



**ASIC**

Australian Securities & Investments Commission

---

## ASIC's vision

*A speech by Greg Medcraft, Chairman,  
Australian Securities and Investments Commission*

*WA Stakeholder Function (Perth, Australia)  
23 August 2016*

## ***CHECK AGAINST DELIVERY***

### **Introduction**

Thank you, Natalie, and thank you everyone for being here tonight.

Like Natalie, I'd also like to extend a special welcome to:

- Dr Aly
- Mr Keogh
- Senator Back
- Senator Reynolds, and
- Mr Poynton.

As always, it's great to be back in Perth and to catch up with everybody here.

Our 94 dedicated staff in Perth have been doing some heavy lifting when it comes to contributing to achieving ASIC's vision, particularly ensuring that investors and consumers can continue to have trust and confidence in our markets.

So tonight, I want to focus on three things:

- ASIC's vision
- the challenges to achieving our vision, and
- how we are responding to these challenges.

## ASIC's vision

ASIC's vision is to allow markets to fund the economy and, in turn, economic growth. In doing so, we contribute to the financial wellbeing of all Australians.

We do this by:

- promoting investor and consumer trust and confidence
- ensuring fair and efficient markets, and
- providing efficient registration services.

## ASIC's long-term challenges

How we achieve our vision in the future will be influenced by the five key challenges we face.

These challenges are:

- aligning conduct in a market-based system with investor and financial consumer trust and confidence
- digital disruption and cyber resilience in our financial services and markets
- structural change in our financial system, which is being driven by the growth in superannuation
- complexity in financial markets and products driven by innovation, and
- globalisation of financial markets, products and services.

We have set out our future strategy for dealing with these challenges in our four-year corporate plan which we published in August last year. You can find it on our website, [www.asic.gov.au](http://www.asic.gov.au).

And we will publish, at the end of August this year, our corporate plan for a further four years.

## How we are responding

Our four-year corporate plan sets out how we are responding to our challenges.

We will continue to focus on strengthening our capabilities to help us meet our challenges and achieve our vision.

We have embarked upon a program of change to improve our capabilities, based around enhancing our people, powers, processes and technology.

The Government has recently announced additional funding support over the next four years, which will allow us to expand our capabilities as a law enforcement agency to better detect, understand and respond to misconduct.

In addition, we of course use our regulatory toolkit to address our long-term challenges.

We know that behaviour – of both investors and gatekeepers – has a significant influence on investor outcomes in the financial system.

For investors and consumers, their behaviour is driven by behavioural biases and their financial literacy – including their knowledge, skills and attitudes.

For gatekeepers, their behaviour is driven by:

- culture
- incentives such as remuneration structures, and
- deterrence – the risk and impact of gatekeepers getting caught for misconduct.

Taking account of these behavioural drivers, we use our toolkit of education, guidance, surveillance and enforcement to achieve our vision.

## **Education**

For investors and consumers, we assist them with financial education through multiple channels.

This education is targeted at a wide cross-section of demographics in our community, from primary, secondary and trade schools to multilingual people, Indigenous communities and military personnel – not to mention those who are simply approaching or going through a life financial event such as buying a home, divorce or retirement. For example, ASIC's MoneySmart website – [www.moneysmart.gov.au](http://www.moneysmart.gov.au) – has over 700 webpages of consumer information and has been visited over six million times in the last year. This is more than a 15% increase on the year before.

Financial literacy is embedded in the Australian curriculum. ASIC's MoneySmart Teaching program supports the delivery of financial literacy in schools. Last year, more than 50% of Australian schools engaged with the program. To date almost 21,000 teachers have undertaken professional development in financial literacy since the program began in 2012. This contributes to better empowering tomorrow's adults when it comes to dealing with their finances.

To shape the behaviour of our gatekeepers, we use our tools of guidance, surveillance and enforcement. I'll mention a few examples that are particularly relevant here in Western Australia.

## **Guidance**

Firstly, we provide guidance to gatekeepers on what behaviour is expected through our regulatory guides, reports and consultation. For example, in respect of innovation, we have issued an information sheet on marketplace lending and formal regulatory guidance on automated financial advice is due to be released in the next few weeks.

We are also now consulting on further measures to facilitate innovation in financial services, including a regulatory sandbox licensing exemption.

## Surveillance

Secondly, we conduct both proactive and reactive surveillance. This helps us to detect, understand and respond to risks in the market.

For example, in markets, a recent ASIC review has found an overall improvement in the measures of cleanliness in the Australian listed equity market over the past decade. Our review of Australian equity market cleanliness looked at possible insider trading and information leakage ahead of material, price-sensitive announcements by analysing price movements or shifts in trading behaviour before these announcements. We developed a new measure for market cleanliness by leveraging our advanced surveillance system and data analysis capabilities.

A recent study by UK-based Intralinks Holdings applied a similar methodology to a number of international markets and found that Australia had one of the lowest indicators of information leakage ahead of mergers and acquisitions.

ASIC will continue to monitor market cleanliness and enhance our surveillance and enforcement capabilities against market misconduct.

In the area of responsible lending, our surveillance of Green Light Auto Group Pty Ltd, which trades as Carboodle, found that its systems and procedures were not sufficient to ensure it was complying with national credit laws. As a result, ASIC has imposed conditions on their Australian credit licence.

## Enforcement

That leads me to talk thirdly about enforcement. ASIC is a law enforcement agency first and foremost. We hold gatekeepers who have responsibility under the Corporations Act – such as directors, advisers, auditors, product manufacturers, market participants and stock exchanges – to account. We make sure there is a credible deterrence for misconduct and 70% of our regulatory resources are devoted to surveillance and enforcement.

Some of our notable recent outcomes from surveillance and enforcement include:

- the permanent banning from the financial services industry of Perth financial advisers Marion Pearson, Tak Kwok, Darren Arnold and Haydn Reimers
- having liquidators appointed to listed company Continental Coal Ltd due to concerns regarding the management of that company, and to Oceanic Asset Management Pty Ltd and Mulato Nominees Pty Ltd to protect the interests of UK investors, and
- a good result for consumers recently, Fair Go Finance Pty Ltd paid \$34,000 in infringement notices for overcharging interest and establishment fees on payday loans. They also agreed to refund approximately 550 consumers around \$34,500 for the interest and fees it collected.

But I would particularly like to mention that the Federal Court in Perth last week banned Gary Stokes and Terence Quinn from managing corporations for three years and ordered they each pay a \$25,000 fine for breaching their duties as directors of Padbury Mining Ltd.

## **Conclusion**

The Padbury matter, among others, shows that ASIC does not give up. It shows that, just like elite athletes competing in the Olympics, our staff approach their work with focus and determination. This is what our staff do every day for good reason.

I'd like to conclude by emphasising the importance of industry and regulators both working together to ensure that investors and consumers can have trust and confidence in markets. Markets have a fundamental role to play in funding economic growth in the coming decades. And if you don't have trust and confidence, you don't have a market.

That's it from me. Please enjoy this evening.