



ANNUAL REPORT

2016–2017

- ♦ investor and consumer trust and confidence
- ♦ fair and efficient markets
- ♦ efficient registration services



ASIC

Australian Securities & Investments Commission

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ASIC

Australian Securities & Investments Commission

GREG MEDCRAFT

Chairman

100 Market Street, Sydney
GPO Box 9827 Sydney NSW 2001
DX 653 Sydney

5 October 2017

The Hon. Scott Morrison MP
Treasurer
Parliament House
CANBERRA ACT 2600

Dear Minister

I am pleased to give you the annual report of the Australian Securities and Investments Commission for the year ended 30 June 2017.

The report has been prepared in accordance with section 136 of the *Australian Securities and Investments Commission Act 2001* (ASIC Act), section 46 of the *Public Governance, Performance and Accountability Act 2013*, sections 17AA to 17AJ of the *Public Governance, Performance and Accountability Rule 2013* and the 'Resource Management Guide No. 135: Annual reports for non-corporate Commonwealth entities', published by the Department of Finance in July 2016.

I note that you are required under section 136 of the ASIC Act to cause the report to be tabled in each House within 15 sitting days of receiving it.

Yours faithfully

Greg Medcraft
Chairman

Chairman's report

In 2016–17, we continued to position ourselves for the future and to take action to achieve our vision.

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

1. promoting investor and consumer trust and confidence
2. ensuring fair and efficient markets
3. providing efficient registration services.

Long-term challenges

We have identified the long-term challenges to achieving our vision. The five key challenges are:

1. culture and conduct: aligning conduct in a market-based system with investor and consumer trust and confidence
2. building financial capability
3. digital disruption and cyber resilience in financial services and markets
4. globalisation of financial markets, products and services
5. structural and demographic change in our financial system enhancing the role of market-based financing.

During 2016–17, we continued to use our 'detect, understand and respond' approach to address these long-term challenges.

ASIC industry funding model

ASIC has worked with Government to introduce an industry funding model for ASIC. This will provide us with greater certainty of funding and ensure that we are adequately resourced to achieve our vision into the future.

Under industry funding, those who create the need for, and benefit from, regulation will bear the costs of that regulation. This will create price signals for industry on the use of ASIC's resources. It will also provide more incentive for self-regulation and discourage poor conduct among regulated firms.

Positioning ASIC for the future

This year, we continued our ongoing efforts to improve our capabilities, positioning ourselves for the future so that we can achieve better outcomes for investors and consumers.

'One ASIC' is the cornerstone of our change agenda, and is aligned with the recommendations in ASIC's Capability Review.

One ASIC is about better 'connecting the dots' to achieve more regulatory outcomes faster. It is about working together seamlessly to use our data, resources and regulatory tools in the most effective way possible across our organisation.

One ASIC brings together initiatives around:

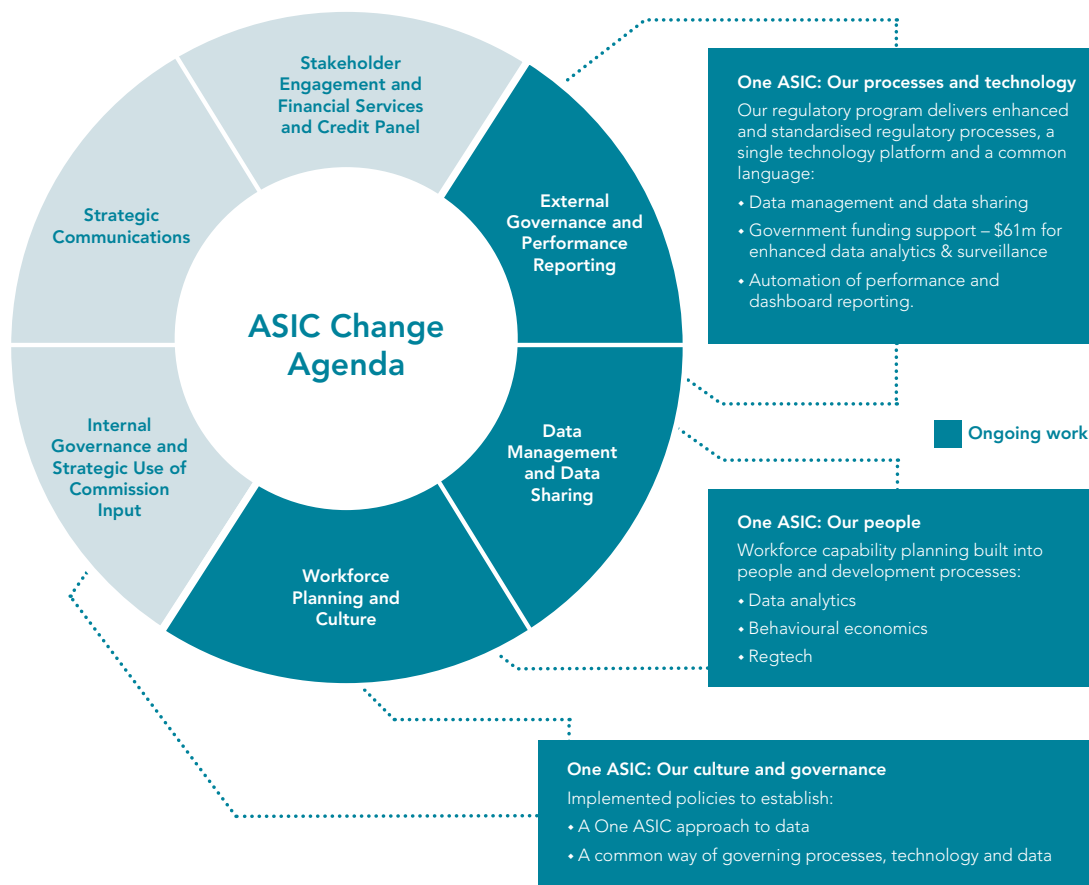
1. **our people** – we are building the capability of our people, particularly in areas such as technological adeptness, data analysis and behavioural insights
2. **our processes and technology** – our Regulatory Transformation Program is delivering enhanced and standardised regulatory processes, a single technology platform and common language for regulatory activities
3. **our culture and governance** – a One ASIC approach to data and more cross-team projects to address specific risks.

We have also developed a shared view of 'what good looks like' for each sector we regulate in corporate plan. This is about ASIC encouraging stakeholders to improve standards and behaviours to achieve better outcomes for investors and consumers across the financial system.



ASIC Chairman, Greg Medcraft, addressed the ASIC Annual Forum in Sydney in March 2017.

ASIC Change Agenda: Enhancing our people, processes, technology, and culture and governance



Key achievements in 2016–17

Government reforms

Over a number of years, we have worked to transform our organisation so that we can better address our long-term challenges and achieve our vision. This requires change within ASIC, but also change to our external environment – particularly the regulatory framework and our regulatory tools and powers.

ASIC has continued to assist the Government in implementing important reforms to improve consumer outcomes, including:

- ♦ flexible and targeted product intervention powers and product design and distribution obligations
- ♦ enforcement penalties that provide for greater deterrence and a more timely and proportionate response to misconduct
- ♦ a competition mandate for ASIC.

These changes, together with industry funding, we see as complementary. They will help us to proactively lift standards and behaviours in financial services and credit markets to improve investor and consumer outcomes.

Chairman's report *continued*

Surveillance and enforcement

As a law enforcement agency, ASIC devotes about 70% of regulatory resources to surveillance and enforcement. Where we identify breaches of the law, we use our resources and powers to ensure that there are meaningful consequences for the perpetrators.

In 2016–17, we conducted around 1,440 high-intensity surveillances and around 160 investigations across the sectors we regulate. The results of these activities are shown in our infographic on page 5.

A particular highlight of our enforcement activities this year was that a total of \$837.7 million in compensation and remediation has been paid, or ordered to be paid, for investors and consumers. This includes the \$617.2 million that the Supreme Court (Qld) ordered four former officers and the fund manager of MFS Investment Management Limited (MFSIM) to pay in compensation. The court found they did not act honestly in carrying out their duties in managing MFSIM, the responsible entity for the Premium Income Fund, a managed investment scheme.

Throughout the year, we continued to progress our legal action against three of Australia's four largest banks. We allege that these banks traded in a manner that was unconscionable and attempted to create an artificial price for bank bills to affect the bank bill swap rate (BBSW), Australia's key interest rate benchmark, in order to gain on financial positions priced with reference to the BBSW.

In addition to these activities, ASIC delivered a number of other key outcomes through the year. For example, we:

- ♦ prosecuted 409 directors of failed companies for 723 offences for failing to assist liquidators, as they are required to do
- ♦ reviewed more than 320 financial reports of listed entities and other public interest entities. As a result of our surveillances, 11 entities recognised asset impairments and other write-downs, totalling \$937 million
- ♦ reviewed about 9,000 reports of misconduct from the public. Of these reports, 25% were referred to a new or existing compliance,

surveillance or engagement activity and 15% were resolved, for example, through a referral to an external dispute resolution body.

Financial capability

ASIC continued to help investors and consumers build their financial capability by providing financial education through multiple channels.

Growing the financial capabilities of all Australians requires long-term commitment – we are laying the foundations for behavioural change over time. In doing this, we focus on people's cognitive ability, knowledge, attitudes and behavioural biases.

This year, we:

- ♦ received over 7 million visits to ASIC's MoneySmart website. The website attracts, on average, 890,400 visits a month. Research¹ indicates that 38% of adult Australians in the survey sample are aware of ASIC's MoneySmart and 89% of users reported they took action on their finances after visiting the website
- ♦ assisted groups of consumers and investors who have particular needs. For example, we launched our Simple money manager tool to help culturally and linguistically diverse Australians with everyday budgeting. This tool is available in English, but has also been translated into eight community languages
- ♦ worked across ASIC to consider the appropriateness of advice and the available financial products for older Australians. Part of this work included ASIC hosting two roundtables attended by representatives from a wide and diverse range of stakeholders.

Innovation

This year, ASIC continued to operate the Innovation Hub to support financial technology (fintech) businesses in Australia. We also launched a 'regulatory sandbox' environment in December 2016 for innovative businesses to develop and test their ideas without needing to obtain an Australian financial services licence or credit licence.

We also continued to provide a leading voice internationally to advance discussions on the impact of fintech and regulatory technology

1. Awareness and usage of ASIC's MoneySmart website, Wave 12: February 2017, ASIC.

ASIC surveillance and enforcement outcomes, 2016–17

1,437
HIGH-INTENSITY
SURVEILLANCES UNDERTAKEN

157
INVESTIGATIONS
COMPLETED



CRIMINAL ACTIONS

20 criminal convictions

13 people imprisoned



CIVIL ACTIONS

\$5.2m in civil penalties



BANNINGS, DISQUALIFICATIONS AND LICENCE CONDITIONS

208 people/companies removed
or restricted from providing
financial services or credit

51 people disqualified or
removed from directing companies

29 successful actions taken
against auditors and liquidators



ENFORCEABLE UNDERTAKINGS

16 enforceable undertakings
secured



COMPENSATION AND REMEDiation

\$837.7m compensation and
remediation for investors and
financial consumers



INFRINGEMENT NOTICES

74 infringement notices issued

\$4.3m dollar value of
infringement notices



INDUSTRY REPORTS

60 industry reports promoting
changes in industry behaviour and
informing government policy and
law reform

(regtech) on banking and financial services. This year, we published a report outlining our proposed future approach to regtech. We also hosted our first regtech roundtable discussion in February 2017 on the application of regtech in Australia, and future opportunities.

Outlook

ASIC operates in a rapidly changing environment. We continue to position ourselves to deliver our vision and achieve better outcomes for investors and consumers into the future.

We have updated our rolling, four-year *Corporate Plan 2017–18 to 2020–21*. This document explains how we will respond to our five long-term challenges, which I mentioned earlier.

Our focus is on using our existing regulatory tools to address issues we see today, and on supporting government policy initiatives that will give us the regulatory toolkit we need in the future.

Ensuring that Australians can have trust and confidence in the financial system, that markets are fair and efficient and that we provide efficient registration services, is at the heart of everything we do at ASIC.

It is crucial that we remain a proactive, forward-looking, courageous and independent regulator to achieve our vision for the benefit of all Australians.

Government priorities and parliamentary inquiries

ASIC industry funding model

ASIC's industry funding model commenced on 1 July 2017. This is a significant milestone for ASIC, and an important part of our Regulatory Transformation Program.

Industry funding provides us with greater certainty about our funding and ensures we are adequately resourced to achieve our vision. This will create price signals for industry on the use of ASIC's resources. It also ensures that the industry participants who create the need for our regulatory activities will bear the associated costs.

On 14 June 2017, the *ASIC Supervisory Cost Recovery Levy Act 2017* and related legislation was passed in Parliament. The ASIC Supervisory Cost Recovery Levy Regulations 2017 were made on 30 June 2017.

We will continue to work with our stakeholders to implement the model throughout 2017–18 before the first invoices are issued in early 2019.

Positioning ASIC for the future

We have continued our efforts to improve our capabilities, positioning ourselves for the future so that we can achieve better outcomes for investors and consumers. Our work is supported by the recommendations in the ASIC Capability Review, and the Government provided \$61.1 million in additional funding over four years to enhance our data management and analysis capabilities.

One ASIC is about building our capability to better 'connect the dots' to get more regulatory outcomes faster. It is about working together seamlessly to use our data, resources and regulatory tools in the most effective way possible across our organisation.

One ASIC brings together initiatives around our people, our processes and technology, and our culture and governance.

One ASIC: our people

In 2016–17, we focused on building the capability of our people, particularly in areas such as technological adeptness, data analysis and behavioural insights. We have also continued to promote the Active Workplaces program to increase staff mobility. This included implementing the Activity Based Working initiative in our Sydney office.

One ASIC: our processes and technology

Our Regulatory Transformation Program will improve how we work across management information systems, big data and analytics, and provide new approaches to regtech.

The Program will:

- ♦ establish a common language across ASIC so that we can simplify recording, reporting and analysis of our work
- ♦ re-engineer our regulatory business processes to ensure consistency and create efficiencies
- ♦ establish portals to make compliance and interaction with us easier and faster for stakeholders
- ♦ implement a single technology strategy to support the way we work, enable collaboration across teams and give us easier access to our data.

This program will also have an impact on how we report our activities in our annual reports. Ultimately, it should enable us to provide more detailed and specific information about what we do.

One ASIC: our culture and governance

We are promoting a One ASIC approach to sharing data across different parts of our organisation. We also run more cross-team projects to address key risks and issues that affect multiple sectors and stakeholders.

We have developed a shared view of 'what good looks like' for each sector we regulate, which we publish in our corporate plan. This is about encouraging our stakeholders to improve standards and behaviours to achieve better outcomes for investors and consumers across the financial system.

One ASIC: Connecting the dots to achieve better outcomes



People

- More adaptable, flexible and productive workforce
- Staff working across teams, supported by common language, systems and processes
- Activity-based working, for flexibility, collaboration and productivity
- Workforce planning to enhance staff data analytics and technology capabilities

Process and technology

- Common language, systems and ways of doing things
- One approach to collecting, storing, managing and using data for quality decision making
- One IT platform for internal and external regulatory data
- Optimising the value of all data through digitisation and new tools
- Reducing red tape and facilitating compliance by simplifying the way we collect data
- Exploring options for receiving and accessing data, including through the use of regulatory nodes using distributed ledger

Culture and governance

- Shared vision, view of 'what good looks like' and strategy
- One ASIC approach to data
- Common way of governing processes, technology and data
- Cross-team projects to meet particular risks
- One set of performance measures and outcomes

ASIC Enforcement Review

In October 2016, the Government announced a taskforce to review ASIC's enforcement regime. The taskforce is led by Treasury and includes representatives from ASIC, the Attorney-General's Department and the Commonwealth Director of Public Prosecutions.

The Enforcement Review is examining the adequacy of ASIC's enforcement regime to deter misconduct and foster consumer confidence in the financial system. ASIC has a number of priorities in this review, including addressing the type, level and consistency of penalties available to it, enhancing the breach reporting regime and introducing a power to ban people from managing firms that provide financial services.

As a law enforcement agency, we welcome the Enforcement Review and look forward to working with Government when the findings are released.

ASIC product intervention powers

In March 2017, ASIC made a submission to the Government's consultation paper on the proposed:

- ♦ product intervention power that would enable ASIC to take direct action to deal with significant shortcomings in products or conduct that result in consumer detriment
- ♦ design and distribution obligation that requires issuers and distributors to establish processes and controls for ensuring that products are designed with consumer needs in mind and are targeted at appropriate sections of the population.

The introduction of a product intervention power is intended to work together with the design and distribution obligations to ensure that the regulatory framework delivers fairer outcomes for consumers.

We support the Government's work to strengthen consumer protection by introducing a product intervention power and product design and distribution obligations.

Dispute resolution framework review

A fair, efficient and effective dispute resolution framework is integral to consumer trust and confidence in the Australian financial services system, providing access to justice and redress to consumers.

Together, the two ASIC-approved industry-based Ombudsman schemes, the Credit and Investments Ombudsman (CIO), the Financial Services Ombudsman (FOS) and the statutory Superannuation Complaints Tribunal (SCT) deal with more than 40,000 consumer and small business disputes each year.

ASIC administers the financial services and consumer credit dispute resolution framework, which includes internal dispute resolution (IDR) and external dispute resolution (EDR). ASIC has an important oversight role, setting standards for IDR procedures and approving and overseeing the effective operation of FOS and CIO.

The dispute resolution framework as a whole has not been reviewed since the SCT commenced operations in 1994 and ASIC first obtained powers to approve industry-based schemes in 1999.

In April 2016, the Government announced that an independent panel, chaired by Professor Ian Ramsay, would review the financial system's EDR and complaints framework. The final report of the Ramsay Review was published in May 2017 and found that the current framework was the product of history, rather than design, and that reform was needed.

On 9 May 2017, the Government announced that a new single EDR scheme, the Australian Financial Complaints Authority (AFCA), will replace the two ASIC-approved EDR schemes and the SCT, and commence operations on 1 July 2018.

ASIC supports reform of the EDR sector to improve consumer outcomes, reduce industry and regulatory costs and create a more sustainable framework into the future. We are committed to working with all stakeholders to achieve this.

In February 2017, the Government asked the Ramsay Review to make recommendations on the establishment, merits and possible design of a compensation scheme of last resort. The panel will report on these issues in late 2017.

Making it easier for businesses

We are committed to streamlining our processes and making it easier for businesses to interact with us. For example, in 2016–17, we:

- ♦ continued to help innovative start-up and fintech businesses navigate the regulatory system we administer. Through our Innovation Hub, we provided informal assistance to 93 fintech start-up businesses in 2016–17. Of the licence applications received from innovative businesses this year, we approved 18 new and four varied Australian financial services (AFS) licences and Australian credit licences (credit licences) (see pages 79–81)
- ♦ reduced ongoing annual compliance costs for businesses by almost \$455.7 million since September 2013. However, in 2016–17, ongoing compliance costs increased by \$27.8 million after the introduction of the revised regulatory framework for charitable investment funds.

Further, we estimate that ASIC's Business Names Register has saved businesses \$209.8 million in fees to register or renew business names since the register was established (May 2012 to June 2017). The cost to register a business name in 2016–17 was \$35 for a one-year registration or \$82 for a three-year registration.

Providing relief

Businesses frequently approach ASIC for help to make the law work better for them. To cut red tape, we may vary or set aside certain legal obligations when the compliance cost savings outweigh the risks to investors and consumers. We can provide these waivers to an individual business (individual relief) or to a class of businesses (legislative instrument).

Individual relief

In 2016–17, ASIC received 1,818 applications for individual relief. Of these, we granted relief in response to 1,129 applications, we refused 79 applications and 381 applications were withdrawn. At 30 June 2017, we were assessing the remaining 229 applications.

In December 2016 and June 2017, we published reports on relief applications received between April and September 2016, and between October 2016 and March 2017, respectively. The reports provide an overview of situations where we have exercised our exemption and modification powers under the *Corporations Act 2001* and *National Consumer Credit Protection Act 2009*.

Sunsetting

At 30 June 2017, there were over 200 ASIC legislative instruments in operation. All legislative instruments expire after 10 years, unless ASIC remakes them. Sunsetting ensures that legislative instruments remain fit for purpose, necessary and relevant.

Following review and consultation, ASIC remade 62 legislative instruments in 2016–17, eight were repealed, one was allowed to sunset and 12 were rolled over.

Other parliamentary inquiries

In 2016–17, the Senate and House of Representatives referred a number of inquiries relevant to ASIC's work to the Parliamentary Joint Committee (PJC) on Corporations and Financial Services, the Senate Economics References Committee and the House of Representatives Standing Committee on Economics. ASIC made submissions to a number of these inquiries and appeared when required.

Government priorities and parliamentary inquiries continued

PJC inquiry into the life insurance industry

In January 2017, ASIC made a submission to the PJC inquiry into the life insurance industry. Our submission highlighted our ongoing concerns about practices in the industry.

Our submission identified areas for further reform and improved oversight, including:

- ♦ strengthening the dispute resolution framework for claims handling
- ♦ implementing public reporting of life insurance claims data
- ♦ strengthening our enforcement regime – for example, by enabling us to seek civil penalties where insurers have breached the Insurance Contracts Act 1984.

Senate inquiry into Australia's general insurance industry

In February 2017, ASIC made a submission to the Senate inquiry into Australia's general insurance industry.

We acknowledge the importance of insurance cover in protecting consumers' assets and helping to maintain and protect Australians' living standards.

Our submission focused on three key areas:

1. competition and transparency in the home, strata and car insurance industries
2. independent comparison services on home, strata and car insurance cover costs in other jurisdictions
3. legislative reforms to establish an independent home, strata and car insurance comparison service in Australia.

Senate inquiry into consumer protection in the banking, insurance and financial sectors

In March 2017, ASIC made a submission to the Senate inquiry into the regulatory framework for protecting consumers in the banking, insurance and financial services sector. Our submission highlighted our work in identifying, reporting on and seeking to address significant market and conduct problems in banking, credit, financial services and insurance.

Our submission outlined:

1. the issues with the current legal and regulatory framework, and with enforcement in the banking, insurance and financial services sectors
2. the impact of remuneration, incentive-based commission structures, and fee-for-no-service structures
3. culture and the chain of responsibility for misconduct.

PJC inquiry into whistleblower protections in the corporate, public and not-for-profit sectors

In February 2017, ASIC made a submission to the PJC inquiry into whistleblower protections in the corporate, public and not-for-profit sectors. Our submission supported the Government's work to encourage reporting of corporate wrongdoing and better protection for whistleblowers in Australia.

Our submission recommended the introduction of a comprehensive corporate sector whistleblowing regime in Australia.

We support the introduction of stand-alone legislation that covers all disclosures about corporate activities involving a possible breach of Commonwealth legislation.

We also support broadening the definition of whistleblowers to include a company's:

- ♦ former employees, directors, officers and contractors
- ♦ current and former financial services providers and their representatives
- ♦ current and former accountants, auditors, unpaid workers and business partners.

We support the Government's work to provide better protections for whistleblowers, including better access to compensation.

Commissioners

Greg Medcraft

Chairman, BComm

Greg Medcraft is Chairman of ASIC.

Before joining ASIC as Commissioner in 2009, Greg had a distinguished career in investment banking. He spent nearly 30 years at Société Générale in Australia, Asia, Europe and the Americas. Most recently, he was the Managing Director and Global Head of Securitisation, based in New York.

Greg was also the CEO and Executive Director at the Australian Securitisation Forum and co-founded the American Securitization Forum.

He was Chair of the IOSCO Board from March 2013 to May 2016. Greg is a director of the Salzburg Global Seminar – the first Australian to be appointed to the board.

He is also a member of the IMF High-Level Advisory Group of the Interdepartmental Working Group on Finance and Technology.

Greg is a Global Steward of the World Economic Forum's Global Challenge Initiative on Long-term Investing, Infrastructure and Development. He is also a member of the Steering Committee of the World Economic Forum's Balancing Financial Stability, Innovation and Economic Growth Initiative.

Greg was recently appointed to the Board of Directors of the United States Studies Centre at the University of Sydney.



Peter Kell

Deputy Chairman, BA (Hons)

Peter Kell commenced as Deputy Chair of ASIC on 6 May 2013. Before this appointment, he was an ASIC Commissioner from 7 November 2011.

From August 2008, Peter was Deputy Chair of the Australian Competition and Consumer Commission (ACCC). He was President of the International Consumer Protection Enforcement Network in 2009–10, and also served on the Consumer Policy Committee of the Organisation for Economic Co-operation and Development. Peter has been on the Australian Government Financial Literacy Board since its establishment, and is a member of the Commonwealth Consumer Affairs Advisory Council.

Before joining the ACCC, Peter was Chief Executive of CHOICE (formerly the Australian Consumers Association) and a board member of the global consumer organisation Consumers International.

Between 1998 and 2004, he was ASIC's Executive Director of Consumer Protection and our New South Wales Regional Commissioner.



ASIC Commissioners, with the Hon. Kelly O'Dwyer MP, the Minister for Revenue and Financial Services.

Commissioners continued

Cathie Armour

BEd, LLB (Hons), LLM

Cathie Armour commenced as an ASIC Commissioner on 3 June 2013. In May 2017, Cathie was reappointed for a further five years.

Before joining ASIC, Cathie held legal counsel leadership roles in international financial institutions. Most recently, she was General Counsel for Macquarie Capital and an Executive Director of Macquarie Group. She has held senior compliance and operational risk positions at Macquarie Capital and at JP Morgan in Australia. Cathie was also a member of the ASX Tribunal and a member of the Client Advisory Council of Lex Mundi, an international network of law firms.

Cathie began her career in private legal practice and was a lawyer at law firms in Sydney and in New York.

She is a member of Chief Executive Women and a Graduate of the Australian Institute of Company Directors.



John Price

BA, LLB (Hons)

John Price commenced as an ASIC Commissioner on 21 March 2012. In March 2015, he was reappointed for a further three years.

John has over 15 years of regulatory experience in a variety of regulatory roles at ASIC covering such areas as policy making, fundraising, mergers and acquisitions, financial services and products, licensing, insolvency and financial reporting and audit.

He was previously a member of the Corporations and Markets Advisory Committee, an advisory body to Government on corporate and markets issues, and the Financial Reporting Council, which provides broad oversight of various accounting and audit-related issues in Australia.

John is a member of the Council of Financial Regulators, the coordinating body for Australia's main financial regulatory agencies. He is also the sponsor of ASIC's Innovation Hub, an initiative to help innovative fintech start-up businesses that offer financial products or financial services in Australia.

Before joining ASIC, John worked in the Gold Coast and Brisbane offices of Corrs Chambers Westgarth, a national law firm.



Greg Tanzer

BEd, LLB (Hons)

Greg Tanzer commenced as an ASIC Commissioner on 5 March 2012. His term concluded on 30 November 2016.

Greg served as Secretary-General of the International Organization of Securities Commissions from 2008 until early 2012.

He was previously Executive Director, Consumer Protection and International at ASIC, and worked in various senior positions at ASIC from 1992 to 2008.

Before joining ASIC, Greg worked in the Australian Government Attorney-General's Department and the Department of Finance. He is a qualified solicitor and barrister.





1

ABOUT ASIC

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1.1 ASIC's role

ASIC is Australia's integrated corporate, markets, financial services and consumer credit regulator.

Our 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:

1. promoting investor and consumer trust and confidence
2. ensuring fair and efficient markets
3. providing efficient registration services.

The *Australian Securities and Investments Commission Act 2001* requires ASIC to strive to:

- ♦ maintain, facilitate and improve the performance of the financial system and entities within it in the interests of commercial certainty, reducing business costs, and the efficiency and development of the economy
- ♦ promote confident and informed participation by investors and consumers in the financial system
- ♦ administer the law effectively and with minimal procedural requirements
- ♦ receive, process and store – efficiently and quickly – the information we receive
- ♦ make information about companies and other bodies available to the public as soon as practicable
- ♦ take whatever action we can, and which is necessary, to enforce and give effect to the law.

We enforce the law and regulate companies, financial markets and financial services under the following key legislation:

- ♦ *Australian Securities and Investments Commission Act 2001* (ASIC Act)
- ♦ *Business Names Registration Act 2011*
- ♦ *Business Names Registration (Transitional and Consequential Provisions) Act 1993*
- ♦ *Corporations Act 2001* (Corporations Act)
- ♦ *Insurance Contracts Act 1984*
- ♦ *National Consumer Credit Protection Act 2009* (National Credit Act).

We also administer parts of the following legislation:

- ♦ *Banking Act 1959* (Banking Act)
- ♦ *Life Insurance Act 1995* (Life Insurance Act)
- ♦ *Medical Indemnity (Prudential Supervision and Product Standards) Act 2003*
- ♦ *Retirement Savings Accounts Act 1997*
- ♦ *Superannuation (Resolution of Complaints) Act 1993*
- ♦ *Superannuation Industry (Supervision) Act 1993* (SIS Act).

1.1.1 Relationships with other agencies


ASIC maintains an operational and policy relationship with the:

- ♦ Attorney-General's Department
- ♦ Australian Competition and Consumer Commission (ACCC)
- ♦ Australian Crime Commission
- ♦ Australian Federal Police
- ♦ Australian Prudential Regulation Authority (APRA)
- ♦ Australian Taxation Office (ATO)
- ♦ Australian Transaction Reports and Analysis Centre (AUSTRAC)
- ♦ Commonwealth Director of Public Prosecutions
- ♦ Commonwealth Ombudsman
- ♦ Fair Work Ombudsman
- ♦ Reserve Bank of Australia (RBA)
- ♦ Takeovers Panel
- ♦ Treasury.

We are a member of the Council of Financial Regulators, the coordinating body for Australia's main financial regulatory agencies. Other members are APRA, Treasury and the RBA.

1.1.2 International engagement

Financial markets are now globally interconnected at an unprecedented level. International engagement among authorities is critical for ensuring that market regulators can develop proportionate and strategic responses to challenges that are effective across borders.



ASIC continues to contribute to the international financial policy agenda and to pursue Australia's interests internationally.

Through our international engagement, we are able to keep abreast of international regulatory developments and influence global policy and standard setting. This reduces the regulatory burden for cross-border businesses and helps us identify and address cross-border risks.

Working with IOSCO

ASIC is a member of the IOSCO Board and sits on a number of its policy committees and taskforces – including as Chair of the IOSCO Assessment Committee in 2016, and as Vice-Chair of the IOSCO committees on Regulation of Market Intermediaries and Retail Investors in 2017.

In 2016, we led a review assessing the regulatory frameworks for capital markets in Sri Lanka through IOSCO's Assessment Committee. This review included examining the operational efficiency of the Securities and Exchange Commission of Sri Lanka.

We helped design and develop a pilot project to examine the implementation of IOSCO's Objectives and Principles of Securities Regulation by IOSCO members, which is the premier standard-setting document for securities regulators.

We have also contributed to reviewing IOSCO members' implementation of principles for regulating secondary markets. The review will highlight where IOSCO members should implement further regulatory reforms.

International regulatory policy

ASIC contributes to international regulatory policy and standards setting through IOSCO committees, taskforces, and various other projects and activities. In 2016–17, this included:

- ♦ revising the IOSCO Objectives and Principles of Securities Regulation
- ♦ revising the Methodology for Assessing Implementation of the IOSCO Objectives and Principles of Securities Regulation. This document is used by bodies such as the International Monetary Fund (IMF) and World Bank to assess the performance of securities regulators during the Financial

Sector Assessment Program (FSAP). ASIC is preparing for an FSAP review, which is currently scheduled for late 2018

- ♦ participating in IOSCO's Market Conduct Task Force, which examined the approaches and tools used by regulators to address misconduct in wholesale markets
- ♦ contributing to a roundtable convened by IOSCO and the Financial Stability Board (FSB) on compensation practices, to understand and assess approaches to compensation in the financial sector
- ♦ contributing as a member of IOSCO's Committee on Investment Management, and as a member of the FSB Workstream 3, to developing policy proposals on topics such as liquidity risk management in managed investment schemes
- ♦ acting as Deputy Chair of the Joint Committee for the Asia Region Funds Passport.

We also actively participate in the work of the International Association of Insurance Supervisors (IAIS) to set international standards for insurance regulation. In 2016–17, this involved:

- ♦ serving as Vice-Chair for the IAIS Market Conduct Working Group, that is responsible for setting international standards for market conduct regulation of insurers and insurance intermediaries
- ♦ contributing to the revision of the Insurance Core Principles (ICP) for Intermediaries (ICP 18) and Conduct of Business (ICP 19). The ICPs provide a globally accepted framework for regulating the insurance sector and form the basis of the IMF's assessment of the performance of insurance regulators.

We also actively participate in the International Financial Consumer Protection Organisation (FinCoNet). It is an international organisation of supervisory authorities that have responsibility for financial consumer protection. FinCoNet promotes sound market conduct and good consumer outcomes through efficient and effective financial market conduct supervision.

For information on ASIC's bilateral and regional engagement with international jurisdictions, see pages 77–78.

1.1 ASIC's role continued

1.1.3 Relationships with states and territories

Corporations Agreement

The states have referred their corporations power to the Commonwealth, and the Commonwealth, states and territories are parties to the *Corporations Agreement 2002* (Corporations Agreement) that underpins the current legislative scheme.

The Corporations Agreement provides for the Legislative and Governance Forum on Corporations, which ASIC attends as an observer.

Under the Corporations Agreement and ASIC Act, we maintain regional offices in each state and territory, and consult with state and territory Ministers on the appointment of ASIC regional commissioners. Regional commissioners brief the local business community on ASIC's work through regional liaison meetings (see pages 102–104).

We also provide state and territory government agencies with free online access to our companies register and must respond to requests from state and territory Ministers for information that is not available on the companies register.

The Corporations Agreement must be renewed every five years, and is due for renewal on 15 July 2021.

Australian Consumer Law

Australia has national legislation to protect consumers. ASIC jointly regulates the Australian Consumer Law with the states and territories and the ACCC.

1.1.4 Responsible Ministers

At 30 June 2017, the Ministers responsible for ASIC were:

- ♦ Treasurer, the Hon. Scott Morrison MP
- ♦ Minister for Revenue and Financial Services, the Hon. Kelly O'Dwyer MP
- ♦ Minister for Small Business, the Hon. Michael McCormack MP
- ♦ Assistant Minister to the Treasurer, the Hon. Michael Sukkar MP.

1.1.5 Parliamentary oversight

The Parliamentary Joint Committee on Corporations and Financial Services provides parliamentary oversight of ASIC. We also appear before the Senate Standing Committee on Economics, the House of Representatives Standing Committee on Economics and other parliamentary committees and inquiries as required.

1.1.6 Correspondence with Parliamentarians

ASIC receives correspondence from Parliamentarians both directly and indirectly through requests from Treasury.

We aim to respond to 100% of correspondence within 28 days of receipt. In 2016–17, we responded to 173 letters and emails from Parliamentarians. We responded to 97% of this correspondence within 14 days, 99% within 28 days and 100% within 30 days.

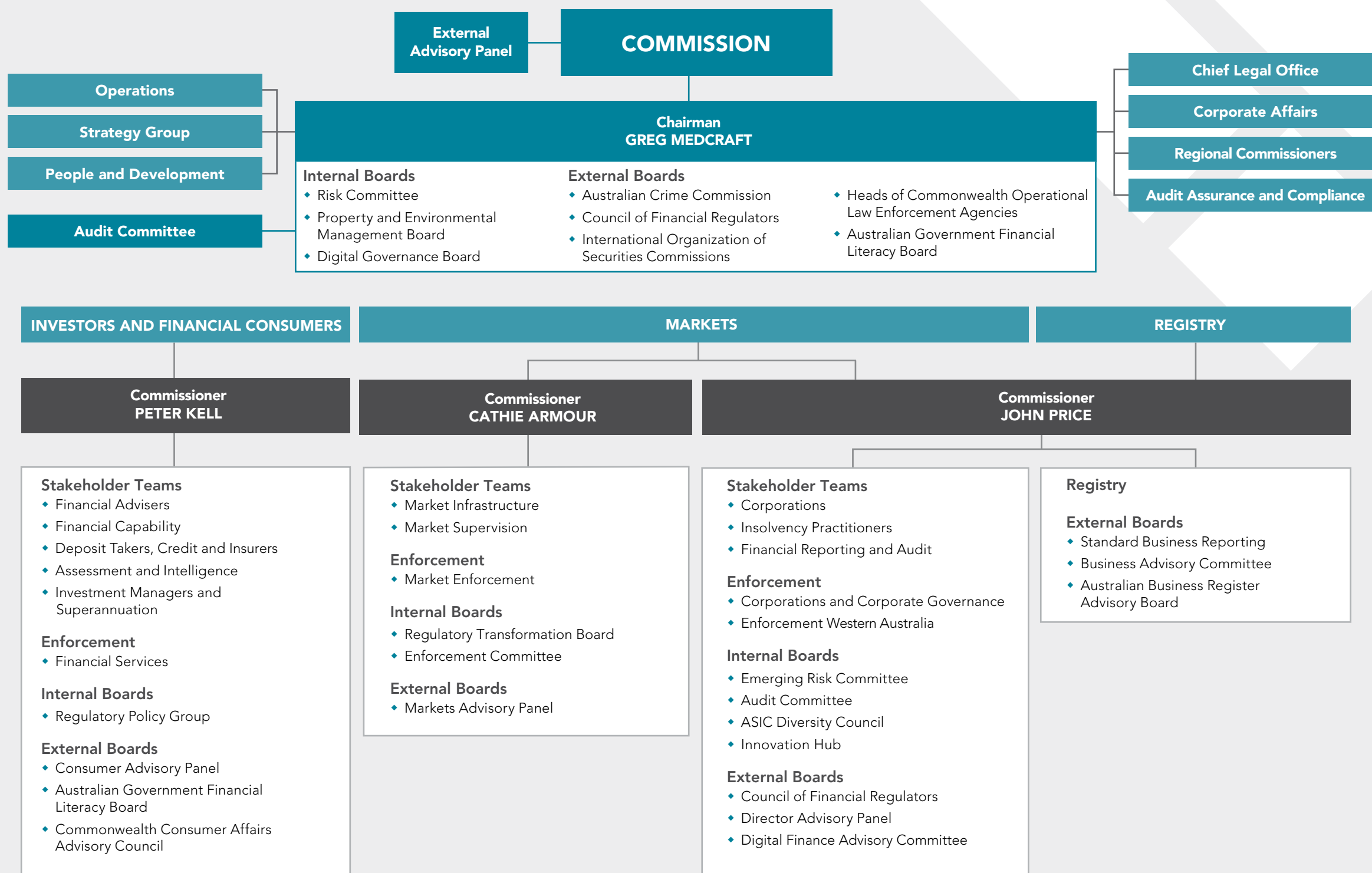
1.1.7 Financial and operational oversight

ASIC is a non-corporate Commonwealth entity under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), which primarily governs our use and management of public resources.

The PGPA Act also requires ASIC to prepare a corporate plan covering our purpose, environment, performance, capability, and risk oversight and management for the budget forward estimates period. Our *Corporate Plan 2016–17 to 2019–20* was published on 31 August 2016.

The Auditor-General audits our annual financial statements on behalf of the Parliament.

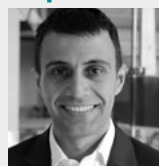
1.2 Corporate structure at 30 June 2017



1.3 ASIC and regulated populations¹

INVESTORS AND CONSUMERS

Deposit takers, credit and insurers



Michael Saadat – Senior Executive Leader
ASIC staff: 70
152 authorised deposit-taking institutions; 5,576 Australian credit licensees; 38,827 credit representatives; 91 general insurers; 29 life insurers; 12 friendly societies; 622 non-cash payment facility providers; 13 trustee companies

In 2016–17, we focused on:

- ♦ engaging with industry, including ongoing liaison with industry bodies and conducting the Indigenous Outreach Program
- ♦ undertaking surveillances and thematic reviews, including on interest-only loans and mortgage broker remuneration
- ♦ taking action in response to misconduct, including failures to comply with responsible lending obligations.

Investment managers and superannuation



Gerard Fitzpatrick – Senior Executive Leader
ASIC staff: 53
Around \$2.9 trillion in funds under management; 135 superannuation trustees; 466 responsible entities; 3,632 registered managed investment schemes;² 1,548 wholesale trustees; 197 MDA operators; 92 IDPS operators; 829 foreign financial service providers; 956 custodial service providers

In 2016–17, we focused on:

- ♦ engaging with industry, including ongoing liaison with industry bodies and publishing a newsletter for the wealth and funds management industries
- ♦ providing guidance on such issues as fees and costs disclosure, risk management, the expectations of trustees on disclosure and the use of appropriate defaults
- ♦ undertaking surveillances, including of how responsible entities and superannuation trustees comply with their licence obligations
- ♦ taking action in response to misconduct, including around misleading and deceptive disclosure.

Financial advisers

Joanna Bird and Louise Macaulay – Senior Executive Leaders



ASIC staff: 44
25,379 financial advisers; 4,185 AFS licensees licensed to provide personal advice; 1,653 AFS licensees licensed to provide general advice only

In 2016–17, we focused on:

- ♦ engaging with industry, including establishing the new Financial Advisers Consultative Committee
- ♦ providing guidance on such issues as consumer remediation and compliance for robo-advice providers
- ♦ undertaking surveillances, including of how large financial institutions oversee their advisers
- ♦ taking action in response to misconduct, including in response to failures to comply with advice obligations.



Financial capability Laura Higgins – Senior Executive Leader

ASIC staff: 27
Over 23 million³ financial services consumers

In 2016–17, we focused on:

- ♦ leading the National Financial Literacy Strategy
- ♦ promoting financial capability through the formal education sector
- ♦ enhancing financial capability through providing access to financial information, tools and guidance for investors and consumers.

Assessment and intelligence



Warren Day – Senior Executive Leader

ASIC staff: 159

In 2016–17, we focused on:

- ♦ assessing reports of misconduct, breach reports and other statutory reports
- ♦ assessing AFS licence and credit licence applications
- ♦ taking action to ensure compliance by companies, directors and small business owners with their obligations.

MARKETS

Corporations

Kate O'Rourke and Jane Eccleston – Senior Executive Leaders



ASIC staff: 43
23,908 public companies; 2,200 listed entities (including registered schemes and foreign companies)

In 2016–17, we focused on:

- ♦ engaging with industry and other government agencies, including ongoing liaison with the Takeovers Panel
- ♦ providing guidance on such issues as improving the quality of financial information in prospectuses
- ♦ undertaking surveillances, including a review of fundraising and control transactions
- ♦ taking action in response to misconduct, including corporations and market integrity breaches.

Insolvency practitioners



Adrian Brown – Senior Executive Leader

ASIC staff: 24
711 registered liquidators; 8,031 companies entering external administration

In 2016–17, we focused on:

- ♦ engaging with industry and other government agencies, including contributing to the Phoenix Taskforce and the Serious Financial Crime Taskforce
- ♦ providing education and guidance on such issues as insolvency law reforms
- ♦ undertaking surveillance and taking action in response to registered liquidator misconduct in key areas of independence, competence and improper gain.

Financial reporting and audit



Douglas Niven – Senior Executive Leader

ASIC staff: 29
4,364 registered company auditors; 28,000 entities required to produce financial reports; 6,341 SMSF auditors

In 2016–17, we focused on:

- ♦ engaging with industry on financial reporting and audit quality
- ♦ providing guidance and relief, on financial reporting and audit
- ♦ undertaking surveillances of financial reports and audit quality, and educating the market on our findings
- ♦ taking action in response to misconduct by auditors and misstatements in financial reports.

Market infrastructure



Oliver Harvey – Senior Executive Leader

ASIC staff: 32
18 licensed domestic and overseas financial markets; 32 exempt markets; 7 licensed clearing and settlement facilities; 1 exempt clearing and settlement facility; 2 derivative trade repositories; 7 credit rating agencies

In 2016–17, we focused on:

- ♦ engaging with industry, including on international market developments
- ♦ providing guidance and encouraging improvements in technology practices, such as cyber resilience
- ♦ supervising market infrastructure providers in equities, futures and OTC markets.

Market supervision



Greg Yanco – Senior Executive Leader

ASIC staff: 76
121 market participants; 700 securities dealers; 24 investment banks; 66 retail OTC derivative providers; 48 wholesale electricity providers

In 2016–17, we focused on:

- ♦ engaging with industry, including promoting good practices among market intermediaries
- ♦ providing guidance to market intermediaries on firm culture and conduct
- ♦ undertaking surveillances on how firms handle confidential information and conflicts of interest
- ♦ taking action in response to market misconduct, including around financial benchmarks.

ENFORCEMENT⁴

Financial services and credit enforcement

Tim Mullaly – Senior Executive Leader
and **David McGuinness – Senior Executive**



ASIC staff: 68

In 2016–17, we focused on:

- ♦ investigating suspected misconduct and taking enforcement action to achieve criminal convictions, civil outcomes or administrative sanctions, with a focus on financial and credit products and advice.

Markets enforcement

Sharon Concisom – Senior Executive Leader
and **George Stogdale – Senior Executive**



ASIC staff: 90

In 2016–17, we focused on:

- ♦ investigating suspected misconduct and taking enforcement action to achieve criminal convictions, civil outcomes or administrative sanctions, with a focus on market integrity and corporate governance.

Enforcement Western Australia

Natalie Durr – Senior Executive Leader

ASIC staff: 28



In 2016–17, we focused on:

- ♦ investigating suspected misconduct and taking enforcement action to achieve criminal convictions, civil outcomes or administrative sanctions, with a focus on market integrity and corporate governance.

REGISTRY SERVICES

Registry services and Customer Contact Centre

Rosanne Bell – Senior Executive Leader

ASIC staff: 196

90.6 million searches of ASIC registers; more than 800,000 inquiries handled by the Customer Contact Centre; Registry services for 2.5 million companies; 2.19 million business names; 6,058 AFS licensees; 5,576 credit licensees; 25,379 financial advisers on the Financial Advisers Register; 4,364 registered company auditors; 6,341 registered SMSF auditors; 711 registered liquidators



In 2016–17, we focused on:

- ♦ providing registry services for companies, business name holders, AFS licensees, credit licensees, liquidators and others
- ♦ providing public and non-public access to registry information
- ♦ providing a Customer Contact Centre for the public inquiries.

1. Data is indicative. See relevant sections of annual report for 2015–16 data. All staff figures are average net full-time equivalents (FTE) and represent staff dedicated to respective populations, including operational staff working on non-business-as-usual projects. Excludes ASIC's Strategy Group, Chief Legal Office, Corporate Affairs, Operations, People and Development, and statutory bodies.
2. Excluding managed investment schemes in wind up or strike off.
3. ABS 2016, *Australian Census of Population and Housing*, Cat. No. 2071.0, Australian Bureau of Statistics, Canberra.
4. Plus 112 FTE staff working on Enforcement Special Account matters, and an additional 83 FTE providing Enforcement support services and legal counsel.

1.4 ASIC's surveillance coverage of regulated populations

The following tables provide a snapshot of our surveillance coverage in 2016–17 and our anticipated surveillance coverage in 2017–18, based on our 2017–18 budget and resources.¹ The tables show the regulated population and the estimated number of years it would theoretically take to cover the entire population through all types of surveillance (both completed and current),² based on the number of entities subject to our surveillance in 2016–17. ASIC's surveillance activity includes onsite visits and desk-based reviews and can vary in intensity. A high-intensity surveillance generally takes more than two days of effort to complete.

INVESTORS AND CONSUMERS

Deposit takers, credit and insurers		
2016–17	2017–18	
Surveillance resources: 47	Est: 51	
Surveillance coverage:		
152 authorised deposit-taking institutions (ADIs)		
♦ Big 4 – every year	—	
♦ Remaining 148 – primarily reactive surveillances, and reviews of target risks or concerns	↑	
132 insurers – led reactive surveillances, and reviews of target risks or concerns	↑	
622 licensed non-cash payment facility providers and distributors – primarily reactive surveillances	—	
13 trustee companies – primarily reactive surveillances only	—	
5,468 non-ADI credit licensees (lenders and intermediaries) with 33,038 credit representatives – reactive surveillances, and reviews of target risks or concerns	↑	

Financial advisers		
2016–17	2017–18	
Surveillance resources: 34 ³	Est: 28 ³	
Surveillance coverage:		
4,185 AFS licensees authorised to provide personal advice		
♦ Top 20 – 40% of advisers – 0.2 years	↓	
♦ Next 30 – 19% of advisers – 1.5 years	—	
♦ Remaining 4,135 – primarily reactive surveillances	—	
1,653 AFS licensees authorised to provide general advice only – reactive surveillances only	—	

Investment managers and superannuation

2016–17	2017–18	
Surveillance resources: 23	Est: 22	
Surveillance coverage:		
466 active responsible entities		
♦ Top 20 – 70% of funds under management – every two years	—	
♦ 60 identified as most at risk of non-compliance – varies from year to year	↓	
♦ 18 responsible entities where we have identified risks or concerns – varies from year to year	↑	
♦ Remaining 368 – primarily reactive surveillances	↑	
135 super fund trustees		
♦ 3 identified as most at risk of non-compliance – varies from year to year	↓	
♦ 85 where we have identified risks or concerns – varies from year to year	↓	
♦ Remaining 47 – primarily reactive surveillances	↑	
956 custodial and depository service providers		
♦ 10 custodians where we have identified risks or concerns – varies from year to year	↓	
♦ Remaining 946 – primarily reactive surveillances	↑	

Small business compliance and deterrence

2016–17	2017–18	
Surveillance resources: 9	Est: 9	
Surveillance coverage:		
Companies identified as having the potential to conduct illegal phoenix activity		
♦ A small sample of entities in high-risk industries – every year	—	
♦ Supplemented by reactive surveillances and reviews to target risks or concerns	—	

Key: ↑ increase — remain stable ↓ decrease

Our risk-based approach to surveillance means that a subset of the population is examined multiple times, while others are not examined at all. The data is indicative only. Staff numbers are FTEs that are allocated to undertake surveillances in each team. They do not represent the total staff for each team that undertakes a range of other regulatory work.

MARKETS

Market supervision

2016–17 **2017–18**
Surveillance resources: 37 **Est: 38**

Surveillance coverage:

Monitoring of the ASX, Chi-X, NSX, SSX and ASX 24 markets – every day
 130 market intermediaries – 0.5 years
 700 securities dealers – *reactive surveillances and targeted reviews of high-risk entities only*
 Supplemented by reactive surveillances and reviews to target risks or concerns

Market infrastructure

2016–17 **2017–18**
Surveillance resources: 14 **Est: 16**

Surveillance coverage:

67 authorised market infrastructure providers
 ♦ 18 licensed financial markets – every year
 ♦ 32 exempt markets – *reactive surveillances only*
 ♦ 7 licensed clearing and settlement facilities – every year
 ♦ 1 exempt clearing and settlement facility – every year
 ♦ 2 licensed trade repositories – every year
 ♦ 7 credit rating agencies – every year

Corporations

2016–17 **2017–18**
Surveillance resources: 15 **Est: 15**

Surveillance coverage:

23,908 public companies, 2,200 are listed entities (including registered schemes and foreign companies)
 ♦ All control transactions for listed entities
 ♦ A significant proportion of prospectuses
 ♦ A small sample of entities in areas of emerging risk – every year
 ♦ Remaining entities – *reactive surveillances only*

Insolvency practitioners

2016–17 **2017–18**
Surveillance resources: 11.4 **Est: 12**

Surveillance coverage:

711 registered liquidators – every two years

Financial reporting and audit

2016–17 **2017–18**
Surveillance resources: 23 **Est: 23**

Surveillance coverage:

Financial reports of around 2,000 listed entities (excludes foreign companies) and 26,000 unlisted entities
 ♦ Top 500 listed entities – 98% of total market capitalisation – 205 reports reviewed ↑
 ♦ Remaining 1,500 listed entities – 80 reports reviewed ↓
 ♦ 2,100 unlisted public interest entities – 35 reports reviewed ↓
 115 audit firms that audit listed entities
 ♦ Big 4 audit – 94.9% of listed entities by market capitalisation – 32 files reviewed ↑
 ♦ Next 20 audit – 3.7% of listed entities by market capitalisation – 17 files reviewed –
 ♦ Remaining 91 audit – 1.4% of listed entities by market capitalisation – 4 files reviewed –
 Supplemented by reactive surveillances ↓

1. ASIC does not record actual FTE allocated to individual surveillance figures, and these FTE figures are estimates only.
2. Surveillance figures in these tables include all surveillances completed in 2016–17, as well as those in progress at 30 June 2017.
3. There will be fewer surveillance resources in 2017–18 as the Wealth Management project moves from surveillance to enforcement.

1.5 ASIC for all Australians

ASIC assists Australians at every stage of life and in many different circumstances. We help them to make the most of financial opportunities, make financial decisions and deal with challenges when they occur.

Over 7 million people visited ASIC's MoneySmart website in 2016–17. It offers free, impartial and comprehensive information on money matters for all Australians across a wide range of demographic groups. Around 89% of users reported that they took action on their finances after visiting MoneySmart in 2016–17.

Examples of ASIC's work at life stages in 2016–17



Budgeting and saving

- ♦ ASIC's MoneySmart online **Budget Planner** was accessed by around 65,000 people each month to work out where their money was going.
- ♦ Our **TrackMySPEND app** was downloaded over 100,000 times in 2016–17, helping Australians to track their personal expenses on the go and manage their money better.



Getting Financial Advice

- ♦ Our **Financial Advisers Register** has been searched more than 818,000 times by consumers seeking information about advisers, such as their work history and qualifications.
- ♦ ASIC's new **Financial Advice Toolkit** helps Australians better understand and navigate the financial advice process, with tips including how to identify their financial goals and advice needs.
- ♦ ASIC took **action against firms and advisers** that put their financial interests ahead of the interests of customers.



Getting insurance

- ♦ ASIC announced that it will **ban flex commissions in the car finance market** from the second half of 2018.
- ♦ ASIC launched two new add-on insurance infographics in 2016–17:
 - ♦ Our **Tyre and Rim Insurance infographic** explains what tyre and rim insurance covers, and what consumers need to consider before buying this insurance from a car dealer.
 - ♦ Our **Mechanical Breakdown Insurance infographic** shows that this insurance is unnecessary when purchasing a new car, as consumers are already covered by the Australian Consumer Law and their car warranty.



Getting a credit card or a mortgage

- ♦ ASIC cracked down on **misleading or deceptive advertising** for credit cards and financial products – 55 ads were withdrawn or fixed.
- ♦ ASIC stopped banks and other credit providers overcharging interest and fees on accounts, with **over \$200 million refunded to consumers**.
- ♦ ASIC's MoneySmart **Mortgage Calculator** was accessed by more than 57,000 people every month.
- ♦ ASIC **reviewed mortgage broker remuneration** and recommended to Government the need for improved oversight of mortgage brokers by lenders.



Examples of ASIC's work for particular demographic groups in 2016–17



School children

- ◆ Since 2012, **more than 32,000 teachers** have received financial literacy professional development on ASIC's MoneySmart Teaching resources for primary and secondary schools.
- ◆ In 2016–17, **over 5,800 schools** – more than 62% of the nation's schools – engaged with ASIC's MoneySmart Teaching program.



Older Australians

- ◆ We hosted two roundtables in September 2016 and March 2017 to present the findings of our **research on the financial capability of older Australians**.



Indigenous communities

- ◆ Our **Take a minute with your money** videos deliver financial tips to regional and remote Indigenous consumers and focus on topics such as motor vehicle finance and consumer leases.
- ◆ We launched **Knowing, Growing, Showing** – a financial literacy teaching resource to support learning opportunities and improve the financial capabilities of Indigenous Australians.



Culturally and linguistically diverse (CALD) communities

- ◆ We launched ASIC's MoneySmart **Simple Money Manager** – a free online tool designed to help CALD Australians with everyday budgeting. The online tool is available in English and has also been translated into eight other languages, including Chinese (simplified and traditional), Italian, Arabic and Vietnamese.
- ◆ We launched a new ASIC MoneySmart video in Cantonese and Mandarin for the **Lunar New Year**. The videos were viewed more than 12,000 times on social media.



Women

- ◆ Our **Women's money challenges infographic** was launched to support International Women's Day. It shows the small financial steps women can take now that can make a big difference in later life.



Divorce and separation

- ◆ ASIC's **Divorce and Separation Financial Checklist** and the **Asset Stocktake Calculator** assist people with the financial aspects of divorce, separation or relationship breakdown.

1.6 Financial summary and expenditure

1.6.1 Outcomes

Parliament funds ASIC to achieve the outcome of:

Improved confidence in Australia’s financial markets through promoting informed investors and financial consumers, facilitating fair and efficient markets and delivering efficient registry systems.

1.6.2 Revenue for the Commonwealth

In 2016–17, ASIC raised \$920 million for the Commonwealth in fees and charges, an increase of 5% from 2015–16. The increase in revenue is driven by continued net company growth, along with fee indexation.

1.6.3 Revenue, appropriations and expenditure

In 2016–17, ASIC received approximately \$342 million in appropriation revenue from Government, including \$27 million from the Enforcement Special Account (ESA). This represented a \$30 million or 10% increase in appropriation compared with 2015–16.

We received approximately \$7 million of own-source revenue, which is \$2 million higher than the previous year.

The increase in appropriation revenue relates to new funding provided in the 2016–17 Budget. We received \$22 million for the ‘Improving Outcomes in Financial Services’ measure, which will enable us to enhance our data analytics and surveillance capabilities, as well as improve our information management systems and undertake additional surveillance and enforcement activities.

We received \$6 million in funding to support market testing of the Registry business, and a further \$2 million to implement a new collective investment vehicle regime and to implement the Asia Region Funds Passport.

The increase in expenditure in 2016–17 is consistent with the increase in appropriation revenue and represents a general increase in staff and supplier expenditure.

Table of 2016–17 revenue, appropriations and expenses

	2016–17 \$’000	2015–16 \$’000	Change \$’000	%
Revenues from Government (incl. ESA)	341,641	311,427	30,214	10%
Own-source revenue	7,261	5,200	2,061	40%
Total revenue	348,902	316,627	32,275	10%
Total expenses (including depreciation and amortisation)	392,460	371,223	(21,237)	(6%)
Surplus/(deficit)	(43,558)	(54,596)	11,038	20%

ASIC’s use of taxpayers’ money for the outcomes approved by Parliament

	2016–17	2015–16	2014–15
Operating expenses			
Total	\$392m	\$371m	\$354m
Annual change on previous year	+6%	+4.8%	–12%
Fees and charges raised for the Commonwealth			
Total	\$920m	\$876m	\$824m
Annual change on previous year	+5%	+6.4%	+8%



2

ANNUAL PERFORMANCE STATEMENT

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Introductory statement

Chairman's statement

I, Greg Medcraft, as the accountable authority of ASIC, present the 2016–17 annual performance statement of ASIC, as required under paragraph 39(1)(a) of the PGPA Act. In my opinion, the annual performance statement is based on properly maintained records, accurately reflects the performance of the entity, and complies with subsection 39(2) of the PGPA Act.

ASIC's purpose

ASIC's vision is to allow markets to fund the real economy and, in turn, economic growth. In doing so, we contribute to the wellbeing of all Australians. We do this by:

1. promoting investor and consumer trust and confidence
2. ensuring fair and efficient markets
3. providing efficient registration services.

Portfolio Budget Statement performance outcomes

Outcome 1: To allow markets to fund the real economy by promoting investor and consumer trust and confidence, facilitating fair and efficient markets and delivering efficient registration.

Program 1.1: Australian Securities and Investments Commission

Program 1.1 contributes to our purpose by improving industry behaviour through our 'detect, understand and respond' approach where investor and consumer trust and confidence and fair, orderly and transparent markets are most at risk.

Through this approach, we:

1. **detect** misconduct or the risk of misconduct through surveillance, breach reporting, reports from whistleblowers and the public, data gathering and matching
2. **understand** and analyse the intelligence we receive
3. **respond** to misconduct or the risk of misconduct through education, disrupting harmful behaviour, enforcement, communicating the actions we take, engaging with industry and stakeholders, and providing guidance and policy advice.

This program also seeks to improve our registry services and reduce costs for businesses and consumers.

Sections 2.1–2.3 of the annual performance statement provide an overview of our performance against these program deliverables and key performance indicators.

Our analysis is supported by sections 3.1–3.3 of this annual report, which set out our performance in more detail.



ASIC Chairman Greg Medcraft and members of the Women in ASIC Committee, shown here with Juanita Philips, ABC broadcaster and keynote speaker at ASIC's International Women's Day event in March 2017.



Kim Heras, Partner at 25Fifteen, presenting at ASIC's inaugural regtech roundtable, February 2017.



Each year, ASIC recruits talented graduates with a diverse range of skills and backgrounds. The 2017 graduates are shown here in ASIC's Sydney office.



Delta Society therapy dogs visited ASIC's Sydney office for ASIC's International Day for People with Disability event in December 2016.



ASIC Chairman Greg Medcraft and Ranjit Ajit Singh, Chairman of Malaysia's Securities Commission, with the fintech cooperation agreement signed in June 2017.

2.1 Investor and consumer trust and confidence

Performance objective

To promote investor and consumer trust and confidence.

Source

This performance objective is set out in:

1. ASIC's Portfolio Budget Statement 2016–17 (at page 140)
2. ASIC's Corporate Plan 2016–17 to 2019–20 (at page 33–34).

Targets

ASIC will promote investor and consumer trust and confidence through stakeholder engagement, education, guidance, surveillance, enforcement and policy advice.

Our 2016–17 targets are set out in the Portfolio Budget Statement (at pages 140–141) and ASIC's Corporate Plan 2016–17 to 2019–20 (at page 34).

Key results: Investor and consumer trust and confidence

Outcome	2016–17	2015–16	2014–15	2013–14
Stakeholder engagement				
Meetings with industry groups and other stakeholders ¹	797	799	627	685
Consultation papers published	19	16	6	5
Industry reports published	31	18	10	14
Education				
Unique visits to ASIC's MoneySmart website	7m	6.1m	5.4m	4.7m
Users who reported taking action on their finances after visiting MoneySmart	89% ²	90%	89%	86%
Number of unique school interactions with MoneySmart Teaching	5,856	5,079	3,185	396
Guidance				
New or revised regulatory guides published	20	17	9	10
New or revised information sheets	6	9	13	18
Legislative instruments made, amended and repealed	72 ³	48	19	17
Relief applications received ⁴	438	451	581	816 ⁵
Approved ⁴	250	300	409	518
Refused ⁴	20	24	41	48

1. Data reflects reporting in given years on the basis of corporate structure and methodology at that time. In 2013–14, there was a change in methodology. As a result, meetings involving multiple ASIC teams have been counted against each team involved. Data does not include meetings held by Commissioners.
2. *Awareness and usage of ASIC's MoneySmart website, Wave 12: February 2017*, ASIC, page 12.
3. Data includes legislative instruments that provide relief from, or modify, provisions of the Corporations Act relating to various types of managed investment schemes, such as time sharing and strata schemes.
4. Data reflects point-in-time reporting in given years. A breakdown of withdrawn and in-progress applications is not available for 2013–14.
5. In 2013–14, ASIC received a greater number of relief applications from entities seeking relief from the managed investment scheme provisions in Chapter 5C of the Corporations Act. During that year, there was a comparatively higher level of reconstruction work in managed investment schemes requiring relief or modification of the Act, as well as applications for relief linked to Exchange Traded Funds, which was subsequently addressed through a class order.

Outcome	2016–17	2015–16	2014–15	2013–14
Withdrawn ⁴	92	61	59	250
In progress ⁴	76	66	72	
Surveillance				
High-intensity surveillances completed	557 ⁶	461	557	860 ⁷
Instances of potentially misleading or deceptive promotional material withdrawn or amended	55	45	54	127
Enforcement				
Investigations				
Investigations commenced	68	93	77	97
Investigations completed	75	79	88	113 ⁸
Criminal actions				
Criminal litigation completed ⁹	10	7	7	16
Criminal litigation completed successfully ⁹	90%	100%	86%	94%
New criminal litigation commenced ⁹	5	13	11	13
Number of people convicted	10	7	6	15
Custodial sentences (including fully suspended)	6	3	5	13
Non-custodial sentences/fines	4	4	1	2
Total dollar value of fines	\$6,000	\$8,500	\$10,000	\$5,000
Civil actions				
Civil litigation completed	55	36	43	12
Civil litigation completed successfully	91%	94%	86%	100%
New civil litigation commenced	81	44	20	31
Total dollar value of civil penalties	\$3.9m ¹⁰	\$1.27m	\$18.97m ¹¹	\$1.5m

6. In 2016–17, this figure included 36 high-intensity surveillances completed by the Small Business Compliance and Deterrence (SBC&D) team, which is not reported elsewhere in this annual report.
7. A high-intensity surveillance includes desk-based and onsite reviews, and generally takes more than two days of effort to complete. In 2014–15, there was a change in methodology for how we recorded high-intensity surveillances. As a result, we only counted those high-intensity surveillances that we closed on our databases during the year. In addition, there were 147 high-intensity surveillances undertaken by the Investment Banks (IB) team. The IB team has since been merged into our Market Infrastructure and Market Supervision teams.
8. Of the 113 investigations completed in 2013–14, 22 investigations related to alleged false or misleading statements and representations, 20 related to alleged dishonest conduct and 15 related to alleged misleading and deceptive conduct. In 2013–14, our key areas of focus included addressing misleading advertising of products and services and taking action against credit providers for misleading consumers and loan fraud.
9. Excludes summary prosecutions for strict liability offences.
10. The total dollar value of civil penalties included \$1.89 million in penalties against directors of MFS Investment Management Limited. Significant penalties against Channic Pty Ltd (\$776,000) and Fast Access Finance Pty Ltd (\$730,000) were also handed down.
11. The civil penalty amount of \$18,975,000 in 2014–15 related to The Cash Store Pty Ltd matter.

2.1 Investor and consumer trust and confidence continued

Outcome	2016–17	2015–16	2014–15	2013–14
Administrative actions¹²				
Administrative actions completed	85	74	64	67
New administrative actions commenced	53	51	74	60
People/companies banned from financial services	100 ¹³	81	53	63
People/companies banned from credit services	108 ¹³	55	39	46
Enforceable undertakings				
Enforceable undertakings accepted	7	13	10	18
Infringement notices				
Number of infringement notices issued – ASIC Act	6	9	32	16
Dollar value of infringement notices – ASIC Act	\$64,800	\$93,600	\$319,400	\$163,200
Number of infringement notices issued – National Credit Act	54 ¹⁴	87 ¹⁴	38	4
Dollar value of infringement notices – National Credit Act	\$1.8m ¹⁴	\$1.13m ¹⁴	\$391,000	\$77,000
Compensation				
Compensation or remediation	\$837.7m ¹⁵	\$210.5m ¹⁵	\$35.2m	\$172.6m
Community benefit payments	\$5.1m ¹⁶	\$2.05m ¹⁶	\$110,000	\$250,000

12. An administrative action is a decision by a delegate of ASIC to exercise a statutory protective power. Examples of an administrative action are a decision to disqualify a person from managing corporations, prohibit a person from providing financial services or engaging in credit activities, cancel or suspend an AFS licence or Australian credit licence (credit licence), or impose additional conditions on an AFS licence or credit licence. The number of people or companies banned from financial services includes instances where conditions were placed on an AFS licensee.

13. The number of bannings in 2016–17 includes instances where conditions were placed on an AFS licensee. For financial services, there was a 12% increase in bannings by the Financial Advisers team, including five bannings under the Wealth Management Project. For credit, there was a 187% increase in bannings by the SBC&D team as a result of two surveillance campaigns on non-compliant entities who failed to lodge Annual Compliance Certificates or maintain EDR scheme membership.

14. In 2016–17, there were 30 infringement notices issued to Cash Converters under the National Credit Act. In 2015–16, two entities were issued 22 and 58 infringement notices respectively under the National Credit Act.

15. In 2016–17, an amount of \$617.2 million was awarded against MFS Investment Management Ltd by the Supreme Court (Qld). In 2015–16, there were six matters that comprised 79% (\$165.5 million) of the total figure for compensation or remediation.

16. In 2016–17, BMW Australia Finance Limited agreed to pay a \$5 million community benefit as part of its enforceable undertaking with ASIC. In 2015–16, ACE Insurance Limited/Combined Insurance Company agreed to pay a \$1 million community benefit as part of its enforceable undertaking with ASIC. The purpose of these community benefit payments is to contribute to consumer advocacy and financial literacy initiatives.

Analysis of our performance

Ensuring investors and financial consumers have trust and confidence in the Australian financial system is at the heart of everything we do at ASIC.

Stakeholder engagement

Engaging with key stakeholders through regular meetings helps us achieve our vision. It helps us to communicate and maintain regulatory standards, and identify issues in the market.

In 2016–17, we held 797 meetings with a number of key external stakeholders, including lenders, mortgage brokers, insurers, financial advisers, responsible entities, superannuation trustees, peer regulators and industry bodies.

For example, we continued to engage with industry on issues such as life insurance reforms, professionalism standards for financial advisers and risk management for responsible entities.

Perceptions of trust and confidence

ASIC seeks to better understand perceptions of trust and confidence of investors and consumers in the sectors we regulate. Our Australian Financial Attitudes and Behaviour Tracker research (Wave 5)¹ tracks a number of financial attitudes and behaviours among adult Australians. It also helps to highlight those areas where perceptions of trust and confidence could be improved.

By engaging the broader community through our survey, we found that approximately 81% of Australians did not report having a bad experience or feeling unfairly treated by their financial services providers during the period between September 2016 and February 2017.²

However, of those 19% of Australians who stated that they had a negative experience with their financial services providers (including banks,

mortgage brokers and insurance companies) during this six month period, they reported instances of:

- ♦ poor customer service
- ♦ overcharged or unexpected fees
- ♦ being told something incorrect or untrue by their financial services provider
- ♦ financial services providers not taking the time to understand their needs.

We take these perception measures into account when we consider and track 'what good looks like' for the sectors and markets that we regulate.

Education and guidance

ASIC's education initiatives help build the financial capabilities of Australian consumers and investors.

ASIC's MoneySmart website is a central source for trusted and impartial financial guidance and tools. Over 7 million people visited MoneySmart in 2016–17. The website attracts over 890,400 sessions a month. 89% of users reported that they took action on their finances after visiting the website.

Our financial capability program is informed by research, education and behavioural insights to reflect an understanding of how investors and consumers make decisions.

The recent Australian Financial Attitudes and Behaviour Tracker research found that the majority of Australians (58%) continue to feel confident about managing their money, but a larger proportion (36%) than in previous years say dealing with money is stressful and overwhelming.

In 2016–17, we developed tools and resources to help consumers and investors feel more confident when managing their money. These included our new Financial Advice Toolkit and Simple Money Manager tool for culturally and linguistically diverse Australians.

1. The Australian Financial Attitudes and Behaviour Tracker, Wave 5, was conducted in February and March 2017. The total sample size of 1,375 adult Australians has a maximum margin error of $\pm 2.6\%$ at the 95% level of confidence. This means ASIC can be 95% confident that the survey estimates will reflect the real world to within $\pm 2.6\%$.
2. Wave 5 of the Australian Financial Attitudes and Behaviour Tracker is the first time that ASIC incorporated a question about investors' and consumers' experience of the Australian financial system. Respondents were asked to answer questions in the context of their own financial situation.

2.1 Investor and consumer trust and confidence continued

We provide guidance to industry aimed at enhancing industry participants' understanding of their legal obligations and how we administer the law. We published 20 regulatory guides and six information sheets in 2016–17 on topics such as digital advice, remediation by advice licensees and risk management by responsible entities.

Surveillance

Gatekeepers play a crucial role in the overall health of the financial system. Their conduct influences the level of trust and confidence that consumers and investors can have in the financial system.

In 2016–17, we completed 557 high-intensity surveillances in the deposit-taking and credit, financial advice, investment management and superannuation sectors to ensure that financial services providers complied with their conduct obligations.

Our surveillances focused on areas such as mortgage broker remuneration, life insurance, financial advice, superannuation trustees and custodians.

We published a report in March 2017 on our review of how effectively Australia's largest banking and financial services institutions oversee their financial advisers. Our review identified a number of areas of concern where further improvements are needed. For example, we found that the background and reference checking on new financial advisers was inadequate.

We also published a report in June 2017 of how responsible entities complied with their obligations under the law. Our review found that there were some areas where our expectations of 'what good looks like' were not met. This included managing conflicts of interest, breach reporting, custody arrangements and risk management systems.

Enforcement


Where we detected a failure, or failures, to comply with conduct obligations through our surveillance activities, we responded by taking action to hold these financial service gatekeepers to account.

During 2016–17, there were over 270 surveillances where we responded to failures to comply with conduct obligations. For example, we:

- ♦ banned 100 people or companies from providing financial services
- ♦ banned 108 people or companies from providing credit services for failing to comply with their responsible lending obligations or engaging in unlicensed credit activity
- ♦ took action where credit licensees, superannuation trustees and responsible entities made misleading statements to consumers and investors. There were 55 instances of potentially misleading or deceptive promotional material withdrawn or amended in 2016–17.

Our activities also resulted in improvements to some entities' business practices or processes. For example, in December 2016, some of Australia's largest timeshare operators, ULTIQA Lifestyle Points Limited and ULTIQA Lifestyle Promotions Limited, agreed to significantly change their operations, including revising their sales and supervision processes.

When consumers suffered loss due to an organisation's failures, we took action in an effort to ensure that these consumers were appropriately compensated. Our actions contributed to \$837.7 million of compensation and remediation paid, or ordered to be paid, to consumers in 2016–17. This included a Supreme Court (Qld) order for \$617.2 million in compensation against four former officers of MFS Investment Management Limited.



We are also establishing the ASIC Financial Services and Credit Panel, after this proposal was supported by the majority of respondents to our April 2017 consultation. The Panel will add a strong element of peer review to sit alongside our current process for taking administrative action against participants in the financial services and credit industries. The Panel will consist of financial services and credit industry participants and at least one ASIC staff member. In 2017–18, we will officially launch the Panel and seek expressions of interest from individuals with relevant experience to become members of the Panel.

Policy advice

In 2016–17, ASIC met with Treasury and provided policy advice in such areas as the Australian Consumer Law, reforms to the professional standards of financial advisers and implementation of the crowd-sourced funding regime and Asia Region Funds Passport.

We also provided input to Treasury on the life insurance remuneration reforms, including providing feedback on draft legislation. The *Corporations Amendment (Life Insurance Remuneration Arrangements) Act 2017*, passed in February 2017, removes the exemption for life insurance from the ban on conflicted remuneration. This means that benefits, such as commissions paid for life insurance products, will generally be considered conflicted remuneration and will be prohibited.

Licensing

ASIC assesses applications for AFS licences and credit licences. We also maintain a number of professional registers, including registers of liquidators, registered company auditors and self-managed superannuation funds (SMSF) auditors.

This licensing function is an important element of our regulatory framework. The assessment of applications is not an automatic process. We subject each application to a detailed and rigorous assessment.

This is to ensure that only suitable persons and organisations are licensed or registered and that applicants are only licensed to provide financial and credit services and products that they are competent to provide.

In 2016–17, we assessed over 3,000 applications for AFS licences and credit licences. We approved 1,159 AFS licences and 406 credit licences:

- ♦ of the number of new AFS licences approved, we granted 512 limited licences for SMSF advice, 142 licences to insurance dealers and 13 licences to insurance brokers
- ♦ of the new credit licences approved, we granted 231 licences to mortgage and finance brokers.

We refused six applications and over 650 licence applications were withdrawn or not accepted for assessment because of material deficiencies in the information provided.

We also assessed over 350 applications for registration as liquidators (including official liquidators) and auditors (including company auditors and SMSF auditors). Of these applications, we approved 64 liquidator registrations and 178 auditor registrations.

ASIC will consider any necessary changes to our Service Charter standards and targets based on current resourcing and as a result of applying a more rigorous approach to assessing licence applications.

2.2 Fair and efficient markets

Performance objective

To ensure fair and efficient markets.

Source

This performance objective is set out in:

1. ASIC's Portfolio Budget Statement 2016–17 (at page 140)
2. ASIC's Corporate Plan 2016–17 to 2019–20 (at pages 33–34).

Targets

ASIC will ensure fair and efficient markets through stakeholder engagement, education, guidance, surveillance, enforcement and policy advice.

Our 2016–17 targets are set out in the Portfolio Budget Statement (at pages 140–141) and ASIC's Corporate Plan 2016–17 to 2019–20 (at page 34).

Key results: Fair and efficient markets

Outcome	2016–17	2015–16	2014–15	2013–14
Stakeholder engagement				
Meetings with industry groups and other stakeholders ¹	1,131	903	876	487
Consultation papers published	12	12	7	4
Industry reports published	29 ²	11	4	4
Guidance				
New or revised regulatory guides published	7	14	13	13
New or revised information sheets	16 ³	7	10	29
Legislative instruments made, amended and repealed	52	65	20	24
Relief applications received ⁴	1,380	1,531	1,576	1,913
Approved ⁴	879	951	1,064	1,528
Refused ⁴	59	56	106	85
Withdrawn ⁴	289	346	268	300
In progress ⁴	153	178	138	

1. Data reflects reporting in given years on the basis of corporate structure and methodology at that time. In 2013–14, there was a change in methodology. As a result, meetings involving multiple ASIC teams have been counted against each team involved. Data does not include meetings held by Commissioners.
2. In 2016–17, we published six feedback reports in response to consultation on remaking ASIC's legislative instruments, as part of our sunseting work. This year was a peak period for our sunseting work. A number of major industry reviews were completed in 2016–17, including reviews of market practices in relation to initial public offerings, emerging market issuers and sell-side research. These reports are in addition to those published regularly by ASIC, such as the biannual market integrity and corporate finance reports.
3. In June 2017, ASIC published six new or updated information sheets on audit quality and financial reporting.
4. Data reflects point-in-time reporting in given years. A breakdown of withdrawn and in-progress applications is not available for 2013–14.

Outcome	2016–17	2015–16	2014–15	2013–14
Surveillance				
High-intensity surveillances completed	880 ⁵	980 ⁵	459 ⁶	907
Trading alerts produced as part of our real-time supervision of financial markets	40,488	44,224	37,763	36,346
Number of matters further inquiries were made into as a result of trading alerts	142	206	214	224
Instances of potentially misleading or deceptive promotional material withdrawn or amended	11 ⁷	–	–	–
Enforcement				
Investigations				
Investigations commenced	95	113	152	127
Investigations completed	82	96	143	125
Criminal actions				
Criminal litigation completed ⁸	13	18	18	16
Criminal litigation completed successfully ⁸	92%	94%	94%	88%
New criminal litigation commenced ⁸	6	6	17	17
Number of people convicted	10	15	17	15
Custodial sentences (including fully suspended)	7	15	13	10
Non-custodial sentences/fines	3	0	4	5
Total dollar value of fines	\$34,500	\$115,000	\$40,000	\$80,000
Civil actions				
Civil litigation completed	23	18	11	16
Civil litigation completed successfully	87%	100%	55% ⁹	81%
New civil litigation commenced	31	30	14	21
Total dollar value of civil penalties	\$1.3m ¹⁰	–	–	\$1.2m

5. Due to a change in methodology in 2015–16, additional surveillance activities, such as inquiries into potential market misconduct, are now included.
6. In 2014–15, the figure for high-intensity surveillances did not include the number of document reviews completed (e.g. reviews of prospectuses and offer documents) due to a change in methodology.
7. In 2016–17, there were eight instances of potentially misleading or deceptive promotional material withdrawn or amended by the Market Supervision team and three instances by the Corporations team.
8. Excludes summary prosecutions for strict liability offences.
9. Of the 11 proceedings completed in this category in 2014–15, four of the five unsuccessful actions against individual subjects related to the matter of Mariner Corporation Limited, which involved litigation on an untested provision of the Corporations Act.
10. In 2016–17, the total dollar value of civil penalties included \$800,000 in penalties against Sino Australia Oil and Gas Limited, and \$400,000 in penalties against Hochtief AG.

2.2 Fair and efficient markets continued

Outcome	2016–17	2015–16	2014–15	2013–14
Administrative actions¹¹				
Administrative actions completed	34	28	24	22
New administrative actions commenced	20	19	30	21
People disqualified or removed from directing companies	51	39	40	62
Action taking against auditors and liquidators	29	24	6	13
Enforceable undertakings				
Enforceable undertakings accepted	9	9	10	8
Infringement notices				
Number of infringement notices issued – Market integrity rules	12	9	9	12
Dollar value of infringement notices – Market integrity rules	\$2.29m	\$984,000 ¹²	\$541,000 ¹²	\$1.02m
Number of infringement notices issued – ASIC derivative transaction rules	1	–	–	–
Dollar value of infringement notices – ASIC derivative transaction rules	\$127,500 ¹³	–	–	–
Number of infringement notices issued – Continuous disclosure	1	4	4	6
Dollar value of infringement notices – Continuous disclosure	\$33,000	\$132,000	\$132,000	\$198,000
Summary prosecutions				
Summary prosecutions for strict liability offences	438	410	355	314
Compensation				
Compensation or remediation	–	–	\$943,418	\$2.7m
Community benefit payments	\$13.7m ¹⁴	\$160,000	\$1.7m	\$4.0m

11. An administrative action is a decision by a delegate of ASIC or the Companies Auditors Disciplinary Board to exercise a statutory protective power. Examples of an administrative action are a decision to disqualify a person from managing corporations, prohibit a person from providing financial services, cancel or suspend an AFS licence, impose additional conditions on an AFS licence or cancel the registration of a person as an auditor or a liquidator.

12. The number of infringement notices issued in 2014–15 and 2015–16 did not change. In 2015–16, the average value of the infringement notices issued was significantly higher (\$109,333) compared to 2014–15 (\$60,111).

13. In 2016–17, Westpac paid an infringement notice penalty of \$127,500 for an alleged breach of the ASIC Derivative Transaction Rules (Reporting) 2013. This was the first infringement notice issued by ASIC under the Derivative Transaction Rules.

14. In 2016–17, Westpac, ANZ, Commonwealth Bank of Australia, National Australia Bank and Macquarie Bank agreed to pay community benefits of \$3 million, \$3 million, \$2.5 million, \$2.5 million and \$2 million respectively as part of their individual enforceable undertakings with ASIC. ASIC accepted these enforceable undertakings in relation to the banks' wholesale foreign exchange businesses.

Analysis of our performance

ASIC's focus is on ensuring that Australia's financial markets are fair and efficient. Culture and incentives that drive poor conduct by gatekeepers, including directors and market participants, can undermine investor trust and confidence in our markets.

Stakeholder engagement

Engaging with key stakeholders through regular meetings helps us achieve our vision. It helps us to set and maintain regulatory standards, and identify issues in the market.

In 2016–17, we held 1,131 meetings with a number of key external stakeholders, including companies, auditors, liquidators, market operators, market intermediaries, peer regulators and industry bodies.

For example, we continued to engage with industry on:

- ♦ cyber preparedness and best practice standards for the marketplace
- ♦ the handling of confidential information, managing conflicts of interest and sound remuneration practices.

Education and guidance

In supporting fair and efficient markets, we provided guidance to industry aimed at improving standards and enhancing industry participants' understanding of their legal obligations.

We published seven regulatory guides and 16 information sheets in 2016–17. For example, we published:

- ♦ guidance on distributed ledger technology, also known as blockchain technology, and our approach to assessing its use in the provision of financial, credit and market services
- ♦ guidance to industry about the insolvency law reforms, including the new registration and insurance requirements for registered liquidators.

Surveillance

Market integrity is fundamental to a well-functioning financial system. Measuring and monitoring market cleanliness provides an overview of market integrity to better inform our regulatory work. Our review into market cleanliness, published in August 2016, found that market integrity had improved over the past 10 years.

The review also found that there has been a decline in anomalous trading activity ahead of material price-sensitive announcements over the relevant period, indicating an improvement in market integrity.

In 2016–17, we completed 880 high-intensity surveillances in the corporations, market infrastructure and intermediaries sectors. Our surveillances focused on areas such as handling confidential information, managing conflicts of interest, improving fundraising disclosure and financial reporting.

Our report on sell-side research and corporate advisory services in August 2016 found that some licensees did not have appropriate arrangements in place to manage material, non-public information or conflicts involving sell-side research. In June 2017, we consulted on new guidance for industry on dealing with these issues.

Our surveillance of financial market infrastructure in 2016–17 focused on thematic reviews of technology and risk management, and adherence to appropriate standards of fairness, integrity and efficiency.

We completed an extensive review in response to the ASX outage of 19 September 2016, which affected the operation of the Australian equity market. Our report in December 2016 included recommendations for ASX and market participants that were designed to improve the resilience and robustness of the wider market, and promote confidence that any future incidents will be managed as effectively as possible.

2.2 Fair and efficient markets *continued*

We also completed our assessment of Sydney Stock Exchange Limited (SSX), which continued our work ensuring that Australian listing markets operate in a way that supports market integrity and investor confidence. We published our report and imposed additional licence conditions on SSX, targeting improved conflict handling arrangements.

We completed our investigations into the wholesale spot FX market and released a report in May 2017 setting out some key observations and good practice principles to manage behavioural drivers of conduct.

Enforcement

Poor conduct by gatekeepers, such as directors and market intermediaries and market infrastructure providers, can undermine good governance practices and risk management systems, with impacts on retail investors and the overall health of the financial system.

Where we detected failures to comply with conduct obligations through our surveillance activities, we responded by taking action to hold these gatekeepers to account.

During 2016–17, there were over 600 surveillances where we responded to failures to comply with conduct obligations. For example, we:

- ♦ acted when directors and other senior officers failed to comply with their continuous disclosure obligations. For example, in August 2016, the directors of Padbury Mining Limited breached their duties and were disqualified from managing corporations for three years
- ♦ acted where disclosure in prospectuses and offer documents was potentially misleading, including by issuing final stop orders where we had concerns about the disclosure
- ♦ acted to ensure that 11 entities recognised asset impairments and other write-downs, totalling \$937 million, following our reviews of more than 320 financial reports of listed entities and other public interest entities
- ♦ investigated and successfully prosecuted three individuals for insider trading. For example, in December 2016, we obtained declarations from the Federal Court that Hochtief AG had engaged in insider trading. Hochtief AG was fined \$400,000.

Additionally, the Markets Disciplinary Panel issued 12 infringement notices, imposing a total of \$2,288,750 in penalties for breaches of ASIC's market integrity rules.

We took action against auditors for breaching the Corporations Act and Australian auditing standards. In 2016–17, we removed 487 SMSF auditors from the SMSF auditor register, which included 287 auditors who failed to lodge annual statements.

We also took action to ensure that liquidators meet their obligations to creditors. For example, in June 2017, we accepted an enforceable undertaking from Raymond Anthony Sutcliffe, a registered liquidator from Victoria. Our investigation into 43 of Mr Sutcliffe's external administrations found that he had not adequately discharged his duties as a liquidator. Mr Sutcliffe requested a cancellation of his registration and, under the enforceable undertaking, he agreed not to re-apply for registration for three years.

Policy advice

In 2016–17, ASIC met with Treasury and provided policy advice in such areas as employee share schemes, insolvency law reforms, reforms to financial benchmarks and the markets licensing regime.

We also continued to engage and provide policy advice to international regulators, such as the European Commission and the US Commodity Futures Trading Commission, to support their decisions on the equivalence of the Australian regulatory framework. This work enabled Australian businesses to operate globally based on their Australian regulatory authorisations, saving them millions of dollars in additional compliance costs.

We also worked with the International Forum of Independent Audit Regulators on initiatives, such as improved information sharing, improved auditing and ethical standards, and information sharing on enforcement approaches.

Timeliness of enforcement actions

ASIC recognises the importance of delivering timely enforcement actions to deter wrongdoing and promote investor and consumer trust and confidence in the financial system.

To support our commitment to transparency, we report on the average time taken to:

1. complete the investigation phase of our enforcement activities
2. achieve a criminal, civil or administrative decision each year.

We measure the length of our criminal investigations from the date matters are first drawn to our attention to the date they are referred to the Commonwealth Director of Public Prosecutions.

We measure the length of civil and administrative investigations from the date matters are first drawn to our attention to

the date proceedings are filed or matters are referred to an ASIC delegate or the Companies Auditors Disciplinary Board.

The average time taken to achieve criminal, civil and administrative decisions is measured from the date the investigation phase is finalised and is impacted by matters that are subject to an appeal of the decision.

The time involved in achieving enforcement outcomes can be affected by many factors. As enforcement actions tend to run over several years, care needs to be taken when comparing one year to another. The average time taken to receive a court decision for criminal and civil matters has increased in 2016–17 due to a number of complex matters being contested by defendants.

We are exploring ways to improve the efficiency and timeliness of our enforcement processes, such as using e-surveillance, e-investigation and e-discovery to expedite investigation and discovery.

Timeliness of enforcement actions (in months)

Outcome	2016–17	2015–16	2014–15	2013–14
Criminal actions				
Average time to complete an investigation	22	24	16	18
Average time to a criminal court decision	44	31	29	22
Total	66	55	45	40
Civil actions				
Average time to complete an investigation	24	12	28	20
Average time to a civil court decision	27	10	25	15
Total	51	22	53	35
Administrative actions				
Average time to complete an investigation	19	20	32	33
Average time to an administrative decision	6	6	13	13
Total	25	26	45	46

2.3 Efficient registration services

Performance objective

To provide efficient registration services.

Source

This performance objective is set out in:

1. ASIC's Portfolio Budget Statement 2016–17 (at page 140)
2. ASIC's Corporate Plan 2016–17 to 2019–20 (at page 38).

Targets

ASIC's delivery of efficient registration is measured by:

- ♦ total companies registered
- ♦ new companies registered
- ♦ total business names registered
- ♦ new business names registered
- ♦ estimated savings in fees to register or renew business names
- ♦ number of calls and online inquiries responded to
- ♦ percentage of forms lodged online
- ♦ number of searches on ASIC registers
- ♦ performance against ASIC's service charter.

Our 2016–17 targets are set out in the Portfolio Budget Statement (at pages 140–141) and ASIC's Corporate Plan 2016–17 to 2019–20 (at page 38).

Key results: Efficient registration services

Results against our performance	2016–17	2015–16	2014–15	2013–14
Total companies registered	2.50m	2.37m	2.25m	2.12m
New companies registered	249,394	246,051	235,182	212,573
Total business names registered	2.19m	2.07m	2.15m	1.99m
New business names registered	348,268	337,413	327,687	299,988
Estimated savings in fees to register or renew business names	\$47.4m	\$41.7m	\$41.4m	\$40.2m
Calls and online inquiries responded to by our Customer Contact Centre	818,928	861,767	888,843	1,080,690
Registry lodgements	2.9m	2.8m	2.7m	2.4m
Percentage of registry lodgements online	91%	90%	87%	86.1%
Number of searches of ASIC registers	90.6m	90.7m	86.2m	76.2m



Analysis of our performance

The ASIC Registry is a critical part of Australia's economic infrastructure. The ASIC Registry:

1. maintains various public registers, including registers of companies, business names and professionals
2. makes information on our online registers accessible to all Australians
3. collects fees and charges that contribute around \$920 million to Commonwealth revenue annually.

Our registry services are accessible, easy to use, and require minimal paperwork. This allows our customers to run their businesses without unnecessary red tape.

Maintaining our registers

ASIC's registers are the official source of information about the business names, companies and financial professionals that are registered or licensed to operate in the Australian economy.

Our work helps ensure that information on our registers remains current, and helps our customers meet their compliance obligations.

The two largest registers – the companies register and Business Names Register – contain the details of more than 2.5 million companies and 2.19 million business names. In 2016–17, 97.3% of companies and business names were registered within one business day of ASIC receiving a complete application.

Because we aim to provide customers with simple, online services that add value to the Australian economy, many of our registers are fully online. In 2016–17, 91% of all 2.9 million registry lodgements were completed online. There were also 90.6 million searches of ASIC registers in 2016–17, 99.9% of which were conducted online.

The companies register (54.6 million searches), and the Business Names Register (32.2 million searches) were the two most-searched ASIC registers.

We estimate that the Business Names Register saved businesses \$47.4 million in reduced fees to register or renew business names in 2016–17. Businesses have saved a total of \$209.8 million since the register commenced in May 2012.

Supporting our customers

We offer customers the choice of contacting us by telephone, via our website, through social media or by mail.

Our Customer Contact Centre provides front-line support for customers. In 2016–17, we responded to 818,928 (answered) calls and online inquiries. Approximately 91% of these inquiries were answered immediately. We also responded to 95.7% of general email inquiries within three business days.

Our social media presence increased significantly in 2016–17. We had 8,350 ASIC Connect Facebook followers and 16,735 ASIC Connect Twitter followers at 30 June 2017, an increase of 30% and 27% respectively from 2015–16.

In 2016–17, we worked to tailor our messaging to the needs of our customers. For example, our social media and website content aimed to raise awareness of new issues impacting our customers, such as malicious scam emails.

2.4 Banking Act, Life Insurance Act, unclaimed money and special accounts

Performance objective

To ensure that:

1. refunds of unclaimed money are paid to successful claimants promptly
2. payments of money from special accounts are made promptly in accordance with the specified purposes or appropriate legislation.

Source

This performance objective is set out in ASIC's Portfolio Budget Statement 2016–17 (page 142).

Targets

ASIC will process claims within 28 days of receiving all necessary claim documentation.

Analysis of our performance

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.

In 2016–17, we successfully processed 100% of claims for unclaimed money (including special accounts) within 28 days.

We received \$79 million in unclaimed money, considerably more than the \$46.4 million we received in 2015–16.

We paid out a total of \$82 million in claims in 2016–17, compared with the \$124.4 million in the previous year. We also paid claimants interest of \$3.7 million on the total amount of claims paid.



3

PERFORMANCE OUTCOMES IN DETAIL

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3.1 Investor and consumer trust and confidence



3.1.1 Deposit takers, credit and insurers

ASIC's work in this sector during 2016–17 focused on improving consumer outcomes by ensuring better compliance from lenders and brokers with the responsible lending obligations. We also took action to reduce the extent to which consumers were sold financial products that did not meet their needs.

Lenders and insurers that sell unsuitable products may place their customers at risk of experiencing substantial financial hardship. This conduct also undermines investor and consumer trust and confidence in the financial system.

Stakeholder engagement

In 2016–17, ASIC held 344 meetings with stakeholders, including the Australian Bankers' Association, the Insurance Council of Australia, the Customer Owned Banking Association, the Mortgage and Finance Association of Australia, the Finance Brokers Association of Australia and the Australian Finance Conference. We used these meetings to provide guidance in areas where we identified a need for cultural change and systemic improvements to unfair or poor practices, to provide updates on ASIC's work, and to hear particular matters of importance to each industry, including emerging issues.

Surveillance

In 2016–17, ASIC completed 154 high-intensity surveillances to monitor whether lenders, brokers and insurers complied with their obligations.

Mortgage broker remuneration

At the Government's request, ASIC reviewed the mortgage broking market to determine the effect of current remuneration structures on the quality of consumer outcomes.

In March 2017, the Government released ASIC's report, which highlighted the need for improved governance and oversight mechanisms. The report made a number of key recommendations, including:

- ♦ moving away from bonus commissions and soft dollar benefits
- ♦ establishing a new public reporting regime for consumer outcomes and competition in the home loan market
- ♦ improving oversight of brokers by lenders and aggregators.

The Government invited submissions in response to the recommendations by 30 June 2017.

CommInsure

ASIC conducted an extensive investigation into the life insurance business of CommInsure.

In March 2017, we published a report that made a number of key findings about CommInsure's life insurance business, including:

- ♦ medical definitions in trauma policies were out of date with prevailing medical practice, specifically for heart attack and severe rheumatoid arthritis. However, this was not against the law
- ♦ a number of improvements to CommInsure's claims handling process were necessary



- ♦ there was no evidence to support allegations that claims managers applied undue pressure on doctors to change their medical opinions.

We are working with CommInsure to ensure that improvements to the claims handling process are implemented effectively.

In March 2016, CommInsure updated the definitions of 'heart attack' and 'severe rheumatoid arthritis' in its trauma products and reassessed previously declined claims under the updated definition back to 11 May 2014.

CommInsure paid 18 claims totalling \$2.58 million. In March 2017, CommInsure agreed to further backdate the heart attack definition to October 2012 and it is currently identifying affected consumers and making payments, as appropriate.

Interest-only home loans

ASIC reviewed the responsible lending practices of 11 large mortgage brokers in the interest-only home loan market.

In September 2016, we released a report on our findings, which focused on how mortgage brokers inquire into and record consumers' requirements to assess whether an interest-only home loan meets their needs.

Our review found examples of practices that place brokers at risk of being unable to demonstrate compliance with their responsible lending obligations. It also identified opportunities for brokers to improve their practices.

We will build on this review in 2017 with a targeted industry surveillance program to examine whether lenders and brokers are inappropriately recommending interest-only loans.

Past lending practices

ASIC reviewed lenders' practices when inquiring about consumers' living expenses in 2015.

In 2016–17, we found that eight of these lenders had improved their practices so that they now obtain actual figures from borrowers for different categories of living expenses. Previously, lenders obtained a single monthly living expense figure and relied on a benchmark figure to determine a consumer's capacity to make repayments. This change in practice will provide lenders with a better understanding of whether a loan is suitable for the consumer.

Typical hardship processes will also be complemented by lenders individually reviewing cases where consumers experience financial difficulty in repaying their home loans. Where appropriate, consumers will receive tailored remediation for past practices.

Banks' retail sales practices

ASIC reviewed the retail sales practices of eight Australian authorised deposit-taking institutions (ADIs). The review followed action in the United States against Wells Fargo Bank in late 2016.

In November 2016, we requested that these ADIs undertake audits to identify whether there were similar issues in Australia with staff issuing retail banking products without consumers' knowledge or consent in order to meet sales targets.

While no systemic issues were identified, the audits did find a number of instances of mis-selling and some process improvements are being implemented.

3.1 Investor and consumer trust and confidence continued

The highest number of consumer complaints identified in the reviews related to consumer credit insurance (CCI). ASIC has established a CCI Working Group to improve sales practices. We will undertake a further review into the sale of CCI in 2017–18.

Unfair contract terms and small business loan contracts

The Government extended unfair contract terms protections to small business loan contracts in November 2016.

In March 2017, ASIC and the Australian Small Business and Family Enterprise Ombudsman reviewed small business loan contracts from Australian ADIs. Following the review, we successfully obtained a commitment from ADIs to implement comprehensive changes to ensure that small business borrowers will be protected from unfair contract terms.

Life insurance

ASIC reviewed the claims handling practices of 15 life insurers, covering more than 90% of the life insurance market.

In October 2016, we released a report that highlighted significant shortcomings in claims handling practices. The report made a number of key recommendations, including:

- ♦ establishing, with APRA, a new public reporting requirement for life insurance industry claims data
- ♦ strengthening dispute resolution frameworks
- ♦ enhancing ASIC's powers concerning claims handling.

ASIC and APRA will work with insurers and other stakeholders throughout 2017 to establish a public reporting framework. In 2017–18, we will also review:

- ♦ the sale of direct (non-advised) life insurance
- ♦ claims handling for total and permanent disability (TPD) insurance
- ♦ the use of surveillance and investigation practices by insurers.

Flex commissions in car finance

ASIC conducted a detailed review of the effect of remuneration practices in the car finance market. In March 2017, we announced that we will use our statutory modification powers under the National Credit Act to prohibit flex commissions in the car finance market. Flex commissions enable car dealers to earn commissions based on the interest rate charged for car loans. The prohibition will commence in the second half of 2018.

Enforcement

Responsible lending

ASIC continues to take action against non-compliance with responsible lending obligations under consumer credit laws. For example:

- ♦ In March 2017, we commenced civil penalty proceedings in the Federal Court against Westpac Banking Corporation (Westpac) for alleged contraventions of responsible lending provisions between December 2011 and March 2015. Proceedings are ongoing.
- ♦ In November 2016, we accepted an enforceable undertaking from Cash Converters to refund \$10.8 million to approximately 118,000 consumers. We issued 30 infringement notices to Cash Converters,¹ totalling \$1.35 million, where we had reasonable grounds to believe that Cash Converters failed to make reasonable inquiries into consumers' income and expenses when processing small amount loans via its website, particularly when the loans were unsuitable under the National Credit Act.

1. The National Credit Act allows infringement notices to be issued for strict liability offences and certain civil penalty contraventions where ASIC has reasonable grounds to believe that a person has contravened the provision. The payment of an infringement notice is not an admission of a contravention of the National Credit Act.

Indigenous consumers

ASIC continues to take action against those who exploit Indigenous financial consumers. For example:

- ◆ In November 2016, the Federal Court found that Lindsay Kobelt, the owner of Nobby's Mintabie General Store in the remote Anangu Pitjantjatjara Yankunytjatjara Lands, had engaged in unconscionable conduct and unlicensed credit activity. In April 2017, the Federal Court fined Mr Kobelt \$167,500 for this conduct. Mr Kobelt is appealing the decision.
- ◆ In April 2017, the Federal Court ordered Channic Pty Ltd and Cash Brokers Pty Ltd to pay more than \$1.2 million for breaching consumer credit laws when dealing with members of the Yarrahbah community. Colin William Hubert, the sole director of both companies, was fined \$776,000 and ordered to pay costs of \$420,000. The court also awarded \$47,699 in compensation to affected consumers.

Unlicensed conduct

ASIC continued to take action against those who engage in unlicensed credit activities. For example:

- ◆ In August 2016, we banned Peter Llewellyn, a former Director of PR Finance Group Ltd and the Australian Money Exchange (AMX), from engaging in credit activities for 10 years. Our investigation found that AMX engaged in unlicensed credit activity between 1 July 2011 and 23 September 2013. We also found that Mr Llewellyn was not a fit and proper person to engage in credit activities.
- ◆ In March 2017, the Federal Court fined payday lenders Fast Access Finance Pty Ltd, Fast Access Finance (Beenleigh) Pty Ltd and Fast Access Finance (Burleigh Heads) Pty Ltd a total of \$730,000 for engaging in unlicensed credit activities.

Compensation and remediation

Our actions contributed to more than \$200 million being ordered to be refunded or compensated to consumers in 2016–17. For example:

- ◆ In March 2017, Citigroup Pty Ltd (Citigroup) refunded approximately \$5 million to around 230,000 customers for failing to properly disclose credit card international transaction fees to Australian dollar transactions processed overseas. Citigroup also refunded more than \$48,000 to approximately 30,170 Virgin Money credit card customers for charging incorrect international transaction fees.
- ◆ In early 2017, Bankwest, a division of Commonwealth Bank of Australia, refunded more than \$4.9 million to approximately 10,800 customers after it failed to link some customers' offset accounts to home loan accounts between 2007 and June 2016. This resulted in customers being overcharged interest.

Policy advice

Australian Consumer Law

ASIC contributed to the recent review of the Australian Consumer Law, which identified 19 proposals for enhancements, including several that are relevant to ASIC. Consumer Affairs Ministers will consider the review's final report in the second half of 2017.

3.1 Investor and consumer trust and confidence *continued*



3.1.2 Financial advisers

ASIC's work in this sector during 2016–17 focused on improving the quality of financial advice. Poor financial advice can undermine investor and consumer trust and confidence in the financial system. We worked to improve the quality of financial advice by addressing inadequate risk management and oversight processes, removing 'bad apple' advisers from the industry, and taking other regulatory action where advice was not in the client's best interests.

Stakeholder engagement

In 2016–17, ASIC held 114 meetings with stakeholders, including the Association of Financial Advisers and the Financial Planning Association of Australia. Key issues discussed included life insurance reforms, robo-advice and professional standards for financial advisers.

Financial Advisers Consultative Committee

In 2016–17, ASIC established a Financial Advisers Consultative Committee to supplement and further improve our existing engagement with the financial advice industry by:

- ♦ contributing to our understanding of relevant issues, including those that directly affect practising advisers
- ♦ improving our capacity to identify, assess and respond to emerging industry trends.

Committee members are practising advisers from a range of advice businesses across Australia (see page 177).

Guidance

Digital advice

ASIC continued to support the development of a healthy and robust digital advice market in Australia.

In August 2016, we released a regulatory guide to assist those who provide, or intend to provide, digital advice. The regulatory guide focuses on the obligations involved with providing digital advice and some of the unique issues associated with this type of advice.

Remediation by advice licensees

A key part of an AFS licensee's obligations is remediating clients for losses suffered as a result of non-compliant advice, fraud or other breaches of the law.

In September 2016, we released a regulatory guide that sets out guidance on client review and remediation that is primarily for AFS licensees who provide personal advice to retail clients. It sets out principles when AFS licensees need to remediate broad groups of clients who have suffered loss or detriment as a result of misconduct or other compliance failures by the licensee (or its representative) when giving personal advice.

The regulatory guide sets out the considerations that AFS licensees should take into account when initiating, designing and implementing a review and remediation process so that the process is timely, fair and transparent.

Self-managed superannuation fund services

ASIC regulates the gatekeepers – the accountants, financial advisers and auditors – who provide services to SMSFs.

From 1 July 2016, the Government repealed the exemption that allowed accountants to give financial advice to SMSFs without an AFS licence.

In December 2016, we released an information sheet to help accountants understand which SMSF services do and do not require them to be covered by an AFS licence.

Additionally, in 2016–17, we assessed 638 applications for a limited AFS licence for SMSF advice. Of these applications, 512 were approved. We also refused one application and a further 125 were withdrawn or not accepted for assessment, due to material deficiencies in the applications received.

Surveillance

In 2016–17, ASIC completed 227 high-intensity surveillances to monitor whether financial advisers complied with their advice obligations.

Review of how large institutions oversee their financial advisers

ASIC conducted a review of how effectively Australia's largest banking and financial services institutions oversee their financial advisers.

In March 2017, we released a report on our findings that identified a number of areas of concern where further improvements are needed, including:

- ♦ failure to notify ASIC about institutions' serious non-compliance concerns about adviser conduct
- ♦ inadequate background and reference checking when recruiting new advisers
- ♦ ineffective (or partially ineffective) audit processes to assess whether advice complied with the best interests duty and other legal obligations.

The report will assist the financial advice industry to understand common areas of non-compliance. It should raise the standards of adviser monitoring and supervision and reduce the risk of current customers receiving non-compliant advice in the future.

We have banned 35 advisers¹ who were reported during the review as having demonstrated serious compliance failures. We also have ongoing investigations and surveillance activities concerning a number of other advisers.

In total, approximately \$37 million² has been paid to approximately 2,200 customers who suffered loss or detriment as a result of non-compliant conduct by advisers during the period relevant to this review.

Enforcement

Poor financial advice

ASIC continued to address the culture and incentives that lead to poor financial advice by taking action against misconduct in the financial advice industry.

For example:

- ♦ In April 2017, the Federal Court found that NSG Services Pty Ltd (NSG) breached the best interests obligations of the Corporations Act. NSG clients were sold insurance or advised to roll over superannuation accounts that committed them to costly, unsuitable financial arrangements. This was the first judicial finding of liability against a licensee for breaching the requirements under the Future of Financial Advice reforms.
- ♦ In August 2016, we banned former Macquarie Equities Limited financial adviser Nicholas Kerr for five years. We found that Mr Kerr had engaged in unauthorised discretionary trading on his clients' accounts, provided inappropriate advice and created false records.
- ♦ In September 2016, Rommel Panganiban, a former AMP Financial Planning financial adviser, was permanently banned from providing financial services. Mr Panganiban failed to act in his clients' best interests and prioritised his own interests over those of his clients. He advised clients who held risk insurance through their AMP superannuation fund to cease their existing insurance policies and replace them with new insurance policies. Mr Panganiban did this without considering whether it was in his clients' best interests.
- ♦ In November 2016, we banned former AMP financial adviser James McCarthy from providing financial services for eight years. We found that Mr McCarthy created and backdated Statements of Advice and Authority to Proceed documents and forged client signatures for the purpose of complying with an internal AMP audit.

1. The number of adviser bannings is the 'life of project' figure up to 30 June 2017.

2. The total amount of remediation paid to customers is the 'life of project' figure up to 31 May 2017.

3.1 Investor and consumer trust and confidence *continued*

Failure to lodge financial statements and auditor's reports

ASIC has been targeting financial advice licensees that have failed to lodge their financial statements and auditor's reports in recent years. Failure to lodge these documents indicates a generally poor approach to compliance.

Since 1 July 2016, we have cancelled 10 financial services licences and suspended four licences (two of which were subsequently cancelled) for failing to lodge financial statements and auditor's reports. Eight licensees voluntarily cancelled their financial services licences after we contacted them about their failure to lodge financial statements and auditor's reports.

Compensation and remediation

ASIC continued to monitor the payment of compensation to consumers.

In 2016–17, we supervised the remediation of affected customers by the four major banks and AMP in response to breach reports that they had:

- ♦ charged clients annual fees for services, including an annual advice review, where those services were not provided
- ♦ continued to deduct fees for advice and other services from customers' accounts in circumstances where the adviser was no longer attached to the customer, or where the customer had given instructions for the deductions to stop.

In October 2016, we released a report providing details about the compensation offered and payable. At 30 June 2017, a total of \$112.1 million had been paid or offered to customers. The banks and AMP estimate that they will have to pay a further \$93 million in compensation to customers.

The report outlined our observations on factors that may have contributed to the licensees' failures. For example, some licensees:

- ♦ prioritised advice revenue and fee generation over ensuring that they delivered the required services
- ♦ did not have in place adequate systems, data, policies or procedures to provide ongoing advice services.

We have asked each of the banks, AMP and Macquarie to conduct a comprehensive further review into the practices of the advice licensees within their groups to determine whether similar issues exist elsewhere in these businesses. These reviews are ongoing.

During 2016–17, we also monitored the remediation program established by Macquarie Equities Limited under its enforceable undertaking with ASIC. As at 5 June 2017, this program has paid approximately \$24.7 million of compensation (including interest) to 263 clients, and is now substantially complete.

Policy advice

Professional standards of financial advisers

ASIC provided input to Treasury on reforms to raise the professional standards of financial advisers who provide personal advice to retail clients on more complex financial products.

The *Corporations Amendment (Professional Standards of Financial Advisers) Act 2017* introduces a number of measures. These include compulsory education for new and existing advisers, supervision of new advisers, a code of ethics, an exam and ongoing professional development.

Life insurance remuneration arrangements

ASIC provided input to Treasury on the life insurance remuneration reforms, including providing feedback on draft legislation.

The *Corporations Amendment (Life Insurance Remuneration Arrangements) Act 2017* removes the exemption for life insurance from the ban on conflicted remuneration. This means that benefits, such as commissions paid for life insurance products, will generally be considered conflicted remuneration and will be prohibited.

The Act also enables ASIC, through a legislative instrument, to permit benefits such as commissions to be paid, if requirements are met relating to:

- ♦ the maximum level of commission paid, compared to the premium payable
- ♦ 'clawback' arrangements (i.e. the amount of upfront commission an advice licensee or its representatives must repay to a life insurer over a two-year retention period).



3.1.3 Investment managers and superannuation

ASIC's work in this sector during 2016–17 focused on conduct by responsible entities, superannuation trustees, wholesale trustees and custodians. We concentrated on preventing wrongdoing and maintaining standards.

Investor and consumer trust and confidence in our financial system are undermined when poor gatekeeper culture and incentives lead to investors being treated unfairly. This can result in significant losses for investors.

Stakeholder engagement

In 2016–17, ASIC held 262 meetings with stakeholders, including the Association of Superannuation Funds of Australia, the Australian Institute of Super Trustees and the Australian Custodial Services Association. Key issues discussed included risk management and fees and costs disclosure.

We published the *ASIC Wealth and Funds Management Update* – a free newsletter for industry participants about regulatory developments and issues affecting the wealth and funds management industries.

Guidance

Risk management

In March 2017, ASIC released a regulatory guide providing additional guidance to responsible entities on how we expect them to maintain adequate risk management systems.

The regulatory guide explains that responsible entities should have in place overarching risk management systems, and clear processes to identify and manage strategic, governance, operational, market, investment and liquidity risks.

Fees and costs disclosure

In December 2016, ASIC updated guidance on disclosure of fees and costs in Product Disclosure Statements and periodic statements. We also provided a conditional extension to the transition period. Entities now have until 30 September 2017 to comply with the fees and costs disclosure requirements.

Updating regulatory guidance and relief on managed investment schemes

In 2016–17, ASIC updated regulatory guides that apply to various types of managed investment schemes, including time-sharing schemes and strata schemes. We also updated related legislative instruments that provide relief from, or modify, provisions of the Corporations Act.

In May 2017, we published an information sheet to explain our approach to common issues identified in the registration of managed investment schemes.

Surveillance

In 2016–17, ASIC completed 140 high-intensity surveillances of how responsible entities, superannuation trustees and other entities operating in the wealth management sector complied with their obligations.

Responsible entities and superannuation trustees

ASIC undertakes an annual, risk-based conduct review of responsible entities and superannuation trustees to assess compliance with their AFS licence obligations and to improve overall industry standards.

In June 2017, we published a report on the outcomes of our proactive surveillance of responsible entities. We found that responsible entities demonstrated a broad commitment to complying with their obligations under the law. However, there were areas where our expectations of 'what good looks like' were not met, including managing conflicts of interest, breach reporting, custody arrangements and risk management systems. We required responsible entities to address these areas of non-compliance.

In June 2017, we also published a report on our surveillance of superannuation trustees, which focused on the experience of less-engaged fund members. The findings of our review highlighted areas where there is considerable room for improvement in disclosure and industry practices. The report sets out our expectations of superannuation trustees, particularly when dealing with less-engaged members.

3.1 Investor and consumer trust and confidence *continued*

Compliance with custody requirements

ASIC reviewed compliance with custody requirements by responsible entities and custodians.

In June 2017, we published our report, which found a poor level of understanding of the custody requirements by some responsible entities and custodians. To improve ongoing compliance, we required these entities to rectify identified breaches and amend their custody and risk management arrangements.

Marketplace lending

ASIC completed our first survey of the marketplace lending industry in November 2016. The survey focused on marketplace lending providers' business models and activities during 2015–16.

In June 2017, we published a report outlining our findings. The survey confirmed that marketplace lending business models are diverse and showed some conflicts of interest that marketplace lending providers must manage. These include conflicts between:

- ♦ the need to act in the best interests of members of the managed investment schemes they operate and the need to issue loans to generate revenue and maintain an appropriate credit assessment
- ♦ duties to borrowers (including responsible lending) and duties to investors.

Other surveillance activities

Our surveillance activities in 2016–17 also resulted in improvements to some entities' business practices or processes. For example:

- ♦ In December 2016, ULTIQA Lifestyle Points Limited and ULTIQA Lifestyle Promotions Limited, one of Australia's largest timeshare operators, agreed to significantly change its operations, including amending its disclosure and point-of-sale documents and revising its sales and supervision processes.

Enforcement

Licensing actions

In 2016–17, ASIC suspended or cancelled the AFS licences of five responsible entities and two wholesale fund managers for breaching financial services laws.

We imposed additional licence conditions, by agreement, on the National Australia Bank's superannuation trustee, NULIS Nominees (Australia) Limited (NULIS). This followed a breakdown in NULIS' internal risk management and communication procedures for its retail and wrap superannuation funds. NULIS also reported breaches for changes made to the death and TPD insurance of its members.

KPMG was appointed as an independent expert to assess and report on the adequacy of NULIS' compliance and risk management practices for its retail and wrap superannuation funds.

Managed funds

We have taken action on managed funds so that investors can have trust and confidence in their investments in financial markets. For example:

- ♦ In August 2016, the Supreme Court (NSW) found that Macquarie Investment Management Ltd (MIML) contravened the Corporations Act by failing to comply with its duties as a responsible entity of the Van Eyk Blueprint International Shares Fund. The court ordered that MIML pay a civil pecuniary penalty of \$400,000, as well as ASIC's legal costs.
- ♦ In May 2017, the Supreme Court (Qld) found that five former executives of MFS Investment Management Limited had acted dishonestly in their roles and collectively committed 217 contraventions of the Corporations Act. The court disqualified four former officers and the funds manager from managing corporations. The court imposed financial penalties totalling \$1.89 million against the officers and ordered them to pay over \$617 million in compensation and a significant proportion of ASIC's costs.
- ♦ In May 2017, the Federal Court disqualified former directors of Avestra Asset Management Ltd (Avestra), Paul Rowles and Clayton Dempsey, from managing corporations and restrained them from providing financial services for 10 years. The court held that Avestra, Mr Rowles and Mr Dempsey had engaged in numerous contraventions of the Corporations Act. This included Mr Rowles and Mr Dempsey failing to comply with duties owed by them as officers of the responsible entity and as directors of Avestra.

Misleading advertising

ASIC has taken action against superannuation trustees, responsible entities and managed discretionary account (MDA) operators where they made misleading statements to investors. For example:

- In September 2016, ING Direct compensated around 24,500 members approximately \$5.4 million in response to our concerns about potentially misleading statements made in its promotional material about 'No Fees' and 'Low Fees' options for its Living Super product.
- In June 2017, we issued an infringement notice to Synergy Financial Markets Pty Ltd (Synergy) for false or misleading statements on its website.¹ Synergy's website included statements that investors in its MDAs would only pay Synergy 'when your account profits'. ASIC considered that these statements were misleading because Synergy charges all investors, regardless of whether an investment in one of its MDAs profits.
- In September 2016, ASIC commenced legal proceedings in the Federal Court against Huntley Management Limited (Huntley) after Huntley failed to pay infringement notices.² The infringement notices were issued because we had reasonable grounds to believe that Huntley made misleading statements that it 'acts as responsible entity, custodian, trustee and/or manager for over 40 managed investment projects approved by ASIC'. In July 2017, the Federal Court ordered that Huntley pay a \$50,000 penalty for false and misleading advertising.

Policy advice

Asia Region Funds Passport

ASIC worked closely with Treasury to prepare for the implementation of the Asia Region Funds Passport from 2018. This will provide market access for managed funds in participating economies in the Asian region, through a framework of equivalence assessment. The Asia Region Funds Passport will streamline admission processes to foreign (host) economies and

introduce measures to reduce regulatory duplication. We represent Australia on the Asia Region Funds Passport's Joint Committee, which is responsible for its implementation.

Corporate collective investment vehicles

ASIC worked closely with Treasury on the corporate collective investment vehicle regime, which is an alternative to the existing managed investments regime. The regime will have a corporate umbrella structure, a model that is better recognised globally. We are currently implementing arrangements to bring the regime into operation.

Crowd-sourced funding

ASIC helped Treasury develop the crowd-sourced funding legislation, which will take effect on 29 September 2017. This will allow small unlisted public companies to raise up to \$5 million in 12 months through an AFS licensed intermediary authorised to provide crowd-sourced funding services.

We will issue guidance to industry, and update processes and systems to facilitate crowd-sourced funding.

Stronger Super and other super initiatives

ASIC has assisted with the Government's consideration of key law reform initiatives in Stronger Super by deferring start dates for portfolio holdings, choice product dashboards and aspects of the transparency requirements in section 29QB of the SIS Act. These deferrals give Government time to consider the appropriate policy settings for the new requirements.

We continued to help Treasury develop the new comprehensive income products in retirement regime. We are working with other agencies (APRA, the ATO and the Department of Social Services) to provide a 'one-stop-shop' for providers of new retirement income stream products after 1 July 2017.

1. The compliance with an infringement notice is not an admission of guilt or liability and Synergy Financial Markets Pty Ltd is not taken to have contravened the Corporations Act.
2. The compliance with an infringement notice is not an admission of guilt or liability and Huntley Management Limited is not taken to have contravened the Corporations Act.

3.1 Investor and consumer trust and confidence *continued*



3.1.4 Financial capability

ASIC, as the lead Australian Government agency with responsibility for financial capability, drives initiatives to help investors and consumers make informed financial decisions.

ASIC's MoneySmart website provides impartial and trusted financial guidance and tools to support informed financial decision making for all Australians.

We also support the delivery of financial literacy in the formal education sector through ASIC's MoneySmart Teaching program.

Stakeholder engagement

ASIC liaises and partners with a range of organisations, at both the national and international level, to support the financial literacy and capability of Australians.

Parliamentarian briefing – 'Improving Australians' financial capabilities'

In February 2017, we hosted a Parliamentarian breakfast briefing in Canberra to highlight our work to support the financial capabilities of all Australians.

The Minister for Revenue and Financial Services, the Hon. Kelly O'Dwyer MP; Chairman of the Australian Government Financial Literacy Board, Paul Clitheroe; and David Coleman MP joined ASIC's Chairman as speakers at the breakfast.

The breakfast was attended by Parliamentarians, advisers, senior representatives from a range

of government departments, and Australian Government Financial Literacy Board members.

ASIC and the National Financial Literacy Strategy

ASIC leads and coordinates the National Financial Literacy Strategy 2014–17, with support from the Australian Government Financial Literacy Board (see page 174).

The National Financial Literacy Strategy is a flexible framework that guides the activities of all stakeholders with an interest in improving Australians' financial literacy.

The Minister for Revenue and Financial Services launched the *National Financial Literacy Strategy Annual Highlights Report 2015–16* at the Parliamentarian briefing in February 2017.

The report provides an overview of the collective impact of financial literacy initiatives delivered by ASIC and other organisations across the government, business, community and education sectors.

ASIC's Financial Literacy Community of Practice

ASIC's Financial Literacy Community of Practice is a monthly national forum designed to strengthen links between stakeholders, and encourage the sharing of information, expertise and experience about financial capability research, programs and projects. At 30 June 2017, there were 1,032 members of the Financial Literacy Community of Practice.



ASIC hosted a Parliamentarian breakfast briefing in Canberra in February 2017 that highlighted our work on improving the financial capabilities of all Australians. ASIC Chairman Greg Medcraft and Commissioner Cathie Armour are shown here with the Hon. Kelly O'Dwyer MP, Minister for Revenue and Financial Services, and Paul Clitheroe, Chair of the Australian Government Financial Literacy Board.

Building older Australians' financial capability

In September 2016 and March 2017, ASIC hosted roundtables to present the findings of our research into the financial capability of older Australians aged between 55 and 85 years. The research determined that the main drivers of older Australians' financial decisions are their financial situation, attitudes and confidence in dealing with financial issues, rather than factors such as their age.

The roundtables were attended by representatives from a diverse range of stakeholders, including Government, peak associations, groups working with older Australians, and leading academics.

Education and guidance

ASIC assists investors and consumers in making better financial decisions through the financial guidance and tools available on ASIC's MoneySmart website. In 2016–17, we produced 96 new financial literacy resources.¹

ASIC's MoneySmart website

ASIC's MoneySmart website is a source for trusted and impartial financial guidance and online tools. Over 7 million people visited MoneySmart in 2016–17 and it attracts, on average, 890,400 sessions² a month. Research indicates that 38% of adult Australians are aware of MoneySmart (up 7% from 2015–16)³ and 89% of users reported that they took action on their finances after visiting the website.⁴

Our suite of responsive online tools and mobile apps is designed to prompt consumers to take action. Around 45% of visits to ASIC's MoneySmart website are made using a mobile device (up 3% from 2015–16).

Our online calculators are designed to give consumers direction and motivate them to achieve their financial goals. The most popular calculators offered on ASIC's MoneySmart are the Budget planner, the Mortgage calculator and the Income tax calculator. In 2016–17, our online calculators were accessed, on average, 444,329 times per month.

ASIC's MoneySmart uses Facebook, Twitter and YouTube social media channels to interact with consumers, promote financial capability and alert consumers to ASIC's enforcement outcomes. In 2016–17, we continued to grow ASIC's MoneySmart social media footprint:

- ♦ Facebook: 123,592 'likes' (up 49% from 82,697 in 2015–16)
- ♦ Twitter: 37,553 followers (up 100% from 18,806 in 2015–16)
- ♦ Social media videos: 499,878 views (up 170% from 299,777 in 2015–16).⁵

Divorce and Separation Financial Checklist

In September 2016, ASIC launched two new online tools that help people navigate the financial aspects of divorce and separation.

The Divorce and Separation Financial Checklist and the Asset stocktake calculator are designed to help Australians manage their finances and make informed financial choices during periods of significant change in their lives. The tools provide guidance and practical steps to help people:

- ♦ separate finances and get themselves on track financially after separation or divorce
- ♦ start the property settlement process by creating a summary of assets and debts.

1. 'Financial literacy resources' includes any webpages, tools, calculators, infographics or videos that were released for the first time, or substantially revised or updated, in the last 12 months.
2. A session is a group of user interactions with the website that take place within a given timeframe. A session ends when the user leaves the website or is inactive for 30 minutes.
3. *Awareness and usage of ASIC's MoneySmart website, Wave 12: February 2017, ASIC, page 7.*
4. *Awareness and usage of ASIC's MoneySmart website, Wave 12: February 2017, ASIC, page 12.*
5. Social media video views include Facebook, Twitter and YouTube video views, excluding major advertising campaigns.

3.1 Investor and consumer trust and confidence *continued*

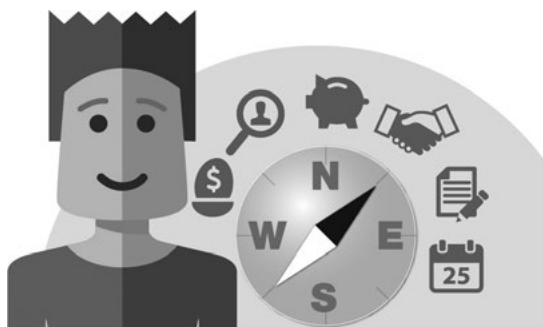
Simple Money Manager tool

In October 2016, the Minister for Revenue and Financial Services launched the Simple Money Manager tool to help culturally and linguistically diverse Australians with everyday budgeting. The online tool is available in English and has also been translated into eight community languages, including Chinese (simplified and traditional), Italian, Arabic and Vietnamese. The tool was accessed more than 31,400 times during 2016–17.

Financial Advice Toolkit

In November 2016, ASIC launched the Financial Advice Toolkit to help Australians better understand and navigate the financial advice process. The toolkit helps consumers evaluate the financial advice they receive and breaks down the complexity of the financial advice process. It gives guidance to help consumers:

- ♦ identify their financial goals and advice needs
- ♦ choose a financial adviser
- ♦ prepare to meet a financial adviser
- ♦ understand a Statement of Advice
- ♦ review their financial situation.



ASIC's Financial advice toolkit, launched in November 2016, helps Australians better understand and navigate the financial advice process.

Financial Advisers Register

The Financial Advisers 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. It includes information about financial advisers' qualifications, training and professional memberships.



22,000+

Financial advisers on the register (at 30 June 2016)



790,000+


searches of the register (in 2015–16)

(See pages 50–52 for further detail on ASIC's work in the financial advisers sector.)

Infographics for consumers

ASIC has developed a range of infographics to support consumers' decision making.

In March 2017, we launched a new 'Women's Money Challenges' infographic to support International Women's Day. The infographic encourages women to use our Women's Money Toolkit, and shows the small steps that women can take now that can make a big difference in their finances in later life.



In March 2017, we also launched two new infographics to support our regulatory work in the area of add-on insurance:

- ♦ the 'Tyre and Rim Insurance' infographic explains what this type of insurance covers, the average cost of the insurance, and what consumers need to consider before buying it
- ♦ the 'Mechanical Breakdown Insurance' infographic explains that this insurance is unnecessary because car buyers are already covered by the Australian Consumer Law and their car warranty when purchasing a new car.

First Business resource

In February 2017, the First Business resource was launched to support young Australians starting a small business. The resource was developed by ASIC with the ATO, and has two components:

1. an online module designed to help young people decide whether starting a small business is right for them. The module includes business planning and budgeting
2. a mobile app that helps prepare young people for the requirements of running a small business. The app includes a business health check and ideas for developing business networks.

Financial literacy assessment

ASIC facilitated Australia's participation in the Organisation for Economic Co-operation and Development's (OECD's) Programme for International Student Assessment (PISA) 2015 financial literacy assessment. This assessment evaluated the financial literacy of 15-year-olds from 15 countries, and their ability to understand and apply their knowledge to financial questions.

In May 2017, the OECD launched the PISA Financial Literacy Report in Paris. The report showed that Australia performed above the OECD average in the international assessment of young people's financial literacy. Australia ranked equal fifth out of the 15 participating countries.

Australian Financial Attitudes and Behaviour Tracker

ASIC has completed five six-monthly waves of the Australian Financial Attitudes and Behaviour Tracker research. Key insights from Wave 5 of this research were:

- ♦ the majority (58%) of Australians continue to feel confident about managing their money, but a larger proportion than in previous waves (36%) say that dealing with money is stressful and overwhelming
- ♦ less than half (44%) of Australians have a three-to-five year financial plan
- ♦ there was a significant increase in the proportion of Australians reporting that they have an SMSF
- ♦ more than 60% of Australians continue to have a low-level understanding of key investment concepts such as diversification and the risk/return trade-off.

ASIC's MoneySmart Teaching

ASIC works with state and territory education departments to deliver ASIC's MoneySmart Teaching program under a National Partnership Agreement. The program builds teachers' ability and confidence to teach financial literacy and capability through targeted professional development and the provision of engaging classroom resources aligned with the Australian Curriculum.

In 2016–17, over 5,500 schools (more than 60% of schools in Australia) engaged with the program. Since the program began in 2012, more than 32,000 teachers have received financial literacy professional development through MoneySmart Teaching workshops and online modules.

Curriculum Connections

ASIC developed Curriculum Connections in partnership with the ATO and the Australian Curriculum Assessment and Reporting Authority. This resource identifies how financial literacy aligns with the Australian Curriculum. It provides multiple pathways for teachers to access information to support teaching financial literacy in all Australian Curriculum learning areas.

Enforceable undertakings

In 2016–17, ASIC accepted 16 enforceable undertakings. After accepting an enforceable undertaking, we work with companies and independent experts to improve culture and compliance practices. Our work with these companies has resulted in improved compliance with the law and positive, long-term behavioural change.

For example:

- ♦ In December 2016, we accepted an enforceable undertaking from car finance provider BMW Australia Finance Ltd to pay at least \$72 million in write-offs, refunds and interest reductions to approximately 15,000 consumers. They also agreed to pay \$5 million to fund consumer advocacy, financial literacy and financial counselling programs.
- ♦ Between December 2016 and May 2017, we accepted five enforceable undertakings from each of NAB, CBA, Westpac, ANZ and Macquarie for systems and control failures in each of their wholesale foreign exchange businesses. These enforceable undertakings require the banks to strengthen their systems and controls. The banks have made voluntary payments totalling \$13 million towards financial literacy.
- ♦ In March 2017, we accepted an enforceable undertaking from three of Barclays' foreign financial services providers¹ following concerns about significant breaches of ASIC's class order licensing exemptions. The Barclays entities must engage an independent expert to review and test their compliance frameworks. Barclays will also contribute \$500,000 to the Ethics Centre for Research and Development for providing financial services to Australian clients.
- ♦ In June 2017, we accepted an enforceable undertaking from registered liquidator Raymond Anthony Sutcliffe. Our investigation of his conduct relating to 43 external administrations found that Mr Sutcliffe had not adequately discharged

his duties as a liquidator. Mr Sutcliffe requested cancellation of his registration and agreed not to re-apply for registration for three years.

We report publicly on how companies and individuals comply with enforceable undertakings. This improves our accountability for the regulatory outcomes we seek to achieve by accepting enforceable undertakings.

In 2016–17, we published four interim reports on parties' compliance with enforceable undertakings. These parties (and the date on which ASIC accepted their enforceable undertaking) were:

1. HSBC Bank Australia Limited (13 May 2016)
2. Chris Pappas and Ascentiv Group Pty Ltd (11 May 2016)
3. CMH Financial Group (23 March 2016)
4. Wealthsure Pty Ltd (22 April 2015).

We also published six final reports on compliance with enforceable undertakings. These parties (and the date on which ASIC accepted their enforceable undertaking) were:

1. Jason Churchill and Churchill Consulting Services Pty Ltd (6 January 2016)
2. J.P. Morgan Securities plc, J.P. Morgan Securities (Asia Pacific) Ltd and J.P. Morgan Securities LLC (16 November 2015)
3. Leo Ignatius Menkens (17 September 2015)
4. Reid Matthew Menkens (17 September 2015)
5. Wealthsure Financial Services Pty Ltd (29 April 2015)
6. Commonwealth Securities Ltd and Australian Investment Exchange Ltd (17 December 2014).

Our compliance reports are available on our enforceable undertakings register at www.asic.gov.au/euregister. Further guidance on our approach to accepting enforceable undertakings and public reporting on compliance can be found in Regulatory Guide 100 *Enforceable undertakings*.

1. The Barclays foreign financial services providers were Barclays Capital Inc., Barclays Capital Asia Limited and Barclays Capital Securities Limited.

External dispute resolution

The dispute resolution framework plays an important role in promoting consumer and investor trust and confidence in financial services markets. There are currently two ASIC-approved EDR schemes: Financial Ombudsman Service (FOS) and Credit Industry Ombudsman (CIO). Together, these two industry-based schemes, and the statutory Superannuation Complaints Tribunal (SCT), deal with more than 40,000 consumer and small business disputes each year.

ASIC's role

ASIC administers the financial services and consumer credit dispute resolution framework, which includes EDR and IDR. We are responsible for:

1. setting or approving standards for IDR procedures
2. approving and overseeing the effective operation of approved EDR schemes.

In 2016–17, we published guidance to ensure that EDR schemes meet the approval criteria, which include benchmarks for independent governance, efficiency, accountability and fairness.

ASIC staff members also met with EDR scheme representatives every quarter to discuss key trends and issues arising from complaints, policy and regulatory issues and law reform.

Systemic issues and misconduct

ASIC-approved EDR schemes must identify, resolve and report to us on systemic issues and cases of serious misconduct.

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. If a systemic issue is identified, the relevant licensee must work with the scheme to remedy the problem, which could include compensating consumers.

Serious misconduct may involve fraudulent, grossly negligent or inefficient conduct, or wilful or flagrant breaches of the law.

In 2016–17, FOS reported 82 definite systemic issues and nine cases of serious misconduct to ASIC. The CIO reported 39 definite systemic issues and 11 cases of serious misconduct. We assessed these reports and, where appropriate, used the information to inform current or new investigations.

Dispute resolution framework review

In May 2017, the Government announced that a new single EDR scheme, the Australian Financial Complaints Authority, will replace FOS, CIO and the SCT. This followed the independent panel review of the EDR and complaints framework, led by Professor Ian Ramsay. For further information about the review, see page 8.

3.2 Fair and efficient markets



3.2.1 Corporations

ASIC's work in this sector during 2016–17 focused on gatekeeper conduct by directors and others. Poor gatekeeper conduct can undermine investor trust and confidence in the market. Our work also concentrated on financial disclosure in transactional documents and the marketing of fundraising.

Stakeholder engagement

In 2016–17, we held 76 meetings with stakeholders, including the Australian Institute of Company Directors, ASX, the Governance Institute of Australia, the Australian Shareholders Association and the Takeovers Panel. Key issues discussed included proxy advisers, financial information disclosure and substantial holding notices.

In March 2017, ASIC and the Takeovers Panel signed an updated memorandum of understanding that emphasised the importance of the complementary roles each body plays in regulating control transactions.

We also worked with other bodies to achieve more effective regulation. For example, we met with Treasury and APRA to discuss further work in response to the Senate Economics References Committee's report on *Cooperative, mutual and member-owned firms*.

Guidance

Facilitating business

ASIC facilitates many complex transactions by providing relief, where appropriate, from the requirements of the Corporations Act. Details are contained in our biannual *Overview of decisions on relief applications* report, published in December 2016 and June 2017.

Corporate finance regulation

In August 2016 and February 2017, ASIC published two corporate finance reports highlighting key statistical information about corporate finance regulation. The reports aimed to provide greater transparency around our role in the regulation of corporations in Australia. They noted key trends and detailed our work to regulate fundraising, mergers and acquisitions, corporate governance and other general corporate finance areas.

Emerging markets issuers

In April 2017, ASIC published a report containing key observations on regulatory issues relating to entities listed on Australian markets with substantial connections to emerging markets. While listed entities with a strong connection to emerging markets have participated in our market for some time, these connections create both opportunities and challenges for our markets.

The report highlights the importance of implementing good corporate governance, internal and risk management structures to preserve investor trust and confidence in our markets.



Reissue of prospectus guidance

In November 2016, ASIC updated guidance about the disclosure of financial information in prospectuses. The update provides that, generally, three years of audited financial information should be included in a prospectus (or two years of audited and a half-year of reviewed information, depending on the date of the prospectus). This applies regardless of the corporate form of the business before seeking to list.

Surveillance

In 2016–17, ASIC completed 404 high-intensity surveillances to monitor how companies and their directors complied with their obligations under the Corporations Act concerning their operations as a company, such as in relation to fundraising and control transactions.

Improving fundraising disclosure

ASIC reviewed 460 prospectuses and offer documents, which made up over 80% of documents lodged with ASIC. We actively examined due diligence materials and took action to ensure that disclosure was not misleading. For example, in 2016–17, we:

- ♦ required improved disclosure to be lodged in 33% of the 460 prospectuses, impacting around \$7.2 billion of fundraisings
- ♦ issued 34 interim stop orders, with most of these revoked when corrective disclosure was lodged
- ♦ made three final stop orders to prevent fundraising where we had concerns.

We responded to non-compliance with fundraising requirements when, for example:

- ♦ business models were not adequately disclosed
- ♦ it was unclear how funds raised were to be used
- ♦ risk disclosure was inadequate.

Marketing practices for initial public offerings

ASIC reviewed how initial public offerings (IPOs) are marketed to retail investors.

In September 2016, we released a report that made recommendations for firms and issuers to consider when developing an IPO marketing strategy, including:

- ♦ minimising the risk of investors receiving misleading information about an offer
- ♦ improving the oversight and control of the marketing and selling of IPOs by telephone
- ♦ monitoring more innovative means of marketing (e.g. social media) to ensure that messages are up to date and appropriate.

Monitoring takeovers

ASIC monitored 41 new takeover bids in 2016–17. Where necessary, we intervened to seek better disclosure or conduct to ensure that companies' transactions were appropriate and legal.

We reviewed the disclosure and terms of 36 proposed acquisitions under court-approved schemes of arrangement.

We made two applications to the Takeovers Panel about the affairs of Molopo Energy Limited and Lepidico Limited, and made submissions on a further eight matters brought by third parties.

3.2 Fair and efficient markets *continued*

We continued our focus on independent expert reports this year, reviewing disclosures and inquiring into matters such as independence and the testing and evaluation of company information. In a number of instances, issues raised with reports resulted in material changes to the experts' disclosures and conclusions.

Corporate governance

In 2016–17, ASIC reviewed 254 related party documents – particularly fundraising and control documents – to assess conflicts of interest. We also identified a number of issues concerning the administration of contentious shareholder votes and contacted a number of entities about their voting practices.

Enforcement

Continuous disclosure

ASIC took action where the senior officers of publicly listed companies failed to ensure that the published financial results of these companies were true and accurate and did not mislead the market. For example:

- ♦ In January 2017, Benjamin David Kirkpatrick, former Chairman of Waratah Resources Limited (Waratah Resources), was convicted of aiding and abetting Waratah Resources to breach its continuous disclosure obligations. In October 2013, Mr Kirkpatrick failed to correct a misleading announcement relating to a \$100 million trade finance facility with the Bank of China. Mr Kirkpatrick was sentenced to 12 months, imprisonment that was to be served as a 12-month Intensive Correction Order.
- ♦ In August 2016, the directors of Padbury Mining Limited (Padbury), Gary Stokes and Terence Quinn, were each disqualified from managing corporations for three years for breaching their duties as directors regarding the company's continuous disclosure obligations. The Federal Court found that Padbury's announcement on 11 April 2014 about securing \$6 billion in funding for the Oakajee port and rail project in Western Australia was misleading and deceptive.

Directors' duties


ASIC took action to protect investors where directors failed to discharge their duties with care and diligence, or failed to act in the best interests of the companies they serve. For example:

- ♦ In August 2016, the Federal Court ordered that Sino Australia Oil and Gas Limited (in liquidation) pay a pecuniary penalty of \$800,000. The court ordered that its former Chairman, Tianpeng Shao, be disqualified from managing corporations for 20 years.
- ♦ In September 2016, we banned director Mark Byers from managing companies for the maximum period of five years for his conduct in the management of four failed companies. Following reports provided by liquidators of the failed companies, we were concerned that Mr Byers had engaged in illegal phoenix activity and had breached a number of his obligations as a director.
- ♦ In April 2017, the Supreme Court (Vic.) ordered that former AWB Limited Chairman Trevor Flugge pay a pecuniary penalty of \$50,000 and be disqualified from managing corporations for five years. The court found that Mr Flugge had failed to exercise his duty of care and diligence under section 180(1) of the Corporations Act.

Dishonest conduct

ASIC has taken action against directors for dishonest conduct. For example:

- ♦ In August 2016, Bradley Young, a former director of one of the Kleenmaid group of companies, was sentenced to nine years, imprisonment after being found guilty of 18 offences arising out of the collapse of the national whitegoods distributor. The offences occurred between November 2008 and April 2009 and included:
 - one count of fraud by dishonestly gaining loan facilities totalling \$13 million
 - two counts of criminal insolvent trading of debts totalling \$3.5 million
 - 15 counts of insolvent trading of debts totalling more than \$750,000.

- 
-
- ♦ In November 2016, Andrew Sigalla, the former director of TZ Limited, was sentenced to 10 years' imprisonment. The Supreme Court (NSW) found Mr Sigalla guilty of 24 counts of dishonest conduct. Mr Sigalla dishonestly used his position as director to gain financial advantage by causing more than \$8.6 million of company funds to be transferred to him.

Insider trading

ASIC is focused on deterring insider trading wherever it occurs. We are committed to ensuring that market abuse is addressed through enforcement action. For example:

- ♦ In November 2016, Fei Yu was convicted after pleading guilty to two insider trading offences. Mr Yu was released on recognisance, subject to the condition that he enters a 12-month good behaviour bond and pays a pecuniary penalty of \$10,000. Mr Yu was also required to pay the net profits from his offending conduct (approximately \$17,527) to a charitable foundation. Mr Yu was automatically disqualified from managing a corporation for five years.

Policy advice

Employee share scheme reforms

ASIC provided input to Government on law reform for certain employee share offers. This reform aims to limit the requirement that disclosure documents given to employees also be made available to the public.

3.2 Fair and efficient markets *continued*



3.2.2 Insolvency practitioners

ASIC's work in this sector during 2016–17 focused on the gatekeeper conduct of insolvency practitioners (registered liquidators). Poor conduct by registered liquidators, including their failure to detect and report inappropriate conduct, can undermine investor and creditor trust and confidence in the market and deprive creditors of their entitlements.

Stakeholder engagement

In 2016–17, ASIC held 62 meetings with stakeholders, including the ATO, the Australian Financial Security Authority and the Australian Restructuring Insolvency and Turnaround Association. Key issues discussed included the Government's insolvency law reforms and phoenix activity.

We also held biannual regional meetings in each state and territory with registered liquidators and other stakeholders in the insolvency sector.

Powers to appoint liquidators

ASIC uses our wind-up powers to appoint liquidators to abandoned companies, which helps employees access their entitlements under the Fair Entitlements Guarantee. In 2016–17, we appointed liquidators to six abandoned companies that owed four employees more than \$242,000 in entitlements.

Report on supervision of registered liquidators

In June 2017, ASIC published our sixth annual report about our supervision of registered liquidators for the 2016 calendar year.

The report focuses on our supervision of registered liquidators through assessing reports of misconduct, and our surveillance and enforcement activities.

Our objective is to promote confidence in the proper administration of insolvent companies and in our supervision of registered liquidators. To this end, in 2016–17, we focused on ensuring that registered liquidators:

1. are independent (and are also seen to be independent)

2. are competent and efficient
3. do not use creditors' funds for improper gain.

Assisting liquidators

ASIC continued to assist registered liquidators to wind up or restructure insolvent companies through our liquidator assistance program and the Assetless Administration Fund (AA Fund). We helped registered liquidators obtain records and fund their preliminary investigations to enable them to report to ASIC. These reports support our own investigations and the action we take, including litigation against directors and others.

During 2016–17, we received more than 740 AA Fund applications, and committed just over \$3.43 million to liquidators. (See page 186 for more detail on the AA Fund program.)

Guidance

Registered liquidators

The *Insolvency Law Reform Act 2016* (ILRA) came into effect on 29 February 2016.

In March 2017, we released a new regulatory guide for registered liquidators on registration, disciplinary actions and insurance requirements to reflect the ILRA reforms. The regulatory guide explains:

1. how to register as a liquidator
2. how to renew registration
3. our policy on adequate and appropriate insurance
4. the disciplinary actions that may apply to registered liquidators under the new insolvency laws.

Surveillance

In 2016–17, ASIC completed 351 surveillances of insolvency practitioners (of which 49 were high-intensity). Our surveillances focused on issues of independence, competence and improper gain. We also completed reviews of liquidators' practices and reviewed liquidators' compliance with reporting and publishing requirements.

Independence, competence and improper gain

ASIC completed 56 reactive surveillances (of which 28 were high-intensity) following reports of alleged misconduct focusing on practitioner independence, competence and improper gain. These surveillances resulted in registered liquidators improving their behaviour. For example:

- ♦ Administrators of a company voluntarily resigned after we raised concerns about their perceived independence. The administrators decided not to claim remuneration and the creditors resolved to appoint replacement administrators.
- ♦ Liquidators of a company repaid money received for pre-appointment advice after we raised concerns that accepting the money had created a possible conflict of interest.
- ♦ Administrators of a company revised their declaration of independence after we raised concerns about the extent of their involvement in pre-appointment dealings and fee arrangements.
- ♦ A liquidator of a company agreed to have an independent expert review 12 external administrations and to maintain appropriate staff and systems for the size and complexity of appointments. This was after we raised concerns that the liquidator failed to adequately discharge its duties. The liquidator also agreed not to receive remuneration for unrecovered time costs for the voluntary administration of two companies.

Compliance with reporting and publishing requirements

ASIC completed 293 surveillances (of which 19 were high-intensity) of registered liquidators' compliance with their reporting and publishing requirements. This work aims to build confidence in the insolvency market and our regulation of it through improved compliance. Non-compliance with simple obligations can reflect more serious problems with insolvency practice.

Our surveillances identified 3,738 instances where registered liquidators did not comply with statutory lodgement and publication obligations that allow creditors and others to participate in the insolvency process. We worked with registered liquidators to

ensure that, where possible, they remedied non-compliance, resulting in the majority of instances being resolved.

We successfully negotiated with eight registered liquidators to:

1. engage an independent registered liquidator to undertake a 'quality control peer review program'
2. report to ASIC, and to implement compliance-based staff training.

Additionally, two sole practitioners agreed to ASIC cancelling their registration as a liquidator after completing all of their external administrations.

Enforcement

ASIC has taken strong action to ensure that liquidators meet their obligations to creditors. For example:

- ♦ In December 2016, ASIC requested that the Supreme Court (NSW) inquire into the conduct of Sydney liquidators Andrew Hugh Jenner Wily and David Anthony Hurst concerning the performance of their duties as joint liquidators of 12 companies. ASIC sought orders that Mr Wily and Mr Hurst be prohibited from practising as registered liquidators for a period of time.
- ♦ Following an application by ASIC, in December 2016, the then Companies Auditors and Liquidators Disciplinary Board suspended the registration of Stan Traianedes for three years. The Board found that Mr Traianedes, a sole practitioner trading under the name S & Z Insolvency and Forensic, failed to adequately and properly carry out his duties as a liquidator for three external administrations between 2011 and 2014.
- ♦ In October 2016, the Federal Court prohibited Melbourne liquidator Ross John McDermott from accepting any new appointments as a registered liquidator for three years (including appointments as a controller or administrator). This followed a court inquiry into Mr McDermott's conduct of 26 external administrations between 2009 and 2014.

Directors of failed companies must assist liquidators. In 2016–17, we prosecuted 409 directors for 723 offences for failing to assist registered liquidators.

3.2 Fair and efficient markets continued

Policy advice

Insolvency law reform

In October 2016, the Government released the Insolvency Practice Rules 2016 and other legislative instruments for public consultation. We assisted the Government by advising on the legislative instruments.

National Innovation and Science Agenda

As part of the National Innovation and Science Agenda, in April 2016, the Government released a proposals paper on measures to improve Australia's bankruptcy and insolvency laws. This included:

- ♦ proposals to introduce a safe harbour from personal liability for insolvent trading if the company is undertaking a restructure in certain circumstances
- ♦ reforms to the operation of *ipso facto* clauses, which allow a party to terminate a contract solely due to an insolvency event.

We continued to assist the Government with the proposed reforms, including commenting on draft regulations for the safe harbour and *ipso facto* clauses.

Illegal phoenix activity

Directors who engage in illegal phoenix activity intentionally and dishonestly deny unsecured creditors (e.g. employees and providers of goods and services) fair access to their entitlement to the company's assets.

We have taken action against illegal phoenix activity through our surveillance and enforcement work by:

- ♦ targeting surveillance and action against directors with a history of failed companies where allegations of illegal phoenix activity exist
- ♦ enforcing the law against advisers, directors and registered liquidators who facilitate illegal phoenix activity
- ♦ disrupting collusion between pre-insolvency advisers, directors and registered liquidators on illegal phoenix activity
- ♦ undertaking joint operational matters with other government agencies, such as the ATO, including prosecuting facilitators of illegal phoenix activity
- ♦ reviewing registered liquidator declarations of independence to identify inappropriate relationships between registered liquidators and pre-insolvency advisers
- ♦ funding liquidators through the AA Fund to investigate failed companies with few or no assets that raise concerns about illegal phoenix activity.

In 2016–17, we also engaged extensively with stakeholders to target illegal phoenix activity. For example, we contributed to the Government's Phoenix Taskforce and Serious Financial Crime Taskforce to share information that will assist in identifying and responding to illegal phoenix activity.

We have also provided information for small businesses, registered liquidators and other stakeholders to inform them about how to avoid phoenix activity, and about ASIC's response to illegal phoenix activity allegations.



3.2.3 Financial reporting and audit

ASIC's work in this sector during 2016–17 focused on gatekeeper conduct by directors and auditors. The quality of financial reports, supported by the quality of the independent audit, is vital for confident and informed markets and investors.

Stakeholder engagement

In 2016–17, ASIC held 247 meetings with stakeholders, including Australia's three largest accounting firms, accounting bodies, the Group of 100, the Australian Institute of Company Directors and the ATO. A key focus of discussions included improving financial reporting and audit quality.

Guidance

Communicating financial reporting and audit findings

In July 2016, ASIC issued a consultation paper on communicating specific financial reporting and audit findings identified from our reviews of external audit files to directors, audit committees or senior managers of companies, responsible entities or disclosing entities. We issued a regulatory guide about this in June 2017.

Financial reporting and audit relief

In September 2016, ASIC re-made a number of legislative instruments that affect financial reporting by companies, disclosing entities and entities generally. The instruments include audit relief for proprietary companies, and financial reporting relief for certain wholly owned entities.

Financial reporting for new accounting standards

In December 2016, ASIC issued a media release, reminding companies of the need to respond to three new accounting standards that will come into force in 2018 and 2019. The new standards will have a significant impact on financial reporting as they may affect reporting of revenue, the value of financial instruments, loan loss provisions, and the impact of lease arrangements.

We highlighted the need to disclose the impacts of the new standards in financial reports, continuous disclosure notices and transaction documents.

Auditors and audit quality

During 2016–17, we issued information sheets on improving and maintaining audit quality, the role of others in supporting audit quality, and internal audit. In June 2017, we provided guidance for auditors of AFS licensees to improve the quality of their work relating to client money.

Surveillance

In 2016–17, ASIC completed 477 surveillances (157 of which were high-intensity) to monitor compliance with financial reporting and audit requirements.

Financial reporting surveillance

In 2016–17, ASIC reviewed more than 320 reports of listed entities and other public interest entities. Our inquiries continue to result in material changes to 4% of financial reports reviewed.

As a result of our surveillances, 11 entities recognised asset impairments and other write-downs, totalling \$937 million.

In December 2016 and May 2017, we issued media releases outlining focus areas for financial reports at 31 December 2016 and 30 June 2017, respectively. These focus areas include impairment testing and asset values, accounting policy choices, such as revenue recognition and expense deferral, and material disclosures in financial reports. We announced the findings from our reviews of 31 December 2016 financial reports in June 2017.

Audit inspection program

Auditors play a vital role underpinning investor trust and confidence in the quality of financial reports. ASIC works with audit firms and others to improve and maintain audit quality.

In June 2017, we released a report of the results of our audit firm risk-based inspections for the 18 months to 31 December 2016.

3.2 Fair and efficient markets *continued*

We reviewed a total of 390 key audit areas across 93 audit files at firms of different sizes. In 25% of audit areas, auditors did not obtain reasonable assurance that the financial report as a whole was free of material misstatement. This compares to 19% for the 18 months to 30 June 2015. The nature of our findings is similar to those in other countries.

Our focus areas for firms include audit work on asset values, revenue recognition and maintaining strong internal messages on the importance of audit quality.

Audit firms continue to focus on action plans and initiatives to improve and maintain audit quality. Our reviews of audit files showed that audit firms need to continue to focus on ensuring that auditors:

1. obtain sufficient and appropriate audit evidence
2. exercise an appropriate level of professional scepticism
3. use the work of experts and other auditors appropriately.

Enforcement

ASIC refers registered company auditors to the Companies Auditors Disciplinary Board to cancel or suspend their registration, enter into enforceable undertakings, or impose conditions on the registration of auditors where we identify breaches of the Corporations Act and Australian auditing standards.

For SMSF auditors, we can cancel, suspend or impose conditions on them, generally on referrals from the ATO. For example, in 2016–17, we:

- ♦ cancelled three registrations of company auditors as a result of our surveillances
- ♦ removed 407 auditors from the SMSF auditor register. Of these:
 - 287 were removed for failing to lodge annual statements
 - 15 were removed (based on referrals from the ATO and others) for failing to comply with auditing standards, breaching independence requirements, or other fitness and propriety matters
 - 105 were removed following requests for voluntary cancellation.

Policy advice

International policy and engagement

ASIC continued to work with firms internationally through the International Forum of Independent Audit Regulators (IFIAR). With eight other regulators, we meet with the largest six firm networks internationally to improve audit quality.

We work with other IFIAR members on such initiatives as improved information sharing, improved auditing and ethical standards, and information sharing on enforcement approaches.

In April 2017, 22 IFIAR members signed the *Multilateral Memorandum of Understanding Concerning Co-Operation in the Exchange of Information for Audit Oversight*. ASIC chairs the IFIAR International Co-operation Working Group and has led this work.

We work with other securities regulators through IOSCO Standing Committee 1 on Issuer Accounting, Auditing and Disclosure (C1) to improve financial reporting and audit quality. Activities include seeking improvement in accounting, auditing and ethical standards; interacting with standard setters, accounting firms and other stakeholders; and providing guidance and policy development.

We co-chair the IOSCO Auditing Subcommittee, and the IOSCO IFRS Information Sharing Subcommittee. We led initiatives on information sharing about the interpretation and regulation of International Financial Reporting Standards (IFRS).

Our other work with C1 in 2016–17 included:

- ♦ providing guidance on the use of non-IFRS information
- ♦ leading the restructure of the international ethics code
- ♦ responding to exposure drafts from international standard setters
- ♦ leading the development of a statement on the impact of three major new accounting standards
- ♦ leading an internal survey on financial reporting surveillance
- ♦ moderating the IOSCO IFRS database
- ♦ hosting a C1 meeting in Sydney in September 2016.



3.2.4 Market infrastructure

ASIC's work in this sector during 2016–17 continued to focus on improving the effectiveness of Australia's capital markets. Australia's financial market infrastructure is trusted and internationally competitive and respected. It also supports efficient capital raising, investment and risk management.

Our work also focused on ensuring that disruptive innovation benefits issuers and end-investors, and ensuring that technological developments support investor trust and confidence.

Stakeholder engagement

In 2016–17, ASIC held 446 meetings with stakeholders, including key industry bodies such as the Australian Financial Markets Association and the Stockbrokers and Financial Advisers Association. We also engaged with market infrastructure operators, such as the ASX Group, LCH, Standard & Poor's, Moody's and Chi-X Australia. Key issues discussed included market macro- and micro-structure, market integrity, cyber resilience, distributed ledger technology (DLT), technology and risk management, and competition in the provision of post-trade services in Australia.

Engagement with market operators

ASIC worked with market operators to enhance market infrastructure and introduce a range of new products and services, involving the approval of a number of new listing rules. For example, in 2016–17, we worked with ASX to enhance its listing rules, following the 2016 assessment of ASX's listing standards.

We continued our work with operators to ensure that appropriate investor protections are in place when new products are offered.

Guidance

Distributed ledger technology

There has been intense interest in DLT in recent years from market operators, financial institutions and innovative financial technology firms around the world.

In March 2017, ASIC published an information sheet that sets out an assessment tool for evaluating DLT-based services. The tool helps fast-track our discussions on whether the use of DLT by a service provider or infrastructure operator would allow existing licensees and start-up businesses to meet their regulatory obligations.

Cyber security

ASIC continued to raise awareness of cyber risks and standards. This sector remains a key focus, given the importance of market infrastructure to the fairness and efficiency of the Australian market. We wrote articles discussing and promoting cyber resilience in reputable publications, including a peer-reviewed cyber security magazine.

In 2016–17, we partnered with ASX and the Department of Prime Minister and Cabinet to assess and publish the ASX 100 cyber health check. We also instituted a program of cyber resilience self-assessments for regulated entities to assess improvements over 18-month to 24-month cycles. Approximately 120 self-assessments were received from entities, including market participants and market infrastructure providers over the past 12 months.

Clearing and settlement

In October 2016, ASIC worked with the Council of Financial Regulators (CFR) to publish policy guidance on the:

1. regulatory expectations for the conduct of monopoly clearing and settlement service providers
2. requirements for safe and effective competition in the clearing of Australian cash market equities.

We also worked with CFR to publish a consultation paper in March 2017 on safe and effective competition in the settlement of cash equities in Australia. The consultation paper sought to:

1. explore whether the prospect of competition in the settlement of cash equities in Australia has increased
2. invite feedback on the development of policy guidance for such competition.

3.2 Fair and efficient markets *continued*

Surveillance

ASIC's surveillance of financial market infrastructure focused on thematic reviews of technology and risk management, and adherence to appropriate standards of fairness, integrity and efficiency.

Review of ASX equity market outage

ASIC completed an extensive review in response to the ASX outage of 19 September 2016 that affected the operation of the Australian equity market.

In December 2016, we released a report on our findings and made a number of recommendations for ASX and market participants. Our recommendations are designed to improve the resilience and robustness of the wider market, and promote confidence that any future incidents will be managed as effectively as possible. In particular, we recommended that ASX:

1. map the dependencies that stakeholders have on ASX in order to mitigate the effect of system failures on these stakeholders
2. strengthen business continuity and IT disaster recovery, including system testing and recovery procedures
3. implement comprehensive and robust technology status monitoring, including system-monitoring alerts.

ASX reported its progress towards each recommendation in March 2017. For example, ASX:

- ♦ launched a revised market communications protocol in March 2017
- ♦ has progressed work to identify stakeholder dependencies and enhance market announcements and system-monitoring alerts
- ♦ released a consultation paper on market closing prices in June 2017.

Further market consultations on system outage management and sensitive announcements are planned for 2017.

Data-driven market supervision

In 2016–17, ASIC implemented the enhanced market supervision model, which includes:

- ♦ a data-driven quarterly questionnaire extracting detailed data on the compliance performance of market operators
- ♦ a tool to process and assign risk ratings to the different metrics.

We also developed a five-year Data Analytics Strategy to enrich our supervision of markets and progress our agenda on analytics-based surveillance.

Enforcement

Managing conflicts of interest

ASIC's assessment of Sydney Stock Exchange's (SSX's) listing standards identified concerns about its arrangements for managing conflicts of interest.

In March 2017, an ASIC delegate to the Minister for Revenue and Financial Services imposed additional licence conditions on SSX to ensure adequate arrangements for managing conflicts of interest.

OTC trade reporting

ASIC has taken action to support the integrity of over-the-counter (OTC) trade data reported to us and other Australian financial regulators.

We issued an infringement notice to Westpac because we had reasonable grounds to believe that Westpac breached the ASIC Derivative Transaction Rules (Reporting) 2013.¹ Between 2 October 2013 and 30 April 2015, Westpac failed to report information about 112,556 reportable transactions as required. Westpac paid an infringement notice penalty of \$127,250 in May 2017.

1. The compliance with an infringement notice is not an admission of guilt or liability and Westpac is not taken to have contravened the ASIC Derivative Transaction Rules (Reporting) 2013.



Policy advice

Market reform

ASIC provided advice to Government, alongside other financial regulators, to support internationally consistent reforms to financial benchmarks. The reforms are intended to enable significant Australian benchmarks, including the Bank Bill Swap Rate, to continue to be used by key overseas participants in the Australian market.

Other important market reforms in 2016–17 included:

- ♦ legislative initiatives for the client money regime, so that the protection provided to retail OTC derivative clients is more consistent with the protection for client money provided for other financial services
- ♦ reforms to the market licensing regime to facilitate the approach to emerging and specialised markets.

International policy and engagement

In 2016–17, ASIC engaged extensively with industry and overseas regulators, such as the European Commission and the US Commodity Futures Trading Commission, to support Australian entities seeking regulatory recognition in foreign markets. For example:

- ♦ Australia's market licensing regime was recognised as equivalent to the European Markets in Financial Instruments Directive 2004
- ♦ Yieldbroker became the first non-US swap trading facility in the world that was allowed to offer direct access to US participants without having to register as a swap execution facility.

These equivalence determinations have significantly reduced costs to the Australian financial industry.

In 2016–17, we liaised extensively with industry and overseas regulators about OTC derivatives reform, providing proactive, clear guidance to industry, and coordinating a consistent approach with other Asia–Pacific jurisdictions.

We continued to hold key roles in international bodies and working groups that shape international regulation in financial market infrastructure and financial markets generally. These included representing Australia on the:

- ♦ IOSCO Standing Committee 2 on Regulation of Secondary Markets
- ♦ IOSCO Standing Committee 6 on Credit Rating Agencies
- ♦ IOSCO Standing Committee 7 on Derivatives
- ♦ Bank for International Settlements Committee on Payments and Market Infrastructures
- ♦ IOSCO Joint Working Group on Digital Innovations
- ♦ FSB OTC Derivatives Working Group.

3.2 Fair and efficient markets *continued*



3.2.5 Market supervision

ASIC's work in this sector during 2016–17 focused on real-time market surveillance, monitoring Australia's financial markets, and supervising the conduct of market participants and investment banks. Culture and incentives that drive poor conduct can undermine good governance practices and risk management systems, impacting on retail markets.

Stakeholder engagement

In 2016–17, ASIC held 300 stakeholder meetings with market intermediaries, including market participants and investment banks. As part of our early engagement process, we regularly met with market intermediaries to raise any concerns about compliance risks.

We also engaged with market intermediaries to achieve positive behavioural change where we detected market misconduct, including unusual trading patterns.

Guidance

Handling confidential information and managing conflicts of interest

ASIC continued to focus on the handling of confidential information and the management of conflicts of interest.

In August 2016, we released a report which found that some licensees did not have appropriate arrangements in place to manage material, non-public information or conflicts involving sell-side research.

In June 2017, we published a consultation paper on sell-side research seeking input on new guidance about the conflicts that arise for licensees who provide both corporate advisory and research services, and the appropriate handling of material, non-public information.

The draft guidance recommends that licensees have in place:

1. policies, procedures and training to identify and manage material, non-public information
2. effective information barriers between business units supported by procedures where staff on the public side of the business obtain material, non-public information

3. approval and review processes to identify material, non-public information before it is released
4. appropriate controls to insulate research analysts from the influence of corporate advisers or corporate issuers when preparing research.

Surveillance

In 2016–17, ASIC produced 40,488 trading alerts on ASIC's Market Analysis Intelligence system and conducted further inquiries into 142 matters.

We also completed 270 high-intensity surveillances in this sector. This included inquiries undertaken by the Market Conduct and Surveillance teams.

Australian equity market cleanliness

Market integrity is fundamental to a well-functioning financial market. Measuring and monitoring market cleanliness provides an overview of market integrity to better inform our regulatory work.

In August 2016, ASIC released a report on the cleanliness of the Australian equity market, which focused on possible insider trading and information leakage before material, price-sensitive announcements. Our review found a general improvement in market integrity over the past 10 years.

Conduct and culture

ASIC has undertaken numerous initiatives on culture and conduct with market intermediaries.

In February 2016, we issued a conduct risk questionnaire to 17 investment banks (which also completed a similar questionnaire in 2014) and nine independent market participants.

We found that, since the 2014 review, the 17 investment banks had improved their management of conduct in the key risk areas. We found that independent market participants are generally not as advanced as investment banks in managing conduct risk.

Sound remuneration practices

ASIC encourages investment banks operating in Australia to consider the importance of sound remuneration practices and appropriate reward structures for their businesses.

ASIC surveyed 17 investment banks to assess their implementation of internationally endorsed regulatory remuneration practices and rules to address misconduct. The firms were asked to consider 70 controls.

In November 2016, each respondent received a feedback statement from ASIC. We found that:

1. all except one of the investment banks surveyed had fully implemented most of the controls in their Australian operations
2. if a control is required in an investment bank's home jurisdiction, it is more likely to be implemented in its Australian operations.

Supervision of FX markets

ASIC completed investigations into the wholesale spot FX businesses of the major Australian financial institutions and accepted enforceable undertakings from each of the institutions to strengthen its systems and controls (see page 60).

In May 2017, we released a report that sets out some key observations from these investigations and good practice principles to manage the behavioural drivers that, in our view, are likely to lead to poor conduct if not adequately managed.

We will use this report as a reference point for our supervision of FX markets.

Enforcement

Market misconduct

We continued to strengthen our response to market misconduct that has the potential to undermine investor trust and confidence in our markets.

In 2016–17, we took action to raise standards of conduct in the fixed income, currencies and commodities markets. For example:

- ♦ In September 2016, we permanently banned Andrew Donaldson, a former Deutsche Bank FX options and futures trader, from providing financial services. Mr Donaldson had entered a number of false entries into Deutsche Bank's records between 2013 and 2014, which resulted in a temporary overstatement of Deutsche Bank's internal Australian accounting revenue result of approximately €28 million.

We investigated and successfully prosecuted Shun Yuen Ken Li (also known as Leo Lee) for dishonestly using his position as an employee of GAIN Capital Australia Pty Ltd to gain advantage for two clients. Mr Li placed orders for two clients, which resulted in these clients obtaining profits of approximately \$20,150 and \$52,400 respectively. Mr Li was sentenced to a community service order of 350 hours. Mr Li was also permanently banned from providing financial services.

Insider trading

ASIC continued to investigate and successfully prosecute those who engage in insider trading. For example:

- ♦ In April 2017, Steven Robert Noske was sentenced to 18 months' imprisonment and fined \$20,000 after being found guilty of insider trading by a Supreme Court (WA) jury. Mr Noske is also automatically disqualified from managing corporations for five years.
- ♦ In December 2016, we obtained declarations from the Federal Court of Australia that Hochtief AG had engaged in insider trading. Hochtief AG was fined \$400,000 and ordered to pay ASIC's costs.

Markets Disciplinary Panel

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.

3.2 Fair and efficient markets continued

In 2016–17, the MDP issued 12 infringement notices, which imposed a total of \$2,288,750 in penalties.¹ For example:

- ♦ In September 2016, Commonwealth Securities Limited (CommSec) paid a total infringement notice penalty of \$700,000.² We issued the infringement notices because we had reasonable grounds to believe that CommSec had breached the market integrity rules for both ASX and Chi-X markets. CommSec also voluntarily refunded \$1.1 million in brokerage fees to more than 25,000 clients.
- ♦ In March 2017, Credit Suisse Equities (Australia) Limited (Credit Suisse Equities) paid an infringement notice penalty of \$170,000.² We issued the infringement notice because we had reasonable grounds to believe that Credit Suisse Equities failed to have appropriate filters for its automated order processing systems.
- ♦ In February 2017, Share Investing Limited paid an infringement notice penalty of \$130,000.² We issued the infringement notice because we had reasonable grounds to believe that Share Investing Limited entered orders in the market on behalf of a client that it ought to have reasonably suspected had placed the orders to create a false or misleading appearance of active trading.

(See page 178 for more information about the MDP.)

Compliance frameworks

ASIC has taken action where market participants failed to maintain adequate compliance frameworks to meet their regulatory obligations. For example:

- ♦ In November 2016, we updated licence conditions on the AFS licence of Morgans Financial Limited (Morgans). For example, Morgans must strengthen its arrangements for monitoring and supervising its representatives and handling confidential market-sensitive information. These conditions require an independent compliance consultant to monitor, evaluate and report on Morgans' compliance with these conditions.
- ♦ In December 2016, we imposed additional conditions on the AFS licence of OpenMarkets Australia Limited to review the implementation of changes to:
 - arrangements for identifying and preventing potential market misconduct
 - processes for reconciling its client trust accounts
 - supervisory arrangements and organisational and technological resourcing.

1. In 2015–16, the MDP issued nine infringement notices, which imposed a total of \$984,000 in penalties.

2. The compliance with an infringement notice is not an admission of guilt or liability. The recipients are not taken to have contravened the Corporations Act.

International cooperation

Innovation, developments in technology and international financial regulation mean financial markets throughout the world are increasingly integrated, competitive and complex. This calls for coordinated international responses.

ASIC is linked to a global network of regulators to get the best outcomes for Australians. In addition to IOSCO, we are also a member of the IAIS, IFIAR and the International Financial Consumer Protection Organisation (FinCoNet).

International cooperation requests

ASIC maintains close relationships with peer regulators and law enforcement agencies to facilitate international regulation and enforcement.

In 2016–17, we made 330 international cooperation requests (down 9% from 2015–16) and received 405 requests from international financial regulators and other law enforcement agencies (up 2% from 2015–16). The international cooperation requests related to various topics, including surveillance, enforcement, policy and licensing.

We received 97 requests for assistance in enforcement matters (up 5% from 2015–16). This included 18 requests seeking our assistance to compel material from third parties under the *Mutual Assistance in Business Regulation Act 1992*.

We met with 23 delegations, including from emerging markets, to discuss consumer protection and markets regulation.

Multilateral cooperation

ASIC exchanges information with other authorities through IOSCO's Multilateral Memorandum of Understanding (MMOU) and other international agreements. This information assists with domestic and international investigations and enforcement activities. The MMOU is a key tool for targeting financial fraud and serious misconduct.

We have also strongly advocated for the adoption of the *IOSCO Enhanced Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information (EMMOU)*, which goes beyond the existing MMOU and responds to recent market developments. The EMMOU supports improved cross-border cooperation between securities regulators in their investigation and enforcement activities. The EMMOU includes additional powers such as the ability to obtain and share audit information, to compel testimony, to freeze assets and to obtain and share internet service provider and telecommunications records. We have prepared our application to become one of the first signatories to the EMMOU.



ASIC Commissioner John Price and Pak Muliaman, Chairman of Otoritas Jasa Keuangan, the Indonesian Financial Services Authority, signing the fintech cooperation agreement in April 2017.

We formally became a signatory to IFIAR's MMOU, which helps regulators to share information on the oversight of audit firms, in April 2017.

Bilateral cooperation

ASIC engages bilaterally with our counterparts on a range of issues. We are particularly close to our NZ colleagues and hold regular trans-Tasman meetings, especially in the area of emerging risks.

We work to enhance the ability of other international regulators to supervise and regulate. This helps improve the regulation of the financial sector globally. For example:

- ♦ In November 2016, we met with representatives from the Dubai Financial Services Authority to discuss our approach to conduct regulation, licensing, compliance and enforcement referrals.
- ♦ In June 2017, we met with representatives from Kenya's Capital Markets Authority and National Treasury. This meeting focused on capacity building for online FX supervision.

Building capacity in Indonesia

ASIC assists Otoritas Jasa Keuangan (OJK), the Indonesian Financial Services Authority, with a wide range of capacity-building initiatives to:

1. develop and implement good practice standards
2. build a culture of responsive and skill-based surveillance and risk-focused supervision.

We hosted delegations from OJK to help them understand our approaches to risk management, alternative dispute resolution, internal audit and fintech regulation.

OJK staff also participated in seminars, workshops and mutual visits to learn directly from ASIC's Corporations and Market Supervision stakeholder teams.

Regional cooperation

ASIC has advocated for closer regional ties through international forums, such as IOSCO's Assessment Committee and the Asia-Pacific Regional Committee.

We actively participated in supervisory colleges. In 2016–17, we continued our involvement in the Asia-Pacific Regional Supervisory College forum. The forum, which is a gathering of regional regulators, facilitates regional information sharing that focuses on a specific financial group with regional systemic importance. The most recent Regional Supervisory College forum was held in February 2017.

We are a member of the Asia-Pacific Economic Cooperation Financial Regulators Training Initiative (APEC FRTI) and currently chair the Advisory Group for Securities Regulators.¹ The APEC FRTI provides a sustainable, efficient, cost-effective training structure for junior and mid-level staff of financial supervisory and regulatory agencies and stock and derivative exchanges.

1. ASIC's term of office is between 2016 and 2018.

Innovation Hub

ASIC's Innovation Hub is designed to help fintech businesses navigate our regulatory system and to help us monitor and understand developments related to innovation.

The Innovation Hub has four key elements:

1. stakeholder engagement
2. informal assistance and guidance for eligible businesses
3. the Innovation Hub website
4. coordination of ASIC's innovation-related work

Through the Innovation Hub, ASIC also drives major projects, including our regulatory sandbox framework and regtech initiatives.

The Digital Finance Advisory Committee assists ASIC, including the Innovation Hub, to support innovation in financial services and markets (see page 179).

Stakeholder engagement

In 2016–17, ASIC held more than 70 meetings with industry and other stakeholders. Senior members of the Innovation Hub Coordination team have presented at 11 events for the financial services start-up community on such topics as:

- ♦ our regulatory sandbox framework
- ♦ crowd-sourced funding
- ♦ our approach to regtech and fintech.

Informal assistance and guidance

Individual guidance and assistance with licence or relief applications

In 2016–17, the Innovation Hub provided informal assistance to 93 entities to help them consider important regulatory issues early and, in some cases, prepare licence or relief applications.

The most common business models we saw were digital advice, marketplace lending and consumer credit. Many of these businesses have now obtained licences from ASIC.

During 2016–17, we granted 18 new and four varied AFS licences and credit licences. Results show that new fintech businesses that have engaged with the Innovation Hub before submitting their licence application receive approval materially faster than those that have not done so.

Publications

In 2016–17, ASIC reflected on the particular challenges facing innovative new financial services businesses, and issued a number of publications to help them, including:

- ♦ Information Sheet 219 *Evaluating distributed ledger technology*
- ♦ Regulatory Guide 257 *Testing fintech products and services without holding an AFS or credit licence*
- ♦ Consultation Paper 288 *Crowd-sourced funding: Guide for public companies*
- ♦ Consultation Paper 289 *Crowd-sourced funding: Guide for intermediaries.*



Mark Adams, Senior Executive Leader, Strategic Intelligence, addressing the InnovationAus.com 2017 Regtech Forum event, June 2017.



ASIC hosted our first regtech roundtable in February 2017, which focused on the application of regtech in Australia and future opportunities. More than 80 regtech entities participated in the roundtable.

Innovation Hub website

This dedicated website provides tailored information and access to informal assistance to help streamline the licensing process for innovative fintech start-up businesses. In 2016–17, there were 48,550 visits to the Innovation Hub webpages.

Coordination and cooperation

We have established a network with Treasury and other domestic regulators, including the RBA, APRA and AUSTRAC, to discuss innovation in financial services and markets, and the opportunities, developments and emerging risks for start-up fintech businesses.

Internal working groups have also been established on digital advice, marketplace lending, crowd-sourced funding and blockchain.

Other work on innovation

Regulatory sandbox framework

In December 2016, ASIC launched a regulatory sandbox environment for innovative businesses to develop and test their ideas.

The framework is comprised of three broad options for testing a new product or service without a licence:

1. existing flexibility in the regulatory framework or exemptions in the law, which mean that a licence is not required

2. our fintech licensing exemption, which allows eligible businesses to test certain services for 12 months without holding an AFS licence or credit licence
3. tailored, individual licensing exemptions to facilitate product or service testing.

Our regulatory sandbox is the only sandbox internationally that allows an automatic fintech licensing exemption for a specific time period and specific services. The first entity was able to use the fintech licensing exemption from 12 May 2017.

Regtech

ASIC considers that regtech has enormous potential to help organisations build a culture of compliance, identify learning opportunities, and save time and money on regulatory matters.

In 2016–17, we met with 47 regtech entities. In February 2017, we hosted our first regtech roundtable discussion on the application of regtech in Australia, and future opportunities. Eighty-one entities participated, and 21 other regulators and government officials observed.

In May 2017, we published a report that outlined our proposed future approach to regtech. Proposed initiatives include:

- ♦ establishing a new regtech liaison group
- ♦ conducting future technology trials
- ♦ hosting a problem-solving event challenging regtechs to find a solution to a compliance issue identified by ASIC.

Fintech

In 2016–17, ASIC provided a leading international voice to advance discussions on the impact of fintech on banking and financial services.

For example:

- ♦ ASIC's Chairman participated in forums such as the Salzburg Global Seminar, the IMF and the World Economic Forum, where he covered risks and opportunities in fintech from a regulatory perspective.
- ♦ Commissioner John Price presented to the Global Symposium on Innovative Financial Inclusion, hosted by the World Bank and Malaysia's central bank, Bank Negara Malaysia. He discussed how fintech is advancing financial inclusion for developing economies, and what the regulatory responses should be.

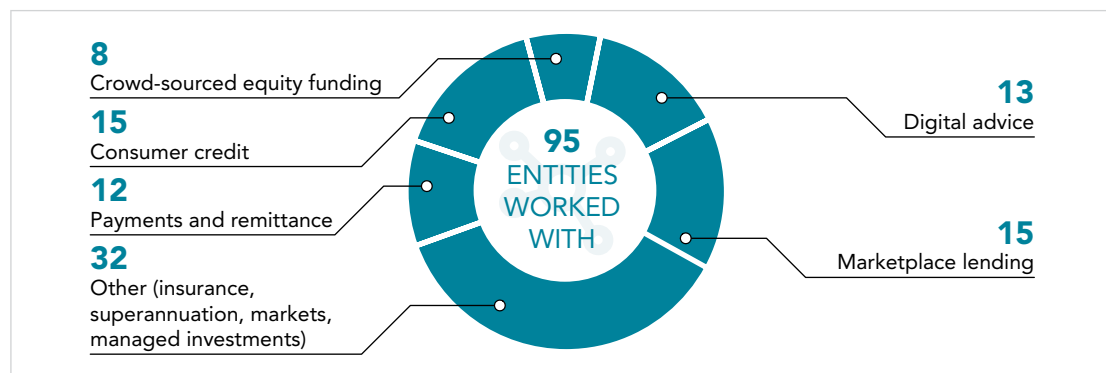
Through these commitments, ASIC's senior executives continue to emphasise the regulatory contribution that Australia – and ASIC in particular – can make to the prudent development of fintech.

We have also increased bilateral engagement on fintech. We attended regular meetings and quarterly information-sharing calls with other international regulators, including the US Consumer Financial Protection Bureau and the European Securities and Markets Authority.

In 2016–17, we entered fintech cooperation agreements with the Hong Kong Securities and Futures Commission (SFC), the Japan Financial Services Authority (JFSA), the Malaysia Securities Commission (SC), the Ontario Securities Commission (OSC), the Capital Markets Authority (Kenya) and OJK, the Indonesian Financial Services Authority. These agreements establish a framework for information sharing on innovation in financial services. Our agreements with the Hong Kong SFC, the JFSA, the Malaysia SC and the OSC also enable us to refer Australian fintech businesses to other regulators' fintech assistance programs, and those regulators to refer businesses to us. We made three referrals under fintech cooperation agreements in 2016–17.

During the year, we also met informally with numerous international fintech businesses, including delegations from Indonesia, the United Kingdom and the United States.

ASIC's Innovation Hub – Outcomes



93 Entities requested and received informal assistance

47 Meetings with regtech entities

22 AFS/credit licences granted or varied

3.3

Efficient registration services



ASIC is responsible for the registration of:

1. companies
2. business names
3. company auditors
4. SMSF auditors
5. liquidators
6. financial advisers.

We also license AFS licensees and credit licensees.

Our activities around this objective are designed to:

1. provide stakeholders with modern, efficient, accurate and cost-effective corporate, business name and professional registers
2. improve public access to information about registered and licensed entities
3. reduce costs and red tape for businesses by making it easier to deal with ASIC
4. administer the law to enhance commercial certainty and reduce business costs.

Our success in achieving this objective is measured by the extent to which:

1. registration is efficient, accurate and cost-effective for businesses
2. businesses comply with ongoing registration obligations
3. the public has easy access to information in ASIC registers
4. misconduct is detected, responded to and deterred.

ASIC Registry competitive tender process

On 19 December 2016, Senator the Hon. Mathias Cormann, Minister for Finance, announced that the Government had completed a thorough evaluation of private sector bids to upgrade and operate the ASIC registry functions and decided not to proceed further with commercialising the ASIC Registry.

The Government decided that the final bids received did not deliver a net financial benefit for the Commonwealth.

The Minister's announcement completed a process, that commenced on 13 May 2014, when the Government announced a scoping study into potential ownership options for ASIC's Registry business.

The Government will consider future approaches and improvements to its registry functions.

ASIC continues to support the Government as it considers future options to modernise ASIC's business registers.



3.3.1 Registry business

The ASIC Registry is a critical part of Australia's economic infrastructure. The services we provide – the companies register, Business Names Register, and other corporate and professional registers – are essential to the efficient operation of Australia's economy.

The Registry enables businesses to operate in Australia with transparency and accountability. We maintain the public registers, make information on our online registers accessible to all Australians, and collect fees that contribute to Commonwealth revenue.

Simplifying business registration

To enable our customers to interact efficiently with Government, ASIC is increasingly linking our corporate registry services and business name registry services to resources provided by other government agencies.

From April 2017, we made it easier to register a business online. The new business registration service – available to the public at www.business.gov.au – allows customers to apply online to register a company. This service also allows customers to apply for a business name, Australian Business Number (ABN) and complete tax registrations using a single online process.

Leading international registries

We also have a strong relationship with our international registry counterparts, including through the International Corporate Registers Forum. This is an association of international corporate registries covering more than 60 international jurisdictions administering body corporate registers.

In May 2017, the ASIC Registry Senior Executive Leader, Rosanne Bell, was appointed President of the Corporate Registers Forum.

3.3.2 Overall registry activity

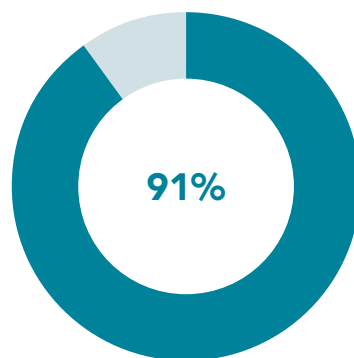
Doing business online

Because we aim to provide customers with simple online services that add value to the Australian economy, many of our registers are fully online.

In 2016–17, our customers completed 91% of all 2.9 million registry lodgements online, a 1% increase on 2015–16.

More customers – particularly holders of business names – are doing business with the ASIC Registry outside standard business hours.

Percentage of all registry lodgements completed online



3.3 Efficient registration services *continued*

Accessing registry information online

There were 90.6 million searches of ASIC registers in 2016–17, 99.9% of which were conducted online. Around 95% of searches of the ASIC registers are provided free of charge, consistent with the Government’s open data policy.

The two most-searched registers were the companies register (54.6 million searches, up 4% from 2015–16) and the Business Names Register (32.2 million searches, down 4% from 2015–16).

There were 3.8 million searches of ASIC’s professional registers, a 22% decrease from 2015–16.¹

Customers can search from the ASIC websites www.asic.gov.au and www.moneysmart.gov.au, or use our NZAUCoconnect smartphone app.

In 2016–17, more than 155,000 searches of the Australian registers were accessed by smartphone using NZAUCoconnect.

Searches are also available from the government website www.data.gov.au, which offers free datasets for downloading in bulk online.

ASIC registry datasets for the companies register, the Business Names Register, the Financial Advisers Register and the AFS licensees register are often ranked in the top 20 searches on www.data.gov.au.

Commercial information brokers, listed on the ASIC website, provide searches of ASIC registers, which are often packaged with information from other sources. More than half of all searches are requested through them.

Social media

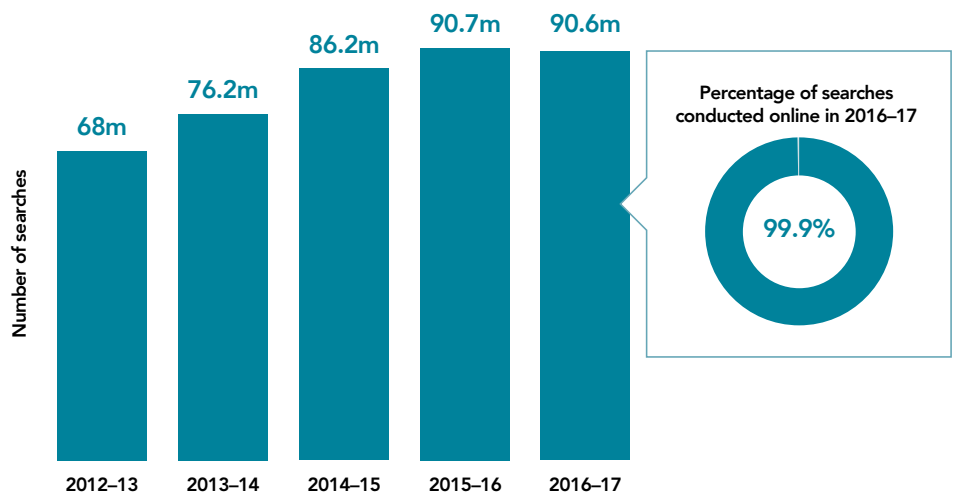
ASIC uses Facebook, Twitter and YouTube social media channels to engage with customers. In 2016–17, our ASIC Connect Facebook followers increased to 8,350 (a 30% increase from 2015–16) and our ASIC Connect Twitter followers increased to 16,735 (a 27% increase from 2015–16).

In 2016–17, we worked to tailor our content to the needs of our followers. We used short videos to educate customers and increased our collaboration with government agencies and industry-based organisations.

Responding to customer inquiries

The ASIC website is the primary source of information for our registry customers. Our website makes it easy for customers to access commonly used transactions and information about our registers. In 2016–17, there were more than 16.5 million visits to www.asic.gov.au.

Searches of ASIC’s registers



1. The introduction of the Government’s data.gov.au website impacted search volumes through our ASIC Connect Search in 2016-17. ASIC’s professional register data sets are now available through data.gov.au, which is likely to have resulted in customers using the new website as a channel rather than ASIC.

We also respond to customer inquiries through our Customer Contact Centre. In 2016–17, we:

1. responded to 818,928 (answered) calls and online inquiries, with 91% of inquiries answered on the spot
2. used our automated voice services to handle 117,827 additional customer contacts
3. expanded our web chat services and facilitated more than 20,000 web chat sessions with customers for business name and company inquiries.

We also expanded our customer satisfaction surveys about our inquiry channels, with feedback helping to drive improvements in our customer service. In particular, our customers expressed high levels of satisfaction with the web chat service channel.

Like other government agencies and commercial organisations, since early 2017 we have seen a spike in spam emails directed to our customers. We use a range of communication tools to advise our customers on how to respond and minimise impacts.

3.3.3 Specific register activity

Companies register

Around 2.5 million companies are now registered with ASIC, a 5% increase from 2015–16 and our highest ever number.

This continues the trend of the past decade, in which increasing numbers of companies have been registered, from around 1.57 million companies in 2006–07.

In 2016–17, we registered 249,394 new companies. This reflects an increase of 1% from 2015–16 and steady increases over the last five years. Around 97% of all company registrations were completed online.

Company deregistration continues to increase, with 126,283 companies deregistered in 2016–17, either voluntarily or by ASIC. This is up by 3% from 2015–16.

During 2016–17, the number of companies that entered external administration decreased by around 18.5%. A total of 8,031 companies entered external administration during 2016–17, compared to 9,848 in 2015–16.

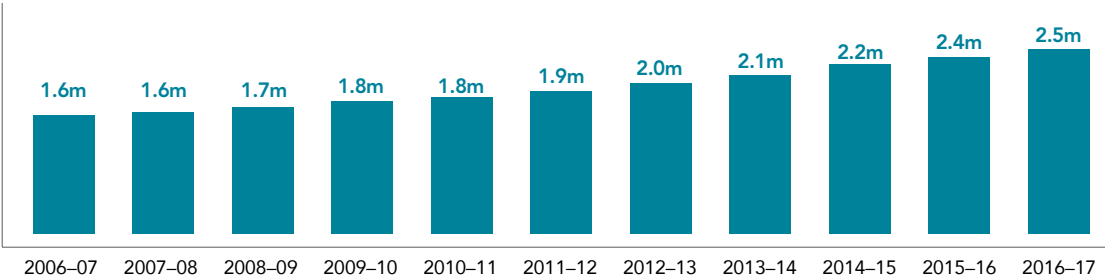
Inquiries to Customer Contact Centre, by type

Topic	Number of inquiries	Percentage of inquiries handled by the Customer Contact Centre
Companies ¹	426,795	52%
Business names	249,076	30%
Other ²	104,346	13%
AFS licences	10,944	1%
Online complaints	8,914	1%
Consumer or investor matters	7,924	<1%
Credit licences	6,134	<1%
SMSF auditors	1,616	<1%
Auditors	1,589	<1%
Liquidators	982	<1%
Managed investment schemes	608	<1%
Total	818,928	100%

1. All company-related inquiries, including registration, annual reviews, lodgements, fee payments and changes to company details.
2. Includes all other call types not specified in the table, including calls about unclaimed money, matters that do not relate to ASIC and inquiries not allocated by type.

3.3 Efficient registration services continued

Number of companies registered with ASIC



Business Names Register

There are around 2.19 million business names on the ASIC register, an increase of 6% from 2015-16. During 2016-17, we registered 348,268 new business names, up 3% from 2015-16. 99.9% of all business name registrations were completed online.

We routinely cancel business names if the registration renewal fee is not paid. This ensures a more accurate and current register of business names, and the availability of more names for registration by start-up businesses.

In 2016-17, we cancelled 206,346 business names, 48% fewer than in 2015-16. The higher volume of cancellations in 2015-16 resulted from a special program to clear a backlog of overdue grandfathered business names.

From 1 July 2016, businesses must have an ABN to be eligible to register a business name on Norfolk Island. In 2016-17, there were 76 business names registered with a principal place of business on Norfolk Island.

SMSF auditor register

SMSF auditor registration has been mandatory since July 2013. At 30 June 2017, there were 6,341 registered SMSF auditors. During 2016-17, we also registered 78 SMSF auditors and deregistered 407 SMSF auditors.

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 2016-17, 18,589 registered users published 28,354 notices on the website.

ASIC published 135,281 notices of intention to deregister a company on the website.

Stakeholder visits to the website reached 1,430,484 in 2016-17, an increase of 30% from 2015-16.

3.4 Unclaimed money and managing property vested in ASIC

ASIC is responsible for administering unclaimed money from banking, deposit-taking and life insurance institutions.

Our success in providing an accurate register of unclaimed money and special accounts administered by ASIC is measured by the extent to which:

- ♦ refunds of unclaimed money are paid promptly to successful claimants
- ♦ payments from special accounts are made promptly in accordance with the specified purposes or appropriate legislation.

3.4.1 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 2016–17, we received \$79 million in unclaimed money, considerably more than the \$46.4 million we received in 2015–16. This is due to an increase in unclaimed money lodgements for companies.

We paid out a total of \$82 million in claims in 2016–17, compared with \$124.4 million in the previous year. We paid claimants interest (\$3.7 million of the \$82 million) on unclaimed money from 1 July 2013 onwards – at a rate of 2.5% for 2013–14, 2.93% for 2014–15, 1.33% for 2015–16, and 1.31% for 2016–17.

Amount paid to owners of unclaimed money

Claims by type	2016–17 (\$)			2015–16 (\$) ¹
	Principal	Interest	Total	
Company	31,517,112	1,158,223	32,675,335	32,453,535
Banking	40,562,771	2,303,030	42,865,801	81,775,915
Life insurance	6,135,531	282,929	6,418,460	10,023,803
Deregistered company trust money	325,024	–	325,024	145,729
Total	78,540,438	3,744,182	81,284,620²	124,398,982

1. Includes principal and interest.

2. In 2015–16, amendments to the unclaimed money provisions in section 69 of the *Banking Act 1959* and section 216 of the *Life Insurance Act 1975* increased the amount of time unclaimed money accounts can remain dormant – from three to seven years. As a result of these legislative amendments, ASIC received fewer claims for banking and life insurance unclaimed money in 2016–17.

3.4.2 Managing property vested in ASIC

ASIC administers the property of deregistered companies, including real property, shares, mortgages, caveats, chattels, intellectual property and leases. This property remains vested in ASIC – or in ASIC on behalf of the Commonwealth for trust property – until it is lawfully dealt with, or evidence is provided that the property no longer vests in ASIC for some other reason.

We account for any proceeds on realisation of the property by transferring these – less the expenses incurred in dealing with the property – into the Official Public Account. The proceeds are treated like any other unclaimed money for which we are responsible.

The number of new matters received in 2016–17 decreased to 1,244, from 1,382 in 2015–16. The number of matters finalised decreased

from 1,377 in 2015–16 to 1,254. The following table shows vested properties of deregistered companies by number of cases.

Assets of deregistered companies vesting in ASIC

Section 601AD of the Corporations Act provides that, when a company is deregistered, all of its property vests in ASIC. We account for any proceeds on realisation of those assets in accordance with our statutory duties.

We generally only deal with vested property once an application is made by a third party for us to exercise our powers under section 601AE or section 601AF of the Corporations Act. We do not consider it practical to value any identified vested property and, consequently, such property is not recorded or disclosed in these financial statements.

Vested properties of deregistered companies (by number of cases)

Claims by type	2016–17	2015–16
Total new matters	1,244	1,382
Total finalised matters	1,254 ¹	1,377
Property disposals		
Transferred	114	195
Sold	5	28
No longer vested ²	653	866
Other ³	47	68
Total property disposals	819 ¹	1,157

1. There were fewer property disposals and total finalised matters in 2016–17. ASIC received fewer completed applications for property disposals during 2016–17 and, of those applications received, there were complex matters which meant that we could not complete more property disposals. We also employed an additional temporary staff member in 2015–16, allowing us to complete more proactive property disposals that year.
2. 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.
3. Includes where the vested property interest has been discharged, released, surrendered or withdrawn.

3.5 Assessing misconduct and other reports

3.5.1 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 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.

When we do not have enough evidence to formally investigate, or if surveillance of the matter is not a priority use of our resources, we contact the person who reported the matter to us and explain our decision. We keep the information on our databases, and review it if further reports are made, or more evidence becomes available.

We have been working to simplify reporting processes and improve public understanding of our jurisdiction and the matters we can deal with, to ensure that we can respond promptly and consistently when reports are lodged with us.

We continue to publish information sheets to explain our role in responding to concerns that are frequently reported to us. We now have 25 such information sheets, which were read online more than 65,000 times in 2016–17. We also have 16 YouTube video clips, which were viewed more than 15,000 times in 2016–17.

The figure on page 91 shows the total number of reports finalised each year, together with the underlying trend after high-volume matters have been removed.¹

In 2016–17, we dealt with 9,011 reports of alleged misconduct, 8% fewer than in 2015–16. Excluding high-volume matters, there has been a continued decline in the number of reports since a peak in 2010–11.

There was little change in the relative proportion of types of matters received in 2016–17 from last year. The number of matters about general obligations of licensees decreased.

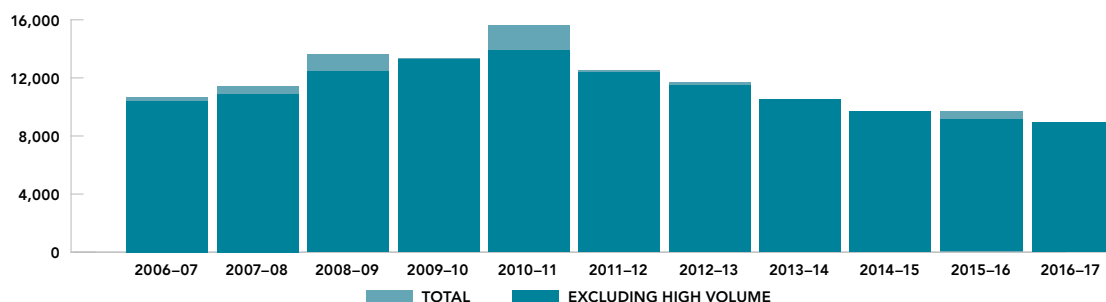
1. High-volume matters are those where we have received at least 100 reports of misconduct about the same entity and the same issue.

3.5 Assessing misconduct and other reports continued

Misconduct reports – by category

Category	2016–17	2015–16
Corporations and corporate governance		
Failure to provide books and records or a report as to affairs to an insolvency practitioner	13%	13%
Insolvency matters	7%	7%
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)	18%	17%
Subtotal	44%	43%
Financial services and retail investors		
Credit	14%	11%
Operating an unregistered managed investment scheme or providing financial services without an AFS licence	6%	5%
Managed investment schemes	3%	2%
Superannuation	2%	2%
Potential scam	1%	1%
Other (e.g. insurance, advice, breach of licence conditions, misleading or deceptive conduct, unconscionable conduct)	16%	22%
Subtotal	42%	43%
Market integrity – including insider trading, continuous disclosure, misleading statements or market manipulation	7%	6%
Registry integrity – including incorrect address recorded on ASIC's register, lodging false documents with ASIC and issues with business names	6%	6%
Other issues	1%	2%
Subtotal	14%	14%
Total	100%	100%

Misconduct reports – by category



Misconduct reports – by outcome¹

Category	2016-17	2015-16
Total misconduct reports finalised	9,011 ²	9,751
Outcome		
Referred for action by ASIC ³	25%	25%
Resolved ⁴	15%	11%
Analysed and assessed for no further action ⁵	46%	49%
No jurisdiction ⁶	10%	11%
No breach or offences	4%	4%
Total	100%	100%

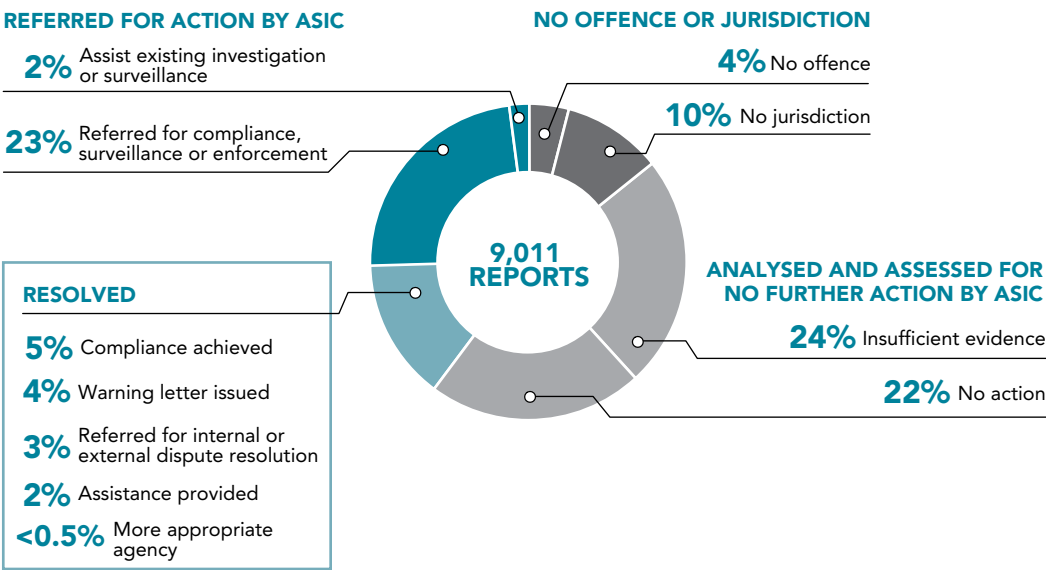
Note: Data rounded.

1. ASIC merges matters where we received reports about the same entity and issue.
2. The number of misconduct reports (excluding high-volume matters) has continued to decline since a peak in 2010-11.
3. The matters ASIC takes into account when deciding whether or not to commence a formal investigation are set out in more detail in Information Sheet 151 *ASIC's approach to enforcement*.
4. The number of matters resolved can involve referral to an EDR 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 about how best to resolve the matter themselves, or ASIC taking action to achieve compliance.
5. Preliminary inquiries made and the information provided analysed and assessed for no further action by ASIC. This may be due to insufficient evidence or another reason, such as another agency or law enforcement body or third party (e.g. a liquidator) already taking action or being better placed to appropriately deal with the underlying issues.
6. Where relevant, ASIC directs reporters to the appropriate agency or solution.

The figure on page 92 provides a more detailed view of how we handle reports of misconduct.

3.5 Assessing misconduct and other reports continued

Misconduct reports – by outcome



3.5.2 Breach reports from licensees and auditors

ASIC uses breach reports from licensees and auditors to detect and respond to misconduct.

The Corporations Act requires AFS licensees to tell us in writing within 10 business days about any significant breach (or likely breach) of their obligations. Failure to report a significant breach is an offence and may result in penalties.

In their breach report, we expect licensees to tell us:

1. how they identified the breach
2. how long it lasted
3. what steps they have taken to rectify it
4. 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.

We also receive breach reports from auditors who have reasonable grounds to suspect a breach of the Corporations Act by the company, managed investment scheme or AFS licensee that they are appointed to audit.¹

In 2016–17, we dealt with:

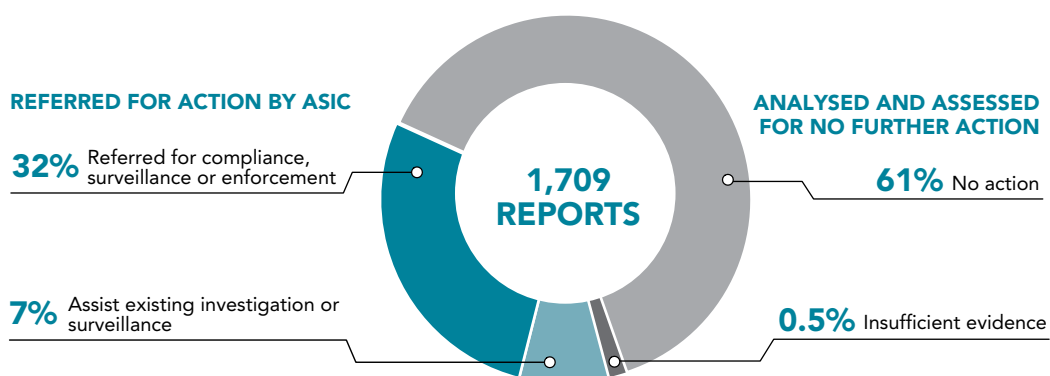
- ♦ 508 auditor breach reports, 5% more than in 2015–16
- ♦ 1,201 breach reports about managed investment schemes and AFS licensees, 2.5% more than in 2015–16.

1. For more information about the matters that require an auditor to report a breach of the law to ASIC, see sections 311, 601HG and 990K of the Corporations Act.

Breach reports – by type and outcome

	2016–17	2015–16
Type		
Auditor breach reports	508	482
Breach reports about AFS licensees and managed investment schemes	1,201	1,172
Total breach reports finalised	1,709	1,654
Outcome		
Referred for action by ASIC	39%	36%
Analysed and assessed for no further action	61%	64%
Total	100%	100%

Breach reports – by outcome



3.5.3 Statutory reports from liquidators, administrators and receivers

Liquidators, administrators and receivers (i.e. external administrators) must report to ASIC if they suspect that company officers are guilty of an offence. Liquidators must also report if the return to unsecured creditors may be less than 50 cents in the dollar.

External administrators generally lodge an initial report electronically, which is assessed to determine whether a supplementary report is needed. In many cases, the initial report does not report misconduct and does not require further assessment.

When we request a supplementary report, 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 use the supplementary report to determine whether to start a formal investigation.

The number of reports we received from external administrators decreased in 2016–17; however, we received more supplementary reports. In 2016–17, 18% of these were referred for compliance, investigation or surveillance, compared with 19% in 2015–16.

Nearly half of the cases identified as 'analysed and assessed for no further action' were due to insufficient evidence to warrant commencing a formal investigation. These cases are retained for intelligence purposes for possible future use. We requested a further report from the external administrator in one-sixth of such cases.

3.5 Assessing misconduct and other reports continued

Statutory reports – by type and outcome

	2016–17	2015–16
Initial reports from liquidators, administrators and receivers		
Reports alleging misconduct	6,915 ¹	8,258
Reports not alleging misconduct	1,160 ¹	1,693
Initial reports – outcomes		
Supplementary reports requested	12%	11%
Analysed and assessed for no further action	88%	89%
Total	100%	100%
Supplementary reports requested and received by ASIC		
Supplementary reports alleging misconduct	914 ²	679
Supplementary reports – outcomes		
Referred for action by ASIC	18%	19%
Analysed and assessed for no further action or requested further report	81%	80%
Identified no offences	1%	1%
Total	100%	100%
Total statutory reports finalised (initial + supplementary)	8,989¹	10,630

Note: Data rounded.

1. The number of reports lodged in 2016–17 reflects the decrease in the underlying number of insolvency appointments over the period. ASIC reports annually on the detail contained in external administrators' reports and trends in the underlying data. For further detail, see Report 507 *Insolvency statistics: External administrators' reports (July 2015–2016)*.
2. In 2016–17, ASIC assessed 30% more funded supplementary reports than in 2015–16. We also received supplementary reports about each of the entities in several large corporate group collapses.

Supplementary statutory reports – by outcome

ANALYSED AND ASSESSED FOR NO FURTHER ACTION OR REQUESTED FURTHER REPORT

35% No action

32% Insufficient evidence

14% Requested further report

**914
REPORTS**

REFERRED FOR ACTION BY ASIC

16% Referred for compliance,
surveillance or enforcement

2% Assist existing investigation
or surveillance

NO OFFENCE

1% No offence

3.5.4 Office of the Whistleblower

ASIC established the Office of the Whistleblower to ensure that whistleblower matters are recorded and actioned appropriately. We value the information received from employee whistleblowers who often have unique positions within companies that allow them to witness, and provide evidence of, misconduct.

We assess all information we receive; however, not every matter brought to our attention requires regulatory action. Any inquiries we make will primarily focus on breaches that have been disclosed, as opposed to what statutory protections are available to the whistleblower.

ASIC is a partner of the groundbreaking research *Whistle While They Work 2* led by Professor AJ Brown at Griffith University. We support this research project as an extension of our own changes at ASIC to improve how we communicate with whistleblowers and handle their information.

In 2016–17, we dealt with 174 disclosures by whistleblowers. Around 69% of these related to corporations and corporate governance. We also dealt with matters related to credit and financial services (21%), markets (6%) and other issues (4%).

Following preliminary inquiries, approximately 6% of matters were referred for compliance, surveillance or investigation.

Around 94% of disclosures were assessed as requiring no further action by ASIC, often due to insufficient evidence. In some cases, another agency, law enforcement body or third party (e.g. a liquidator) was better placed to appropriately deal with the underlying issues or was already taking action.

3.5.5 Office of Small Business

We created an Office of Small Business to ensure that we are doing our best for small business stakeholders. The Office is overseen by Commissioner John Price. It is a virtual team that coordinates our efforts to listen to, promote, protect and regulate Australian small businesses.

The Office of Small Business oversees a proactive campaign by our Small Business Compliance and Deterrence team to identify and remove directors who may be automatically disqualified from managing a company for having a relevant, dishonesty-related criminal conviction. The campaign aims to educate directors and business name holders and level the playing field for small business. If it proves successful, we plan to broaden the campaign to include other states.

During 2016–17, ASIC and the Queensland Police Service collaborated in a joint surveillance to identify and remove criminal syndicate and outlaw motorcycle gang members from managing corporations or having a registered business name.

The operation identified:

- ♦ six people who were current officeholders with relevant criminal convictions and therefore automatically disqualified from managing corporations
- ♦ two people who had registered business names but whose relevant criminal convictions automatically disqualified them from holding a registered business name.

We removed the officeholders from our corporate registers and gave notice that we would cancel the registered business names.

3.5.6 Serious Financial Crime Taskforce

ASIC is a member of the Serious Financial Crime Taskforce, along with the ATO, the Australian Criminal Intelligence Commission, the Australian Federal Police, the Attorney-General's Department, AUSTRAC, the Commonwealth Director of Public Prosecutions and the Australian Border Force.

In 2016–17, ASIC contributed material and expertise to the taskforce on matters, including:

- ♦ Panama Papers
- ♦ illegal phoenix activity cases
- ♦ the taskforce's work on gold bullion.

ASIC also contributed to several intelligence assessments to enhance the taskforce's understanding of serious financial crime.

3.6 Performance against ASIC's service and operational standards

3.6.1 ASIC Service Charter results

The ASIC Service Charter covers the most common interactions between ASIC and our stakeholders and sets performance targets for these. The following table sets out our performance against the key measures outlined in the Service Charter.

ASIC Service Charter performance

Service	Service Charter target	2016–17
When you contact us		
General phone queries	Target: 80% We aim to answer telephone queries on the spot	91.1% calls answered
General email queries	Target: 90% We aim to reply to email queries ¹ within three business days	95.7% emails replied to
When you access our registers		
Searching company, business name or other data online	Target: 99.5% We aim to ensure that our online search service is available in standard business hours	99.6% available
Lodging company, business name or other data online	Target: 99.5% We aim to ensure that our customers can lodge registration forms and other information online in standard business hours	99.4% lodged
When you do business with us		
Registering a company or business name online	Target: 90% We aim to register the company or business name within one business day of receiving a complete application ²	97.3% registered
Registering a company via paper application	Target: 90% We aim to register the company within two business days of receiving a complete application	98.7% registered
Registering a business name via paper application	Target: 90% We aim to register the business name within seven business days of receiving a complete application	100% registered
Updating company, business name or other ASIC register information online	Target: 90% We aim to enter critical information and status changes to the company and business name registers within one business day	98% updated
Updating company, business name or other ASIC register information via paper application	Target: 90% We aim to enter critical information and status changes to company and business name registers within five business days	93.6% updated

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 are approved or a company is registered.

Service	Service Charter target	2016–17
Registering as an auditor	Target: 80% We aim to decide whether to register an auditor within 28 days of receiving a complete application ³	67% auditors registered ⁴
Registering as a liquidator	Target: 80% We aim to decide whether to register a liquidator or official liquidator within 28 days ⁴	89% liquidator applications 94% official liquidator applications
Registering a managed investment scheme	Target: 100% By law, we must register a managed investment scheme within 14 days of receiving a complete application, except in certain circumstances	100% registered
Applying for or varying an AFS licence	Target: 70% We aim to decide whether to grant or vary an AFS licence within 60 days	21% licences granted ⁶ 51% licence variations ⁶
	Target: 90% We aim to decide whether to grant or vary an AFS licence within 120 days ⁵	38% licences granted ⁶ 73% licence variations ⁶
Applying for or varying a credit licence	Target: 70% We aim to decide whether to grant or vary a credit licence within 60 days	77% licences granted 82% licence variations
	Target: 90% We aim to decide whether to grant or vary a credit licence within 120 days ⁵	91% licences granted 90% licence variations
Applying for relief	Target: 70% We aim to give an in-principle decision within 28 days of receiving all necessary information and fees for applications for relief from the Corporations Act that do not raise new issues	77% in-principle decisions made

- Applications beyond the 28-day target are generally complex ones, requiring, for example, additional policy work or legal review.
- Performance against this measure was impacted by ASIC's resourcing and an increase in licence applications as a result of the expiry in June 2016 of the transition period for accountants' limited licences.
- Applications beyond the 60-day target are generally complex ones, requiring considerable additional work, although a greater regulatory focus on problematic applications has affected this.
- Performance against this measure was impacted by ASIC's resourcing and a greater focus on regulatory concerns in assessing applications. In 2016–17, our performance was also impacted by the increase in licence applications we received following the expiry in June 2016 of the transition period for accountants' limited licences (as noted in ASIC's 2015–16 Annual Report). We continue to review our Service Charter in terms of sustainable target levels with current resources.

3.6 Performance against ASIC's service and operational standards continued

Service	Service Charter target	2016–17
	Target: 90% We aim to give an in-principle decision within 90 days of receiving all necessary information and fees for applications for relief from the Corporations Act that do not raise new issues	95% in-principle decisions made ⁷
Complaints about misconduct by a company or individual	Target: 70% If someone reports alleged misconduct by a company or an individual, ASIC aims to respond within 28 days of receiving all relevant information	70% complaints resolved
When you have complaints about us		
About ASIC officers, services or actions	Target: 70% We aim to acknowledge receipt of complaints within three working days of receipt. We aim to resolve a complaint within 28 days	96% complaints resolved

7. This result includes applications where we did not initially receive all the information we needed to make a decision.

3.6.2 Complaint Management Framework

ASIC's Complaint Management Framework was introduced in September 2015, and allows ASIC to effectively manage and respond to complaints about our services, actions, decisions or staff. We are committed to treating complaints seriously, promptly and fairly. We value the feedback we receive, as it enables us to continually improve our processes and the services we provide.

In most cases, we have resolved complaints by providing additional information or further explanation about a decision we made or action we took. When we were wrong or made a mistake, we issued an apology and, if possible, corrected the error.

Our Complaint Management Policy is published on the ASIC website, with instructions for lodging a complaint online and details about how we treat the complaint. We have also established a dedicated complaint telephone line to assist stakeholders.

Our Service Charter measure is to resolve 70% of all complaints within 28 days. In 2016–17, we resolved 96% of complaints in 28 days (see section 3.6.1).

Of the 757 complaints received in 2016–17:

- ♦ 581 (or 77%) related to our registry function, including complaints about our fees, register maintenance, online services and access to information
- ♦ 176 (or 23%) related to our regulatory function, primarily concerning our decisions and actions. For example, dissatisfaction with our decision in response to a report of misconduct, the outcome of an enforcement action, or the timeliness of our regulatory processes.

In 2016–17, we finalised 767 complaints (including some that remained outstanding from 2015–16):

- ♦ 205 complaints (or 27%), were resolved by:
 - correcting information on our website
 - waiving a fee
 - updating information on our registers
 - changing an earlier decision, where appropriate (e.g. decisions relating to fee waivers and refunds, and business name registrations).

When we identified instances of poor or inappropriate service by our staff, we provided feedback and training to the relevant staff member. This included reinforcing the importance of complying with our policies and procedures.

- ♦ In 447 cases (58% of complaints finalised), after further review, we found that the complaint was unsubstantiated. Unsubstantiated complaints included those where:
 - our original decision to not take action following a report of misconduct or refusal to waive or refund a fee was confirmed after review
 - we found, on review, that the relevant legislation or policy had been correctly applied when making our original decision.

- ♦ In 115 cases (15% of complaints finalised), we were unable to take further action. This included circumstances where:
 - the complainant withdrew the complaint
 - the complainant did not respond to a request for further information
 - the matter was outside our jurisdiction.

There were 14 complaints on hand as at 1 July 2017.

ASIC Complaint Management Framework performance

Complaints Scorecard	2016–17 ¹	1 Sept 2015– 30 June 2016
Total complaints received	757	557
Total complaints finalised	767 ²	537
Complaints substantiated	205	192
Complaints unsubstantiated	447 ³	248
No further action required	115	97
Total complaints on hand (1 July 2017)	14	20
Complaints resolved within 28 days (target 70%)	96%	92%

1. The Complaints Scorecard results in 2016–17 are based on the full financial year. In 2015–16, the reporting period was approximately two months shorter.
2. The total number of complaints finalised in 2016–17 includes some that were outstanding from 2015–16.
3. The number of unsubstantiated complaints in 2016–17, as a proportion of complaints finalised, increased by around 12% from 2015–16.

3.6 Performance against ASIC's service and operational standards continued

3.6.3 ASIC's licensing and professional registration activities

As Australia's financial services regulator, ASIC assesses applications for AFS licences and credit licences. We also maintain a number of professional registers, including registers of liquidators, company auditors and SMSF auditors.

ASIC's licensing and professional registration activities

Outcome	2016–17	2015–16	2014–15	2013–14
Licensing				
AFS licences, including limited AFS licences (new and variations)				
Approved	1,159 ¹	930 ¹	833	880
Refused	6	9	16	12
Withdrawn	415	522	394	261
Cancelled/Suspended	228	224	237	266
In progress	534 ¹	1,046 ¹	433	338
Total	2,342	2,731	1,913	1,757
Australian credit licences (new and variations)				
Approved	406	383 ²	705	532
Refused	0	2	2	12
Withdrawn	243	179	198	162
Cancelled/Suspended	413	316	366	396
In progress	251	270 ²	151	150
Total	1,313	1,150	1,422	1,252

1. The changes in the number of AFS licence applications approved, and in progress, between 2014–15 and 2016–17 are due to the number of limited AFS licence applications for SMSF advice received from accountants. This followed the Government's decision to repeal the exemption that allowed accountants to give financial advice to SMSFs without an AFS licence, from 1 July 2016.
2. In 2015–16, the number of credit licences approved decreased, and the number of credit licence applications in progress increased. These results are due to ASIC's resources being directed to processing the increase in the number of limited AFS licence applications received in 2015–16.

Outcome	2016–17	2015–16	2014–15	2013–14
Professional registration				
Official liquidators and liquidator registration				
Approved	64	64	58	81 ³
Refused	1	0	0	1
Withdrawn	7	2	0	2
Cancelled/Suspended	9	38	20	20
In progress	4	7	9	13
Total	85	111	87	117
Registered auditors (including registered company auditors, authorised audit companies and SMSF auditors)				
Approved	178	436 ⁴	203	852 ⁵
Refused	1	13	3	8
Withdrawn	99	157	89	77
Cancelled/Suspended	626 ⁶	468 ⁶	731 ⁶	285
In progress	31	22	202	N/A ⁷
Total	935	1,096	1,228	1,222

3. During 2013–14, the insolvency industry was the subject of proposed changes to the liquidator registration requirements, as set out in the Insolvency Law Reform Bill 2014. The greater number of applications for liquidator registration in 2013–14 was in anticipation of changes to liquidator registration requirements reflected in the Bill.
4. There were 150 SMSF auditors who had their registration cancelled in 2014–15 for failing to comply with audit registration conditions. These SMSF auditors were re-registered in 2015–16 after satisfying the registration requirements.
5. The number of auditor registrations approved in 2013–14 reflects the introduction of the SMSF auditor registration requirement in the SIS Act in 2013.
6. The high number of cancellations and suspensions (almost all cancellations) was the result of a number of factors, including targeted cancellation action by ASIC for failures to lodge annual statements, for failures to comply with auditing standards and for breaches of independence requirements. There were also a number of voluntary cancellations. In 2016–17, of the 626 auditor registrations cancelled, 287 SMSF auditors were removed for failing to lodge their financial statements and 105 SMSF auditors were removed following requests for voluntary cancellation.
7. N/A means not applicable because we did not maintain 'in progress' data until 2014–15.

3.7 Regional activities

Regional commissioners



Christian Mikula
Australian
Capital
Territory



Michael Saadat
New South
Wales



Duncan Poulson
Northern
Territory



John Weaver
Queensland



Melissa Smith
South
Australia



Chris Green
Tasmania



Warren Day
Victoria



Natalie Durr
Western
Australia

ASIC's regional commissioners are our local ambassadors, engaging with business and local communities through regular stakeholder liaison meetings, and promoting ASIC initiatives.

In 2016–17, our regional commissioners led a range of activities in each state and territory. They supported financial capability initiatives by holding industry and local stakeholder liaison meetings, held ASIC MoneySmart workshops, and supported events to raise funds for local charities.

Some examples of this work are detailed below.

Australian Capital Territory

- ♦ Hosted a roundtable of state and territory project officers to discuss their experiences when implementing ASIC's MoneySmart Teaching program and further promote financial literacy education.
- ♦ Established a Diverse Learners working group to discuss how to improve resources to meet the needs of students with diverse learning needs.
- ♦ Launched ASIC's First Business app at a Parliamentary breakfast briefing attended by Parliamentarians, advisers and senior representatives from a range of government departments.

New South Wales

- ♦ Hosted and supported liaison meetings across the fintech, insurance, mortgage and finance broking, and consumer banking stakeholder populations.
- ♦ Supported ASIC's engagement with consumer groups and financial counselling organisations.

Northern Territory

- ♦ Ran ASIC MoneySmart workshops for Adult Migration Education Program students and 400 Australian Defence Force members about to be deployed to Middle Eastern countries.
- ♦ Hosted a regional liaison meeting at Crocosaurus Cove on insolvency, and a community information session about superannuation.
- ♦ Hosted ASIC's NAIDOC Week event, in collaboration with CPA Australia, with Dr Donna Odegaard AM and Professor Ruth Wallace as guest speakers (see page 115 for more detail).

Queensland

- ♦ Launched ASIC's MoneySmart Teaching's new financial education tool for primary school students, Knowing, Growing, Showing, at Salisbury State School, Brisbane.
- ♦ Supported numerous events to raise awareness of ASIC's work and identify key issues for stakeholders, including Business Professionals Week in Townsville and Chartered Accountants events in Mackay and Brisbane.

South Australia

- ♦ Promoted ASIC's MoneySmart at the South Eastern Field Days in Lucindale.
- ♦ Hosted regional liaison meetings across the corporate finance and liquidator stakeholder populations.
- ♦ Ran several workshops and presentations, including community information sessions on safer investing and guidance to accountants who provide advice to SMSFs about recent changes to the law.

Tasmania

- ♦ Hosted the bi-monthly Tasmanian Insolvency Discussion Group, which comprises insolvency practitioners and lawyers.

- ♦ Held stalls at the 2016 Living Well Retirement Expo and a COTA Tasmania event on World Elder Abuse Awareness Day.
- ♦ Presented at the Governance Institute of Australia forum in Hobart about board and organisational culture and tips and traps for small business.

Victoria

- ♦ Promoted ASIC's MoneySmart in regional areas, including a MoneySmart stand at the Elmore Field Days near Bendigo in October. ASIC staff, including graduates, engaged with the local community about making sound financial decisions and promoted ASIC's financial literacy resources, including ASIC's MoneySmart website and apps.
- ♦ Liaised with representatives of state agencies about ASIC's work, including the Victorian Independent Broad-based Anti-Corruption Commission, the Victorian Multicultural Commission and Consumer Affairs Victoria.

Western Australia

- ♦ Hosted more than 100 members of the Perth business community at our annual Commission WA Stakeholder function.



ASIC promoted our MoneySmart financial capability work at the South Eastern Field Days in Lucindale, South Australia.

3.7 Regional activities continued



In March 2017, ASIC launched its new financial education tool for primary school students, Knowing, Growing, Showing at Salisbury State School, Brisbane.

The background is a solid teal color. Overlaid on this are several white diamond shapes of varying sizes, some of which are outlined with a teal border. A large teal number '4' is positioned within one of the white diamonds.

4

PEOPLE, COMMUNITY AND THE ENVIRONMENT

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4.1 ASIC's people

4.1.1 Workforce planning

In 2016–17, we finalised our workforce planning project, which identified the future capabilities we need to build or acquire from the market. Our current focus is to:

1. develop data analysis capabilities across our regulatory teams
2. increase our expertise in emerging technologies
3. enhance our stakeholder engagement skills.

4.1.2 Talent management

ASIC's talent management practices continue to build the skills of high-potential staff. Every team has a succession plan, which is used to manage vacancies in key roles. The Commission reviews succession and talent plans every six months.

4.1.3 Learning and development

In 2016–17, we began our move to resource-based learning by starting the transition to a new learning management system. LearnHub is a flexible, on-demand system that will help team members manage their own professional development by making learning part of their work.

Our staff participated in 255 learning initiatives covering regulatory practice, data analysis, legal practice, enforcement, accounting and auditing, professional and technical learning.

We continued to focus on building capability, particularly in technological adeptness, analytical skills and stakeholder engagement. The capabilities in all ASIC's learning frameworks are accessible in LearnHub and supported by learning resources.

Our professional networks and communities of practice continue to drive development, including on-the-job learning and information sharing. ASIC's Learning Champions are an important part of our learning strategy. Their role is to facilitate and promote learning in their individual teams.

We also expanded our induction programs in 2016–17 by developing a Regulatory Practice induction, designed for team members who are new to ASIC's regulatory work. This program covers the context for financial services regulation, our key regulatory risks and developing regulatory professionalism and confidence.

4.1.4 Recruitment

In 2016–17, we recruited 90 staff as part of our 'Improving Outcomes in Financial Services' program of work. This program was a result of the additional Government funding we received (see page 162).

This year, our graduate program was rated the top Commonwealth Public Service Graduate Program by the Australian Association of Graduate Employers.

Learning initiatives

Category	Initiatives delivered	Number of completions
Compliance	18	9,219
Professional and technical	161	6,349
Leadership	5	148
Behavioural	37	2,405
Business	39	1,084
Total 2016–17	260	19,205
Total 2015–16	217	19,002

4.1.5 Staff benefits

We continued to provide our staff with professional development and other benefits. In 2016–17, these included:

- ♦ up to 15.4% superannuation contribution
- ♦ annual performance bonus paid to ASIC 4 and executive-level employees (see page 109)
- ♦ reward and recognition programs, including individual and team awards
- ♦ study assistance, with 101 ASIC employees supported in their studies across a range of disciplines, including IT and data analytics, leadership, applied finance and law
- ♦ payment of relevant professional association membership for ongoing employees
- ♦ flexible working arrangements.

4.1.6 Staff engagement

The 2017 Australian Public Service (APS) Employee Census was conducted in May and June 2016 with 71% of ASIC employees taking part. The Census showed continued high staff engagement.

APS Employee Census, 2017 results

	ASIC	APS benchmark
Engagement index	84%	74%
Wellbeing index	71%	62%
Innovation index	60%	53%

4.1.7 Enterprise agreement

The ASIC Enterprise Agreement 2016–19 is ongoing. The three-year agreement delivers a 2% per annum salary increase.

4.1.8 Work health and safety

We continued our focus on staff wellbeing and early intervention as key pillars of our work health and safety program. This, coupled with proactive in-house case management, ensured that no compensable injuries were recorded in 2016–17. We are currently ranked number one on this metric against all APS agencies.

We offered a range of wellbeing activities in 2016–17 designed to reduce risk and promote the personal health and wellbeing of staff.

Key initiatives included:

- ♦ ergonomic assessment program
- ♦ healthy eating initiatives
- ♦ 'R U OK' day in September
- ♦ 'Mental Health' month in October.

Additionally, we provided access for staff flu vaccinations, which resulted in approximately 1,060 vaccinations administered in April and May 2017. We also continued to promote the Active Workplaces program to increase staff mobility, which included supporting the Activity Based Working initiative.

We appointed new Health and Safety Representatives, First Aid Officers and Harassment Contact Officers, and introduced a call system to locate a first aid officer urgently.

4.1.9 Culture

ASIC conducted a culture survey in 2016–17. The results of this indicated that we need to:

1. build outstanding leadership
2. reduce bureaucracy
3. manage the tension between risk and innovation.

In the second half of 2017, our senior executives will seek feedback on their leadership values through a 360-degree survey.

4.1 ASIC's people continued

Industrial arrangements for ASIC staff, as at 30 June 2017¹

Classification	ASIC Act s120(3)	AWA ²	EA ³	Total
ASIC 1			28	28
ASIC 2			212	212
ASIC 3			255	255
ASIC 4			361	361
Exec 1			474	474
Exec 2			530	530
SES	16	13	10	39
ASIC Act	31			31
Total	47	13	1,870	1,930

1. The number of industrial arrangements for ASIC staff is calculated based on total headcount as at 30 June rather than FTE. This is because each industrial instrument belongs to an individual, regardless of their work pattern, and our obligations against those instruments relate to a number of people, not FTE.
2. Australian Workplace Agreement.
3. Enterprise Agreement.

ASIC employees, by location^{1,2,3}

Classification	Vic.		NSW		Qld		WA		
	2016–17	2015–16	2016–17	2015–16	2016–17	2015–16	2016–17	2015–16	
Chairman			1	1					
Deputy Chairman			1	1					
Member	1	1	1	2					
SES	12	12	26	29		1	1	2	
Exec 2	149	144	213	209	36	36	27	28	
Exec 1	103	100	179	180	39	31	29	23	
ASIC 4	130	124	119	103	34	35	18	17	
ASIC 3	94	97	73	89	27	27	8	9	
ASIC 2	143	144	17	15	15	14	3	5	
ASIC 1	24	30		1			1		
ASIC Act	4	6	25	24	1	3	1	1	
Total	661	657	655	654	150	146	89	85	

1. Net average number over 12 months on net FTE basis (i.e. excluding FTEs working on capital projects).
2. Includes staff at the SCT and the CADB.
3. Excludes contractors and secondees from other agencies.

Note: Data rounded – some totals and subtotals may vary.

Performance payments, 2016–17, by classification¹

Classification	No. of recipients	Aggregate	Minimum	Maximum	Average
ASIC 4	269	\$871,994	\$682	\$12,672	\$3,242
Exec 1	406	\$2,272,432	\$255	\$15,810	\$5,597
Exec 2	536	\$4,487,176	\$238	\$30,042	\$8,372
SES	47	\$865,040	\$8,755	\$48,363	\$18,405
Total	1,258	\$8,496,642			

1. Includes payments for the 2015–16 performance year that were paid in 2016–17, plus any pro-rata payments for the 2016–17 performance year for staff who left ASIC in 2016–17.

	SA		ACT		Tas.		NT		Total	
	2016–17	2015–16	2016–17	2015–16	2016–17	2015–16	2016–17	2015–16	2016–17	2015–16
									1	1
									1	1
									2	3
									40	44
	5	5	6	7	6	6			442	436
	14	12	3	3	2	2	1	1	370	351
	17	18	3	4	2	2			324	304
	9	8	0		2	1			212	230
	13	15	1	1					192	193
									25	31
									31	34
	58	58	13	15	12	11	1	1	1,640	1,627

4.1 ASIC's people continued

Salary ranges per annum, 2016–17

Classification	Minimum per annum	Maximum per annum
ASIC 1	\$43,257	\$48,765
ASIC 2	\$50,307	\$61,391
ASIC 3	\$64,124	\$74,974
ASIC 4	\$76,730	\$88,600
Exec 1	\$100,555	\$118,639
Exec 2	\$113,911	\$162,810
SES	\$178,602	\$306,231

Combined totals for commissioners, employees under ASIC Act and under Public Service Act, by gender^{1,2,3}

Classification	Ongoing full-time				Ongoing part-time				
	Female		Male		Female		Male		
	2016–17	2015–16	2016–17	2015–16	2016–17	2015–16	2016–17	2015–16	
Appointee									
Chairman									
Deputy Chairman									
Member									
ASIC Act	1	1	1	2	1	1			
SES									
Other ASIC Act employees	1	1	1	2	1	1			
Public Service Act	575	577	612	595	202	183	27	21	
SES	5	6	11	11	3	3	1	1	
Exec 2	126	125	214	216	69	60	13	12	
Exec 1	107	104	173	165	49	48	4	4	
ASIC 4	148	138	113	112	32	26	2	2	
ASIC 3	89	103	68	61	14	13	2		
ASIC 2	94	91	31	28	29	29	5	2	
ASIC 1	6	10	2	2	5	4	1	1	
TOTAL	576	578	613	597	203	183	27	21	

1. Net average number over 12 months on net FTE basis (i.e. excluding FTEs working on capital projects).

2. Includes staff at the SCT and the CADB.

3. Excludes contractors and secondees from other agencies.

Note: Data rounded – some totals and sub totals may vary.



ASIC's Deposit Takers, Credit and Insurers team members at their strategy offsite in April 2017.

	Non-ongoing full-time				Non-ongoing part-time				Total	
	Female		Male		Female		Male			
	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16
	1	1	3	4					5	
			1	1						1
			1	1						1
	1	1	1	2						3
	16	19	28	32	3	2		1		58
	6	7	13	16	1	1				23
	10	12	15	16	3	1		1		34
	77	98	67	63	25	24	1	5		1,565
										21
	4	5	13	15	4	3				436
	15	16	15	11	6	3	1			351
	16	18	11	7	3	2				304
	23	29	14	22	2	2				230
	14	26	11	8	5	7	1	3		193
	5	6	2	1	5	8		1		31
	94	118	98	99	28	26	2	5		1,627

4.2 Diversity at ASIC

We are committed to being a diverse workplace where all our people, stakeholders and communities are treated with fairness and respect.

4.2.1 Diversity Council

ASIC's Diversity Council provides leadership on all diversity activities. Its priorities are to:

1. drive the achievement of gender targets
2. embed diversity of thought in the way we do business and make decisions
3. develop relationships with other agencies, diversity-related groups and the corporate sector to build our expertise and network.

In 2017, the APS Employee Census results showed there was strong support from staff on inclusion and diversity, with around 90% of staff believing that the people in their teams behave in an accepting manner towards people from diverse backgrounds. Additionally, around 87% of staff believe that ASIC is committed to creating a diverse workforce (up 7% from 2016).

4.2.2 Women in ASIC

A significant part of our inclusion and diversity strategy is supporting women in leadership and senior positions.

We continue to implement strategies to meet our voluntary calendar-year targets for women in leadership roles. In 2016–17, we again met our 50% target of Executive Level 1 staff. We have maintained progress towards our targets of staff at the Executive Level 2 and SES levels (see below).

We support the development of women in senior roles through a number of mentoring programs, including:

- ♦ Women in Law Enforcement Strategy (four SES mentors and three executive-level mentees)
- ♦ Women in Banking and Finance (four SES mentors and five executive-level mentees)
- ♦ ASIC's broader mentoring program (39 women at ASIC 1 – Executive Level 1). This program has been expanded to provide opportunities for all employees.

We celebrated International Women's Day in March 2017 with our special guest speaker, ABC broadcaster and journalist Juanita Phillips. The event closed with the presentation of the 2016 Women in Leadership award to Kate Metz, for her outstanding leadership.

In 2016–17, we continued to hold our Keeping You Connected events, which provide updates on policies and current issues to employees who are on extended leave.

Women of the future were also celebrated with ASIC's 'Bring Your Daughter to Work Day' event, held in Brisbane in June 2017.

4.2.3 Multicultural access and equity

We recognise the importance of engaging with communities from culturally and linguistically diverse backgrounds to help improve access to and equity in our services.

In 2016–17, we continued to enhance staff training to raise cultural awareness and understanding. Our Developing Cultural Awareness learning module has now been completed by almost 96.4% of our staff.

Targets for women in leadership

	Actual, as at 30 June 2017	Actual, as at 30 June 2016	2018 target	2017 target	2016 target
SES	42.11%	39.53%	50%	50%	50%
Exec 2	48.38%	48.94%	50%	50%	50%
Exec 1	50.11%	51.06%	50%	50%	50%

We continued to prioritise callers to our Customer Contact Centre who use the Telephone Interpreter Service. This has reduced call waiting times for these callers and their interpreters.

In January 2017, we launched a new ASIC MoneySmart video in Cantonese and Mandarin for the Lunar New Year. It was the first time MoneySmart video content has been developed in a language other than English. The video has been viewed more than 12,000 times on social media.

In June 2017, the Department of Social Services published its report to Parliament, *Multicultural access and equity in Australian Government services 2013–15*. The report highlighted the following three examples of ASIC's good practice in this area:

1. the Developing Cultural Awareness learning module
2. ASIC's MoneySmart website, with its foreign language resources
3. the 2015 Diversity Week initiative, with the Governor of South Australia, His Excellency the Hon Hieu Van Le, presenting.

4.2.4 Accessibility

ASIC aims to eliminate barriers to accessibility and promote disability-awareness initiatives. We encourage training and career development opportunities for people with disability.

In 2016–17, our progress against our Accessibility Action Plan included:

- ♦ publishing articles for staff about mental health in the workplace and the Diversity Council of Australia's #WordsAtWork campaign
- ♦ improving the accessibility of our web content, in accordance with the Government's Web Content Accessibility Guidelines. For example, 93% of ASIC's videos had accessibility features, such as captions and transcripts
- ♦ accessing the Government's RecruitAbility program to recruit graduates in our 2017 intake.

We celebrated the International Day of People with Disability in December 2016 with Crosbie Lorimer from beyondblue as our special guest speaker. Delta Society therapy dogs also visited our offices in Brisbane, Melbourne and Sydney.

ASIC continues to support the National Disability Strategy 2010–2020, which sets out a 10-year national policy framework to improve the lives of people with disability, promote participation and create a more inclusive society. The second progress report can be found at www.dss.gov.au.

4.2.5 Rainbow Network

ASIC recognises the importance of lesbian, gay, bisexual, transgender and intersex (LGBTI) inclusion. We aim to raise awareness about LGBTI issues and to provide support to our staff.

In March 2017, we made a submission to Pride in Diversity's Australian Workplace Equality Index – a benchmark for LGBTI inclusion for Australian workplaces.

During Diversity Week, we held an event with special guest speakers Michael Ebeid, CEO and Managing Director of SBS, and Ian Bennett, a Partner at PwC. We also marched at the 2017 Sydney Gay and Lesbian Mardi Gras with APRA and the RBA.

We commemorated the International Day against Homophobia, Transphobia and Biphobia in May 2017 with special guest speakers Micah Green and Mill O'Sullivan from Minus18.

We also launched our LGBTI mentoring program in February 2017, with two executive-level mentors and two executive-level mentees.

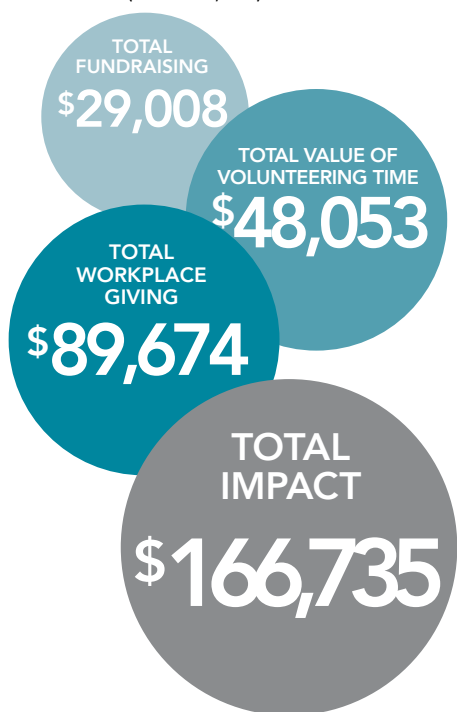


Warren Day, Victorian Regional Commissioner, with Alina Humphreys and Lucinda Jay at the ASIC Keeping You Connected event in Melbourne, May 2017.

4.3 ASIC in the Community

ASIC in the Community is a national community engagement program that creates opportunities for our staff to contribute to charities and causes that are important to them. The program's impact is measured by the total funds donated through workplace giving, the value of hours volunteered by our staff and the funds raised through events.

In 2016–17, our staff contributed \$166,735 to the community, similar to the amount donated in 2015–16 (i.e. \$167,130).



Justine Butler, ASIC in the Community Manager, and Duncan Poulson, Northern Territory Regional Commissioner, with a banner of ASIC staff pledges made during National Reconciliation Week 2016.

4.3.1 Workplace giving

ASIC's workplace giving program provides a steady income stream for charities through simple and tax-effective donations.

In November 2016, the program's success was recognised with a silver medal in the inaugural Workplace Giving Excellence Awards. The awards are part of the Australian Charities' Fund One Million Donors campaign and recognise employers and their employees who show leadership in supporting charities and community groups.

In 2016–17, 189 staff members (around 10% of staff) contributed to the workplace giving program. The average donation per participating staff member is around \$515 per year.

A total of \$89,674 was donated to 43 charities. The top three charities supported were:

1. The Smith Family
2. Médecins Sans Frontières
3. World Vision.



ASIC Commissioner John Price receiving a workplace giving award from Greg Hutchinson, Deputy Chairman of the Australian Charities Fund, and the Hon. Kelly O'Dwyer MP, the Minister for Revenue and Financial Services.

4.3.2 Volunteering

Volunteering is an important way for ASIC staff to give back to the community, with every staff member entitled to one day of paid volunteering leave per calendar year.

In 2016–17, the total value of our volunteering time was \$48,053. ASIC staff volunteered in a range of activities, including:

- ♦ the Smith Family's youth mentoring and Learning for Life programs (14 staff)
- ♦ volunteering with Foodbank Victoria and the Brotherhood of St Laurence (27 staff)
- ♦ serving meals to marginalised and disadvantaged people at the Exodus Loaves and Fishes restaurant in Sydney (15 staff)
- ♦ volunteering at a breakfast club in a local primary school in Perth (12 staff).

Fifty-six ASIC staff undertook pro bono legal work in 2016–17, including with:

- ♦ the Salvos Legal Humanitarian Services Free Legal Clinic in Sydney
- ♦ Justice Connect in Melbourne
- ♦ the National Children's Youth Law Centre.

4.3.3 Fundraising

ASIC in the Community facilitates national fundraising events in all our offices. In 2016–17, we raised \$29,008.



The Indigenous Literacy Foundation presentation to ASIC staff in November 2016.

In November 2016, we introduced a 'pop-up' workplace campaign for the Salvation Army's Christmas Appeal in partnership with Catalyser, an Australian social venture which has developed a workplace giving software platform. The campaign raised nearly \$3,000 in less than a week.

Additionally, the ASIC graduates reached a new milestone by raising over \$16,000 for the Indigenous Literacy Foundation in 2016.

4.3.4 National Speakers Program

ASIC organises a number of National Speakers events throughout the year, featuring well-known Australians who advocate for charities we support.

In 2016–17, highlights of the National Speakers Program included:

- ♦ Annabelle Daniel, CEO of Women's Community Shelters, who spoke at our annual White Ribbon Day event
- ♦ Richard Murray, CEO of JB Hi-Fi, who spoke at our event on the importance of leadership in workplace giving.

NAIDOC Week

We are a proud supporter of NAIDOC Week, as part of our Reconciliation Action Plan commitments.

Each year, ASIC in the Community organises a NAIDOC Week event, which creates a unique opportunity for our people to learn more about Indigenous Australia from Indigenous thought leaders.

This year's event was hosted in Darwin on 7 July 2016. We welcomed Dr Donna Odegaard AM, a Larrakia traditional owner and CEO of Aboriginal Broadcasting Australia, and Professor Ruth Wallace from Charles Darwin University as our special guest speakers. Key Indigenous and non-Indigenous stakeholders also attended the event.

4.4 Indigenous awareness and action at ASIC

ASIC is committed to providing services to Aboriginal and Torres Strait Islander consumers in a way that is equitable, responsive and relevant to their needs.

4.4.1 Reconciliation Action Plan

We recognise that we can help close the gap on Indigenous disadvantage and build on our diverse workforce. We do this by creating relationships with Aboriginal and Torres Strait Islander consumers and communities.

A key objective of our Reconciliation Action Plan is to increase employment opportunities for Aboriginal and Torres Strait Islander peoples. At 30 June 2017, 16 employees (nearly 1% of ASIC staff) identified as Indigenous. This is a 23% increase from 2015–16.

We aim to reach the APS target of 3% Indigenous employment by 2018. We use Indigenous-specific employment initiatives to recruit and retain Indigenous staff members. For example, in 2016–17, we:

- ♦ updated our employee value proposition to reinforce our commitment to diversity and emphasise the importance of employing Indigenous Australians
- ♦ promoted our commitment to Indigenous employment by encouraging Indigenous Australians to apply for all advertised roles on our careers website
- ♦ advertised appropriate job opportunities using Indigenous media
- ♦ participated in various Indigenous graduate, cadetship and apprenticeship programs (e.g. the Indigenous Australian Government Development Program and the APS Indigenous Graduate Program) to recruit Indigenous employees
- ♦ developed an Indigenous mentoring program with executive-level staff mentoring our Indigenous staff in many aspects of their work.

We have facilitated six cultural information sessions in Perth, Adelaide and Brisbane to foster awareness and build a more open culture at ASIC. These sessions included information about:

- ♦ Indigenous culture and history
- ♦ communicating with Indigenous peoples through all areas of ASIC's work
- ♦ ASIC's Indigenous Outreach Program.

4.4.2 Engagement with Indigenous consumers

ASIC is seen as a leader in Indigenous consumer protection. We regularly take action against those in the credit and financial products and services area who exploit Indigenous consumers.

Our Indigenous Outreach Program works to address these issues through:

1. **outreach** – working with Indigenous communities and financial counsellors on targeted issues relevant to them
2. **compliance** – gathering intelligence about financial services providers who engage in misconduct that impacts on Indigenous consumers and taking regulatory action, where appropriate
3. **industry liaison** – working with key industry bodies to encourage the provision of appropriate products and services to the Indigenous community
4. **financial capability** – developing and distributing financial literacy materials for Indigenous consumers.



ASIC's Indigenous Outreach Program meeting with members from CentaCare in Katharine, Northern Territory in July 2016.

ASIC's MoneySmart videos for Indigenous consumers

In July 2016, ASIC officially launched a series of videos designed to help Indigenous consumers with key financial decisions. The videos encourage Indigenous consumers to take their time when making purchasing decisions and to walk away from high-pressure sales situations.

Using the theme of 'Take a minute with your money', the videos deliver financial tips on three key areas that affect many Indigenous consumers:

1. motor vehicle finance – how to get the best deal on a car and your loan
2. consumer leases and renting items for your home
3. book up – how to manage your store account or tab.

ASIC's teaching resources for Indigenous students

In March 2017, ASIC launched Knowing, Growing, Showing, a new financial literacy teaching resource to support learning opportunities and improve the financial health of Indigenous Australians.

The resource is aligned to the Australian Curriculum and addresses cultural and community values around money, finances and consumer issues. It is presented in three learning stages:

1. **Knowing** – introduces the basics of money
2. **Growing** – develops the skills needed to make smart choices with money
3. **Showing** – uses applied learning to demonstrate an understanding of money and enterprise.

4.4.3 Other initiatives

We have demonstrated our ongoing commitment to Indigenous people and reconciliation more broadly. For example, in 2016–17, we:

- ♦ addressed issues affecting Indigenous consumers at the 2017 ASIC Annual Forum
- ♦ developed an online stakeholder newsletter, with the first edition focusing on consumer leases, a key issue for Indigenous consumers
- ♦ set up appropriate governance structures for ASIC's Reconciliation Action Plan, including a strategic committee and working group
- ♦ held events to celebrate Reconciliation Week and NAIDOC Week
- ♦ supported two staff members to undertake professional placements in remote and regional Indigenous communities.

We also continued working with credit and financial services businesses to ensure appropriate outcomes for Indigenous consumers. This included obtaining a voluntary undertaking from a consumer lease provider that delivered more than \$108,000 in compensation to a group of predominately Indigenous customers in regional New South Wales.



ASIC's 'Take a minute with your money' videos officially launched on ASIC's MoneySmart website in July 2016.

4.5 Ecologically sustainable development and environmental performance

In 2016–17, we continued to improve our environmental performance. We used our intranet, signage, posters and induction content to engage our staff on environmental initiatives and performance.

ASIC’s Environmental Management Improvement Plan 2015–17 includes new and ongoing opportunities, which are approved and monitored by the ASIC Property and Environmental Management Board.

We work in accordance with all required government policy, including:

- ♦ Energy Efficiency in Government Operations Policy
- ♦ Australian Government ICT Sustainability Plan 2010–15.

ASIC energy consumption¹

Descriptor	2016–17	% change from 2015–16	2015–16	2014–15
Light and power – ASIC tenancies (kWh)	2,851,041	–4.7%	2,991,850	3,051,459
MJ per person	5,096	–15.6% ²	6,037	5,941
Light and power – ASIC computer centres (kWh)	906,496	–6.1%	965,215	994,354
MJ per m2	7,006	–11% ³	7,874	7,687
Greenhouse gas emissions (tonnes CO ₂ -e) – attributed to all light and power	3,756	–10% ⁴	4,123	4,264
Gas (MJ) – Traralgon office only	3,059,165	2.5%	2,569,234 ⁵	2,949,558

Note: Data rounded.

1. Energy consumption includes sub-tenanted areas that are not separately metered.
2. We reduced our mega joules per person in 2016–17 because there was a 5% decrease in energy consumption in office space, together with a 13% increase in ASIC staff.
3. We reduced our mega joules per square metre in 2016–17 because our Darwin office is now co-located with another agency.
4. In 2016–17, there was a 5% decrease in total energy consumption for 2016–17 for all ASIC offices. Additionally, there was a decrease in the indirect emission factors for consumption of purchased electricity from the grid for all states.
5. Previously reported data has changed due to amendments to data supplied.

4.5.1 Environmental performance in detail

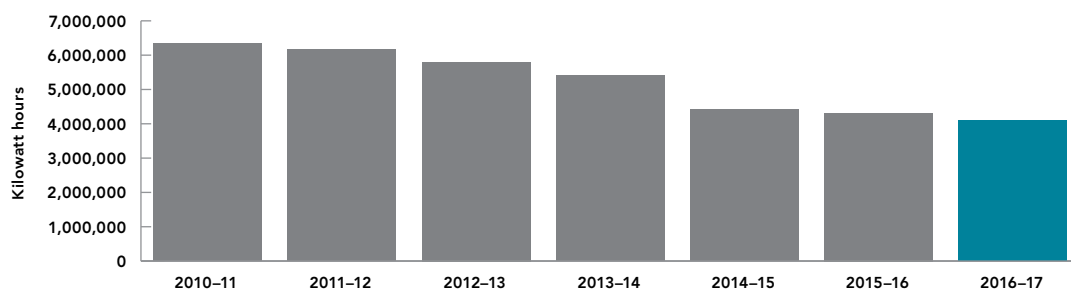
Energy efficiency

We reduced our electricity consumption by over 5% in 2016–17. Total energy consumption has fallen by 35% over the period 2010–11 to 2016–17.

Energy efficiency initiatives in 2016–17 included:

- ♦ retaining some servers offsite
- ♦ using energy-efficient compact fluorescent tubes and LED lighting in suitable areas
- ♦ using motion sensors to control lighting in infrequently used areas.

Total electricity consumption for all sites



Water

ASIC's offices are not metered separately for water consumption. Our landlords have implemented water-saving initiatives, such as the use of grey water and rainwater capture. We also use water-efficient appliances in our offices.

Information and communications technology

Current and ongoing ICT initiatives to minimise our environmental impacts include:

- ♦ centralising servers from regional offices to offsite data centres, with an energy saving of almost 20%
- ♦ using power-saving modes for ICT equipment when not in use.

Waste

In 2016-17, ASIC's initiatives to minimise the volume of waste sent to landfill and to support waste avoidance and recovery included:

- ♦ a mandated default setting of double-sided printing for all staff
- ♦ continuing programs to assist staff to work more digitally
- ♦ sending redundant office furniture for re-use or recycling.

ASIC waste reductions

Descriptor	2016-17	% change from 2015-16	2015-16	2014-15
Office paper purchased by FTE (A4 reams/FTE)	9	-18%	11	12
Percentage of office paper purchased with recycled content	99.88	0.07%	99.81%	98.81%
Secure paper waste recycled (tonnes)	55.6	63.5%	34	41.7
Toner cartridges recycled (kgs)	572	-45.4% ¹	1,048	961
IT equipment recycled or re-used (tonnes)	1.5	-76.9% ²	6.5	12.3

Note: Data rounded.

1. The decrease in toner cartridges recycled in 2016-17 is attributed to fewer printers. Printing across ASIC also decreased by 15% in 2016-17 and continues to decline.
2. Network infrastructure has been streamlined across ASIC, which means that the amount of IT equipment recycled or re-used has declined significantly since 2013-14.

4.5 Ecologically sustainable development and environmental performance continued

Property

We are committed to improving space efficiency and reducing our environmental footprint, in accordance with the Commonwealth Property Management Framework. For example, in 2016–17, we:

- ♦ provided seats for other government agencies in our offices (e.g. we have reduced seating for ASIC staff by 40% in our Canberra office)
- ♦ implemented an Activity Based Working prototype in our Sydney office. Benefits to date include reduced space requirements and over 50% reduction in printing
- ♦ introduced more flexible ways of working in our Melbourne and Sydney offices to accommodate more staff in our existing office space.

Travel

We are committed to reducing the environmental impact of our work-related travel.

In 2016–17, we promoted the use of public transport for work-related travel and encouraged staff to use the GoGet car share service, where available.

We also continued to promote teleconferencing and video conferencing as preferred alternatives to air travel. This provides an environmentally beneficial solution for meetings and training.

ASIC travel statistics¹

Descriptor	2016–17	% change from 2015–16	2015–16	2014–15
Total number of fleet vehicles	8	–11%	9	9
Average Green Vehicle Rating of fleet	15	0%	15	15
Total distance travelled by fleet vehicles (kms)	100,033	–4.6%	104,814	109,489
Total fuel purchased by fleet vehicles (litres)	7,684	–8%	8,352	8,485
Transport energy (GJ)	265 ²	18%	225	250
Average fuel consumption of fleet vehicles (litres/100 kilometres)	7.68	–3.6%	7.97	7.75
Total direct greenhouse emissions of fleet (tonnes CO ₂ –e)	19.32	–6.9%	20.76	22.03
Total distance travelled using GoGet car share (kms)	2,735	15.6%	2,367	3,613
Total distance of air flights (kms)	11,608,206 ³	5.1%	11,045,043 ²	10,222,171
Total number of video conferencing calls	7,549	2.3%	7,377	6,661
Average hours per video conference call	1.3	0%	1.3	1.3

1. The fleet travel data is for the period 1 April to 31 March in each year.

2. In 2016–17, the Transport Energy GJ results increased due to reduced use of E10 fuel by staff filling the fleet vehicles. ASIC will be working to encourage staff to use the E10 fuel option first.

3. In 2016–17, the total distance of air flights comprised a 10% increase in international travel and a 3% increase in domestic travel compared with 2015–16. Domestic travel increased in 2015–16 and 2016–17, which reflects the increase in ASIC activity, particularly in surveillance and enforcement.

The background is a solid teal color. In the upper right quadrant, there are two overlapping white diamond shapes. The larger diamond is on the left, and a smaller one is on the right, partially overlapping the first. The number '5' is centered within the smaller diamond.

5

FINANCIAL STATEMENTS

Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

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Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT

To the Minister for Revenue and Financial Services

Opinion

In my opinion, the financial statements of the Australian Securities and Investments Commission for the year ended 30 June 2017:

- (a) comply with Australian Accounting Standards – Reduced Disclosure Requirements and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of the Australian Securities and Investments Commission as at 30 June 2017 and its financial performance and cash flows for the year then ended.

The financial statements of the Australian Securities and Investments Commission, which I have audited, comprise the following statements as at 30 June 2017 and for the year then ended:

- Statement by the Accountable Authority and Chief Financial Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement;
- Administered Schedule of Comprehensive Income;
- Administered Schedule of Assets and Liabilities;
- Administered Reconciliation Schedule;
- Administered Cash Flow Statement; and
- Notes to the financial statements, comprising an Overview, Summary of Significant Accounting Policies and other explanatory information.

Basis for Opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Australian Securities and Investments Commission in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* to the extent that they are not in conflict with the *Auditor-General Act 1997* (the Code). I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Accountable Authority's Responsibility for the Financial Statements

As the Accountable Authority of the Australian Securities and Investments Commission the Chairman is responsible under the *Public Governance, Performance and Accountability Act 2013* for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards – Reduced Disclosure Requirements and the rules made under that Act. The Chairman is also responsible for such internal control as the Chairman determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

GPO Box 707 CANBERRA ACT 2601
19 National Circuit BARTON ACT
Phone (02) 6203 7300 Fax (02) 6203 7777

Independent Auditor's Report

In preparing the financial statements, the Chairman is responsible for assessing the Australian Securities and Investments Commission's ability to continue as a going concern, taking into account whether the entity's operations will cease as a result of an administrative restructure or for any other reason. The Chairman is also responsible for disclosing matters related to going concern as applicable and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion.

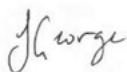
Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accountable Authority;
- conclude on the appropriateness of the Accountable Authority's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Australian National Audit Office



Jodi George

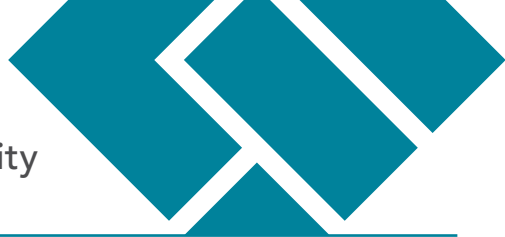
Acting Executive Director

Delegate of the Auditor-General

Canberra

14 August 2017

Statement by the Accountable Authority and Chief Financial Officer



In our opinion, the attached financial statements for the year ended 30 June 2017 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

In our opinion, at the date of this statement, there are reasonable grounds to believe that the Australian Securities and Investments Commission will be able to pay its debts as and when they fall due.

G.J. Medcraft
Chairman
14 August 2017

E. L. Hodgson
Chief Financial Officer
14 August 2017

Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2017

	Notes	2017 \$'000	2016 \$'000
NET COST OF SERVICES			
Expenses			
Employee benefits	1.1A	214,535	198,521
Suppliers	1.1B	133,081	128,065
Depreciation and amortisation	3.2A	43,609	44,373
Finance costs – unwinding of restoration provision		149	70
Write-down and impairment of assets	1.1C	1,086	194
Total expenses		392,460	371,223
LESS:			
Own-source revenue			
Rendering of services		2,004	1,992
Operating sublease rent and property recoveries		1,531	1,167
Other revenue	1.2A	3,726	2,041
Total own-source revenue		7,261	5,200
Net Cost of Services		385,199	366,023
Total revenue from Government	1.2B	341,641	311,427
Deficit		(43,558)	(54,596)
OTHER COMPREHENSIVE INCOME			
Items not subject to subsequent reclassification to net cost of services			
Changes in asset revaluation reserve		–	10,772
Total comprehensive loss		(43,558)	(43,824)

The above statement should be read in conjunction with the accompanying notes.

Statement of Financial Position

AS AT 30 JUNE 2017

	Notes	2017 \$'000	2016 \$'000
ASSETS			
Financial assets			
Cash and cash equivalents	3.1A	37,199	45,701
Trade and other receivables	3.1B	123,171	86,411
Total financial assets		160,370	132,112
Non-financial assets			
Leasehold improvements	3.2A	33,667	40,706
Plant and equipment	3.2A	24,764	18,795
Computer software	3.2A	78,246	81,683
Other non-financial assets	3.2B	16,573	9,392
Total non-financial assets		153,250	150,576
Total assets		313,620	282,688
LIABILITIES			
Payables			
Suppliers	3.3A	47,521	33,430
Other payables	3.3B	36,649	39,342
Total payables		84,170	72,772
Provisions			
Employee provisions	6.1A	69,039	59,602
Other provisions	3.4A	13,620	10,630
Total provisions		82,659	70,232
Total liabilities		166,829	143,004
Net assets		146,791	139,684
EQUITY			
Contributed equity		364,970	314,305
Reserves		17,137	17,137
Accumulated deficit		(235,316)	(191,758)
Total equity		146,791	139,684

The above statement should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2017

	Notes	2017 \$'000	2016 \$'000
CONTRIBUTED EQUITY			
Opening balance		314,305	289,874
Transactions with owners			
Contributions by owners			
Equity injections – appropriations		26,570	5,300
Departmental capital budget		24,095	19,131
Total transactions with owners		50,665	24,431
Closing balance as at 30 June		364,970	314,305
RETAINED EARNINGS			
Opening balance		(191,758)	(137,162)
Comprehensive income			
Deficit for the period		(43,558)	(54,596)
Total comprehensive loss		(43,558)	(54,596)
Closing balance as at 30 June		(235,316)	(191,758)
ASSET REVALUATION RESERVE			
Opening balance		17,137	6,365
Comprehensive income			
Other comprehensive income		–	10,772
Total comprehensive income		–	10,772
Closing balance as at 30 June		17,137	17,137
TOTAL EQUITY			
Opening balance		139,684	159,077
Comprehensive income			
Other comprehensive income		–	10,772
Deficit for the period		(43,558)	(54,596)
Total comprehensive loss		(43,558)	(43,824)
Transactions with owners			
Contributions by owners			
Equity injections – Appropriations		26,570	5,300
Departmental capital budget	5.1A	24,095	19,131
Total transactions with owners		50,665	24,431
Closing balance as at 30 June		146,791	139,684

The above statement should be read in conjunction with the accompanying notes.

Cash Flow Statement

FOR THE YEAR ENDED 30 JUNE 2017

	Notes	2017 \$'000	2016 \$'000
OPERATING ACTIVITIES			
Cash received			
Appropriations		306,930	319,313
Operating cash received		2,189	2,177
Net GST received		13,432	12,754
Other cash received		3,829	3,066
Total cash received		326,380	337,310
Cash used			
Employees		202,136	204,558
Suppliers		140,763	151,282
Transfers to the Official Public Account		7,238	5,210
Total cash used		(350,137)	(361,050)
Net cash (used by) operating activities		(23,757)	(23,740)
INVESTING ACTIVITIES			
Cash used			
Purchase of leasehold improvements, plant and equipment and intangibles		35,410	24,051
Net cash (used by) investing activities		(35,410)	(24,051)
FINANCING ACTIVITIES			
Cash received			
Appropriations – contributed equity		50,665	22,133
Net cash from financing activities		50,665	22,133
Net (decrease) in cash held		(8,502)	(25,658)
Cash and cash equivalents at the beginning of the reporting period		45,701	71,359
Cash and cash equivalents at the end of the reporting period	3.1A	37,199	45,701

The above statement should be read in conjunction with the accompanying notes.

Administered Schedule of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2017

	Notes	2017 \$'000	2016 \$'000
NET COST OF SERVICES			
Expenses			
Grants	2.1A	3,154	3,192
Write-down and impairment of assets	2.1B	52,993	49,470
Claims for unclaimed monies	2.1C	41,677	98,296
Promotional costs for MoneySmart initiatives		548	2,510
Total expenses		98,372	153,468
LESS:			
Own-source revenue			
Taxation revenue			
Fees and fines	2.2A	920,241	876,225
Total taxation revenue		920,241	876,225
Non-taxation revenue			
Unclaimed monies	2.2B	77,464	45,942
Total non-taxation revenue		77,464	45,942
Total revenue		997,705	922,167
Net contribution by services		899,333	768,699

Administered Schedule of Assets and Liabilities

AS AT 30 JUNE 2017

	Notes	2017 \$'000	2016 \$'000
ASSETS			
Financial assets			
Cash and cash equivalents		1,781	2,065
Taxation receivables	4.1A	135,775	130,542
GST receivable		211	315
Total assets administered on behalf of the Government		137,767	132,922
LIABILITIES			
Payables and provisions			
Suppliers and other payables	4.2A	26,758	25,313
Other provisions	4.2B	351,452	391,734
Total liabilities administered on behalf of the Government		378,210	417,047
Net liabilities		(240,443)	(284,125)

The above schedules should be read in conjunction with the accompanying notes.

Administered Reconciliation Schedule

AS AT 30 JUNE 2017

	Notes	2017 \$'000	2016 \$'000
Opening assets less liabilities as at 1 July		(284,125)	(311,537)
Net contribution by services:			
Administered income		997,705	922,167
Administered expenses		(98,372)	(153,468)
		899,333	768,699
Transfers (to)/from the Australian Government			
Appropriation transfers from Official Public Account:			
Special (unlimited) and ordinary appropriations			
Appropriation/Supply Act No. 1 and No. 3		6,165	5,748
Banking Act unclaimed monies		42,866	82,159
Life Insurance Act unclaimed monies		6,418	9,992
Section 77 PGPA Act		37,480	37,559
Total of appropriation transfers from Official Public Account		92,929	135,458
Administered transfers to Official Public Account		(948,580)	(876,745)
Closing assets less liabilities as at 30 June		(240,443)	(284,125)

The above schedule should be read in conjunction with the accompanying notes.

Administered Cash Flow Statement

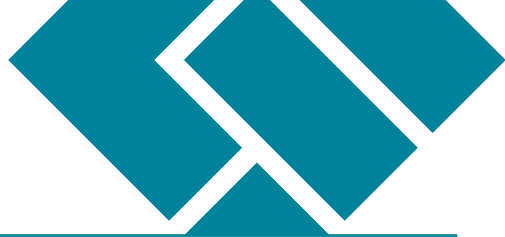
FOR THE YEAR ENDED 30 JUNE 2017

	2017 \$'000	2016 \$'000
OPERATING ACTIVITIES		
Cash received		
Corporations Act, National Consumer Credit Protection Act, Business Names Registration (Fees) Act and Superannuation Industry (Supervision) Act	865,094	824,243
Corporation Act unclaimed monies	66,430	37,760
Banking Act unclaimed monies	9,112	6,164
Life Insurance Act unclaimed monies	1,921	2,018
Total cash received	942,557	870,185
Cash used		
Refunds paid to:		
Company shareholders	32,675	32,453
Deposit-taking institution account holders	42,866	81,776
Life insurance policy holders	6,418	10,024
Promotion expenses for MoneySmart Initiatives	1,411	1,876
Grants	3,718	2,623
Net GST paid	103	239
Total cash used	(87,191)	(128,991)
Net cash from operating activities	855,366	741,194
Cash from Official Public Account for:		
Appropriations	92,929	135,459
Less: Cash to Official Public Account for:		
Corporations Act, National Consumer Credit Protection Act and Business Names Registration (Fees) Act fees and charges	871,117	830,803
Corporations Act unclaimed monies	66,430	37,760
Banking Act unclaimed monies	9,112	6,164
Life Insurance Act unclaimed monies	1,921	2,018
Total cash to Official Public Account	(948,580)	(876,745)
Net (decrease) in cash held	(284)	(92)
Cash and cash equivalents at the beginning of the reporting period	2,065	2,157
Cash and cash equivalents at the end of the reporting period	1,781	2,065

The above statement should be read in conjunction with the accompanying notes.

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2017



Overview

Objectives of the Australian Securities and Investments Commission (ASIC)

ASIC is an independent Commonwealth Government body operating under the *Australian Securities and Investments Commission Act 2001* (ASIC Act) to administer the *Corporations Act 2001*, and other legislation, throughout Australia. We are a not-for-profit entity and our objectives, outlined in s1(2) of the ASIC Act, include:

- the promotion of confident and informed participation of investors and consumers in the financial system
- the maintenance, facilitation and improvement in the performance of the financial system and the entities within that system in the interests of commercial certainty, reducing business costs, and the efficiency and development of the economy
- to administer the laws that confer functions and powers on it effectively and with a minimum of procedural requirements.

ASIC collects and administers revenue under the *Corporations Act 2001* and the *National Consumer Credit Protection Act 2009* and prescribed fees set by the *Corporations (Fees) Act 2001*, the *Corporations (Review Fees) Act 2003*, the *National Consumer Credit Protection Act 2009*, the *Business Names Registration (Fees) Regulations 2010* and *Superannuation Industry (Supervision) Act 1993*. This revenue is not available to ASIC and is remitted to the Official Public Account (OPA). Transactions and balances relating to these fees are reported as administered items. Administered items are distinguished by shading in these financial statements.

ASIC is structured to deliver a single outcome, and the result is in the Statement of Comprehensive Income:

To allow markets to allocate capital efficiently to fund the real economy by promoting investor and financial consumer trust and confidence, facilitating fair, orderly and transparent markets and delivering efficient and accessible registration.

The continued existence of ASIC in its present form and with its present programmes is dependent on government policy and on continuing funding by Parliament for ASIC's administration and programmes.

Basis of preparation

The financial statements are general purpose financial statements and are required by section 42 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

The financial statements and notes have been prepared in accordance with the:

- ♦ Public Governance, Performance and Accountability (Financial Reporting) Rule 2015 (FRR) for reporting periods ending on or after 1 July 2015
- ♦ Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for certain assets and liabilities at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position. The financial statements are presented in Australian dollars and values are rounded to the nearest thousand dollars unless otherwise specified.

Change in accounting policy

In 2016–17, the FRR was amended to include that, where an amount standing to the credit of a special account is held by a reporting entity, the amount must be disclosed in the entity's financial statement as cash. In 2015–16, these amounts were held as a receivable. The current year and prior year figures in the financial statements have been amended to reflect the change in accounting policy.

New Australian Accounting Standards

All new accounting standards, amendments to standards and interpretations that were issued before the sign-off date and are applicable to the current reporting period did not have a material effect, and are not expected to have a future material effect, on ASIC's financial statements.

Taxation

ASIC is exempt from all forms of taxation except Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST).

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2017

Overview continued

Reporting of administered activities

Administered revenues, expenses, assets, liabilities and cash flows are disclosed in the Administered Schedules and related notes.

Except where otherwise stated, administered items are accounted for on the same basis and using the same policies as for departmental items, including the application of Australian Accounting Standards.

Events after the reporting period

There were no events occurring after balance date that had a material effect on the departmental or administered financial statements.

1. Departmental financial performance

This section analyses the financial performance of ASIC for the year ended 30 June 2017

1.1 Expenses

	2017 \$'000	2016 \$'000
1.1A: Employee benefits		
Wages and salaries	154,907	149,419
Superannuation ¹		
Defined-benefit schemes	11,681	12,615
Defined-contribution schemes	18,359	17,135
Leave and other entitlements	18,573	19,352
Separation and redundancies ²	11,015	–
Total employee benefits	214,535	198,521

1. Contributions to defined-benefit superannuation schemes are at rates calculated to cover existing and emerging obligations. The employer contribution rate for the Commonwealth Superannuation Scheme was 16.2% (2016: 14.6%), the Public Sector Superannuation Plan was 16.8% (2016: 17.3%), the PSS Accumulation Scheme was 15.4% (2016: 15.4%), and the superannuation productivity benefit was approximately 2.0% to 3.0% (2016: 2.0% to 3.0%). The contribution is calculated based on the relevant salary for super at the time the contributions are made.

2. Separation and redundancy costs are generally calculated on the basis of two weeks, pay for every year of service for each employee with a minimum of four weeks and a maximum of 48 weeks.

Accounting policy

Accounting policies for employee-related expenses are detailed in section 6.

1. Departmental financial performance continued

	2017 \$'000	2016 \$'000
1.1B: Suppliers		
Goods and services supplied or rendered		
Office computer and software expenses	25,805	23,228
Legal and forensic costs	25,004	25,923
Consultants and specialist services	20,144	20,338
Property-related outgoings	7,705	7,466
Information costs	6,790	6,476
Travel	4,780	4,644
Postage and freight	2,754	2,525
Security	2,381	2,329
Communications	2,349	2,207
Learning and development	3,663	2,671
Recruitment	1,879	1,283
Other goods and services	5,632	5,389
Total goods and services supplied or rendered	108,886	104,479
Goods supplied	2,894	2,833
Services rendered	105,992	101,646
Total goods and services supplied or rendered	108,886	104,479
Other suppliers		
Operating lease rentals	21,687	22,256
Workers compensation expense	2,285	1,101
Fringe benefits tax	223	229
Total other suppliers	24,195	23,586
Total suppliers	133,081	128,065
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within 1 year	29,471	31,602
Between 1 to 5 years	63,131	97,497
More than 5 years	39,505	50,317
Total operating lease commitments	132,107	179,416

Leasing commitments

ASIC, in its capacity as lessor, sublets premises in Brisbane, Hobart, Melbourne and Sydney.

Accounting policy

Operating lease payments (net of lease incentives) are expensed on a straight-line basis, which is representative of the pattern of benefits derived from the leased assets.

All borrowing costs are expensed as incurred.

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2017

1. Departmental financial performance continued

	Notes	2017 \$'000	2016 \$'000
1.1C: Write-down and impairment of assets			
Impairment of financial instruments		926	20
Write-off of leasehold improvements		14	23
Write-off of plant and equipment		146	149
Write-off of software		–	2
Total write-down and impairment of assets		1,086	194

1.2 Own-source revenue

Accounting policy

Rendering of services

Revenue from rendering of services is recognised by reference to the stage of completion of projects at the reporting date. Revenue is recognised when:

- ♦ The amount of revenue, stage of completion and transaction costs incurred can be reliably measured
- ♦ The probable economic benefits associated with the transaction will flow to ASIC.

Operating lease revenue

Operating sublease revenue is recognised as revenue on commencement of the lease under the Memorandum of Understanding. The lease terms are on a 12-month rolling basis.

1.2A: Other revenue

Cost recoveries ¹		2,420	750
Royalties		185	185
Professional and witness fees		30	39
Resources received free of charge – auditors' remuneration		360	360
Other		731	707
Total other revenues		3,726	2,041

1. Amounts recovered by ASIC for court costs, investigations, professional fees, legal costs and prosecution disbursements.

Accounting policy

Resources received free of charge

Resources received free of charge are recognised as revenue when, and only when, a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense. Resources received free of charge are recorded as either revenue or gains, depending on their nature.

1.2B: Revenue from Government

Appropriations:

Departmental appropriations		314,826	284,507
Departmental special appropriations	5.2	26,815	26,920
Total revenue from Government		341,641	311,427

1. Departmental financial performance continued

Accounting policy

Revenue from Government

Amounts appropriated for departmental appropriations for the period (adjusted for any formal additions and reductions) are recognised as revenue from Government when ASIC gains control of the appropriation. Appropriations receivable are recognised at their nominal amounts.

2. Income and expenses administered on behalf of the Government

This section analyses the activities that ASIC does not control but administers on behalf of the Government.

Unless otherwise noted, the accounting policies adopted are consistent with those applied for departmental reporting.

2.1 Administered – expenses

	2017 \$'000	2016 \$'000
2.1A: Grants		
Rendering of services		
Insolvency practitioners ¹	3,154	3,192
Total grants	3,154	3,192

1. ASIC administers payments to registered insolvency practitioners to undertake preliminary investigations of suspected breaches of directors' duties and fraudulent conduct and to report the outcome of their findings to ASIC for further action as appropriate.

Accounting policy

ASIC administers a number of grant and subsidy schemes on behalf of the Government. Grant and subsidy liabilities are recognised to the extent that (i) the services required to be performed by the grantee have been performed or (ii) the grant eligibility criteria have been satisfied, but payments due have not been made. When the Government enters into an agreement to make these grants and services but services have not been performed or criteria satisfied, this is considered a commitment.

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2017

2. Income and expenses administered on behalf of the Government continued

	2017 \$'000	2016 \$'000
2.1B: Write-down and impairment of assets		
Impairment of receivables	48,935	46,702
Waiver of fees and charges owing	4,058	2,768
Total write-down and impairment of assets	52,993	49,470
2.1C: Claims for unclaimed monies		
Claims – Bank and deposit-taking institution account holders	829	54,852
Claims – life insurance policy holders	1,084	7,840
Claims – <i>Corporations Act 2001</i>	39,764	35,604
Total other expenses	41,677	98,296

Accounting policy

Administered expenses for refunds of unclaimed monies under the *Banking Act 1959*, *Life Insurance Act 1995* and *Corporations Act 2001* are recognised by estimating the value of claims likely to be repaid in respect of unclaimed money collected by ASIC as at balance date. The methodology used to determine the value of probable claims is determined by an independent actuary. Successful claims are paid out of the provision account.

2. Income and expenses administered on behalf of the Government continued

2.2 Administered – income

	2017 \$'000	2016 \$'000
Taxation revenue		
<u>2.2A: Fees and fines</u>		
Fees	801,712	768,244
Fines	118,530	107,981
Total fees and fines	920,241	876,225

Accounting policy

All administered revenues are revenues relating to the course of ordinary activities performed by ASIC on behalf of the Government.

Administered taxation revenue is generated from fees and fines under the *Corporations (Fees) Act 2001*, *Corporations (Review Fees) Act 2003*, National Consumer Credit Protection (Fees) Regulation 2010, Business Names Registration (Fees) Regulation 2012 and *Superannuation Industry (Supervision) Act 1993*. Administered fee revenue is recognised on an accruals basis when:

- ♦ the client or the client group can be identified in a reliable manner
- ♦ an amount of prescribed fee or other statutory charge is payable by the client or client group under legislative provisions
- ♦ the amount of the prescribed fee or other statutory charge payable by the client or the client group can be reliably measured.

Administered taxation revenue is recognised at its nominal amount due and an expense is recognised for impaired debts. Collectability of debts is reviewed at balance date. Impairment allowances are recognised when collection of the debt is no longer probable.

Non-taxation revenue

2.2B: Non-taxation revenue

<i>Corporations Act 2001</i> unclaimed monies	66,430	37,759
<i>Banking Act 1959</i> unclaimed monies	9,113	6,165
<i>Life Insurance Act 1995</i> unclaimed monies	1,921	2,018
Total non-taxation revenue	77,464	45,942

Accounting policy

ASIC receives non-taxation revenue for unclaimed monies under the *Banking Act 1959*, *Life Insurance Act 1995* and *Corporations Act 2001*. This revenue is not available to ASIC and is transferred to the OPA.

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2017

3. Departmental financial position

This section analyses ASIC's assets used to conduct its operations and the operating liabilities incurred as a result. Employee-related information is disclosed in section 6.

3.1 Financial assets

	2017 \$'000	2016 \$'000
3.1A: Cash and cash equivalents¹		
Cash in special accounts	33,064	44,195
Cash on hand or on deposit	4,135	1,506
Total cash and cash equivalents	37,199	45,701
3.1B: Trade and other receivables¹		
Goods and services receivables:		
Goods and services	1,503	677
Total goods and services receivables	1,503	677
Appropriations receivables:		
Appropriations receivable	118,207	83,495
Total appropriations receivable	118,207	83,495
Other receivables:		
GST receivable from the Australian Taxation Office	4,512	2,364
Total other receivables	4,512	2,364
Total trade and other receivables (gross)	124,222	86,536
Less impairment allowance	1,051	125
Total trade and other receivables (net)	123,171	86,411
Trade and other receivables are expected to be recovered:		
No more than 12 months	123,171	86,411

Credit terms for goods and services were within 30 days (2016: 30 days).

1. Special account OPA balances have been reclassified from receivables to cash.

Accounting policy

Receivables

Trade receivables and other receivables are classified as 'loans and receivables' and recorded at face value less any impairment. Trade receivables are recognised where ASIC becomes party to a contract and has a legal right to receive cash. Trade receivables are derecognised on payment.



3. Departmental financial position continued

	2017 \$'000	2016 \$'000
Reconciliation of the movement in the impairment allowance account		
As at 1 July	125	133
Amounts recovered and reversed	(84)	(50)
Increase recognised in net cost of services	1,010	42
Total as at 30 June	1,051	125

Accounting policy

Financial assets are assessed for impairment at the end of each reporting period. Allowances are made when collectability of the debt is no longer probable.

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2017

3. Departmental financial position continued

3.2 Non-financial assets

3.2A: Reconciliation of the opening and closing balances of leasehold improvements, plant and equipment and intangibles

	Leasehold improvements \$'000	Plant and equipment \$'000	Computer software \$'000	Total \$'000
As at 1 July 2016				
Gross book value	89,577	53,740	280,821	424,138
Accumulated depreciation/amortisation and impairment	(48,871)	(34,945)	(199,138)	(282,954)
Total as at 1 July 2016	40,706	18,795	81,683	141,184
Additions:				
by purchase	980	11,903	4,265	17,148
internally developed	–	–	22,114	22,114
Total additions	980	11,903	26,379	39,262
Depreciation/amortisation expense	(8,005)	(5,788)	(29,816)	(43,609)
Write-offs recognised in the operating result	(14)	(146)	–	(160)
Total as at 30 June 2017	33,667	24,764	78,246	136,677
Total as at 30 June 2017 represented by:				
Gross book value	90,386	61,204	307,121	458,711
Accumulated depreciation/amortisation and impairment	(56,719)	(36,440)	(228,875)	(322,034)
Total as at 30 June 2017	33,667	24,764	78,246	136,677

The carrying value of leasehold improvements, plant and equipment and computer software was reviewed at 30 June 2017. No indicators of impairment were found.

3. Departmental financial position continued

Accounting policy

Assets are recorded at cost of acquisition, except where stated below.

The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

Asset recognition threshold

Purchases of leasehold improvements, plant and equipment are initially recognised at cost in the Statement of Financial Position, except for purchases costing less than \$2,000, which are expensed in the year of acquisition (other than where they form part of a group of similar items that are significant in total).

The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located. This is particularly relevant to 'make good' provisions taken up by ASIC where there exists an obligation to restore the premises to their original condition at the conclusion of the lease. These costs are included in the value of ASIC's property expenses with a corresponding provision for the 'make good' recognised.

Revaluations

Following initial recognition at cost, leasehold improvements, plant and equipment were carried at latest revaluation less accumulated depreciation and accumulated impairment losses. Valuations were conducted with sufficient frequency to ensure that the carrying amounts of assets did not differ materially from the assets' fair values as at the reporting date. The regularity of independent valuations depended on the volatility of movements in market values for the relevant assets. As an independent valuation of ASIC's assets was undertaken as at 30 June 2016, a desktop valuation was undertaken this year.

Revaluation adjustments are made on a class basis. Any revaluation increment was credited to equity under the heading of asset revaluation reserve except to the extent that it reversed a previous revaluation decrement of the same asset class that was previously recognised in the surplus/deficit. Revaluation decrements for a class of assets are recognised directly in the surplus/deficit except to the extent that they reversed a previous revaluation increment for that class.

Any accumulated depreciation as at the revaluation date was eliminated against the gross carrying amount of the asset and the asset was restated to the revalued amount.

Depreciation

All depreciable leasehold improvements, plant and equipment assets are written down to their estimated residual values over their estimated useful lives to ASIC, using the straight-line method of depreciation.

Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future, reporting periods, as appropriate.

Depreciation rates applying to each class of depreciable asset are based on the following useful lives:

	2017	2016
Leasehold improvements	Residual lease term	Residual lease term
Plant and equipment	2 to 80 years	2 to 80 years

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2017

3. Departmental financial position continued

Accounting policy

Impairment

All assets were assessed for impairment at 30 June 2017. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment is made if the asset's recoverable amount is less than its carrying amount.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if the entity were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Intangibles

ASIC's intangibles comprise software either purchased or internally developed for internal use. These assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Software is amortised on a straight-line basis over its anticipated useful life. The useful life of ASIC's software is two to 10 years (2016: two to 10 years).

All software assets were assessed for indications of impairment as at 30 June 2017.

Significant accounting judgements and estimates

In the process of applying the accounting policies listed in this note, ASIC has made assumptions or estimates in the following areas that have the most significant impact on the amounts recorded in the financial statements:

- ♦ The fair value of leasehold improvements and property, plant and equipment is assessed at market value or depreciated replacement cost as determined by an independent valuer and is subject to management assessment between formal valuations.

	2017 \$'000	2016 \$'000
3.2B: Other non-financial assets		
Prepayments	16,573	9,357
Rent-free asset	–	35
Total other non-financial assets	16,573	9,392

No indicators of impairment were found for other non-financial assets.

3. Departmental financial position continued

3.3 Payables

	Notes	2017 \$'000	2016 \$'000
3.3A: Suppliers			
Trade creditors and accruals	7.2A	35,802	20,657
Operating lease rent payable		11,719	12,773
Total suppliers		47,521	33,430

Supplier payables are settled per the terms of the purchase order or contract.

3.3B: Other payables

Other unearned revenue	181	180
Property lease incentives ¹	23,666	27,999
Salaries and bonuses	11,348	10,108
Separations and redundancies	1,378	1,050
Other	76	5
Total other payables	36,649	39,342

1. Total property lease incentives are disclosed as deferred rental expenditure at 30 June 2017. Lease incentives are amortised over the lease term.

3.4 Other provisions

	Provision for restructuring \$'000	Provision for restoration costs \$'000	Provision for settlement costs \$'000	Total other provisions \$'000
3.4A: Other provisions				
As at 1 July 2016	–	8,695	1,935	10,630
Additions	1,394	–	3,383	4,777
Amounts reversed	–	(1)	(1,935)	(1,936)
Amortisation of restoration provision discount	–	149	–	149
Total as at 30 June 2017	1,394	8,843	3,383	13,620

Accounting policy

Restoration costs

ASIC currently has seven lease agreements (2016: seven) for the leasing of premises that have provisions requiring ASIC to restore the premises to their original condition at the conclusion of the lease. The provision reflects the current best estimate of these future restoration costs discounted to reflect the present value of the future payments.

Settlement costs

ASIC recognises a provision for the estimated costs that will be paid on settlement of current legal proceedings based on past history of settlement costs.

The accounting policy for the provision for restructuring is contained in Note 6.1.

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2017

4. Assets and liabilities administered on behalf of the Government

This section analyses assets used to conduct operations and the operating liabilities incurred as a result of activities that ASIC does not control but administers on behalf of the Government. Unless otherwise noted, the accounting policies adopted are consistent with those applied for departmental reporting.

4.1 Administered – financial assets

	2017 \$'000	2016 \$'000
4.1A: Taxation receivables		
Fees and fines receivable	195,924	189,306
Information brokers' fees	6,855	6,929
Total taxation receivables (gross)	202,779	196,235
Less: impairment allowance account:		
Fees and fines	67,004	65,693
Total taxation receivables (net)	135,775	130,542
Taxation receivables are due from entities that are not part of the Australian Government. Credit terms for goods and services were within 30 days (2016: 30 days).		

Reconciliation of the movement in the impairment allowance account		
As at 1 July	65,693	58,028
Amounts written off	(47,624)	(39,037)
Amounts waived	(4,058)	(2,768)
Increase in impairment allowance recognised in net contribution by services	52,993	49,470
Total as at 30 June	67,004	65,693

Accounting policy

Receivables

Administered receivables are recognised at their nominal value less an impairment allowance. The Finance Minister has determined that statutory receivables are not financial instruments and accordingly ASIC has assessed administered receivables for impairment under AASB 136 *Impairment of Assets* (FRR 26.3).

The impairment allowance is raised against receivables for any doubtful debts and any probable credit amendments, and is based on a review of outstanding debts at balance date. This includes an examination of individual large debts and disputed amounts with reference to historic collection patterns.

The impairment allowance expense is calculated using estimation techniques to determine an estimate of current receivables that are unlikely to be collected in the future.

Administered receivables that are irrecoverable at law or are uneconomic to pursue are written off under s63 of the PGPA Act.

4. Assets and liabilities administered on behalf of the Government continued

4.2 Administered – payables

	2017 \$'000	2016 \$'000
4.2A: Payables		
Supplier payables	202	1,166
Refund of fees payable ¹	12,625	10,680
Unallocated monies	6,587	6,093
Grants payable ²	1,316	1,883
Other non-current payables ³	6,028	5,491
Total payables	26,758	25,313

All payables are for entities that are not part of the Australian Government.

All payables, with the exception of other non-current payables, are expected to be settled within 12 months. Settlement is usually made within 30 days.

1. 2016 comparatives have been reclassified to other non-current payables to reflect the expected payment terms.
2. Settlement is made according to the terms and conditions of each grant. This is usually within 30 days of performance and eligibility.
3. Other non-current payables are over payments where the settlement period is expected to be greater than 12 months.

4.2B: Non-taxation provisions

<i>Corporations Act 2001</i> claims	178,954	171,865
<i>Banking Act 1959</i> claims	155,373	197,410
<i>Life Insurance Act 1995</i> claims	17,125	22,459
Total other provisions	351,452	391,734

Reconciliation of the opening and closing balance of other provisions

As at 1 July	391,734	417,691
Amounts recognised	41,678	98,296
Amounts used	(81,960)	(124,253)
Total as at 30 June	351,452	391,734

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2017

4. Assets and liabilities administered on behalf of the Government continued

Accounting policy

Provisions

The provisions recognised in the Administered Schedule of Assets and Liabilities are for estimated claims payable from collections of unclaimed monies administered by ASIC as at balance date. ASIC adopted a provision for future claims based on an independent valuation calculated by a registered actuary, under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.

Significant accounting judgements and estimates

The provision has been estimated based on the historic claims pattern experienced since 2002 and the outstanding lodgements. The estimate reflects the volatility of unclaimed monies lodgements and claims from year to year, which is impacted by factors including economic events, legislative change, media exposure and the behaviour of claimants, each of which has differed significantly from year to year and over time. The estimated future flow of refunds over time has been discounted to present value at a risk-free rate of interest based on government bond rates with similar terms to the expected refunds. Allowance has been made for payment of compounding interest for all claims from 1 July 2013 on unclaimed balances in accordance with actual legislated interest rates and estimated future interest rates based on economist expectations for inflation in the medium to longer term, noting that legislated interest rates are linked to movements in the CPI.

5. Funding

This section identifies ASIC's funding structure.

5.1 Appropriations

5.1A: Annual appropriations ('recoverable GST exclusive')

Annual appropriations for 2017

	Annual appropriation \$'000	Adjustments to appropriation ¹ \$'000	Total appropriation \$'000	Appropriation applied in 2017 (current and prior years) \$'000	Variance \$'000
Departmental					
Ordinary annual services	341,588	7,238	348,826	336,389	12,437
Capital budget	24,095	–	24,095	21,998	2,097
Other services					
Equity injections	29,449	–	29,449	15,867	13,582
Total departmental	395,132	7,238	402,370	374,254	28,116
Administered					
Ordinary annual services	5,863	–	5,863	5,730	133
Total administered	5,863	–	5,863	5,730	133

1. Section 74 receipts.

5. Funding continued

Accounting policy

Equity injections

Amounts appropriated that are designed as 'equity injections' for a year (less any formal reductions) and departmental capital budgets (DCB) are recognised directly in contributed equity in that year.

Annual appropriations for 2016

	Annual appropriation ¹ \$'000	Adjustments to appropriation ² \$'000	Total appropriation \$'000	Appropriation applied in 2016 (current and prior years) \$'000	Variance \$'000
Departmental					
Ordinary annual services	311,480	5,210	316,690	339,793	(23,103)
Capital budget	19,131	–	19,131	16,805	2,326
Other services					
Equity injections	5,301	–	5,301	5,328	(27)
Total departmental	335,912	5,210	341,122	361,926	(20,804)
Administered					
Ordinary annual services	7,427	–	7,427	5,777	1,650
Appropriations reduced	–	–	–	–	–
Total administered	7,427	–	7,427	5,777	1,650

1. Determinations under s51 of the PGPA Act (determination made on 17 June 2016). Appropriation Act (No. 1) 2015–2016 reduced by \$0.150m; Appropriation Act (No. 2) 2012–2013 reduced by \$1.679m; Appropriation Act (No. 2) 2013–2014 reduced by \$1.200m.

2. Section 74 receipts.

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2017

5. Funding continued

	2017 \$'000	2016 \$'000
5.1B: Unspent annual appropriations ('recoverable GST exclusive')		
Departmental		
Appropriation Act (No. 2) 2012–2013	–	2,064
Appropriation Act (No. 2) 2013–2014	–	1,507
Appropriation Act (No. 2) 2014–2015	–	720
Appropriation Act (No. 1) DCB 2015–2016	–	2,647
Appropriation Act (No. 1) 2015–2016	–	76,306
Appropriation Act (No. 2) 2015–2016	1,006	1,793
Appropriation Act (No. 4) 2015–2016	18	18
Appropriation Act (No. 1) 2016–2017	103,767	–
Appropriation Act (No. 1) DCB 2016–2017	4,744	–
Supply Act (No. 2) 2016–2017	360	–
Appropriation Act (No. 2) 2016–2017	12,447	–
Enforcement Special Account	33,064	44,195
Total departmental	155,406	129,250

Unspent departmental appropriations includes cash balances of \$4.135m (2016: \$1.506m).

Administered		
Appropriation Act (No. 1) 2015–2016	–	1,692
Appropriation Act (No. 3) 2015–2016	–	349
Appropriation Act (No. 1) 2016–2017	1,739	–
Total administered	1,739	2,041

Unspent administered appropriations represents cash balances.

5. Funding continued

5.1C: Special appropriations ('recoverable GST exclusive')

Authority	Type	Purpose	Appropriation applied	
			2017 \$'000	2016 \$'000
s69 <i>Banking Act 1959</i> , Administered	Unlimited	ASIC has responsibility for the administration of unclaimed monies from banking and deposit-taking institutions. ASIC receives special appropriations from the OPA (s69 <i>Banking Act 1959</i>) to refund amounts to banking and deposit-taking institution account holders.	42,866	81,776
s216 <i>Life Insurance Act 1995</i> , Administered	Unlimited	ASIC has responsibility for the administration of unclaimed monies from life insurance institutions and friendly societies. ASIC receives special appropriations from the OPA (s216 <i>Life Insurance Act 1995</i>) to refund amounts to life insurance policy holders.	6,418	10,024
s77 PGPA Act, Corporations Act 2001, National Consumer Credit Protection Act 2009, Business Names Registration (Fees) Regulations 2010 and Superannuation Industry (Supervision) Act 1993 (Refunds of overpaid Corporations Act fees and charges), Administered	Unlimited	ASIC has responsibility for the administration and collection of Corporations Act fees and charges. All fees and charges are deposited into the OPA as received. Refunds of overpayments are appropriated under s77 of the PGPA Act.	5,685	6,799
s77 PGPA Act, Corporations Act 2001 (Refunds of unclaimed money held under s1341 Corporations Act 2001), Administered	Unlimited	ASIC has responsibility for the administration of unclaimed monies under s1341 of the Corporations Act 2001.	31,795	31,175
Total			86,764	129,774

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2017

5. Funding continued 5.2 Special accounts

	Enforcement Special Account ¹			Deregistered Companies Trust Monies Special Account ²			Security Deposits Special Account ³			Investigations, Legal Proceedings, Settlements and Court Orders Special Account ⁴		
	2017	2016		2017	2016		2017	2016		2017	2016	
	\$'000	\$'000		\$'000	\$'000		\$'000	\$'000		\$'000	\$'000	
Balance carried forward from previous year	44,195	62,127		2,289	1,902		462	454		11	11	
Appropriation for the reporting period	26,815	26,920		1,493	493		–	–		–	–	
Costs recovered	819	32		34	40		5	8		–	–	
Available for payments	71,829	89,079		3,816	2,435		467	462		11	11	
Cash payments from the Special Account	(38,765)	(44,884)		(312)	(146)		–	–		–	–	
Balance carried forward to the next period	33,064	44,195		3,504	2,289		467	462		11	11	
Balance represented by:	–	–		3,504	2,289		467	462		11	11	
Cash held in entity bank accounts	33,064	44,195		–	–		–	–		–	–	
Cash held in the Official Public Account	33,064	44,195		3,504	2,289		467	462		11	11	

1. Appropriation: s78 Public Governance, Performance and Accountability Act 2013.

Establishing instrument: s78 Public Governance, Performance and Accountability Act 2013.

Purpose: the Enforcement Special Account (ESA) is a departmental special account that was established by a determination of the Finance Minister on 13 September 2006 to fund the costs of ASIC arising from the investigation and litigation of matters of significant public interest.

2. Appropriation: s78 Public Governance, Performance and Accountability Act 2013.

Establishing instrument: s78 Public Governance, Performance and Accountability Act 2013.

Purpose: the Deregistered Companies Trust Monies Special Account was established by the Finance Minister on 18 February 2008 to manage property vesting in the Commonwealth as a result of the deregistration provisions of the Corporations Act 2001.

3. Appropriation: s78 Public Governance, Performance and Accountability Act 2013.

Establishing instrument: s78 Public Governance, Performance and Accountability Act 2013.

Purpose: the ASIC Security Deposits Special Account was established by a determination of the Finance Minister on 18 February 2008 to manage security deposits lodged with ASIC by registered liquidators, licensed securities dealers, licensed investment advisers and financial services licensees.

4. Appropriation: s78 Public Governance, Performance and Accountability Act 2013.

Establishing instrument: s78 Public Governance, Performance and Accountability Act 2013.

Purpose: the ASIC Investigations, Legal Proceedings, Settlements and Court Orders Special Account was established by a determination of the Finance Minister on 18 February 2008 to manage money or other property temporarily held by ASIC for the benefit of a person other than the Commonwealth as a result of investigations conducted by ASIC, legal proceedings to which ASIC is a party, deeds of settlement to which ASIC is a party, enforceable undertakings accepted by ASIC and court orders referring to ASIC.

ASIC has a Services for Other Entities and Trust Monies Special Account – Australian Securities and Investments Commission (SOETM). This account was established under s78 of the Public Governance, Performance and Accountability Act 2013. The SOETM combines the purposes of the Other Trust Monies and the Services for Other Government and Non-agency Bodies special accounts into a single standard-purpose special account. The SOETM enables ASIC to continue to hold and expend amounts on behalf of persons or entities other than the Commonwealth. The SOETM will typically be used to accommodate small amounts of miscellaneous monies, for example, amounts received in connection with services performed for or on behalf of any persons or entities that are not agencies as prescribed under the PGPA Act, such as other governments. For the period ended 30 June 2017, the account had a nil balance and there were no transactions debited or credited to it during the current or prior reporting period.

5. Funding continued

5.3 Regulatory charging summary

	2017 \$'000	2016 \$'000
5.3: Receipts pursuant to cost recovery provisions		
Significant regulatory charging arrangements		
Supervision of Australia's financial markets and competition for market services	19,353	21,200
Total receipts subject to regulatory charging arrangements	19,353	21,200
Total expenses	16,620	19,617
ASIC is recovering its costs to enhance its supervision of Australia's financial markets and competition for market services. This includes current year expenditure and deferred implementation costs.		
Further information can be found at: http://asic.gov.au/regulatory-resources/markets/market-supervision-and-competition-cost-recovery/market-supervision-and-competition-cost-recovery-implementation-statements/ .		

5.4 Net cash appropriation arrangements

Total comprehensive income/(loss) less depreciation/amortisation expenses previously funded through revenue appropriations	51	549
Plus: depreciation/amortisation expenses previously funded through revenue appropriation	(43,609)	(44,373)
Total comprehensive income – as per the Statement of Comprehensive Income	(43,558)	(43,824)

6. People and relationships

This section describes a range of employment and post-employment benefits provided to our people and our relationships with other key people.

6.1 Employee provisions

6.1A: Employee provisions

Annual leave entitlement	20,567	19,507
Long service leave entitlement	40,867	40,095
Restructuring provision	5,176	–
Redundancy provision	2,429	–
Total employee provisions	69,039	59,602

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2017

6. People and relationships continued

Accounting policy

Liabilities for 'short-term employee benefits' (as defined in AASB 119 *Employee Benefits*) and termination benefits expected within 12 months of the end of the reporting period are measured at their nominal amounts.

Other long-term employee benefits are measured as net total of the present value of the defined-benefit obligations at the end of the reporting period minus the fair value at the reporting period of plan assets (if any) of which the obligations are to be settled directly.

Leave

The liability for employee benefits includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees of ASIC is estimated to be less than the annual entitlement for sick leave.

The leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that will be applied at the time leave is taken, including ASIC's employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.

The liability for long service leave has been determined by reference to the work of an independent actuary as at 30 June 2016. Actuarial reviews of long service leave are undertaken at least every five years. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

Superannuation

ASIC employees are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS), the PSS Accumulation Plan (PSSap) or other superannuation funds held outside the Australian Government.

The CSS and PSS are defined-benefit schemes of the Australian Government. The PSSap is a defined-contribution scheme.

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported in the Department of Finance's administered schedule and notes.

ASIC makes employer contributions to its employees' defined-benefit superannuation schemes at rates determined by an actuary to be sufficient to meet the current cost to the Government, and ASIC accounts for the contributions as if they were contributions to defined contribution plans.

The liability for superannuation recognised as at 30 June represents outstanding contributions.

Separation and redundancy

Provision is made for separation and redundancy benefit payments. ASIC recognises a provision for termination when it has developed a detailed formal plan for the terminations and has informed those employees affected that it will carry out the terminations.

Restructuring

ASIC recognises a provision for restructuring when the Government has announced a funding measure that will result in a future reduction in functions, resources and staff and the costs associated with these future reductions can be reliably estimated.

6. People and relationships continued

Accounting policy

Significant accounting judgements and estimates

In the process of applying the accounting policies listed in this note, ASIC has made assumptions or estimates in the following areas that have the most significant impact on the amounts recorded in the financial statements:

- ♦ Leave provisions involve assumptions based on the expected tenure of existing staff, patterns of leave claims and payouts, future salary movements and future discount rate.

6.2 Key management personnel remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of ASIC, directly or indirectly, including any director (whether executive or otherwise) of ASIC. ASIC has determined the key management personnel to be members of the Commission, the Portfolio Minister and Minister for Revenue and Financial Services and other Australian Government entities, and senior executive leaders who report directly to the Chairman. Key management personnel remuneration is reported in the table below:

	2017 \$'000
Short-term employee benefits	3,725
Post-employment benefits	465
Other long-term benefits	423
Termination benefits	–
Total key management personnel remuneration expenses¹	4,613

The total number of key management personnel who are included in the above table is 12.

1. The above key management personnel remuneration excludes the remuneration and other benefits of the Portfolio Minister. The Portfolio Minister's remuneration and other benefits are set by the Remuneration Tribunal and are not paid by ASIC.

6.3 Related party disclosures

Related party relationships

ASIC is an Australian Government controlled entity. Related parties to ASIC are key management personnel, including the Commission members and senior executive leaders who have the responsibilities for planning, directing and controlling ASIC's resources.

Transactions with related parties

Given the breadth of government activities, related parties may transact with the government sector in the same capacity as ordinary citizens. Such transactions include the payment or refund of taxes, receipt of a Medicare rebate or higher education loans. These transactions have not been separately disclosed in this note.

ASIC transacts with other Australian Government controlled entities consistent with normal day-to-day business operations provided under normal terms and conditions, including the payment of workers compensation and insurance premiums, subleasing of office space and payment of superannuation contributions. These are not considered individually significant to warrant separate disclosure as related party transactions.

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2017

7. Managing uncertainties

This section describes how ASIC manages financial risks within its operating environment.

7.1 Contingent assets and liabilities

	2017 \$'000	2016 \$'000
7.1A: Departmental contingent liabilities and assets		
Contingent assets		
Claims for costs		
Balance from previous period	1,193	924
Adjustments to prior period contingent receivables:		
Assets relinquished	(580)	–
Revisions to estimates	1,790	(236)
New contingent receivables	478	505
Total contingent assets	2,881	1,193
Net contingent assets	2,881	1,193

Quantifiable contingencies (ASIC departmental)

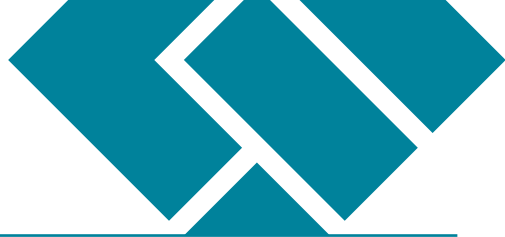
The above contains 14 matters (2016: 13 matters) of contingent assets disclosed in respect of matters for which ASIC has received an award of costs in its favour; however, agreement with respect to the quantum payable to ASIC has not been reached. ASIC has estimated that these matters represent a combined receivable of \$2.881m (2016: \$1.193m), which is disclosed as a contingent asset because realisation of this debt is not virtually certain.

Unquantifiable contingencies (ASIC departmental)

ASIC is party to many civil litigation matters arising out of its statutory duty to administer and enforce laws for which it is responsible.

Like any corporate body, ASIC may from time to time be the subject of legal proceedings for damages brought against it, or may receive notice indicating that such proceedings may be brought. In either case ASIC, like any other party to civil litigation, may be required to pay the other party's costs if ASIC is unsuccessful. In accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets, ASIC has not disclosed the value of these matters on the grounds that it may seriously prejudice the outcome of these cases.

As at the date of this report, there are civil matters that may result in an award of costs in favour of or against ASIC.



7. Managing uncertainties continued

Civil litigation brought, or threatened to be brought, against ASIC as a defendant

There is, at the date of this report, one matter of this type where proceedings are current. In this matter, ASIC denies liability and is of the view that, save for having to pay legal fees and other out-of-pocket expenses, it is likely that ASIC will:

- ♦ successfully defend the actions instituted
- ♦ not be required to pay any damages.

Conversely, ASIC, like any other party to civil litigation, may be entitled to recover costs arising out of such litigation if it is successful. In addition to the matters specifically referred to in this note, ASIC has legal action pending in a number of other matters; however, due to the uncertainty over the outcome of outstanding and pending court cases, duration of court cases and the legal costs of the opposing party, ASIC is unable to reliably estimate either its potential payments to, or potential cost recoveries from, opposing litigants. There may also be other matters where ASIC has received an award of costs in its favour; however, no contingent asset has been disclosed as recovery of the debt is not probable. There may also be other matters where no contingency has been quantified because the costs awarded for or against ASIC are estimated to be less than \$20,000 each.

Accounting policy

Contingent liabilities and contingent assets are not recognised in the Statement of Financial Position but are reported in this note. They may arise from uncertainty as to the existence of a liability or asset or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when settlement is greater than remote.

Significant accounting judgements and estimates

No accounting assumptions or estimates have been identified that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next reporting period.

Quantifiable administered contingencies – Banking Act, Life Insurance Act and Corporations Act administration

An actuarial assessment of the amount of claims that are likely to be lodged with ASIC in respect to unclaimed monies was conducted by a registered actuary. ASIC adopted the registered actuary's calculation for the likely claims payable, excluding interest and reported in Note 4.2B.

The contingent liability represents an estimate of the principal unclaimed monies that has been lodged with ASIC but where the likelihood of a successful claim is regarded as remote. No allowance has been made for the compounding interest, which is payable for a successful claim lodged from 1 July 2013 in accordance with legislated interest rates. The contingent liability has been calculated by deducting from the total principal balance, excluding interest, of unclaimed monies lodged but not yet claimed, the undiscounted amount of the provision for future refunds excluding any interest:

<i>Banking Act 1959</i>	\$455.298m (2016: \$448.984m)
<i>Life Insurance Act 1995</i>	\$62.767m (2016: \$ 62.771m)
<i>Corporations Act 2001</i>	\$297.369m (2016: \$274.447m)

Unquantifiable administered contingencies

There are no unquantifiable administered contingent liabilities.

Accounting policy

Administered contingent liabilities represent a repayment estimate of unclaimed monies that is considered remote. There are no administered contingent assets as at 30 June 2017 (2016: nil).

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2017

7. Managing uncertainties continued

7.2 Financial instruments

	Notes	2017 \$'000	2016 \$'000
7.2A: Categories of financial instruments			
Financial assets			
Loans and receivables:			
Cash and cash equivalents	3.1A	4,135	1,506
Receivables for goods and services (net of impairment allowance)	3.1B	452	552
Total financial assets		4,587	2,058
Financial liabilities			
At amortised cost:			
Trade creditors	3.3A	35,802	20,657
Total financial liabilities		35,802	20,657

Accounting policy

Financial assets

ASIC classifies its financial assets as receivables. See Note 3.1B for further details.

Financial liabilities

Supplier payables are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

7.2B: Net gains or losses on financial assets

Loans and receivables

Impairment	1.1C	(926)	(20)
Net gain/(expense) from financial assets		(926)	(20)

7.3 Administered – financial instruments

	Notes	2017 \$'000	2016 \$'000
7.3A: Categories of financial instruments			
Financial assets			
Cash and cash equivalents		1,781	2,065
Financial liabilities			
At amortised cost:			
Grants payable	4.2A	1,316	1,883
Suppliers payables	4.2A	202	1,166
Total financial liabilities held at amortised cost		1,518	3,049

7. Managing uncertainties continued

7.4 Fair value measurement

Accounting policy

ASIC deems transfers between levels of the fair value hierarchy to have occurred at the end of the reporting period. See note 3.2A for further details on ASIC's valuation policy and procedures.

7.4A: Fair value measurement

	Fair value measurements at the end of the reporting period	
	2017 \$'000	2016 \$'000
Non-financial assets:		
Leasehold improvements	33,667	40,706
Plant and equipment	24,764	18,795
Total non-financial assets	58,431	59,501

ASIC did not measure any non-financial assets at fair value on a non-recurring basis as at 30 June 2017.

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2017

8. Other information

8.1 Expenditure relating to statutory board and tribunal

Accounting policy

Pursuant to Parts 11 and 12 of the ASIC Act and the *Superannuation (Resolution of Complaints) Act 1993*, ASIC is required to support the Companies Auditors Disciplinary Board and the Superannuation Complaints Tribunal. Employee and administrative expenditure incurred on behalf of this board and the tribunal is included in the Statement of Comprehensive Income of ASIC.

	2017 \$'000	2016 \$'000
Companies Auditors and Liquidators Disciplinary Board	517	640
Superannuation Complaints Tribunal	5,419	5,238

The Superannuation Complaints Tribunal is an independent body with distinct responsibilities as set out under the *Superannuation (Resolution of Complaints) Act 1993* and has operated under the budgetary umbrella of ASIC since 1 July 1998.

8.2 Assets of deregistered companies vesting in ASIC

Section 601AD of the *Corporations Act 2001* provides that, on deregistration of a company, all of the company's property vests in ASIC. In 2011–12, ASIC began taking a proactive approach to administering vested property and accounts for any proceeds on realisation of those assets in accordance with its statutory duties.

Vested assets are not available to ASIC and are not recognised in the financial statements.

Class of asset		
Land	504	468
Shares	40	57
Other	67	74
Closing balance	611	599

Land is comprised of real property as described on the relevant Land Titles Registry. Shares are comprised of parcels of shares in both private and publicly listed companies and include those parcels held by the company as trustee. Other assets include such property as intellectual property (e.g. trademarks) and mortgages.



8. Other information continued

8.3 Security deposits from dealers, investment advisers and liquidators

The *Corporations Act 2001* and the Corporations Regulations 2001 require applicants for a dealer's or investment adviser's licence, and applicants for registration as a liquidator, to lodge a security deposit with ASIC. These monies, deposits, stock, bonds or guarantees are not available to ASIC and are not recognised in the financial statements.

	2017 \$'000	2016 \$'000
Security deposits under Corporations Regulations 2001 regulation 7.6.02AA (dealers and investment advisers)		
Cash (at bank)	323	323
Inscribed stock	20	20
Bank guarantees	9,210	9,630
<i>Closing balance</i>	9,553	9,973
Security deposits under the <i>Corporations Act 2001</i> s1284(1) (liquidators)		
Insurance bond	1,800	1,800
<i>Closing balance</i>	1,800	1,800

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2017

8. Other information continued

8.4 Budgetary reports and explanations of major variances

8.4A: Departmental budgetary reports

The following tables provide a comparison of the original budget as presented in the 2016–17 Portfolio Budget Statements (PBS) to the 2016–17 final outcome as presented in accordance with Australian Accounting Standards for the entity. The budget is not audited. Explanations for variances greater than 10% are provided.

Statement of Comprehensive Income

	Actual	Original Budget	Variance
	2017	2017	2017
	\$'000	\$'000	\$'000
NET COST OF SERVICES			
Expenses			
Employee benefits	214,535	239,544	(25,009)
Suppliers	133,081	101,943	31,138
Depreciation and amortisation	43,609	37,899	5,710
Finance costs – unwinding of restoration provision	149	500	(351)
Write-down and impairment of assets	1,086	–	1,086
Total expenses	392,460	379,886	12,574
LESS:			
Own-source revenue			
Rendering of services	2,004	3,657	(1,653)
Operating sublease rent and property recoveries	1,531	865	666
Other revenue	3,726	330	3,396
Total own-source revenue	7,261	4,852	2,409
Net cost of services	385,199	375,034	10,165
Total revenue from Government	341,641	340,488	1,153
Deficit	(43,558)	(34,546)	(9,012)
OTHER COMPREHENSIVE INCOME			
Items not subject to reclassification to net cost of services			
Changes in asset revaluation reserve	–	–	–
	(43,558)	(34,546)	(9,012)



8. Other information continued

Explanations of variances greater than 10%	Affected line items (and schedule)
Expense	
Funding for new measures, including Improving Outcomes in Financial Services, was utilised more for suppliers expenditure and less for employee benefits than was budgeted. This difference is related to the appropriation legislation for these new measures being delayed.	Employee benefits and Suppliers (Statement of Comprehensive Income)
Depreciation and amortisation is higher than budget predominantly due to the deployment of computer software assets relating to the business operating model, market supervision, and enterprise content and records management systems.	Depreciation and amortisation (Statement of Comprehensive Income)
The variance relates to a lower interest charge component on ASIC's estimated liability for premises restoration/'make good' on leased premises.	Finance cost (Statement of Comprehensive Income)
The 2017 expenditure relates to an impairment charge on amounts owing to ASIC following an assessment of whether the debt is likely to be collected.	Write-down and impairment of assets (Statement of Comprehensive Income)
Own-source income	
These variances are mainly due to the reclassification of operating sublease rent and property recoveries from other revenue to a separate line item.	Rendering of services/Operating sublease rent and property recoveries (Statement of Comprehensive Income)
The variance predominantly relates to higher than budgeted awards of costs.	Other revenue (Statement of Comprehensive Income)

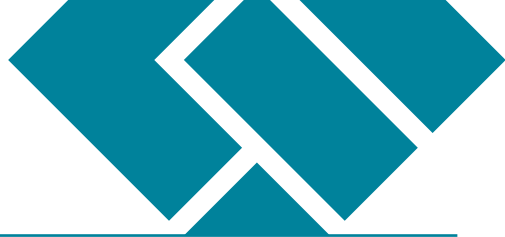
Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2017

8. Other information continued

Statement of Financial Position

	Actual	Original Budget	Variance
	2017	2017	2017
	\$'000	\$'000	\$'000
ASSETS			
Financial assets			
Cash and cash equivalents	37,199	9,232	27,967
Trade and other receivables	123,171	96,697	26,474
Total financial assets	160,370	105,929	54,441
Non-financial assets			
Leasehold improvements	33,667	25,391	8,276
Plant and equipment	24,764	17,362	7,402
Computer software	78,246	107,992	(29,746)
Other non-financial assets	16,573	10,032	6,541
Total non-financial assets	153,250	160,777	(7,527)
Total assets	313,620	266,706	46,914
LIABILITIES			
Payables			
Suppliers	47,521	36,827	10,694
Other payables	36,649	22,948	13,701
Total payables	84,170	59,775	24,395
Provisions			
Employee provisions	69,039	80,369	(11,330)
Other provisions	13,620	15,832	(2,212)
Total provisions	82,659	96,201	(13,542)
Total liabilities	166,829	155,976	10,853
Net assets	146,791	110,730	36,061
EQUITY			
Contributed equity	364,970	367,850	(2,880)
Reserves	17,137	6,365	10,772
Accumulated deficits	(235,316)	(263,485)	28,169
Total equity	146,791	110,730	36,061



8. Other information continued

Explanations of variances greater than 10%

Affected line items (and schedule)

Financial asset

The variance is due to special account OPA balances being reclassified from receivables to cash.

Cash and cash equivalents
(Statement of Financial Position)

The increase in receivables is mainly due to a combination of an agreement by the Government to move capital funding into future years, as well as timing differences between accruing and paying expenditure

Trade and other receivables
(Statement of Financial Position)

Non-financial assets/Equity

The leasehold improvements balance is higher than budget as a result of a valuation adjustment recognised in June 2016.

Leasehold improvements/Reserves
(Statement of Financial Position)

The plant and equipment variance relates to increased expenditure on hardware purchases for a number of infrastructure projects, which was budgeted as computer software.

Plant and equipment
(Statement of Financial Position)

Variance is the result of a change to the original budget to move equity appropriation into future years, as well as expenditure budgeted as computer software being used for hardware purchases.

Computer software
(Statement of Financial Position)

Variance relates to higher than budgeted prepayments.

Other non-financial assets
(Statement of Financial Position)

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2017

8. Other information continued

Statement of Changes in Equity

	Actual	Original budget	Variance
	2017	2017	2017
	\$'000	\$'000	\$'000
CONTRIBUTED EQUITY			
Opening balance	314,305	314,306	(1)
Transactions with owners			
Contributions by owners			
Equity injections – appropriations	26,570	29,449	(2,879)
Departmental capital budget	24,095	24,095	–
Total transactions with owners	50,665	53,544	(2,879)
Closing balance as at 30 June	364,970	367,850	(2,880)
RETAINED EARNINGS			
Opening balance	(191,758)	(228,939)	37,181
Comprehensive income			
Deficit for the period	(43,558)	(34,546)	(9,012)
Total comprehensive loss	(43,558)	(34,546)	(9,012)
Closing balance as at 30 June	(235,316)	(263,485)	28,169
ASSET REVALUATION RESERVE			
Opening balance	17,137	6,365	10,772
Comprehensive income			
Other comprehensive income	–	–	–
Total comprehensive income	–	–	–
Closing balance as at 30 June	17,137	6,365	10,772
TOTAL EQUITY			
Opening balance	139,684	91,732	47,952
Comprehensive income			
Other comprehensive income	–	–	–
Deficit for the period	(43,558)	(34,546)	(9,012)
Total comprehensive loss	(43,558)	(34,546)	(9,012)
Transactions with owners			
Contributions by owners			
Equity injections – appropriations	26,570	29,449	(2,879)
Departmental capital budget	24,095	24,095	–
Total transactions with owners	50,665	53,544	(2,879)
Closing balance as at 30 June	146,791	110,730	36,061
Explanations of variances greater than 10%	Affected line items (and schedule)		
Movement of funds from 2012–13 and 2013–14 for insolvency practitioners law reforms.	Equity injection – appropriation		
Variance is predominantly driven by higher expenditure relating to Enforcement Special Account matters.	Deficit for the period – Retained earnings		

8. Other information continued

Cash Flow Statement

	Actual	Original budget	Variance
	2017	2017	2017
	\$'000	\$'000	\$'000
OPERATING ACTIVITIES			
Cash received			
Appropriations	306,930	344,105	(37,175)
Operating cash received	2,189	3,657	(1,468)
Net GST received	13,432	12,188	1,244
Other cash received	3,829	865	2,964
Total cash received	326,380	360,815	(34,435)
Cash used			
Employees	202,136	239,544	(37,408)
Suppliers	140,763	118,892	21,871
Cash used other	7,238	280	6,958
Total cash used	350,137	358,716	(8,579)
Net cash (used by) operating activities	(23,757)	2,099	(25,856)
INVESTING ACTIVITIES			
Cash used			
Purchase of property, plant and equipment	35,410	54,543	19,133
Total cash used	(35,410)	(54,543)	19,133
Net cash (used by) investing activities	(35,410)	(54,543)	19,133
FINANCING ACTIVITIES			
Cash received			
Appropriations – contributed equity	50,665	53,544	(2,879)
Total cash received	50,665	53,544	(2,879)
Net cash from financing activities	50,665	53,544	(2,879)
Net increase or (decrease) in cash held	(8,502)	1,100	(9,602)
Cash at the beginning of the reporting period	45,701	8,132	37,569
Cash at the end of the reporting period	37,199	9,232	27,967

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2017

8. Other information continued

Explanations of variances greater than 10%

Affected line items (and schedule)

Cash received

The variance predominantly relates to higher than budgeted awards of costs from litigation.

Other
(Cashflow Statement)

Cash used

Funding for new measures, including Improving Outcomes in Financial Services, was utilised more for suppliers expenditure and less for employee benefits than was budgeted. This difference is related to the appropriation legislation for these new measures being delayed.

Employees
(Cashflow Statement)

The remaining variance in suppliers expense relates to higher expenditure on Enforcement Special Account matters.

Suppliers
(Cashflow Statement)

This relates to s74 revenue recognition, which does not appear in cash flow budget numbers.

Other
(Cashflow Statement)

Variance is the result of timing difference, with a change to the original budget to move equity appropriation into future years.

Purchase of property,
leasehold improvements,
plant and equipment
and intangibles
(Cashflow Statement)

8. Other information continued

Administered Schedule of Comprehensive Income			
	Actual	Original budget	Variance
	2017	2017	2017
	\$'000	\$'000	\$'000
EXPENSES			
Grants	3,154	3,591	(437)
Write-down and impairment of assets	52,993	47,495	5,498
Claims for unclaimed monies	41,677	37,299	4,378
Promotional costs for MoneySmart initiatives	548	577	(29)
Total expenses	98,372	88,962	9,410
LESS:			
Own-source revenue			
Taxation revenue			
Fees and fines	920,241	898,766	21,475
Total taxation revenue	920,241	898,766	21,475
Non-taxation revenue			
Unclaimed monies	77,464	43,016	34,448
Total non-taxation revenue	77,464	43,016	34,448
Total revenue	997,705	941,782	55,923
Net contribution by services	899,333	852,820	46,513
Explanations of variances greater than 10%	Affected line items (and schedule)		
The increase in write-offs is due to an increase in the number of companies that have been deregistered due to not meeting their obligations in payment of their annual review fees.	Write-down and impairment of assets (Administered expenses)		
<i>Corporations Act 2001</i> claims increase is consistent with the increase in lodgements received by ASIC during the year. This has also been impacted by the Unclaimed Monies national media campaign.	Other claims for unclaimed monies (Administered expenses)		
Unclaimed monies lodgement revenue is inherently unpredictable in nature. In March and April 2017, ASIC received uncharacteristically high value lodgements under the <i>Corporations Act 2001</i> combined with an increase in lodgements received from ADIs not anticipated under the change in legislation relating to the time period of inactivity on accounts.	Unclaimed monies (Administered non-taxation revenue)		

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2017

8. Other information continued

Administered Schedule of Assets and Liabilities

	Actual	Original budget	Variance
	2017	2017	2017
	\$'000	\$'000	\$'000
ASSETS			
Financial assets			
Cash and cash equivalents	1,781	2,464	(683)
Taxation receivables	135,775	149,016	(13,241)
GST receivable	211	–	211
Total assets administered on behalf of the Government	137,767	151,480	(13,713)
LIABILITIES			
Payables			
Suppliers	26,758	19,922	6,836
Other payables	351,452	323,991	27,461
Total liabilities administered on behalf of the Government	378,210	343,913	34,297
Net liabilities	(240,443)	(192,433)	(48,010)

Explanations of variances greater than 10%	Affected line items (and schedule)
Cash strategies have been managed to reduce cash holdings for s77 PGPA Act refunds for overpayment of fees and charges under the <i>Corporations Act 2001</i> , pursuant to the 'just in time principle' detailed in EM 2014-27.	Cash and cash equivalents (Administered Schedule of Assets and Liabilities)
Overpayments for companies and business names combined with unidentified payments received by ASIC. The value of the liability is impacted by the timing of receipt of overpayments and payment terms for refunds	Suppliers (Administered Schedule of Assets and Liabilities)

End of financial statements



6

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6.1 The role of the Commission

The Commission is responsible for ASIC's strategic direction and priorities. The Commission meets monthly (except January) to:

1. decide on matters within ASIC's regulatory functions and powers that have strategic significance
2. oversee ASIC's management and operations as an Australian Government agency.

The Commission appoints and evaluates the performance of our senior executive leaders, and approves budgets and business plans for each team. Individual commissioners also have executive responsibility for particular stakeholder and enforcement teams. See pages 17–18 for ASIC's corporate structure.

Commissioners are appointed by the Governor-General, on the nomination of the Treasurer. The Treasurer may nominate only those people who are qualified by knowledge of, or experience in, business administration of companies, financial markets, financial products and services, law, economics or accounting.

Commissioners are appointed on fixed terms that may be terminated only for the reasons set out in section 111 of the ASIC Act. The Remuneration Tribunal sets commissioners' remuneration, which is not linked to their performance.

The ASIC Act requires commissioners to disclose to the Minister direct or indirect pecuniary interests in corporations carrying on business in Australia, interests regulated by ASIC, or expectations, understandings, arrangements or agreements for future business relationships.

Chris Savundra, the Chief Legal Officer, is the primary source of legal advice to the Commission, providing legal counsel on major regulatory and enforcement matters. Other independent legal and accounting experts also advise on specific matters.

The Commission held 13 meetings in 2016–17.

Commission meetings, 2016–17

Commissioner	Eligible to attend	Attended
Greg Medcraft	11 scheduled meetings	11
	2 unscheduled meetings	2
Peter Kell	11 scheduled meetings	11
	2 unscheduled meeting	2
Cathie Armour	11 scheduled meetings	11
	2 unscheduled meetings	2
John Price	11 scheduled meetings	11
	2 unscheduled meetings	2
Greg Tanzer	5 scheduled meetings	5
	2 unscheduled meetings	2

Unscheduled Commission meetings are held to decide on specific issues, where required, outside of the meeting timetable.

The Commission also meets each week to:

1. discuss rapidly evolving matters or those that require early input or an update on approach or strategy
2. coordinate commissioners' activities
3. decide on urgent matters.

The Commission delegates various powers and functions to senior executive leaders, regional commissioners, and staff reporting to them, to ensure that ASIC's business is carried out efficiently and effectively. Delegations are reviewed regularly and the Commission requires its delegates to act in accordance with policies and procedures approved by the Commission.

Additional information on ASIC's internal governance is published on our website at www.asic.gov.au/internal-governance.

6.2 Audit Committee and audit services

The Audit Committee operates independently of ASIC management and plays a key role in assisting the Chairman to discharge his responsibilities for the efficient, effective, economical and ethical use of Commonwealth resources. The Committee does this by providing independent oversight of, and reporting to the Chairman on, ASIC's governance and internal control frameworks, financial reporting, and compliance with relevant legislation.

The Committee reviewed ASIC's 2016–17 financial statements and provided advice to the Chairman and Commissioners on these financial statements before the Chairman signed them. The Committee met four times during the year, supplemented by one special meeting to review ASIC's draft financial statements.

Audit Committee meetings, 2016–17

Member	Eligible to attend	Attended
Geoffrey Applebee First appointed as an independent member on 1 February 2010 Reappointed as an independent member and Chairman on 1 September 2015	4 main meetings 1 special meeting	4 1
David Prothero First appointed as an independent member on 1 March 2011 Promoted to Deputy Chairman on 1 September 2015	4 main meetings 1 special meeting	4 1
John Price ASIC Commissioner First appointed as a committee member in May 2013	4 main meetings 1 special meeting	4 1

The two independent members of the Committee are chartered accountants and company directors with significant financial, business and community experience. The internal appointee is Commissioner John Price.

Internal audit services are provided by staff from ASIC's Internal Audit and Operational Risk team, supported by specialist private sector internal audit providers as needed. The Australian National Audit Office provides external audit services. Senior external and internal audit representatives attend Audit Committee meetings.

Geoffrey Applebee
Chairman

Audit Committee
July 2017

6.3 External committees and panels

6.3.1 Australian Government Financial Literacy Board

The Australian Government Financial Literacy Board was established in 2005. The Board is a non-statutory body that provides independent and strategic guidance to Government and ASIC on financial literacy issues.

At 30 June 2017, Board members were:

- ♦ Paul Clitheroe AM (Chair) (ipac securities)
- ♦ Air Commodore Robert Brown AM (Australian Defence Force Financial Services Consumer Centre)
- ♦ Fiona Guthrie AM (Financial Counselling Australia)
- ♦ Elaine Henry OAM
- ♦ Dr Phil Lambert PSM (Phil Lambert Consulting)
- ♦ Martin McDonald (Herbert Smith Freehills)
- ♦ Theresa Mills (Guild Superannuation Trustee Services)
- ♦ Professor Roslyn Russell (RMIT University, School of Economics, Finance and Marketing).

The ASIC Chairman and Deputy Chairman are ex-officio members of the Board.

During 2016–17, the Board met three times, providing feedback on a range of tools and resources developed for ASIC's financial capability program. Members also reviewed

progress under the National Financial Literacy Strategy, and contributed to discussions about future priorities under a new National Financial Literacy Strategy from 2018.

6.3.2 Consumer Advisory Panel

The Consumer Advisory Panel (CAP) was established in 1999 and advises ASIC on current issues faced by consumers and retail investors in the financial services and credit industries. The CAP also informs ASIC's surveillance, enforcement, policy and financial education initiatives. The CAP meets three times per year.

At 30 June 2017, the CAP members were:

- ♦ Clare Petre (Chair)
- ♦ Dana Beiglari (Legal Aid NSW)
- ♦ Air Commodore Robert Brown AM (ADF Financial Services Consumer Council)
- ♦ Karen Cox (Financial Rights Legal Centre)
- ♦ Viv Elliston (Melbourne SMSF Group)
- ♦ Duncan Fairweather (SMSF Owners' Alliance Limited)
- ♦ Jon O'Mally (Indigenous Consumer Assistance Network)
- ♦ Professor Gail Pearson (Consumers' Federation of Australia)
- ♦ Katharine Temple (Consumer Action Law Centre)



Members of the Australian Government Financial Literacy Board at ASIC's Parliamentary Breakfast Briefing, February 2017.

- ◆ Erin Turner (CHOICE)
- ◆ Richard Wilkins
(Australian Shareholders' Association)
- ◆ Rosalyn Williams
(Financial Counselling Australia)
- ◆ Ian Yates (COTA Australia).

We thank Gerard Brody and Nicola Howell for their valuable contribution to the CAP as representatives for the Consumer Action Law Centre and Consumers' Federation of Australia.

During 2016–17, the CAP continued its focus on life and general insurance (including add-on insurance products), responsible lending and mortgage broking.

The CAP actively engaged in the financial services reform agenda. This included reforms arising from the Financial Systems Inquiry relating to superannuation, product intervention powers, issuer and distributor obligations and the review of the financial system external dispute resolution and complaints framework.

6.3.3 Director Advisory Panel

The Director Advisory Panel was established in 2013 to channel senior level advice from directors of listed entities so that ASIC can gain a deeper understanding of developments and systemic risks in the corporate sector.

Members of the Director Advisory Panel are drawn from entities of various sizes, representing different sectors and locations in order to provide us with views from a broad spectrum of Australian listed entities.

Members serve for a term not exceeding four years, with approximately one-third retiring each year.

At 30 June 2017, Director Advisory Panel members were:

- ◆ John Price (Chair) (ASIC Commissioner)
- ◆ Graham Bradley AM (EnergyAustralia Holdings, GI Dynamics Inc., GrainCorp, HSBC Bank Australia, Infrastructure NSW, Po Valley Energy, Stockland Corporation, Tennis Australia and Virgin Australia International Holdings)
- ◆ Bruce Brook (CSL, Deep Exploration Technologies Cooperative Research Centre, Newmont Mining Corporation and Programmed Maintenance Services)
- ◆ Melinda Conrad (ASX, Caltex, Centre for Independent Studies, George Institute for Global Health, OFX and The Reject Shop)
- ◆ Ken Dean (BlueScope Steel, EnergyAustralia, Mission Australia and Virgin Australia Holdings)
- ◆ Jane Harvey (Colonial Foundation Trust, IOOF Holdings, DUET Finance, Bupa Australia and New Zealand and Orygen – The National Centre of Excellence in Youth Mental Health)
- ◆ Fiona Harris (Barrington Consulting Group, BWP Trust, Infigen Energy, Oil Search and Perron Group)
- ◆ Tracey Horton AO (Navitas Limited, Tourism Commission WA, Australian Government Takeovers Panel and Australian Institute of Company Directors)
- ◆ Charles Macek (Vicinity Centres, Earthwatch Australia, Sinefa and Vivid Technology)
- ◆ Christine McLoughlin (McGrath Foundation, NIB Holdings, Spark Infrastructure Group, Stadium Australia Group, Suncorp Group and Whitehaven Coal)
- ◆ Nancy Milne OAM (ALE Property Group, Pillar Administration, Securities Exchanges Guarantee Corporation and State Insurance Regulatory Authority NSW)
- ◆ Bronwyn Morris (CARE Australia, Collins Foods, RACQ and RACQ Insurance and Watpac)
- ◆ Grant Murdoch (ALS, OFX, QIC, Redbubble and UQ Holdings)
- ◆ Fiona Pak-Poy (Adelaide Research and Innovation, iSentia Group Ltd, Innovation and Science Biomedical Translation Fund Committee, MYOB Group and Securities Industry Research Centre of Asia Pacific)
- ◆ Dr Helen Nugent AO (Ausgrid, Australian Rail Track Corporation, Garvan Institute of Medical Research, IAG, National Disability Insurance Agency and National Portrait Gallery of Australia)

6.3 External committees and panels continued

- ♦ Elizabeth Proust AO (Australian Institute of Company Directors, Bank of Melbourne and Nestlé Australia)
- ♦ Kate Spargo (Adairs, ColINVEST, Fletcher Building, Sigma Pharmaceuticals, SMEC Holdings and Sonic Healthcare).

We thank the outgoing members, Dr Eileen Doyle, Jacqueline Hey, Susan Oliver and Gene Tilbrook, for their valuable contributions.

During 2016–17, the Director Advisory Panel met twice and discussed enhanced audit reporting, digital financial reporting, engagement with activist investors, and short selling. Members also provided valuable insight and input into ASIC-wide issues.

6.3.4 External Advisory Panel

The External Advisory Panel was established in 2009 to help ASIC gain a deeper understanding of developments and systemic risks within the financial services industry. This in turn assists us in achieving our vision.

Members are drawn from different sectors and hold, or have held, senior positions. Members sit in a personal capacity – they do not represent individual organisations.

Members serve for a term not exceeding four years, with approximately one-third retiring each year.

As at 30 June 2017, External Advisory Panel members were:

- ♦ Mark Johnson AO (Chair) (Alinta Energy, Dateline Resources, Westfield Group, Gresham Partners and Australian Bank of Tokyo Mitsubishi UFG)
- ♦ Elizabeth Bryan AM (Deputy Chair) (IAG, Virgin Australia and Australian Government Takeovers Panel)
- ♦ David Gonski AC (ANZ Banking Group, UNSW Foundation, University of New South Wales and Art Gallery of NSW Trust)
- ♦ Fiona Guthrie (Financial Counselling Australia, Australian Government Financial Literacy Board, Financial Literacy Australia and CHOICE)
- ♦ Professor Dimity Kingsford-Smith (University of New South Wales Law School and Centre for Law, Markets and Regulation at UNSW Law)
- ♦ Alan Kirkland (CHOICE)
- ♦ Dr John Laker AO (The Banking and Finance Oath, Cancer Council NSW, Council of the University of Technology Sydney, University of Sydney, IMF and former Chairman, APRA)
- ♦ Dr Simon Longstaff AO (The Ethics Centre)
- ♦ Andrew Love (Gateway Lifestyle Group, Champion Iron and Scottish Pacific Group and former Senior Partner, Ferrier Hodgson)
- ♦ Claire Mackay (Quantum Financial)
- ♦ Andrew Mohl (Commonwealth Bank and former Chairman, Export Finance and Insurance Corporation)
- ♦ David Neal (Future Fund Management Agency)
- ♦ Heather Ridout AO (AustralianSuper, Reserve Bank Board, ASX, Image Networks Holdings and Sims Metal Management)
- ♦ Tony Shepherd AO (Macquarie Specialised Management Limited, Sydney Cricket Ground Trust, ASTRA, Virgin Australia International Holdings, Lend Lease and Bank of Tokyo Mitsubishi UFJ and former President, Business Council of Australia).

We thank the outgoing members, Melinda Cilento, Catherine Livingstone AO and Dr Sally Pitkin, for their valuable contributions to the Panel.

During 2016–17, the Panel met four times and provided advice and feedback on a wide range of matters, including the impact of political events on the financial sector and challenges in the housing market. The Panel also discussed ASIC's work in the areas of superannuation and corporations, ASIC's strategic risks, reform proposals affecting ASIC and the ASIC Capability Review.

6.3.5 Financial Advisers Consultative Committee

The Financial Advisers Consultative Committee was established in 2017. The Committee supplements ASIC's engagement with the financial advice industry by improving our capacity to identify, assess and respond to emerging trends, and enhancing our relationships with our key stakeholders.

Members are practising financial advisers with a range of skills in insurance, superannuation, SMSFs and digital financial advice. They sit in a personal capacity – they do not represent individual organisations.

Members serve for a term not exceeding four years, with approximately half retiring every two years.

At 30 June 2017, Financial Advisers Consultative Committee members were:

- ♦ Joanna Bird (Co-Chair) (Senior Executive Leader, ASIC Financial Advisers)
- ♦ Louise Macaulay (Co-Chair) (Senior Executive Leader, ASIC Financial Advisers)
- ♦ Craig Banning (Navwealth)
- ♦ Jennifer Brown (JSB Financial Strategists)
- ♦ Chris Brycki (Stockspot)
- ♦ Steven Dobson (Mal Dobson & Associates)
- ♦ Mark Everingham (Personal Risk Professionals)
- ♦ Tony Gillett (Retirewell Financial Planning)
- ♦ Adam Goldstien (Skeggs Goldstien)
- ♦ Cathryn Gross (Twelve Wealth)
- ♦ Suzanne Haddan (BFG Financial Services)
- ♦ Kevin Smith (The Professional Super Advisers).

During 2016–17, the Committee met twice and provided advice and feedback on a number of matters, including SMSFs and access to advice on aged care and home care.

6.3.6 Markets Advisory Panel

The Markets Advisory Panel was established in 2010. The Panel advises us on our approach to our responsibilities for the day-to-day supervision of the Australian market, and on broader market developments.

Members are drawn from the financial services industry, with experience in retail and institutional markets.

At 30 June 2017, Markets Advisory Panel members were:

- ♦ Cathie Armour (Chair) (ASIC Commissioner)
- ♦ Stewart Adams (Morgan Stanley Smith Barney Australia)
- ♦ Keith Birch (Goldman Sachs Australia Pty Ltd)
- ♦ Simon Gray (Shaw and Partners)
- ♦ Julie Greenall-Ota (Treasury)
- ♦ Oliver Harvey (Senior Executive Leader, ASIC Market Infrastructure)
- ♦ John Lee (Susquehanna Pacific)
- ♦ Nghi Lee (Treasury)
- ♦ Will Psomadelis (Schroders Investment Management Australia Limited)
- ♦ Emma Quinn (Alliance Bernstein)
- ♦ Paul Rayson (Commonwealth Bank of Australia)
- ♦ Andrew Stewart (Macquarie Bank Limited)
- ♦ Dean Surkitt (Bell Financial Group)
- ♦ Greg Yanco (Senior Executive Leader, ASIC Market Supervision)
- ♦ Scott Webster (UBS AG Australia).

We thank the outgoing members, Anastasia Economou, Sean Lawrence and Vic Jokovic, for their valuable contributions.

During 2016–17, the Panel met seven times and provided advice on a wide range of topics, including:

- ♦ our report and proposed guidance on sell-side research
- ♦ potential recommendations following the ASX outage on 19 September 2016
- ♦ the impact of five years of equity market competition
- ♦ how Exchange Traded Funds might evolve in our market and the potential risks that we should focus on in this area.

6.3 External committees and panels continued

6.3.7 Markets Disciplinary Panel

The Markets Disciplinary Panel (MDP) was established in 2009. The MDP is the forum for disciplinary action against market participants for alleged breaches of the market integrity rules. ASIC decides which matters to refer to the MDP.

The MDP is a peer-review panel, consisting of part-time members with relevant market or professional experience. Members of the MDP have, or have had, senior roles in broking firms and investment banks.

At 30 June 2017, the MDP members were:

- ♦ Simon Gray (Chair) (Shaw and Partners)
- ♦ Cilla Boreham (Deputy Chair) (legal consultant)
- ♦ Richard Brasher (Northcape Capital)
- ♦ Anne Brown (consultant)
- ♦ Anthony Brittain (Euroz Limited)
- ♦ Ian Chambers (Morgan Stanley Australia)
- ♦ Leigh Conder (Commonwealth Securities Limited)
- ♦ Jane Lamming (Ausbil Investment Management Limited)
- ♦ Geoffrey Louw (Bell Potter Securities)
- ♦ Michael Manford (Patersons Securities)
- ♦ Mark Pugsley (Morgans Financial Limited)
- ♦ Russell McKimm (Patersons Securities)
- ♦ Sadie Powers (consultant)
- ♦ Peter Robson (ITG Australia)
- ♦ John Steinthal (consultant financial adviser)
- ♦ Andrew Tanner (J.P. Morgan)
- ♦ Victoria Weekes (ANZ Share Investing Limited).

We thank the former MDP Chair, Lisa Gay, for her valuable contributions.

During 2016–17, the MDP made determinations on alleged breaches of the market integrity rules. It also issued 12 infringement notices, specifying a total of \$2,288,750 in penalties in these matters. The infringement notices for finalised matters are published in the MDP Infringement Notices Register on the ASIC website.

6.3.8 Registry and Licensing Business Advisory Committee


The Registry and Licensing Business Advisory Committee was established in 2004. The Committee consults directly with the business community. Committee members provide input and opinion on the impact of current and proposed registry and licensing services, with particular emphasis on small business.

The Committee's scope includes advising on strategic directions and performance feedback, and reporting on the trends and needs of business. It advises on proposed legislative change and the appropriateness of corporate registry objectives and initiatives, with a focus on the impact on business and ASIC's operations.

Members are drawn from a wide range of business, community, industry and professional organisations, and each contributes their knowledge, experience and expertise to the advisory process.

At 30 June 2017, members of the Registry and Licensing Business Advisory Committee were:

- ♦ John Price (Chair) (ASIC Commissioner)
- ♦ Sarah Davidson (Institute of Chartered Accountants Australia)
- ♦ David Francis (Reckon Group)
- ♦ David Giffard (CPA Australia)
- ♦ Greg Griffith (Family Business Australia)
- ♦ Deborah Hambleton (Law Council of Australia)
- ♦ Kerry Hicks (Australian Institute of Company Directors)
- ♦ Daryl Koch (Institute of Public Accountants)
- ♦ Claire Wivell Plater (The Fold Legal Pty Ltd)
- ♦ Justin Pierce (Dun & Bradstreet)
- ♦ Colin Porter (CreditorWatch)
- ♦ Warren Renden (BGL Corporate Solutions)
- ♦ Peter Strong (Council of Small Business Organisations of Australia)
- ♦ John Wilson (Equifax).



We thank the outgoing members, Hugh Elvy, Adam Siddique, Judith Fox, Anna Tantau and Committee Chairman Commissioner Greg Tanzer, for their valuable contributions.

During 2016–17, the Committee met twice and discussed registry reforms and improvements to our registry services, including our continued efforts to move registry customers to online services.

6.3.9 Digital Finance Advisory Committee

The Digital Finance Advisory Committee was established in 2015. The Committee assists ASIC in supporting innovation in financial services and markets. It provides advice and feedback on the opportunities, developments and emerging risks for start-up fintech businesses and our engagement with those businesses through our Innovation Hub.

Members are drawn from the fintech, venture capital, consumer and academic sectors, and serve in their personal capacity – they do not represent individual organisations. Treasury, APRA, the RBA and AUSTRAC attend committee meetings as observers. Other agencies are also invited to attend as observers.

Members serve for a term not exceeding two years, with approximately half rotating each year.

At 30 June 2017, members of the Digital Finance Advisory Committee were:

- ◆ Professor Deborah Ralston (Chair) (Monash University)
- ◆ Chris Brycki (Stockspot)
- ◆ Andrew Corbett-Jones (Tyro Fintech Hub)
- ◆ Kim Heras (25Fifteen)
- ◆ Andrew Lai (Fintech Melbourne)
- ◆ Alex Scandurra (Stone & Chalk)
- ◆ Danielle Szetho (Fintech Australia)
- ◆ Erin Turner (CHOICE).

We thank the outgoing members, Toby Heap, Murray Hurps, Jenni Mack and Matt Symons, for their valuable contributions.

During 2016–17, the Committee met four times and provided advice on a number of matters, including our international engagement, our regulatory sandbox licensing exemption, regtech and crowd-sourced funding. The Committee also heard presentations from the ACCC, the RBA and the Digital Transformation Agency.

6.4 Portfolio Budget Statement outcomes

Outcome 1: To allow markets to fund the real economy by promoting investor and consumer trust and confidence, facilitating fair and efficient markets and delivering efficient registration.

ASIC's outcomes for 2016–17 are reported below against the Government's Portfolio Budget Statement. Please refer to the annual performance statement at pages 28–44 for an overview of our non-financial performance.

6.4.1 Agency resource statement 2016–17

		Actual available appropriation for 2016–17 \$'000s	Cash payments made ¹ 2016–17 \$'000s	Balance remaining 2016–17 \$'000s
Ordinary annual services²				
Departmental				
Departmental appropriation ³		500,665	358,148	142,517
Administered expenses				
Outcome 1 – ordinary annual services				
Administration Fund		5,863	5,730	N/A
Total ordinary annual services	A	506,528	363,878	N/A
Other services				
Departmental non-operating				
Equity injections ⁴		29,449	15,867	13,582
Total other services	B	29,449	15,867	13,582
Total available annual appropriations (A+B)		535,977	379,745	N/A
Special appropriations limited by criteria/amount				
<i>Banking Act 1959</i>		N/A	42,866	N/A
<i>Life Insurance Act 1995</i>		N/A	6,418	N/A
Total special appropriations	C	N/A	49,284	N/A
Total appropriations excluding Special Accounts (A+B+C)		535,977	429,029	N/A
Special Account⁵				
Opening balance		44,195	N/A	N/A
Appropriation receipts		26,815	N/A	N/A
Costs recovered		819	N/A	N/A
Payments made		N/A	38,765	N/A

		Actual available appropriation for 2016–17 \$'000s	Cash payments made ¹ 2016–17 \$'000s	Balance remaining 2016–17 \$'000s
Total Special Account	D	71,829	38,765	N/A
Total resourcing (A+B+C+D)		607,806	467,794	N/A
Less appropriations drawn from annual appropriations above and credited to Special Accounts		(26,815)	–	N/A
Total net resourcing for ASIC		580,991	467,794	N/A

1. Does not include GST.

2. Appropriation Bill (No. 1) 2016–17, Supply Bill (Act 1) 2016–17, prior year departmental appropriation and s74 of the PGPA Act relevant agency receipts.

3. Includes \$24.095 million for the Departmental Capital Budget. For accounting purposes, this amount has been designated as 'contributions by owners'.

4. Appropriation Bill (No. 2) 2016–17, Supply Bill (No. 2) 2016–17.

5. Does not include Special Public Money.

6.4.2 Expenses by outcome

	Budget ¹ 2016–17 (1) \$'000s	Actual expenses 2016–17 (2) \$'000s	Variance column (1) minus column (2) \$'000s
Outcome 1: To allow markets to fund the real economy by promoting investor and consumer trust and confidence, facilitating fair and efficient markets and delivering efficient registration.			
A Administered expenses funded by administered appropriations	5,863	3,702	2,161
B Departmental expenses funded by departmental appropriations and own-source revenue	379,886	392,460	(12,574)
Total for Outcome 1 (A+B)	385,749	396,162	(10,413)
Average FTE ²	1,658	1,640	18

1. Based on the 2016–17 forecast as set out in ASIC's 2016–17 Portfolio Budget Statement.

2. ASIC's 2016–17 Portfolio Budget Statement quoted the 'average staffing level', which is different from the FTE. The average staffing level includes employees working on capital projects, while the FTE excludes working on capital projects.

6.5 Six-year summary of key stakeholder data

6.5.1 Summary of key stakeholder data, 2011–17

Business data	2016–17	2015–16	2014–15	2013–14	2012–13	2011–12
Companies (total)	2,500,401	2,372,429	2,245,364	2,118,666	2,012,241	1,921,545
New companies registered	249,394	246,051	235,182	212,573	192,211	176,062
AFS licensees	6,058 ¹	5,511	5,198	5,101	5,043	4,955
Authorised market infrastructure providers ²	672	52	50	50	45	42
Registered company auditors	4,365	4,483	4,596	4,729	4,852	4,985
Registered liquidators	713	707	711	696	685	680
Registered managed investment schemes	3,632	3,619	3,642	3,673	4,152	4,289
Credit licensees	5,576	5,726	5,779	5,837	5,856	6,004
Fundraising documents lodged	1,017	891	1,078	1,095	821	799
Products the subject of product disclosure 'in-use' notices	4,464 ³	4,607 ³	4,679 ³	5,461	4,988	4,758
Takeover bids monitored	41	40	43	59	45	55
Fundraising where ASIC required additional disclosure	\$7.2bn	\$6.4bn	\$9.4bn	\$6.7bn	\$3.5bn	\$7bn
Recoveries, costs, compensation, fines or assets frozen	\$849.7m ⁴	\$217.4m ⁴	\$61.1m	\$214.6m	\$222.4m	\$19.8m
% successful criminal and civil litigations ⁵	90%	96%	85%	90%	95%	92%
Criminal and civil litigation and administrative actions concluded ⁶	220	181	167	149	144	179
Criminals imprisoned	13	13	12	14	9	20
Reports of crime or misconduct finalised	9,011	9,751	9,669	10,530	11,682	12,516
Total searches of ASIC databases	90.6m	90.7m	86.2m	76.2m	68.0m	71.2m
Business names (total)	2,191,638	2,070,028	2,153,959	1,994,001	1,740,780	1,488,898
New business names registered	348,266	337,413	327,687	299,988	274,349	19,131
Registered SMSF auditors	6,339	6,671	6,669	7,073	5,935	N/A ⁷

Business data	2016–17	2015–16	2014–15	2013–14	2012–13	2011–12
% company data lodged on time	94.6%	95%	96%	96%	95%	95%
Fees and charges collected for the Commonwealth	\$920m	\$876m	\$824m	\$763m	\$717m	\$664m
Staff (average FTEs) ⁸	1,640	1,627	1,609	1,773	1,832	1,716

1. The number of AFS licenses increased in 2016–17 because of the higher number of AFS licences granted after the Government's decision to repeal the limited licence exemption for accountants giving financial advice to SMSFs from 1 July 2016.
2. We have changed the methodology for reporting the number of authorised market infrastructure providers in 2016–17. This figure now includes exempt financial markets, licensed clearing and settlement (CS) facilities, exempt CS facilities, licensed trade repositories and credit rating agencies, in addition to domestic and overseas financial markets.
3. In 2016–17, we have changed the methodology for how we report the number of products that are the subject of PDS in-use notices and as a result the data previously reported for 2014–15 and 2015–16 has been amended. The data includes all products the subject of current in-use notices as at the end of the relevant financial year and lodged up to six years prior.
4. In 2016–17, an amount of \$617.2 million was awarded against MFS Investment Management Ltd by the Supreme Court (Qld). In 2015–16, there were six compensation and remediation matters that comprised \$165.5 million of the total figure.
5. Excludes administrative actions and summary prosecutions for strict liability offences.
6. Excludes summary prosecutions for strict liability offences.
7. N/A means not applicable because legislative requirements had not commenced.
8. Data rounded. This data excludes contractors and secondees from other agencies.

6.6 Reports required under statute and other reporting requirements

6.6.1 ASIC Act

As required by section 136(1)(a), we report that, in 2016–17, we issued two legislative instruments under Part 29 of the SIS Act relating to the requirement in section 29QB that superannuation websites must be kept up-to-date at all times. We did not exercise our powers under Part 15 of the *Retirement Savings Account Act 1997*.

As required under section 136(1)(c), we report that during 2016–17, we conducted two joint inspections with the US Public Company Accounting Oversight Board under the terms of an agreement between the two organisations. We did not conduct any joint inspections with the Canadian Public Accountability Board or the Luxembourg Commission de Surveillance du Secteur Financier or share any information with them under the relevant provisions of the ASIC Act.

6.6.2 Commonwealth fraud control guidelines

During 2016–17, we reviewed our fraud exposures and we have an approved fraud control policy and plan in place. We have appropriate fraud prevention, detection, investigation, reporting and data collection procedures and processes in place to minimise the effects of fraud and to comply with the Commonwealth Fraud Control Framework. We have taken all reasonable measures to deal appropriately with fraud.

6.6.3 External scrutiny of agency

Judicial decisions and decisions of administrative tribunals

There were no judicial decisions, administrative tribunal decisions or decisions by the Australian Information Commissioner in 2016–17 that have had, or may have, a significant impact on ASIC's operations.

Reports by Parliamentary Joint Committee on Corporations and Financial Services

There was one ASIC oversight report during 2016–17.

The report on the 2015–16 annual report of bodies established under the ASIC Act was tabled on 13 June 2017.

ASIC has appeared and provided written submissions to the PJC on Corporations and Financial Services as required.

Senate Standing Committees

During 2016–17, ASIC testified before the Senate Economics Committees numerous times and provided answers to Questions on Notice.

The Senate Economics Legislation Committee examined ASIC's 2015–16 Annual Report and considers that ASIC met its reporting requirements.

Other reports finalised by the Senate Economics Committees that involved ASIC included:

- ♦ Superannuation Guarantee non-payment
- ♦ carbon risk disclosure
- ♦ criminal, civil and administrative penalties for white-collar crime.

Reports by Auditor-General

The Auditor-General issued Audit Report No. 33 2016–17, *Audits of the financial statements of Australian Government entities for the period ended 30 June 2016*, on 23 January 2017.

The Australian National Audit Office (ANAO) audited the financial statements of Australian Government entities, including ASIC, and the Consolidated Financial Statements of the Australian Government, as at 9 December 2016.

The ANAO's 2015–16 audit identified two audit focus areas for ASIC that had the potential to impact the financial statements:

1. the valuation of the provisions for future claims of unclaimed money, including the actuarial model used to calculate the provisions
2. the completeness and accuracy of revenue, including revenue from corporate fees and fines.

We have taken these issues into account in preparing the financial statements for 2016–17.

6.6.4 Freedom of Information Act 1982

Members of the public have the right to apply to ASIC for access to documents in ASIC's possession under the *Freedom of Information Act 1982* (FOI Act).

Applications must be in writing, state that they are made under the FOI Act, provide information to identify the documents requested and provide details of where notices under the FOI Act can be sent to the applicant.

Requests by email should be sent to:
foirequest@asic.gov.au

or you may lodge a mail request to:
The Senior Manager
Administrative Law Team
GPO Box 9827
Melbourne VIC 3001

For further information on how to apply, visit **www.asic.gov.au**.

Categories of documents in ASIC's possession include:

- ♦ for operational matters:
 - licence and professional registration applications
 - applications from businesses, correspondence, internal working papers, policy proposals and submissions
 - administrative, civil and criminal enforcement matters, including documents obtained under ASIC's compulsory powers
- ♦ for other matters:
 - law reform, including submissions and proposal papers
 - correspondence with members of the public, government entities, parliamentary committees, business entities and other bodies
 - administration, including accommodation, accounts, expenditure, invoices, audit, human resources, recruitment and staff management, delegation and authorisation
 - reference materials, including those contained in the library, handbooks, guidelines, manuals, regulatory documents, media releases, information releases, pamphlets and annual reports
 - other documents held as public information (in the ASCOT database).

Members of the public can inspect ASIC regulatory documents, information brochures, media releases, reports, legislative instruments and other regulatory publications on the ASIC website, **www.asic.gov.au**.

ASIC Digest, which includes ASIC regulatory documents and additional information, is published by Thomson Reuters under the terms of an agreement with ASIC.

6.6 Reports required under statute and other reporting requirements *continued*

ASIC Digest is available by subscription from Thomson Reuters, phone 1300 304 197.

Information from ASIC's registers and databases that is available to the public for the payment of a fee cannot be obtained under the FOI Act.

Agencies subject to the FOI Act are required to publish information for the public as part of the Information Publication Scheme (IPS). This requirement is in Part 2 of the FOI Act and has replaced the former requirement to publish a section 8 statement in an annual report.

ASIC's Information Publication Scheme Plan, showing what information is published in accordance with the IPS requirements, is available on the ASIC website, www.asic.gov.au.

6.6.5 Grants programs

The Assetless Administration Fund (AA Fund) is a grant scheme established by the Government and administered by ASIC. The scheme may fund liquidators for:

1. preliminary investigations and reports into the failure of companies that have few or no assets, where it appears that enforcement action may result from the investigations and reports
2. winding up companies under Part 5.4C of the Corporations Act
3. actions to recover assets where fraudulent or unlawful phoenix activity is suspected.

The funding allocation for 2016–17 was \$3.59 million. We paid and committed just over \$3.43 million to liquidators in 2016–17.

In 2016–17, under the grant scheme, we received:

- ♦ 562 banning (EX02) applications
- ♦ 178 'Matters other than section 206F – Director banning' (EX03) applications, 15% more than in 2015–16
- ♦ six winding-up activities
- ♦ one action for a liquidator to recover assets.

In total, we received 740 applications for funding in 2016–17, the highest number ever received.

Reports funded by the AA Fund assisted in approximately 94% of director bannings (34 out of 36). This is an 18% increase on last year.

Information on grants awarded by ASIC under the AA Fund is available on the ASIC website at www.asic.gov.au/aafund.

6.7 Consultancies and expenditure on advertising

6.7.1 Commonwealth Electoral Act 1918

Section 311A of the *Commonwealth Electoral Act 1918* requires agencies to report expenditure on services provided by advertising agencies, market research organisations, polling organisations, direct mail organisations and media advertising organisations.

Sums less than \$13,000 are not required to be reported. All sums are GST inclusive, and are actual expenditures for 2016–17.

ASIC's expenditure on advertising during 2016–17 is set out in the table below. Further information on ASIC's advertising campaigns is available at www.asic.gov.au and in the reports on Australian Government advertising prepared by the Department of Finance. Those reports are available on the Department of Finance's website at www.finance.gov.au/advertising/index.html.

Expenditure on advertising agency services in 2016–17

Agency	Expenditure	Purpose
Dentsu Mitchell Media	\$38,111	LinkedIn package for 2016–17
Dentsu Mitchell Media	\$37,302	Advertising on Seek recruitment website
Australian Public Service Commission	\$32,135	Yearly subscription of advertising of jobs in the APS Gazette
Total	\$107,548	

Expenditure on services by market research, polling, direct mail and media advertising organisations in 2016–17

Agency	Expenditure	Purpose
Pollinate	\$118,580	Market research – SMSF project
Dentsu Mitchell Media	\$93,983	Google AdWords – MoneySmart website
Where to Research Based Consulting	\$88,000	Market research – Initial public offers
Pollinate	\$77,440	User testing – Life insurance and financial advice calculators
Knect	\$40,920	Search engine optimisation – MoneySmart website
Doctor Fadil Pedic & Associates	\$39,985	Market research – 'Seniors' project
Research Forum Consulting	\$30,993	Market research – '50+ Seniors' quantitative research
Communication Research Institute	\$24,983	Research and design services – ASIC's creditor information
Galaxy Research	\$20,790	Consumer survey – ASIC's mortgage broker remuneration review
Ernst & Young	\$20,253	Brand tracking and usage – MoneySmart website
Trivium Research	\$20,130	Market research – 'Seniors supporters' qualitative research
Media Brands	\$16,500	Search engine optimisation – MoneySmart website
People Scout	\$15,000	Market research – External market mapping
Total	\$607,557	

6.7 Consultancies and expenditure on advertising

continued

6.7.2 Managing procurement

ASIC's use of Commonwealth resources and expenditure of public money is primarily governed by the PGPA Act and the Public Governance, Performance and Accountability Rule 2014 (PGPA Rule). Responsibility for compliance with the Commonwealth Procurement Rules (CPRs) lies with the appropriate financial delegates.

The delegates are supported by a central procurement team of qualified procurement officers who:

- ♦ develop and maintain our procurement processes and systems to promote compliance with the PGPA Act, the PGPA Rule and the CPRs for all levels of procurement
- ♦ manage complex and high-risk procurement activities, including procurements that are subject to the Mandatory Procurement Procedures of the CPRs.

Our procurement framework aims to facilitate compliance with the core principles and policies of the CPRs, including 'value for money', 'encouraging competition', 'efficient, effective, ethical and economical use of resources' and 'accountability and transparency'.

We undertake regular audits of procurement and any instances of non-compliance are reported through the Compliance Report and addressed as required through process improvement initiatives.

All major contracts entered into in 2016–17 contained provisions, as required, allowing the Auditor-General access to information held by contractors relating to contract performance.

6.7.3 Using AusTender

ASIC advertises all open tender opportunities through the AusTender website, www.tenders.gov.au.

During 2016–17, we implemented two standing offer arrangements (procurement panels) and awarded 632 procurement activities (each valued at \$10,000 or more was reported on AusTender) for a total value of \$85.6 million. Of these procurements, 192 were valued in excess of \$80,000 for a total value of \$70.4 million.

Contracts of \$100,000 or more were reported on AusTender, in accordance with the Senate order on departmental and agency contracts. Information on contracts and consultancies awarded by ASIC is also available on the AusTender website. Our annual procurement plan was published on AusTender by 1 July 2017 and was updated as required during the year.

No contracts were exempt from the contract reporting requirements.

6.7.4 Consultancy contracts

During 2016–17, ASIC entered into 64 new consultancy contracts, involving total expenditure of around \$4.2 million. In addition, 23 ongoing consultancy contracts were active during the year, involving total expenditure of \$1.9 million.

Consultancy trend data

Business data	2016–17	2015–16	2014–15	2013–14
Number of new consultancies	64	58	63	65
Expenditure on new consultancies (millions)	\$4.173	\$4.017	\$2.354	\$2.209
Number of ongoing consultancies	23	27	23	30
Expenditure on ongoing consultancies (millions)	\$1.920	\$2.382	\$1.313	\$2.364

Note: The above figures are GST inclusive and include all consultancies valued over \$10,000 as indicated on AusTender. The figures differ from the consultancy expenditure shown in the financial statements, which are the value of all consulting costs exclusive of GST. Annual reports contain information about actual expenditure on contracts for consultancies. Information on the value of contracts and consultancies is available on the AusTender website, www.tenders.gov.au.

6.7.5 Policy on selection and engagement of consultants

ASIC's consultancy budget is managed centrally and business units wishing to engage consultants are required to prepare a business case seeking funding.

Requests to engage consultants must be linked to outcomes in business plans and contribute to ASIC's objectives. When engagement with a consultant is approved, the procurement method used is in accordance with the CPRs and our procurement policies.

Of the 64 consultants ASIC engaged during 2016–17:

- ♦ 45 were for specialised or professional skills
- ♦ 13 were for skills not currently available within ASIC
- ♦ six were for independent research or assessment.

The method of procurement used was open tender for 35 engagements (including engagements from panels) and limited tender for 29 engagements. There were no pre-qualified tender engagements.

The consultants were engaged for the following main service categories:

- ♦ business intelligence consulting services
- ♦ information technology consulting services
- ♦ market research
- ♦ education and training services
- ♦ strategic planning consultation services.

6.7.6 Procurement initiatives to support small business

ASIC supports small business participation in the Australian Government procurement market. Small and medium enterprises and small enterprise participation statistics are available on the Department of Finance's website, www.finance.gov.au/procurement/statistics-on-commonwealth-purchasing-contracts/.

ASIC recognises the importance of ensuring that small businesses are paid on time. The results of the Survey of Australian Government Payments to Small Business are available on Treasury's website, www.treasury.gov.au.

ASIC's procurement practices support small businesses by:

- ♦ encouraging the use of the Commonwealth Contracting Suite for low-risk procurements valued under \$200,000, where applicable
- ♦ presenting information in an accessible format.

6.8 ASIC's use of significant compulsory information-gathering powers

Since 2010–11, we have reported the use of our significant compulsory information-gathering powers under statute. This appendix discloses data by number of instances in 2016–17, with comparative data for 2015–16.

Use of significant compulsory information-gathering powers		Number of notices 2016–17	Number of notices 2015–16
Appear for examination			
s19 ASIC Act ¹	Requirement to appear for examination	722	739
s58 ASIC Act	Power to summons a witness and take evidence	0	0
s253 National Credit Act ¹	Requirement to provide reasonable assistance	38	28
Give reasonable assistance			
s1317R Corporations Act	Power to require assistance in prosecutions	452 ²	13
s49(3) ASIC Act	Power to require reasonable assistance in prosecutions	17	9
s51 National Credit Act	Requirement to provide reasonable assistance	0	1
s601FF Corporations Act	Power to conduct surveillance/monitor managed investment scheme	0	0
s274(4) National Credit Act	Requirement to provide reasonable assistance	0	0
s912E Corporations Act	Power to require assistance and disclosure of books and information from an AFS licensee	352	390
Produce documents			
s266 National Credit Act	Requirement to produce books (credit activities)	74 ³	172
s267 National Credit Act	Requirement to produce books	67	94
s30 ASIC Act	Notice to produce books about affairs of body corporate or registered scheme	1,261 ³	1,141
s31 ASIC Act	Notice to produce books about financial products	87	133
s32A ASIC Act	Notice to produce books about financial services	0	3
s33 ASIC Act	Notice to produce books in person's possession	1,684 ³	1,314
Provide access			
s29 ASIC Act	Power to inspect books	0	2
s821D Corporations Act	Power to require access to a CS facility	0	0

1. These notices may also include directions to provide reasonable assistance or produce documents.

2. The number of s1317R notices issued in 2016–17 under the Corporations Act increased because of some specific ASIC surveillance projects, such as the Bank Bill Swap Rate investigation.

3. The decrease in s266 notices issued in 2016–17 under the National Credit Act was due to a greater focus on ASIC's insurance work where alternative powers were used, including s30 and s33 of the ASIC Act and s912C of the Corporations Act.

Use of significant compulsory information-gathering powers		Number of notices 2016–17	Number of notices 2015–16
Provide information			
s12GY(2) ASIC Act	ASIC to require claims to be substantiated	0	1
s37(9)(a) ASIC Act	Power requiring explanation of books	1	2
s601HD Corporations Act	Power to request information about compliance plan of a registered scheme	0	0
s49(1) National Credit Act	Requirement to provide information (statement)	75	61
s912C Corporations Act	Power to require information from an AFS licensee	652 ³	707
Item 17 Sch 2 National Credit Act	Power to require information (obtain statement or audit report)	0	0
s672A Corporations Act	Power to require disclosure of relevant interests	17	19
s672B Corporations Act	Power to require disclosure of relevant interests	0	0
s37(4) National Credit Act	Power to request information or audit report from licence applicant	0	1
s792D Corporations Act	Power to require reasonable assistance from a market licensee	41	31
Provide information and produce books			
s30A ASIC Act	Notice to auditors requiring information or books	53	47
Search warrants			
s3E Crimes Act 1914	Warrants to search premises/conveyance or person	51 ⁴	30
s36 ASIC Act	Warrant to search premises	1	0
Obligations of carriers and carriage service providers			
s313 <i>Telecommunications Act 1997</i>	Request for help as is reasonably necessary for enforcing the criminal law and laws imposing pecuniary penalties	0	0
Provide documents, information or evidence			
s10(2) <i>Mutual Assistance in Business Regulation Act 1992</i>	Requirement to produce documents, to give information or to appear to give evidence and produce documents	33 ⁵	16

4. Of the 51 warrants issued (for 13 individual investigations) in 2016–17, 37 were executed.

5. While a similar number of requests were received and dealt with under the *Mutual Assistance in Business Regulation Act 1992* in 2016–17, there was an increase in the number of multiple notices issued for individual matters compared with 2015–16.

Glossary

AA Fund	Assetless Administration Fund
AFS licence	Australian financial services licence
ASIC Act	<i>Australian Securities and Investments Commission Act 2001</i>
ASIC Connect	ASIC's online portal for business name registration and searching companies, business names and other registers
ASX	ASX Limited or the exchange market operated by ASX Limited
Australian Financial Attitudes and Behaviour Tracker	Research developed by ASIC to regularly track key financial attitudes and behaviours among adult Australians
blockchain	A distributed electronic ledger of all publicly verifiable transactions between users on a network
Business Names Register	ASIC's national business names registration service
CADB	Companies Auditors Disciplinary Board, formerly known as the Companies Auditors and Liquidators Disciplinary Board (CALDB)
CFR	Council of Financial Regulators
Corporations Act	<i>Corporations Act 2001</i>
crowd-sourced funding	Crowd-sourced funding is a financial service where start-ups and small businesses raise funds, generally from a large number of investors that invest small amounts of money
cyber resilience	An organisation's ability to prepare for, respond to and recover from a cyber attack
derivative	A financial instrument where the value is derived from an underlying asset, such as a share, commodity or index
DLT	Distributed ledger technology
EDR	External dispute resolution
Financial Advisers Register	Free online resource, available on ASIC's MoneySmart website, listing the relevant details (including employment history, qualifications and product advice areas) of people who provide personal advice on investments, superannuation and life insurance
Financial capability	The combination of an individual's attitude, knowledge, skills, confidence and ability to make sound financial decisions
fintech	Financial technology
IAIS	International Association of Insurance Supervisors
IDR	Internal dispute resolution
IFIAR	International Forum of Independent Audit Regulators
Innovation Hub	ASIC's online hub providing tailored content for fintech businesses that are developing innovative financial products or services
IOSCO	International Organization of Securities Commissions
IPO	Initial public offering

Marketplace lending	Marketplace lending generally describes an arrangement through which retail or wholesale investors invest money (seeking to earn a return), which is then lent to borrowers (consumers or businesses)
MDAs	Managed discretionary accounts
MDP	Markets Disciplinary Panel
MoneySmart	ASIC's consumer website, which provides money tips and tools, and aims to help consumers and investors make financial decisions that improve their lives
National Credit Act	<i>National Consumer Credit Protection Act 2009</i>
National Financial Literacy Strategy	The National Financial Literacy Strategy, led by ASIC, sets out a national direction for financial literacy, and provides a framework for action across the government, business, community and education sectors
OECD	Organisation for Economic Co-operation and Development
OJK	Otoritas Jasa Keuangan, the Indonesian Financial Services Authority
One ASIC	Our approach to better 'connect the dots' to achieve regulatory outcomes. It is about working together and sharing data seamlessly using common language, systems and processes
OTC	Over-the-counter
payday lending	Small-amount or short-term loans to individuals that generally attract significantly higher interest rates and costs than other types of loans
PGPA Act	<i>Public Governance, Performance and Accountability Act 2013</i>
phoenix activity	Transferring assets of an indebted company to a new company to avoid paying creditors, tax or other employee entitlements
PJC	Parliamentary Joint Committee
regtech	Regulatory technology; technology designed to address regulatory challenges in the financial services sector
Regulatory sandbox	A 'lighter touch' regulatory environment to enable innovative business models to be tested without the need for an AFS licence or credit licence
Regulatory Transformation Program	ASIC's program to increase efficiency by establishing a common language across ASIC, streamlining our regulatory business processes, making compliance and interaction with us easier through online portals, and implementing a single technology strategy
robo-advice	Digital advice (also known as robo-advice or automated advice) is the provision of automated financial product advice using algorithms and technology and without the direct involvement of a human adviser
SMSF	Self-managed superannuation fund

Compliance index

Reporting requirements under the *Public Governance, Performance and Accountability Act 2013*

PGPA rule reference	Part of report/Description	Requirement	Location (page(s))
17AD(g)	Letter of transmittal		
17AI	A copy of the letter of transmittal signed and dated by the accountable authority on the date the final text is approved, with a statement that the report has been prepared in accordance with section 46 of the PGPA Act and any enabling legislation that specifies additional requirements in relation to the annual report	Mandatory	1
17AD(h)	Aids to access		
17AJ(a)	Table of contents	Mandatory	Inside front cover
17AJ(b)	Alphabetical index	Mandatory	200–204
17AJ(c)	Glossary of abbreviations and acronyms	Mandatory	192–193
17AJ(d)	List of requirements	Mandatory	194–199
17AJ(e)	Details of contact officer	Mandatory	Inside back cover
17AJ(f)	Entity's website address	Mandatory	Inside back cover
17AJ(g)	Electronic address of report	Mandatory	Inside back cover
17AD(a)	Review by accountable authority		
17AD(a)	A review by the accountable authority of the entity	Mandatory	2–6
17AD(b)	Overview of the entity		
17AE(1)(a)(i)	A description of the role and functions of the entity	Mandatory	14–16
17AE(1)(a)(ii)	A description of the organisational structure of the entity	Mandatory	17–18
17AE(1)(a)(iii)	A description of the outcomes and programs administered by the entity	Mandatory	28, 30, 36, 42, 44
17AE(1)(a)(iv)	A description of the purposes of the entity as included in the Corporate Plan	Mandatory	28
17AE(1)(b)	An outline of the structure of the portfolio of the entity	Portfolio departments – mandatory	N/A
17AE(2)	Where the outcomes and programs administered by the entity differ from any Portfolio Budget Statement, Portfolio Additional Estimates Statement or other portfolio estimates statement that was prepared for the entity for the period, details of variation and reasons for change	Mandatory	N/A

PGPA rule reference	Part of report/Description	Requirement	Location (page(s))
17AD(c)	Report on the performance of the entity		
	Annual performance statement		
17AD(c)(i); 16F	Annual performance statement in accordance with paragraph 39(1)(b) of the PGPA Act and section 16F of the PGPA Rule	Mandatory	28–44
17AF(1)(a)	A discussion and analysis of the entity's financial performance	Mandatory	26, 122–170
17AF(1)(b)	A table summarising the total resources and total payments of the entity	Mandatory	180–181
17AD(c)(ii)	Reports on financial performance		
17AF(2)	If there may be significant changes in the financial results during or after the previous or current reporting period, information on those changes, including: the cause of any operating loss of the entity; how the entity has responded to the loss and the actions that have been taken in relation to the loss; and any matter or circumstances that it can reasonably be anticipated will have a significant impact on the entity's future operation or financial results	If applicable, mandatory	N/A
	Management and accountability		
	Corporate governance		
17AG(2)(a)	Information on compliance with section 10 (fraud systems) of the PGPA Act	Mandatory	184
17AG(2)(b)(i)	A certification by the accountable authority that fraud risk assessments and fraud control plans have been prepared	Mandatory	184
17AG(2)(b)(ii)	A certification by the accountable authority that appropriate mechanisms for preventing, detecting incidents of, investigating or otherwise dealing with, and recording or reporting, fraud that meet the specific needs of the entity are in place	Mandatory	184
17AG(2)(b)(iii)	A certification by the accountable authority that all reasonable measures have been taken to deal appropriately with fraud relating to the entity	Mandatory	184
17AG(2)(c)	An outline of structures and processes in place for the entity to implement principles and objectives of corporate governance	Mandatory	17–21, 108–111, 172–173
17AG(2)(d)–(e)	A statement of significant issues reported to the Minister under paragraph 19(1)(e) of the PGPA Act that relate to non-compliance with finance law and action taken to remedy non-compliance	If applicable, mandatory	N/A
	External scrutiny		
17AG(3)	Information on the most significant developments in external scrutiny and the entity's response to the scrutiny	Mandatory	184–185

Compliance index continued

PGPA rule reference	Part of report/Description	Requirement	Location (page(s))
17AG(3)(a)	Information on judicial decisions and decisions of administrative tribunals and by the Australian Information Commissioner that may have a significant effect on the operations of the entity	If applicable, mandatory	184
17AG(3)(b)	Information on any reports on operations of the entity by the Auditor-General (other than reports under section 43 of the Act), a Parliamentary Committee or the Commonwealth Ombudsman	If applicable, Mandatory	184–185
17AG(3)(c)	Information on any capability review on the entity that was released during the period	If applicable, Mandatory	2, 6
Management of human resources			
17AG(4)(a)	An assessment of the entity's effectiveness in managing and developing employees to achieve entity objectives	Mandatory	106–111
17AG(4)(b)	Statistics on the entity's APS employees on an ongoing and non-ongoing basis, including the following: <ul style="list-style-type: none"> ♦ Statistics on staffing classification level ♦ Statistics on full-time employees ♦ Statistics on part-time employees ♦ Statistics on gender ♦ Statistics on staff location ♦ Statistics on employees who identify as Indigenous 	Mandatory	108–111, 116
17AG(4)(c)	Information on any enterprise agreements, individual flexibility arrangements, Australian workplace agreements, common law contracts and determinations under subsection 24(1) of the <i>Public Service Act 1999</i>	Mandatory	108
17AG(4)(c)(i)	Information on the number of SES and non-SES employees covered by agreements etc identified in paragraph 17AG(4)(c) of the PGPA Act	Mandatory	108
17AG(4)(c)(ii)	The salary ranges available for APS employees by classification level	Mandatory	110
17AG(4)(c)(iii)	A description of non-salary benefits provided to employees	Mandatory	107
17AG(4)(d)(i)	Information on the number of employees at each classification level who received performance pay	If applicable, mandatory	109
17AG(4)(d)(ii)	Information on aggregate amounts of performance pay at each classification level	If applicable, mandatory	109
17AG(4)(d)(iii)	Information on the average amount of performance payment, and the range of such payments, at each classification level	If applicable, mandatory	109
17AG(4)(d)(iv)	Information on the aggregate amount of performance payments	If applicable, mandatory	109

PGPA rule reference	Part of report/Description	Requirement	Location (page(s))
Assets management			
17AG(5)	An assessment of the effectiveness of assets management where asset management is a significant part of the entity's activities	If applicable, mandatory	88
Purchasing			
17AG(6)	An assessment of the entity performance against the Commonwealth Procurement Rules	Mandatory	188
Consultants			
17AG(7)(a)	A summary statement detailing the number of new contracts engaging consultants entered into during the period; the total actual expenditure on all new consultancy contracts entered into during the period (inclusive of GST); the number of ongoing consultancy contracts that were entered into during a previous reporting period; and the total actual expenditure in the reporting year on the ongoing consultancy contracts (inclusive of GST)	Mandatory	188
17AG(7)(b)	A statement that ' <i>During [reporting period], [specified number] new consultancy contracts were entered into involving total actual expenditure of \$[specified million]. In addition, [specified number] ongoing consultancy contracts were active during the period, involving total actual expenditure of \$[specified million].</i> '	Mandatory	188
17AG(7)(c)	A summary of the policies and procedures for selecting and engaging consultants and the main categories of purposes for which consultants were selected and engaged	Mandatory	189
17AG(7)(d)	A statement that ' <i>Annual reports contain information about actual expenditure on contracts for consultancies. Information on the value of contracts and consultancies is available on the AusTender website.</i> '	Mandatory	188
Australian National Audit Office access clauses			
17AG(8)	If an entity entered into a contract with a value of more than \$100,000 (inclusive of GST) and the contract did not provide the Auditor-General with access to the contractor's premises, the report must include the name of the contractor, the purpose and value of the contract, and the reason why a clause allowing access was not included in the contract	If applicable, mandatory	N/A
Exempt contracts			
17AG(9)	If an entity entered into a contract or there is a standing offer with a value greater than \$10,000 (inclusive of GST) that has been exempted from being published in AusTender because it would disclose exempt matters under the FOI Act, the annual report must include a statement that the contract or standing offer has been exempted, and the value of the contract or standing offer, to the extent that doing so does not disclose the exempt matters	If applicable, mandatory	N/A

Compliance index continued

PGPA rule reference	Part of report/Description	Requirement	Location (page(s))
Small business			
17AG(10)(a)	A statement that ' <i>[Name of entity] supports small business participation in the Commonwealth Government procurement market. Small and Medium Enterprises (SME) and Small Enterprise participation statistics are available on the Department of Finance's website.</i> '	Mandatory	189
17AG(10)(b)	An outline of the ways in which the procurement practices of the entity support small and medium enterprises	Mandatory	189
17AG(10)(c)	If the entity is considered by the Department administered by the Finance Minister as material in nature – a statement that ' <i>[Name of entity] recognises the importance of ensuring that small businesses are paid on time. The results of the Survey of Australian Government Payments to Small Business are available on the Treasury's website.</i> '	If applicable, mandatory	189
Financial statements			
17AD(e)	Inclusion of the annual financial statements in accordance with subsection 43(4) of the PGPA Act	Mandatory	122–170
Other mandatory information			
17AH(1)(a)(i)	If the entity conducted advertising campaigns, a statement that ' <i>During [reporting period], the [name of entity] conducted the following advertising campaigns: [name of advertising campaigns undertaken]. Further information on those advertising campaigns is available at [address of entity's website] and in the reports on Australian Government advertising prepared by the Department of Finance. Those reports are available on the Department of Finance's website.</i> '	If applicable, mandatory	187
17AH(1)(a)(ii)	If the entity did not conduct advertising campaigns, a statement to that effect	If applicable, mandatory	N/A
17AH(1)(b)	A statement that ' <i>Information on grants awarded by [name of entity] during [reporting period] is available at [address of entity's website].</i> '	If applicable, mandatory	186
17AH(1)(c)	Outline of mechanisms of disability reporting, including reference to website for further information	Mandatory	113
17AH(1)(d)	Website reference to where the entity's Information Publication Scheme statement pursuant to Part II of the FOI Act can be found	Mandatory	185
17AH(1)(e)	Correction of material errors in previous annual report	If applicable, mandatory	Inside back cover
17AH(2)	Information required by other legislation	Mandatory	184

Note: N/A means not applicable.

Source: Department of Finance, Resource Management Guide No. 135 *Annual reports for non-corporate Commonwealth entities*, July 2016.

Additional compliance reporting requirements

Description	Requirement	Source of requirement	Location (page/s)
Exercise of ASIC's powers under Part 15 of the <i>Retirement Savings Accounts Act 1997</i> and under Part 29 of the <i>Superannuation Industry (Supervision) Act 1993</i>	Mandatory	ASIC Act, s136(1)(a)	184
ASIC's monitoring and promotion of market integrity and consumer protection in relation to the Australian financial system and the provision of financial services	Mandatory	ASIC Act, s136(1)(b)	30–40, 46–76
ASIC's activities in accordance with each agreement or arrangement entered into by ASIC under s11(14) of the ASIC Act	Mandatory	ASIC Act, s136(1)(c)	184
The operation of the <i>Business Names Registration Act 2011</i> , including details of the level of access to the Business Names Register using the internet and other facilities, the timeliness with which ASIC carries out its duties, functions and powers under the Act, and the cost of registration of a business name under the Act	Mandatory	ASIC Act, s136(1)(d)	9, 42–43, 82–86, 96, 182
The number of times ASIC used an information-gathering power, the provision of the Corporations Act, the ASIC Act, or another law that conferred the power, and the number of times in the previous financial year ASIC used the power	Mandatory	ASIC Act, s136(1)(e), reg 8AAA(1)	190–191
ASIC's regional administration in referring states and the Northern Territory, including a statement on our performance against service-level performance indicators during the relevant period	Mandatory	Corporations Agreement, s603(3)	96–98, 102–103
Financial services and consumer credit external dispute resolution schemes	Suggested	Senate Economics References Committee inquiry into the performance of ASIC, Recommendation 4	8, 61
Enforceable undertakings and their effectiveness	Suggested	Senate Economics References Committee inquiry into the performance of ASIC, Recommendation 27	60

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Contact details

ASIC websites

For general information about ASIC, specific information for ASIC's regulated populations and to do business with ASIC, including searching ASIC's registers, registering and searching business names, and lodging and updating company or licence details, go to **www.asic.gov.au**.

For consumer and investor information, go to **www.moneysmart.gov.au**.

General inquiries

Go to **www.asic.gov.au/question** or phone 1300 300 630.

To report misconduct to, or complain about, ASIC

Go to **www.asic.gov.au/complain** or phone 1300 300 630.

Media inquiries

Go to **www.asic.gov.au/media**, email media.unit@asic.gov.au or phone 1300 300 630.

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For copies of ASIC publications (including annual reports)

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ASIC registry and licensing services

Twitter*: [@ASIC_Connect](https://twitter.com/ASIC_Connect)
Facebook: facebook.com/ASICConnect
YouTube: youtube.com/ASICConnect

To contact ASIC by mail

For all correspondence with ASIC Commissioners, stakeholder teams, enforcement, corporate affairs, chief legal office and administration:

ASIC, GPO Box 9827 in your capital city

For registry and licensing matters, including company annual statements, notification of changes to company or licence details, routine company or licence compliance, document lodgements, deregistration and reinstatements:

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Annual Report 2015–16 erratum

- ♦ On page 54 of the Annual Report 2015–16 we incorrectly reported that an enforceable undertaking final compliance report was published for Barack Properties Pty Ltd in June 2016. The entity was Barakah Properties Pty Ltd.

* ASIC uses Twitter to provide updates. Any Twitter replies and direct messages that contain helpful suggestions, feedback and improvement ideas are passed on to the right people. ASIC is not able to discuss personal circumstances via Twitter. ASIC cannot accept complaints – under the Corporations Act or any other statute or regulation – via Twitter. ASIC does not ask for confidential details via Twitter. Do not respond to such requests.

