



**ASIC**

Australian Securities & Investments Commission

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## Three themes from the ASIC Annual Forum 2017

*A speech by Greg Medcraft, Chairman,  
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### ***CHECK AGAINST DELIVERY***

#### **Introduction**

Traditionally, I share my top three takeaways from the Annual Forum.

This year's top three are about:

- the importance of considering our environment as a global market environment, rather than a local one
- designing products for customers means we first need to understand the customers and their needs, and
- no matter how far technology and innovation goes, and how intelligent machines become, we need to be conscious of accountability and where risk is placed.

#### **Understanding our environment as global rather than local**

First, on our global market environment.

Technology is fast breaking down national barriers.

This will continue to happen as innovators and disruptors design business models that simply exist through technology platforms and are not inhibited by physical space and location.

This innovation on a global scale has the potential to bring huge benefits in meeting consumer needs and even fostering inclusion.

But at the same time, we need to be cognisant of new risks that may threaten trust, and are more interconnected than ever.

## **Designing products means we need to understand our customers**

Second, on product design and meeting consumer needs.

The FSI recognised that there was a need for institutions to reassess the way they are designing products, and who they are selling them to.

However, this is a mere starting point, and businesses need to think beyond this.

As we heard throughout the conference, disruptors are focused on the customer and their needs, and not on the system.

Well-known Harvard marketing professor Theodore Levitt famously said that, 'People don't want to buy a quarter-inch drill. They want a quarter-inch hole'.

We need to step back and think about the customer and what their needs are – both from a product perspective, and from an emotional perspective. Data insights can help us to better understand our customer segments and how their needs can be met. This also highlights the importance of diversity in companies – at all levels, including senior executive and boards. We need a diverse workforce that reflects the diversity of our customers in order to get closer to them, and build sustainable relationships.

If businesses can tailor their value proposition to truly meet customer needs, they are more likely to be rewarded with customer loyalty and increased brand reputation.

Today the reputation of a business is not only impacted by how it treats its customers, it is also impacted by how it interacts with other stakeholders, including suppliers and employees. If businesses don't do the right thing, the crowd will hold them accountable.

## **Accountability and where risk is placed**

Finally, as we move into ever-increasing automation and machine-based decision making, we need to make sure we do not neglect the issue of accountability.

For any algorithmic system, there needs to be a person who is responsible for its design – and its outcomes.

Automated decisions must be able to be meaningfully explained to customers, to the regulator, and to any other interested stakeholders.

If and when algorithms make mistakes – whether because of data errors in their inputs or because of issues with their design – there need to be avenues for redress.

We cannot use technology platforms to simply shift risk to the consumer.

## Conclusion

We want to position ourselves for positive innovation and growth, while ensuring that the actions we take, and the values we hold, mean that investors and consumers can have trust in our financial institutions.

And this will happen if businesses – whether they are the incumbents or new start-ups – have the customer’s interest at the centre.

First, we need to get the foundation right.

If we build the right foundation that engenders trust, we can then be confident that investors and consumers will be equipped to make a trust leap, as new technologies continue to change the way we interact with them.