

# Essential legal and regulatory update

John Price

Commissioner, ASIC



**ASIC**

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Australian Securities & Investments Commission

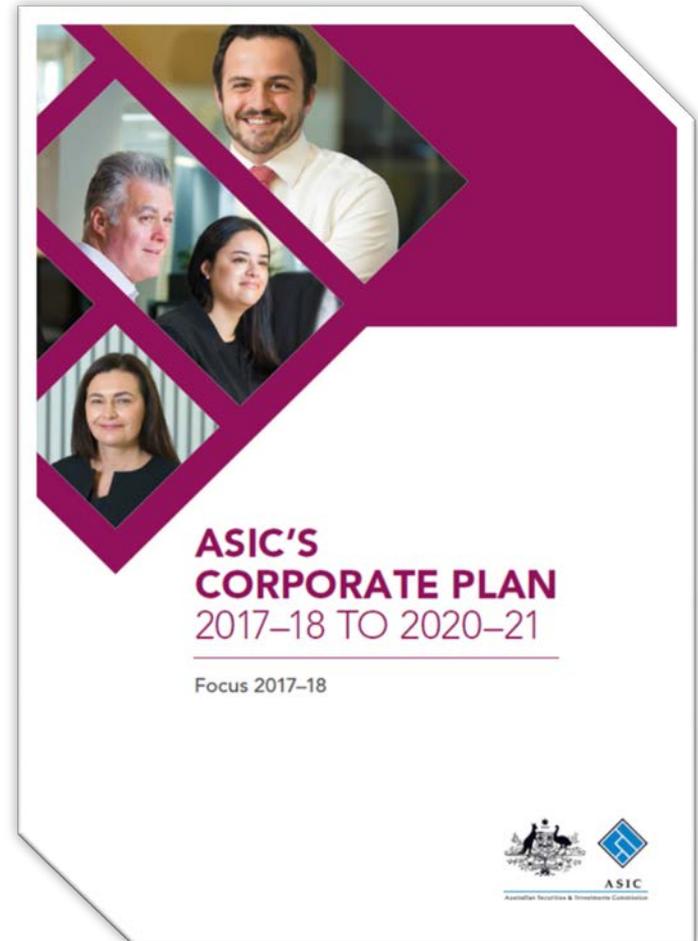
# ASIC's vision

**Our vision is to allow markets to fund the economy and, in turn, economic growth.**

In doing so, we will contribute to the financial wellbeing of all Australians.

## We do this by:

- ◆ promoting investor and consumer trust and confidence
- ◆ ensuring fair and efficient markets
- ◆ providing efficient registration services



# Focus areas for 2018



Culture and conduct - aligning conduct in a market based system with investor and consumer trust and confidence



Building financial capability



Digital disruption and cyber resilience in financial services and markets



Globalisation of financial markets, products and services



Structural and demographic change in our financial system enhancing the role of market-based financing

# Challenge 1: Culture and conduct – aligning conduct in a market-based system with investor and consumer trust and confidence



Our challenge is to encourage gatekeeper culture and conduct that supports trust and confidence and market integrity, and take action where we identify misconduct.

## Long-term challenge

Culture and  
conduct



## Key risks 2017-18

Culture and conduct in  
financial services

Culture and conduct in  
markets

# Challenge 2: Building financial capability



Our challenge is to support investor and consumer decision-making by enhancing financial capability and inclusion. We will encourage providers to create and sell products and services that meet consumer needs and deliver value for money.

## Long-term challenge

Building financial capability



## Key risks 2017-18

Financial vulnerability of consumers at key decision points

Misalignment of retail product design and distribution with consumer needs



# Challenge 3: Digital disruption and cyber resilience in financial services and markets



Our challenge is to enable investors and consumers to benefit from innovation while managing the risks from new and evolving technology-based businesses. This includes ensuring they are properly regulated and have appropriate systems and controls.

## Long-term challenge

Digital disruption  
and cyber resilience



## Key risks 2017-18

Digital disruption

Inadequate risk management  
of technological change,  
including cyber threats

# Challenge 4: Globalisation of financial markets, products and services



Our challenge is to support globalisation by fostering cross-border capital flows and managing uncertainty.

## Long-term challenge

Globalisation of  
financial markets  
products and  
services



## Key risks 2017-18

Cross-border  
businesses, services  
and transactions in an  
uncertain environment

# Challenge 5: Structural and demographic change in our financial system enhancing the role of market-based financing



Our challenge is to support business access to the increasing pool of managed funds and help investors and consumers to plan for – and fund – their retirement.

## Long-term challenge

Structural and demographic change



## Key risks 2017-18

Amplifying long-term challenges and key risks



# OneASIC: Connecting the dots to achieve better regulatory outcomes

We are continuing to strengthen our **CAPABILITIES** to help us achieve our vision



People



Culture and governance



Process and technology



Risk management



*more effectively capturing, sharing and using our data*

# Key work in 2017



Annual general meetings



Cyber resilience



Investing in IPOs



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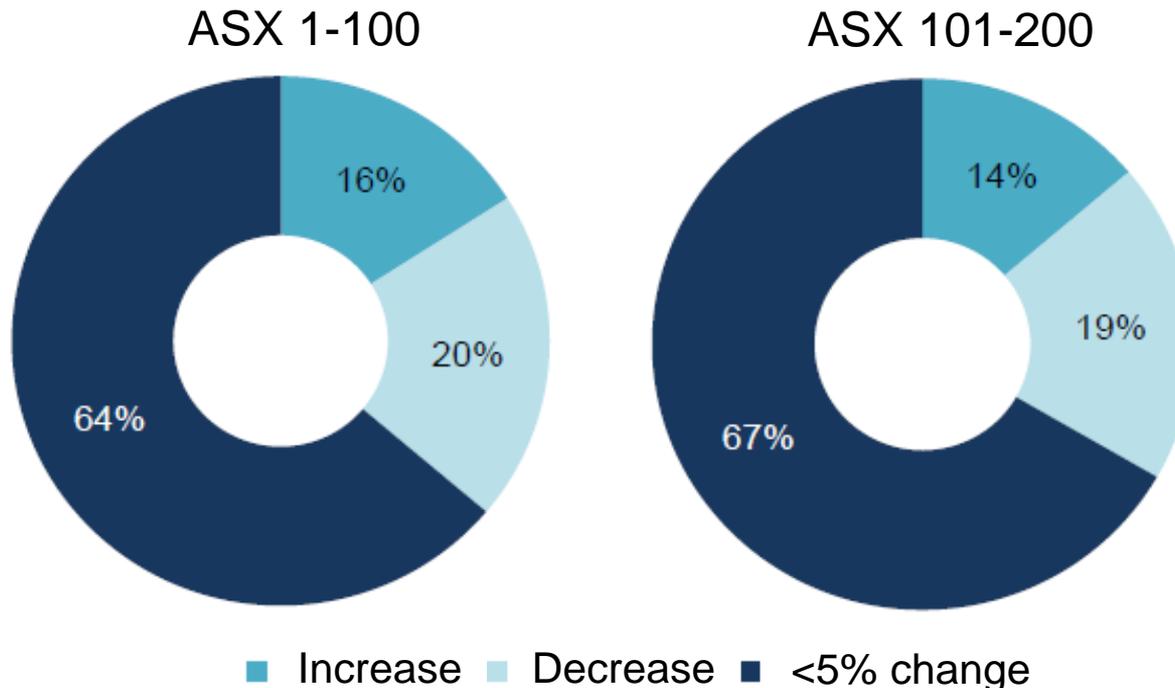
# Annual general meetings: reporting on executive remuneration

## Key findings

**6** remuneration report strikes

**93%** average 'for' vote on remuneration reports

## Change in 'for' votes on remuneration reports from 2016 to 2017



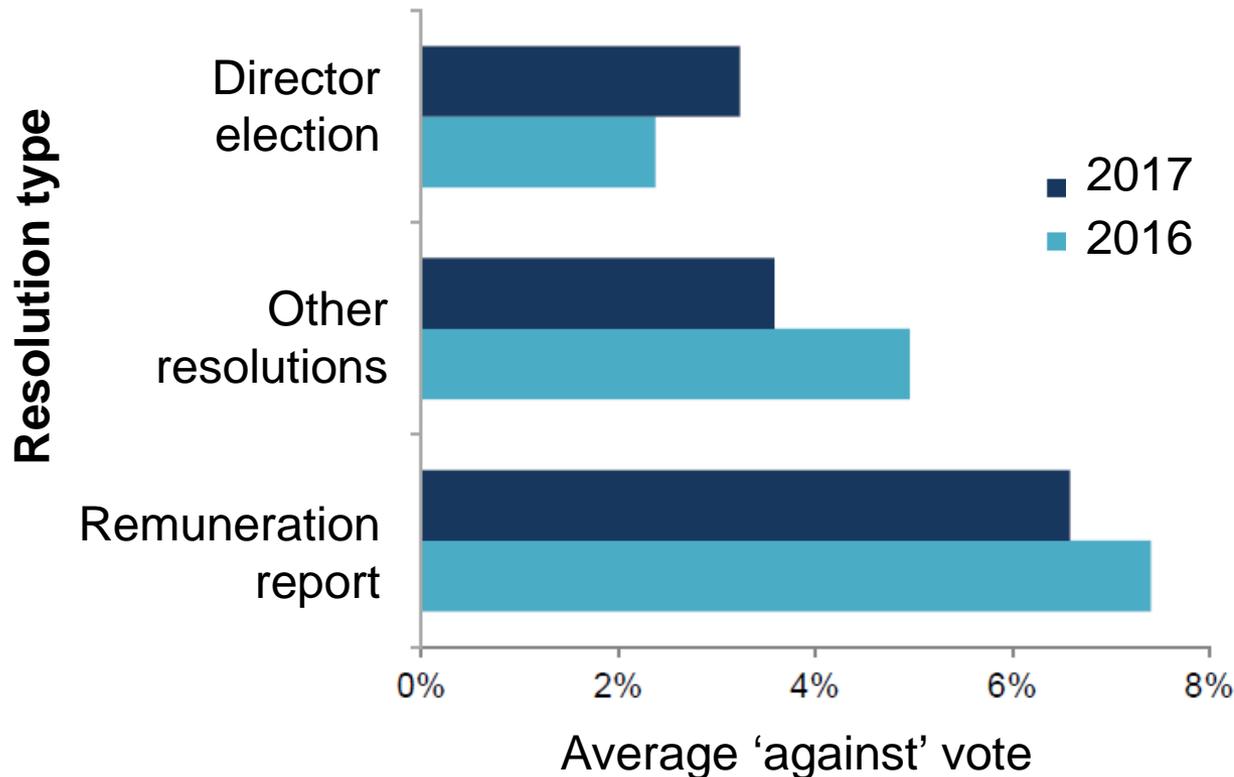
# Annual general meetings: engaging with shareholders

## Key findings

**103** material 'against' votes

**18%** average 'against' vote on these resolutions

Average 'against' vote by resolution type (ASX 200)



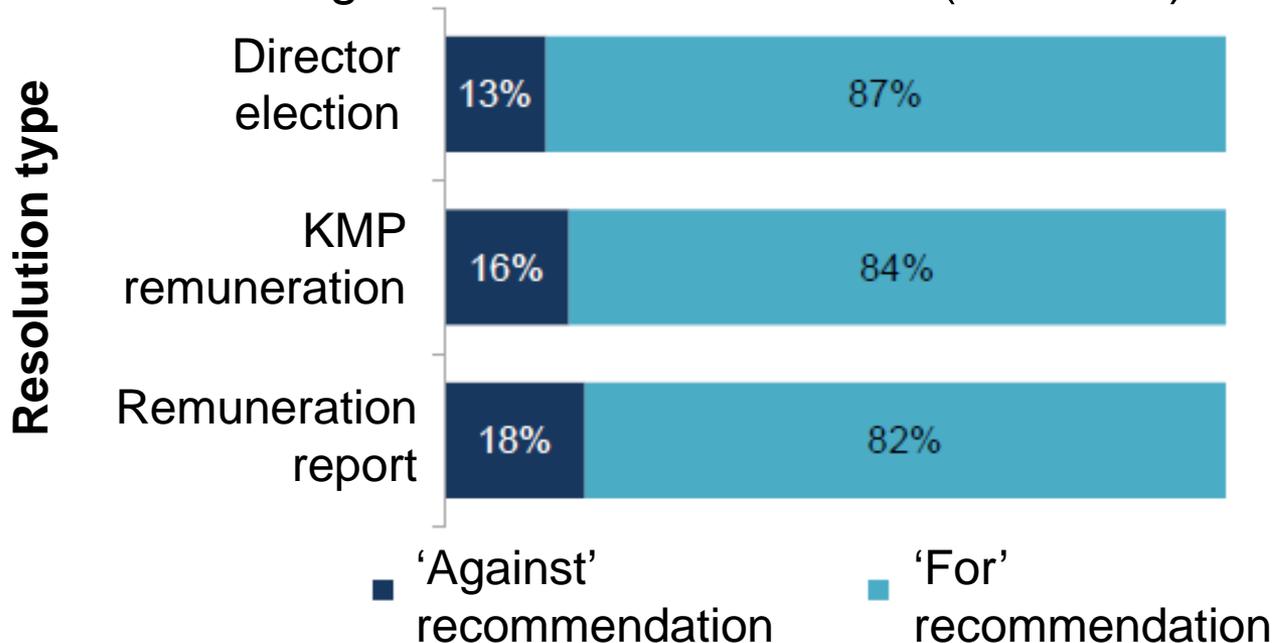
# Annual general meetings: the role of proxy advisers

## Key findings

**148** of 1,125 resolutions (13%) received 'against' recommendations

**17%** average 'against' vote on these resolutions

Percentage of resolution types that received 'against' recommendations (ASX 200)



# Cyber resilience: being adaptive and responsive to cyber threats

## Key findings

**74%** have well-managed IT security processes and procedures

**66%** reported they have cyber incident response plans in place

## ASIC will ...

### raise awareness

with good practice guidance and key questions for boards

### measure and assess

the level of cyber resilience in financial markets

### engage and collaborate

with regulated firms

### conduct conversations

with firms that appear to be challenged

### review progress

made by firms against their targets

# Investing in IPOs: understanding how investors decide to invest in IPOs



Retail  
investors

- ◆ prospectus can be challenging to read
- ◆ rely on media and investor forums
- ◆ value 'independent' analysis

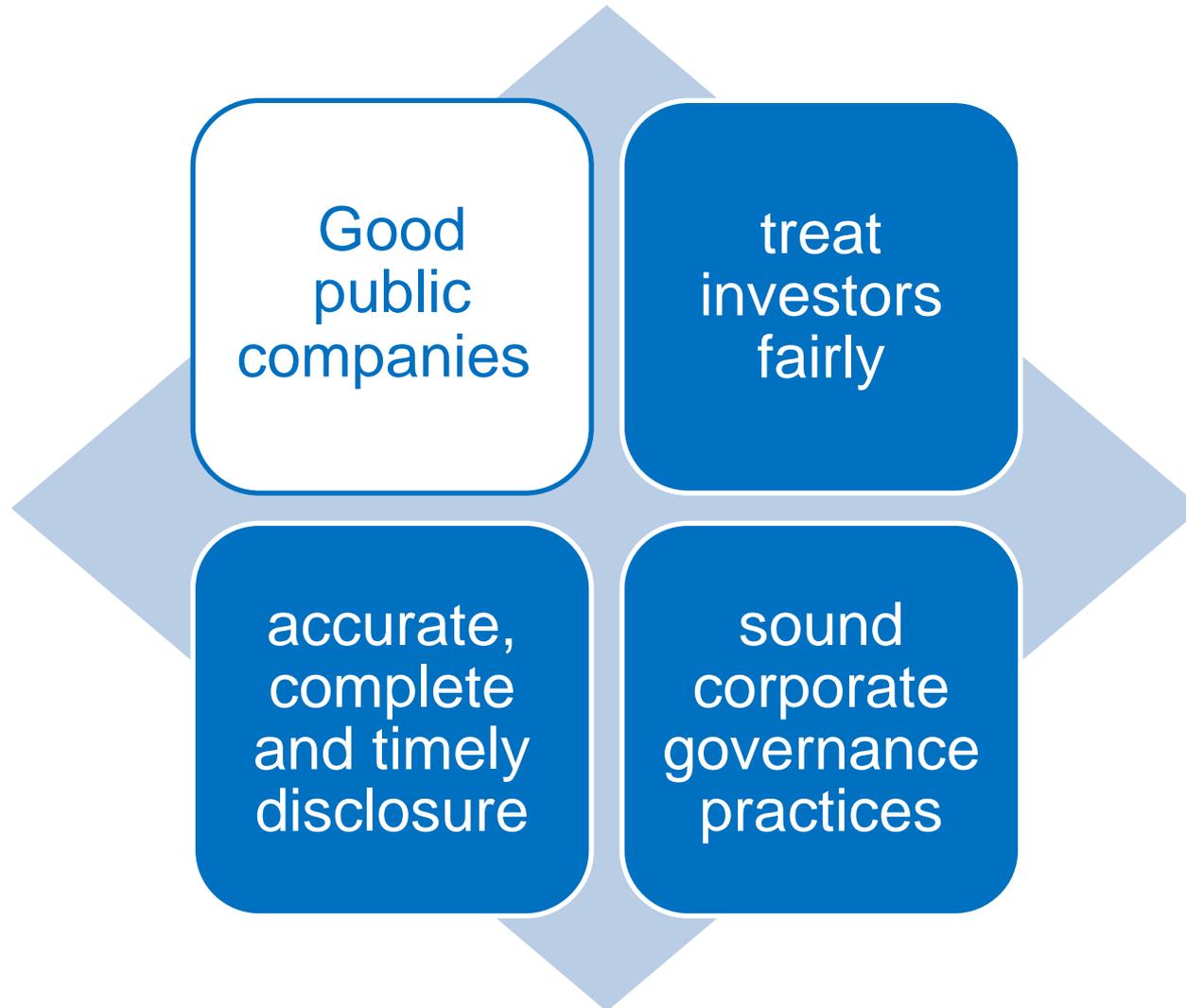
*prospectuses are a key information source for both retail and institutional investors*

- ◆ seek other sources of information
- ◆ essential to question management
- ◆ perform internal technical analysis

Institutional  
investors



# 'What good looks like'



# Voting methods: giving effect to the true will of members

ASIC encourages companies to consider conducting a poll on **all** resolutions as a matter of good corporate governance.

*it is clear that the power [to call a poll] is to be exercised not according to the chairman's personal desire or preference but to ensure that the true will of the membership is discovered on the particular proposal...*

Barrett J

*McKerlie v Drillsearch Energy Ltd* (2009) 72 ACSR 288

referring to *Second Consolidated Trust Ltd v Ceylon Amalgamated Tea & Rubber Estates Ltd* [1943] 2 All ER 567



# Financial reporting: providing clear and useful information for users of financial reports

ASIC encourages companies to focus on giving information for users of financial reports that is **useful** and **meaningful**.

ASIC inquired as to:

- 20** impairment and other asset values
- 8** revenue recognition
- 8** tax accounting
- 4** expense deferral
- 3** business combinations
- 2** consolidation accounting
- 2** operating segments
- 7** other matters

*30 June 2017  
financial reports  
220 entities*





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