



**ASIC**  
Australian Securities &  
Investments Commission



# ASIC Corporate Plan 2019–23

Focus 2019–20



# Contents

Message from the Chair	02
Our vision and mission	04
A program of change	05
Enhanced approaches to supervision and enforcement	06
Strategic planning framework	09
Environment	10
Strategic priorities	14
Actions	16
Capabilities	38
Measuring and evaluating our performance	42
Endnotes	49

## Our Corporate Plan

This corporate plan covers the period from 2019–20 to 2022–23. It has been prepared as required by s35(1)(b) of the *Public Governance, Performance and Accountability Act 2013*.

It is ASIC's primary planning document and was developed in accordance with ASIC's integrated strategic planning process.

# Message from the Chair

On behalf of the Commission, I am pleased to present ASIC's four-year Corporate Plan, covering 2019–20 to 2022–23.

As Australia's integrated corporate, markets, financial services and consumer credit regulator, our vision is for a *fair, strong and efficient financial system for all Australians*. The Corporate Plan outlines how we aim to achieve that vision through our strategic change program and key priorities.

## Our strategic change program

Over the next four years, we will continue to implement the change program we began in 2018, to bolster the impact and effectiveness of our activities. These changes include:

- › a new enforcement strategy, which focuses on increased and accelerated court-based outcomes overseen by a new Office of Enforcement and underpinned by the 'Why not litigate?' operational discipline. We will also use new and tougher powers and penalties to achieve better outcomes
- › more intensive supervision to improve the culture and behaviour of financial firms, and to enhance governance practices (e.g. our Close and Continuous Monitoring (CCM) program, Corporate Governance Taskforce and expanded oversight of financial markets)
- › greater use of next-generation regulatory tools (e.g. artificial intelligence, data analytics and behavioural sciences)
- › a new internal governance framework to support effective decision making.

As part of this change program, we are also committed to the implementation of the recommendations of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (Financial Services Royal Commission) – for example, working towards an expanded role for ASIC as the primary conduct regulator in superannuation.

## Our key priorities

We have identified seven principal strategic priorities to give effect to our vision. These priorities represent the most significant ways in which we are addressing consumer harm, punishing wrongdoing, and encouraging better culture and behaviour (including a greater emphasis on fairness and professionalism) throughout the industry. These priorities are set out on pages 14 to 15.

Our strategic priorities interact with the Financial Services Royal Commission's recommendations in many ways, and we will continue to progress the implementation of those recommendations. For example:

- › we will continue to progress the investigations and any litigation arising from the 13 Royal Commission referrals and 32 case studies
- › we are working towards the effective deployment of the new financial product design and distribution obligations and ASIC's new product intervention power
- › we have established the Office of Enforcement, which will be responsible to the Commission for enhancing the investigation of contraventions and the enforcement of laws that ASIC administers
- › we continue to actively pursue measures that can be implemented without legislative change (e.g. reporting on the extent to which product issuers are acting to end the grandfathering of conflicted remuneration)
- › we are working with the Australian Prudential Regulation Authority (APRA) to formalise and strengthen our information-sharing arrangements and to update our memorandum of understanding (MOU) to reflect our closer working relationship
- › we continue to increase our engagement with other international and domestic regulators and agencies – for example, the Australian Competition and Consumer Commission (ACCC), the Australian Transaction Reports and Analysis Centre (AUSTRAC), the Australian Financial Complaints Authority (AFCA), and the New Zealand Financial Markets Authority.

We recognise the importance of strengthening our own capabilities so that we have the right people and the right tools to do our job. To this end, we are:

- › building up ASIC's capability in behavioural sciences, data and technology
- › positioning ASIC as a strategic and agile regulator
- › developing and using new regulatory tools and remedies
- › scaling up ASIC to deliver these outcomes.



**James Shipton**  
Chair

## Our vision and mission

ASIC is Australia's corporate, markets, financial services and consumer credit regulator. ASIC's vision and mission reflect our role under the *Australian Securities and Investments Commission Act 2001* (ASIC Act).

Our statutory role under the ASIC Act is to:

- › maintain, facilitate and improve the performance of the financial system and the entities in it
- › promote confident and informed participation by investors and consumers in the financial system
- › administer the law effectively and, with minimal procedural requirements, enforce and give effect to the law
- › receive, process and store information that is given to us, efficiently and quickly
- › 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.

ASIC has the function of monitoring and promoting market integrity and consumer protection in relation to the Australian financial system.

It also has the function of monitoring and promoting market integrity and consumer protection in relation to the payments system, by promoting the adoption of approved industry standards and codes of practice, the protection of consumer interests, community awareness of payments system issues, and sound customer–banker relationships.

### Our vision

A fair, strong and efficient financial system for all Australians.

#### Our regulatory mission

To realise our vision we will use all our regulatory tools to:

- › change behaviours to drive good consumer and investor outcomes
- › act against misconduct to maintain trust and integrity in the financial system
- › promote strong and innovative development of the financial system
- › help Australians to be in control of their financial lives.

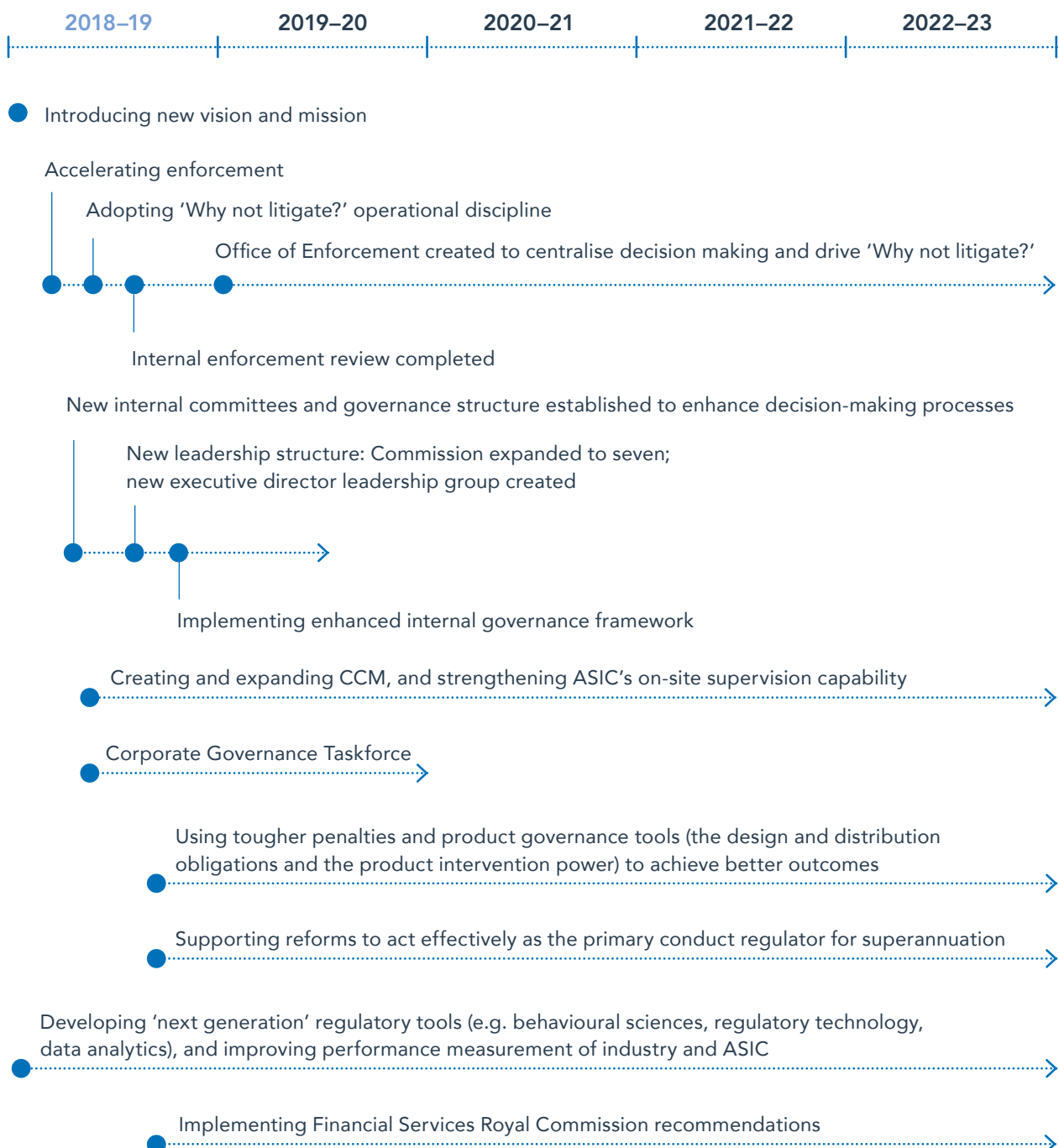
#### Our registry mission

To realise our vision we will:

- › provide efficient and accessible business registers that make it easier to do business.

## A program of change

ASIC continues to implement a number of strategic initiatives, which began in 2018, to ensure we have robust and effective regulatory tools to achieve our vision. We are committed to implementing the Financial Services Royal Commission recommendations and Australian Government reforms as part of this program.



# Enhanced approaches to supervision and enforcement

We will look to cement positive changes in culture and conduct through our supervisory and enforcement strategies

Over the next four years, ASIC will take robust approaches to enforcement and supervision to:

- › effectively address failures in the financial services industry
- › improve market integrity
- › strengthen governance practices among entities.

Our goal is to create real and positive changes in culture and behaviour to produce better outcomes for consumers and investors.

We will focus on adopting new technologies and building data capability to support our supervision and enforcement activities.

## More intensive supervision to support early intervention

We will continue to use enhanced supervisory tools to better detect cultural, organisational and risk management failings that increase the risk of consumer harm and breaches of the law. We will do so with the use of advanced data and market analytics to identify problems early and limit harms before they become widespread.

Our supervisory approach will help us gain a deeper understanding of the entities we regulate and enable us to adapt our regulatory actions to changes in the market.

### Close and Continuous Monitoring program

ASIC commenced proactive, onsite supervision under the Close and Continuous Monitoring (CCM) program in October 2018. It is a key example of our supervisory focus on early intervention and harm minimisation.

Under the CCM program, we will continue to review specific practices within the targeted regulated entities to identify deficiencies at an early stage and promptly elevate them to the key decision makers of the relevant entities.

The program's initial focus is on entities' ability to detect and respond to reportable, or potentially reportable, breaches of financial services laws and to provide comprehensive and timely rectification and remediation of those breaches. We are also analysing entities' internal dispute resolution arrangements to better understand how consumer complaints are managed.

Our findings provide good proxy indicators of the broader culture and systems issues in the industry.

As part of the program, we will continue to provide the directors and managers of the targeted regulated entities with feedback on the shortcomings we identify in their management and control systems.

We are developing a model for public reporting and plan to publish our observations of firm practices in late 2019.

Over the next four years, we plan to increase the number of large and complex financial services entities we monitor through the program and to add additional areas of focus for our supervision.

### Corporate governance

Corporate culture and governance will continue to be an area of focus for ASIC. Through the Corporate Governance Taskforce, we are continuing our review of the corporate governance practices of entities in the CCM program, as well as other ASX 100 entities from various industries.

A key objective of our review is to understand and strengthen director and officer oversight in large, listed companies. To achieve this, we are examining practices such as the oversight of non-financial risks and decisions about the granting and vesting of variable remuneration for key management personnel. We are also examining the extent to which companies' disclosures are consistent with their actual practices.

The taskforce will publish two reports in the second half of 2019 to highlight the practices we observed that call for improvement as well as those that represent good practice.

### **Expanded oversight of financial markets**

We are enhancing our oversight of market infrastructure providers and intermediaries in wholesale over-the-counter (OTC) markets to complement our approach to supervision of securities and futures markets.

In particular, we have enhanced our supervision of the largest and most complex market intermediaries including Macquarie Group, UBS and Pershing. This includes more proactive engagement to facilitate early detection of actual and potential harms, and to foster constructive and timely behavioural change.

Among other things, we are developing a deeper understanding of the governance arrangements and internal systems and controls that can help prevent poor conduct. Our targeted engagements include onsite reviews and meetings with staff and key decision makers.

This more intensive supervision allows ASIC to efficiently and effectively identify harms, provide faster feedback and guidance to market intermediaries and industry, and take further regulatory action when needed.

Themes covered by our onsite reviews include culture and conduct risk programs and training, corporate governance, compliance arrangements, pre-trade and post-trade controls, and client disclosure arrangements.

## **A more robust enforcement posture to deter, punish and publicly denounce misconduct**

The aim of our enforcement work is to effectively bring wrongdoers to account through punishment and public denunciation. In doing so, we not only seek to deter poor behaviour, but to also encourage a greater willingness among entities and individuals to act in accordance with the law and for the benefit of consumers and investors.

### **Enhanced enforcement discipline**

Over the next four years, we will target cases of high deterrence value and those involving egregious harm or misconduct (particularly towards vulnerable consumers). Our enforcement work will be guided by our 'Why not litigate?' operational discipline, which addresses the community expectation that unlawful conduct should be punished and publicly denounced through the courts.

Under this discipline, once we are satisfied breaches of the law are more likely than not to have occurred, and the facts of the matter show pursuing it would be in the public interest, we will consider the question 'Why not litigate?'.

We are committed to increasing and accelerating our enforcement cases. Additional Government funding, as announced in March 2019, will enable ASIC to bring more cases to court and outsource additional case-specific work.

The full impact of our enhanced approach to using court-based tools will only be fully visible over time. But there has been recent evidence of the shift. The number of enforcement matters in progress at June 2019 was 20% higher than the same time the previous year.

## Office of Enforcement

ASIC's Internal Enforcement Review in 2018 led to the establishment of the Office of Enforcement, which became operational on 1 July 2019. This office is responsible for carrying out our key enforcement activities and coordinating our enforcement strategy, including the implementation of our 'Why not litigate?' operational discipline.

The Office of Enforcement will identify, prioritise and be accountable for the most important enforcement matters across ASIC, and monitor and report on the activities of our law enforcement teams.

The Office of Enforcement will oversee the use of emerging technologies to enhance our enforcement capabilities, and monitor budgeting and resourcing requirements.

Teams operating under the Office of Enforcement will be separate, to the extent possible, from our non-enforcement related contact with regulated entities.

## Expanded enforcement toolkit

ASIC's ability to carry out its enforcement agenda effectively has been significantly boosted by the *Treasury Laws Amendment (Strengthening Corporate and Financial Sector Penalties) Act 2019*. The new laws introduced increased maximum prison terms for most serious offences, with individuals now facing up to 15 years imprisonment. The laws also provided higher civil penalties for individuals and companies (up to \$525 million).

Importantly, the new laws introduced a civil penalty for breaches of s912A of the *Corporations Act 2001* – a cornerstone obligation to provide financial services 'efficiently, honestly and fairly'.

We will be pursuing cases where we are able to use ASIC's new powers and penalties to achieve better outcomes. We will focus on both corporate accountability and individual accountability. We will scrutinise whether individuals at executive and board levels are carrying out their legal responsibilities.

## ASIC enforcement work and the Financial Services Royal Commission

ASIC has prioritised 45 matters highlighted by or arising from the Financial Services Royal Commission.

These comprise 13 referrals from the Royal Commission, for one of which we have commenced proceedings, and 32 matters which were case studies at the Royal Commission hearings and are under investigation.

Proceedings have commenced in one of the matters treated as case studies by the Royal Commission, and briefs for two of these matters have been referred to the Commonwealth Director of Public Prosecutions.

In addition, we are engaged in a large volume of work relating to potential misconduct by major financial institutions and their representatives. A number of these are likely to result in referrals for criminal prosecution.

## Product intervention power and design and distribution obligations

ASIC's new product intervention power has significantly strengthened ASIC's consumer protection toolkit.

ASIC now has the power to intervene where financial or credit products have, or are likely to, result in a significant consumer detriment. The new power will reduce or avoid unfair consumer outcomes for these products.

We are developing regulatory guidance on our administration of the product intervention power, including how we use the power and how we make a product intervention order.

We are examining our proposed use of the power in the short term credit industry, where significant consumer harm may arise from a particular business model designed to provide short term credit at high cost to vulnerable consumers.

We are further consulting on the use of the power to ban the issue and distribution of OTC binary options to retail clients, and impose conditions on the issue and distribution of OTC contracts for difference to retail clients.

Linked to the product intervention power are the new design and distribution obligations, requiring issuers and distributors to design, market and distribute financial and credit products that meet consumer needs. Issuers must identify, in advance, the consumers for whom their products are appropriate and direct distribution to that target market. The new obligations will promote fairer outcomes for consumers. We will consult on guidance about the obligations in late 2019 before they commence in April 2021.

# Strategic planning framework

ASIC's strategic planning framework guides the development of our priorities and actions.

## Our planning process

We develop and review our priorities and program of work through our annual strategic planning process.

The process begins with the application of our threats, harms and behaviours framework, which identifies, describes and prioritises actual and potential harms to consumers, investors and markets. The framework includes several stages:

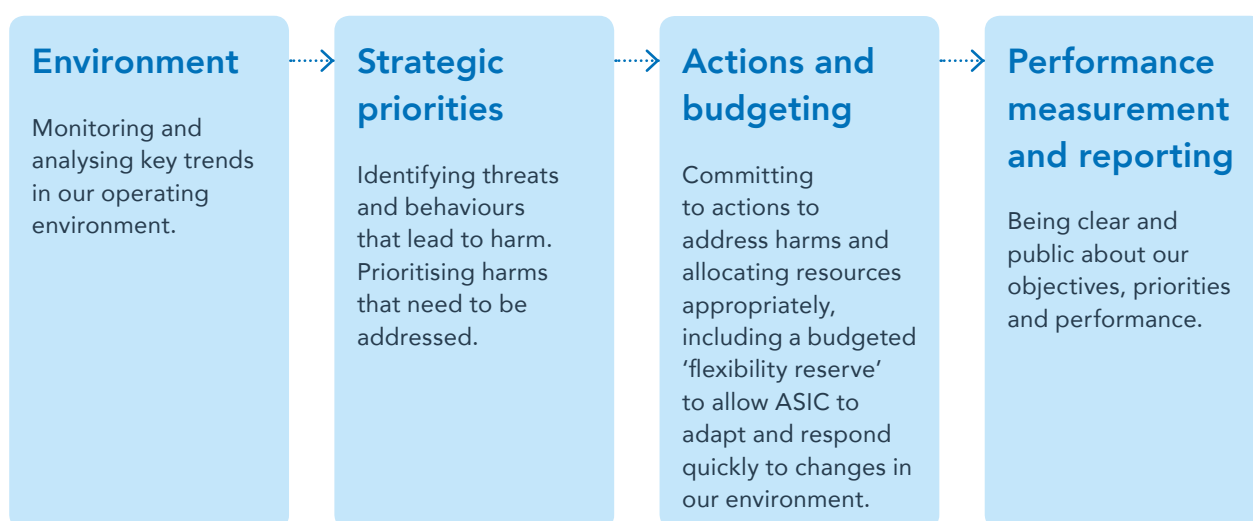
- › Analysing our external operating environment, including key economic and sectoral trends.
- › Identifying and prioritising a broad range of threats and behaviours that are, or could potentially, cause harm. This includes the work of our Emerging Threat and Harm Committee, which monitors, analyses and responds to changes in our operating environment.
- › Testing the rigour of our results with independent external advisory panels and experts.

Our strategic priorities are set according to the types of harms we see as most significant, and what we view as the most effective way of taking action against them. These priorities drive the finalisation of business plans for the coming year and the allocation of resources.

The planning process provides the basis on which we can evaluate and report on our performance.

We continually seek to improve our strategic planning process. Furthermore, we are continuing to review the effectiveness of how we consult and engage with external experts through our various panels to maximise the benefits to our work.

## ASIC'S planning process



# Environment

We examine key trends in the environment to better understand our challenges over the next four years.

## Economic conditions

Australian economic conditions have softened over the past year. Economic growth has slowed and property prices have continued to fall, contributing to lower consumer sentiment. The labour market has also begun to show signs of weakening.

The domestic economy is likely to exhibit low and stable growth in the near term. The Reserve Bank of Australia (RBA) anticipates:

- › gross domestic product (GDP) growth of around 2.75% over 2019–20
- › subdued inflation at or below 2%
- › slow overall wages growth
- › a sustained low cash rate – provided inflation remains below the target range.<sup>1</sup>

Global economic activity has also slowed since late 2018. The short-term outlook is challenging, given the ongoing trade tensions between the United States and China and the risks surrounding an orderly Brexit. The International Monetary Fund (IMF) forecasts the global economy to expand by 3.3% in 2019, down from 3.6% in 2018, before rebounding in 2020.<sup>2</sup>

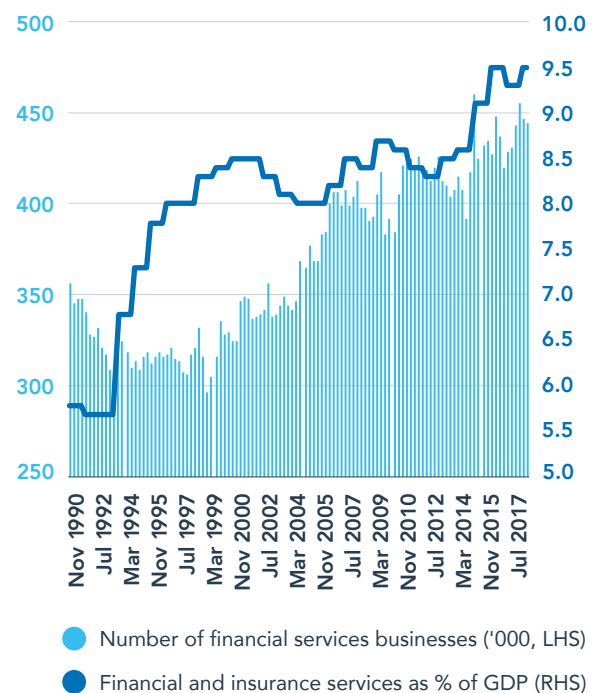
## The Australian financial system

The financial sector plays an important role in the wellbeing of all Australians. It facilitates transactions, investment and credit, provides employment, and supports economic growth. Australia's financial sector is large and growing, and is integral to the day-to-day functioning of society.

- › Financial services contributed 9.4% of the economic activity (GDP) in 2018–19.<sup>3</sup>
- › There are over 209,000 businesses providing financial and insurance services, which make up 9% of Australian businesses.<sup>4</sup>

- › Over 450,000 Australians work in financial and insurance services, which make up 3.5% of all jobs.<sup>5</sup>
- › There is \$2.9 trillion in total credit, which continues to drive demand and growth across the economy.<sup>6</sup>

**Figure 1: Growth in financial services in Australia (1990–2018)<sup>7</sup>**



Source: Australian Bureau of Statistics (ABS), ASIC.

The financial sector is undergoing a period of regulatory change aimed at improving consumer outcomes and system resilience. This has largely been shaped by the recommendations of the recent major reviews into the financial sector, including:

- › the Financial Services Royal Commission, which highlighted significant cultural failings and widespread misconduct within financial institutions

- › the Productivity Commission's inquiry into the efficiency and competitiveness of the superannuation industry, which made 31 recommendations to improve consumer outcomes in superannuation
- › the Productivity Commission's inquiry into competition in the Australian financial system, which recommended measures to improve the mortgage broking industry and increase the level of competition in the Australian financial system.

## Banking sector

The banking sector is the largest part of the Australian financial system. As of March 2019:

- › authorised deposit taking institutions (ADIs) in Australia held \$4.83 trillion of assets. They posted a combined net profit after tax of \$34.7 billion in the 12 months to March 2019
- › there were 144 ADIs operating in Australia, including 88 banks and 46 credit unions
- › approximately 76% of bank assets were held by the big four banks (Commonwealth Bank of Australia (CBA), Westpac, the Australia and New Zealand Banking Group (ANZ) and the National Australia Bank (NAB))
- › the total capital ratio for all ADIs was 14.9% – a strong capital position compared to international peers.<sup>8</sup>

Key trends in the sector include:

- › larger institutions' divestment of wealth management and insurance arms as they streamline their operations to focus on banking products and markets
- › a greater proportion of loans written under tighter credit guidelines
- › improvements in resilience to shocks if the increased capital adequacy requirements proposed by APRA are implemented.<sup>9</sup>

## Superannuation

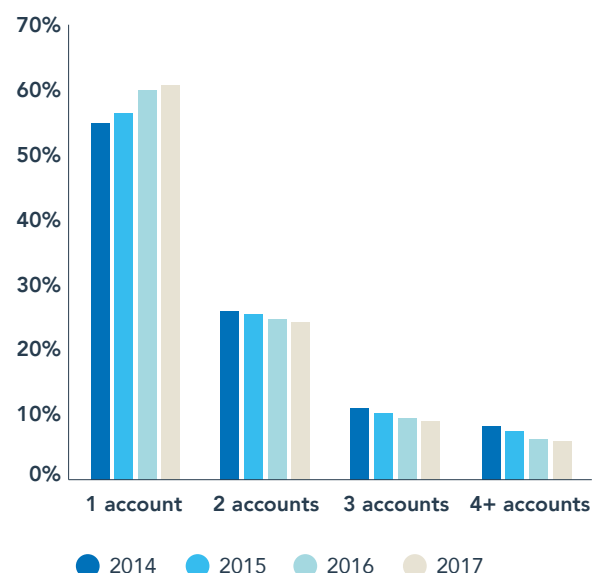
Australia's superannuation industry continues to mature and expand. Superannuation assets, including assets held by self-managed superannuation funds (SMSFs), totalled \$2.78 trillion as at March 2019, up 6.7% from March 2018.<sup>10</sup> Around 15.6 million Australians are currently saving for their retirement through superannuation.<sup>11</sup>

The industry is undergoing a period of change as a result of

- › the implementation of recommendations from the Financial Services Royal Commission and the Productivity Commission's superannuation review
- › the 'Protecting Your Superannuation Package' reforms
- › a heightened focus by regulators on underperforming funds.

Superannuation reforms seek to achieve better outcomes for consumers, including a reduction in duplicate and inactive accounts and the cessation of unnecessary insurance and associated costs.

**Figure 2: Superannuation accounts held by Australians (2014 to 2017)<sup>12</sup>**



Source: Australian Taxation Office (ATO), ASIC.

## Insurance

Australia has a diverse insurance industry that offers a wide range of products.

Profits in most product sectors are expected to grow at around 3.8% over the medium term. Growth will be supported by low revenue volatility and Australia's continuously growing population.<sup>13</sup>

There has been recent pressure in the life insurance sector due to low investment returns and goodwill write-offs. Structural issues – as well as regulatory reforms arising from the Financial Services Royal Commission and the Parliamentary inquiry into the life insurance industry – are likely to put further pressure on the sector.

A further trend in the sector is the sale of life insurance businesses by Australian banks to large, global insurers with strong underwriting expertise and significant financial backing.<sup>14</sup>

## Financial markets

Australia has globally connected and highly-developed financial markets. Ongoing volatility, driven largely by the uncertain global trade outlook, have led to the mixed performance of domestic markets:

- › The S&P/ASX 200 Index rose 8.8% in 2018–19, hitting a 12-year high in June, fuelled by persistently low domestic interest rates and a depreciating Australian dollar.
- › Government bond yields have declined to historically low levels – reflecting international trends and weaker than expected domestic economic data.
- › Outstanding debt securities issues in Australia by Australian non-financial corporations fell by 9.9% to \$2.49 trillion from April 2018 to April 2019.<sup>15</sup>

A softer economic outlook, coupled with ongoing geopolitical tension, are likely to lead to some volatility in financial markets over the coming period.

## Corporate failures

There has been a small increase in the number of insolvencies in 2018–19. In the 12 months to May 2019, 8,076 companies entered into external administration (up 2.3% from the same period the previous year).<sup>16</sup> Some 18.4% of those companies were in the construction industry.<sup>17</sup> However, the number of insolvencies remain well below levels observed following the global financial crisis.

The insolvency practitioners sector continues to contract, with 654 liquidators currently registered – the lowest number since records were kept.<sup>18</sup> The decrease is being driven by increased competition for fewer appointments, a reduction in the number of firms, more stringent initial and ongoing registration processes and the relatively depressed insolvency market. A shortage of liquidators may present challenges if the number of insolvencies rise.

## Vulnerable consumers

In recent years, the Financial Services Royal Commission, the Productivity Commission and several Parliamentary inquiries have drawn increasing attention to the risks to, and vulnerability of, consumers in the financial services, insurance and superannuation markets.

Any individual consumer can experience vulnerability as a result of any number of factors, including:

- › the actions of the market or individual providers (e.g. being targeted by products that are inappropriate for a particular consumer, or being given inadequate or overly complex documentation)
- › experiencing specific life events or temporary difficulties (e.g. an accident or sudden illness, a relationship breakdown, family violence, job loss, having a baby, or the death of a family member)
- › personal or social characteristics that can affect a person's ability to manage financial interactions (e.g. speaking a language other than English, having different cultural assumptions or attitudes about money, or experiencing cognitive or behavioural impairments due to intellectual disability, mental illness, chronic health problems or age).

The Financial Services Royal Commission particularly focused on Indigenous Australians and people living in regional and remote areas as vulnerable consumers.

Regulators are working to identify and eliminate practices and products that exploit or create consumer vulnerability, and to provide guidance on better management of consumer complaints. Financial services providers will be required under the new design and distribution obligations to design products that are fit for purpose and better meet consumer needs.

At the same time, financial services providers and regulators are continuing their work to improve Australians' financial capability, ensuring the ordinary consumer can better understand and manage their finances.

## Technology

New technologies and innovations continue to shape the financial services landscape.

Australia has a rapidly developing financial technology (fintech) sector, which is expanding beyond online banking into payment wallets, supply chain solutions, big data analytics and a range of other tech-based products and solutions. Buy now, pay later services – which allow consumers to purchase items in instalments via an app – have seen particularly strong growth. Over 500 fintech businesses are now operating or based in Australia.<sup>19</sup>

Regtech is also developing rapidly among regulators and their regulated populations. This technology has significant potential to help organisations build a culture of compliance and save time and money relating to compliance activities. Regtech is also used by regulators such as ASIC in the way they undertake regulatory work, including how they engage with different industries (e.g. through the use of technology-assisted guidance to help businesses navigate the regulatory framework).

New risks will continue to emerge and evolve with technological advancements. Cyber-security threats – such as data breaches, system disruptions and financial system attacks – are a major concern for both businesses and regulators.

# Strategic priorities

## We will prioritise regulatory actions that target five key thematic drivers of harm

Over the four years to 2022–23, we will continually seek to identify and assess the prevailing threats and behaviours that result in harm within the markets we regulate.

In 2019–20, we are focused on addressing **five key thematic drivers of harm** to consumers and markets through **seven regulatory priorities**, listed below.

Key drivers of harm	Poor design and inappropriate sale of investment and protection products
	Inappropriate sale of credit products to consumers and limited access for small business
	Poor conduct in financial markets driven by lack of competition, structural challenges or conflicts of interest
	Poor governance (by boards, executives and investors), lack of professionalism, poor culture and lack of accountability
	Regulated entities are not deterred from misconduct by ASIC's regulatory action
ASIC priorities	1. High-deterrence enforcement action
	2. Prioritising the recommendations and referrals from the Financial Services Royal Commission
	3. Delivering as a conduct regulator for superannuation
	4. Addressing harms in insurance
	5. Improving governance and accountability
	6. Protecting vulnerable consumers
	7. Addressing poor financial advice outcomes

### 1. High-deterrence enforcement action

We are focused on efficient and effective enforcement action, particularly cases that have a high deterrence value and those responding to egregious misconduct (e.g. misconduct impacting vulnerable consumers).

We will better communicate our enforcement priorities, outcomes and performance.

### 2. Prioritising the recommendations and referrals from the Financial Services Royal Commission

Our work is being guided by the outcomes of the Financial Services Royal Commission. In addition, we will support key law reforms to achieve the recommendations of the Royal Commission.

We will prioritise Financial Services Royal Commission referrals, and progress them efficiently and effectively.

### **3. Delivering as a conduct regulator for superannuation**

In establishing ASIC as the primary regulator of conduct in superannuation, consistent with the Government's response to the Financial Services Royal Commission recommendations, we will improve outcomes in superannuation through:

- › taking decisive regulatory and enforcement action to deter misconduct, and supporting relevant legislative reforms
- › supervision and surveillance of superannuation trustees focussing on whether trustees act in the best interest of consumers and treat them fairly
- › implementation of the superannuation recommendations of the Financial Services Royal Commission and other reviews.

### **4. Addressing harms in insurance**

We will take enforcement and other regulatory action against mis-selling, particularly to vulnerable consumers, and review product features and practices that raise concerns.

We will support and implement insurance law reforms. As these reforms are implemented, we will take regulatory action on unfair contract terms and problems in claims handling.

### **5. Improving governance and accountability**

We will conduct enhanced and intensive supervision of key firms, including via our CCM program and our Corporate Governance Taskforce.

We will be prioritising enforcement cases that hold individuals to account for governance failures that result in harm.

We are committed to supporting and implementing the proposed conduct accountability regime, and new laws on phoenix activity to deter misconduct among company directors and practitioners.

### **6. Protecting vulnerable consumers**

Considering the impact of harm to consumers, particularly those who are vulnerable, is central to how we prioritise our work.

We will take regulatory action against unfair treatment of consumers facing hardship as well as irresponsible actions by financial services providers.

We remain committed to our Indigenous Outreach Program, which helps Indigenous Australians better manage their finances and improves the quality of financial services provided to them.

### **7. Addressing poor financial advice outcomes**

We will support measures to improve the professionalism of financial advisers and target the potential misconduct and harms to consumers that may arise from the industry's shift towards 'general advice' models.

We are also closely monitoring the potential harms that may result from larger institutions' departure from the sector.

# Actions

We will realise our vision by taking specific regulatory actions over the next four years.

To promote a fair, strong and efficient financial system for all Australians, ASIC's program of work will influence behaviours to drive positive consumer outcomes, act against misconduct, support strong and innovative developments in the system, and help Australians gain control of their financial lives.

Much of what we do will directly relate to or overlap with the recommendations of the Financial Services Royal Commission, which we are committed to implementing.

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## Change behaviours to drive good consumer and investor outcomes

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### Action 2019–20 to 2022–23

Over the next four years, we are committed to promoting positive behaviour in the entities and individuals we regulate to improve financial outcomes for consumers and investors.

The key characteristics of positive behaviours include:

- › **fairness**, which is manifested in treating consumers fairly, including by providing services and products that are accessible, perform in a way that consumers are led to expect and take into account their interests
- › **professionalism**, which calls for the actions of entities and individuals to accord with a high standard of competence, independence, integrity, care, ethics and conscientiousness
- › **strong governance controls**, which promote sound decision making and foster a positive culture of achieving efficient, honest and fair outcomes
- › a commitment to **design and distribute products that meet the needs of consumers and provide value for money**
- › **healthy competition** between product and service providers, based on differing business models and structures

- › **robust disclosure and reporting practices** which provide clear, accurate and timely information to consumers based on their needs
- › **timely and accurate breach reporting to ASIC**
- › **efficient handling of complaints and dispute resolution**
- › **appropriate and timely consumer compensation** where losses have resulted from poor conduct.

We will encourage and advocate for positive behaviours, as well as deter poor behaviour, by:

- › supporting and/or providing policy advice on Government initiatives, such as law reforms arising from the recommendations of the Financial Services Royal Commission (e.g. a conduct accountability regime, the product governance regime that includes the design and distribution obligations and the product intervention power, and reforms relating to enforceable codes of conduct)
- › using new tools and powers (e.g. the product intervention power)
- › reporting on our observations of good and poor practices in the industry from supervision and surveillance
- › taking deterrence-based enforcement action, particularly in cases that would attract new penalties

- › taking action, including court action, to test the boundaries of legal obligations and to provide clarity to industry about required standards of behaviour
- › using transparency tools to deter poor behaviour and promote better outcomes (e.g. publishing the outcomes of our regulatory activities and, where appropriate, identifying entities or holding public hearings)
- › continuing to effectively and efficiently assess applications for Australian financial services (AFS) and credit licences and professional registrations, to help ensure only those with requisite skills, competence and ethical standards are able to provide financial services and credit in Australia
- › engaging with stakeholders and consumers
- › increasing our coordination and exchange of information with other regulators (e.g. through the new ASIC-APRA MOU and protocols in response to a recommendation of the Financial Services Royal Commission)
- › improving and maintaining standards. We will work with industry to develop robust standards of practice and monitor the adoption of those standards
- › issuing new and revised guidance, informed by in-depth research of relevant sectors, markets and products
- › using regular communications, including public reports and websites, as a way to promote better practices.

## Action 2019–20

Project	Project status	Focus
Cross-sector		
CCM program	Continuing	<ul style="list-style-type: none"> <li>› Examining the ability of each of Australia's five largest financial institutions to identify and manage non-financial risks and how the business models of these institutions affect those risks</li> <li>› Creating better regulatory engagement between ASIC and monitored institutions</li> <li>› Examining the scope to expand the program to include more financial institutions, and building a capability and infrastructure framework to support an expanded program</li> <li>› Developing a model for public reporting with a plan to publish observations of firm practices in late 2019</li> </ul>
Corporate Governance Taskforce	Continuing	<ul style="list-style-type: none"> <li>› Reviewing and reporting on corporate governance practices across a range of entities, with a focus on director and officer oversight of non-financial risk and board oversight of variable remuneration of key management personnel</li> <li>› Examining behavioural insights into interactions between directors and officers and into board effectiveness</li> <li>› Publishing two reports in the second half of 2019 to highlight the practices we observed that call for improvement, as well as those that represent good practice</li> </ul>

Project	Project status	Focus
Fairness	New	<ul style="list-style-type: none"> <li>› Publishing ASIC's position on how industry should consider fairness when providing financial services and acting in financial markets</li> <li>› Developing and applying principles of fairness that can be used to identify and prioritise supervisory and enforcement action, and to inform the development of regulatory policy</li> <li>› Encouraging corporate culture and behaviour that achieves efficient, honest and fair outcomes as a result of our supervisory activities – e.g. Corporate Governance Taskforce</li> <li>› Take enforcement action, where appropriate, to address conduct that is not efficient, honest and fair</li> <li>› Consulting on design and distribution obligations to promote industry behaviour that leads to fairer outcomes for consumers</li> <li>› Using the product intervention power to intervene where there is, or is likely to be, significant consumer detriment</li> <li>› Reviewing and revising ASIC's existing remediation policy in Regulatory Guide 256 <i>Client review and remediation conducted by advice licensees</i> (RG 256)</li> </ul>
Transparency	New	Developing 'transparency' tools in the regulatory context to drive improved industry behaviour, more effective competition and better consumer outcomes (e.g. identifying entities in our public reports, where appropriate, and holding public hearings)
Fees and costs disclosure in managed investments and superannuation	Continuing	Issuing an updated Regulatory Guide 97 <i>Disclosing fees and costs in PDSs and periodic statements</i> (RG 97) and associated instruments, and communicating with industry, financial advisers and consumers about the application of the fees and costs regime
Advice by superannuation funds	Continuing	<ul style="list-style-type: none"> <li>› Examining advice services offered by superannuation funds to their members and testing the quality of that advice</li> <li>› Publishing our findings in a public report</li> </ul>
Executive accountability	Continuing	<ul style="list-style-type: none"> <li>› Supporting the extension of the existing Banking Executive Accountability Regime (BEAR) to all APRA-regulated entities, including to insurers and superannuation funds</li> <li>› Supporting the extension of the regime to capture a broader range of conduct and non-prudentially regulated entities to be administered by ASIC</li> </ul>
Improving codes of practice	Continuing	Working with industry to improve codes of practice, with particular reference to the recommendations of the Financial Services Royal Commission
Wealth management restructures	Continuing	Monitoring the restructure of large banks away from wealth management and the potential flow-on impacts for consumers

Project	Project status	Focus
<b>Credit, retail banking and payments</b>		
Responsible lending guidance	Continuing	<ul style="list-style-type: none"> <li>› Holding public hearings as part of our consultation</li> <li>› Updating our regulatory guidance on responsible lending</li> </ul>
Home lending: Experiences of consumers taking out home loans	Continuing	Publishing results of consumer research where we followed over 250 consumers in the process of taking out a home loan
Consumers facing financial difficulty	New	Reviewing how lenders respond to consumers experiencing financial difficulty, including their debt collection practices
Mortgage broker accountability	New	Examining mortgage broker accountability for home loan recommendations and whether those recommendations align with consumer requirements and objectives
Recurrent mortgage data collection	Continuing	Examining the effectiveness of a pilot project on collection of recurrent data on home loans as a tool for improving ASIC's oversight of industry practices
Loan application fraud review	Continuing	Reviewing the type and level of fraud in loan applications, the level of consumer harm and industry practices for detecting and responding to loan application fraud. A report will be published on our findings
<b>Insurance</b>		
Insurance law reform	New	<ul style="list-style-type: none"> <li>› Assisting Treasury to implement the reforms arising from the Government's response to the Financial Services Royal Commission, including the extension of unfair contract terms regime to insurance, removal of the claims handling exemption, banning of hawking of insurance and other products, introduction of a deferred sales model for add-on insurance, changes to the <i>Insurance Contracts Act 1984</i> on the duty of disclosure and insurers' ability to avoid life insurance contracts, and removal of the exemptions for funeral expenses policies</li> <li>› Developing industry guidance on legislative reform, where needed</li> <li>› Consulting on a proposal to ban unsolicited telephone sales of direct life insurance and consumer credit insurance (CCI) using our modification power, and to introduce a deferred sales model for add-on insurance sold through car yards, to complement the Government's law reform agenda</li> <li>› Continuing to work to address problems in relation to the sale of add-on insurance products in the context of motor vehicle sales</li> </ul>

Project	Project status	Focus
Total and permanent disability (TPD) insurance review	Continuing	Publishing a report on our findings about key consumer harms arising from product design, claims handling practices, data resources, and declined claims rates
CCI review	Continuing	Requiring lenders to undertake large-scale remediations to address consumer harm involving over 300,000 affected consumers who are to be paid over \$100 million in refunds of premiums and interest. This was identified in Report 622 <i>Consumer credit insurance: Poor value products and harmful sales practices</i> (REP 622), which described the findings of our review of, and set minimum expectations for, lenders who sell CCI and insurers who design the products and handle claims
Travel insurance review	New	<ul style="list-style-type: none"> <li>› Reviewing travel insurance distribution channels and assessing outcomes for consumers, including product value</li> <li>› Publishing an initial report on findings</li> </ul>
Life insurance data collection	Continuing	Together with APRA, continuing to collect and publish life insurance claims and disputes data and updating the MoneySmart life insurance claims comparison tool to promote informed decisions and improve consumer outcomes
<b>Financial advisers</b>		
Ending grandfathered commissions	New	<p>In accordance with a direction from the Treasurer, conducting:</p> <ul style="list-style-type: none"> <li>› a quantitative review of payers of grandfathered commissions on a periodic basis, to test the extent to which payers have changed their grandfathered commission arrangements</li> <li>› a qualitative review of a sample of payers and receivers of grandfathered commissions, to understand why payers of grandfathered commissions have, or have not, ended grandfathered arrangements and how rebating arrangements are working in practice</li> </ul>
Examining the effectiveness of measures to improve quality of advice	New	Assisting Treasury to implement the Financial Services Royal Commission recommendation to review the effectiveness of measures implemented by Government, regulators and financial services entities to improve the quality of advice. This will include scoping and commencing the work (which will involve a large number of advice file reviews)
Protecting consumers of general advice	New	Conducting consumer testing of more appropriate labels for general advice and different versions of the 'general advice' warning, and publishing a report on the findings
Unmet advice needs	New	Examining the demand and supply of advice, the gaps (if any) between them, and potential solutions to reducing those gaps

Project	Project status	Focus
Review of life risk insurance commissions	Continuing	<ul style="list-style-type: none"> <li>› Reviewing whether legislative reforms to life insurance remuneration, which commenced in January 2018, have better aligned the interests of financial advisers and consumers</li> <li>› Collecting relevant data from insurers to support our analysis</li> </ul>
Compliance scheme approvals	Continuing	Approving and monitoring code compliance schemes, including providing initial feedback, assessing applications and conducting regular meetings to monitor effectiveness
Financial Advisers Register enhancement	Continuing	<ul style="list-style-type: none"> <li>› Enhancing the Financial Advisers Register to incorporate training and professionalism reforms</li> <li>› Providing guidance on compliance with new notification requirements for the Financial Advisers Register</li> </ul>
Review of training of financial product advisers	New	Reviewing Regulatory Guide 146 <i>Training of financial product advisers</i> (RG 146) and assessing what training standards apply to individuals providing general advice, or personal advice on basic banking products, general insurance and consumer credit insurance, to retail clients
Reward/incentive practices on adviser conduct	Continuing	Analysing how different rewards and incentives can influence individual financial adviser conduct and how that impacts on consumers
SMSF red flags	Continuing	Developing a series of SMSF 'red flags' for consumers considering whether to establish an SMSF, so they can make informed decisions. This will be communicated through an infographic
<b>Investment managers</b>		
Fund manager resilience	Continuing	<ul style="list-style-type: none"> <li>› Risk-based surveillance of schemes that may experience liquidity issues in a market downturn, with a focus on illiquid and unlisted funds</li> <li>› Examining measures to improve funds' resilience</li> </ul>
Time-sharing schemes	Continuing	Implementing the revised Regulatory Guide 160 <i>Time-sharing schemes</i> (RG 160) and associated relief
Consumer issues for managed discretionary accounts (MDAs) and platforms	Continuing	Information gathering on harms, risks and regulation of platforms and MDAs, and considering necessary changes to regulatory settings

Project	Project status	Focus
<b>Superannuation</b>		
Implementing Royal Commission and Productivity Commission law reform recommendations	New and continuing	Assisting Treasury to develop and implement legislative reforms stemming from the Financial Services Royal Commission and the Productivity Commission inquiry into superannuation, including the proposed conduct accountability regime, single default account, advice fee deductions from superannuation accounts, anti-hawking prohibitions, and other reforms
Insurance in superannuation	Continuing	<ul style="list-style-type: none"> <li>› Influencing market practice by monitoring trustees and codes, and publicly contributing data and analysis about consumer outcomes in relation to insurance in superannuation</li> <li>› Supporting law reform (e.g. standardising MySuper insurance terms) to achieve public policy objectives</li> <li>› Communicating with the market about our work</li> </ul>
Advice deductions	Continuing	Working with APRA on improving trustee oversight of advice deductions and on guidance about the sole purpose test obligation
Communication of 'Protecting Your Superannuation Package' reforms	Continuing	Monitoring and publishing a report on the implementation of the 'Protecting Your Superannuation Package' reforms, focusing on trustees' communication and engagement practices
Consumer strategy for superannuation	Continuing	Developing greater understanding of consumer behaviour in order to tailor our education work and inform our regulatory work to better address consumer harms
Enhancing ASIC communication to superannuation trustees and their advisers	New	Providing more accessible information about our superannuation work, in order to influence better behaviour by superannuation trustees and their advisers
<b>Market infrastructure and supervision</b>		
Improve governance, accountability and compliance	Continuing	Assessing compliance and broader non-financial risk management models across intermediaries and market operators, and considering key attributes of an effective model
Supervision of market operators	Continuing	Implementing new supervisory framework for professional market operators
Supervision of intermediaries	Continuing	<ul style="list-style-type: none"> <li>› Proactive surveillance of intermediary groups through compliance liaison meetings and reviews</li> <li>› Reactive supervision through assessment of potential breaches and compliance reviews</li> <li>› Analysing resilience and capital adequacy of intermediaries, and mitigating risks where appropriate</li> </ul>

Project	Project status	Focus
Equity capital raisings and sell-side research surveillance	Continuing	Monitoring equity capital raisings to determine how conflicts of interest are being managed
Safeguarding client money	Continuing	<ul style="list-style-type: none"> <li>› Reviewing industry practices and providing guidance to industry</li> <li>› Sample-testing compliance with client money rules and conducting surveillance</li> </ul>
High-risk and complex market intermediaries	New and continuing	Implementing enhanced supervision plans to address key themes, including culture and conduct, breach reporting, governance and compliance frameworks, safeguarding client money, systems and controls, and technology and operational risk management
Thematic assessment of activist short selling	Continuing	<ul style="list-style-type: none"> <li>› Assessing the implication for our markets and listed companies when activist investors take short positions in our market, and seeking to understand what is driving the behaviour</li> <li>› Engaging with foreign peer regulators on their experience and approach</li> </ul>
Intermediary resilience and capital adequacy	Continuing	Seeking to identify intermediaries at risk of collapse and developing early intervention strategies to enhance the protection of client assets
<b>Corporations</b>		
Surveillance of pre-selling and churn of small initial public offerings (IPOs)	Continuing	<ul style="list-style-type: none"> <li>› Enhanced monitoring of the selling practices in small IPOs to identify conflicts and governance issues that lead to poor investor outcomes</li> <li>› Publishing a report outlining the findings</li> </ul>
Independent experts and technical specialists	Continuing	Ongoing surveillance focusing on independence, competence and undue reliance on information provided by the subject companies
Public reporting	Continuing	Public reporting of: <ul style="list-style-type: none"> <li>› corporate finance observations, interventions and developments</li> <li>› relief application decisions</li> </ul>
Enhancing mergers and acquisitions policy	Continuing	<ul style="list-style-type: none"> <li>› Introducing a legislative instrument on 'stub equity' offers in control transactions</li> <li>› Consulting on updating policy and regulatory guidance (including Regulatory Guide 25 <i>Takeovers: False and misleading statements</i> (RG 25))</li> </ul>

Project	Project status	Focus
<b>Financial reporting and audit</b>		
Audit quality	Continuing	<ul style="list-style-type: none"> <li>› Reviewing key areas of audits of selected listed entities and other public interest entity financial reports</li> <li>› Reviewing the culture, talent, governance, conflicts of interest, quality reviews and accountability for audit quality at the largest six audit firms</li> <li>› Supporting improvements to auditing and ethical standards through engagement with international forums</li> <li>› Leading the response to the Parliamentary Joint Committee on Corporations and Financial Services request to develop a measure, comparable over time, to reflect changes in audit quality</li> <li>› Reporting inspection findings for the 12 months to 30 June 2019, and issuing a paper with broader audit quality measures</li> </ul>
Superannuation financial reporting and audit	Continuing	Building capability and supporting legislative reform to extend our responsibilities to the review of financial statements and audits of APRA-regulated superannuation funds
Financial reporting quality	Continuing	<ul style="list-style-type: none"> <li>› Proactive and reactive review of the quality of financial reports of listed companies and other public interest entities</li> <li>› Issuing media releases outlining focus areas ahead of reporting for 31 December 2019 and 30 June 2020</li> <li>› Issuing media releases outlining findings from ASIC reviews for years ended 30 June 2019 and 31 December 2019, and where companies materially adjust net assets and profits</li> </ul>
Communication of financial reporting and audit findings	Continuing	Using communication as a way to improve financial reporting and audit quality, including publicly reporting on audit inspection findings. This may include publishing inspection results for individual firms in our public audit inspection report for the 12 months to 30 June 2019
<b>Insolvency practitioners</b>		
Assetless Administration Fund	Continuing	<ul style="list-style-type: none"> <li>› Enhancing internal process to support funding the right matters and engaging with industry to promote improved outcomes</li> <li>› Publishing revised Regulatory Guide 109 <i>Assetless Administration Fund</i> (RG 109) and GrantConnect guidelines</li> </ul>
Liquidator remuneration	Continuing	<ul style="list-style-type: none"> <li>› Reviewing how remuneration is charged and disclosed and supporting improved industry practices</li> <li>› Publishing relevant information in ASIC's Corporate Insolvency Update (quarterly)</li> </ul>

Project	Project status	Focus
Independence of liquidator referral relationships	Continuing	<ul style="list-style-type: none"> <li>› Identifying independence concerns by reviewing existing registered liquidator referral relationships and monitoring the impact of structural changes</li> <li>› Publishing relevant information in ASIC's Corporate Insolvency Update (quarterly)</li> </ul>
Funds handling of companies in administration	Continuing	<ul style="list-style-type: none"> <li>› Reviewing current controls via industry survey and establishing guidelines</li> <li>› Publishing revised Regulatory Guide 258 <i>Registered liquidators: Registrations, disciplinary actions and insurance requirements</i> (RG 258), to reflect project findings</li> </ul>
Proactive and reactive surveillance of registered liquidators	Continuing	<ul style="list-style-type: none"> <li>› Undertaking proactive risk-based reviews of industry to identify poor conduct, illegal phoenix activity and emerging industry risks</li> <li>› Informing the market through regulatory publications including: <ul style="list-style-type: none"> <li>› our report on regulation of registered liquidators</li> <li>› our insolvency statistics report</li> <li>› a report on our observations on deeds of company arrangement that were commenced and finalised in the period 1 July 2013 to 30 June 2019</li> </ul> </li> </ul>

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## Act against misconduct to maintain trust and integrity in the financial system

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### Action 2019–20 to 2022–23

Over the next four years, we will conduct more intensive surveillance and enforcement activities to deter poor behaviour and misconduct, as well as punish wrongdoers.

We will pay particular attention to:

- › **unfair treatment of consumers** resulting from inappropriate sales practices, unfair contract terms, unfair investigation and handling of consumer claims and unfair dealings with consumers in financial hardship. This includes the unfair treatment of small businesses (e.g. in relation to unfair contract terms)
- › **lack of professionalism** that results in poor outcomes, such as:
  - › providing inappropriate products and services to consumers, including those that offer poor value and/or provide consumers with little or no benefit
  - › selling products and services that are misaligned with the risk appetite and financial capacity of the consumer
  - › providing misleading information about the outcome of a product or service (e.g. the expected return of a fund, the level of fees and charges, and the scope of insurance policies)
  - › a lack of independence, competence and ethics, resulting in harm to consumers and markets (e.g. poor quality financial reports and independent expert advice)
- › **misconduct in superannuation funds** – in our expanded role as the primary conduct regulator for superannuation, our focus will include:
  - › the provision of inappropriate products and services, which either provide little benefit or offer poor value for money, to superannuation fund members
  - › inappropriate disclosures or practices concerning fees
  - › trustees who do not act in the best interest of members
- › **poor governance practices**, including:
  - › inadequate management of conflicts of interest (e.g. through misaligned remuneration structures)
  - › a lack of gatekeeper independence (e.g. accountants, auditors and insolvency practitioners)
  - › inadequate handling of complaints and remediation
  - › inadequate controls to detect wrongdoing
  - › inadequate action against wrongdoing
- › **poor culture that leads to misconduct** through:
  - › inappropriate reward and remuneration structures
  - › inadequate recruitment policies and ongoing training programs
  - › inadequate whistleblower policies
- › **ineffective or misleading disclosure practices** (e.g. disclosure of fees, risks and performance of financial products, and compliance with the continuous disclosure obligation by listed entities)
- › **market misconduct** across retail and wholesale markets, including in emerging and high-risk or complex markets
- › **market developments that undermine trust and confidence and market integrity** (e.g. emergence of unlicensed providers of retail OTC derivatives)
- › **fraudulent behaviour** (e.g. illegal phoenix activities).

We will address misconduct through:

- › targeted enforcement action by applying the ‘Why not litigate?’ operational discipline to our enforcement work
- › effectively employing the new and expanded penalties and powers available to ASIC
- › acting effectively as a conduct regulator for superannuation
- › cooperating with other regulatory agencies and Treasury, and supporting and implementing law reforms, including those stemming from the Financial Services Royal Commission
- › supporting and implementing the whistleblower reforms
- › supporting more effective and efficient dispute resolution frameworks
- › communicating our expectations to industry and markets to deter misconduct.

## Action 2019–20

Project	Project status	Focus
Cross-sector		
High deterrence enforcement	Continuing	<p>Focusing on cases with high deterrence value and that involve the most serious misconduct, including cases that:</p> <ul style="list-style-type: none"> <li>› involve the exploitation of vulnerable consumers</li> <li>› involve large institutions</li> <li>› allow us to use ASIC's new powers and remedies to achieve better outcomes</li> <li>› will hold individuals accountable for poor governance or conduct that results in harm</li> </ul>
Illegal phoenix activity	New and continuing	<ul style="list-style-type: none"> <li>› Supporting Government initiatives to combat illegal phoenix activity (e.g. Phoenix Taskforce and Serious Financial Crime Taskforce)</li> <li>› Supporting and enforcing the proposed phoenix activity reforms contained in the Treasury Laws Amendment (Combatting Illegal Phoenixing) Bill 2019</li> <li>› Conducting surveillance of potential illegal phoenix activity and considering cases for referral or banning</li> </ul>
Whistleblower protection	New and continuing	<p>Implementing reforms to the statutory whistleblower protection regime, including:</p> <ul style="list-style-type: none"> <li>› revising internal and external guidance on handling of whistleblowers to reflect reforms to statutory protections</li> <li>› providing regulatory guidance on contents of a whistleblower policy for companies</li> <li>› liaising with key regulators to refer and monitor whistleblower reports</li> <li>› assessing whistleblower reports to identify potential cases of victimisation or breach of confidentiality allegations</li> </ul>
Dispute resolution	Continuing	<ul style="list-style-type: none"> <li>› Overseeing AFCA, including monitoring performance, emerging policy and operational issues, and rule changes</li> <li>› Liaising with AFCA to establish complaints data sets</li> <li>› Conducting onsite visits to examine practices and behaviours in relation to dispute resolution and how they affect consumer outcomes</li> <li>› Updating Regulatory Guide 165 <i>Licensing: Internal and external dispute resolution</i> (RG 165) in relation to policy on internal dispute resolution requirements</li> </ul>
Reports of misconduct	Continuing	<ul style="list-style-type: none"> <li>› Assessing reports of misconduct and other relevant notifications and reports</li> <li>› Making proactive requests to the public for reports of misconduct in target areas. This could compel potential whistleblowers to come forward</li> </ul>

Project	Project status	Focus
Enforcement of director obligations	Continuing	Investigating administrative and criminal cases and making relevant referrals
Enforcement of credit licensee compliance	Continuing	Identifying and resolving credit licensee non-compliance
<b>Credit, retail banking and payments</b>		
Car finance responsible lending review	Continuing	<ul style="list-style-type: none"> <li>› Reviewing compliance with responsible lending, debt collection and hardship obligations in the car finance sector, and reporting on our findings</li> <li>› Potential enforcement action in response to serious non-compliance</li> </ul>
<b>Insurance</b>		
Insurance claim investigation practices	Continuing	<ul style="list-style-type: none"> <li>› Identifying and pursuing action against misconduct in an insurance claim investigation</li> <li>› This follows the publication of Report 621 Roadblocks and roundabouts: A review of car insurance claim investigations (REP 621), which discussed outcomes of insurance claim investigations and set better practice standards</li> </ul>
<b>Financial advisers</b>		
Advisers with serious compliance concerns	Continuing	Banning advisers who have been identified as having serious compliance concerns
Fee disclosure statements and opt-in requirements	Continuing	Surveillance of financial advisers' compliance with the fee disclosure and opt-in requirements, and issuing a public report on our findings
Fee-for-no-service remediation	Continuing	Monitoring review and remediation programs of large financial institutions with fee-for-no-service breaches
Advice compliance	Continuing	<ul style="list-style-type: none"> <li>› Monitoring review and remediation programs for customers of large financial institutions who received inappropriate advice</li> <li>› Engaging with the institutions regarding changes to their advice audit and advice quality processes that have been made or are continuing to be implemented</li> </ul>
<b>Investment managers</b>		
Responsible entities' best interests duty	New	Communicating ASIC's expectations that responsible entities must comply with their fiduciary duty to a high standard, through industry liaison, education and surveillance

Project	Project status	Focus
<b>Superannuation</b>		
Trustee misconduct	Continuing	<ul style="list-style-type: none"> <li>› Identifying and pursuing actions against misconduct by superannuation trustees, including cases evidencing a culture inconsistent with acting in the best interests of members</li> <li>› Communicating publicly about this work as and when appropriate</li> </ul>
Strengthening ASIC's role as conduct regulator – law reform	New	<ul style="list-style-type: none"> <li>› Engaging with Treasury and APRA on development of legislative reforms</li> <li>› Exploring the provision of further guidance to industry</li> </ul>
<b>Market infrastructure and supervision</b>		
Surveillance strategy and market data analytics	Continuing	Developing a five-year strategy to implement a holistic future state surveillance model that includes data analytics coverage across markets
Real-time and post-trade surveillance of exchange traded markets	Continuing	<ul style="list-style-type: none"> <li>› Analysing real-time and post-trade data on exchange trading equity and futures markets to identify and respond to potential conduct issues</li> <li>› Real-time engagement with market operators and intermediaries on company announcements and anomalous trading</li> </ul>
Non-event driven analytics	Continuing	Enhancing our focus and capability on non-event driven analytics (e.g. identifying trading patterns and networks, cross-market order book manipulations, and recidivist suspicious trading patterns)
Improve suspicious activity reporting	Continuing	<ul style="list-style-type: none"> <li>› Reviewing intermediaries' arrangements for classifying suspicious activity and reporting to ASIC and AUSTRAC</li> <li>› Developing options for expanding reporting obligations for futures market participants</li> </ul>
<b>Corporations</b>		
Real-time oversight of corporate finance	Continuing	Assessing the structure and disclosure of regulated transactions lodged with ASIC and reviewing ASX announcements
<b>Financial reporting and audit</b>		
Enforcement of financial reporting and audit requirements	Continuing	Proactive and reactive review of the quality of financial reports of listed companies and other public interest entities and the audits of those reports

Project	Project status	Focus
<b>Insolvency practitioners</b>		
Disciplinary action against registered liquidators	Continuing	<ul style="list-style-type: none"> <li>› Reviewing registered liquidator conduct, assessing reports of misconduct and taking enforcement actions where appropriate</li> <li>› Publishing reports on: <ul style="list-style-type: none"> <li>› ASIC supervision of registered liquidators</li> <li>› insolvency statistics</li> </ul> </li> </ul>

## Promote strong and innovative development of the financial system

### Action 2019–20 to 2022–23

Over the next four years, we will promote the strong and innovative development of our financial system while addressing harms to consumers, investors and markets.

#### We will facilitate advancements in technology that are beneficial to consumers, investors and markets by:

- › supporting the fintech, supervision technology (suptech) and regtech sectors through the Innovation Hub (which provides assistance and tailored guidance to firms, and operates the 'regulatory sandbox')
- › contributing to domestic and international discussions on innovation (e.g. through fintech meetups, a quarterly regtech liaison forum, engagement with relevant International Organization of Securities Commissions (IOSCO) committees and participating in cross-border initiatives, such as the Global Financial Innovation Network)
- › cooperation and coordination with domestic and international regulators (e.g. through our referral and information-sharing agreements)
- › promoting the application of regtech to deliver better regulatory compliance and consumer outcomes (e.g. through collaborative trials

with industry on voice analytics, technology-assisted guidance tools, machine learning and artificial intelligence)

- › assessing and understanding the effect of new technologies on the competitive landscape of markets.

#### We will mitigate the potential harms of technological change by:

- › surveilling established and emerging markets where there may be threats of digital disruptions and harm
- › identifying and addressing technology, security and operational failures that result in harmful outcomes for consumers, investors and markets, or expose them to fraud
- › identifying and addressing potential technological failures that may have a systemic impact on the market and/or the capacity of intermediaries and operators to comply with their obligations
- › raising industry standards (e.g. market integrity rules for market makers and participants on managing systems and controls, including business continuity, disaster recovery, testing and incident management)
- › reviewing potential risk concentrations
- › supervising ASX's implementation of new infrastructure to replace the existing Clearing House Electronic Subregister System (CHES) cash equities clearing and settlement (CS) system, to minimise risks and promote competition.

**We will contribute to and implement law reform and Government initiatives by:**

- › embedding in ASIC's decision-making processes the consideration of how the performance of our regulatory functions and the exercise of ASIC powers affect competition
- › supporting competition in clearing and settlements in a safe and effective manner
- › supporting the introduction of the open banking regime, as part of the broader consumer data right in Australia, in collaboration with the ACCC, the Office of the Australian Information Commissioner and Data61
- › reviewing the ePayments Code to take into account new market and industry developments, ensuring that it continues to be effective and relevant to consumers and Code subscribers.

**We will facilitate cross-border financial activities and capital flows by:**

- › engaging and collaborating with international regulators and consolidating key relationships (e.g. in the Asia-Pacific region)
- › contributing to the work of international bodies such as IOSCO, the Financial Stability Board, and the Organisation for Economic, Co-operation and Development
- › designing and implementing regulatory policies relating to the Asia Region Funds Passport and corporate collective investment vehicles (CCIVs)
- › implementing a licensing regime for foreign financial services providers (FFSPs)
- › negotiating and implementing bilateral and multilateral agreements and understandings on regulatory, supervisory and enforcement matters
- › exchanging enforcement information under IOSCO's multilateral memorandum, to mitigate poor behaviour and protect investors.

**We will address potential harms to domestic consumers and markets flowing from the interconnectedness of global financial markets, including from:**

- › cross-border misconduct or unlicensed activities
- › fundraising and control transactions involving cross-border transactions that may elevate the risk of harm to domestic investors
- › potential loss to investors resulting from foreign issuers participating in the domestic market
- › operational complexities of entities operating within multiple jurisdictions and licensing regimes.

**We will monitor domestic and global trends to identify potential threats to market stability and integrity.** These may include:

- › economic or financial shocks that have a significant impact on market volatility
- › political developments (e.g. the impact of Brexit on access to cross-border OTC central counterparties and Australian CS facilities operating in the United Kingdom).

## Action 2019–20

Project	Project status	Focus
<b>Cross-sector</b>		
FFSPs	Continuing	<ul style="list-style-type: none"> <li>› Issuing a revised Regulatory Guide 176 Foreign financial services providers (RG 176) and implementing a new foreign licensing regime</li> <li>› Consulting on repealing ‘limited connection’ relief and replacing it with relief for foreign fund managers</li> </ul>
Climate risk disclosure	Continuing	<ul style="list-style-type: none"> <li>› Updating ASIC policy and guidance in Regulatory Guide 228 Prospectuses: Effective disclosure for retail investors (RG 228), Regulatory Guide 247 Effective disclosure in an operating and financial review (RG 247) and Information Sheet 203 Impairment of non-financial assets: Materials for directors (INFO 203)</li> <li>› Liaising with government and industry bodies on climate risk issues, including the Council of Financial Regulators</li> <li>› Surveillance of climate risk disclosure and governance of listed entities and publication of observations</li> </ul>
Brexit impact	Continuing	Monitoring consequences of Brexit and furthering EU equivalence and MOUs
Credit rating agencies	Continuing	Implementing our enhanced supervisory approach and achieving regulatory equivalence with the European Union
<b>Credit, retail banking and payments</b>		
ePayments Code	New	Examining and publicly consulting on possible changes to the Code so it reflects market and industry changes over recent years
<b>Investment managers</b>		
Competition in funds management	New	Assessing the level of competition in the funds management industry, and the appropriate regulatory response to improve the quality of competition
Crowd-sourced equity funding	Continuing	Ongoing stakeholder engagement to improve understanding of the crowd-sourced equity funding sector (e.g. through market survey)
Asia Region Funds Passport	Continuing	<ul style="list-style-type: none"> <li>› Representing Australia on the Joint Committee, which is the governing body of the Asia Region Funds Passport and responsible for its implementation</li> <li>› Supporting initial applications, notifications and maintenance process for any new passport funds in Australia</li> </ul>
CCIVs	Continuing	Supporting and implementing law reform for CCIVs, including designing and implementing regulatory policies, infrastructure and processes

Project	Project status	Focus
<b>Market infrastructure and supervision</b>		
CHESS replacement system	Continuing	Supervising ASX's implementation of a new platform to replace the existing CHESS cash equities CS system, including providing advice on operating rule changes and any other decisions required under the regulatory framework
FICC markets	Continuing	<ul style="list-style-type: none"> <li>› Addressing threats to fixed income, currency and commodities (FICC) markets that may cause harms to the real economy and consumers, including reviewing large transactions, monitoring the determination of new bank bill swap rate (BBSW) and conducting onsite reviews</li> <li>› Publishing two reports, outlining findings and providing key messages, on foreign exchange (FX) markets and debt capital raising, and publishing the findings of an onsite review of a market operator</li> </ul>
Risky OTC derivatives	Continuing	<ul style="list-style-type: none"> <li>› Examining the Australian market including the implications of the inflow of activity from other jurisdictions. Publishing a report on key metrics and developments in the sector</li> <li>› Onsite surveillance of product issuers, focusing on cold calling and pressure selling, unlicensed conduct and misleading or deceptive conduct</li> <li>› Identifying key harms and working with AFCA to process referrals more efficiently</li> </ul>
Technology, cyber security and operational risk governance	Continuing	<ul style="list-style-type: none"> <li>› Addressing technology, security and operational failures (e.g. implementing new market integrity rules on technology and operational resilience for market operators and participants of listed securities, and reviewing risk controls of market intermediaries)</li> <li>› Publishing a feedback report following consultation</li> </ul>
Crypto-assets and emerging digital threats	Continuing	<ul style="list-style-type: none"> <li>› Surveillance of high-risk crypto-asset activities and monitoring of emerging digital threats</li> <li>› Deterring scams involving crypto-assets targeting retail investors, and punishing misconduct. Supporting legitimate crypto-asset businesses to understand laws and regulations</li> <li>› Working with international regulators to promote policy harmonisation</li> </ul>
Financial market infrastructures resolution	Continuing	Working with the RBA to support and implement the financial market infrastructure resolution regime
Brexit impact on Australian and UK central counterparties (CCPs)	Continuing	Ongoing engagement with RBA, Bank of England and other UK and EU authorities on the impact of Brexit on access to cross-border OTC CCPs and Australian CS facilities operating in the United Kingdom

Project	Project status	Focus
Monitoring of clearing and settlement	Continuing	Reviewing potential operation of overseas CS facilities in Australia and engaging with them on licensing arrangements
Listed market structure	Continuing	<ul style="list-style-type: none"> <li>› Examining current market structure and policy position on market making in a competitive environment</li> <li>› Issuing a public report on the changes and impacts of dark liquidity</li> <li>› Assessing data feed and latency of access</li> </ul>
Share sale fraud	Continuing	Publishing a report on share sale fraud, including off-market transfers, to highlight the risks to investors and how these could be mitigated by technology, and operational risk and cyber security standards for listed corporations and share registries
Market integrity rule simplification	Continuing	<ul style="list-style-type: none"> <li>› Identifying enhancements to the market integrity rules and implementing those of high priority</li> <li>› Publishing consultation paper proposing new and modified rules</li> </ul>
<b>Corporations</b>		
Crowd-sourced funding offers	Continuing	Surveillance of disclosure documents and advertising
<b>Financial reporting and audit</b>		
Digital financial reporting	Continuing	Examining opportunities for adoption of digital financial reporting

## Help Australians to be in control of their financial lives

### Action 2019–20 to 2022–23

Over the next four years, we are committed to helping Australians take control of their financial lives. We will gain deeper understanding of the variety of behavioural and other factors that drive people's financial decisions, and use research, education and regulatory tools to strengthen financial capability.

We will also focus on situations where consumer segments are particularly vulnerable to poor financial decisions and/or predatory behaviour.

We will strengthen financial capability by:

- › **leading the National Financial Capability Strategy**, through collaboration with government, business, community and the education and research sector
- › **driving financial capability research** through engagement with academics, researchers and the broader financial capability community to identify and progress research to support policy and program development
- › **supporting financial capability in the formal education sector** by developing and maintaining tailored financial education in schools and tertiary education institutions

- › **conducting partnership programs** to grow the number of organisations delivering initiatives under the National Financial Capability Strategy. We will work closely with external stakeholders, including a range of government agencies and workplaces to support effective financial capability activities
- › **engaging with international regulators and influencing cross-border agendas** (e.g. by providing advice to the IOSCO Committee on Retail Investors).
- › **implementing outreach programs for culturally and linguistically diverse (CALD) communities**, through the design and implementation of programs to improve the financial acumen of small business in those communities
- › conducting **surveillance and reviews** of products and markets to understand why certain consumers and investors may be particularly vulnerable to poor decisions and outcomes.

We will promote financial advancement in particular segments of society where additional regulatory support is required. This includes:

- › **ASIC's Indigenous Outreach Program** which ensures the needs of Indigenous consumers and investors are addressed effectively and appropriately

## Action 2019–20

Project	Project status	Focus
<b>Cross-sector</b>		
National Financial Capability Strategy	Continuing	<ul style="list-style-type: none"> <li>› Continuing to lead the implementation of this strategy, which was launched in 2018</li> <li>› Ongoing engagement with stakeholders from the business, community, government and education sectors to support better financial decision making by consumers and investors</li> <li>› Increasing the number of organisations delivering initiatives under the National Financial Capability Strategy through partnership programs</li> </ul>
Financial Capability Research Roadmap	Continuing	Collaborating with academics and researchers to develop a roadmap to identify and progress key research that addresses the needs gaps and challenges faced by Australians in managing their financial lives
Financial capability in formal education sector	Continuing	Developing and maintaining the MoneySmart Teaching program, the MoneySmart Universities project and principal collaboration, to deliver tailored professional learning and classroom resources for schools and tertiary institutions
Indigenous Outreach Program	Continuing	Employing specialist knowledge and insight to advance regulatory actions that meet the unique needs of Indigenous consumers and investors

Project	Project status	Focus
MoneySmart website update	Continuing	<ul style="list-style-type: none"> <li>› Enhancing the MoneySmart website using new technology</li> <li>› Developing content informed by consultation and human-centred design to ensure it meets the needs of consumers and investors</li> </ul>
International committees	Continuing	Supporting and participating in international committees that promote financial education policies
Financial Inclusion Taskforce – Palm Island pilot program	New	Examining the sale of high-cost low-value financial products to Indigenous consumers on Palm Island, where data shows high levels of sales of payday loans, consumer leases, and life and funeral insurance
Small business engagement	Continuing	Engaging with small business and government stakeholders on capacity building
Small business outreach to CALD communities	New	<ul style="list-style-type: none"> <li>› Increasing ASIC support and new programs to small businesses in CALD communities, to help them access the information they need to increase their financial acumen</li> <li>› Conducting a pilot program of distributing small business resources to small businesses and intermediaries in CALD communities and conducting face-to-face outreach and engagement with CALD stakeholders</li> </ul>

## Provide efficient and accessible business registers that make it easier to do business

### Action 2019–20 to 2022–23

Over the next four years, we are committed to providing efficient and accessible business registers that make it easier to do business.

We will administer ASIC's registers for the benefit of all Australians by:

- › registering companies and business names, and providing legal infrastructure to enable businesses to operate in Australia
- › maintaining 31 registers (including company, business name, professional and other registers), updating and removing registry information, facilitating company annual reviews and business name renewals
- › promoting register integrity through company and business name deregistration and other activities

- › providing accessible information on ASIC registers through our website, direct access, NZAU Connect search app and data.gov.au – consistent with the Government's open data policy
- › managing inquiries received through telephone, email, web, webchat, social media and mail channels
- › managing registry lodgement channels and services, including portals, inter-agency, web, direct access, social media and mail
- › managing the collection of registry fees and charges.

Our registry work will support broader regulatory work by:

- › providing front-line inquiry services for regulatory stakeholders (e.g. in relation to industry funding and professional registration)

- › updating registry systems and processes to support regulatory services, reforms and policy changes (e.g. financial adviser reform and lodgements into the registry through ASIC's Regulatory Portal)
- › providing advice and support for regulatory matters (e.g. for media inquiries and enforcement matters)
- › processing regulatory lodgements that update the registers (e.g. external administration documents)
- › providing registry data
- › referring potential non-compliance (e.g. non-lodgement of financial accounts)

In the 2018–19 budget, the Government announced its commitment to the modernisation of ASIC's 31 registers and the Australian Business Register (ABR) on a new whole-of-government platform administered by the ABR within the ATO. The Government also committed to implementing a director identification number (DIN) as part of the modernisation program.

Modernising the business registers will help transform the way business interacts with the Government, making it easier and faster to start and run a business.

The Government is expected to progress a package of Bills in 2019–20 to support registry modernisation and a DIN, together with proposals to progress the registry modernisation program.

Subject to Government decisions, we will continue to work on proposals and activities around the modernisation of business registers, and moving ASIC registry staff and functions to the ATO.

The registry modernisation program will be delivered in tranches through to at least 2022–23.

We will monitor and address conduct standards of registry gatekeepers, such as registered agents, digital service providers and information brokers. We will take action on complaints and referrals of misconduct.

We will continue to improve and adapt by:

- › identifying and implementing initiatives to improve efficiency and customer service
- › maintaining quality certification under the International Organization for Standardisation framework
- › implementing Government policy and reforms that impact the registry.

## Action 2019–20

In 2019–20, we will:

- › provide core registry services across 31 legal registers, providing key legal infrastructure and support to Australian businesses
- › improve measurement, analysis and reporting of our registry work and insights
- › improve service delivery through process improvements such as the piloting of end-to-end customer service
- › continue to develop and diversify the skills of our registry staff.

We will contribute to the development of Government policy and implement reforms including:

- › subject to Government decisions, upcoming and emerging reforms such as the introduction of a DIN
- › the CCIV regime – registering, updating, renewing and searching for participating companies and their customers
- › migrating Norfolk Island companies onto ASIC's companies register
- › implementing new registry requirements for financial advisers, including the introduction of two new adviser types
- › reducing the cost of some registry search fees and allowing some free search access to journalists.

# Capabilities

## We will strengthen our capabilities to support our vision

Over the next four years, we will strengthen our capabilities to support our vision and our program of change by:

- › increasing ASIC's **capability in data and technology** to support our supervision and enforcement activities while ensuring we have privacy protections in place. We will adopt technologies to help us conduct our activities more efficiently. We will also collect new data, including complaints data, to enhance our regulatory work, prevent consumer harm and address unfair market practices
- › enhancing ASIC's ability to act as a **strategic and agile regulator** by improving strategic planning, oversight and communication about what we are doing and why. We will strengthen central support functions, adopt a common language and implement systems to better record and report what we do
- › **developing and using new regulatory tools and remedies**. This includes using ASIC's new powers and penalties to achieve better outcomes, and using behavioural insights and data analytics to better understand and influence behaviours and outcomes
- › **scaling up ASIC** to enable us to achieve our stated goals. We will do this by recruiting, retaining and supporting the people we need. We will adopt effective approaches to outsourcing to make the best use of our resources and bolster our project management capabilities. We will continue to reform our governance to make better decisions faster. The new Office of Enforcement will support our growing pipeline of enforcement matters.

## Budget

ASIC has received \$404 million of additional funding over four years, chiefly to advance recommendations relating to the Financial Services Royal Commission. The new funding will support a raft of initiatives, including:

- › increased enforcement actions and accelerated enforcement outcomes
- › establishing our role as the primary conduct regulator for superannuation, consistent with the Government's response to the recommendations of the Financial Services Royal Commission
- › continuation and expansion of the CCM program
- › more intensive supervision of financial services, including in relation to credit, financial advice and insurance
- › increasing executive accountability.

A significant proportion of ASIC's resources is allocated to supervision and enforcement activities that, in 2019–20, will account for an estimated 72% of our funded activities. Our registry business will account for 11% of activities. Our approach to how we allocate resources by activity and industry sector is outlined in our Cost Recovery Implementation Statement.

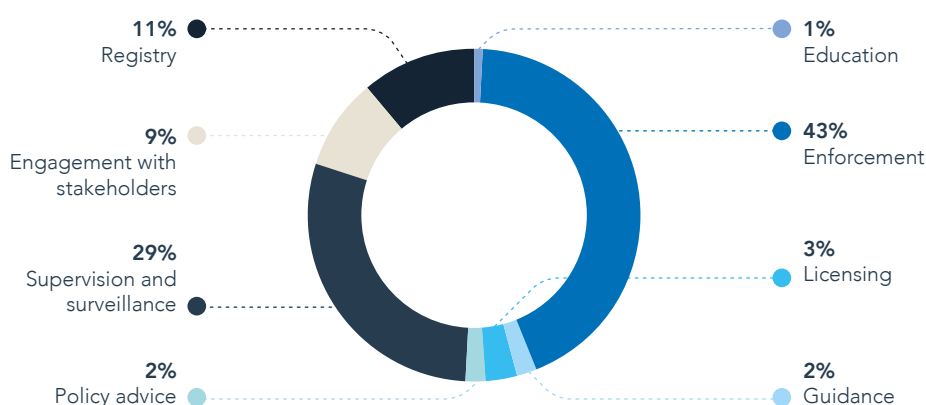
This year, we are continuing to use our flexibility reserve to enable us to allocate our resources – including staff and budget – in an efficient and strategic way. We have further strengthened the coordination between our business planning and budgeting processes to ensure we allocate our resources in the most appropriate and timely manner.

Under the industry funding model, our regulatory costs are recovered from all industry sectors we regulate. This is done through a combination of general industry levies, statutory industry levies and cost recovery fees.

## ASIC's 2019–20 budget

	2018–19 Estimated Actual (\$000s)	2019–20 Budget (\$000s)	2020–21 Forward estimate (\$000s)	2021–22 Forward estimate (\$000s)	2022–23 Forward estimate (\$000s)
<b>Operating expenditure funded by:</b>	<b>\$381,173</b>	\$409,079	\$446,931	\$454,933	\$442,565
Departmental appropriation	\$374,313	\$402,219	\$440,551	\$448,553	\$436,205
Revenue from independent sources	\$6,860	\$6,860	\$6,380	\$6,380	\$6,360
<b>Capital appropriations</b>	<b>\$36,478</b>	\$27,426	\$24,319	\$22,792	\$22,386
<b>Total budgeted resources</b>	<b>\$417,651</b>	\$436,505	\$471,250	\$477,725	\$464,951

## Proportion of 2019–20 estimated effort by activity



## People

Over the next four years, we will continue to invest in our people and their capability in all our offices across the country. Currently we have 1,635 full-time equivalent employees and anticipate a significant growth phase due to ASIC's increased funding. We will achieve this through enhancing our employee value proposition, our strategic recruitment, talent management and outsourcing, and through the provision of tailored professional development.

As part of our transition from the Public Service Act 1999 on 1 July 2019, we have developed a new Code of Conduct. This Code communicates our expectations of team members in their day-to-day interactions with colleagues, the public, the Government and those we regulate.

In 2019–20, we will focus on building:

- › **Workforce attraction and agility** – attracting and mobilising talent across the organisation to create an agile workforce that anticipates and responds to change.

This includes investing in technology to help us find the right candidates we need and using appropriate outsourcing tools, particularly to strengthen our project management capabilities.

We will create more seamless onboarding and induction processes for new employees. We will also promote staff mobility within ASIC and between other regulators through effective talent management, succession planning, and domestic and international secondments.

- › **Leadership** – developing visionary leaders with the right capabilities to guide and support our teams through ASIC’s strategic change program.

We will gain deeper insight into our leadership capability through assessment and constructive feedback. We will embed ASIC’s leadership capability framework into our recruitment, performance management and learning systems.

- › **Supervisory and enforcement capability** – continuing to strengthen our team members’ supervisory, investigative and legal capabilities to support ASIC’s new supervisory approaches and enforcement strategy. We will identify capability, strengths and opportunities at team and individual levels, and develop appropriate programs and resources.

We will ensure that ASIC’s values – accountability, professionalism and teamwork – are at the heart of our actions and decisions. We are committed to being a workplace that embraces inclusion and diversity and treats our people, stakeholders and communities with fairness and respect.

The ASIC Enterprise Agreement 2019–22 came into effect on 27 May 2019.

## Technology and data

We are committed to strengthening our technological and data capabilities to support the delivery of our vision and strategic priorities.

We will explore, pilot and adopt the latest advancements in technology to build and enhance our integrated digital platform, through which we will conduct our regulatory activities and achieve better outcomes. We will do so by:

- › improving the way we collect, govern and share our data
- › streamlining the way we interact with our regulated population and the way they interact with us
- › facilitating more efficient processes for the regulated population to achieve compliance.

We will design and implement an enhanced core data management and analytics capability so we can make better use of data to inform our regulatory decisions. This includes:

- › developing systems and tools to support the capture, storage and analysis of data, including recurrent collections of data. This will include the establishment of a repository of data and the use

of fit-for-purpose artificial intelligence techniques, such as machine learning and text and voice analytic solutions

- › strengthening the governance arrangements around how data is stored, handled and shared
- › refining the way in which we produce insights from the data to build intelligence and measure performance
- › forging new partnerships with domestic and international regulators, thought leaders, and academics so we can harness knowledge from data in the most effective ways
- › recruiting and developing data management specialists, analysts and engineers with relevant expertise.

We will develop ASIC’s cloud-ready environment to reduce operational complexity, provide enhanced security, and facilitate data sharing with other agencies and bodies.

Our work on regulatory transformation will continue as we move to embed new business processes into the way we engage and collaborate internally across teams and externally with our stakeholders.

## Governance

ASIC is an independent Australian Government body, established under the ASIC Act. We operate under the direction of commissioners appointed by the Governor-General.

We are accountable to the Commonwealth Parliament and to our responsible ministers.

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

Internally, we are strengthening our governance and decision-making processes as part of our change agenda. This includes:

- › updating ASIC’s governance framework to include an executive accountability framework for our organisation, and clearly defined responsibilities and processes for committees
- › establishing a centralised compliance framework – to govern our compliance with ASIC’s statutory obligations and clarify the

compliance responsibilities of executive directors – and compliance reporting and independent assurance functions

- › reviewing ASIC's policies on conflicts of interest, share trading and 'hypocritical risk' (the risk of ASIC not meeting the standards it expects of its regulated population)
- › updating ASIC delegations.

## Risk management and oversight

We have embedded risk management throughout the organisation to support our vision.

We actively focus on the continuous improvement of our framework and capability for managing operational risk. Our enterprise risk management framework is aligned with the Commonwealth Risk Management Policy and ISO 31000 Risk management. The framework comprises:

- › a risk appetite statement
- › a risk management policy.

The framework is designed to ensure our management of risk is fit-for-purpose and is reviewed on a regular basis.

Risk management is overseen by the Commission and its supporting committees, including:

- › the Management Committee, which makes decisions and provides leadership, direction and oversight of the management of significant operational matters
- › the Operational Risk Sub-Committee, which assists the Management Committee with the oversight of operational risk, business continuity, compliance and security matters.

Responsibilities of the sub-committee include oversight and monitoring of adherence to operational risk management and compliance frameworks and developing ASIC's operational risk appetite and tolerance agreed by the Commission

The sub-committee also provides insights to the Audit Committee, including the annual assessment of the effectiveness of our enterprise risk management framework

- › the Audit Committee, which reviews the appropriateness of ASIC's financial and performance reporting, system of risk oversight and management, and system of internal controls. The Committee, comprising three independent

members and an ASIC Commissioner, provides independent assurance to the Commission. It is supported by our Internal Audit team.

The responsibilities of the Audit Committee include:

- › reviewing systems and procedures for assessing, monitoring and reporting on ASIC's performance, including ASIC's annual performance statements
- › reviewing the enterprise risk management framework and the necessary internal controls for the effective identification and management of ASIC's risks, in keeping with the Commonwealth Risk Management Policy
- › reviewing the effectiveness of ASIC's system of internal controls, including the processes for assessing compliance with key policies and procedures, internal audit reports, and the internal security system.

The Audit Committee may also review ASIC's business continuity planning arrangements, and assess whether ASIC has taken steps to embed a culture that promotes proper use and management of public resources. The Committee may further examine the appropriateness of ASIC's mechanisms to review relevant parliamentary committee reports and external reviews of ASIC, and to implement, where appropriate, any recommendations.

# Measuring and evaluating our performance

We are committed to evaluating our performance.

ASIC has a performance evaluation framework that sets out how we will measure and evaluate our performance over the period covered by this corporate plan.

We have aligned our performance framework to our regulatory and registry mission.

The tables below provide a sample of outcomes that we will use to measure our performance and the evidence of those outcomes.

We use qualitative and quantitative measures to evaluate our performance over time. We measure both:

- › regulatory outcomes, which include the direct results from using our suite of regulatory tools
- › market outcomes, which reflect the impact of our regulatory work on the markets and sectors we regulate, including on investors and consumers.

We report our performance using these measures in our annual performance statement, which forms part of our annual report.

As ASIC is a law enforcement agency, the volume and results of our surveillance and enforcement activities will remain an important measure of our performance and will continue to be of significant interest to our stakeholders and to the wider community.

To allow us to evaluate and report on the outcomes of some of our most significant projects, we will identify and specify measures of success when planning these projects and may report on them in our annual performance statement.

We will continue to monitor available information and will refine our approach to external performance reporting. This refinement includes reviewing the performance reporting of equivalent regulators locally and overseas to identify best practice.

We will also deliver two pilot project evaluations, allowing in-depth evaluation of the projects' effectiveness in achieving their desired outcomes.

## Outcomes – aligned with ASIC's mission

### Mission: Change behaviours to drive good consumer and investor outcomes

Outcomes	Outputs and evidence
<b>Market outcomes</b>	
<ul style="list-style-type: none"> <li>› Financial firms and individuals providing financial services act professionally and treat their clients fairly</li> <li>› Entities improve their business practices in response to identified areas of improvement</li> <li>› Fair and efficient processes are in place for the resolution of disputes</li> <li>› Financial markets are fair, strong and efficient</li> </ul>	<ul style="list-style-type: none"> <li>› Stakeholder feedback, measured through external committees and panels such as the External Advisory Panel and Consumer Advisory Panel</li> <li>› Case studies of key matters where entities have improved their business practices</li> <li>› External data (e.g. reports and data published by AFCA)</li> <li>› Measures of the cleanliness of the Australian listed equity market</li> </ul>

Outcomes	Outputs and evidence
<b>Regulatory outcomes</b>	
<ul style="list-style-type: none"> <li>› Our published reports and industry messages on surveillance and enforcement outcomes provide transparency to stakeholders about good and poor practices and articulate our standards and expectations, including (where appropriate) identifying entities</li> <li>› Consistent with our strategic priorities, our regulatory actions address key drivers of harm to consumers and markets. Where we exercise ASIC's product intervention power, there is a reduction in consumer detriment as a result of the exercise of that power</li> </ul>	<ul style="list-style-type: none"> <li>› Operational data (e.g. number of meetings and other engagement with stakeholders, and regulatory guidance and industry reports published)</li> <li>› Case studies and other measures of key matters where we have used our regulatory tools to change behaviour in the financial system</li> <li>› Where we exercise ASIC's product intervention power, we will evaluate the resulting outcome after 18 months</li> <li>› Project-specific measures that show the outcomes of our regulatory actions. For example: <ul style="list-style-type: none"> <li>› improved accountability of mortgage brokers for home loan recommendations, measured through a reduction in the volume of high-risk sales</li> <li>› improved trustee oversight of advice deductions, measured by a reduction in the amount of advice fees deducted from superannuation accounts</li> <li>› changes to TPD insurance claims handling that improve the declined, withdrawn and disputed claims rates</li> <li>› a reduction in the percentage of cases where an auditor did not obtain reasonable assurance that a financial report was free of material misstatement in key audit areas</li> </ul> </li> <li>› We publish reports and other outputs we plan to deliver, including publishing: <ul style="list-style-type: none"> <li>› a report on corporate governance across a range of entities</li> <li>› a revised regulatory guide on fees and costs disclosure in managed investments and superannuation</li> <li>› a report on advice services offered by superannuation funds to their members</li> <li>› the results of consumer research where we followed over 250 consumers in the process of taking out a home loan</li> <li>› a report on findings about key consumer harms arising from TPD insurance product design, claims handling practices, data practices and declined claims rates</li> <li>› together with APRA, life insurance claims and disputes data</li> <li>› a report on consumer testing of more appropriate labels for general advice and different versions of the 'general advice' warning</li> <li>› an infographic on SMSF 'red flags' for consumers considering whether to establish an SMSF</li> <li>› a report on the implementation of the 'Protecting Your Superannuation Package' measures, focusing on trustee's communication and engagement practices</li> <li>› a report on selling practices in small IPOs, identifying conflicts and governance issues that lead to poor investor outcomes</li> </ul> </li> </ul>

Outcomes	Outputs and evidence
	<ul style="list-style-type: none"> <li>› a report on corporate finance observations, interventions and developments, and relief application decisions</li> <li>› a report on audit inspection findings and broader audit quality measures</li> <li>› findings on financial reporting quality and ASIC's Corporate Insolvency Update (quarterly)</li> <li>› revised guidance on funds handling of companies in administration</li> </ul>

## Mission: Act against misconduct to maintain trust and integrity in the financial system

Outcomes	Outputs and evidence
<b>Market outcomes</b>	
<ul style="list-style-type: none"> <li>› Financial firms and individuals providing financial services meet their obligations</li> <li>› Misconduct is deterred and community expectations that wrongdoing is punished and consumer harm addressed are met</li> <li>› Where consumers suffer loss as a result of misconduct, culpable entities compensate those consumers appropriately</li> </ul>	<ul style="list-style-type: none"> <li>› Levels of misconduct can be measured through, for example, reports of misconduct made to ASIC</li> <li>› Remediation can be measured through, for example, the amount of compensation for wrongdoing provided to investors and consumers</li> </ul>

Outcomes	Outputs and evidence
<b>Regulatory outcomes</b>	
<ul style="list-style-type: none"> <li>› We take successful enforcement or other regulatory action (e.g. court enforceable undertakings, infringement notices, cancellation or suspension of licences) in response to identified misconduct</li> <li>› We appropriately sanction individuals who commit misconduct, including (where warranted) banning them from providing financial services or taking civil or criminal action against them</li> <li>› Consistent with our strategic priorities, our regulatory actions address key drivers of harm to consumers and markets</li> </ul>	<ul style="list-style-type: none"> <li>› Operational data (e.g. number of surveillance and enforcement action undertaken and results achieved)</li> <li>› Public outcomes (e.g. civil, criminal and administrative actions taken, including bannings)</li> <li>› Published ASIC reports, including the enforcement update report and market integrity report</li> <li>› Case studies of instances where we have used our regulatory tools to identify, address and deter misconduct. For example, where our court action establishes a body of precedent and judicial commentary setting regulatory expectations for the regulated population</li> <li>› We publish reports and other outputs we plan to deliver, including publishing: <ul style="list-style-type: none"> <li>› regulatory guidance on the contents of a whistleblower policy for companies</li> <li>› findings on compliance with responsible lending, debt collection and hardship obligations in the car finance sector</li> <li>› findings on financial advisers' compliance with fee disclosure and opt-in requirements</li> <li>› a report on ASIC supervision of registered liquidators and insolvency statistics</li> </ul> </li> </ul>

## Mission: Promote strong and innovative development of the financial system

Outcomes	Outputs and evidence
<b>Market outcomes</b>	
<ul style="list-style-type: none"> <li>› The regulatory system supports the work of innovative start-up businesses and the market testing of novel products and services</li> <li>› We promote improved efficiency and reduced compliance costs among our regulated population</li> </ul>	<ul style="list-style-type: none"> <li>› Stakeholder feedback through the Digital Finance Advisory Panel</li> <li>› Use of the ASIC Innovation Hub, including the 'regulatory sandbox', by innovative financial firms</li> <li>› Reported compliance cost savings based on ASIC's activities</li> </ul>

Outcomes	Outputs and evidence
<b>Regulatory outcomes</b>	
<ul style="list-style-type: none"> <li>› We exercise ASIC's discretionary powers to grant relief or make a legislative instrument appropriately</li> <li>› We advise the Government on policy issues and law reform options, in line with community expectations and standards</li> <li>› We propose and support international policy initiatives that improve regulatory outcomes for Australia and support cross-border activity</li> <li>› Consistent with our strategic priorities, our regulatory actions address key drivers of harm to consumers and markets</li> </ul>	<ul style="list-style-type: none"> <li>› Operational data, including the number of relief applications assessed and legislative instruments made</li> <li>› Meetings with, and advice to, Treasury and relevant Ministers</li> <li>› Publication of consultation papers by ASIC and submissions made by ASIC to Government policy consultation processes</li> <li>› Publication of reports by international regulatory bodies to which ASIC has contributed</li> <li>› Case studies and other measures of instances where we have used our regulatory tools to promote the strong and innovative development of the financial system</li> <li>› Project-specific measures that show the outcomes of our regulatory actions. For example: <ul style="list-style-type: none"> <li>› a reduction in the number of regulatory interventions in relation to crowd-sourced funding offer disclosures</li> <li>› an increase in the quantity and quality of climate-related disclosure</li> </ul> </li> <li>› We publish reports and other outputs we plan to deliver, including publishing: <ul style="list-style-type: none"> <li>› a regulatory guide and licensing regime for FFSPs</li> <li>› updated ASIC policy and guidance on climate risk disclosure</li> <li>› reports outlining findings and providing key messages in FX markets and debt capital raising</li> <li>› a report on key metrics and developments in the OTC derivatives sector</li> <li>› a report on the impacts of dark liquidity</li> <li>› a report on share sale fraud, including off-market activity</li> </ul> </li> </ul>

## Mission: Help Australians to be in control of their financial lives

Outcomes	Outputs and evidence
<b>Market outcomes</b>	
<ul style="list-style-type: none"> <li>› People can take action based on ASIC's educational materials</li> <li>› We support better financial education across Australia's education system</li> </ul>	<ul style="list-style-type: none"> <li>› External survey data (e.g. the ANZ Survey of Adult Financial Literacy in Australia and the Australian Financial Attitudes and Behaviour Tracker)</li> <li>› Collaboration with the formal education sector to support better financial literacy education, as measured by the number of schools using MoneySmart teaching resources</li> </ul>

Outcomes	Outputs and evidence
<b>Regulatory outcomes</b>	
<ul style="list-style-type: none"> <li>› We provide a range of tools and resources to help people understand money and how to manage it</li> <li>› We coordinate with stakeholders to support the National Financial Capability Strategy</li> <li>› Consistent with our strategic priorities, our regulatory actions address key drivers of harm to consumers and markets</li> </ul>	<ul style="list-style-type: none"> <li>› Operational data, including ASIC MoneySmart accessibility and usage</li> <li>› The number of personal financial capability tools and resources produced</li> <li>› Case studies of instances where we have helped Australians to be in control of their financial lives</li> <li>› Project-specific measures that show the outcomes of our regulatory actions. For example: <ul style="list-style-type: none"> <li>› changes to the spread of hardship options offered by lenders to consumers experiencing financial difficulty and the success of these options</li> <li>› improvement in consumers' understanding of fees and costs disclosure</li> </ul> </li> <li>› Outputs we plan to deliver include: <ul style="list-style-type: none"> <li>› enhancing the MoneySmart website using new technology</li> <li>› a pilot program distributing small business resources to small businesses and intermediaries in CALD communities</li> </ul> </li> </ul>

## Mission: Provide efficient and accessible business registers that make it easier to do business

Outcomes	Outputs and evidence
<b>Market outcomes</b>	
<ul style="list-style-type: none"> <li>› Registration is cost effective and easy for businesses to manage</li> <li>› Businesses comply with their ongoing registration obligations</li> <li>› The public has easy access to information in ASIC registers</li> </ul>	<ul style="list-style-type: none"> <li>› Stakeholder feedback through the Business Advisory Panel</li> <li>› Performance against the ASIC service charter targets</li> <li>› Progress in migrating registry services online</li> </ul>
<b>Regulatory outcomes</b>	
<ul style="list-style-type: none"> <li>› Information in our registers is accurate and up to date</li> </ul>	<ul style="list-style-type: none"> <li>› Operational data (e.g. volume and efficiency of registry activity)</li> <li>› Case studies of instances where we have provided efficient and accessible registration to make it easier for Australians to do business</li> </ul>

## Additional performance reporting

We also use more specific tools to evaluate our performance and communicate with stakeholders.

### Service charter

Our service charter covers:

- › our most common interactions with stakeholders, such as applications for licences, relief from the law and registration
- › how we respond to reports of alleged misconduct, including timeframes for our response.

We report against our service charter performance in each annual report, and if we have not met service standard levels, we explain why.

### Enforcement update report

The regular enforcement update report:

- › provides a high-level overview of our enforcement priorities
- › highlights important cases and decisions during the period it covers.

### Market integrity report

The regular market integrity report:

- › highlights achievements in market surveillance and market integrity enforcement during the period it covers
- › outlines our short-term priorities.

In addition, we publish quarterly data on:

- › market characteristics, including volatility
- › measures of market concentration
- › measures of market efficiency.

### Regulatory reform

We report regularly on our work to minimise the regulatory burden, including the total compliance cost savings achieved.

We also publish a regular report on examples of situations where we have exercised, or refused to exercise, ASIC's exemption and modification powers under the Corporations Act 2001.

## Regulator performance framework

In April 2019, we published our latest self-assessment under the Regulator Performance Framework (RPF) for 2017–18. The RPF is an Australian Government initiative that consists of the following six key performance indicators:

- › KPI 1: Regulators do not unnecessarily impede the efficient operation of regulated entities
- › KPI 2: Communication with regulated entities is clear, targeted and effective
- › KPI 3: Actions undertaken by regulators are proportionate to the regulatory risk being managed
- › KPI 4: Compliance and monitoring approaches are streamlined and coordinated
- › KPI 5: Regulators are open and transparent in their dealings with regulated entities
- › KPI 6: Regulators actively contribute to continuous improvement of regulatory frameworks.

We will continue to publish annual self-assessments under the RPF. Before publication, we will consult a panel of stakeholders on our self-assessment against each of these performance indicators.

# Endnotes

- 1 RBA, [Statement on Monetary Policy: May 2019](#), 9 May 2019.
- 2 IMF, [World Economic Outlook: April 2019 – Growth slowdown, precarious recovery](#), 2 April 2019.
- 3 ABS, [Catalogue 5206.0 – Australian national accounts: National income, expenditure, product, Mar 2019](#), 5 June 2019.
- 4 ABS, [Catalogue 8165.0 – Counts of Australian businesses, including entries and exits, June 2014 to June 2018](#), 21 February 2019.
- 5 ABS, [Catalogue 6291.0.55.003 – Labour force, Australia, detailed, quarterly, Feb 2019](#), 28 March 2019.
- 6 RBA, [Statistics tables – Lending and credit aggregates – D2](#), 30 June 2019.
- 7 ABS, [Catalogue 5206.0 – Australian national accounts: National income, expenditure, product, Mar 2019](#), 5 June 2019.
- 8 APRA, [Statistics: Quarterly authorised deposit-taking institution performance statistics – December 2018](#), 20 March 2019.
- 9 APRA, [APRA seeks to increase the loss-absorbing capacity of ADIs to support orderly resolution](#), media release, 8 November 2019.
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- 11 ATO, [Multiple super accounts data](#), 11 October 2018.
- 12 ATO, [Multiple super accounts data](#), 11 October 2018.
- 13 IbisWorld, Industry Report K6322 *General Insurance in Australia*, 30 June 2018.
- 14 RBA, [Financial Stability Review – April 2019](#), 11 April 2019.
- 15 RBA, [Statistics tables – Debt securities outstanding – D4](#), 30 June 2019.
- 16 ASIC, [Insolvency statistics – Series 1 Companies entering external administration](#), 10 July 2019.
- 17 ASIC, [Insolvency statistics – Series 1A Companies entering external administration – by industry](#), 10 July 2019.
- 18 ASIC, [Insolvency statistics – Series 4 Quarterly registered liquidator statistics](#), 10 July 2019.
- 19 Australian FinTech, [Directory of Australian fintech companies](#), 30 June 2019.

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