

# Operational summary

Specialist teams contributed to national priorities and common goals

	Enforcing the law	Protecting consumers	Promoting compliance	Regulatory work	Public information services	Support services
<b>Employees*</b>	429 people	124 people†	204 people	144 people	269 people	357 people‡
<b>Role</b>	Investigate and act against misconduct	Protect consumers, deal with public complaints	Ensure companies and licensees comply with the law	Set ASIC policy on regulating markets and business	Company data, public registers and registration services	HR, IT, finance, risk, knowledge management, corporate services
<b>Results with key targets if applicable</b>	97% litigation successful (target 75%)	Finalised 81% of public complaints in 28 days (target 70%)	Completed 80% of document reviews in 30 days (target 90%)	Decided on 73% of applications for relief from the law within 21 business days (target 70%)	79% of company documents lodged electronically (target 70%)	Balanced revenue against expenses (on target)
	86% investigations completed in 12 months (target 85%)	Achieved compliance in 67% of cases (target 60%)	Better disclosure for investors in \$17 billion capital raisings	Decided on 65% of AFS licence applications within 28 days (target 70%)	Processed 92% of key documents within 48 hours (target 90%)	\$116.7 million over four years obtained to support our IT infrastructure
	21 jailed, banned 110 directors and 35 people from financial services	1 million visits to consumer website (up 34%, target 900,000)	Increased document reviews by 223%	Simplified range of regulatory documents	Supported 55 million searches of our databases	Energy use 11,281 MJ per person (target 10,000 MJ)
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\* Full-time equivalents, not including 37 staff supporting the Commission, General Counsel, Office of Corporate Affairs and 37 staff supporting the Superannuation Complaints Tribunal and other statutory bodies.

† Excludes 9 staff working in International Relations.

‡ Includes 28 full-time graduates working for other directorates.

# Enforcing the law

## Overview

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429 staff investigated suspected breaches of the law:

- completed 51 criminal proceedings with 42 criminals convicted, including 21 jailed, in collaboration with Directors of Public Prosecutions
- completed 76 civil proceedings and obtained \$102 million in recoveries, costs, compensation and fines with more than \$38 million in assets frozen\*
- banned 110 people from managing corporations and 35 from offering financial services
- had 12 company auditors and liquidators disciplined for misconduct
- commenced 148 criminal, civil or administrative proceedings against 289 people or companies.

\* Not including additional assets frozen, associated with the Westpoint group including trust assets.

Key results	This year	Last year	Change
Criminals jailed	21	17	+24%
Civil orders against people or companies	256	230	+11%
Illegal schemes shut down or other action taken	105	102	+3%
People removed from directing companies	110*	44	+250%
People banned from financial services	35	27	+30%
Auditors and liquidators disciplined for misconduct	12	14	-16%

\* Resulting from additional funding: 81 bannings involved directors in failed and assetless companies, the balance of 29 disqualified for breaches of the law.

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## Significant enforcement matters

We pursued a heavy workload of complex matters. Key developments included:

**HIH Insurance** 4 officers convicted, and jail terms imposed on Dominic Fodera, former Finance Director and Chief Financial Officer of HIH Insurance Limited; Frederick Lo, former company secretary of HIH Insurance Limited; and Antony Boulden, a former Financial Controller of the Corporate and Professional Insurance Division of FAI General Insurance Company Limited.

Former HIH Chairman, Geoffrey Cohen, committed for trial on criminal charges.

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**James Hardie** Commenced civil penalty proceedings in relation to James Hardie, including against a number of former and current directors and former executives.

We sought declarations that those directors and executives failed to act with requisite care and diligence, and intend to ask the court to consider banning individuals from managing corporations and consider imposing fines.

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<b>Westpoint group</b>	First criminal charges brought against Westpoint promoter, Neil Austin Burnard, relating to the raising of investor funds on behalf of Westpoint by his company Palentia Pty Ltd, formerly known as Kebbel (NSW) Pty Ltd.
	Wound up 18 companies in the group to stop further fundraising and secure available assets, froze assets of directors, officers and associates and restrained 5 from leaving the jurisdiction. (Liquidators' reports currently state net assets available for unsecured creditors, excluding recoveries range from \$75–104 million.)
	Investigation of Westpoint matters is continuing.
<b>Citigroup</b>	Our proceedings against Citigroup were not successful. The court found that Citigroup had not engaged in insider trading and did not contravene the conflict of interest provisions of the law.
<b>NAB foreign exchange traders</b>	Jail terms were imposed on the remaining 2 of the 4 traders, Mathew David Bullen for 3 years and 8 months and Vincent Adam Ficara for 2 years and 4 months.
<b>One.Tel</b>	The court heard final submissions from ASIC and the other parties. Judgment is yet to be handed down.

## Financial markets

We pursued matters to lift and maintain the integrity of our financial markets:

<b>Insider trading</b>	Former Sydney media relations consultant Margot Olive McKay convicted for insider trading in Aristocrat Leisure Limited shares ahead of major media announcements to the market. Sentenced to 15 months' periodic detention.
	[Text removed in accordance with in accordance with the spent convictions scheme in Part VIIC of the Crimes Act 1914]
	Civil penalty proceedings launched against Mining Projects Group Limited (formerly known as Yamarna Goldfields Limited) Executive Chairman, Bryan Frost, and Executive Director, Richard Revelins.
<b>Continuous disclosure</b>	Secured a \$32 million compensation fund for those investors affected by a failure of the Multiplex Group to meet its continuous disclosure obligations concerning a material change in profit on the Wembley National Stadium project in London.
	Listed general insurer, Promina Group Limited paid a \$100,000 fine after failing to inform the market that it had received a proposal from Suncorp-Metway Limited to acquire all the ordinary shares of Promina.
	Avantogen Ltd issued with an infringement notice and subsequently fined \$33,000 for failing to properly inform the market about the results of an anti-cancer vaccine clinical trial.

## Consumer and investor protection

To protect consumers against misselling, we took criminal, civil and banning action against businesses and individuals.

We acted against 105 schemes or companies for illegally raising funds or running illegal investment schemes, involving around 2,550 investors and \$202 million.

<b>Paul Drakos, financial adviser</b>	Jailed for 8 years and 6 months for cheating clients of almost \$6 million.
<b>Mercorella investment scheme</b>	Giuseppe Mercorella jailed for 5 years for running an illegal investments scheme that raised about \$215 million from investors, and for dishonestly using his position as a company director.
<b>Primelife schemes</b>	Complex proceedings to regularise and retain value for investors in an illegally structured managed investment scheme that built retirement villages.
<b>Karl Suleman</b>	Jailed for 7 years and 4 months for making false statements and using false documents to induce investments in illegal schemes, following earlier court action closing down the schemes and banning Suleman.

Other consumer protection matters of note included:

<b>Superannuation</b>	<p>Criminal and civil action against promoters of illegal early release schemes. Promoter Rocco Ferrantino jailed for 2 years. Civil injunctions taken in relation to Teilis Financial Service and the Personalised Finance Solutions group of companies, and criminal charges laid against Karl Veljkovic, Barry Patrick, Shaun White, Nicole White and Damian Tolson. Criminal forfeiture orders for \$7.1 million against Andre Michalik following earlier conviction and jailing for 2 years.</p> <p>Obtained court orders that First Capital Financial Planning breached the law in giving advice given to teachers to switch their superannuation investments. First Capital obliged to correct its disclosures, and reimburse investors for any damage suffered.</p>
<b>Home equity access scheme</b>	Civil action taken against Money for Living, a scheme that persuaded 117 people to sell their homes under what MFL described as 'a unique system that allows people to access the equity in their home'; criminal charges laid against Garry Dennis O'Neill and Stephen Mark O'Neill.
<b>Mortgage broking</b>	Obtained court orders that a number of companies trading as 'Sample & Partners' engaged in misleading and deceptive conduct, and must notify past clients so that any borrower who wishes to make a claim for loss or damage can do so.

## Corporations and insolvency

We stepped up our campaign against directors of companies who trade while insolvent and threaten the interests of creditors, including employees.

<b>Assetless companies</b>	<p>Extra government funding enabled ASIC to pay insolvency practitioners to investigate and report on the conduct of directors of failed companies, without assets, where we could take enforcement action against phoenix activity, insolvent trading or breaches of directors' duties.</p> <p>Since launching the fund, we approved 191 applications to help us prepare for possible bannings of directors, and another 15 applications to help with more serious enforcement action.</p> <p>As a result of this funding, 46 directors were banned for a total of 154 years, with another 53 potential bannings in progress.</p>
<b>Other bannings</b>	<p>A further 29 directors of failed companies were banned to protect creditors and the public.</p>
<b>Insolvency practitioners</b>	<p>Sydney liquidator Ronald Dean-Wilcocks was suspended from practice for 12 months, for failing to maintain independence and avoid conflicts in the administration of companies.</p> <p>Melbourne liquidator Robert Edge was prohibited from practice for 10 years for repeated and numerous breaches of the law and ordered to repay remuneration of over \$430,000. (Any application by Edge for approval of his remuneration must be made to the court.)</p> <p>We also acted against misconduct by other liquidators of failed companies and 6 were disciplined.</p>
<b>Auditors</b>	<p>6 auditors were disciplined or had conditions imposed on their practice for misconduct.</p>

## Financial services

To ensure consumers using financial products and getting financial advice were treated honestly and fairly, we obtained a wide range of remedies. In many cases, companies cooperated with ASIC inquiries.

Some 35 people were banned or otherwise excluded from the financial services industry, and 2 licences were cancelled: First Pacific Securities (Australia) Limited and Australian Business Insurance Advisers Pty Ltd.

## Outlook

We will continue our investigation and enforcement work to further improve business integrity. We will also contribute to work on maintaining and improving confidence and integrity in Australia's capital markets, including deterring insider trading and market manipulation.

# Protecting consumers

## Overview

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124 staff:

- tackled issues affecting consumers through compliance, policy and educational work
- assessed 10,681 reports of crime and misconduct
- managed 1,399 applications about property of deregistered companies.

### Key results

	This year	Last year	Change
Visits to our consumer website FIDO	1,050,000	785,000	+34%
Consumer media releases issued	45	27	+66%
Reports of crime and misconduct assessed	10,681	12,075*	-12%

\* Included 1,818 Westpoint questionnaires ASIC sent out and received back from Westpoint investors.

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### Helping consumers

To help consumers become better informed and more confident in using financial products and services, we increased our educational activities.

We issued 45 media releases featuring financial tips and consumer warnings, including *Don't invest a cent in a fixed interest investment without using ASIC's 3-way test*, a strong reminder to consumers in August 2006 about the risks in high-yield fixed interest investments advertised in the press, radio and television. We issued several warnings to shareholders about below-market offers made by companies associated with David Tweed. Former Chairman Jeffrey Lucy, AM also had consumer articles published in popular newspapers.

Our consumer website FIDO received a record 1.05 million visits, up 34% and ahead of our target of 900,000. We launched new calculators for account-based pensions, an updated super calculator and a retirement planner that includes income both from superannuation and the age pension. In June 2007, FIDO was upgraded to make it easier to use and more appealing, and we began a fresh marketing strategy to increase visits, under the tagline 'Ask FIDO'. ASIC's Client Contact Centre staff gave FIDO skilled and sophisticated support, and we developed additional scripts and training to help them.

For members of the Australian Defence Force (ADF), we helped with the ADF's new financial education program, run by the ADF Financial Services Consumer Council.

We expanded our community outreach activities. These included joint activities with the banks and police to combat banking identity theft, with consumer protection agencies to fight scams, and with community associations and clubs to distribute ASIC's consumer publications, in English and other languages, more widely. We will also make staff speakers available for community groups, and staff training began in June 2007.

### Key consumer projects

By watching emerging consumer trends and using feedback from consumers, we identified key projects designed to draw public attention to important issues and to trigger changed behaviour.





## Key consumer projects

<b>Under-insurance</b>	Follow up research and public report on home insurance that examined how the industry has improved its practices since the release of an ASIC study into underinsurance in 2005. Recent steps by the industry significantly reduced the risk of consumers being underinsured and not having enough money to rebuild their homes.
<b>Aboriginal communities</b>	Stopped inappropriate door to door sales practices and obtained remedies for individual consumers. Increased staff outreach.
<b>Reverse mortgages</b>	Reviewed advertising and promotional material, and had five cases of misleading advertisements withdrawn or amended. Conducted a small-scale survey of reverse mortgage borrowers.
<b>Electronic funds transfer</b>	To maintain consumer confidence in internet banking and other electronic payments, we began a major review of the EFT Code of Practice which aims to protect consumers using all forms of electronic funds transfers, including internet banking. Key issues are: <ul style="list-style-type: none"> <li>• liability issues arising from the growth and growing sophistication of internet fraud</li> <li>• regulation of alternative payment facilities</li> <li>• coverage issues, including whether the protections of the Code should extend to small business as well as consumer account holders</li> <li>• obligations around mistaken payments</li> <li>• administrative arrangements associated with the EFT Code, including compliance monitoring and ASIC's role as Code administrator.</li> </ul>

## Following up reports of crime and misconduct

ASIC encouraged people to report suspected misconduct, and we dealt with 10,681 complaints, down 12%. We finalised 81% in 28 days, well ahead of our 70% target.

Resolved, mainly through getting information people needed or by getting companies or company officers to comply	39%
Investigated or conducted surveillance	21%
Identified no offences or lacked jurisdiction to act	15%
Analysed, assessed and recorded	25%
<b>Total</b>	<b>100%</b>

ASIC seeks to obtain compliance before initiating prosecution action. In direct response to complaints, we sent around 900 warning letters to company directors seeking their compliance with the law in lodging documents or giving information to company members.

ASIC successfully prosecuted 561 company officers for 1,133 contraventions, up on last year's figures of 502 company officers for 920 contraventions. Penalties included 1 community service order, 35 good behaviour bonds, 2 terms of imprisonment and 2 suspended sentences, total fines and costs of \$1.1 million. Overall we achieved a compliance rate of 67%.

Liquidators, administrators and receivers lodged 8,335\* reports. Of these, 6,862\* reported suspected misconduct, up 18%.

Analysed, assessed and recorded	82%
Reports triggering further inquiries	15%
Resolved	1%
Referred for compliance, investigation or surveillance	2%
<b>Total</b>	<b>100%</b>

\* More than one report may be lodged about a single company or entity.

## Outlook

We will continue our consumer protection and education work, and will contribute to the ASIC taskforce examining the risks for retail investors and helping investors become better equipped to protect their wealth.

# Promoting compliance

## Overview

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204 staff:

- promoted compliance with the law by 4,625 licensed financial services businesses, their representatives and employees
- monitored Australia's capital markets to ensure that corporations, directors, advisers and market participants complied with the law.

### Key results

	This year	Last year	Change
Disclosure document reviews	925	286	+223%
Better disclosure achieved in disclosure documents	366	93	+293%
Compliance reviews of licensees completed	475	837*	-44%*
Financially troubled companies visited	568	536	+6%
Full inspections of audit firms	9	10	-10%

\* Included 362 reviews for the special 2005–06 'shadow shopping' of financial advisers.  
Excluding that project, reviews remained steady at 475 for this year and last.

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### Better disclosure for investors

We received an additional \$29 million in the 2006–07 budget to increase our surveillance of the financial services sector and develop our presence in non-exchange based market trading.

As a result, we increased our review of disclosure documents to 925, up 223% from 286. We obtained a threefold increase in better disclosures. However, with around 11,000 disclosure documents in use, our reviews necessarily remained selective, targeted and limited in scope.

We obtained better disclosure in offer documents seeking a total of \$17 billion in capital. We also achieved an improvement in disclosures in product advertising.

To help issuers make their disclosure documents more readable and useful to investors and their advisers, we held discussions before a number of fundraising documents were lodged formally with us, as well as conducting post-lodgment work.

### Action on high-yield investments

High-yield fixed interest investments, involving higher risk activities like property development, were marketed to retail investors.

We obtained court orders against Fincorp Investments Limited requiring the company to offer certain investors all their money back, including accrued interest, and we also required Fincorp to correct its advertising. We also took action over other debenture issuers and mortgage fund operators, including Australian Capital Reserve Limited and Bridgecorp Finance Limited. In June 2007, a special team was formed on unrated, unlisted debt securities, see page 5.

### Continuous disclosure

We released a report on small and mid-cap listed mining companies that identified potential concerns about the effectiveness of disclosures by some of these companies to the market. We were concerned that some entities were making announcements for promotional purposes rather than as a means of informing investors, and that this could potentially result in investors being misled.

We successfully restrained Australian Mining Investments Limited (now CuDeco Limited) from putting resolutions to its shareholders to approve the issue of executive options. ASIC was concerned that shareholders were being asked to make a decision about the remuneration of directors on the basis of materially out of date information.



Our staff actively monitored companies that have an obligation to keep the market up to date about price-sensitive information, and were involved in action over Promina Group Limited, see page 17.

### Over the counter products

Many financial products are bought and sold directly over the counter (OTC), and not traded on public exchanges. We recruited experienced market professionals and international secondees to increase our presence in OTC markets, and reviewed the operations of the major providers of contracts for difference (CFDs). These complex financial products have been increasingly used by, and marketed, to retail investors.

### Monitoring licensees

We increased our engagement with licensees to build better understanding of their obligations, leading to better reporting of breaches and more timely attention to remedying problems.

From our increased surveillance funding, we also increased the depth of our surveillance work with large entities, particularly in the financial advice industry.

Licensees played an important role in telling us about individual misconduct that helped us collect evidence to ban unsuitable people from the industry. Matters of note included:

<b>David Tweed</b>	Permanently banned from providing financial services. (However, banning David Tweed does not prohibit him from making unsolicited offers to investors, because making an unsolicited offer to purchase shares on one's own behalf does not require an AFS licence.)
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<b>Sovereign Capital Limited, responsible entity for the Sovereign Prudential Fund</b>	Licence cancelled because its activities fell well below the required standard. The fund lent money to property developers in New South Wales, Victoria and Queensland.
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<b>Top Quartile Management Ltd, the holder of an Australian financial services licence</b>	Convicted and fined for failing to report to ASIC breaches of their legal obligations, both as an operator of investor-directed portfolio services and also as trustee of a number of superannuation funds.
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### Deterring insolvent trading

To help companies deal promptly with financial difficulties, staff visited 568 potentially troubled companies, up 6%.

After these visits from our insolvency specialists, many companies restructured, refinanced, or introduced turnaround strategies with professional advice. This year, 75 companies appointed an insolvency practitioner after our visits.

### Financial reporting and auditor compliance

As part of our surveillance of listed entities' accounts, we confirmed that listed entities had transitioned well to international accounting standards, and that there appeared to be no areas of systemic weakness.

We completed our second year of audit firm inspections, looking at auditor independence and audit quality. Among other issues, we focused on ensuring that the firms and individual auditors complied with recent changes to the law requiring rotation. We reported our findings publicly and we raised specific issues to be addressed with the relevant firms.

## Outlook

By influencing those who participate in the capital markets and the financial services industry, we will:

- promote lawful behaviour and raise ethical standards
- lead a special team, including outside experts, to look at assessing current risks in unlisted and unrated debt securities and examine options for additional investor protection and information.

# Regulatory work

## Overview

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144 staff, including the Chief Accountant's Office:

- regulated Australia's 17 licensed financial markets and 5 clearing and settlement facilities
- developed policy and researched emerging issues in the market
- considered applications for relief from 3,200 provisions of the law and granted 2,359
- licensed 369 new financial services businesses and registered 616 new managed investment schemes.

Key results	This year	Last year	Change
Commercial relief applications approved	2,359	2,565	-8%
Policies and guidance documents issued	21	22	-5%
Assessments of authorised financial markets completed	16	19*	-16%
Australian financial services licences issued	369	428	-14%
Managed investment schemes registered	616	499	+23%
Takeovers and schemes of arrangement assisted	103	98	+5%

\* Resulted largely from timing of assessments.

### Sustaining confidence in Australian markets

ASIC assessed the quality and effectiveness of supervisory structures and procedures of Australia's licensed markets and clearing and settlement facilities, and published 16 market assessment reports.

We oversaw the concluding stages of the merger between the Australian Stock Exchange Limited and SFE Corporation Ltd to form the Australian Securities Exchange (ASX). The ASX has established a separate subsidiary called ASX Markets Supervision Pty Ltd (ASXMS), responsible for carrying out the market supervision functions of ASX and SFE. We assessed the structure and resourcing of ASXMS and published our report in May 2007.

Several businesses approached ASIC about setting up alternative markets in Australia to compete with existing market providers, as already occurs in the US and Europe. We undertook research to inform the Treasury's long-term policy on regulating such markets in Australia, and consulted market operators and users.

The Minister granted 3 additional market licences to BGC Partners (Australia) Pty Ltd, Bloomberg Tradebook Australia Pty Ltd and London Metal Exchange Ltd. One market licence, held by ICAP Europe Ltd, was recently cancelled at the company's request.

### Towards better regulation

Through our *Better Regulation* project, launched in May 2006, and other initiatives, we progressed towards making the regulatory system ASIC administers easier to work with.



Our priorities	Progress to date
Greater transparency and accessibility for stakeholders about how ASIC works, makes decisions and approaches its legislative functions	<i>ASIC: guide to how we work</i> published, explaining ASIC's organisation and accountability. <i>Helping consumers and investors</i> , explaining the services ASIC offers for consumers and investors.
Engaging with business to identify and reduce areas where there is regulatory duplication or overlap	<p>Joint ASIC-APRA working group worked on overlapping requirements imposed on entities reporting financial data, applying for relevant licences and audit reporting.</p> <p>Reduced overlap between the law and ASX listing and market rules.</p> <p>Streamlined our guidance and process for those applying for an Australian market licence or exemption.</p>
Helping clients deal more efficiently with ASIC by streamlining and where possible reducing paperwork	We began consolidating and making our published guidance material more accessible. We consulted users about the format and clarity of our documents, and designed new templates. From July 2007 we have published fewer types of regulatory documents, in new and simpler formats.

As part of this initiative, we published how ASIC performed against our service charter targets, see page 44.

### Upholding standards

Through guides for companies and their advisers and through technical advice on accounting and legal issues, we contributed to upholding standards. Highlights of our work included:

<b>Takeovers</b>	Revised our takeovers, compulsory acquisitions and substantial holdings guidance, including new policy on joint bids.
<b>Corporate reconstructions</b>	Clarified that prospectus disclosure is required when members are invited to vote at a reconstruction or capital reduction meeting that includes an issue or transfer of securities.
<b>Superannuation</b>	Provided practical options for product disclosure information about investment strategies.
<b>Financial reporting</b>	<p>Continued support for companies using international financial reporting standards (IFRS) through guidance and technical advice.</p> <p>Led the development of IOSCO's international database of regulatory decisions on IFRS, to contribute to greater consistency in applying these standards.</p>
<b>Audit</b>	<p>New guidance on 'auditor rotation' to help auditors applying for relief from the audit rotation requirements in the Act.</p> <p>Played a major role in the formation and activities of the International Forum of Independent Audit Regulators, which shares information between audit oversight regulators.</p>

### Advising on law reform

We worked closely with Government and Treasury on a number of proposals for law reform, including proposals to:

- simplify the regulatory systems for companies and financial services
- reform corporate insolvency laws
- reduce regulatory overlap between Australia and New Zealand
- regulate discretionary mutual funds and direct offshore foreign insurers.

### Applications and advice

Strictly applying the law can create unintended regulatory burdens for companies, and so ASIC is authorised, in various situations, to grant relief from the law.

We received applications from companies for relief from 3,200 provisions of the law, and granted 2,359. Applications commonly concerned:

- schemes of arrangement, takeovers and other changes of corporate control
- fundraising and stapling of securities
- making financial services laws operate more smoothly.

We also issued 28 class orders that gave relief to market participants generally, and made it easier for them to do business.

In takeovers, the value of the top 10 bids alone amounted to \$56 billion, although not all of these were successful. We were involved in the regulation of major transactions, including bids by Cemex for Rinker Ltd, the private equity bid for Qantas Ltd, and schemes of arrangement by Alinta Ltd and Rebel Ltd.

To make our decisions more transparent, we released four reports summarising our decisions on relief applications, and we will extend this service next year.

### Licensing and registration

We issued 369 new financial services licences, approved variations to 569 existing licences, and processed 1,622 notifications of changes in responsible officer.

## Outlook

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Our regulatory work will focus on contributing to:

- facilitating inward and outward investment in our capital markets
- determining what additional regulatory action ASIC can take in the areas of continuous disclosure, market manipulation and insider trading.

# Public information services

## Overview

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269 staff maintained Australia's public database of 1.6 million companies and other public registers.

	This year	Last year	Change
Searches of ASIC databases (free and paid) (million)	55m	45m	+22%
Company data lodged on time	95%	94%	+1%
New companies registered	156,424	121,298	+29%
% documents lodged electronically	79%	71%	+11%
Telephone inquiries answered	707,000	770,000	-8%
Fees and charges raised for the Commonwealth (million)	\$519m	\$543m	-4%

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### Electronic registration of charges over company property

Those who lend money to companies may secure their loans by taking a charge over company assets. The law requires certain charges over the property of the company to be registered with ASIC.

With additional government funding, we implemented a new electronic system to make registering charges more convenient. It began operating on 1 July 2007. The previous registration system was paper-based and created a significant paper burden for both lodgers and for ASIC.

The new system delivered an electronic registration and payment service for receiving and processing over 170,000 charge forms each year. The system also generates and issues correspondence, certificates and notices associated with charges.

### More use of online public information

People conducted 55 million free and paid searches of our databases, up 22%. The database includes all companies registered in Australia, licensed financial services businesses, and registers of people banned from managing corporations or from offering financial services. The public database also includes access to all business names registered by state and territory agencies.

The total number of companies registered in Australia increased 6% to 1,572,054 and the number of new companies formed increased by 35,126. From 1 July 2006, the fee for registering a company was reduced from \$800 to \$400.

### Maintaining company data

The way we manage our public database was independently assessed to check that we have proper processes to maintain quality. Our certification was renewed this year. To help our largest 200 registered agents who lodge most of the information on the database, we set up a new client manager program that helps agents get advice on complex matters, and raise issues and concerns.

To encourage companies to comply with the law and lodge timely, accurate data, we took 331 civil actions to require large proprietary companies, managed investment schemes, foreign companies, and unlisted public companies to lodge financial reports. We also acted to require companies to appoint at least the minimum number of officeholders and to remove bankrupt officeholders. We began deregistration of 25,469 companies that failed to pay their annual review fee.

We processed 92% of key documents (company registration, critical changes and creation of company charges) within 48 hours, above our target of 90%.



### Law reform

Public companies had been required to notify ASIC annually of their top 20 shareholders or members in each class of shares. In June 2007 the Corporations Regulations were amended to remove this obligation, reducing the future costs of compliance for public companies and our workload in processing the information.

### Helping people over the phone

Although our public information services have been increasingly delivered online, we supported them through a Client Contact Centre. We upgraded the centre's technology to deal more effectively with enquiries about companies, and to offer sophisticated support for FIDO, ASIC's consumer information website.

Overall, we assisted 707,000 people, down 8%, as more people used our online services.

### Outlook

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For small and medium businesses, ASIC is responsible for the legal 'infrastructure' that underpins the financial system and the wider economy. We will assess how ASIC can use new technology to improve existing services, add new services, reduce costs and to reduce 'red tape' in providing this infrastructure.

# International cooperation

## Overview

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9 staff:

- managed a sharply increased number of requests for assistance from regulators worldwide
- coordinated ASIC's contribution to stronger international cooperation.

### Key results

	This year	Last year	Change
ASIC requested overseas assistance	218	146	+49%
Overseas regulators requested our assistance	775	549	+41%

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International requests for enforcement and other assistance between regulators grew strongly, with a total of 993 inward and outward requests for international assistance. This reflected the continuing integration of financial markets.

### International assessment of Australia's financial sector

In December 2006 the International Monetary Fund released its Australian Financial System Stability Assessment. ASIC had participated in that assessment in the previous financial year.

The assessment found Australia's financial sector is mature and strong, having enjoyed sustained favourable macroeconomic conditions, with the current economic expansion in its fifteenth year. There is generally a high level of compliance with international standards and, in a number of areas, Australia is at the forefront of best practice.

### International cooperation

ASIC delivered a major program to strengthen the Indonesian capital markets supervisory agency, Bapepam, in enforcement and surveillance. An ASIC staff member worked at Bapepam-LK for 6 months to coordinate the program, and 8 Bapepam staff were seconded to ASIC. We delivered workshops on market surveillance, listed company disclosure, risk-assessment, intelligence profiling, and risk-based reviews of prospectuses. We also helped identify what may impede Bapepam's recognition as meeting key international standards for securities regulation.

ASIC continued to play a significant role in promoting international cooperation in audit oversight. Commissioner (then Chairman) Jeffrey Lucy, AM was appointed inaugural Chair of the International Forum of Independent Audit Regulators. We further developed our relationship with the Public Company Accounting Oversight Board (PCAOB) of the United States and other foreign audit regulators. We look forward to cooperating with the PCAOB in inspecting Australian auditors who fall within both their jurisdiction and ours.

We served as an active member of the International Organization of Securities Commissions (IOSCO) and participated in its Executive and Technical Committees.

## Outlook

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We will contribute to better facilitating inward and outward investment in our capital markets, to ensure there are only the necessary minimum roadblocks to investment flows, commensurate with adequate protection.

# Supporting ASIC's business

## Overview

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357\* staff delivered the following services to all ASIC offices:

- human resources
- information technology
- finance
- corporate services
- risk management
- planning and project services
- knowledge management

\* Includes 28 full-time graduates working for other directorates.

	This year	Last year	Change
ASIC staff employed (FTE average)	1,610	1,471	+9%
ASIC operating expenses	\$256m	\$218m	+17%

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### Health and safety at work

ASIC's voluntary influenza vaccination program attracted almost 600 staff, up 36%. We appointed a national employee assistance provider to support staff facing work-related and personal problems that may interfere with their work.

Occupational health and safety (OHS) incidents reported rose 56% to 100, generally involving minor injury, but with 149 days lost. The cost of claims fell 68%, and the number of claims fell 18%. ASIC's insurance premium of 0.69% of annual payroll compared favourably with Comcare's standard agency rate of 1.55%.

Staff managed injury claims and coordinated safety at ASIC, including:

- quarterly OHS risk assessments at all sites
- ergonomic assessments, screen-based eye tests, and other protective measures
- quarterly employee wellness expos
- OHS awareness.

OHS committees met quarterly in each location to address local issues. ASIC required every manager to take responsibility for ensuring a safe workplace for their staff and the public, supported by human resources staff.

### Industrial and workplace relations

Negotiations opened with staff and union representatives on a new collective agreement to take effect from August 2007. About 55% of staff are employed under Australian Workplace Agreements, up from 51% last year.

Staff were represented through their union and staff representatives. ASIC also convened a National Consultative Committee about workplace issues. One industrial dispute occurred.

ASIC also maintained formal procedures for staff to raise grievances. We received 5 formal applications for review of management actions under the Public Service Act.

### Funding from government

In the 2007–08 Federal Budget, the Treasurer announced additional funding of \$116.7 million over the next four years to upgrade our information technology infrastructure.

This funding will enable the implementation of an ASIC-wide content management system, new electronic data warehouse capabilities to support analytics and business intelligence capabilities. It will also allow us to migrate our public information database, ASCOT, to modern technologies.

### Information technology reform

ASIC's public and private information systems play an important role in supporting the needs of businesses, financial markets and consumers.

In 2005, the government approved funding to commence phase one of a phased technology transition and upgrade. These activities have since been underway. In May 2007, the government approved the second phase of the technology transition and upgrade.

Taken together, this funding will enable ASIC to migrate systems through to the middle of 2010, and will include the replacement of ASIC's website and supporting systems to improve public access to, and usability of, ASIC information.

During these migration activities, ASIC has successfully maintained 99% system availability for all technology users.





### Maintaining efficient use of office accommodation

Leased property costs comprised our second largest single expense after salaries. We worked to ensure that all our accommodation is efficiently and effectively used and suitably fitted out:

- **Melbourne:** completed relocation of all staff within the central business district with a new modern fit out.
- **Darwin:** new office leased, staff moved in July 2007.
- **Adelaide:** negotiated new lease with an upgraded refit for 2007–08.
- **Sydney:** leased new premises to consolidate sites and accommodate extra staff.

### Financial management

To improve financial management, we developed database applications to streamline management of our enforcement external running costs, salaries and contractors' budgets and reporting and credit card acquittal compliance reporting. We also introduced scanning of all accounts payable invoices to enable queries to be responded to more promptly and to deliver better service.

### Transition to new accountability requirements

As reported last year, the Government decided that from 1 July 2007 ASIC will operate under the *Financial Management and Accountability Act 1997* (FMA Act), and not under both the *Commonwealth Authorities and Companies Act 1997* and the FMA Act.

We ensured that all the necessary changes to procurement, financial delegations, external reporting and other processes occurred smoothly to comply with the new requirements.

### Environmental performance

We have committed ourselves to continuously improving ASIC's environmental performance.

**Motor vehicles** 58% of fleet vehicles (an improvement of 6%) and 43% of our senior executive service fleet (up 2%) have a 'Green Vehicle Guide' rating of 10.5 or better. ASIC joined as a supporter of Green Fleet.

**Energy consumption** Use per person of 11,281 MJ, higher than target of 10,000 MJ. In our International Standard certified Sydney site, where more than 500 staff are located, use per person is 9408.74 MJ which is below target. In other sites there have been major refits in 4 locations contributing to higher usage.

**Recycling** The majority of sites recycle paper, aluminium, plastics, mobile phones and batteries.

We maintained certification of ASIC's Sydney office to International Standard 14001:2004 *Environmental Management Systems*. In our accredited Sydney site:

- commingled recycling (glass, aluminium, plastic) increased by 200%
- paper recycling: increased by 44%.

We intend to have ASIC's new Melbourne office certified, and are making arrangements so that the certification process can begin later in 2007.

### Knowledge management

ASIC is committed to openly sharing the internal expertise of its staff. We have 8 active 'knowledge networks' of subject matter experts who naturally share a common set of issues and come together regularly. They met 59 times and heard from a number of guest speakers from external organisations.

Our knowledge networks cover technical areas such as managed investments; retail advice; superannuation; insurance; compliance; insolvency; derivatives; and information management. Network objectives are to:

- learn and share ideas with peers
- network internally and externally
- share information about issues and activities across directorates and geographic locations.

### Outlook

We will:

- lift operational effectiveness and service levels
- assess how ASIC can use new technology to improve existing services, add new services and reduce costs, especially for small and medium companies.