



ASIC's role in ensuring confidence is maintained in the financial system

August 2020

Australia faces significant challenges as a result of the COVID-19 pandemic.

ASIC is committed to making a real difference in the way our economy and our community navigates this difficult time.

We have responded rapidly and strategically to the challenges created by the pandemic, focusing on protecting vulnerable consumers, maintaining the integrity of markets and supporting businesses.

ASIC will continue to play its important role in ensuring confidence is maintained in our financial system and that it remains *fair, strong and efficient* so it can support Australians and Australian businesses in this time of economic strain.

1. ASIC's core role in the COVID-19 pandemic environment is to work to ensure that Australians can have confidence in the financial system.

Examples include:

- **Identifying, monitoring and acting to mitigate areas of heightened vulnerability across the financial system:** We are identifying areas where the system and its end users including consumers may be at heightened risk. In doing so we are tracking a broad range of data points using data sourced from our own work, other regulators and government agencies and the private sector. This tracking is enabling us to identify emerging problems and act as early as possible.
- **Warnings against scams:** We are warning consumers to be alert to scammers who try to take advantage of the COVID-19 environment. The number of investment scam reports from Australian consumers and investors has risen during the COVID-19 pandemic, especially relating to fake crypto-assets and offers to help people access superannuation or high-return investment opportunities. Reports of misconduct received by ASIC from March to May 2020 were up 20% compared to the same period last year. We are directing people to tools and resources to help them stay safe online and protect themselves from misinformation.
- **Keeping Australians and our stakeholders informed:** To help Australian consumers and businesses make well-informed decisions, we are continually updating the information on our MoneySmart COVID-19 hub to reflect the common financial decisions many consumers are navigating. Over a million consumers have visited ASIC's MoneySmart website each month during the pandemic. We are also being transparent about our work and priorities, including informing business about the adjustments we have made to the timing of a range of projects.

2. ASIC is focused on ensuring that the financial system, even under strain, continues to be fair.

We are proactively engaging with industry to ensure that fair business standards are maintained, firms offer appropriate support and services to consumers, hardship assistance is provided fairly, and insurance claims are processed efficiently and in good faith. We are also providing consumers with information and ensuring information provided by other entities is accurate, particularly around early release of superannuation.

Examples include:

- **New standards for complaints handling:** We published updated requirements about how financial firms deal with consumer and small business complaints under their Internal Dispute Resolution (IDR) procedures (RG 271 on IDR). Complaints handling plays a critical role for firms to restore consumer trust when things have gone wrong. Our updated standards and requirements will drive fair and timely complaint outcomes for consumers and sharpen industry's focus on systemic issues.
- **High deterrence enforcement action:** In an example of our Financial Services Royal Commission-related enforcement work, we secured a \$5 million penalty in the Federal Court of Australia, to be paid by CBA for breaches related to the failures of their AgriAdvantage Plus Package. The package entitled customers to fee waivers, interest rate discounts and bonus interest on savings. The court found that customers were overcharged fees and interest on loans and fees, and underpaid interest on savings. CBA's conduct, examined during the Royal Commission, was the result of having no systems or processes in place to check whether customers were receiving benefits. CBA breached its obligation to provide financial services efficiently, honestly and fairly.
- **Product intervention power:** We are using the full suite of our regulatory tools to promote fairness and bring about sound consumer outcomes. This includes using new tools, such as the product intervention power, to address harmful practices and products and intervene when there is a risk of significant consumer detriment. We intervened to target a class of short-term credit product that we found to result in significant consumer detriment, and we are continuing to monitor the provision of short-term credit to consumers. We are also consulting on further proposed interventions in relation to short term lending, distribution of OTC binary options and CFDs, and sale of add-on financial products through car-yard intermediaries.

3. ASIC is focused on ensuring that the financial system, even under stress, continues to be strong and efficient.

Examples include:

- **Directions to support market resilience:** In March, we issued directions under the Market Integrity Rules that required large equity market participants representing roughly 75% of total trading activity, to limit the number of trades they executed each day. In May, once we were satisfied that activity had stabilised, we revoked the directions and issued an expectations letter to all equity market participants, setting out a principles-based approach to maintaining market resilience.
- **Regulatory relief to help business:** We provided relief to facilitate virtual shareholder meetings and extended the period to lodge financial reports. Virtual technology is a valuable tool to ensure continued investor engagement in meetings. We issued guidance on the appropriate approach to calling and holding meetings using virtual technology.
- **Capital raising initiatives:** We responded rapidly to the needs of companies to raise capital quickly by giving temporary relief to enable certain 'low doc' offers (including rights offers, placements and share purchase plans) to be made to investors, even if they did not meet all the usual requirements. We did this to help companies that needed to raise funds urgently due to the impact of COVID-19. These initiatives assisted Australia's capital markets to remain strong and efficient and resulted in listed companies raising over \$31 billion since the pandemic began.