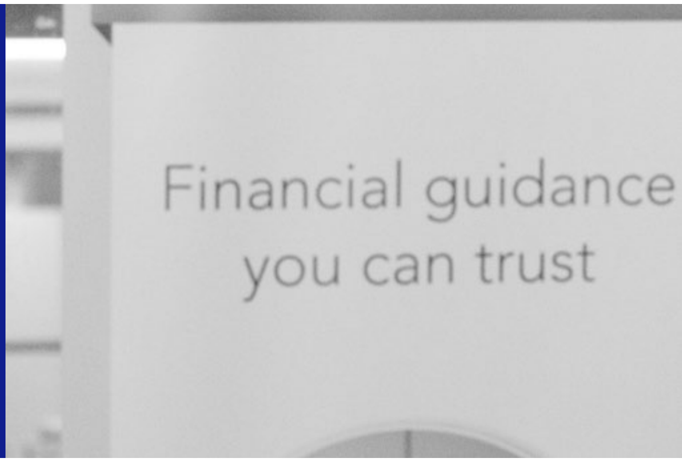
2

OUTCOMES IN DETAIL

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 outcomes[1]

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 outcomes[2]

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.

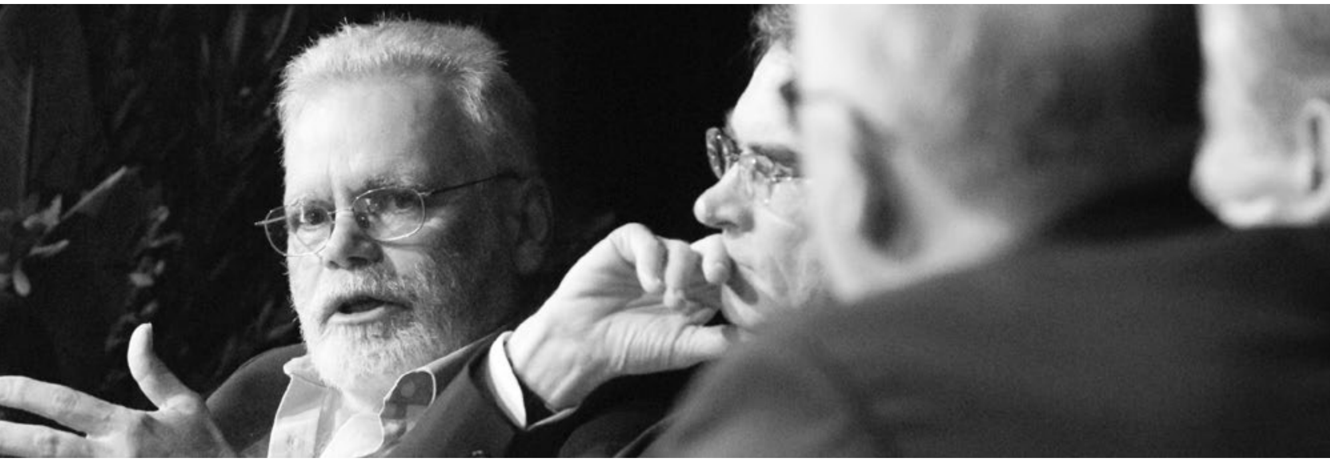
MECS is a web portal that will make it easier for market participants, including market infrastructure providers, to manage their relationship with ASIC and help them comply with their regulatory obligations. It was rolled out in July 2015.

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.

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 outcomes[2]

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 outcomes[1]

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.

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 notices[1] 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

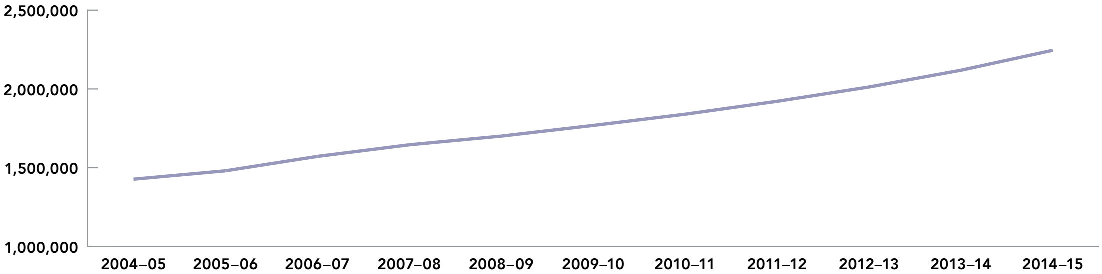
A record 2.25 million companies are now registered with ASIC (a 6% increase from 2013–14).

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 ($) Principal	2014–15 ($) Interest	2014–15 ($) Total	2013–14 ($)[1]
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.

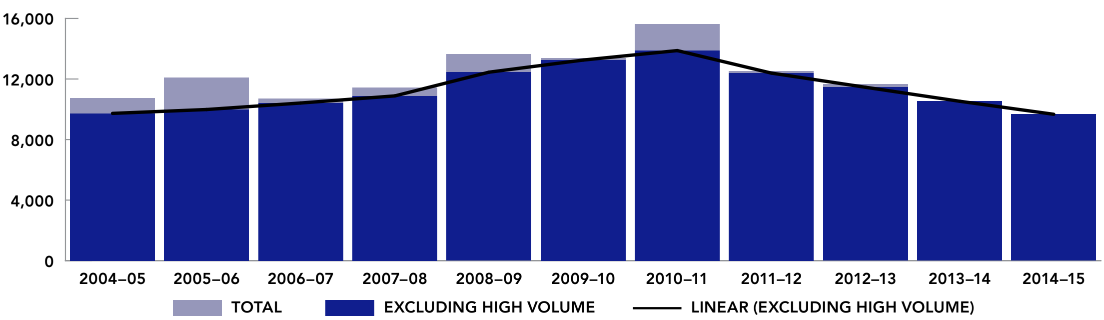
In 2014–15, we published four more information sheets to explain our role in response to concerns that are frequently reported to us. Our 22 information sheets were read online nearly 30,000 times in 2014–15. We also released five more YouTube video clips (resulting in a total of 12 YouTube video clips),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

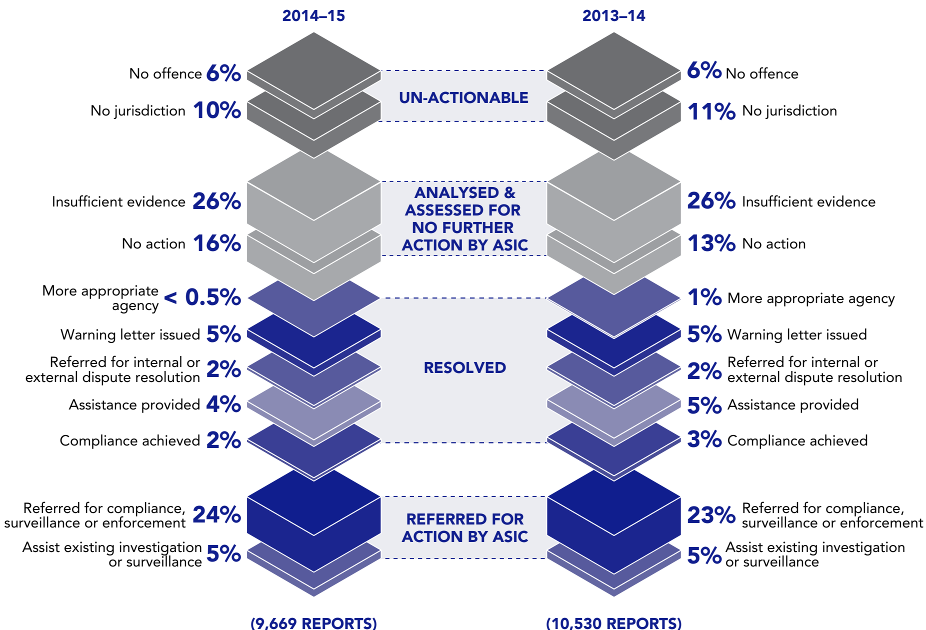
1. The matters ASIC takes into account in deciding whether or not to commence a formal investigation are set out in more detail in Information Sheet 151 *ASIC's approach to enforcement*.
2. This can involve referral to an external dispute resolution scheme, ASIC issuing a warning letter to the party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

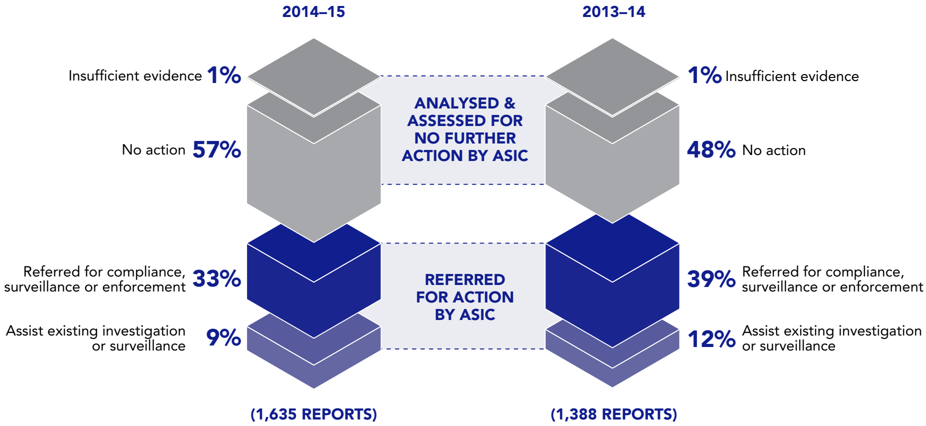
Breach reports – by type and outcome

	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.

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.

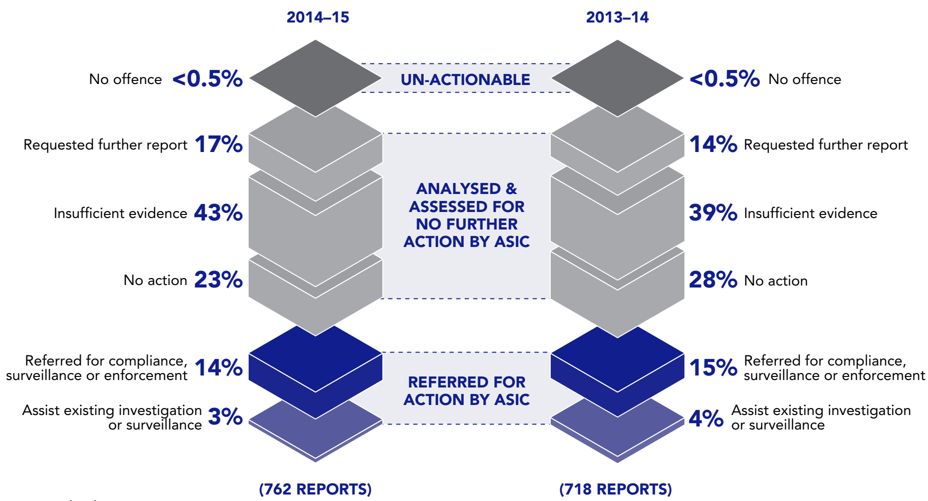
The number of reports we received from external administrators decreased slightly in 2014–15 although we received more supplementary reports. In 2014–15, 17% of reports were referred for compliance, investigation or surveillance, compared with 19% in 2013–14. In half of the cases identified as 'Analysed 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 *(target: 80%)*	90.9% of calls answered on the spot
General email queries	We aim to reply to email queries[1] within three business days *(target: 90%)*	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 *(target: 99.5%)*	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 *(target: 99.5%)*	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 *(target: 90%)*[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 *(target: 90%)*	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 *(target: 90%)*	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 *(target: 90%)*	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 *(target: 90%)*	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 *(target: 80%)*[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 *(target: 80%)*[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 *(target: 100%)*	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 *(target: 70%)* and within 120 days *(target: 90%)*[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 *(target: 70%)* and within 120 days *(target: 90%)*[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 *(target: 74%)* and within 90 days *(target: 90%)*[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 *(target: 70%)*	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 Trustee's Indigenous Summit in June 2015. Here, Sharon Morris, of Women in Super (right) wields the pen at a summit session.