



ASIC

Australian Securities & Investments Commission

Parliamentary Joint Committee on Corporations and Financial Services – opening statement by ASIC Chairman Greg Medcraft

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27 October 2017

Good afternoon Chair.

I am pleased to appear before the committee today.

Chair, this is my last appearance before this committee and I wanted to make some brief general remarks.

First, as you know Minister O'Dwyer announced last week the appointment of Mr James Shipton as the next ASIC Chair and I would like to publicly acknowledge that appointment.

I know Mr Shipton from his roles at Goldman Sachs and then at Harvard University. He has broad experience in law, banking, academia and as a regulator in Hong Kong.

As I told the Senate Economics committee yesterday, the role of chair of ASIC is critical for ensuring ASIC is pro-active, forward looking, courageous and independent.

Chair, I am not going to give the committee an exposition on my past six years. I will leave that to others.

Instead, I wanted to reiterate to the committee the importance of ASIC's role as an enforcement agency and the place this has in ensuring Australian men and women have trust and confidence in our financial system.

As I have told this committee before, ASIC is focused on enforcement and recent statistics I think underscore this belief. I would like to table a document outlining some of these statistics.

These are important numbers that show ASIC is the tough cop on the beat and that, where we see consumers coming off second best, then we will take action.

That is our role and the people of Australian would expect nothing less of us.

A critical issue I have highlighted during my term is the importance of culture for maintaining trust and confidence.

Clearly, this is a big issue for firms and something we continue to be focused on. It is a work in progress.

Of course, firms want to have the right culture. But how do they get there?

While setting the right ‘tone from the top’ is a good start, firms need to make sure this is supported by appropriate internal controls and frameworks.

Firms need to look carefully at their approach to conduct risk management. In particular, firms may want to look at each of the three lines of defence for conduct risk management:

1. the first line of defence is operational managers that own and manage risk;
2. the second line of defence is the risk and compliance function; and
3. the third line of defence is internal audit.

Firms may need to think about whether there has been appropriate investment in each of these things.

Very often, when ASIC finds poor conduct or consumer outcomes, we also find that failings in conduct risk management have contributed to the misconduct, or have prevented early detection of the problem.

In addition to considering compliance with the law, firms may need to think about whether there are appropriate controls to consider ‘harmful but legal conduct’. This conduct can also erode consumer trust and confidence, and very often will be where policymakers turn their attention to next.

Chair, the PJC is the committee to which ASIC is accountable.

Over my time at ASIC, I think I have testified before the committee more than 20 times.

I wanted to thank the committee for its always valuable engagement with ASIC over my time as Chairman.

I would like to recognise the parliamentarians - past and present - that have been members of this committee for their interest in ASIC and their careful questioning of what we do.

ASIC always aims to provide timely and informative answers to this committee. We do much preparation for these appearances and present a number of ASIC officers to answer the committee's questions.

We do this because ASIC takes its accountability to the parliament very seriously.

Chair, I would lastly like to acknowledge the men and women who work at ASIC.

I make special mention of my fellow commissioners and the senior executive leaders here today.

As I told the Senate economics committee yesterday, ours is not always an easy job but we all work at ASIC ‘For Good Reason’ and that reason is because we believe in the public interest.

I think ASIC's staff are its greatest asset and, in fact, they are some of the finest people with whom I have worked. They are hard-working, diligent and committed.

To the men and women of ASIC, I say thank you.

I have said this before – but you should all be extremely proud of the work you do and the contribution you make.

It has been a real honour to work with you all.

Chair, we are now happy to take your questions