.9% increase).

In 2014–15, we worked with companies and their agents to increase online lodgement to the companies register. Of lodgements to our companies register, 84.7% were submitted online, up from 82.2% in 2013–14 (a 2.5% increase).

Searching online

In 2014–15, there were 86.2 million searches of ASIC registers – an increase of 10 million searches from last year – with almost 100% of those searches requested online. The two registers most searched were the companies register (55.3 million searches, up 5% from 2013–14), and the Business Names Register (27.7 million Business Names Register searches, a significant increase of 31% in year three of the national register).

There were 3.2 million searches of ASIC's professional registers, a 45% increase from last year.

Most searches of the ASIC registers are provided free of charge. In 2014–15, a fee was paid for 4.6 million or 5% of all searches. ASIC collected \$58.2 million in search fees for the Commonwealth.

Our NZAUCONnect app allows consumers in Australia and New Zealand to quickly and easily find details on almost 5 million registered organisations using their smartphones.

In 2014–15, more than 97,000 searches of the Australian registers were accessed using NZAUCONnect.

Social media and online help

ASIC continues to use Facebook, Twitter and YouTube social media channels to engage with customers online.

In 2014–15, our ASIC Connect Facebook followers increased to 4,359 (an increase of 74%) and our ASIC Connect Twitter followers increased to 9,817 (a 47% increase from 2013–14).

We are expanding the use of these channels and have implemented a new design to improve how we communicate with our customers. We are also working closely with other government agencies to promote reforms and other key initiatives.

Small business reform

We are also helping Government to implement its small business reforms package. In 2014–15, the Government announced it will streamline business registration via a single online registration site, including business name and company registration.

2.3.3 Efficient and accessible registers

Companies register

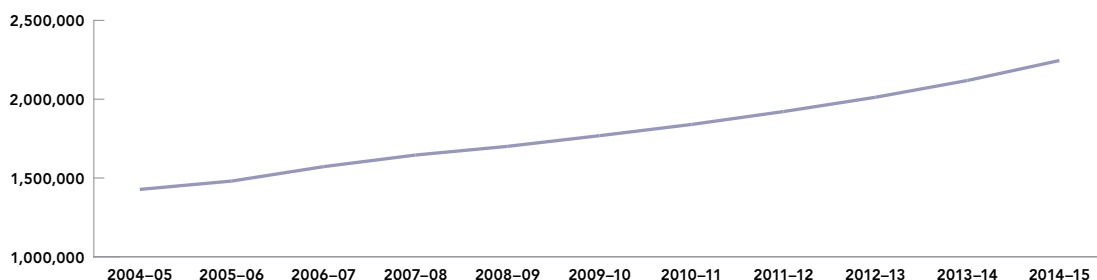
A record 2.25 million companies are now registered with ASIC (a 6% increase from 2013–14).

This continues the trend of increasing numbers of companies over the past 10 years, from 1.43 million companies in 2004–05.

2.3 Priority 3 – Efficient and accessible registration

continued

Number of companies registered with ASIC



In 2014–15, we registered 235,182 new companies. This reflects an increase of 10.6% from 2013–14, and steady increases over the last five years.

Company deregistration continues to increase, with 112,714 companies deregistered in 2014–15, either voluntarily or by ASIC. This is an increase of 3.3% from last year.

The number of companies entering external administration decreased by around 7% in 2014–15. A total of 9,177 companies entered external administration during 2014–15, compared to 9,822 in 2013–14.

Business Names Register

A national Business Names Register was launched by ASIC on 28 May 2012.

Business owners can search, register, transfer, update, cancel or renew a business name, all in one online service – at any time.

The national Business Names Register delivers a single national registration with free online searches. It has cut red tape and compliance costs for businesses. It has saved Australian businesses an estimated \$41.4 million in 2014–15 in reduced fees to register and renew a business name. Since it commenced in May 2012, we have saved Australian businesses a total of \$120.7 million

This year, we further improved business name registration by sending information, including the record of registration, to applicants in 'real time', and by making it easier to link a new business name to a customer account.

The ASIC 'Pay Now' service continues to make it easier for businesses to renew their business name registration directly from the ASIC website. This year, 85% of renewals were completed through this service.

Business names may be cancelled if renewals are not completed on time. This year we cancelled over 92,000 business names for this reason.

Business Names Register – key statistics

Measure	% change from 2013–14 to 2014–15	2014–15	2013–14	Notes
Business names registered on the national Business Names Register at 30 June	+8%	2,153,959	1,994,001	At 30 June 2015, over 617,305 business names were eligible for cancellation for non-payment of renewal fees.
Business names newly registered with ASIC	+9%	327,687	299,988	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 Australian Business Register joint service	-31%	27,148 ¹	39,614	We received 8% of business name registrations through this channel in 2014–15.
Business names cancelled	+154%	134,559 ²	53,034	ASIC cancelled over 92,000 business names for failure to pay their renewal fee in 2014–15.
Business Name Register updates	+1%	99,538	98,544	80% of change notifications are to update an address.
Business name renewal notices issued by ASIC	-4%	603,973	630,265 ³	ASIC issues renewal notices when the business name registration is due to expire.
Business names renewed	+3%	360,383	351,540	Customers may choose not to renew if, for example, they no longer require the business name. In 2014–15, 55% of renewals 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.
Business names registered by next business day	+2%	96%	94%	
Searches of the Business Names Register	+31%	27.7m	21.2m	98% of searches were provided free of charge.

1. This figure represents completed registrations.

2. This figure does not include cancellations of business names transferred to another holder(s).

3. Annual Report 2013–14 errata note: On page 53 of the *ASIC Annual Report 2013–14* we incorrectly reported that ASIC issued 626,746 renewal notices in 2013–14.

2.3 Priority 3 – Efficient and accessible registration

continued

Measure	% change from 2013–14 to 2014–15	2014–15	2013–14	Notes
Access to Business Names Register	+0.01%	99.58%	99.57%	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	Not applicable	\$41.4m	\$40.2m	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	Not applicable	\$34	\$33	Fees increased to \$34 and \$78 on 1 July 2014.
Cost to register a business name – 3 years	Not applicable	\$78	\$76	

Financial Advisers Register

On 31 March 2015, ASIC launched a new national register of financial advisers. The register contains details of persons employed or authorised – directly or indirectly – by AFS licensees to provide personal advice on ‘relevant financial products’ to retail clients. On 1 June 2015, ASIC added to the register information about financial advisers’ qualifications, training and professional memberships. At 30 June 2015, there were over 22,000 financial advisers on the register.

In the first three months of the register’s operation, there were over 200,000 searches of the register and more than 62,000 visits to the ASIC website for information about the register.

SMSF auditor register

SMSF auditor registration has been mandatory since July 2013 following a transition period in the first half of that year. At 30 June 2015, there were 6,669 registered SMSF auditors. ASIC registered 123 SMSF auditors in 2014–15.

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 continues to work closely with the relevant professional bodies to help accountants understand their obligations, apply for the ‘limited’ licence, and comply with annual compliance certificate requirements and licence obligations.

We issued 28 ‘limited’ AFS licences in 2014–15.

ASIC’s published notices website

ASIC’s published notices website continues to provide easy access to almost all notices on external administration and company deregistration, reducing costs for business.

In 2014–15, 11,368 registered users published 29,691 notices on the website.

ASIC published 109,960 notices of intention to deregister a company on the website.

Stakeholder visits to the website reached 902,667 in 2014–15, up from about 767,000 last year.

2.3.4 Efficient customer contact

Our Customer Contact Centre provides a valuable service to Australians. We have worked hard to make our customer experience more efficient.

In 2014–15, we responded to 888,843 calls and online inquiries.

We handled 796,190 calls with an average call response speed of under four minutes.

We answered over 91% of calls on the spot and referred 9% of complex inquiries to specialist staff. We responded to 97.5% of website inquiries within three business days. Half (50%) of all inquiries to the Customer Contact Centre related to companies and over a third (36%) were about business names, as outlined in the table below.

In 2014–15, we upgraded our technology to incorporate a call-back service for customers, and we improved the interactive voice response options offered to customers who call us.

We also introduced a post-call survey option to better understand the needs of our customers and are developing an ability for customers to web chat with us during business hours.

Inquiries to Customer Contact Centre, by type

Topic	Number of inquiries ³	Percentage of all inquiries dealt with by the Customer Contact Centre
Companies ¹	427,503	50%
Business names	311,456	36%
Other ²	69,288	8%
AFS licences	13,432	2%
Consumer or investor matters	10,133	1%
Online complaints	9,762	1%
Credit licences	6,661	1%
SMSFs	3,140	< 1%
Auditors	2,112	< 1%
Liquidators	879	< 1%
Managed investment schemes	786	< 1%

1. All company-related inquiries, including registration, annual reviews, lodgements, fee payments and changes to company details.

2. Includes all other call types not included in the table, including calls about unclaimed money and matters that do not relate to ASIC.

3. The number of inquiries shown in this table is 855,152 and represents inquiries allocated by type. Not all inquiries are allocated by type and the total number of inquiries in 2014–15 is 888,843.

2.4 Unclaimed money and managing property vested in ASIC

2.4.1 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 2014–15, ASIC received \$209.6 million in unclaimed money, slightly less than the \$231 million we received in 2013–14.

We paid out a total of \$158.4 million in claims in 2014–15, compared with \$309.6 million in the previous year. We paid claimants interest – \$3.9 million of the \$158.4 million – on unclaimed money for periods from 1 July 2013 onwards, at a rate of 2.5% for 2013–14 and 2.93% for 2014–15.¹

We process claims within 28 days of receiving all necessary claim documentation. In 2014–15, ASIC processed banking and life insurance unclaimed money claims in an average of 12 days and company unclaimed money in an average of 18 days.²

Amount paid to owners of unclaimed money, 2014–15

Claims by type	2014–15 (\$)			2013–14 (\$) ¹
	Principal	Interest	Total	
Company	30,028,109	938,427	30,966,536	28,700,794
Banking	114,337,074	2,756,694	117,093,768	269,075,763
Life insurance	10,111,484	229,664	10,341,148	11,793,187
Deregistered company trust money	41,108	Not applicable	41,108	17,084
Total	154,517,775	3,924,785	158,442,560	309,586,828

1. Interest was not payable on unclaimed money claims before 1 July 2013.

2.4.2 Managing property vested in ASIC

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

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

We received 1,237 new matters in 2014–15 (an increase on 2013–14) and finalised 1,242 matters (a decrease on 2013–14). The following table shows vested properties of deregistered companies by number of cases.

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.

Vested properties of deregistered companies (by number of cases)

	2014–15	2013–14
Total new matters	1,237	1,224
Total finalised matters	1,242	1,312
Property disposals		
Transferred	141	233
Sold	5	6
No longer vested ¹	658	714
Other ²	84	79
Total property disposals	888	1,032

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 or withdrawn.

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 our powers under s601AE or s601AF 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.

2.5 Assessing misconduct and other reports

2.5.1 Misconduct reports from the public

ASIC encourages members of the public to report concerns about corporate and financial services 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 receipt of every report within three business days. We make a range of preliminary inquiries and conduct an initial assessment to see if the misconduct alleged suggests a breach of a law that we administer.

Where we do not have enough evidence to commence a formal investigation or surveillance or the matter may not be a priority for the use of ASIC's resources, we contact the person who reported the matter to us and explain why we have come to that decision. We keep the information on our databases, and review this information if further reports are made, or more evidence becomes available.

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

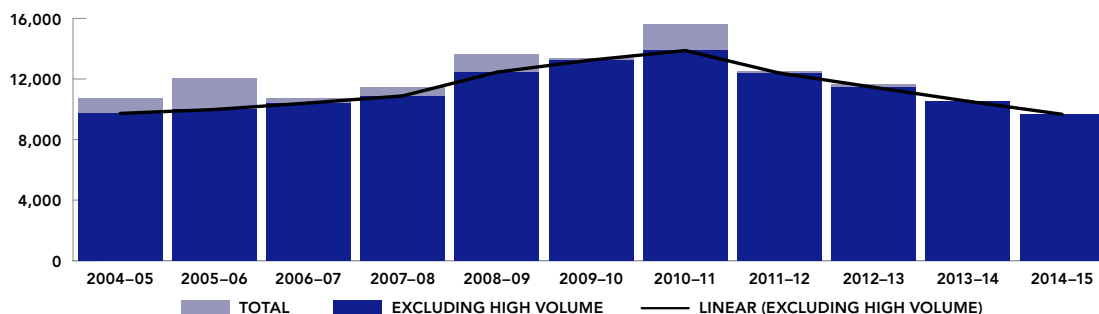
In 2014–15, we published four more information sheets to explain our role in response to concerns that are frequently reported to us. Our 22 information sheets were read online nearly 30,000 times in 2014–15. We also released five more YouTube video clips (resulting in a total of 12 YouTube video clips), which nearly 9,000 stakeholders watched in 2014–15.

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 2014–15.

In 2014–15, we dealt with 9,669 reports of alleged misconduct, 8% fewer than in 2013–14. This is the lowest level since 2004–05. The decline is more marked given our expanded jurisdiction over this time – to cover consumer credit in 2010 (14% of reports in 2014–15) and business names in 2013 (4% of reports in 2014–15).

In 2014–15, we received fewer misconduct reports in the corporate governance and registry integrity areas, although reports about business names included in the registry integrity category appear to have stabilised. Reports about financial services matters increased slightly and represented a greater proportion of matters. There was little change from the previous year in the relative proportions of matters about market integrity.

Misconduct reports – by trend



Misconduct reports – by category

Category	2014–15	2013–14
Corporations and corporate governance		
Failure to provide books and records or a report as to affairs to an insolvency practitioner	12%	13%
Insolvency matters	7%	8%
Contractual issues (includes concerns about non-provision of goods and services, quality of goods and services)	3%	3%
Insolvency practitioner misconduct	3%	3%
Other (e.g. directors' duties, internal disputes)	16%	16%
Subtotal	41%	43%
Financial services and retail investors		
Credit	14%	14%
Operating an unregistered managed investment scheme or providing financial services without an AFS licence	6%	6%
Managed investment schemes	2%	2%
Superannuation	3%	2%
Potential scam	2%	1%
Other (e.g. insurance, advice, breach of licence conditions, misleading or deceptive conduct, unconscionable conduct)	16%	14%
Subtotal	43%	39%
Market integrity – including insider trading, continuous disclosure, misleading statements, or market manipulation	7%	6%
Registry integrity – including incorrect address recorded on ASIC's register or lodging false documents with ASIC	7%	9%
Other issues	2%	3%
Total	100%	100%

2.5 Assessing misconduct and other reports continued

Misconduct reports – by outcome

	2014–15	2013–14
Total misconduct reports finalised	9,669	10,530
Outcome		
Referred for compliance, surveillance or investigation ¹	29%	28%
Resolved ²	13%	16%
Analysed and assessed for no further action ³	42%	39%
No jurisdiction ⁴	10%	11%
No breach or offences	6%	6%
Total	100%	100%

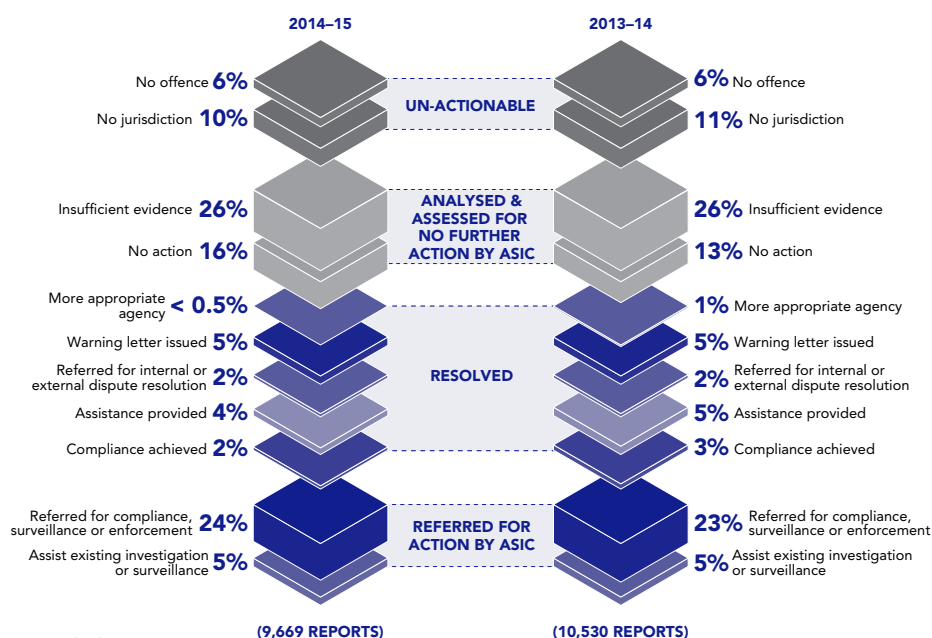
1. The matters ASIC takes into account in deciding whether or not to commence a formal investigation are set out in more detail in Information Sheet 151 *ASIC's approach to enforcement*.
2. This can involve referral to an external dispute resolution scheme, ASIC issuing a warning letter to the party 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.

Note: Data rounded.

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

Misconduct reports – by outcome



Note: Data rounded.

2.5.2 Breach reports from licensees and auditors

We use 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 2014–15, we dealt with 498 auditor breach reports and 1,137 breach reports about managed investment schemes and AFS licensees, a total increase of 18% from 2013–14.

Breach reports – by type and outcome

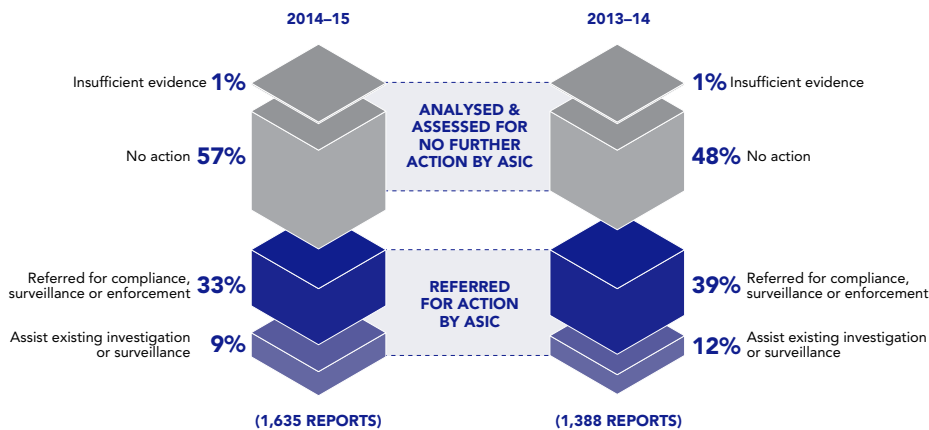
	2014–15	2013–14
Type		
Auditor breach reports	498	392
Breach reports about AFS licensees and managed investment schemes	1,137	996
Total breach reports finalised	1,635	1,388
Outcome		
Referred for compliance, investigation or surveillance	42%	51%
Analysed and assessed for no further action	58%	49%
Total	100%	100%

Note: Data rounded.

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.

2.5 Assessing misconduct and other reports continued

Breach reports – by outcome



Note: Data rounded.

2.5.3 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.

We determine whether to request a supplementary report based on the assessment of the initial report. In many cases, the initial report does not report misconduct and does not require further assessment. Where a supplementary report is requested it will typically set out the results of the external administrator’s inquiries and the evidence to support the alleged offences. In most cases, we can determine whether to commence a formal investigation on the basis of a supplementary report.

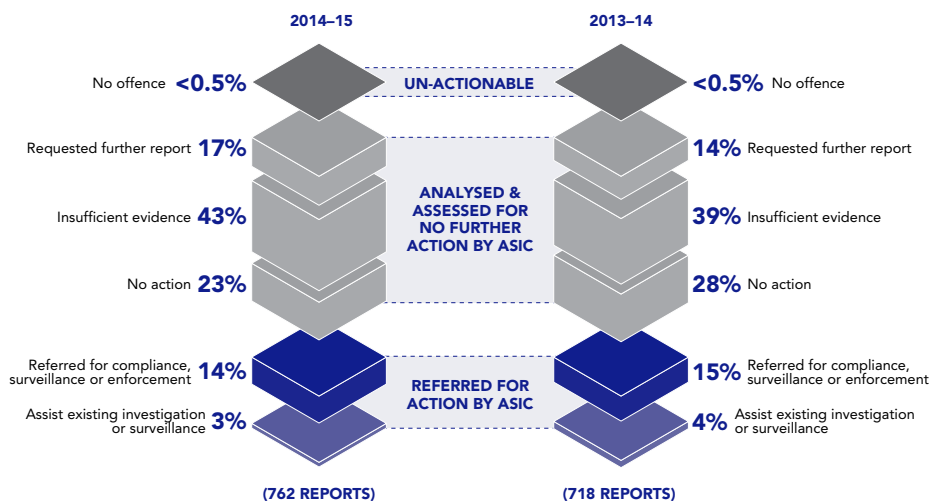
The number of reports we received from external administrators decreased slightly in 2014–15 although we received more supplementary reports. In 2014–15, 17% of reports were referred for compliance, investigation or surveillance, compared with 19% in 2013–14. In half of the cases identified as ‘Analysed 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 further report from the external administrator.

Statutory reports – by type and outcome

	2014–15	2013–14
Initial reports from liquidators, administrators and receivers		
Reports alleging misconduct	6,892	7,509
Reports not alleging misconduct	1,796	2,295
Initial reports – outcomes		
Supplementary reports requested	10%	11%
Analysed and assessed for no further action	90%	89%
Total	100%	100%
Supplementary reports requested and received by ASIC		
Supplementary reports alleging misconduct	762	718
Supplementary reports – outcomes		
Referred for compliance, investigation or surveillance	17%	19%
Analysed and assessed for no further action	83%	81%
Identified no offences	<0.5%	<0.5%
Total	100%	100%
Total statutory reports finalised (initial + supplementary)	9,450	10,522

Note: Data rounded.

Supplementary statutory reports – by outcome



Note: Data rounded.

2.6 Performance against Service Charter

2.6.1 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 its service standards. Service Charter measures were revised in 2014–15 to better reflect our resourcing capacity, our separate registry and regulatory businesses, and to report against new services, such as business names. The new Charter demonstrates a commitment to online customer service.

ASIC Service Charter performance

Service	Service Charter target	2014–15
When you contact us		
General phone queries	We aim to answer telephone queries on the spot (<i>target: 80%</i>)	90.9% of calls answered on the spot
General email queries	We aim to reply to email queries ¹ within three business days (<i>target: 90%</i>)	97.5% replied to in three business days
When you access our registers		
Searching company, business name or other data online	We aim to ensure our online search service is available in standard business hours (<i>target: 99.5%</i>)	99.5% available in standard business hours
Lodging company, business name or other data online	We aim to ensure you can lodge registration forms and other information online in standard business hours (<i>target: 99.5%</i>)	99.59% lodged in standard business hours
When you do business with us		
Registering a company or business name online	We aim to register the company or business name within one business day of receiving a complete application (<i>target: 90%</i>) ²	97.2% registered within one business day
Registering a company via paper application	We aim to register the company within two business days of receiving a complete application (<i>target: 90%</i>)	97.5% registered within two business days
Registering a business name via paper application	We aim to register the business name within seven business days of receiving a complete application (<i>target: 90%</i>)	100% registered within seven business days
Updating company, business name or other ASIC register information online	We aim to enter critical information and status changes to the company and business name registers within one business day (<i>target: 90%</i>)	99.4% updated within one business day

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.



Service	Service Charter target	2014–15
Updating company, business name or other ASIC register information via paper application	We aim to enter critical information and status changes to company and business name registers within five business days (<i>target: 90%</i>)	92.7% updated within five business days
Registering as an auditor	We aim to decide whether to register an auditor within 28 days of receiving a complete application (<i>target: 80%</i>) ³	87% registered within 28 days
Registering as a liquidator	We aim to decide whether to register a liquidator or official liquidator within 28 days (<i>target: 80%</i>) ³	100% of liquidator applications decided within 28 days. 100% of official liquidator applications decided within 28 days
Registering a managed investment scheme	By law we must register a managed investment scheme within 14 days of receiving a complete application, except in certain circumstances (<i>target: 100%</i>)	100% registered within 14 days
Applying for or varying an AFS licence	We aim to decide whether to grant or vary an AFS licence within 35 days (<i>target: 70%</i>) and within 120 days (<i>target: 90%</i>) ⁴	66% of licences granted within 35 days. 71% of licence variations decided in 35 days. 89% of licences granted within 120 days. 93% of licence variations decided in 120 days
Applying for or varying a credit licence	We aim to decide whether to grant or vary a credit licence within 35 days (<i>target: 70%</i>) and within 120 days (<i>target: 90%</i>) ⁴	90% of licences granted within 35 days. 95% of licence variations decided in 35 days. 98% of licences granted within 120 days. 98% of licence variations decided in 120 days
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 28 days of receiving all necessary information and fees (<i>target: 74%</i>) and within 90 days (<i>target: 90%</i>) ⁵	74% of in-principle decisions made within 28 days. 90% of in-principle decisions made within 90 days
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 (<i>target: 70%</i>)	71% finalised within 28 days

3. Applications beyond the 28-day target are generally complex ones, requiring, for example, additional policy work or legal review.

4. Applications beyond the 35-day target are generally complex ones or ones requiring considerable additional work.

5. This result includes applications, including those where we did not initially receive all the information we needed to make a decision.

2.7 Regional activities

Regional commissioners



Peter Cuzner
Australian
Capital
Territory



Chris Van Homrigh
New South
Wales



Duncan Poulson
Northern
Territory



Brett Bassett
Queensland



Melissa Smith
South
Australia



Chris Green
Tasmania



Warren Day
Victoria



Jane Gouvernet
Western
Australia

Our regional commissioners act as ASIC's local ambassadors, engaging with business and local communities through regular stakeholder liaison meetings and promoting ASIC initiatives.

In 2014–15, our regional commissioners led a range of initiatives in each state and territory. They supported financial literacy initiatives by attending Field Days and holding MoneySmart workshops, held industry liaison meetings and participated in events to raise funds for local charities.

Some examples of this work are listed below.

Australian Capital Territory

We promoted ASIC's MoneySmart financial literacy work by providing information and education training at the ACT Career Education day, ANU and Canberra Universities, ACT schools and TAFE open days for students.

New South Wales

In February 2015, we attended the Bank of China's official launch of its Renminbi clearing operation, along with the NSW Premier, RBA Governor, Treasury Secretary, and other regulators, politicians and bank representatives.

We have also been involved in ASIC in the Community events, such as the annual RSPCA Cupcake Day in August, Pink Ribbon events in October, and Movember. We will also be launching our Christmas appeal, directed towards helping local charities.

Northern Territory

In September 2014, we hosted the Darwin MoneySmart Week Challenge. Twelve organisations participated in this event, including the ACCC, the Department of Human Services, the Public Trustee, the Financial Planning Association of Australia and the Mortgage and Finance Association of Australia (MFAA).

We presented MoneySmart training workshops at the Money Management Muster and for teachers in schools across the Northern Territory.

We worked with the Australian Defence Force's Financial Services Consumer Council to deliver financial literacy training to students participating in the Defence Indigenous Development Program at the Batchelor Institute of Indigenous Tertiary Education.

Queensland

We visited Cairns and Townsville with the Australian Small Business Commissioner to meet with small businesses and made speeches throughout Queensland about the role of ASIC.

South Australia

We attended Field Days in three regions of South Australia – Lucindale, Paskeville and Riverland. We shared tips about safer investing, money and small business with our regional stakeholders.

Tasmania

We hosted Tasmanian insolvency practitioners and lawyers attending a national bi-monthly insolvency discussion and continued to liaise with local consumer representatives and industry about financial services issues. We gave a presentation on consumer credit and responsible lending at the MFAA Professional Development Day in Hobart and some of our local staff volunteered time in the lead-up to Christmas to help at a Salvation Army distribution centre.

Victoria

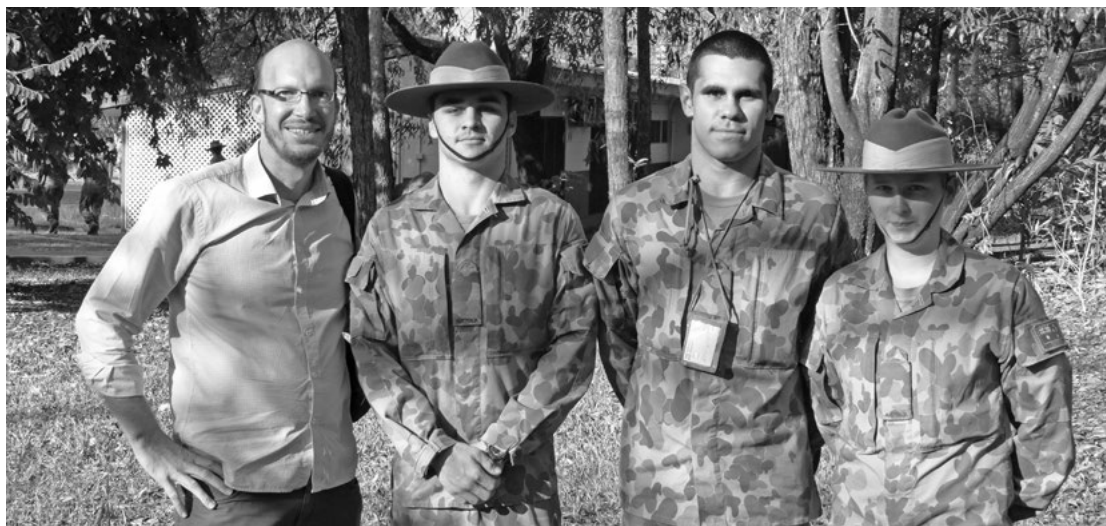
In October 2014, the then Treasurer, the Hon Joe Hockey MP officially opened ASIC's new Melbourne office. Victoria-based staff also attended Sheepvention in August 2014 and the Farmworld Field Day in March 2015 to promote ASIC's services and resources.

Western Australia

In 2014–15 we relocated our Perth regional office to Mounts Bay Road. We increased our liaison with Western Australian industry and overseas interests to better understand and respond to changing market conditions and conduct.



Victorian Regional Commissioner Warren Day and ASIC graduates Mai Go, Kate O'Connor, Annabelle Walker and Lauren Eckermann promoting ASIC services at Farmworld Field Day in March 2015.



Northern Territory Regional Commissioner Duncan Poulson has been working with the Batchelor Institute of Indigenous Tertiary Education to deliver Be MoneySmart vocational training modules. Duncan has also worked with the Financial Services Consumer Council of the Australian Defence Force (ADF) to pilot a personalised program for Indigenous ADF members who are studying at the Institute.

ASIC at work



The Hon Darren Chester MP, Member for Gippsland, visited ASIC's Traralgon office in December 2014. Here, he listens as Michael Pizzi takes a call to ASIC's Customer Contact Centre.



Each year ASIC recognises a female member of staff who has shown outstanding leadership. The 2015 Women in ASIC award recipient was Sarah Edmondson.



ASIC is a member of IOSCO's Committee on Enforcement and the Exchange of Information (Committee 4), and hosted a meeting of the Committee in Sydney in March 2015.



ASIC promotes its financial literacy work and resources at many public events throughout the country, including at the Sydney Royal Easter Show in March 2015.



ASIC participated in the Australian Institute of Superannuation Trustees's Indigenous Summit in June 2015. Here, Sharon Morris, of Women in Super (right) wields the pen at a summit session.



3

PEOPLE, COMMUNITY AND THE ENVIRONMENT

3.1	ASIC's people	84
3.2	Diversity at ASIC	90
3.3	ASIC in the community	94
3.4	Indigenous awareness and action at ASIC	96
3.5	Environmental performance	97

3.1 ASIC's people

3.1.1 Workforce planning

In 2014–15, we focused on workforce planning across the regulatory business and identified the capabilities required for ASIC now and over the next five years. These areas include data analytical and statistical skills, leveraging digital technology and applying behavioural insights to regulatory work.

3.1.2 Work health and safety

In 2014–15, we emphasised psychological wellbeing, with learning programs delivered to 300 ASIC people leaders on promoting mental health in the workplace. We updated our online mandatory training module to include references to workplace psychological hazards.

Our early intervention strategy, together with our proactive in-house case management throughout 2014–15, contributed significantly to a reduction in compensable injuries.

Only one compensable injury occurred, down from seven in 2013–14, with no new psychological injuries in 2014–15. This has contributed to a reduction of over \$1 million to our 2015–16 forecast workers compensation premium.

3.1.3 Leadership

ASIC has supported the development of women in senior roles through a number of mentoring programs: Women in Law Enforcement Strategy, known as WILES (two SES mentors, and four

executive level female mentees) and Women in Banking and Finance (four SES mentors, and four executive-level female mentees).

The talent program continues, with a focus on development opportunities for high-performing staff. Commission reviews succession and talent plans every six months.

This year we introduced a project for high-performing Executive Level 1 and 2 staff to work on a real business issue with an expert coach and executive sponsorship. The objective is to give a group of six staff the opportunity to work on a strategic issue outside their business area, and for the organisation to benefit from their efforts. The project is done on top of the participants' usual roles. The project topic is payday lending.

We also delivered our core leadership programs to people leaders.

3.1.4 Learning and development

Learning initiatives and professional networks

Learning is core to the work our teams do, and informal on-the-job learning and information sharing was a large part of what we focused on in 2014–15. The People and Development Learning team worked with Learning Champions from the business to deliver formal learning initiatives in line with what teams needed.

Learning initiatives

Category	Initiatives delivered	Number of completions
Compliance	14	11,513
Professional and technical	89	5,392
Leadership	12	764
Behavioural	20	1,049
Business	108	1,544
Total 2014–15	243	20,262
Total 2013–14	167	9,750

In 2014–15 we delivered 243 learning initiatives on compliance, professional and technical, leadership, behavioural and business topics.

We established a new professional network, Regulatory Practice, to build skills and support the professional development of regulatory staff.

We also reviewed our teams' capabilities, based on our learning frameworks:

- ♦ business learning framework – to build capabilities such as stakeholder management, project management and learning agility
- ♦ technical and professional learning framework – to build capabilities such as regulatory expertise, legal acumen, and surveillance and investigative skills
- ♦ leadership learning framework – to build capabilities such as communicating with influence and shaping strategic thinking
- ♦ behavioural learning framework – to build capabilities such as performance management, coaching and cultural awareness.

3.1.5 Staff engagement

The 2014 ASIC Pulse Staff Survey was conducted in July 2014 with 79% of employees taking part. The results revealed a consolidation of some very strong gains from 2011 and 2012. The 2014 ASIC Pulse Staff Survey showed staff perceptions and attitudes towards the three key measures of employee engagement – overall satisfaction, loyalty and commitment – have trended in a positive direction since 2010 and remain solid. Staff perceptions of ASIC leaders, at different levels, are also positive.

3.1.6 Enterprise Agreement

The Enterprise Agreement bargaining team met throughout this year. The proposed agreement went to a ballot in September 2015, but was not endorsed by the majority of staff who participated in the vote.

3.1.7 Redundancies

In 2014–15, ASIC business units reviewed their structure in response to budget cuts and to improve efficiency. As a result, 50 staff left ASIC via redundancies in the 2014–15 financial year.

Industrial arrangements for ASIC staff, as at 30 June 2015

Classification	ASIC Act s120(3)	AWA ¹	EA ²	Total
ASIC 1			37	37
ASIC 2			220	220
ASIC 3			247	247
ASIC 4			354	354
Exec 1			419	419
Exec 2			478	478
SES	22	13	9	44
ASIC Act	45			45
Total	67	13	1,764	1,844

1. Australian Workplace Agreement.

2. Enterprise Agreement.

3.1 ASIC's people continued

Performance payments, 2014–15, by classification¹

Classification	No. of recipients	Aggregate	Minimum	Maximum	Average
ASIC 4	300	\$976,206	\$571	\$13,116	\$3,254
Exec 1	424	\$2,188,240	\$764	\$16,199	\$5,161
Exec 2	515	\$4,417,510	\$797	\$23,473	\$8,578
SES	44	\$777,327	\$7,087	\$34,417	\$17,667
Total	1,283	\$8,359,283			

1. Includes payments for the 2013–14 performance year which were paid in 2014–15, plus any pro-rata payments for the 2014–15 performance year for staff who left ASIC in 2014–15.

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

ASIC employees, by location^{1,2,3}

Classification	Vic.		NSW		Qld		WA		
	2014–15	2013–14	2014–15	2013–14	2014–15	2013–14	2014–15	2013–14	
Chairman			1	1					
Deputy Chairman			1	1					
Member	1	1	2	2					
SES	12	11	29	29	1	1	2	2	
Exec 2	142	143	225	245	38	36	26	28	
Exec 1	107	111	183	211	34	36	30	32	
ASIC 4	135	137	115	122	38	47	21	13	
ASIC 3	104	114	53	70	20	24	8	14	
ASIC 2	148	169	14	23	9	14	5	9	
ASIC 1	23	30	1	2	1	1	1		
Total	671	715	625	706	142	158	94	98	

1. Net average number over 12 months on net FTE basis (i.e. excluding FTEs working on capital projects).

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

3. Excludes contractors and secondees from other agencies.

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

Salary ranges per annum, 2014–15

Grade	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	\$164,419	\$300,226

	SA		ACT		Tas.		NT		Total	
	2014–15	2013–14	2014–15	2013–14	2014–15	2013–14	2014–15	2013–14	2014–15	2013–14
									1	1
									1	1
									3	3
	1	1				1			45	45
	7	9	5	5	7	7			451	473
	12	11	1	2	3	4	1	1	371	408
	18	15	2	2	1				330	336
	9	14	1	1	2	3		2	198	242
	6	16		1	2	2			185	234
									26	33
	53	65	10	11	14	17	1	3	1,609	1,773

3.1 ASIC's people continued

Combined totals for Commissioners, employees under ASIC Act and under Public Service Act 1999, by gender^{1,2,3}

Classification	Ongoing full-time				Ongoing part-time				
	Female		Male		Female		Male		
	2014–15	2013–14	2014–15	2013–14	2014–15	2013–14	2014–15	2013–14	
Appointee									
Chairman									
Deputy Chairman									
Member									
ASIC Act	1		3		1				
SES		1							
Exec 2			2		1				
Exec 1			1						
Public Service Act	558	648	583	680	184	192	16	18	
SES	7	5	11	11	3	3	1	1	
Exec 2	127	133	218	246	57	51	9	8	
Exec 1	105	133	177	193	46	42	2	4	
ASIC 4	158	156	111	116	28	30	2		
ASIC 3	91	120	44	82	13	13		1	
ASIC 2	65	97	21	30	34	50	2	4	
ASIC 1	5	6	1	3	3	2			
TOTAL	559	649	586	680	184	192	16	18	

1. Net average number over 12 months on net FTE basis (i.e. excluding FTEs working on capital projects).

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

3. Excludes contractors and secondees from other agencies.

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

	Non-ongoing full-time				Non-ongoing part-time				Total	
	Female		Male		Female		Male			
	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14
	1	1	4	4					5	5
			1	1					1	1
			1	1					1	1
	1	1	2	2					3	3
	16	7	32	20	3	1			54	28
	6	7	16	18	1	1			23	26
	6		12	2	1				21	2
	4		3		1				10	
	116	107	70	70	19	21	4	3	1,550	1,740
									21	19
	4	4	13	24	1	3		1	429	469
	17	18	10	16	2	2	1	1	361	409
	21	23	10	8	1	1			330	335
	27	14	20	11	1	1	1	1	198	242
	40	39	15	8	8	7			185	234
	7	10	2	3	6	7	1	1	26	32
	133	115	106	93	22	22	4	3	1,609	1,773

3.2 Diversity at ASIC

ASIC is committed to a diverse workplace where all our people, our stakeholders and our communities are treated with fairness and respect.

3.2.1 Diversity Council

ASIC’s Diversity Council provides leadership on all ASIC’s diversity activities. Its priorities are:

- ♦ driving achievement of gender targets
- ♦ embedding diversity of thought in the way we do business and make decisions
- ♦ developing relationships with other agencies, diversity-related groups and the corporate sector to build our expertise and network.

The Diversity Council includes people from across the business, as well as outside ASIC, and the Chairs of the various diversity committees.



His Excellency the Hon Hieu Van Le, Governor of South Australia – formerly a manager at ASIC – was special guest speaker for our Diversity Week in March 2015.

3.2.2 Women in leadership

A big part of our diversity strategy is supporting women in leadership and senior positions.

We continue to implement strategies to meet our voluntary calendar-year targets, as set out below. In 2014–15, we progressed further against these targets. We continued to meet our 50% target at Executive Level 1. At Executive Level 2, female representation has increased to 47%, which is a 3% rise since targets were established.

We are working towards our targets at the more senior levels, despite the challenges of cuts in overall staffing and the recruitment slow-down.

In March 2015, we celebrated International Women’s Day and presented the annual Women in Leadership award to a female employee who demonstrated outstanding leadership.

In 2015, ASIC also became a member of Women in Banking and Finance, an initiative that broadens access to programs and education, including building expertise and networks.

3.2.3 Multicultural Access and Equity Plan

ASIC recognises we can engage with communities from culturally and linguistically diverse (CALD) backgrounds to help improve access and equity to ASIC’s services. We have developed a multicultural plan to guide these initiatives.

Achievements include prioritising calls to our Customer Contact Centre from callers using the Translating and Interpreting Service, which has reduced call waiting times for these callers and their interpreters.

Targets for women in leadership

	Actual, as at 30 June 2015	Actual, as at 30 June 2014	2016 target	2015 target	2014 target
SES	36.36%	37.50%	50%	50%	47%
Exec 2	46.93%	44.42%	50%	50%	50%
Exec 1	52.58%	51.05%	50%	50%	50%

We continue to enhance staff training to raise cultural awareness and understanding. We have designed a cultural awareness learning module which has been implemented across the organisation.

Through our business plans, we continue to review multicultural access and equity initiatives and embed them in our work.

3.2.4 Reconciliation Action Plan

ASIC recognises we can help close the gap on Indigenous disadvantage and build on our diverse workforce. We are doing this by creating partnerships with Aboriginal and Torres Strait Islander consumers and communities. Refer to section 3.4 for more details on these initiatives.

ASIC's commitment to reconciliation goals is outlined in our third Reconciliation Action Plan. One of the plan's goals was to increase employment opportunities for Aboriginal and Torres Strait Islander peoples. At 30 June 2015, we employed 10 ongoing employees who identify as Indigenous, an increase of 25% from 2013–14. We also employed one non-ongoing employee who identified as Indigenous (decreasing from three at 30 June 2014).

We are participating in the 2016 APS Graduate and Traineeship Programs and also have an Indigenous cadet who is completing a university degree while working at ASIC.

The Jawun secondment program continues to be a valuable experience for employees. Jawun Indigenous Corporate Partnerships forms partnerships with companies, Indigenous leaders and communities by seconding employees from across corporate Australia to help with specific projects.

Other employment initiatives include specific recruitment policies to attract Indigenous candidates. In 2016, ASIC will set an Indigenous employment target.

3.2.5 Rainbow Network

ASIC has set up a Rainbow Network to raise awareness in the workplace of LGBTI (lesbian, gay, bisexual, transgender and intersex) issues. ASIC has also become a member of Pride in Diversity, which will enable us to draw on best practice in LGBTI inclusion.

3.2.6 Accessibility

In 2015, ASIC established an accessibility committee to ensure our workplace and services are accessible to people with a disability.

We aim to eliminate barriers, support disability awareness initiatives and encourage training and career development opportunities for people with a disability.

We are currently developing an Accessibility Action Plan.



ASIC manager Tim Matthews (centre) and Craig Brent from KPMG (left), secondees to the Jawun program in November 2014, presenting a project summary to Jawun senior executive sponsors and MijWatch Health in the Galiwin'ku community, Elcho Island, North East Arnhem Land.

3.2 Diversity at ASIC continued



3.3 ASIC in the community

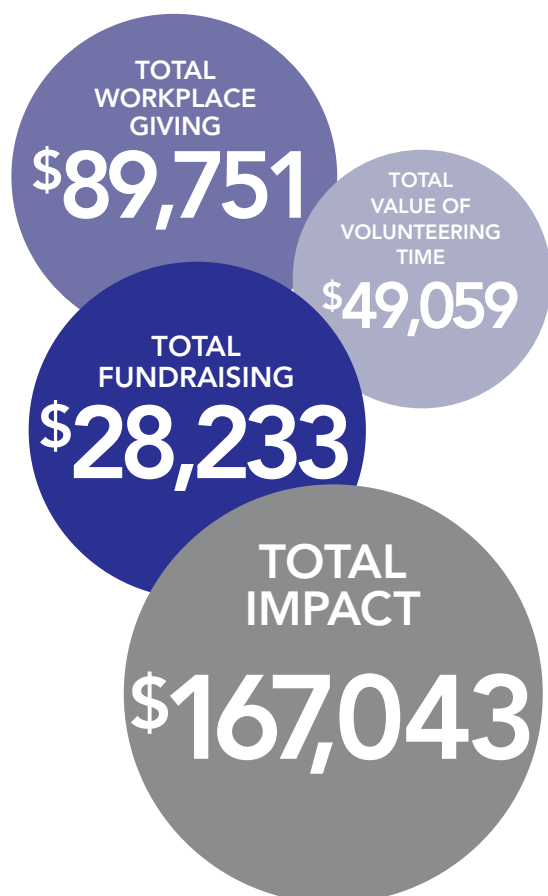
ASIC's community engagement program, ASIC in the Community (AITC) provides opportunities for staff to contribute funds, time and in-kind support to the communities in which we live and work.

AITC provides a number of channels for ASIC's people to contribute to the community. These include:

- ♦ workplace giving
- ♦ fundraising
- ♦ volunteering and pro bono opportunities.

3.3.1 Community impact

ASIC in the Community's impact is measured by adding funds donated through workplace giving, the value of staff hours volunteered and the total funds raised through events.



Workplace giving

ASIC's Workplace Giving program makes donating simple and tax effective, and provides a steady flow of funds for charities.

In March 2015, the program was relaunched with a focus on three charities involved in areas of importance to ASIC's staff:

- ♦ The Smith Family – for education
- ♦ White Ribbon Australia – advocating against domestic violence
- ♦ StreetSmart Australia – addressing homelessness.

In 2014–15, almost 10% of ASIC staff participated in the Workplace Giving Program, up from 8% in 2013–14. They donated a total of \$89,751, which was distributed to 38 registered charities.

Fundraising at ASIC

In 2014–15, we raised \$28,233 through fundraising events. Highlights included:

- ♦ Pink Ribbon events in all offices, raising \$2,000 for the Cancer Council of Australia
- ♦ ASIC's national Movember campaign raised \$11,000 for men's health
- ♦ the ASIC Graduate Group in 2014 raised \$10,600 for The Smith Family.

Volunteering and pro bono work

Volunteering is an important way ASIC people give back to the community. ASIC supports this by providing a day's paid leave per calendar year for all staff.

In 2014–15, 8% of ASIC's staff volunteered to the value of \$49,059. This included:

- ♦ 18 staff from the Deposit-takers, Credit and Insurers (DCI) team volunteered at the Holdsworth Street Community Centre in Woollahra, Sydney
- ♦ 30 ASIC lawyers in Canberra, Sydney, Brisbane, Perth and Melbourne did pro bono legal work for the National Children's and Youth Law Centre. This centre is a leader in human rights issues for young people.
- ♦ 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.

3.3.2 Graduate Group Charity Projects

Each year, ASIC recruits highly talented people through its graduate program. The graduates are enthusiastic participants in ASIC in the Community, and undertake a specific charity project over six months of their first year.

In 2015, ASIC graduates raised money for StreetSmart Australia, which takes action against homelessness through small, grassroots services and projects that provide critical services and emergency aid, and by promoting social inclusion, empowerment and sustainable change for people who are homeless or at risk of becoming homeless.

3.3.3 National Speakers Program

ASIC in the Community also runs National Speakers events for staff, featuring speakers and ambassadors from our charity partners.

We do this to encourage our people in their community activities and help staff learn more about the impact of their contributions.

Highlights of the 2014–15 National Speakers Program included:

- ♦ The Hon Susan Ryan AO, Age Discrimination Commissioner, spoke on International Women's Day 2015
- ♦ Dr Tom Calma, a senior Indigenous leader, spoke on the Close the Gap campaign
- ♦ Adam Robinson, CEO of StreetSmart Australia, spoke about homelessness and StreetSmart's work.



Chairman Greg Medcraft (centre right) and Commissioner Greg Tanzer (centre left) with ASIC graduates during their induction in January 2015.

3.4 Indigenous awareness and action at ASIC

ASIC is committed to providing services to Aboriginal and Torres Strait Islander consumers in a way that is equitable, responsive and relevant to their needs.

3.4.1 Engagement with Indigenous consumers and investors

Indigenous consumers are particularly vulnerable to exploitation, and ASIC continues to deliver an Indigenous Outreach Program (IOP) to ensure problems are identified at an early stage, and that investigations occur in a culturally appropriate way.

Factors that disadvantage some Indigenous consumers when dealing with financial services providers include low financial literacy, limited English (which may be a second or third language), and geographical factors, including distance from services and limited local infrastructure which limit access to advice and advocacy. Our IOP works to address these issues through various streams of work, which include:

- ♦ outreach – working with Indigenous communities and financial counsellors on targeted issues relevant to these communities
- ♦ financial literacy work – the development and distribution of financial literacy materials for Indigenous consumers

- ♦ compliance work – gathering intelligence about financial services providers engaging in misconduct that impacts on Indigenous consumers, and taking regulatory action where appropriate
- ♦ industry liaison – working with key industry bodies to encourage the provision of appropriate products and services to the Indigenous community.

ASIC is seen as a leader in Indigenous consumer protection and we regularly take action that aims to prevent misconduct that disadvantages Indigenous consumers (see pages 31 and 42).

3.4.2 Other initiatives

Through its third Reconciliation Action Plan (RAP), ASIC shows its commitment to Indigenous people and reconciliation. In 2014–15, we:

- ♦ supported two staff secondments to the Murray Goulburn Valley and Nhulunbuy areas, as part of our Jawun Indigenous Corporate Partnership
- ♦ completed an internal Indigenous financial literacy literature review which will inform future work
- ♦ developed a protocol for investigations involving Indigenous consumers which ensures culture is taken into account
- ♦ developed a Welcome to Country/ Acknowledgement of Country protocol pack
- ♦ engaged a broad range of ASIC staff through events to celebrate both Reconciliation and NAIDOC weeks.



Ashley Truscott (right), an analyst with ASIC's Indigenous Outreach Program, meeting with coordinator Barry Winmar at Fairbridge, Western Australia, following a financial literacy workshop to the Bindjareb group, an interned Indigenous group guaranteed employment in the mining industry upon release from a prison farm.

3.5 Environmental performance

In 2014–15, ASIC continued to improve on its environmental performance. Our new Environmental Management Improvement Plan 2015–17 identifies ongoing and new opportunities for achieving this objective.

3.5.1 Key statistics

ASIC energy consumption

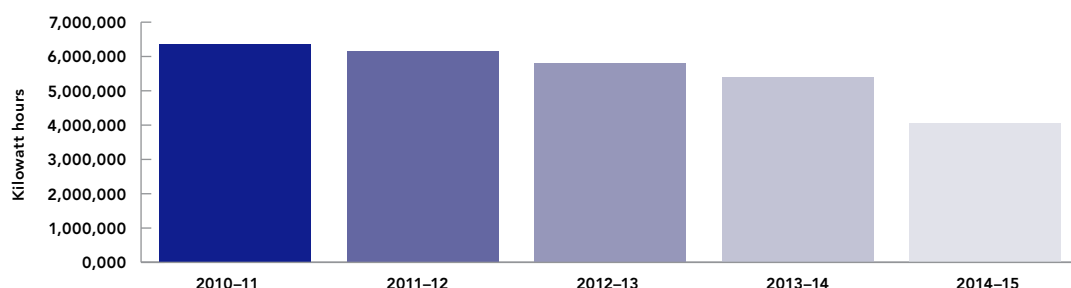
Descriptor	2014–15	% change from 2013–14	2013–14	2012–13
Light and power – ASIC tenancies (kWh)	3,051,459*	-21%	3,868,746	4,178,094
MJ per person	5,941	-16%	7,038	7,373
Light and power – ASIC computer centres (kWh)	994,354	-10%	1,109,868	1,183,106
MJ per m ²	6,882.7	-14%	8,023	8,184
Transport energy (GJ)	251	18%	213	536

* Includes estimated supply costs.

ASIC not only maintained the reduction in our energy consumption achieved in previous years, but achieved reductions across all ASIC offices.

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 three years, with a year-on-year reduction in electricity consumption per person.

Total electricity consumption for all sites



3.5.2 Environmental performance in detail

Energy efficiency

Current and ongoing energy efficiencies include:

- ♦ retaining some servers offsite, reducing onsite server room size and enabling consolidation of equipment, cutting energy consumption and heating/cooling requirements
- ♦ reducing the Perth office footprint by almost 1,000 m², which will lead to significant energy consumption reductions

- ♦ using energy-efficient compact fluorescent tubes, and LED lighting in suitable areas
- ♦ motion sensors to control lighting in infrequently used areas.

Waste

Our office kitchens have recycling stations to help staff dispose of waste between landfill and co-mingled recycling waste. All paper and cardboard waste is recycled, with classified waste paper securely shredded and re-used.

3.5 Environmental performance *continued*

Our offices recycle fluorescent lighting tubes and lamps, batteries, toner cartridges and mobile phones. We continue to recycle redundant IT equipment through Greenbox Australia, which provides a zero-landfill service.

The Perth office fitout maximised re-use of existing fitout materials by re-using 100% of loose furniture and 90% of workstations. This contributed to minimising project waste sent to landfill.

Water

Our Brisbane office building achieved a 4-star NABERS water rating, while our Melbourne office building achieved a 3-star rating. The landlords have implemented water saving initiatives, including flow restrictors and rainwater capture.

Information technology

Initiatives to minimise environmental impacts include:

- ♦ centralisation of servers from regional offices to offsite data centres, which has seen an energy saving of almost 20% over the last year
- ♦ retiring older storage equipment in data centres for newer more energy-efficient devices
- ♦ migration off outdated servers on to energy-efficient blade and virtual servers
- ♦ use of duplex printing and photocopying as a default setting to cut paper use and printing
- ♦ use of power-saving modes for ICT equipment when not in use.

Travel

ASIC's transport energy consumption increased 18% in 2014–15, compared to 2013–14, but the result is still a 53% reduction compared to 2012–13.

We actively promote a range of alternatives to air and private motor vehicle travel for staff.

Since 2010–11, the number of ground kilometres travelled by ASIC staff (other than on public transport) has fallen by over 50%.

We promote the use of public transport where possible for work-related travel. Staff in ASIC's Adelaide, Brisbane, Melbourne and Sydney offices, where the GoGet carshare service

operates, are encouraged to use this service as an alternative to fleet vehicles. Our use of GoGet in 2014–15 was 49% higher than in 2013–14 and our use of fleet vehicles was 24% lower (measured by kilometres travelled). The net result for ASIC was a reduction of 24,300 kilometres travelled by our staff.

During 2014–15, our vehicle fleet averaged a Green Vehicle Guide rating of 15 (of a possible 20, and combining both air pollution and greenhouse ratings) which is an increase on previous years.

We continue to promote video conferencing as a preferred alternative to air travel and ASIC usage of this 'green technology' has increased by 27% over the five years from 2010–11. This technology provides an environmentally beneficial solution for meetings and training, with a significant reduction in carbon emissions, often close to 100%, as opposed to air travel, which increased slightly in 2014–15.

Property

ASIC has reduced its property portfolio, improving space efficiency, reducing our environmental footprint and complying with the Commonwealth Property Management Framework. We have achieved this through subleasing and space divestment and during 2014–15 we sublet a further 500 m² of space and divested an additional 1,217 m² as a result of a new Perth tenancy.

Our activities between 2012 and 2015 have seen a total property portfolio reduction of 10%.

The ASIC Flexibility and Design Principles incorporate a set of standards for our office fitouts that ensure positive environmental outcomes, including maximising use of natural light, project waste reduction to landfill and energy-efficient lighting.

We have collaborated with building management to participate in environmental initiatives, including Earth Hour.

Our new Environmental Management Improvement Plan 2015–17 identifies opportunities to further improve our environmental performance and in 2015–16 we will work to implement new initiatives.



4

FINANCIAL STATEMENTS

Financial Statements

FOR THE YEAR ENDED 30 JUNE 2015

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Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT

To the Minister for Assistant Treasurer

I have audited the accompanying annual financial statements of the Australian Securities and Investments Commission for the year ended 30 June 2015, which comprise:

- Statement by the Accountable Authority and Chief Financial Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement;
- Schedule of Commitments;
- Administered Schedule of Comprehensive Income;
- Administered Schedule of Assets and Liabilities;
- Administered Reconciliation Schedule;
- Administered Cash Flow Statement;
- Administered Schedule of Commitments; and
- Notes to and forming part of the financial statements comprising a Summary of significant accounting policies and other explanatory information.

Accountable Authority's Responsibility for the Financial Statements

The Chairman of the Australian Securities and Investments Commission is responsible under the *Public Governance, Performance and Accountability Act 2013* for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards and the rules made under that Act. The Chairman is also responsible for such internal control as is necessary to enable the preparation and fair presentation of financial statements that 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.

GPO Box 707 CANBERRA ACT 2601
19 National Circuit BARTON ACT
Phone (02) 6203 7300 Fax (02) 6203 7777

Independent Auditor's Report

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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Accountable Authority of the entity, 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) comply with Australian Accounting Standards and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of the Australian Securities and Investments Commission as at 30 June 2015 and its financial performance and cash flows for the year then ended.

Australian National Audit Office



Jocelyn Ashford

Executive Director

Delegate of the Auditor-General

Canberra

13 August 2015

Statement by the Accountable Authority and Chief Financial Officer

AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION STATEMENT BY THE ACCOUNTABLE AUTHORITY AND CHIEF FINANCIAL OFFICER

In our opinion, the attached financial statements for the year ended 30 June 2015 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

In our opinion, at the date of this statement, there are reasonable grounds to believe that the non-corporate Commonwealth entity will be able to pay its debts as and when they fall due.



G.J. Medcraft
Chairman
13 August 2015



E.L. Hodgson
Chief Financial Officer
13 August 2015

Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2015

		2015 \$'000	2014 \$'000
NET COST OF SERVICES	Notes		
Expenses			
Staff expenses	4A	213,072	237,052
Suppliers expenses	4B	100,240	108,319
Depreciation and amortisation	4C	41,373	55,990
Finance costs	4D	(568)	896
Write-down and impairment of assets	4E	176	3,197
Total expenses		354,293	405,454
LESS:			
Own-source revenue			
Rendering of services	5A	1,609	1,547
Royalties		189	185
Other revenue	5B	2,693	2,865
Total own-source revenue		4,491	4,597
Gains			
Other gains	5C	353	434
Total own-source income		4,844	5,031
Net Cost of Services		349,449	400,423
Total revenue from government	5D	311,942	346,802
Deficit		(37,507)	(53,621)
OTHER COMPREHENSIVE INCOME			
Items not subject to subsequent reclassification to net cost of services			
Changes in asset revaluation reserve		(1)	(2,847)
Total comprehensive loss		(37,508)	(56,468)

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

Statement of Financial Position

AS AT 30 JUNE 2015

	Notes	2015 \$'000	2014 \$'000
ASSETS			
Financial assets			
Cash and cash equivalents	7A	9,232	15,129
Trade and other receivables	7B	94,883	102,442
Total financial assets		104,115	117,571
Non-financial assets			
Leasehold improvements	8A	36,208	41,422
Plant and equipment	8B	22,854	23,269
Intangibles – computer software	8C	92,781	98,171
Other non-financial assets	8E	9,931	17,550
Total non-financial assets		161,774	180,412
Total assets		265,889	297,983
LIABILITIES			
Payables			
Suppliers	9A	24,867	39,025
Other payables	9B	61,073	69,405
Total payables		85,940	108,430
Provisions			
Employee provisions	10A	60,000	56,882
Other provisions	10B	15,855	18,262
Total provisions		75,855	75,144
Total liabilities		161,795	183,574
Net assets		104,094	114,409
EQUITY			
Contributed equity		289,874	262,681
Reserves		6,365	6,366
Accumulated deficit		(192,145)	(154,638)
Total equity		104,094	114,409

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

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2015

	Notes	Accumulated deficit		Asset revaluation reserve		Contributed equity		Total equity	
		2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Opening balance		(154,638)	(101,017)	6,366	9,213	262,681	232,149	114,409	140,345
Comprehensive income									
Other comprehensive income	8D	–	–	(1)	(2,847)	–	–	(1)	(2,847)
Deficit for the period		(37,507)	(53,621)					(37,507)	(53,621)
Total comprehensive loss	3	(37,507)	(53,621)	(1)	(2,847)	–	–	(37,508)	(56,468)
Transactions with owners									
Contributions by owners									
Equity injections		–	–	–	–	11,978	11,791	11,978	11,791
– Appropriations		–	–	–	–	15,215	18,741	15,215	18,741
Departmental capital budget		–	–	–	–				
Total transactions with owners		–	–	–	–	27,193	30,532	27,193	30,532
Closing balance as at 30 June		(192,145)	(154,638)	6,365	6,366	289,874	262,681	104,094	114,409

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

Cash Flow Statement

FOR THE YEAR ENDED 30 JUNE 2015

	Notes	2015 \$'000	2014 \$'000
OPERATING ACTIVITIES			
Cash received			
Appropriations		324,215	355,989
Services		3,322	1,546
Net GST received		13,062	13,502
Other cash received		2,787	15,892
Total cash received		343,386	386,929
Cash used			
Employees		215,403	238,503
Suppliers		117,030	123,265
Transfers to the Official Public Account		6,109	8,739
Total cash used		(338,542)	(370,507)
Net cash from operating activities	11	4,844	16,422
INVESTING ACTIVITIES			
Cash used			
Purchase of leasehold improvements, plant and equipment and intangibles		36,435	32,887
Net cash (used) by investing activities		(36,435)	(32,887)
FINANCING ACTIVITIES			
Cash received			
Appropriations – contributed equity		25,694	30,532
Net cash from financing activities		25,694	30,532
Net increase/(decrease) in cash held		(5,897)	14,067
Cash and cash equivalents at the beginning of the reporting period		15,129	1,062
Cash and cash equivalents at the end of the reporting period	7A	9,232	15,129

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

Schedule of Commitments

AS AT 30 JUNE 2015

	2015 \$'000	2014 \$'000
BY TYPE		
Commitments payable		
Capital commitments		
Intangibles ¹	580	704
Total capital commitments	580	704
Other commitments		
Operating leases ²	199,616	229,863
Other commitments (goods and services)	59,421	37,772
Total other commitments	259,037	267,635
Less: commitments receivable		
GST recoverable on commitments	23,602	24,102
Total commitments receivable	23,602	24,102
Net commitments by type	236,015	244,237
BY MATURITY		
Commitments payable		
Capital commitments		
One year or less	580	704
Total capital commitments	580	704
Operating lease commitments		
One year or less	29,580	30,265
From one to five years	115,720	121,152
Over five years	54,316	78,446
Total operating lease commitments	199,616	229,863
Other commitments (goods and services)		
One year or less	55,441	27,865
From one to five years	3,980	9,907
Total other commitments	59,421	37,772
Less: commitments receivable		
One year or less	7,812	5,132
From one to five years	10,852	11,839
Over five years	4,938	7,131
Total commitments receivable	23,602	24,102
Net commitments by maturity	236,015	244,237

1. Outstanding contractual payments for purchases of software licences.

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

Nature of lease	General description of leasing arrangement
Leases for office accommodation	Subject to fixed increases and annual or bi-annual rent reviews.
Motor vehicles – senior executives	No contingent rentals exist. There are no purchase options available to ASIC.
Office equipment	No contingent rentals exist. There are no purchase options available to ASIC.

Commitments are GST inclusive where relevant.

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

Administered Schedule of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2015

	Notes	2015 \$'000	2014 \$'000
NET COST OF SERVICES			
Expenses			
Grants	16A	3,067	2,132
Write-down and impairment of assets	16B	45,343	44,588
Other	16C	142,495	244,848
Total expenses		190,905	291,568
LESS:			
Own-source revenue			
Taxation revenue			
Fees and fines	17A	823,579	762,844
Total taxation revenue		823,579	762,844
Non-taxation revenue			
Unclaimed monies	17B	209,371	231,197
Total non-taxation revenue		209,371	231,197
Total revenue		1,032,950	994,041
Net contribution by services		842,045	702,473

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

Administered Schedule of Assets and Liabilities

AS AT 30 JUNE 2015

	Notes	2015 \$'000	2014 \$'000
ASSETS			
Financial assets			
Cash and cash equivalents	18A	2,157	3,876
Receivables	18B,18C	123,917	112,869
Total assets administered on behalf of Government	24	126,074	116,745
LIABILITIES			
Payables			
Suppliers and other payables	19A,19B	19,920	20,837
Other provisions	19C	417,691	435,848
Total liabilities administered on behalf of Government		437,611	456,685
Net liabilities		(311,537)	(339,940)

Administered Reconciliation Schedule

AS AT 30 JUNE 2015

	2015 \$'000	2014 \$'000
Opening administered assets less administered liabilities	(339,940)	(409,861)
Net (cost of)/contribution by services:		
Administered income	1,032,950	994,040
Administered expenses	(190,905)	(291,567)
	842,045	702,473
Administered transfers (to)/from the Australian Government		
Appropriation transfers from Official Public Account:		
Special (unlimited) and ordinary appropriations		
Appropriation Act No. 1	5,749	4,325
Banking Act unclaimed monies	116,816	268,912
Life Insurance Act unclaimed monies	10,367	11,894
Section 77 PGPA Act	39,575	39,541
Total of Appropriation transfers from Official Public Account	172,507	324,672
Administered transfers to Official Public Account	(986,149)	(957,224)
Closing administered assets less administered liabilities	(311,537)	(339,940)

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

Administered Cash Flow Statement

FOR THE YEAR ENDED 30 JUNE 2015

	Notes	2015 \$'000	2014 \$'000
OPERATING ACTIVITIES			
Cash received			
Corporations Act, National Consumer Credit Protection Act, Business Names Registration (Fees) Act and Superannuation Industry (Supervision) Act		766,641	714,097
Corporation Act unclaimed monies		46,769	84,751
Banking Act unclaimed monies		145,442	130,001
Life Insurance Act unclaimed monies		17,159	16,445
Net GST received		589	256
Total cash received		976,600	945,550
Cash used			
Refunds paid to:			
Company shareholders		30,967	28,701
Deposit taking institution account holders		117,093	269,076
Life insurance policy holders		10,342	11,793
Promotion expenses for MoneySmart Initiatives		3,374	823
Grants		2,902	2,289
Total cash (used)		(164,678)	(312,682)
Net cash from operating activities	20	811,922	632,868
Cash and cash equivalents at the beginning of the reporting period		3,876	3,560
Cash from Official Public Account for:			
Appropriations		172,508	324,672
		176,384	328,232
Less: Cash to Official Public Account for:			
Corporations Act, National Consumer Credit Protection Act and Business Names Registration (Fees) Act fees and charges		776,779	726,027
Corporations Act unclaimed monies		46,769	84,751
Banking Act unclaimed monies		145,442	130,001
Life Insurance Act unclaimed monies		17,159	16,445
		(986,149)	(957,224)
Cash and cash equivalents at the end of the reporting period	18A	2,157	3,876

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

Administered Schedule of Commitments

AS AT 30 JUNE 2015

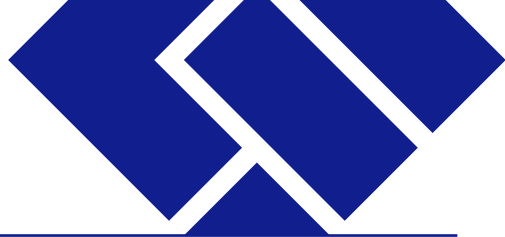
ADMINISTERED COMMITMENTS

As at 30 June 2015 ASIC has \$0.477m administered commitments payable (2014: \$0.739m), which 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 2015 are due within one year.

As at 30 June 2015 ASIC has \$0.127m administered commitments receivable (2014: \$0.067m), which relate to refundable GST.

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2015



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 s1(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.

1.2 Basis of preparation of the financial statements

The financial statements and notes are required by section 42 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and are general purpose financial statements.

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

- Public Governance, Performance and Accountability (Financial Reporting) Rule 2015 (FRR) for reporting periods ending on or after 1 July 2014; and
- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

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

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

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 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 1.18.

For the financial year ended 30 June 2015, ASIC was structured to deliver 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.

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.

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2015

Note 1: Summary of significant accounting policies continued

1.3 Significant accounting judgements and estimates

In the process of applying the accounting policies listed in this note, ASIC has made assumptions or estimates in the following areas that have the most significant impact on the amounts recorded in the financial statements:

- ♦ The fair value of leasehold improvements and property, plant and equipment is assessed at market value or depreciated replacement cost as determined by an independent valuer and is subject to management assessment between formal valuations; and
- ♦ Leave provisions involve assumptions based on the expected tenure of existing staff, patterns of leave claims and payouts, future salary movements and future discount rates.

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

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 provision has been valued independently by a registered actuary.

The provision has been estimated based on the historic claims pattern experienced since 2002

and the outstanding lodgements and takes into account the volatility of unclaimed monies lodgements and claims from year to year, which is impacted by several factors including economic events, legislative change, media exposure and the behaviour of claimants.

The balance of unclaimed monies has been discounted to present value at a risk-free rate of interest based on the 10-year Government Bond Rate. (Refer to Note 19C.)

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 AASB prior to the signing date and are applicable to the current reporting period, but have not had a material financial impact on ASIC:

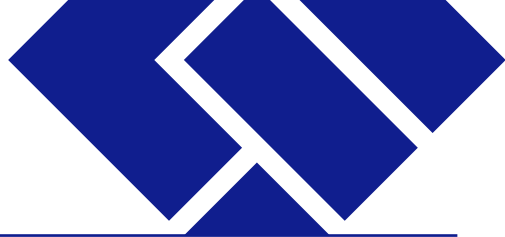
- ♦ AASB 1055 *Budgetary Reporting*

All other new/revised, amending standards or interpretations that were issued prior to the sign-off date and are applicable to the current reporting period did not have a material effect, and are not expected to have a future material effect, on ASIC's financial statements.

Future Australian Accounting Standard requirements

The following new, amending standards or interpretations were issued by the AASB prior to the signing of the statement by the accountable authority and chief financial officer.

Standard/ Interpretation	Application date for the entity	Nature of impending change/s in accounting policy and likely impact on initial application
AASB 9 <i>Financial Instruments</i>	1 July 2016	The amendments reduce the four categories of financial assets to two – amortised cost and fair value. There is no impact to ASIC's financial statements as ASIC's policy is to value assets and liabilities at amortised cost.
AASB 15 <i>Revenue from Contracts with Customers</i>	1 January 2017	The new standard's core principle requires entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration. This will have no material impact on the financial statements as ASIC does not have any special consideration for service provided.
AASB 2015-6 <i>Extending Related Party Disclosures to the Not-for-Profit Public Sector</i>	1 July 2016	The amendments extend the scope of AASB 124 to include application by not-for-profit public sector entities. This will have an additional disclosure impact on the financial statements.



Note 1: Summary of significant accounting policies continued

All other new/revised, amending standards or interpretations that were issued prior to the sign-off date and are applicable to future reporting periods are not expected to have a future material impact on the entity's financial statements.

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.

1.6 Gains

Resources received free of charge

Resources received free of charge are recognised as revenue 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.

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

Equity injections

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

Other distributions to owners

The FRR requires that distributions to owners be debited to contributed equity unless it is in the nature of a dividend.

1.8 Employee benefits

Liabilities for 'short-term employee benefits' (as defined in AASB 119 *Employee Benefits*) and termination benefits expected within 12 months of the end of the reporting period are measured at their nominal amounts.

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 at least every five years. 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.

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2015

Note 1: Summary of significant accounting policies continued

Superannuation

ASIC employees are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS), the PSS Accumulation Plan (PSSap) or other complying superannuation funds.

The CSS and PSS are defined-benefit schemes of the Australian Government. The PSSap and other complying superannuation funds are defined-contribution schemes.

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 in their financial statements as an administered schedule and notes.

ASIC makes employer contributions to its employees' superannuation schemes at rates determined by an actuary to be sufficient to meet the current cost to the Government, and accounts for the contributions as if they were contributions to defined contribution plans.

The liability for superannuation recognised as at 30 June represents outstanding contributions for the final fortnight of the year.

1.9 Leases

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

1.10 Borrowing costs

All finance costs are expensed as incurred.

1.11 Fair value measurement

ASIC deems transfers between levels of the fair value hierarchy to have occurred at the end of the reporting period.

1.12 Financial assets

Cash and cash equivalents

Cash is recognised at its nominal amount. Cash and cash equivalents include:

- ♦ deposits on demand in bank accounts, and
- ♦ cash in special accounts.

Loans and receivables

Trade receivables are classified as 'loans and receivables' and recorded at face value less any impairment. Trade receivables are recognised where ASIC becomes party to a contract and has a legal right to receive cash. Trade receivables are derecognised on payment.

Impairment of financial assets

Loans and receivables are assessed for impairment at the end of each reporting period. Allowances are made when collectability of the debt is no longer probable.

1.13 Financial liabilities

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). Supplier and other payables are derecognised on payment.

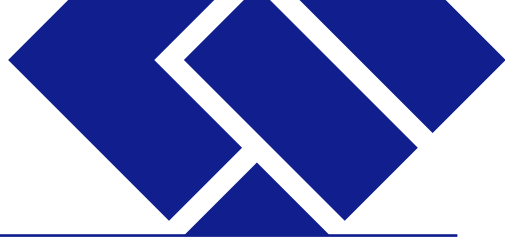
1.14 Contingent liabilities and contingent assets

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

1.15 Acquisition of assets

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.

Purchases of non-financial assets are initially recognised 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).



Note 1: Summary of significant accounting policies continued

Revaluations

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

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

Following initial recognition at cost, plant and equipment were carried at latest revaluation 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 on the volatility of movements in market values for the relevant assets. The most recent independent valuation was conducted by Australian Valuation Solutions Pty Ltd as at 30 June 2014.

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

Any accumulated depreciation as at the revaluation date was eliminated against the gross carrying amount of the asset and the asset was 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 depreciation.

Depreciation rates (useful lives), residual values and depreciation methods are reviewed at each reporting date.

	2015	2014
Leasehold improvements	Lease term	Lease term
Plant and equipment	2 to 80 years	2 to 80 years

Impairment

All assets were assessed for impairment at 30 June 2015. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment loss recognised if the asset's recoverable amount is less than its carrying amount.

Derecognition

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

1.16 Intangibles

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

Software is amortised on a straight-line basis over its anticipated useful life. The useful life of ASIC's software is 2 to 10 years (2014: 2 to 10 years).

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

1.17 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).

1.18 Reporting of administered activities

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

Except where otherwise stated, 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.

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2015

Note 1: Summary of significant accounting policies continued

1.18 Reporting of administered activities continued

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). 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 Administered Cash Flow Statement and in the Administered Reconciliation Schedule.

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 (FRR 26.3)*.

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 calculated using estimation techniques to determine an estimate of current receivables which are unlikely to be collected in the future.

Administered receivables that are irrecoverable at law or are uneconomic to pursue are written off under s63 of the PGPA 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 by an independent actuary. ASIC has recognised the provision for claims payable under *AASB 137 Provisions, Contingent Liabilities and Contingent Assets*.

Note 1: Summary of significant accounting policies continued

Contingent liabilities

The contingent liability is not disclosed in the Administered Schedule but in the note. The contingent liability represents an estimate of unclaimed monies that are likely to be refunded, but not considered remote.

and administrative expenditure incurred on behalf of this board and the tribunals are included in the Statement of Comprehensive Income of ASIC (see Note 26).

1.20 Comparative figures

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

1.19 Expenditure of board and tribunal

Pursuant to Parts 11 and 12 of the ASIC Act 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

Note 2: Events after the balance sheet date

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

Note 3: Net cash appropriation arrangements

	2015 \$'000	2014 \$'000
Total comprehensive income/(loss) less depreciation/amortisation expenses previously funded through revenue appropriations ¹	3,865	(478)
Plus: depreciation/amortisation expenses previously funded through revenue appropriation	(41,373)	(55,990)
Total comprehensive loss – as per the Statement of Comprehensive Income	(37,508)	(56,468)

1. Commonwealth entities 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 amortisation of lease incentives relates to Sydney and Melbourne tenancies (2015 \$3.4m, 2014 \$1.7m).

Note 4: Expenses

	2015 \$'000	2014 \$'000
Note 4A: Staff expenses		
Wages and salaries	164,828	176,914
Superannuation ¹		
Defined-benefit schemes	11,498	12,632
Defined-contribution schemes	16,355	16,957
Leave and other entitlements	18,098	14,486
Separation and redundancies ²	2,293	16,063
Total employee benefits	213,072	237,052

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 14.6% (2014: 13.6%), the Public Sector Superannuation Scheme was 16% (2014: 14.8%), the PSS Accumulation Plan was 15.4% (2014: 15.4%), and the superannuation productivity benefit was approximately 2.0% to 3.0% (2014: 2.0% to 3.0%). The contribution is calculated based on the relevant salary for super at the time the contributions are made.

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

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2015

Note 4: Expenses continued

	Notes	2015 \$'000	2014 \$'000
Note 4B: Suppliers expenses			
Goods and services			
Legal and forensic costs		10,275	10,943
Office computer and software expenses		24,429	24,335
Property-related outgoings		6,987	8,824
Consultants and specialist services		4,611	6,682
Travel		4,337	4,501
Communications		2,251	3,844
Recruitment		1,242	1,174
Information costs		6,047	9,630
Learning and development		3,488	4,017
Security		2,515	2,858
Postage and freight		2,437	2,293
Other goods and services		5,654	6,212
Total goods and services		74,273	85,313
Goods and services are made up of:			
Provision of goods – related entities		1	7
Provision of goods – external parties		2,850	3,335
Rendering of services – related entities		8,673	6,790
Rendering of services – external parties		62,749	75,181
Total goods and services		74,273	85,313
Other supplier expenses			
Operating lease rentals from external entities:			
Minimum lease payments		23,623	20,763
Workers compensation premiums		2,145	2,006
Fringe benefits tax		199	237
Total other supplier expenses		25,967	23,006
Total supplier expenses		100,240	108,319
Note 4C: Depreciation and amortisation			
Depreciation:			
Leasehold improvements		7,081	9,081
Plant and equipment		6,038	6,909
Total depreciation		13,119	15,990
Amortisation:			
Intangibles – Computer software		28,254	40,000
Total amortisation		28,254	40,000
Total depreciation and amortisation		41,373	55,990
Note 4D: Finance costs			
Amortisation of restoration provision discount	10B	(568)	896
Total finance costs		(568)	896

Note 4: Expenses continued

	Notes	2015 \$'000	2014 \$'000
Note 4E: Write-down and impairment of assets			
Impairment of financial instruments		10	31
Write-off of leasehold improvements, plant & equipment and intangibles		166	3,166
Total write-down and impairment of assets		176	3,197

Note 5: Income

Own-source revenue

Note 5A: Rendering of services

Rendering of services in connection with:

Related entities		878	904
External parties		731	643
Total rendering of services		1,609	1,547

Note 5B: Other revenues

Cost recoveries ¹		428	1,476
Professional and witness fees		24	42
Sublease rent and property recoveries		1,016	1,139
Other		1,225	208
Total other revenues		2,693	2,865

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

Note 5C: Other gains

Resources received free of charge ²		353	434
Total other gains		353	434

2. As a prescribed agency ASIC receives audit services from the Australian National Audit Office (ANAO). The fair value of that service from the ANAO is \$353,000 (2014: \$200,000) and from the ATO is nil (2014: \$234,024) for the reporting period.

Revenues from Government

Note 5D: Revenues from Government

Appropriations:

Departmental outputs		295,465	336,374
Departmental Special Account	29A	16,477	10,428
Total revenues from Government		311,942	346,802

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2015

Note 6: Fair value measurement

Note 6A: 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 6B: Fair value measurements, valuation techniques and inputs used, and level transfer

ASIC determines fair value for non-financial assets using Level 2 and 3 inputs in the fair value hierarchy. The following tables disclose the fair value and the valuation techniques used to derive fair value.

Fair value measurements at the end of the reporting period			Fair value measurements at the end of the reporting period				Sensitivity of the fair value measurement to changes in unobservable inputs
Non-financial assets:	2015 \$'000	2014 \$'000	Category (Level 1,2,3) ¹	Valuation techniques ²	Inputs used	Range (weighted average) ³	
Leasehold improvements	36,208	41,422	3	Depreciated replacement cost (DRC)	Replacement cost, useful life	N/A	The significant unobservable inputs used in the fair value measurement of leasehold improvements relates to the consumed economic benefits.
Plant and equipment	–	4,441	2	Market approach	Adjusted market transactions	N/A	
Plant and equipment	22,854	18,828	3	Depreciated replacement cost (DRC)	Replacement cost, useful life	N/A	The significant unobservable inputs used in the fair value measurement of plant and equipment relates to asset obsolescence.
Total non-financial assets	59,062	64,691					

1. Recurring and non-recurring Level 3 fair value measurements – valuation processes. Transfer from Level 2 to Level 3 occurred at 30 June 2015.

2. No change in valuation technique occurred during the period.

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

ASIC did not measure any non-financial assets at fair value on a non-recurring basis as at 30 June 2015.

A reconciliation of movements in leasehold improvements and plant and equipment has been included in Note 8.

Note 7: Financial assets

	2015 \$'000	2014 \$'000
Note 7A: Cash and cash equivalents		
Cash on hand or on deposit	9,232	15,129
Total cash and cash equivalents	9,232	15,129
Note 7B: Trade and other receivables		
Goods and services:		
Goods and services – related entities	254	211
Goods and services – external parties	583	2,019
Total receivables for goods and services	837	2,230
Credit terms for goods and services were within 30 days (2014: 30 days).		
Appropriations receivable	91,049	95,713
Total appropriations receivable	91,049	95,713
Other receivables:		
GST receivable from the Australian Taxation Office	3,130	4,670
Total other receivables	3,130	4,670
Total trade and other receivables (gross)	95,016	102,613
Less impairment allowance account:		
Goods and services	133	171
Total impairment allowance account	133	171
Total trade and other receivables (net)	94,883	102,442
Receivables are expected to be recovered in:		
No more than 12 months	94,883	102,442
Total trade and other receivables (net)	94,883	102,442
Receivables are aged as follows:		
Not overdue	94,614	102,325
Overdue by:		
Less than 30 days	258	100
30 to 60 days	11	16
61 to 90 days	–	1
More than 90 days	133	171
Total receivables (gross)	95,016	102,613
The impairment allowance account is aged as follows:		
Overdue by:		
More than 90 days	133	171
Total impairment allowance account	133	171
Reconciliation of the movement in the impairment allowance account		
Opening balance	171	216
Amounts recovered and reversed	(31)	(76)
Increase recognised in net surplus/(deficit)	(7)	31
Closing balance	133	171

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2015

Note 8: Non-financial assets

All revaluations are conducted in accordance with the revaluation policy stated at Note 1.15.

	2015 \$'000	2014 \$'000
Note 8A: Leasehold improvements		
Work in progress	1,338	–
Fair value	71,876	80,384
Accumulated depreciation	(37,006)	(38,962)
Total leasehold improvements	36,208	41,422

The carrying value of leasehold improvements was reviewed at 30 June 2015. No indicators of impairment were found.

Note 8B: Plant and equipment

Fair value	58,037	58,793
Accumulated depreciation	(35,183)	(35,524)
Total plant and equipment	22,854	23,269

The carrying value of plant and equipment was reviewed at 30 June 2015. No indicators of impairment were found.

Note 8C: Intangibles – computer software

Internally developed

Work in progress	6,494	4,366
In use	206,053	186,129
Accumulated amortisation	(152,168)	(126,458)
	60,379	64,037

Purchased

Work in progress	21,318	22,866
In use	36,263	34,187
Accumulated amortisation	(25,179)	(22,919)
	32,402	34,134
Total intangibles	92,781	98,171

The carrying value of intangibles was reviewed at 30 June 2015. No indicators of impairment were found.

Note 8: Non-financial assets *continued*

Note 8D: 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 2015

	Leasehold improvements \$'000	Plant & equipment \$'000	Computer software internally developed \$'000	Computer software purchased \$'000	Total \$'000
As at 1 July 2014					
Gross book value	80,384	58,793	190,495	57,053	386,725
Accumulated depreciation/ amortisation and impairment	(38,962)	(35,524)	(126,458)	(22,919)	(223,863)
Net book value 1 July 2014	41,422	23,269	64,037	34,134	162,862
Additions:					
by purchase	1,902	5,754	–	535	8,191
internally developed	–	–	22,329	–	22,329
Total additions	1,902	5,754	22,329	535	30,520
Revaluations and impairments recognised in operating result	–	(1)	–	–	(1)
Depreciation/amortisation expense	(7,081)	(6,038)	(25,987)	(2,267)	(41,373)
Write-offs recognised in the operating result	(35)	(130)	–	–	(165)
Net book value 30 June 2015	36,208	22,854	60,379	32,402	151,843
Net book value as of 30 June 2015 represented by:					
Gross book value	73,214	58,037	212,547	57,581	401,379
Accumulated depreciation/ amortisation	(37,006)	(35,183)	(152,168)	(25,179)	(249,536)
Total as at 30 June 2015	36,208	22,854	60,379	32,402	151,843

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2015

Note 8: Non-financial assets continued

TABLE B: Reconciliation of the opening and closing balances of leasehold improvements, plant and equipment and intangibles 2014

	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	(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 of 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

	2015 \$'000	2014 \$'000
Note 8E: Other non-financial assets		
Prepayments	9,415	9,714
Rent-free asset	516	7,836
	9,931	17,550
Total other non-financial assets are expected to be recovered in:		
No more than 12 months	9,931	12,889
More than 12 months	–	4,661
Total other non-financial assets	9,931	17,550

The carrying value of other non-financial assets was reviewed at 30 June 2015. No indicators of impairment were found.

Note 9: Payables

	Notes	2015 \$'000	2014 \$'000
Note 9A: Suppliers			
Trade creditors and accruals	14A	24,867	39,025
Total supplier payables		24,867	39,025
Supplier payables expected to be settled within 12 months:			
Related entities		708	154
External parties		24,159	38,871
Total supplier payables		24,867	39,025
Note 9B: Other payables			
Operating lease rent payable		12,292	11,469
Other unearned revenue		144	238
Property lease incentives ¹		30,946	34,563
Salaries and bonuses		16,191	17,637
Separations and redundancies		1,466	4,937
Superannuation		34	561
Total other payables		61,073	69,405
Total other payables are expected to be settled in:			
No more than 12 months		30,127	30,670
More than 12 months		30,946	38,735
Total other payables		61,073	69,405

1. Total property lease incentives are disclosed as deferred rental expenditure at 30 June 2015. The amortisation of these amounts will be made over the life of the lease.

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2015

Note 10: Provisions

	2015 \$'000	2014 \$'000
Note 10A: Employee provisions		
Annual leave entitlement	18,880	18,314
Long service leave entitlement	36,970	34,370
Restructuring provision	4,150	4,198
Total employee provisions	60,000	56,882

Employee provisions are expected to be settled in:

No more than 12 months	20,365	19,087
More than 12 months	39,635	37,795
Total employee provisions	60,000	56,882

Note 10B: Other provisions

Provision for restoration obligations – leased premises	8,418	9,797
Provision for adverse cost orders	7,437	8,465
Total other provisions	15,855	18,262

Other provisions are expected to be settled in:

No more than 12 months	1,098	1,098
More than 12 months	14,757	17,164
Total other provisions	15,855	18,262

ASIC currently has nine lease agreements (2014: nine) 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.

Reconciliation of the opening and closing balance of other provisions	Provision for Restoration Costs	Provision for Settlement Costs	Total Other Provisions
As at 1 July 2014	9,797	8,465	18,262
Amounts reversed and additions	(811)	(1,028)	(1,839)
Amortisation of restoration provision discount	(568)	–	(568)
Total as at 30 June 2015	8,418	7,437	15,855

Note 11: Cash flow reconciliation

	2015 \$'000	2014 \$'000
Reconciliation of cash and cash equivalents as per Balance Sheet to Cash Flow Statement		
Cash and cash equivalents as per:		
Cash Flow Statement	9,232	15,129
Statement of Financial Position	9,232	15,129
Reconciliation of net cost of services to net cash from operating activities:		
Net cost of services	(349,449)	(400,423)
Add revenue from Government	311,942	346,802
(Deficit) attributable to the Australian Government	(37,507)	(53,621)
Adjustments for non-cash items		
Depreciation/amortisation	41,373	55,990
Net write-down of non-financial assets	166	3,166
Changes in assets/liabilities		
Decrease in net receivables	7,559	5,521
(Increase)/decrease in other non-financial assets	7,619	(8,677)
Increase/(decrease) in employee provisions	3,118	(8,876)
Increase/(decrease) in supplier payables	(14,158)	9,080
Increase/(decrease) in other provisions and payables	(3,326)	13,839
Net cash from operating activities	4,844	16,422

Note 12: Contingent liabilities and assets

Contingent assets

Claims for costs

Balance from previous period	806	757
<i>Adjustments to prior period contingent receivables:</i>		
Assets relinquished	(126)	(376)
Revisions to estimates	244	255
New contingent receivables	–	170
Total contingent assets	924	806
Net contingent assets/(liabilities)	924	806

Quantifiable contingencies (ASIC departmental)

As at the date of this report, there are 7 matters (2014: 10 matters) for which ASIC has received an award of costs in its favour, however agreement with respect to the quantum payable to ASIC has not been reached. ASIC has estimated these matters represent a combined receivable of \$0.924m (2014: \$0.806m), 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.

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2015

Note 12: Contingent liabilities and assets continued

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. In accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*, ASIC has not disclosed the value of these matters on the grounds that it may seriously prejudice the outcome of these cases.

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, two matters of this type where proceedings are current. In these matters, ASIC denies liability and is of the view that, save for having to pay legal fees and other out-of-pocket expenses, it is likely that ASIC will:

- a) successfully defend the actions instituted; and
- b) 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. In addition to the matters specifically referred to in this Note, ASIC has legal action pending in a number of other matters, however, 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 as 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.

Note 13: Senior management personnel remuneration

The 2014 comparatives have been restated to reflect the following changes in the FRR:

- a) the reporting threshold of \$195,000 has been removed; and
- b) the measurement of defined-benefit superannuation has changed.

	2015 \$	2014 \$
Note 13A: Total remuneration expense recognised in relation to Commissioners		
Short-term employee benefits:		
Salary	2,389,413	2,415,412
Car parking fringe benefits	35,904	60,503
Total short-term employee benefits	2,425,317	2,475,915
Post-employment benefits:		
Superannuation	274,417	250,262
Other long-term benefits:		
Annual leave accrued	243,748	240,393
Long service leave accrued	60,438	55,994
Total remuneration expense for Commissioners	3,003,920	3,022,564

Note 13: Senior management personnel remuneration continued

The total number of Commissioners included in the above table is five (2014: five). In 2014 and 2015, an administrative oversight resulted in some Commissioners receiving car parking-related benefits without a corresponding reduction in their remuneration payments. As a result, a number of overpayments were made to these Commissioners (2015: three payments totalling \$35,904; 2014: four payments totalling \$52,010). These payments were recoverable payments under s16A(1) of the *Remuneration Tribunal Act 1973* and were repayable to the Commonwealth. The obligation to repay these amounts was waived by a delegate of the Finance Minister on 30 June 2015.

Note 13B: Remuneration of senior management personnel

Senior management personnel are those who perform functions controlling operational activities that directly impact the economic function and viability of ASIC and whose employment conditions are equivalent to SES employment conditions of service.

	Notes	2015 \$	2014 \$
Short-term employee benefits:			
Salary and performance bonuses		8,049,754	7,996,387
Motor vehicle allowances and other short-term benefits		1,036,737	999,104
Total short-term employee benefits		9,086,491	8,995,491
Post-employment benefits:			
Superannuation		1,121,652	1,092,648
Other long-term benefits:			
Annual leave accrued		770,483	809,757
Long service leave accrued		215,999	224,584
Termination benefits			
Severance benefits		72,757	175,545
Total remuneration expense for senior executives		11,267,382	11,298,025

The total number of senior management personnel included in the above table is 37 (2014: 43).

Note 14: Financial instruments

		2015 \$'000	2014 \$'000
Note 14A: Categories of financial instruments			
Financial assets			
Loans and receivables:			
Cash and cash equivalents		9,232	15,129
Receivables for goods and services (net of impairment allowance)		704	2,059
Total financial assets	15	9,936	17,188
Financial liabilities			
At amortised cost:			
Trade creditors		24,867	39,025
Total financial liabilities		24,867	39,025
Note 14B: Net gains or losses on financial assets			
Loans and receivables			
Impairment		(10)	(31)
Net gain/(expense) from financial assets		(10)	(31)

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2015

Note 14: Financial instruments continued

Note 14C: Fair value of financial instruments

The fair value 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 14D: 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 (2015: \$839,227, 2014: \$2,229,780). ASIC has assessed the risk of the default on payment for each receivable and has allocated \$132,848 in 2015 (2014: \$170,735) 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 *Financial Instruments: Disclosures* 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.

Credit quality of financial instruments not past due or individually determined as impaired.

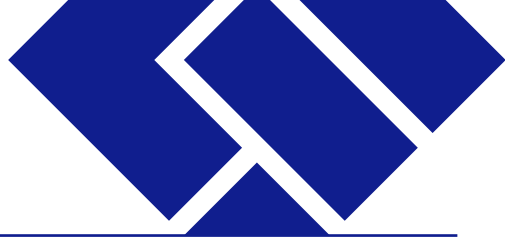
	Not past due nor impaired 2015 \$'000	Not past due nor impaired 2014 \$'000	Past due or impaired 2015 \$'000	Past due or impaired 2014 \$'000
Loans and receivables				
Cash and cash equivalents	9,232	15,129	–	–
Receivables for goods and services (gross)	240	1,943	402	287
Total	9,472	17,072	402	287

Ageing of financial assets that are past due but not impaired for 2015:

	Overdue by				
	0 to 30 days \$'000	31 to 60 days \$'000	61 to 90 days \$'000	More than 90 days \$'000	Total \$'000
Loans and receivables					
Receivables for goods and services	258	11	–	133	402
Total	258	11	–	133	402

Ageing of financial assets that are past due but not impaired for 2014:

	Overdue by				
	0 to 30 days \$'000	31 to 60 days \$'000	61 to 90 days \$'000	More than 90 days \$'000	Total \$'000
Loans and receivables					
Receivables for goods and services	100	16	1	170	287
Total	100	16	1	170	287



Note 14: Financial instruments continued

Note 14E: Liquidity risk

ASIC's financial liabilities are trade creditors. The exposure to liquidity risk was based on the notion that ASIC will encounter difficulty in meeting its obligations associated with financial liabilities. This is highly unlikely as ASIC is appropriated funding from the Australian Government and ASIC manages its budgeted funds to ensure it has adequate funds to meet payments as they fall due. In addition, ASIC has policies in place to ensure timely payments were made when due and has no past experience of default.

All ASIC's financial liabilities as at 30 June 2015 and 30 June 2014 were payable within one year. As at 30 June 2015, ASIC has no financial liabilities payable on demand (2014: nil).

Note 14F: Market risk

ASIC's exposure to 'Currency risk' is minimal as only a small number of contracts are in currencies other than Australian dollars.

Note 14G: Interest rate risk

ASIC's financial instruments are not exposed to interest rate risk.

Note 15: Financial assets reconciliation

	Notes	2015 \$'000	2014 \$'000
Note 15: Financial assets			
Total financial assets as per balance sheet		104,115	117,571
Less: non-financial instrument components:			
Appropriations receivable		91,049	95,713
GST receivable included in financial assets		3,130	4,670
Total non-financial instrument components		94,179	100,383
Total financial assets as per financial instruments note		9,936	17,188

Note 16: Administered – Expenses

Note 16A: Grants

Private sector:

Rendering of services – related parties

Insolvency practitioners¹

Total grants

	3,067	2,132
	3,067	2,132

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 16B: Write-down and impairment of assets

Impairment of receivables

Waiver of fees and charges owing

Total write-down and impairment of assets

	42,935	41,745
	2,408	2,843
18C	45,343	44,588

Note 16C: Other expenses

Claims – Bank and deposit-taking institution account holders

Claims – Life insurance policy holders

Claims – Corporations Act

Promotional costs for MoneySmart initiatives

Total other expenses

	112,688	109,205
	8,461	7,846
	19,096	125,797
	2,250	2,000
	142,495	244,848

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2015

Note 17: Administered – Income

Revenue	2015 \$'000	2014 \$'000
Taxation revenue		
Note 17A: Fees and fines		
Fees	725,904	673,362
Fines	97,675	89,482
Total fees and fines	823,579	762,844

Corporations Act, National Consumer Credit Protection Act, Business Names Registration Act and Superannuation Industry (Supervision) Act fees and fines

	2015 \$'000 Fees	2015 \$'000 Fines	2015 \$'000 Total	2014 \$'000 Fees	2014 \$'000 Fines	2014 \$'000 Total
Mandatory collections ¹						
– Corporations Act	616,385	92,486	708,871	566,634	86,987	653,621
– Business Names	45,189	–	45,189	43,406	–	43,406
– Other	6,154	207	6,361	6,034	250	6,284
Information broker fees ²	52,313	–	52,313	52,434	–	52,434
Other search fees ²	5,863	–	5,863	4,854	–	4,854
Court/infringement revenue ³	–	4,982	4,982	–	2,245	2,245
	725,904	97,675	823,579	673,362	89,482	762,844

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*.

Note 17B: Non-taxation revenue

<i>Corporations Act 2001</i> unclaimed monies	46,769	84,751
<i>Banking Act 1959</i> unclaimed monies	145,443	130,001
<i>Life Insurance Act 1995</i> unclaimed monies	17,159	16,445
Total non-taxation revenue	209,371	231,197

Note 18: Administered – Financial assets

Financial assets	Notes	2015 \$'000	2014 \$'000
Note 18A: Cash and cash equivalents			
Total cash and cash equivalents	24	2,157	3,876
Note 18B: Taxation receivables			
Fees and fines receivable		173,118	160,345
Information brokers' fees		8,624	7,377
Total taxation receivables (gross)		181,742	167,722
Less: impairment allowance account:			
Fees and fines		58,028	55,134
Total taxation receivables (net)		123,714	112,588
Receivables were aged as follows:			
Not overdue		86,812	83,755
Overdue by:			
Less than 30 days		20,478	11,910
30 to 60 days		8,702	10,658
61 to 90 days		5,932	5,083
More than 90 days		59,818	56,597
Total taxation receivables (gross)		181,742	168,003
The impairment allowance account is aged as follows:			
Not overdue		431	402
Overdue by:			
Less than 30 days		1,003	959
30 to 60 days		1,453	1,552
61 to 90 days		1,454	1,314
More than 90 days		53,687	50,907
Total impairment allowance account		58,028	55,134
Taxation 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 2014		55,134	52,085
Amounts written off		(40,040)	(38,696)
Amounts waived		(2,409)	(2,843)
Increase in impairment allowance recognised as an expense		45,343	44,588
Closing balance 30 June 2015		58,028	55,134
Note 18C: Other receivables			
Other receivables ¹		203	281
Total receivables (gross)		203	281

1. In 2014, this was included as taxation receivables.

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2015

Note 19: Administered – Payables

	2015 \$'000	2014 \$'000
Note 19A: Suppliers		
Suppliers payables	450	1,377
Total suppliers	450	1,377
Note 19B: Other payables		
Refund of fees payable	12,044	11,857
Unallocated monies ¹	6,140	6,797
Grants payable ²	1,286	806
Total other payables	19,470	19,460
Total suppliers and other payables	19,920	20,837

All other payables are entities that are not part of the Australian Government.

1. All 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 19C: Provisions

Corporations Act 2001 claims	168,715	180,586
Banking Act 1959 claims	224,333	228,739
Life Insurance Act 1995 claims	24,643	26,523
Total other provisions	417,691	435,848

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 2014	435,848	502,571
Amounts recognised	140,245	242,848
Amounts used	(158,402)	(309,571)
Closing balance 30 June 2015	417,691	435,848

Note 20: Administered cash flow reconciliation

Reconciliation of cash and cash equivalents as per Administered Schedule of Assets and Liabilities to the Administered Cash Flow Statement

Cash and cash equivalents as per:

Administered Cash Flow Statement	2,157	3,876
Schedule of Administered Assets and Liabilities	2,157	3,876

Reconciliation of net cost of services to net cash from operating activities:

Net contribution by services	842,045	702,473
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Changes in assets/liabilities

(Decrease) in other provisions	(18,158)	(64,605)
Increase/(Decrease) in Suppliers and other payables	(917)	3,049
(Increase) in receivables	(11,048)	(8,049)
Net cash provided by operating activities	811,922	632,868

Note 21: Administered contingent liabilities

Quantifiable administered contingencies

Quantifiable administered contingencies that are not remote are disclosed below.

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, excluding interest. The principal value of this estimate was deducted from the total balance of unclaimed monies to derive the contingent liability at 30 June 2015 for:

<i>Banking Act 1959</i>	\$474.926m (2014: \$439.259m)
<i>Life Insurance Act 1995</i>	\$ 66.313m (2014: \$57.251m)
<i>Corporations Act 2001</i>	\$251.005m (2014: \$219.052m)

Unquantifiable administered contingencies

There are no unquantifiable administered contingent liabilities.

Note 22: Administered contingent assets

There are no administered contingent assets.

Note 23: Administered financial instruments

	2015 \$'000	2014 \$'000
Note 23A: Categories of financial instruments		
Financial assets		
Cash and cash equivalents	2,157	3,876
Financial liabilities		
At amortised cost:		
Grants payable	1,286	806
Suppliers payables	450	1,377
Total financial liabilities held at amortised cost	1,736	2,183

Note 23B: Fair values of financial instruments

The fair values of financial liabilities at amortised cost approximate their fair value.

Note 23C: 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 23D: 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 2015 and 30 June 2014 are payable within one year.

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2015

Note 24: Administered financial assets reconciliation

	2015 \$'000	2014 \$'000
Note 24: Financial assets		
Total financial assets as per Schedule of Administered Assets and Liabilities	126,074	116,745
Less: non-financial instrument components		
Net statutory receivables ¹	123,714	112,588
Trade and other receivables	203	281
Total non-financial instrument components	123,917	112,869
Total administered financial assets as per financial instruments note	2,157	3,876

1. Statutory receivables relate to outstanding fees and fines under the *Corporations Act 2001*, *National Consumer Credit Protection Act*, *Business Names Registration (Fees) Act* and the *Superannuation Industry (Supervision) Act 1993*. In accordance with the FRR, these are not classified as financial instruments because they relate to a legislative rather than contractual obligation.

Note 25: Appropriations

Table A: Annual appropriations ('recoverable GST exclusive')

Departmental

Ordinary annual services

Annual Appropriation	340,058	382,103
Equity	9,365	11,791
PGPA Act – Section 74	6,109	17,438
PGPA Act – Section 75 ¹	3,247	–
Total Appropriation	358,779	411,332
Appropriations applied (current and prior year)		
Annual Appropriation	346,069	370,951
Equity	7,070	9,896
PGPA Act – Section 75	2,667	–
Total Applied	355,806	380,847
Variance ²	2,973	30,485
PGPA Act – Section 51 determinations ³	(631)	–

1. In 2015, this includes \$0.634m in appropriation bill (No.1) 2015 and \$2.613m in equity injection for the reallocation of funding from the Department of Treasury for the North Queensland Insurance Comparison Website.

2. In 2015, there were no material variances for ordinary annual services appropriations. In 2014, the variance 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.

3. In 2015, the Direction to Permanently Withhold Access to Annual Appropriations enabled the specific amount to be withheld in accordance with the approved Government decisions and movement of funds.

Note 25: Appropriations continued

Administered		2015	2014
Ordinary annual services	Notes	\$'000	\$'000
Annual Appropriation		7,891	6,329
Appropriations reduced ¹		(1,248)	(2,197)
Total Appropriation		6,643	4,132
Appropriations applied (current and prior year)		5,738	2,829
Variance		905	1,303

1. In 2015, there was no adjustment that met the recognition criteria of a formal addition or reduction in revenue (in accordance with FRR Part 6 Div 3) but at law the appropriations had not been amended before the end of the reporting period.

Table B: Departmental Capital Budget ('recoverable GST exclusive')

Departmental Capital Budget

Ordinary annual services ¹	15,215	18,741
Payment for non-financial assets ²	27,036	22,991
Variance	(11,821)	(4,250)

1. Departmental Capital Budgets are appropriated through Appropriation Acts (No. 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. 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.

Table C: Unspent departmental appropriations ('recoverable GST exclusive')

Authority

Appropriation Act (No. 2) 2012–2013	2,044	3,056
Appropriation Act (No. 2) 2013–2014	1,507	1,895
Appropriation Act (No. 1) 2013–2014	–	95,440
Appropriation Act (No. 1) DCB 2014–2015	320	–
Appropriation Act (No. 1) 2014–2015	86,687	–
Appropriation Act (No. 2) 2014–2015	2,311	–
Appropriation Act (No. 4) 2014–2015	268	–
Enforcement Special Account	29 62,127	51,900
Total	155,264	152,291

Unspent departmental appropriations includes cash balance of \$9.232m (2014: \$15.129m).

Unspent administered appropriations ('recoverable GST exclusive')

Authority

Appropriation Act (No. 1) 2014–2015	2,142	–
Total	2,142	–

Unspent administered appropriations represents cash balances.

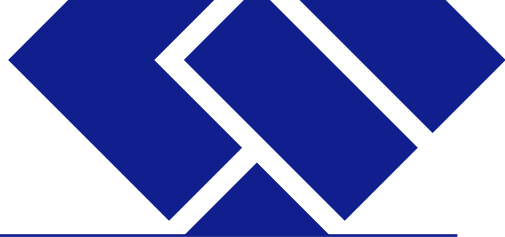
Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2015

Note 25: Appropriations continued

Table D: Special appropriations ('recoverable GST exclusive')

Authority	Type	Purpose	Appropriation applied	
			2015 \$'000	2014 \$'000
<i>s69 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 (<i>s69 Banking Act 1959</i>) to refund amounts to banking and deposit-taking institution account holders.	117,093	269,076
<i>s216 Life Insurance Act 1995</i> , Administered	Unlimited	ASIC has responsibility for the administration of unclaimed monies from life insurance institutions and friendly societies. ASIC receives special appropriations from the OPA (<i>s216 Life Insurance Act 1995</i>) to refund amounts to life insurance policy holders.	10,342	11,793
<i>s77 PGPA Act, 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 s77 of the <i>PGPA Act 2013</i> .	9,518	8,321
<i>s77 PGPA Act, 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 under s1341 of the <i>Corporations Act 2001</i> .	30,028	28,413
Total			166,981	317,603



Note 26: Expenditure relating to statutory boards and tribunal

Pursuant to Parts 11 and 12 of the *Australian Securities and Investments Commission Act 2001*, ASIC is required to support statutory boards and a tribunal to promote activities that assist ASIC to attain its aims.

The following direct expenditure incurred on behalf of these boards and tribunal are included in the Statement of Comprehensive Income of ASIC:

	2015 \$'000	2014 \$'000
Companies Auditors and Liquidators Disciplinary Board	671	1,004
Superannuation Complaints Tribunal	5,919	6,642

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 27: Assets of deregistered companies vesting in ASIC

Section 601AD of the *Corporations Act 2001* provides that, on deregistration of a company, all of the company's property vests in ASIC. 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.

Vested assets are not available to ASIC and are not recognised in the financial statements.

	2015 Quantity	2014 Quantity
Class of asset		
Land	568	571
Shares	211	175
Other	125	175
Closing balance	904	921

Land is comprised of real property as described on the relevant Land Titles Registry. Shares are comprised of parcels of shares in both private and publicly listed companies and include those parcels held by the company as trustee. Other assets include such property as intellectual property (e.g. trademarks) and mortgages.

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2015

Note 28: Security deposits from dealers, investment advisers and liquidators

The *Corporations Act 2001* and the *Corporations Regulations 2001* require 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.

	2015 \$'000	2014 \$'000
Security deposits under Corporations Regulations 2001 regulation 7.6.02AA (dealers and investment advisers)		
Cash (at bank)	323	323
Inscribed stock	20	20
Bank guarantees	9,670	10,030
Closing balance	10,013	10,373
Security deposits under Corporations Regulations section 1284(1) (liquidators)		
Insurance bond	1,800	1,800
Closing balance	1,800	1,800

Note 29: Special Accounts and PGPA Act section 78

Note 29A: Enforcement Special Account (Departmental)

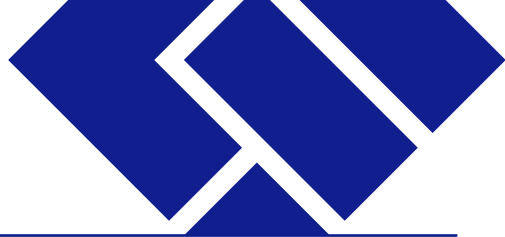
Legal authority – s78 *Public Governance, Performance and Accountability Act 2013* (2014: s20(1) *Financial Management and Accountability Act 1997* and *Financial Management and Accountability Determination 2006/31 – Enforcement Special Account Establishment 2006*).

Appropriation – s78 *Public Governance, Performance and Accountability Act 2013*.

Purpose – the Enforcement Special Account (ESA) is a departmental special account which was established by a determination of the Finance Minister on 13 September 2006 to fund the costs of ASIC arising from the investigation and litigation of matters of significant public interest.

Balance carried forward from previous year	51,900	33,794
Appropriation for the reporting period	27,000	30,000
Costs recovered	428	1,123
Available for payments	79,328	64,917
Cash payments from the Special Account ¹	(17,201)	(13,017)
Balance carried forward to the next period	62,127	51,900
Represented by:		
Cash – held in the Official Public Account	62,127	51,900

1. For the year ended 30 June 2015, ASIC recognised ESA revenue of \$16.477m (2014: \$10.428m), and \$16.773m (2014: \$11.894m) was drawn down in cash during the year.



Note 29: Special Accounts and PGPA Act section 78 continued

Note 29B: Deregistered Companies Trust Monies Special Account

Legal authority – s78 *Public Governance, Performance and Accountability Act 2013* (2014: s20(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 – s78 *Public Governance, Performance and Accountability Act 2013*.

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*.

	2015 \$'000	2014 \$'000
Balance carried forward from previous year	1,546	1,436
Receipts during the year	362	109
Interest received	35	35
Available for payments	1,943	1,580
Disbursements	(41)	(34)
Closing balance	1,902	1,546

Note 29C: ASIC Security Deposits Special Account

Legal authority – s78 *Public Governance, Performance and Accountability Act 2013* (2014: s20(1) *Financial Management and Accountability Act 1997* and *Financial Management and Accountability Determination 2008/03 – ASIC Security Deposits Special Account Establishment 2008*).

Appropriation – s78 *Public Governance, Performance and Accountability Act 2013*.

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	445	456
Interest received	9	9
Available for payments	454	465
Disbursements	–	(20)
Closing balance	454	445

Note 29D: ASIC Investigations, Legal Proceedings, Settlements and Court Orders Special Account

Legal authority – s78 *Public Governance, Performance and Accountability Act 2013* (2014: s20(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 – s78 *Public Governance, Performance and Accountability Act 2013*.

Purpose – the ASIC Investigations, Legal Proceedings, Settlements and Court Orders Special Account was established by a determination of the Finance Minister on 18 February 2008 to manage money or other property temporarily held by ASIC for the benefit of a person other than the Commonwealth as a result of investigations conducted by ASIC, legal proceedings to which ASIC is a party, deeds of settlement to which ASIC is a party, enforceable undertakings accepted by ASIC and court orders referring to ASIC.

Balance carried forward from previous year	11	11
Receipts during the year	–	809
Available for payments	11	820
Disbursements	–	(809)
Closing balance	11	11

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2015

Note 29: Special Accounts and PGPA Act section 78 continued

Note 29E: Services for Other Entities and Trust Monies Special Account – Australian Securities and Investments Commission

Legal authority – s78 Public Governance, Performance and Accountability Act 2013 (2014: s20(1) 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 – s78 Public Governance, Performance and Accountability Act 2013.

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 PGPA Act, such as other governments.

	2015 \$'000	2014 \$'000
Balance carried forward from previous year	–	–
Receipts during the year	–	189
Available for payments	–	189
Disbursements	–	(189)
Closing balance	–	–

Note 30: 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 30: Net (cost)/contribution of outcome delivery

	Outcome 1	
	2015 \$'000	2014 \$'000
Departmental		
Expenses	354,293	405,454
Own-source income	3,612	3,693
Administered		
Expenses	190,905	291,568
Own-source income	1,032,950	994,041
Net contribution of outcome delivery	491,364	300,712

Net costs shown include intra-government costs that are eliminated in calculating the budget outcome.

Note 31: Administered receipts subject to cost recovery policy

	2015 \$'000	2014 \$'000
Note 31A: Receipts pursuant to cost recovery provisions		
Significant cost recovery arrangements		
Supervision of Australia's financial markets and competition for market services.	21,286	17,776
Total receipts subject to cost recovery policy	21,286	17,776
Receivables	6,215	5,086
Receivables are aged as follows:		
Not overdue	6,062	4,948
Overdue by:		
Less than 30 days	–	136
30 to 60 days	–	2
61 to 90 days	153	–
Total receivables (gross)	6,215	5,086

ASIC is recovering its costs to enhance its supervision of Australia's financial markets and competition for market services.

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2015

Note 32: Budgetary reports and explanation of major variances

Note 32A: Departmental Budgetary Reports

The following tables provide a comparison of the original budget as presented in the 2014–15 Portfolio Budget Statements (PBS) to the 2014–15 final outcome as presented in accordance with Australian Accounting Standards for ASIC. The budget is not audited. Explanations of variances greater than 10% are provided.

	Actual 2015 \$'000	Budget Estimated Original 2015 \$'000	Variance 2015 \$'000
Statement of Comprehensive Income			
EXPENSES			
Employee benefits	213,072	212,720	352
Supplier	100,416	108,032	(7,616)
Finance costs	(568)	500	(1,068)
Depreciation and amortisation	41,373	44,596	(3,223)
Total expenses	354,293	365,848	(11,555)
LESS:			
OWN-SOURCE INCOME			
Revenue			
Sale of goods and rendering of services	1,609	1,204	(405)
Other revenue	2,692	840	(1,852)
Total revenue	4,301	2,044	(2,257)
Gains			
Other	354	172	(182)
Total gains	354	172	(182)
Total own-source income	4,655	2,216	(2,439)
Net cost of (contribution by) services	349,638	363,632	13,994
Appropriation revenue	311,942	322,462	10,520
Surplus (deficit) attributable to the Australian Government	(37,696)	(41,170)	(3,474)

Explanations of variances greater than 10%	Affected line items (and schedule)
Expense	
The variance relates to a year-end valuation adjustment of \$1.0m, primarily driven by a reduction in the 10-year Government bond rate.	Finance Cost (Statement of Comprehensive Income)
Own-source income	
The variance relates to the award of costs from litigation of \$0.4m, as well as rental income of \$1.0m from subleasing surplus space.	Other Revenue (Statement of Comprehensive Income)

Note 32: Budgetary reports and explanation of major variances

continued

	Actual	Budget Estimated Original	Variance
	2015 \$'000	2015 \$'000	2015 \$'000
Statement of Financial Position			
ASSETS			
Financial assets			
Cash and cash equivalents	9,232	2,216	(7,016)
Trade and other receivables	94,883	92,631	(2,252)
Total financial assets	104,115	94,847	(9,268)
Non-financial assets			
Leasehold improvements	36,208	51,944	15,736
Plant and equipment	22,854	18,474	(4,380)
Intangibles – computer software	92,781	92,298	(483)
Other non-financial assets	9,931	9,069	(862)
Total non-financial assets	161,774	171,785	10,011
Total assets	265,889	266,632	743
LIABILITIES			
Payables			
Suppliers	24,867	42,570	17,703
Other payables	61,073	30,697	(30,376)
Total payables	85,940	73,267	(12,673)
Provisions			
Employee provisions	60,000	81,916	21,916
Other provisions	15,855	9,898	(5,957)
Total provisions	75,855	91,814	15,959
Total liabilities	161,795	165,081	3,286
Net assets	104,094	101,551	(2,543)
EQUITY			
Contributed equity	289,874	283,846	(6,028)
Reserves	6,365	9,213	2,848
Accumulated deficits	(192,145)	(191,508)	637
Total equity	104,094	101,551	(2,543)

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2015

Note 32: Budgetary reports and explanation of major variances

continued

Explanations of variances greater than 10%	Affected line items (and schedule)
Financial asset	
Cash includes the first pay run of the following financial year.	Cash (Statement of Financial Position)
Non-financial assets	
The variance relates to the consolidation of space within the Melbourne office tenancy. ASIC received a lease incentive to fund the fitout of the space, with an unused portion applied to reduce future rent payments.	Leasehold improvements (Statement of Financial Position)
Expenditure to maintain and refresh IT infrastructure which had been planned for 2016 was commenced in 2015.	Plant and equipment (Statement of Financial Position)
Liabilities	
The original budget classified all expenses relating to redundancies (\$4m) and short-term wages (\$16.3m) as Employee costs, however in the financial statements these costs are included as other provisions and other payables. The variance of provisions and payables offset each other.	Provisions and Payables (Statement of Financial Position)

Note 32: Budgetary reports and explanation of major variances *continued*

Statement of	Retained earnings			Asset revaluation			Contributed equity/capital			Total equity		
	Budget		Actual	Budget		Actual	Budget		Actual	Budget		Actual
	Estimate	Variance		Estimate	Variance		Estimate	Variance		Estimate	Variance	
	Original	\$'000	\$'000	Original	\$'000	\$'000	Original	\$'000	\$'000	Original	\$'000	\$'000
Changes in Equity												
Opening balance as at 1 July 2014	(154,638)	(150,338)	(4,300)	6,366	9,213	(2,847)	262,681	262,681	–	114,409	121,556	7,147
Balance carried forward from previous period												
Adjusted opening balance	(154,638)	(150,338)	(4,300)	6,366	9,213	(2,847)	262,681	262,681	–	114,409	121,556	7,147
Comprehensive income												
Surplus/(deficit) for the period	(37,507)	(41,170)	3,663	(1)	–	(1)	–	–	–	(37,508)	(41,170)	(3,662)
Total comprehensive income recognised directly in equity	(37,507)	(41,170)	3,663	(1)	–	(1)	–	–	–	(37,508)	(41,170)	(3,662)
Transactions with owners												
Contributions by owners												
Equity Injection – Appropriation	–	–	–	–	–	–	11,978	5,950	6,028	11,978	5,950	6,028
Departmental Capital Budget (DCB)	–	–	–	–	–	–	15,215	15,215	–	15,215	15,215	–
Total transactions with owners	–	–	–	–	–	–	27,193	21,165	6,028	27,193	21,165	6,028
Estimated closing balance as at 30 June 2015	(192,145)	(191,508)	(637)	6,365	9,213	(2,848)	289,874	283,846	6,028	104,094	101,551	9,513
Closing balance attributable to the Australian Government	(192,145)	(191,508)	(637)	6,365	9,213	(2,848)	289,874	283,846	6,028	104,094	101,551	9,513

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2015

Note 32: Budgetary reports and explanation of major variances

continued

Explanations of variances greater than 10%	Affected line items (and schedule)		
The variance relates to additional funding for the development of the Enhanced Register of Financial Advisers of \$3.4m and reallocation of funding from Treasury for the development of the North Queensland Insurance Comparison Website of \$2.6m.	Equity Injection – Appropriation (Statement of Financial Position)		
	Actual	Budget Estimated Original	Variance
	2015	2015	2015
	\$'000	\$'000	\$'000
Cash Flow Statement			
OPERATING ACTIVITIES			
Cash received			
Goods and services	3,322	1,204	(2,118)
Appropriations	324,215	325,125	910
GST received	13,062	13,941	879
Other	2,787	840	(1,947)
Total cash received	343,386	341,110	(2,276)
Cash used			
Employees	215,403	212,478	(2,925)
Suppliers	105,510	110,827	5,317
GST paid	11,520	13,941	2,421
Cash used – other	6,109	250	(5,859)
Total cash used	338,542	337,496	(1,046)
Net cash from (or used by) operating activities	4,844	3,614	(1,230)
INVESTING ACTIVITIES			
Cash used			
Purchase of property, plant and equipment	36,435	24,779	(11,656)
Total cash used	(36,435)	24,779	(11,656)
Net cash from (or used by) investing activities	(36,435)	24,779	(11,656)
FINANCING ACTIVITIES			
Cash received			
Appropriations – contributed equity	25,694	21,165	(4,529)
Total cash received	25,694	21,165	(4,529)
Net cash from (or used by) financing activities	25,694	21,165	(4,529)
Net increase (or decrease) in cash held	(5,897)	–	5,897
Cash at the beginning of the reporting period	15,129	2,216	(12,913)
Cash at the end of the reporting period	9,232	2,216	(7,016)

Explanations of variances greater than 10%	Affected line items (and schedule)		
Cash used			
The variance relates to additional funding for the development of the Enhanced Register of Financial Advisers (\$3.4m) and reallocation of funding from Treasury for the development of the North Queensland Insurance Comparison Website (\$2.2m). The remainder of the variance is a timing difference between obtaining control of the assets and payment of the invoices.	Purchase of property, plant and equipment (Cash Flow Statement)		

Note 32: Budgetary reports and explanation of major variances continued

Note 32B: Administered Budgetary Reports

The following tables provide a comparison of the original budget as presented in the 2014–15 Portfolio Budget Statements (PBS) to the 2014–15 final outcome as presented in accordance with Australian Accounting Standards for the entity. The budget is not audited. Explanations of variances greater than 10% are provided.

	Actual	Budget Estimated Original	Variance
	2015 \$'000	2015 \$'000	2015 \$'000
Schedule of income and expenses administered on behalf of Government			
EXPENSES			
Grants	3,067	3,571	(504)
Write-down and impairment of assets	45,343	43,495	1,848
Other	142,495	79,336	63,159
Total expenses	190,905	126,402	64,503
LESS:			
Own-source revenue			
Taxation revenue			
Fees and fines	823,579	762,743	60,836
Total taxation revenue	823,579	762,743	60,836
Non-taxation revenue			
Unclaimed monies	209,371	124,300	85,071
Total non-taxation revenue	209,371	124,300	85,071
Total revenue	1,032,950	887,043	145,907
Net contribution by services	842,045	760,641	81,404
Explanations of variances greater than 10%	Affected line items (and schedule)		
Higher than anticipated lodgements of unclaimed monies from life insurance and authorised deposit-taking institutions.	Non-taxation revenue (Administered Income)		
Other expenses relate to claims for unclaimed monies. The provision for future claims was higher than anticipated due to a lower discount rate used to value future cash flows.	Other expenses (Administered Expenses)		

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2015

Note 32: Budgetary reports and explanation of major variances continued

	Actual	Budget Estimated Original	Variance
Schedule of assets and liabilities administered on behalf of Government	2015 \$'000	2015 \$'000	2015 \$'000
ASSETS			
Financial assets			
Cash and cash equivalents	2,157	2,753	(596)
Receivables	123,917	99,132	24,785
Total assets administered on behalf of Government	126,074	101,885	24,189
LIABILITIES			
Payables			
Suppliers	19,920	750	19,170
Other payables	417,691	269,329	148,362
Total liabilities administered on behalf of Government	437,611	270,079	167,532
Net liabilities	(311,537)	(168,194)	(143,343)

Explanations of variances greater than 10%	Affected line items (and schedule)
A higher collection rate was assumed in the budget than was realised. This is combined with an increase in Annual Review fees, consistent with the increase in taxation revenues.	Receivables (Administered Schedule of Assets and Liabilities)
The higher payables balance relates to a valuation adjustment by an independent actuarial review undertaken at year end.	Payables (Administered Schedule of Assets and Liabilities)

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 priorities. The Commission meets monthly (except January) to:

- ♦ decide on matters within ASIC's regulatory functions and powers that have strategic significance
- ♦ oversee 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 23–24 for ASIC's corporate structure.

The Commission held 12 meetings in 2014–15.

Commission meetings, 2014–15

Commissioner	Eligible to attend	Attended
Greg Medcraft	11 scheduled meetings	11
	1 unscheduled meeting	1
Peter Kell	11 scheduled meetings	11
	1 unscheduled meeting	1
Greg Tanzer	11 scheduled meetings	11
	1 unscheduled meeting	1
John Price	11 scheduled meetings	11
	1 unscheduled meeting	1
Cathie Armour	11 scheduled meetings	11
	1 unscheduled meeting	1

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 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.

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 2014–15 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 *Public Governance, Performance and Accountability Act 2013* Compliance Report.

Audit Committee meetings, 2014–15

Members	Eligible to attend	Attended
Byram Johnston OAM Appointed as an 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 as an 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 as an independent member on 1 March 2011	4 main meetings 1 special meeting	4 1
Chris Van Homrigh Senior Executive Leader, Investment Banks Appointed as a committee member in November 2011	4 main meetings 1 special meeting	3 1
John Price ASIC Commissioner Appointed as a committee member in 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. Byram Johnston and Chris Van Homrigh will retire from the Committee on 31 August 2015 and will not be replaced. Geoffrey Applebee will be appointed Chairman at that time.

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 2015

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 and meets four times per year.

Its members are:

- ♦ Paul Clitheroe AM, ipac securities (Board Chair)
- ♦ Air Commodore Robert M.C. Brown AM, 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
- ♦ 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. The CAP also informs ASIC's surveillance, enforcement, policy and financial education initiatives. The CAP meets three times per year.

In 2014–15, the following members continued on the CAP:

- ♦ Jenni Mack (Panel Chair)
- ♦ Australian Shareholders' Association (Richard Wilkins)
- ♦ CHOICE (Erin Turner)
- ♦ Consumer Action Law Centre (Vic.) (Gerard Brody)
- ♦ Consumers' Federation of Australia (Nicola Howell)
- ♦ COTA Australia (Ian Yates)
- ♦ Financial Counselling Australia (Rosalyn Williams)
- ♦ Financial Rights Legal Centre (Karen Cox)
- ♦ Indigenous Consumer Assistance Network (Bettina Addo)
- ♦ Legal Aid NSW (David Coorey).

The CAP also welcomed three new members in 2014–15. They were:

- ♦ Melbourne SMSF Group (Viv Elliston)
- ♦ SMSF Owners' Alliance (Duncan Fairweather)
- ♦ ADF Financial Services Consumer Centre (Air Commodore Robert M.C. Brown AM).

In 2014–15, the CAP operated two sub-committees, one focusing on credit and insurance, and the other on investment issues.

At the end of 2014–15, Jenni Mack resigned as independent Chair of the CAP, a position she has held since 2006. We thank Jenni for her leadership and stewardship of the CAP throughout a period of significant change in the financial services sector.

We also thank outgoing member National Information Centre on Retirement Investments (NICRI) (Wendy Schilg) for making a valuable contribution to the CAP.

In 2014–15, the CAP commissioned Professor Dimity Kingsford Smith and Dr Marina Nehme to conduct research on product intervention powers. This research was submitted by CAP members to the Australian Government's consultation on the recommendations made by the Financial System Inquiry.

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 2014–15 included:

- ♦ John Price, ASIC Commissioner (Panel Chair)
- ♦ Graham Bradley AM (HSBC Bank Australia, Stockland Corporation and Energy Australia Holdings, Virgin Australia International Holdings, Po Valley Energy, GI Dynamics Inc. and Anglo American Australia)
- ♦ Bruce Brook (CSL, Programmed Maintenance Services and Newmont Mining Corporation)
- ♦ Elizabeth Bryan (Caltex Australia, Westpac Banking Corporation, Virgin Australia Holdings and Insurance Australia Group)
- ♦ Harvey Collins (Hagar International, Navitas)
- ♦ Dr Eileen Doyle (Hunter Valley Research Foundation, CSIRO, Bradken, Boral and GPT Group)
- ♦ Paula Dwyer (Tabcorp Holdings, Healthscope, ANZ Banking Group and Lion Pty Ltd)
- ♦ David Flanagan (Atlas Iron, Murdoch University, Australian Prospectors and Miners Hall of Fame)
- ♦ Fiona Harris (Barrington Consulting Group Pty Ltd, BWP Trust, Infigen Energy and Perron Group)
- ♦ Jane Harvey (IOOF Holdings, DUET Finance, Orygen Youth Health Research Centre, UGL, Telecommunications Industry Ombudsman and Colonial Foundation Trust)
- ♦ Jacqueline Hey (Bendigo and Adelaide Bank, Qantas Airways, Australian Foundation Investment Company, Special Broadcasting Service and Cricket Australia)
- ♦ Brian Long (Ten Network Holdings, Commonwealth Bank of Australia, Cantarella Bros. Pty Ltd, Brambles and United Way Australia)
- ♦ Dr Helen Nugent AO (Veda Group, Origin Energy, Funds SA, Bond University, Cranbrook School, Rail Track Corporation and National Portrait Gallery)
- ♦ Susan Oliver (CNPR, Coffey International, Melbourne Chamber Orchestra, Simonds Homes, Scale Investors, Centro Properties Group)
- ♦ John Pegler (WDS, CS Energy and ERA)
- ♦ Dr Sally Pitkin (Super Retail Group, Committee for Economic Development of Australia, ASC Pty Ltd and Opera Queensland)
- ♦ Michael Smith (Black House Pty Ltd, Starbucks Coffee Australia Pty Ltd, iiNet, R.C. Sadleir Pty Ltd, Automotive Holdings Group, 7-Eleven and Giving West)
- ♦ Kate Spargo (UGL, Sonic Healthcare, Fletcher Building, Suncorp Portfolio Services, Colinvest and SMEC Holdings)
- ♦ Gene Tilbrook (Woodside Petroleum, Aurizon Holdings, Orica, Fletcher Building, GPT Group and Bell Shakespeare Company).

In 2014–15, the panel met three times, and discussed future challenges and opportunities for auditors and audit services, solvency and the adoption of elements of US Chapter 11 in Australia, proxy advisers and shareholder activism, and developments in debt and equity markets. Panel members also provided valuable insight and input into ASIC-wide issues.

5.3 External committees and panels continued

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 meets four times per year and provides advice and feedback to ASIC on matters and current issues of concern. Members are from different 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 2014–15 included:

- ♦ Mark Johnson AO (Panel Chair) (Chairman, Alinta Energy, Director, Westfield Group, and Senior Adviser, Gresham Partners)
- ♦ Maile Carnegie (Panel Deputy Chair) (Managing Director (Australia and New Zealand), Google)
- ♦ Melinda Cilento (Director, Woodside Petroleum and Australian Unity, Commissioner, Productivity Commission, and Co-Chair, Reconciliation Australia)
- ♦ Craig Dunn (Chair, Stone and Chalk, Director, Westpac Banking Corporation, Financial Literacy Australia and The Australian Ballet and former Chief Executive Officer, AMP and Member, Financial System Inquiry)
- ♦ Paula Dwyer (Chairman, Tabcorp Holdings and Healthscope, Deputy Chairman, Leighton Holdings, and Director, ANZ Banking Group and Lion Pty Ltd)
- ♦ Tony Gill (Chairman, Australian Finance Group, Director, Virgin Money Australia, First American Title Insurance Company of Australia and Genworth Financial)
- ♦ David Gonski AC (Chairman, ANZ Banking Group and Coca-Cola Amatil, Chancellor, University of New South Wales, Chairman, UNSW Foundation and Sydney Theatre Company)
- ♦ Fiona Guthrie (Executive Director, Financial Counselling Australia)
- ♦ Professor Jennifer Hill (Professor, Sydney Law School, and Director, Ross Parsons Centre)
- ♦ Professor Dimity Kingsford Smith (Professor, University of New South Wales Law School)
- ♦ Dr John Laker AO (Lecturer, University of Sydney, Adviser, International Monetary Fund and the Basel Committee, and former Chairman, APRA)
- ♦ Dr Simon Longstaff AO (Executive Director, St James Ethics Centre)
- ♦ Andrew Love (former Senior Partner, Ferrier Hodgson)
- ♦ Jenni Mack (Chair, CoAct (formerly Job Futures), Director, Financial Ombudsman Service, Trustee Director, SunSuper, Director, Food Standards Australia New Zealand, Trustee, Travel Compensation Fund, and former Chair, Consumer Advisory Panel and CHOICE)
- ♦ Claire Mackay (Principal and Head of Advice, Quantum Financial)
- ♦ Andrew Mohl (Director, Commonwealth Bank, and Chairman, Export Finance and Insurance Corporation)
- ♦ Dr Sally Pitkin (Director, Super Retail Group, the Committee for Economic Development of Australia (CEDA), ASC Pty Ltd and Opera Queensland)
- ♦ Ian Silk (Chief Executive Officer, AustralianSuper, and Director, Yooralla, Industry Super Australia and Financial Literacy Australia)
- ♦ John Trowbridge (Former Executive Member, APRA)
- ♦ President of the Business Council of Australia (currently Catherine Livingstone AO, also Chair, Telstra Corporation and Director, WorleyParsons, The George Institute for Global Health and Saluda Medical Pty Ltd)
- ♦ Chair of the Future Fund Board of Guardians (currently Peter Costello AC, and also Chairman, ECG Financial Pty Ltd, Director, Nine Entertainment Corporation Holdings, and former Australian Federal Treasurer).

Allan Moss AO resigned as Deputy Chair of the panel in August 2014 and Stephen Fitzgerald resigned from the panel in October 2014 due to relocating overseas. We thank Allan and Stephen

for their contributions.

During 2014–15, the panel provided feedback on a number of matters, including ASIC's response to the Financial System Inquiry and its recommendations, digital disruption and ASIC's Innovation Hub.

5.3.5 Market Supervision Advisory Panel

The Market Supervision Advisory Panel advises ASIC on our approach to our 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 retail and institutional markets.

Panel members in 2014–15 included:

- ♦ Cathie Armour, Commissioner, Australian Securities and Investments Commission (Panel Chair)
- ♦ Stewart Adams, Morgan Stanley Smith Barney
- ♦ Keith Birch, Goldman Sachs
- ♦ David Dixon, Colonial First State Global Asset Management
- ♦ Anastasia Economou, Credit Suisse
- ♦ John Lee, Susquehanna Pacific
- ♦ Daniel McAuliffe, Treasury
- ♦ Will Psomadelis, Schroders Investment Management
- ♦ Dean Surkitt, Bell Financial Group
- ♦ Scott Webster, UBS
- ♦ Daniel Weinberg, Optiver.

We would like to thank outgoing member Richard Burns, CommSec, for his valuable contribution.

During 2014–15, the panel met four times and 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
- ♦ cyber resilience and security.

5.3.6 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 the MDP have, or have had, senior roles in broking firms and investment banks.

ASIC established the 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 the MDP for determination.

The MDP members in 2014–15 included:

- ♦ Lisa Gay (Panel Chair)
- ♦ Cilla Boreham, JBWere
- ♦ Richard Brasher, Northcape Capital
- ♦ Anne Brown, consultant
- ♦ Ian Chambers, Morgan Stanley Australia
- ♦ Leigh Conder, Commonwealth Securities
- ♦ Peter Curry, MAP Capital Advisors
- ♦ Simon Gray, Shaw Stockbroking
- ♦ Adrian Holst, Baillieu Holst
- ♦ Jane Lamming, Ausbil Investment Management
- ♦ Geoffrey Louw, Bell Potter Securities
- ♦ Michael Manford, Patersons Securities
- ♦ Russell McKimm, Patersons Securities
- ♦ Ian Nissen, Citigroup
- ♦ Sadie Powers, Patersons Securities
- ♦ Mark Pugsley, Resource Development Group
- ♦ Peter Robson, ITG Australia
- ♦ Glenn Rosewall, Former Executive Chairman of BBY
- ♦ John Steinthal, consultant financial adviser
- ♦ Andrew Tanner, Goldman Sachs
- ♦ Victoria Weekes, Risk Compliance Solutions.

5.3 External committees and panels continued

Members of the MDP made determinations on alleged breaches of the market integrity rules during 2014–15.

The infringement notices for finalised matters are published in the MDP Infringement Notices Register on the ASIC website. The MDP issued nine infringement notices during 2014–15.

The MDP imposed a total of \$541,000 in penalties in these matters, which ranged from \$15,000 to \$130,000.

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 meets twice per year and advises on proposed legislative change and on the appropriateness of corporate registry objectives and initiatives, with a focus on the impact on business and ASIC operations.

The committee members are drawn from a wide range of business, 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 2014–15 were:

- ♦ Greg Tanzer, Commissioner, Australian Securities and Investments Commission (Committee Chair)
- ♦ Chris Boys, Dun & Bradstreet
- ♦ Robin Buckham, Family Business Australia
- ♦ Hugh Elvy, Chartered Accountants Australia and New Zealand
- ♦ Judith Fox, Chartered Secretaries Australia
- ♦ Deborah Hambleton, Law Council of Australia
- ♦ Daryl Koch, Institute of Public Accountants
- ♦ Colin Porter, CreditorWatch
- ♦ Warren Renden, BGL Corporate Solutions
- ♦ Nicola Steele, Australian Institute of Company Directors
- ♦ 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 would like to thank Andrew Madry, Geoff Nicoll, Wayne Debernardi and Paula Allen, outgoing representatives of the Australian Institute of Company Directors, Law Council of Australia, Institute of Public Accountants and Chartered Accountants Australia and New Zealand respectively, for their valuable contributions.

During 2014–15, the committee was actively engaged by the Department of Finance Scoping Study working group in providing feedback on and input into the future ownership options being considered for the registry business. In addition, the committee contributed to ASIC's strategies for increasing online registry interaction, the re-platforming of the ASIC website and enhancements within the ASIC Customer Contact Centre. The committee received updates about ASIC's continued improvements to registry services, including the introduction of the new Financial Advisers Register made available to the public in March 2015 and the publishing of information from ASIC registers on the www.data.gov.au website.

5.4 Portfolio budget statement outcomes

ASIC's outcomes for 2014–15 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	2014–15 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 Recognise how investors and financial consumers make decisions Supervise those in the financial services sector for instances of misconduct 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 if they are not meeting their obligations 	<ul style="list-style-type: none"> Investors and financial consumers can make informed decisions Product issuers, credit providers and advisers meet required standards Fair and efficient processes are in place for resolution of disputes 	<p>Engagement</p> <ul style="list-style-type: none"> 627 meetings with industry groups and other stakeholders 6 consultation papers published 581 relief applications received – 409 approved, 41 refused, 59 withdrawn, 72 in progress Oversight of two ASIC-approved external dispute resolution schemes <p>Education</p> <ul style="list-style-type: none"> 5.4 million unique visits to ASIC's MoneySmart website, which provides free, impartial and comprehensive investor and financial consumer information on money matters – 89% of users took action after visiting MoneySmart ASIC's TrackMySPEND app downloaded over 106,000 times 3,185 schools engaged with MoneySmart Teaching with over 76,000 teaching resources distributed More than 965 stakeholders reached by our Indigenous outreach team, including consumer advocates, government agencies, financial counsellors and industry <p>Surveillance</p> <ul style="list-style-type: none"> 557 high-intensity surveillances completed, including proactive, risk-based surveillances focused on financial advice (life insurance and SMSFs), property schemes disclosure, payday lenders and home building and motor vehicle insurance 54 instances of potentially misleading or deceptive promotional material withdrawn or amended

5.4 Portfolio budget statement outcomes continued

Program 1.1 deliverables	Key performance indicators	2014–15 key outcomes
Confident and informed investors and financial consumers (continued)		
		<p>Guidance</p> <ul style="list-style-type: none"> ◆ 9 new or revised regulatory guides published, including on superannuation forecasts ◆ 13 new or revised information sheets ◆ 19 legislative instruments, including amendments and repeals <p>Enforcement</p> <ul style="list-style-type: none"> ◆ 88 investigations and 114 criminal and civil litigation and administrative actions completed, including 7 criminal proceedings with 3 imprisonments, resulting in punitive, protective, compensatory and negotiated outcomes ◆ \$35.2 million in compensation or remediation secured for investors and financial consumers ◆ 92 individuals or companies banned from providing financial services or credit services ◆ Action taken on, for example, breaches by financial services directors and officers, loan fraud and misleading representations <p>Policy advice</p> <ul style="list-style-type: none"> ◆ Several submissions to Senate and Parliamentary Joint Committee Inquiries ◆ Policy advice in areas such as cross-border marketing of managed funds and technical assistance to Indonesia <p>See 'Outcomes in detail – Priority 1' for more information.</p>
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 	<p>Engagement</p> <ul style="list-style-type: none"> ◆ 876 meetings with industry groups and other stakeholders ◆ 7 consultation papers published ◆ 1,576 relief applications received – 1,064 approved, 106 refused, 268 withdrawn, 138 in progress <p>Surveillance</p> <ul style="list-style-type: none"> ◆ 459 high-intensity surveillances completed, including proactive, risk-based surveillances focused on financial benchmarks, retail OTC derivative trading, fundraising disclosure, financial reporting, auditors and registered liquidators ◆ 37,763 trading alerts produced as part of our real-time supervision of financial markets, with further inquiries into 214 matters

Program 1.1 deliverables	Key performance indicators	2014–15 key outcomes
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Fair and efficient financial markets (continued)

Guidance

- ♦ 13 new or revised regulatory guides published, including guidance on the resignation, removal and replacement of auditors
- ♦ 10 new or revised information sheets
- ♦ 20 legislative instruments, including amendments and repeals

Enforcement

- ♦ 143 investigations and 53 criminal and civil litigation and administrative actions completed, including 18 criminal proceedings with 9 imprisonments, resulting in punitive, protective, compensatory and negotiated outcomes
- ♦ 355 additional summary prosecutions for strict liability offences
- ♦ \$943,418 in compensation or remediation secured for investors and financial consumers
- ♦ 40 individuals disqualified or removed from directing companies
- ♦ Actions taken on, for example, market manipulation and insider trading, directors' duties and other breaches of the Corporations Act

Policy advice

- ♦ Several submissions to Senate and Parliamentary Joint Committee Inquiries
- ♦ Policy advice on, for example, corporate bonds, OTC derivative reforms, cyber resilience and financial benchmarks

See 'Outcomes in detail – Priority 2' for more information.

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"> ♦ 235,182 new companies registered ♦ \$120.7 million in estimated savings in fees to register or renew business names (from the introduction of the national Business Names Register in May 2012) ♦ Over 888,000 calls and online inquiries responded to by our Customer Contact Centre ♦ 87% of 2.7 million forms lodged online <p>See 'Outcomes in detail – Priority 3' for more information.</p> |
|---|---|--|

5.4 Portfolio budget statement outcomes *continued*

Program 1.1 deliverables	Key performance indicators	2014–15 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"> 631 enforcement outcomes achieved, including criminal and civil litigation, administrative action and enforceable undertakings \$36.1 million in total compensation or remediation secured for investors and financial consumers <p>These outcomes are designed to punish wrongdoers, protect investors, or compensate people, as well as resolve matters through negotiation or issuing infringement notices. The considerations leading to enforcement outcomes can be varied, as can their effects, and we typically pursue a combination of remedies. See Information Sheet 151 <i>ASIC's approach to enforcement</i> for more detail.</p> <p>See 'Outcomes in detail' for more information.</p>

Program 1.2 *Banking Act 1959, Life Insurance Act 1995, unclaimed money 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	2014–15 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 \$209.6 million in unclaimed money – approximately \$158.4 million was paid out in claims, including \$3.9 million in interest ASIC paid money for banking and life insurance unclaimed money in an average of 12 days and company unclaimed money in an average of 18 days

5.4.1 Agency resource statement 2014–15

		Actual available appropriation for 2014–15 \$'000s	Cash payments made ¹ 2014–15 \$'000s	Balance remaining 2014–15 \$'000s
Ordinary annual services²				
Departmental				
Departmental appropriation ³		441,607	345,007	96,600
Administered expenses				
Outcome 1 – Assetless				
Administration Fund		7,891	2,638	N/A
Total ordinary annual services	A	449,498	347,645	N/A
Other services				
Departmental non-operating				
Equity injections ⁴		16,929	10,799	6,130
Total other services	B	16,929	10,799	6,130
Total available annual appropriations (A+B)		466,427	358,444	N/A
Special appropriations limited by criteria/amount				
Banking Act 1959		N/A	117,093	N/A
Life Insurance Act 1995		N/A	10,342	N/A
Total special appropriations	C	N/A	127,435	N/A
Total appropriations excluding Special Accounts (A+B+C)		466,427	485,879	N/A
Special Account⁵				
Opening balance		51,900	N/A	N/A
Appropriation receipts		27,000	N/A	N/A
Costs recovered		428	N/A	N/A
Payments made		N/A	17,201	N/A
Total Special Account	D	79,328	17,201	N/A
Total resourcing (A+B+C+D)		545,755	503,080	N/A
Less appropriations drawn from annual appropriations above and credited to Special Accounts		(27,000)	–	N/A
Total net resourcing for ASIC		518,755	503,080	N/A

1. Does not include GST.

2. Appropriation Bill (No. 1) 2014–15, prior year departmental appropriation and s74 of the PGPA Act relevant agency receipts.

3. Includes \$15.2m for the Departmental Capital Budget. For accounting purposes this amount has been designated as 'contributions by owners'.

4. Appropriation Bill (No. 2) 2014–15, Appropriation Bill (No. 4) 2014–15 and s75 of the PGPA Act transfer.

5. Does not include Special Public Money.

5.4 Portfolio budget statement outcomes continued

5.4.2 Expenses by outcome

	Budget ¹ 2014–15 (1) \$'000s	Actual expenses 2014–15 (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	7,891	6,643	1,248
B Departmental expenses funded by departmental appropriations and own-source revenue	365,851	312,920	52,931
Total for Outcome 1 (A + B)	373,742	319,563	54,179
Average FTE ²	1,573	1,609	(36)

1. Based on the 2014–15 forecast as set out in ASIC's 2015–16 Portfolio Budget Statements.

2. 2015–16 Portfolio Budget Statements quoted the average staffing level which is different from 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, 2009–15

Business data	2014–15	2013–14	2012–13	2011–12	2010–11	2009–10
Companies (total)	2,245,364	2,118,666	2,012,241	1,921,545	1,839,772	1,768,526
New companies registered	235,182 ¹	212,573	192,211	176,062	163,276	157,667
AFS licensees	5,198	5,101	5,043	4,955	4,883	4,874
Authorised financial markets	43 ²	40	18	18	17	16
Licensed clearing and settlement facilities	7	6	6	5	5	5
Registered company auditors	4,596	4,729	4,852	4,985	5,114	5,207
Registered liquidators	711	696	685	680	669	664
Registered managed investment schemes	3,642	3,673	4,152	4,289	4,270	4,339
Credit licences	5,779	5,837	5,856	6,004	6,081	N/A ⁵
Fundraising documents lodged	1,078	1,095	821	799	957	880
Products the subject of product disclosure 'in-use' notices	5,023	5,461	4,988	4,758	4,593	4,698
Takeovers	43	59	45	55	72	73
Fundraising where ASIC required additional disclosure	\$10.6bn	\$6.7bn	\$3.5bn	\$7bn	\$3.4bn	\$6.0bn
Recoveries, costs, compensation, fines or assets frozen	\$61.1m	\$214.6m	\$222.4m	\$19.8m	\$113m	\$302m
% successful criminal and civil litigation ³	85%	90%	95%	92%	90%	91%
Criminal and civil litigation and administrative actions concluded ⁴	167	149	144	179	202	156
Criminals imprisoned	12	14	9	20	16	12
Reports of crime or misconduct finalised	9,669	10,530	11,682	12,516	15,634	13,372
Total searches of ASIC databases	86.2m	76.2m	68.0m	71.2m	68.5m	61.0m
Business names (total)	2,153,959	1,994,001	1,740,780	1,488,898	N/A ⁵	N/A ⁵

5.5 Six-year summary of key stakeholder data *continued*

Business data	2014–15	2013–14	2012–13	2011–12	2010–11	2009–10
New business names registered	327,687	299,988	274,349	19,131	N/A ⁵	N/A ⁵
Registered SMSF auditors	6,669	7,073	5,935	N/A ⁵	N/A ⁵	N/A ⁵
% company data lodged on time	96%	96%	95%	95%	95%	95%
Fees and charges collected for the Commonwealth	\$824m	\$763m	\$717m	\$664m	\$622m	\$582m
Staff (average FTEs) ⁶	1,609	1,773	1,832	1,716	1,862	1,863

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.

6. Data rounded. Excludes contractors and secondees from other agencies.

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 2014–15 we did not exercise our powers under Part 15 of the *Retirement Savings Account Act 1997*. No applications were received to do so.

ASIC issued two legislative instruments under Part 29 of the *Superannuation Industry (Supervision) Act 1993* (SIS Act) in 2014–15 relating to various SIS Act requirements. ASIC also issued two individual instruments under that Part.

As required under s136(2)(g), ASIC reports that during 2014–15 we conducted an inspection of one Australian audit firm jointly with the US Public Company Accounting Oversight Board (PCAOB) under the terms of an agreement between the two organisations.

In connection with this joint inspection, ASIC shared certain information with the PCAOB under s11(14) of the ASIC Act. The inspection focused on audit quality and included review of the firm's 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 2014–15.

5.6.2 Commonwealth fraud control guidelines

During 2014–15, ASIC has reviewed our 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 was one payment made in 2014–15, for \$6,655, 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 2014–15 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 2014 and 30 June 2015.

The report on the 2013–14 annual report of bodies established under the ASIC Act was tabled on 30 April 2015.

Senate Standing Committees on Economics

During 2014–15, ASIC testified before the Senate Economics Committees numerous times and provided answers to Questions on Notice.

ASIC welcomed the Government's response to the Senate Economics References Committee's report into the performance of ASIC on 24 October 2014. The Government response noted ASIC has already implemented, or is working to implement, many of the Committee's recommendations to ensure we can contribute to better market outcomes for Australian consumers and business.

5.6 Reports required under statute and other reporting requirements *continued*

Reports by Auditor-General

The Auditor-General issued Audit Report No. 38 2014–15, *Administration of enforceable undertakings*, on 2 June 2015.

The Australian National Audit Office (ANAO) audited the effectiveness of ASIC's administration of enforceable undertakings.

The ANAO Audit Report found that:

- ♦ ASIC's decisions and actions regarding enforceable undertakings are underpinned by a structured compliance and enforcement approach
- ♦ in general, we have effectively administered the enforceable undertakings we have negotiated and accepted
- ♦ we have accepted offers of enforceable undertakings consistently, transparently and in accordance with our policies and procedures.

The ANAO made two recommendations aimed at improving ASIC's measurement and reporting of the effectiveness of enforceable undertakings and our documentation of key decisions relating to enforceable undertakings:

1. To assess the effectiveness of enforceable undertakings as an appropriate regulatory tool and their contribution to ASIC achieving our compliance objectives, the ANAO recommended that ASIC:
 - (a) develop appropriate performance measures to monitor the effectiveness of enforceable undertakings in addressing non-compliance, and regularly report against these measures; and
 - (b) periodically assess and report on the effectiveness of enforceable undertakings in contributing to improved levels of voluntary compliance.
2. To strengthen decision making and support the transparency of, and quality assurance over, enforceable undertakings, the ANAO recommended that ASIC:
 - (a) reinforce to staff the need for all key documents and decisions relating to enforceable undertakings to be

appropriately recorded in accordance with ASIC policies and procedures; and

- (b) formalise the processes for obtaining enforceable undertaking approvals, including the use of standard forms for all enforceable undertakings.

We have accepted these recommendations and are implementing them.

5.6.5 Freedom of Information Act 1982

Members of the public have the 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 under 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 (in ASCOT).

Members of the public can inspect ASIC regulatory documents, information brochures, media releases, reports, legislative instruments 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 Part 2 of the FOI Act and has replaced the former requirement to publish a s8 statement in an annual report.

ASIC's Information Publication Scheme Plan, showing what information is published in accordance with the IPS requirements, is available on the ASIC website, www.asic.gov.au.

5.6.6 Grants programs

The Assetless Administration Fund (AA Fund) is a grant scheme established by the Australian Government and administered by ASIC.

The scheme may fund liquidators for:

- ♦ preliminary investigations and reports into the failure of companies that have few or no assets, where it appears that enforcement action may result from the investigations and reports
- ♦ the winding up of companies under Part 5.4C of the Corporations Act
- ♦ actions to recover assets where fraudulent or unlawful phoenix activity is suspected.

The funding allocation for 2014–15 was \$3.571 million. ASIC paid and committed \$3.544 million to liquidators in 2014–15.

In 2014–15, under the grant scheme, ASIC received:

- ♦ 569 banning (EX02) applications, a 23% increase on applications received in 2013–14
- ♦ 136 'Matters other than section 206F – Director banning' (EX03) applications, a 12% increase on applications received in 2013–14
- ♦ 20 winding-up activities.

In total, ASIC received 705 applications for funding in 2014–15 – the highest number ever received.

Reports funded by the AA Fund assisted in approximately 84% of director bannings (27 out of 32), an increase of 8% on 2013–14.

Information on grants by ASIC under the AA Fund is available on the ASIC website 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 on services provided by 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 2014–15.

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 2014–15

Agency	Expenditure	Purpose
Spinach Advertising	\$284,411	MoneySmart advertising campaign development
Mitchell and Partners	\$1,475,958	Advertising placement for MoneySmart campaign
Mediabrand	\$191,400	Search optimisation services

Expenditure on services by market research,¹ polling, direct mail and media advertising organisations in 2014–15

Agency	Expenditure	Purpose
EY Sweeney Research	\$102,740	MoneySmart brand tracking program and Australian Financial Attitudes and Behaviour tracker
EY Sweeney Research	\$64,350	Consumer qualitative research – MoneySmart
Latitude Insights	\$78,760	Consumer research for advertising development
Latitude Insights	\$26,290	Investment risk user testing
ORIMA Research	\$78,779	Staff survey
Royal Melbourne Institute of Technology (RMIT)	\$65,404	Quantitative research – consumer leases

1. We have listed market research organisations that are recognised by the Australian Market & Social Research Society (AMSRS) and the Association of Market and Social Research Organisations (AMSRO).

5.7.2 Managing procurement

The *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and the Public Governance, Performance and Accountability Rule 2014 (PGPA Rule) 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 PGPA Act, PGPA Rule 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 Compliance Report and addressed as required through process improvement initiatives.

All major contracts entered into in 2014–15 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 2014–15, ASIC implemented seven standing offer arrangements (procurement panels), including six cooperative arrangements,

and awarded 775 procurement activities (each valued at \$10,000 or more reported on AusTender) for a total value of \$86.1 million. Of these procurements, 226 were valued in excess of \$80,000 for a total value of \$67.3 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 2014 and was updated as required during the year.

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

5.7.4 Consultancy contracts

During 2014–15, 63 new consultancy contracts were entered into, involving total expenditure of \$2.354 million. In addition, 23 ongoing consultancy contracts were active during the year, involving total expenditure of \$1.313 million.

Consultancy trend data

	2014–15	2013–14	2012–13	2011–12
Number of new consultancies	63	65	62	26
Expenditure on new consultancies (millions)	\$2.354	\$2.209	\$4.242	\$2.828
Number of ongoing consultancies	23	30	16	6
Expenditure on ongoing consultancies (millions)	\$1.313	\$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 120 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 Consultancies and expenditure on advertising

continued

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 Rules and ASIC's procurement policies.

Of the 63 consultants engaged by ASIC during 2014–15, 39 were for specialised or professional skills, 14 were for skills not currently available within ASIC and 10 were for independent research or assessment. The method of procurement used was open tender for 23 engagements (including engagements from panels), limited tender for 39 engagements and pre-qualified tender for one engagement.

The main categories for which the consultants were engaged were:

- ♦ business intelligence consulting services
- ♦ information technology consulting services
- ♦ market research
- ♦ software maintenance and support
- ♦ education and training services
- ♦ strategic planning consultation services.

5.7.6 Procurement initiatives to support small business

ASIC supports small business participation in the Commonwealth Government procurement market. Small and Medium Enterprises (SME) and Small Enterprise participation statistics are available on the Department of Finance's website, www.finance.gov.au/procurement/statistics-on-commonwealth-purchasing-contracts/.

ASIC recognises the importance of ensuring that small businesses are paid on time. The results of the Survey of Australian Government Payments to Small Business are available on Treasury's website, www.treasury.gov.au.

ASIC's procurement practices support small businesses by:

- ♦ encouraging the use of the Commonwealth Contracting Suite for low-risk procurements valued under \$200,000 where applicable
- ♦ presenting information in an accessible format
- ♦ encouraging the use of payment cards.

5.8 ASIC's use of its significant compulsory information-gathering powers

Since 2010–11, ASIC has reported the use of our significant compulsory information-gathering powers under statute. This appendix discloses data by number of instances in 2014–15, with comparative data for 2013–14.

Use of significant compulsory information-gathering powers		No. of notices 2014–15	No. of notices 2013–14
Appear for examination			
s19 ASIC Act ¹	Requirement to appear for examination	575	512
s58 ASIC Act	Power to summons a witness and take evidence	0	0
s253 National Credit Act ¹	Requirement to provide reasonable assistance	50	81
Give reasonable assistance			
s1317R Corporations Act	Power to require assistance in prosecutions	3	5
s49(3) ASIC Act	Power to require reasonable assistance in prosecutions	24	58
s51 National Credit Act	Requirement to provide reasonable assistance	0	0
s601FF Corporations Act	Power to conduct surveillance/monitor managed investment scheme	0	0
s274(4) National Credit Act	Requirement to provide reasonable assistance	0	6
s912E Corporations Act	Power to require assistance and disclosure of books and information from an AFS licensee	569	650
Produce documents			
s266 National Credit Act	Requirement to produce books (credit activities)	180	143
s267 National Credit Act	Requirement to produce books	119	221
s30 ASIC Act	Notice to produce books about affairs of body corporate or registered scheme	1,146	1,059
s31 ASIC Act	Notice to produce books about financial products	61	116
s32A ASIC Act	Notice to produce books about financial services	1	1
s33 ASIC Act	Notice to produce books in person's possession	1,292	1,199
Provide access			
s29 ASIC Act	Power to inspect books	1	0
s821D Corporations Act	Power to require access to a CS facility	1	0

1. These notices may also include directions to provide reasonable assistance or produce documents.

5.8 ASIC's use of its significant compulsory information-gathering powers *continued*

Use of significant compulsory information-gathering powers		No. of notices 2014–15	No. of notices 2013–14
Provide information			
s12GY(2) ASIC Act	ASIC to require claims to be substantiated	0	0
s37(9)(a) ASIC Act	Power requiring explanation of books	2	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)	74	66
s912C Corporations Act	Power to require information from an AFS licensee	516	408
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	32	55
s672B Corporations Act	Power to require disclosure of relevant interests	0	1
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	16	3
Provide information and produce books			
s30A ASIC Act	Notice to auditors requiring information or books	61	43
Search warrants			
s3E <i>Crimes Act 1914</i>	Warrants to search premises/conveyance or person	25 ²	27
s36 ASIC Act	Warrant to search premises	0	0
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	0
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	17	24

2. Of the 25 warrants issued (for four individual investigations), 20 were executed.

Glossary

AA Fund	Assetless Administration Fund
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
ASX	ASX Limited or the exchange market operated by ASX Limited
blockchain	A distributed electronic ledger of all publicly verifiable transactions between users on a network
Business Names Register	ASIC's national business names registration service
CALDB	Companies Auditors and Liquidators Disciplinary Board
Corporations Act	<i>Corporations Act 2001</i>
crowd-sourced equity funding	An innovative form of fundraising that allows a large number of individuals to make small equity investments in a company
cyber resilience	An organisation's ability to prepare for, respond to and recover from a cyber attack
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, 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
DPP	Director of Public Prosecutions
fintech	Financial technology
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
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 derivative 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

Glossary continued

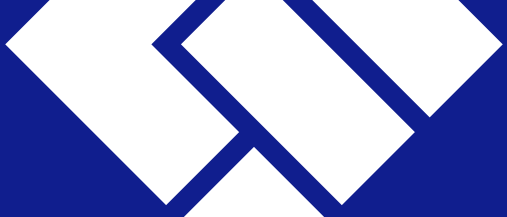
high-frequency trading	While there is no commonly agreed definition of high-frequency trading, it is characterised by: the use of high-speed computer programs to generate, transmit and execute orders on markets; the generation of large numbers of orders, many of which are cancelled rapidly; and typically 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
Innovation Hub	ASIC's online hub providing tailored content for fintech businesses that are developing innovative financial products or services
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
NABERS	National Australian Built Environment Rating System
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	Transferring assets of an indebted company to a new company to avoid paying creditors, tax or other employee entitlements
robo-advice	Financial advice that is either completely automated advice (i.e. with no human involvement), or automated advice with some human input
SMSF	Self-managed superannuation fund
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
Women's Money Toolkit	Free online resource, available on the MoneySmart website, to help Australian women manage their finances, make money decisions at key life stages and enhance their financial wellbeing

Reporting requirements under the Public Service Act

Part of report	Description	Requirement	Location (page/s)
	Letter of transmittal	Mandatory	1
	Table of contents	Mandatory	Inside front cover
	Index	Mandatory	186
	Glossary	Mandatory	177
	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	2–5
	Summary of significant issues and developments	Suggested	2–5
	Overview of department's performance and financial results	Suggested	2–14, 32
	Outlook for following year	Suggested	5
	Significant issues and developments – portfolio	Portfolio departments – suggested	Not applicable
Departmental overview	Role and functions	Mandatory	18–22
	Organisational structure	Mandatory	23–24
	Outcome and program structure	Mandatory	2, 6–11, 25–27
	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	161–166
	Portfolio structure	Portfolio departments – mandatory	Not applicable

Compliance index continued

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	6–11, 33–82, 167–168
	Actual performance in relation to deliverables and KPIs set out in PB Statements/PAES or other portfolio statements	Mandatory	161–166
	Where performance targets differ from the PBS/PAES, details of both former and new targets, and reasons for the change	Mandatory	161–166
	Narrative discussion and analysis of performance	Mandatory	33–82
	Trend information	Mandatory	6–11, 22, 66, 72, 167–168, 173
	Significant changes in nature of principal functions/services	Suggested	Not applicable
	Performance of purchaser/provider arrangements	If applicable, suggested	Not applicable
	Factors, events or trends influencing departmental performance	Suggested	2–5, 11
	Contribution of risk management in achieving objectives	Suggested	2–5, 22, 28–29, 36–40, 52–57
	Performance against service charter customer service standards, complaints data, and the department's response to complaints	If applicable, mandatory	78–79
	Discussion and analysis of the department's financial performance	Mandatory	32
	Discussion of any significant changes from the prior year, from budget or anticipated to have a significant impact on future operations	Mandatory	2–5, 28–29, 32
	Agency resource statement and summary resource tables by outcomes	Mandatory	165–166



Part of report	Description	Requirement	Location (page/s)
Corporate governance	Agency heads are required to certify their agency's actions in dealing with fraud	Mandatory	169
	Statement of the main corporate governance structure and process in place	Mandatory	154–155
	Names of the senior executives and their responsibilities	Suggested	15–16, 23–24
	Senior management committees and their roles	Suggested	23–24, 154–155
	Corporate and operational plans and associated performance reporting and review	Suggested	22
	Internal audit arrangements, including the approach adopted to identifying areas of significant financial or operational risk and arrangements to manage those risks	Suggested	155
	Policy and practices on the establishment and maintenance of appropriate ethical standards	Suggested	5, 84–85
	How the nature and amount of remuneration for SES officers is determined	Suggested	
External scrutiny	Significant developments in external scrutiny	Mandatory	5, 12, 14, 21–22, 169–170
	Judicial decisions and decisions of administrative tribunals and by the Australian Information Commissioner	Mandatory	169
	Reports by the Auditor-General, a Parliamentary Committee, the Commonwealth Ombudsman or an agency capability review	Mandatory	5, 12, 14, 169–170

Compliance index continued

Part of report	Description	Requirement	Location (page/s)
Management of human resources	Assessment of effectiveness in managing and developing human resources to achieve departmental objectives	Mandatory	84–85
	Workforce planning, staff retention and turnover	Suggested	84–89
	Impact and features of enterprise or collective agreements, individual flexibility arrangements (IFAs), determinations, common law contracts and AWAs	Suggested	85
	Training and development undertaken and its impact	Suggested	84–85
	Work health and safety performance	Suggested	84
	Productivity gains	Suggested	
	Statistics on staffing	Mandatory	84–89
	Statistics on employees who identify as Indigenous	Mandatory	91
	Number of APS employees covered by enterprise or collective agreements, IFAs, determinations, common law contracts and AWAs	Mandatory	85
	The salary ranges for APS employees by classification level under Enterprise or collective agreements, IFAs, Determination, common law contracts and AWAs	Mandatory	87
	Non-salary benefits provided	Mandatory	84–85, 130–131
	Performance pay	Mandatory	86
Assets management	Assessment of effectiveness of assets management	If applicable, mandatory	Not applicable
Purchasing	Assessment of purchasing against core policies and principles	Mandatory	172–174
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	173–174
Australian National Audit Office access clauses	Absence of provisions in contracts allowing access by the Auditor-General	Mandatory	173

Part of report	Description	Requirement	Location (page/s)
Exempt contracts	Contracts exempt from publication in AusTender	Mandatory	173
Small business	Procurement initiatives to support small business	Mandatory	174
Financial statements	Financial statements	Mandatory	99–152
Other mandatory information	Work health and safety (Schedule 2, Part 4 of the <i>Work Health and Safety Act 2011</i>)	Mandatory	84
	Advertising and market research (s311A of the <i>Commonwealth Electoral Act 1918</i>), and statement on advertising campaigns	Mandatory	172
	Ecologically sustainable development and environmental performance (s516A of the <i>Environment Protection and Biodiversity Conservation Act 1999</i>)	Mandatory	97–98
	Compliance with the agency's obligations under the <i>Carer Recognition Act 2010</i>	If applicable, mandatory	Not applicable
	Grant programs	Mandatory	171
	Disability reporting – explicit and transparent reference to agency-level information available through other reporting mechanisms	Mandatory	91
	Information Publication Scheme statement	Mandatory	171
	Correction of material errors in previous annual report	If applicable, mandatory	Inside back cover
	Agency Resource Statements and Resources for Outcomes	Mandatory	165–166
	List of requirements	Mandatory	179–185

Note: N/A means not applicable

Source: <https://www.dpmc.gov.au/pmc/publication/requirements-annual-reports-departments-executive-agencies-and-other-non-corporate-commonwealth-entities>.

Additional compliance reporting requirements

Part of report	Description	Requirement	Source of requirement	Location (page/s)
Additional requirements	Exercise of ASIC's powers under Part 15 of the <i>Retirement Savings Accounts Act 1997</i> and under Part 29 of the <i>Superannuation Industry (Supervision) Act 1993</i>	Mandatory	ASIC Act, s136(1)(a)	169

Compliance index continued

Part of report	Description	Requirement	Source of requirement	Location (page/s)
Additional requirements	ASIC's monitoring and promotion of market integrity and consumer protection in relation to the Australian financial system and the provision of financial services	Mandatory	ASIC Act, s136(1)(b)	28–31, 34–63
	ASIC's activities in accordance with each agreement or arrangement entered into by ASIC under s11(14) of the ASIC Act	Mandatory	ASIC Act, s136(1)(c)	169
	The operation of the <i>Business Names Registration Act 2011</i> , including details of the level of access to the Business Names Register using the internet and other facilities, the timeliness with which ASIC carries out its duties, functions and powers under the Act, and the cost of registration of a business name under the Act	Mandatory	ASIC Act, s136(1)(d)	64–68
	The number of times ASIC used an information-gathering power, the provision of the Corporations Act, ASIC Act, or another law which conferred the power, and the number of times in the previous financial year ASIC used the power	Mandatory	ASIC Act, s136(1)(e), reg 8AAA(1)	175–176
	ASIC's regional administration in referring states and the Northern Territory, including a statement on our performance against service level performance indicators during the relevant period	Mandatory	Corporations Agreement, s603(3)	78–81
	Financial services and consumer credit external dispute resolution schemes	Suggested	Senate Economics References Committee inquiry into the performance of ASIC, Recommendation 4	14, 48
	Enforceable undertakings and their effectiveness	Suggested	Senate Economics References Committee inquiry into the performance of ASIC, Recommendation 27	7, 9, 14, 46, 61, 170

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Annual report contact officer

Senior Manager, Publishing
phone: **02 9911 5829**
email: **peter.richardson@asic.gov.au**

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To contact ASIC by mail

For all correspondence with ASIC Commissioners, stakeholder teams, enforcement, corporate affairs, chief legal office and administration:

ASIC, GPO Box 9827 in your capital city

For registry and licensing matters, including company annual statements, notification of changes to company or licence details, routine company or licence compliance, document lodgements, deregistration and reinstatements:

ASIC, PO Box 4000
Gippsland Mail Centre, VIC 3841

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Annual Report 2013–14 errata

- ♦ On page 163 of the ASIC Annual Report 2013–14, we reported that we received 16 applications to grant relief under Pt 15 of the *Retirement Savings Account Act 1997* and the outcomes of these applications. We did not receive any such applications in 2013–14, and did not exercise our related powers in this period.
- ♦ On page 53 of the ASIC Annual Report 2013–14, we incorrectly reported that ASIC issued 626,746 renewal notices in 2013–14. ASIC issued 630,265 renewal notices in this period.

* ASIC uses Twitter to provide updates. Any Twitter replies and direct messages that contain helpful suggestions, feedback and improvement ideas are passed on to the right people. ASIC is not able to discuss personal circumstances via Twitter. ASIC cannot accept complaints – under the Corporations Act or any other statute or regulation – via Twitter. ASIC does not ask for confidential details via Twitter. Do not respond to such requests.

