



**ASIC**

Australian Securities & Investments Commission

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## Reflections on a career at ASIC

*A speech by Greg Medcraft, Chairman,  
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*WA Chamber of Commerce and Industry (Perth, Australia)  
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### **CHECK AGAINST DELIVERY**

#### **Introduction**

Good morning ladies and gentlemen.

It is great to be in Perth and to have this opportunity to speak with you this morning.

This is not a typical speech from an ASIC chairman.

That is because my term finishes in a bit over two months and I've been asked to give you some reflections on my time at ASIC.

As some people know, I am a former investment banker. I spent 30 years of my life with Societe Generale with the last 10 of these on Wall Street as global head of securitisation. After banking I essentially retired. But that did not last long.

In 2008 I was approached by a head-hunter to become an ASIC commissioner.

I joined ASIC later that year and then in May 2011, I was appointed chairman.

So today, I thought I would talk about:

1. What I think we have achieved at ASIC
2. And what is unfinished business for ASIC?

#### **What did we achieve?**

I should point out, that I have worked with some outstanding people, and so while I might have been chairman, I was part of an incredible team of very talented people.

So today I refer to "we" instead of "I".

Given all this, what do I think we have achieved over the past 6 ½ years?

My goal really was to look at how we could achieve our vision, but that involved a lot of moving parts.

There are two areas where I think we have made a positive contribution. These are:

1. Changing the DNA of ASIC to better achieve our vision
2. Dealing with the long-term challenges to achieving ASIC's vision.
  - Culture and conduct
  - Financial capability
  - Digital disruption and cyber resilience
  - Globalisation.

## Changing the DNA of ASIC

To better achieve our vision; I wanted to change ASIC so it could better do its job.

Let me touch on five examples.

### Organisational change

When I became Chairman I re-set ASIC's strategic vision.

Our vision is about allowing markets to fund the economy, and in turn, economic growth, thereby contributing to the 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.

A major change in our vision was the removal of the words "consumer and investor protection", and replacing it with "trust and confidence".

I also thought it appropriate to bring the focus to helping the markets fund the economy and economic growth, to balance the message for business.

### Values

Based on feedback from our staff, we refined and simplified our values to "**APT**":

- Accountability
- Professionalism
- Teamwork.

## Tools

I also thought it important to be clear on the tools we had to achieve our vision.

Even though we are primarily about law enforcement, there are many other things we do, so it is important to explain all the tools we use.

I have always said - it is a journey for some gatekeepers. We start at engagement and may travel through to using all our tools, including sometimes providing policy advice on a change of the law.

Our **key tools** are:

- Engagement;
- Surveillance;
- Guidance;
- Education;
- Enforcement; and
- Policy advice.

## Other Key changes

Internally we also focused on *empowerment, accountability, transparency*.

## OneASIC – connecting the dots

Internally, we have been working hard on a program of transformation which we call **OneASIC – connecting the dots** to ensure ASIC can achieve our goal of being a proactive fit-for-the-future regulator.

- **One ASIC** is about building our capability to better 'connect the dots' to get outcomes faster and more focused.
- It is about working together to use our data, our resources and our regulatory tools in the most effective way.
- One ASIC brings together initiatives around our people, our processes and technology, and our culture and governance.

## ASIC as an enforcement agency

We have repositioned ASIC as a law enforcement agency and pushed to review our penalties and get more specific powers, especially a Product Intervention Power.

But as a regulator we will always be judged by our enforcement record.

Over my time as chair we have again and again taken enforcement action and gone to court – and secured strong outcomes.

- For instance, in the **Mintabie** case where we went into bat on behalf of vulnerable Indigenous consumers in South Australia's remote APY Lands and took on book-up operators - and won.
- On insider trading, we battled **Oliver Curtis** and his team in a celebrated case stretching over 7 years, which saw Curtis sent to gaol for a year and where we showed Australians that no one is above the law.

Or the current **BBSW** benchmark manipulation case, where we are taking court action against three of the biggest banks for what we believe is their wilful manipulation of an interest rate that is central to the Australian financial system.

### **Industry funding**

The implementation of **industry funding** is a big part of positioning ASIC for the future.

- My view was that those who generate the need for regulation should pay for it.
- So the industry funding model will bring fundamental changes to the way ASIC operates but crucially, provides a price signal for the use of our resources.
- This has been a long campaign and one of which I am particularly proud.

### **ASIC exiting the Public Service**

The Government has announced they will introduce legislation for this to happen. This is another change we have campaigned for.

It will increase our flexibility in ensuring staff are appropriately compensated in a competitive market.

Very few of our staff are recruited from the public service.

## **Dealing with the long-term challenges to achieving ASIC's vision.**

During my time at ASIC, I knew we needed to accept and embrace what was happening around us.

### **Culture and conduct**

This is a major long-term issue but one that ASIC has placed squarely on the national and the board agenda.

The power of the crowd is now ever present to hold gatekeepers to account.

### **Financial Capability**

One of ASIC's priorities is about ensuring consumers can have trust and confidence in the financial system.

A major part of this has been ASIC's efforts to build financial capability. That is, assisting people at all stages of their lives to have the skills to make informed financial choices.

And I believe we continue to deliver on that.

In my time as chairman ASIC has driven the country's National Financial Literacy Strategy.

We have provided impartial and trusted financial guidance and tools through ASIC's MoneySmart website (last year 7 million unique visitors).

And we have delivered ASIC's MoneySmart Teaching program to support financial literacy in primary and secondary schools. In fact, since 2012, over 32,000 teachers have participated in professional development and in the last financial year, over 60% of 10,000 schools have engaged with our resources.

Funding of new financial capability programmes (e.g. Financial Literacy Australia) via multi-million-dollar community benefit payments made as part of enforcement action settlements with gatekeepers.

## **Digital disruption and Cyber resilience**

### **Digital Disruption**

Digital disruption to business models is also part of the world we live in. We are very much in the 4th Industrial Revolution.

In my view, regulators must seek to create the right environment to encourage fintech and innovation, while also ensuring people can maintain trust and confidence in markets.

### **Facilitating fintech - ASIC Innovation Hub**

ASIC has been doing this through our **Innovation Hub** that helps fintechs navigate the regulatory environment.

In the last 2 years we have had over 150 start-ups through our hub, in areas including robo-advice, peer to peer, payments, distributed ledger and regtech.

### **Facilitating fintech – ASIC Regulatory sandbox**

We are also encouraging fintechs through our **regulatory sandbox**, which:

- helps tackle speed to market by providing an environment for testing without a licence;
- helps address organisational competency challenges by providing more examples and greater flexibility; and
- helps address limitations relating to access to capital – by reducing testing costs.

### **Facilitating fintech – ASIC data science lab**

And we are creating the right environment through the set-up of our **data science lab**.

This will let us use open source technologies to test data analytics where we don't now have that technology in our surveillance and enforcement analytics toolkit.

For example, we are working with **Data 61** to make use of the lab to develop regtech solutions to assist in our surveillance of the funds management sector.

### **Data and the data revolution**

ASIC is also using data and data analytics to be a more pre-emptive and proactive regulator.

We want to transform our regulatory business by better **capturing, sharing and using** our data.

- We are building a platform which includes a single repository of internal and external regulatory information – that allows us to search across this information easily, for a single picture of a person or entity, to allow us to better connect the dots.

We are implementing new third-party software for use in e-surveillance, e-investigations and e-discovery, which allows pattern matching across our extensive evidence database, social media and third-party databases, using machine-learning algorithms – again better connecting the dots.

This year, we also set up a **Chief Data Office**.

This office will support ASIC to be a data-driven, forward-looking regulator and will drive data analytics for our surveillance, investigation and enforcement, while allowing us to access data more efficiently from industry and other sources, using existing and emerging technologies, like distributed ledger.

### **Cyber Resilience**

We have been focused on facilitating initiatives that support better **cyber resilience** and identify potential cyber-attacks in markets through real-time market monitoring.

This April, the ASX launched the ASX 100 Cyber Health Check report in collaboration with ASIC, Government and industry.

Our own reviews of cyber risk management show different approaches to cyber security of some of our largest financial organisations.

Some of the issues are:

- Interdependency recognition;
- Transparency of disclosure of attacks; and
- Measuring resilience.

And these will require ongoing focus.

## Globalisation - Providing International Leadership

Finally, I will touch on globalisation and the **leadership role** ASIC has played internationally.

In particular, I am proud of how we have "punched above our weight" on the international stage – both through my role as Chair of the IOSCO Board, as well as through the active roles many other ASIC staff take up on various IOSCO Committees, Task Forces and working groups.

Shouldering the responsibilities and challenges of leadership has meant that we have **influenced global standard setting** in a way that has delivered enormous benefit to Australian financial service providers wanting to operate across borders.

Australia is a major user of global capital markets both as an importer and exporter, so these changes have been crucial.

I like to think that we have left IOSCO in better shape. It is now more relevant, pro-active and forward-looking and better able to meet the global challenges that keep on coming.

Particularly important is the **capacity building work** in emerging markets that will be critical to the free flow of capital global funds, based on mutual recognition.

I think we were also successful in re-orienting IOSCO to **anticipate the emerging risks** that affect us all, particularly digitally driven disruption and cyber resilience.

Australia has been able to play a **critical supporting role** in the implementation by using our international relationships to influence outcomes in Australia's favour.

## Unfinished business

It has obviously been a busy 6 ½ years and there are some things still to be finished, and that I hope will gain momentum.

And as we enter into the Q&A today, I'd like to invite you to share your views on these issues that I will put on the table.

The unfinished business is:

1. **Culture, conduct and individual accountability;**
2. **The suite of reforms** for ASIC and industry Government has announced, but not yet passed;
3. **Our BBSW** enforcement actions;
4. **Strengthening ASIC as a law enforcement agency;**  
This includes strengthening our relationship with the Attorney-General's Department, policing agencies and the judiciary, and timely delivery of justice;

5. **Reform to the whistleblower laws**, including compensation;
6. **Audit quality Reform** is needed to arrest the decline in audit quality which, in the event of a major collapse, could mean a significant and protracted loss of trust and confidence in our financial system.  
The industry came close to major government intervention in the US after Enron, which is a lesson they must not forget.  
And I would urge them to take up the challenge of self reform before it is too late.
7. **And long-term law reform in the digital age.**  
On this we need a body – a think tank if you will - that is prepared to look ahead 5-10 years as we confront the digital age. It is a competitive world, and we need laws that promote flexibility and agility.

I am very interested to hear your views on these issues that I see of critical importance in the coming year.

Thank you for listening.