ASIC
Australian Securities & Investments Commission

Commission meeting 894

21 September 2022

Implementation of the Financial Regulator Assessment Authority (FRAA) recommendations

Executive Summary	
Why is this matter before the Commission?	The implementation of the FRAA's recommendations is a strategic matter for the organisation.
What is the decision sought?	This paper asks the Commission to **NOTE** and provide feedback on our preliminary assessment around: • how we are positioned against the FRAA's recommendations and any potential additional work we might undertake; and • the challenges associated with developing performance metrics given the time and resources available, and whether our program of existing and new initiatives is consistent with the FRAA's expectations.
Is the matter time critical and why?	No, however, early consideration by the Commission will put us in a good position to implement the recommendations, ahead of FRAA's consideration of our progress in its next review.
s 22	
Why is the matter being taken directly to Commission (if applicable)?	The implementation of the FRAA's recommendations is a strategic matter for the organisation.

Executive Summary

s 22 [redacted]

What teams or other internal stakeholders have been consulted with about this matter?	We have discussed this paper with relevant internal stakeholders; the Chief Operating Officer (COO), all Executive Directors, the Regulatory Efficiency Unit (REU), the Chief Data and Analytics Office (CDAO), the Chief People Officer and the Digital lead.

S 22 [redacted]

Draft Resolution

1. This paper asks the Commission to **NOTE** and provide feedback on our preliminary assessment around:

    1.1 how we are positioned against the FRAA's recommendations and any potential additional work we might undertake; and

    1.2 s 22 [redacted]

2. In particular, we are seeking feedback about:

    2.1 any areas the Commission are concerned may fall short of the FRAA's recommendations or which require additional focus;

    2.2 whether further work is needed on our plans with respect to the cultural change needed to realise the benefits of our investments in technology

and capability, improve stakeholder engagement and enable continual self-improvement (see paras 17, 18 and 22.2 of this paper), noting the significant emphasis on culture in the report;

2.3 whether further work is needed to demonstrate progress against the specific outcomes referenced in the report as part of the people strategy (see para 20 of this paper); and

2.4 s 22 [redacted]

Executive Summary

3. The FRAA's recommendations align closely with our internal strategic priorities. As such, our preliminary assessment is that work ASIC already has underway or planned generally puts us in a good position to implement the FRAA's recommendations. By progressing, and building on, initiatives already underway and undertaking some additional smaller initiatives, we should broadly be able to meet the FRAA's expectations and demonstrate progress.

4. s 47C [redacted]

5. The report highlights the need for cultural change across a number of areas. While cultural change is a key component of the People Strategy, we ask the Commission to consider whether more work and consideration is needed in light of the breadth of the FRAA's commentary on culture.

6. Following feedback from the Commission and further consultation with internal stakeholders, we plan to provide an updated paper to the Commission on ASIC's implementation of the FRAA's recommendations, including how we will track progress on the different initiatives as well as relevant accountabilities for these initiatives.

Background

7. The FRAA reviewed three topics in its first review of ASIC: Strategic planning, prioritisation and decision-making, ASIC's Surveillance function and ASIC's Licensing function. A summary of key parts of the report is at **Appendix A**.

8. The FRAA's four recommendations (set out in chapter 6 of its report) are thematic and cut across the three topics reviewed. The FRAA's four formal recommendations are:

   8.1 **Data and technology**: ASIC requires a substantial uplift in its data and technology capability which would include the necessary cultural change

8.2 **Stakeholder engagement**: ASIC should have a stronger focus across the organisation on enhancing the quality of its engagement with stakeholders

8.3 **Performance measurement**: ASIC should enhance its ability to measure its own effectiveness and capability and communicate the outcomes of such assessment transparently, both internally and externally

8.4 **People**: ASIC should continue to broaden its mix of skillsets to ensure it can meet the current and future needs of the organisation.

9. The FRAA makes a number of specific suggestions throughout the report. Some are linked to these recommendations, and others are more specific to one of the review topics, but do not align to the recommendations. A summary of the findings highlighting those suggestions is at **Appendix B**.

10. The FRAA's report indicates that in its next review, "it will look at ASIC's progress on the recommendations and relevant projects that ASIC has underway or commenced during the review" (Executive Summary). The next review of ASIC is due to commence in July 2023.

Consultation

11. In assessing ASIC's position against the recommendations, we consulted with the relevant internal stakeholders; the COO, all Executive Directors, the REU, the CDAO, the Chief People Officer and the Digital lead.

Recommendation and Options

12. We set out below the FRAA's recommendations and high-level expectations, and give an initial assessment of ASIC's position with respect to the recommendations.

s 47C

Data and technology *(ASIC requires a substantial uplift in its data and technology capability which would include the necessary cultural change)*

14. Broadly the report highlights that improvement in data, analytics and technology capabilities are needed to "support ASIC to better identify and act on emerging harms, set strategic priorities, create efficiencies, lower the regulatory burden, and deliver a digital stakeholder experience" (para 6.6). The report notes that our data and technology investments will need to be accompanied by "material cultural change" (para 6.12), including by ASIC's leadership ensuring "staff members are engaged early and often to scope,

plan and execute new technology to ensure the user experience is considered and tested" (para 3.78).

15. The FRAA also "recognises that additional funding and government support will be necessary if ASIC is to achieve its ambition" (para 6.11), and that "ASIC intends to work with Government to obtain the necessary funding and data collection powers to deliver on these strategies" (para 6.10).

16. Our assessment is that the work we have underway as part of our broader data and digital strategies and the outcomes we want to achieve will capture the different parts of this recommendation, as acknowledged in the report. This includes recommended enhancements called out in the report such as the upgrade of the licensing portal, further development of our data lake and working with government to build a sound case for law reform in relation to our data collection powers.

17. Our assessment is that our data and digital strategies combined with our people strategy are designed to support the cultural change needed to realise the benefits of our investments in technology and capability. Initiatives such as the MyIDEAS campaign also potentially go some way towards addressing this aspect of the recommendation. s 47C [redacted]

People *(ASIC should continue to broaden its mix of skillsets to ensure it can meet the current and future needs of the organisation)*

18. The report focuses on skills needed to support our data and technology uplift plans and to improve engagement with stakeholders. The FRAA considers that part of improving stakeholder engagement is "building capability across ASIC to engage in open and constructive dialogue with stakeholders" and ensuring that staff have "necessary experience in contemporary and emerging market areas of risk such as those relating to crypto, cyber and climate change" (para 6.36) and general market experience (paras 4.49-4.57). The FRAA also notes that ASIC needs a culture of "continuous improvement" (para 6.37).

19. Our assessment is that the people strategy is designed to broadly address this recommendation. For example:

    19.1 ASIC will be applying a continuous improvement lens by prioritising the refinement of its ASIC-wide capability architecture to reflect current and emerging capability requirements in the areas of constructive conversations, engagement with stakeholders and open communication. This work should also support staff staying abreast of emerging trends and encourage the importance of embedding learning in day to day work.

    19.2 The development of a workforce strategy should further identify where we will concentrate our efforts in ensuring staff gain experience in contemporary and emerging market areas such as crypto, cyber and

climate change risks, and encourage internal mobility of staff to where the capability is needed most.

20. However, we will need to ensure we can demonstrate progress against the specific outcomes referenced in the report as part of the people strategy (e.g. demonstrating an enhanced ability to engage in open and constructive dialogue with stakeholders). We would be interested in the Commission's views on whether there should be further focus on this or any other aspect of the 'people' recommendation as part of the people strategy.

21. We note that there are some more minor actual and potential 'quick wins' under this recommendation. For example, we have already appointed the Head of Workforce Management (Box 4.2) and could readily engage "private-sector professionals or representatives from financial institutions to conduct in-house seminars" (para 4.57).

Stakeholder engagement *(ASIC should have a stronger focus across the organisation on enhancing the quality of its engagement with stakeholders)*

22. The recommendation on stakeholder engagement is broad but can be summarised as follows:

    22.1 Better utilisation of stakeholder feedback and engagement, particularly in relation to intelligence sources to identify and act on harms and to enhance our prioritisation process (Executive summary), and by enhancing how we share information across ASIC teams (para 6.22);

    22.2 Clear, consistent and transparent communications with our stakeholders (para 6.18), particularly in relation to our short-term concrete work, our outcomes and how feedback from stakeholders has been considered, supported by the appropriate culture and mindset focused on stakeholder engagement (para 6.22); and

    22.3 Enhanced stakeholder 'user experience' in relation to ASIC systems and processes (para 6.24), as well as more reliance on verbal communications to improve our efficiency (para 5.66), particularly in relation to processing licensing applications and the scoping of notices in our surveillance work (para 4.92).

23. We have projects and initiatives underway in relation to all limbs, including the upgrade to our licensing portal, improvements to how we communicate our priorities and key work in our corporate plan, and, in particular, the three REU initiatives, including the case study focused on the licensing engagement model as part of the third initiative.

24. The organisation design review is also focused on creating a structure that enables ASIC to coordinate well and work coherently and efficiently across the organisation, to ensure effective engagement and communication with external stakeholders.

25. Another existing initiative which the FRAA suggests we expand is better communication of our surveillance outcomes. In our response to the FRAA's

request for information, we explained our stronger focus on communicating our enforcement, surveillance and other regulatory outcomes, including the greater emphasis on getting Commissioners in front of the media to tell our story. With the commencement of the new Chief Communications Officer, we would propose expanding this initiative by developing a more concrete and centralised communications strategy around how we convey our surveillance and enforcement outcomes.

26. Overall, while our existing initiatives are highly relevant, our assessment is that further work may be needed to meet all three components of this recommendation. We have engaged with the REU to ensure that the stakeholder engagement stocktake they are undertaking under the third initiative captures the themes across the FRAA's recommendation. The work to be initiated following the REU stocktake should respond to this recommendation. This work and the broader awareness of the REU initiatives across the organisation will also help develop a cultural setting focused on stakeholders and their experience in interacting with ASIC.

27. In addition to this, we have disseminated the report's findings on stakeholder engagement so that EDs and SELs can consider ways to incorporate them in their work or relay ways we are already addressing them. Initial considerations from EDs include:

    27.1 The ASIC Consultative Panel review will consider how best to design a feedback loop to ensure we make the most of the feedback received in our prioritisation planning and that members understand how their feedback has informed our planning; and

    27.2 Our tailored letters on what our strategic priorities mean and what we have planned in specific sectors to stakeholders in Market Supervision and Registered liquidators could be expanded to other sectors (we will need to liaise with relevant internal stakeholders to explore this).

Performance measurement *(ASIC should enhance its ability to measure its own effectiveness and capability and communicate the outcomes of such assessment transparently, both internally and externally)*

28. The FRAA's discussion of, and recommendation on, performance measurement is somewhat complex. There are two interconnected elements:

    28.1 the overall recommendation for ASIC's own measurement of outcomes, together with specific suggestions under the three topics covered by the review (see paragraphs 29-35 below); and

    28.2 joint work to be conducted by the FRAA Secretariat, ASIC and APRA to develop "enduring metrics to measure the regulators' effectiveness and capability over time" intended to supplement qualitative forms of assessment through stakeholder submissions, interviews, case studies and surveys (para 1.12) (see paragraphs 36-41 below).

Addressing the FRAA's specific recommendations on measuring the outcomes of ASIC's regulatory activities

29. Broadly, the report considers it important that ASIC "establish and embed measures to assess the outcomes of its regulatory activities" and "publish the results of these measures to increase transparency and accountability". Alongside the development of measures, ASIC leadership should "drive a cultural shift to be open to and look for opportunities for continual improvement" (Executive summary, p 5).

30. The report makes specific findings around the need for better measurement of ASIC's effectiveness and capability relating to the three topics assessed. ASIC is to:

    30.1 Identify specific metrics tied to desired outcomes in the Corporate Plan, and then report those metrics to demonstrate the impact of ASIC's regulatory activity (para 3.101);

    30.2 Conduct broader ex-post analysis across the organisation "to better understand the causes of success and failure across a range of its initiatives" (para 3.104);

    30.3 Continue embedding measurement of surveillance activity impact (i.e. our impact assessment methodology) to improve planning, resource allocation and decision-making (paras 4.80-4.88);

    30.4 Use reports of misconduct (RoMs) to measure the quality of licensing decisions, not just timeliness (para 5.67).

31. ASIC already has work underway in respect of some of these suggestions.

    31.1 The key way in which ASIC is testing the outcomes of its interventions is through the impact assessment methodology, which provides an evidence-based narrative on the impact of interventions, including through greater use of measurements that track changes in impacts or outcomes for consumers. This framework has been applied to over 20 projects in the 2022 Markets and FSW business plans.

    31.2 We are also progressing the pilot of efficiency measures for our ongoing regulatory activities.

32. As noted in our response to the FRAA, we undertake ex-post analysis to understand the causes of success and failure across a range of its initiatives through our lessons learned process. This is designed to give teams and other key internal stakeholders a structured opportunity to reflect on an activity and the outcome it achieved. For example, we are currently undertaking a lessons learned review of strategic planning with the Knowledge Management team. However, we need to explore how broadly and frequently these lessons learned processes are undertaken across the organisation, as well as the extent to which they focus on outcomes.

33. With regards to testing the quality of licensing decisions:

s 37(2)(b), s 47C, s 47E (d)

[redacted]

34. With regards to the FRAA's recommendation of setting out specific metrics tied to desired outcomes in the Corporate Plan, and then reporting against those metrics to demonstrate the impact of ASIC's regulatory activity:

    34.1 Our approach to performance measurement is currently generally focused on assessing the impact of individual regulatory interventions which seek to address specific harms (i.e. through our impact assessment methodology).

    34.2 For the next business planning round, we intend to draw on the impact assessment methodology more broadly to illustrate the impact we expect to have on specific projects that go to our external priorities. We are also considering engagement with teams and the necessary capability uplift that will be required to fully embed this process across ASIC.

    34.3 We could also look to more comprehensively list our key impact assessment projects (which we already link to our strategic priorities) and their success metrics in our corporate plan, with a view to reporting on them in our Annual report. We took a small step towards this by listing 3 examples of projects in this year's corporate plan in the performance section.

s 47C

[redacted]

35. We are also canvassing for additional ideas on how we can leverage off existing work to measure the effectiveness/impact/success of individual regulatory activities, or what we can initiate using existing resources.

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Issues/Risks

s 47C

Implementation

45. We will continue to consult relevant internal stakeholders to identify any additional 'quick wins', and, if necessary, provide a more detailed overview of the initiatives that will be tracked to address the recommendations and support the development of potential measures of success for key initiatives.

46. Strategic Policy will work with the Enterprise Portfolio and Performance Office on maintaining a clear overview of our progress on the different initiatives as well as relevant accountabilities for these initiatives.

47. We plan to update the Commission on these steps in due course.

Consideration of international regulatory approaches

48. N/A

Consideration of competition

49. N/A

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Appendix A: Summary of the FRAA report (chapters 3-6)

Data and technology
Stakeholder engagement
Performance measurement
People

Chapter 6: Recommendations and outcomes of the review

Para/page	FRAA Final Report
ASIC requires a substantial uplift in its data and technology capability, which will involve cultural change.	
pp 2, 4,[6.12]-[6.13]	**Need for a cultural shift to support digital uplift** • ASIC requires a substantial uplift in its data and technology capability and will need to undergo material cultural change to embed the benefit from the required investment. • The Commission and ASIC's senior leaders will need to lead this cultural shift to realise the benefits of its planned digital uplift. • The poor experience of the development and deployment of the new CRM system illustrates that investment in technology without the necessary cultural engagement will not succeed.
[6.5], [6.7]	**ASIC has underinvested in technology (funding and capability**) • ASIC requires further investments in skilled technology and data specialists and modern technology platforms, analytical tools and digital capabilities. • ASIC has historically underinvested in technology (both funding and capability). • ASIC has a comparatively lower annual technology spend than some other domestic public sector agencies and international market conduct regulators. • ASIC's annual technology spend as a proportion of total spend, averaged over 4 years is around 10%. Comparatively, Services Australia is 12%, ATO is 16%, the US's SEC is 17%, and the United Kingdom's FCA is 21%. • The FRAA recognises that additional funding and government support will be necessary if ASIC is to achieve its ambition given the historic underinvestment in technology and the resulting technology debt.
ASIC should have a stronger focus across the organisation on enhancing the quality of its engagement with stakeholders.	
p 4, [6.22]-[6.25]	• ASIC will need a cultural shift with a deep focus on its stakeholders and their experience in interacting with ASIC. • ASIC will need a mindset that sees it become more transparent, open and responsive to feedback from stakeholders. This will require ASIC to engage proactively with its stakeholders and consider their ongoing experience in interacting with ASIC. • Staff members should be empowered to develop quality engagements with stakeholders. • It will also require greater collaboration and information sharing across ASIC teams so issues raised by stakeholders can be passed to the teams that can best action them. • The ATO provides a powerful example of how a regulator can achieve better outcomes by leveraging its stakeholder relationships. The ATO implemented a program (Reinventing the ATO) designed to improve its regulatory outcomes through cultural and technological transformation. The ATO had an objective of placing its stakeholders at the centre of all engagements. As an example, as part of its reinvention efforts the ATO allowed its call centre staff go 'off script' when communicating with callers and this led to better resolution of callers' queries and ATO staff members feeling more empowered. This is a notable example for ASIC to consider in the licensing context.

ASIC should enhance its ability to measure its own effectiveness and capability and communicate the outcomes of such assessment transparently, both internally and externally.	
p 4, [6.27]-[6.32]	• To determine whether ASIC is achieving its statutory objectives it is necessary that ASIC establish and embed measures to assess the outcomes of its regulatory activities. • ASIC should publish the results of these measures to increase transparency and accountability. • Embedding assessment measures into business processes should allow ASIC to make better decisions around priorities and resource allocation. • It should also support ASIC to assess whether surveillances are having the intended impact, as well as whether any regulatory impost is justified by the outcomes being achieved. • In licensing, it would allow ASIC to assess the quality of its decisions and the effectiveness of its role as a gatekeeper to the financial system. • Alongside the development of measures, ASIC leadership drive a cultural shift to be open to and look for opportunities for continual improvement.
ASIC should continue to broaden its mix of skill sets to ensure it can meet the current and future needs of the organisation.	

pp 4-5, [6.36]	• The FRAA considers it important that ASIC has an ongoing focus on broadening its mix of skill sets.
	• This will require building capability across ASIC to engage in open and constructive dialogue with stakeholders.
	• Quality engagements will also need to be supported with the necessary experience in contemporary and emerging market areas of risk such as those relating to crypto, cyber and climate change.
	• To implement the recommendations in this report ASIC will need the right cultural settings, organisational capability and people skills to:
	  o uplift its data and technology capability
	  o improve its engagement with stakeholders
	  o self-assess its regulatory outcomes

Chapter 3: Strategic prioritisation, planning and decision-making

Para/page	FRAA Final Report
[3.27]-[3.34]	**ASIC's transition to a new governance structure** • ASIC's commissioners and executive directors acknowledged that more time is needed to embed the shift in responsibilities and accountabilities arising from changes to the governance structure. • Commissioners noted the 'natural tensions' in the transition, where commissioners can find it difficult to be strategic when in the detail of day to day regulatory matters. • One commissioner noted that ASIC was mature on short term strategy priority setting but needed to focus more on non-regulatory organisational priorities.
[3.52]-[3.57], [3.106]	**Calls for increased stakeholder engagement in development of strategic priorities** • Stakeholders have requested further engagement with ASIC as it develops its strategic priorities, and noted that further consultation with industry would better inform ASIC's thinking on emerging issues and support effective industry engagement. • Consumer advocacy bodies questioned the efficiency of the ACCP, describing it as ASIC sharing information rather than a meaningful discussion about long term issues raised by consumers. • Only 7% of survey respondents agreed that ASIC effectively incorporates the views of external stakeholders when setting priorities (66% disagreed and the rest were neutral).
[3.58]-[3.59]	**Need for improved coordination when sequencing regulatory initiatives** • Stakeholders suggested that ASIC could improve its coordination with government and other regulators when sequencing regulatory initiatives.
[3.61]	**ASIC's response to COVID-19 in 2021**

	• While public submissions were supportive of ASIC's response to the COVID 19 pandemic, submissions noted that ASIC did not maintain this approach towards the close of 2021 during a period of significant change for industry. One stakeholder considered that ASIC appeared to be less flexible with upcoming compliance obligations.
[3.62] - [3.70], [3.106]	**Decisions to de-prioritise and need for organisation-wide critical priorities** • Executive directors and commissioners noted that ASIC manages a large number of activities and can be reluctant to make decisions to deprioritise. • ASIC does not maintain a clear view of an organisation wide set of critical priorities. • ASIC's 2021–25 Corporate Plan outlines 74 projects (and additional sub projects) relating to 4 external priorities but provides no sense of importance or expected completion. • A clear set of priorities would improve ASIC's ability to trade off or deprioritise non critical activity when faced with emerging threats and harms while retaining focus on, and progressing, critical priorities. It would mitigate against any cultural disinclination to deprioritise if new and more important issues emerge.
[3.71]-[3.73]	**Long-term organisational priorities** • ASIC staff and consumer advocacy bodies noted ASIC is better at identifying short-term regulatory priorities than long-term priorities. • Commissioner and executive director interviews and focus group discussions noted that ASIC has historically focused on short-term regulatory initiatives to the detriment of long-term organisational priorities. • This has contributed to ASIC's underinvestment in its data and technology capability in past capital expenditure budgets. • As a result, ASIC may not have always prioritised investment in organisational capabilities.
[3.76]-[3.77], [3.79]-[3.80]	**Need for improvements to data capabilities and technology systems to improve strategic planning** • Richer and more granular datasets hold the potential to enhance ASIC's strategic prioritisation and planning processes. • ASIC's current strategic prioritisation, planning and decision making processes are perceived by some ASIC staff as reactive and short term in nature because they lack a comprehensive basis in data and evidence. • ASIC staff acknowledged that ASIC's uplift in data capabilities is crucial to enhancing and better informing strategic prioritisation and planning processes. • Some ASIC staff agree that improvements in technology systems will enable ASIC to better utilise data in its strategic prioritisation, planning and decision making processes. • Some ASIC staff recognise that ASIC's current technology systems that support its strategic prioritisation processes are behind those of its large institutional regulated entities. • To support strategic decision making and drive regulatory outcomes, data analytics capabilities need to be improved on an organisation wide basis, taking a collaborative and holistic approach across teams and groups.
[3.78]-[3.79], [3.82]	**Cultural factors affecting low level of data and technology capability** • ASIC staff cited cultural factors such as risk aversion, siloed teams and a short term focus as the fundamental reason for the current low level of data and technology capability at ASIC. • ASIC's leadership needs to ensure staff members are engaged early and often to scope, plan and execute new technology to ensure the user experience is considered and tested. • The FRAA's view is that a cultural shift is required if ASIC is to realise its vision to become a digitally enabled regulator. • There is a need for cultural change towards new ways of working with technology, data and analytical tools to improve regulatory activities and outcomes. • During this review the FRAA noted that not all senior leaders of ASIC embraced the initiatives to-date to uplift digital capability.
[3.86]-[3.88], [3.106]	**ASIC should communicate its short term work initiatives** • ASIC should communicate its short term concrete work and initiatives, clearly outline timeframes where possible and seek stakeholder input on the operational aspects of implementing new obligations and guidance.

	• To improve communications, stakeholders in consumer advocacy bodies, markets, banking and insurance noted the value in a 'forward calendar' of regulatory initiatives akin to the United Kingdom's 'Regulatory Initiatives Grid' and the Council of Financial Regulators of New Zealand 'Regulatory Initiatives Calendar'. • The FRAA recommends ASIC commit to a timeframe for implementation of its communication plans.
[3.89]-[3.90]	**Decision-making processes can be complex to navigate internally** • After a period of frequent changes to ASIC's governance model, some ASIC staff noted that accountability in ASIC's decision making processes is not always clear and can be complex and confusing, with multiple forums and committees to navigate when escalating a matter.
[3.91]	**ASIC's decisions do not always appear to align with strategic priorities** • Public submissions noted that ASIC's decisions do not always appear to align with its strategic priorities.
[3.92]	**More clarity on ASIC's decision-making processes** • Public submissions requested more clarity on ASIC's decision-making processes and escalation procedures. • This was supported by the external stakeholder survey where only 22% of respondents agreed that ASIC clearly communicates the reasons behind its regulatory decisions. • One stakeholder noted that implementing a transparent decision making process would enable stakeholders to understand how problems can be escalated within ASIC.
[3.95]-[3.101], [3.107]	**ASIC's publications do not report on ASIC's success against priorities** • Public submissions noted that ASIC's publications do not report on ASIC's success against priorities. • Only 9% of respondents to the stakeholder survey agreed that ASIC is accountable for delivering the priorities laid out in its Corporate Plan. • The activities outlined in ASIC's Corporate Plan do not clearly align with the Annual Performance Statement in ASIC's Annual Report. It is therefore difficult to understand what ASIC has achieved relative to what it set out. • There is no commentary in these documents as to whether ASIC considers it has been effective in achieving its priorities. • The FRAA's view is that ASIC may benefit from identifying specific metrics tied to desired outcomes in its Corporate Plan, and then report those metrics in its Annual Performance Statement to demonstrate the impact of its regulatory activity.
[3.104], [3.108]	**ASIC does not routinely review the outcomes of its major activities** • ASIC does not routinely review the outcomes of its major activities to determine the appropriateness of its decision-making. • ASIC has recently developed and begun to embed an impact assessment framework to measure the effectiveness of its major surveillance activities. • The FRAA considers that such ex-post analysis could be utilised more broadly across the organisation. • More definitive outcomes and supporting data will also improve ASIC's ability to review its decisions.

Chapter 4: Surveillance

Para/page	FRAA Final Report
[4.18]-[4.20]	**Opportunity to refine targeting of surveillances** • Some ASIC staff commented that surveillances often target high-profile areas and not areas of harm. • A minority of public submissions suggested that while ASIC's risk based approach was clear, activities could be better targeted to relevant risks and harms.
[4.23]-[4.30]	**Surveillance activities should limit regulatory impost through improved scoping of notices and information requests** • ASIC's surveillance activities should seek to limit regulatory impost on the sectors it regulates. • Despite the implementation of the CRM system and operation of the notice sign off procedure, a significant volume of negative feedback was received concerning information requests (overly broad, issued without consultation or imposed unreasonable timeframes).

	• The FRAA considers that ASIC can further reduce regulatory impost through the improved scoping of notices and information requests, as well as enhanced engagement with notice recipients prior to issue.
[4.31]-[4.37]	**Increased collaboration with other regulators should remain a focus** • Public submissions and external survey participants did not consider there is effective coordination between ASIC and other Australian regulators in the conduct of surveillances. • Only half of ASIC staff surveyed agreed that there is effective coordination between ASIC and other Australian regulators. • Given its significance as a driver of reduced regulatory impost, the FRAA considers that increased collaboration with other regulators, particularly APRA, should remain a focus for ASIC.
[4.38]-[4.43]	**Scope to increase collaboration within ASIC** • Many ASIC staff members commented that teams operate in silos within ASIC and information is rarely shared effectively between teams. • Some ASIC staff members also observed opportunities for improved internal collaboration and increased awareness of available resources. • The FRAA considers that there is scope to increase collaboration within ASIC to more effectively share information and help drive efficiency
[4.49]-[4.57]	**ASIC should continue to focus on developing and maintaining the right mix of skills** • A number of ASIC surveillance staff members supported the need for increased skills and experience in surveillance teams. • Some ASIC staff members noted inconsistent capability across teams, and that many staff members lacked industry experience, limiting their understanding of industry practice. • Results from initial staff self assessments conducted under ASIC's most recent capability framework suggest that while, on average, the majority of surveillance staff members are meeting the desired regulatory and technical capabilities, development and upskilling opportunities remain. • The FRAA considers that ASIC should continue to focus on developing and maintaining the right mix of skills to ensure it remains effective into the future. • The FRAA encourages ASIC to continue recruiting staff members with appropriate regulatory and market experience, including a focus on increasing qualifications and experience in digital and data analytics. • Where appropriate, ASIC should look to engage private-sector professionals or representatives from financial institutions to conduct in-house seminars and training for ASIC staff to help increase industry knowledge.
[4.60]-[4.61], [4.68], [4.96]-[4.97]	**Need for improvement in data capabilities** • FSW appears less confident in its use of data and technology. Staff in focus groups and survey responses noted they were inhibited by suboptimal data tools and platforms. • The need for improvement is most pressing in ASIC's FSW team, which is comparatively less sophisticated in its data and technology capabilities than the Markets Group. • The FRAA suggests that ASIC should build a sound case for law reform and additional funding to enhance ASIC's data collection powers and its ability to process such data. • Notwithstanding limitations regarding data access and availability, the FRAA considers that greater emphasis should be placed on developing innovative surveillance systems and technology platforms, particularly in FSW, given their potential impact on increasing overall effectiveness.
[4.63], [4.68]	**Improvements are required to ASIC's CRM system** • ASIC's CRM system is viewed by ASIC staff as an obstacle to effective surveillances. The poor user interface and design of the new CRM system make tracking, reporting and coordinating surveillance activities difficult and time consuming. • The current iteration of the CRM system is sub optimal.
[4.62], [4.64]-[4.68]	**Improvements are required to ASIC's data lake and data capabilities** • Where data is available, ASIC staff cited challenges in obtaining and accessing this information which has inhibited their ability to use data to inform surveillance activities.

	• ASIC's centralised data storage platform, the 'data lake', has not been widely used by ASIC surveillance staff. This is in part due to the limited volume of data currently available on the platform, as well as lack of analyst skill and familiarity with the platform. • While the hub-and-spoke model holds potential for ASIC to improve its data analytics capabilities, some ASIC staff have raised concerns about their ability to secure resources for the duration of surveillances, as well as a lack of industry knowledge from the 'spoke' analysts. • Substantial improvement to the data lake is required.
[4.71]-[4.79]	**Scope to improve the communication of surveillance outcomes** • Both ASIC and stakeholders observed scope to improve the communication of findings, outcomes and recommendations of thematic and programmatic surveillances. • The FRAA considers it important for ASIC to continue this focus to most effectively influence behaviour, drive compliance and promote positive outcomes for consumers and investors.
[4.82]-[4.88]	**Scope to improve the measurement of ASIC's surveillance impact** • ASIC recognised that there remains scope to improve the measurement of its surveillance impact. • Until recently, ASIC did not have a fully embedded process for measuring the impact of its surveillance activities. • The FRAA considers the measurement of surveillance impact to be a key component of an effective and capable surveillance function and encourages ASIC to ensure the impact assessment framework is appropriately embedded and utilised as soon as practicable.

Chapter 5: Licensing

Para/page	FRAA Final Report
[5.9]-[5.11]	**Improvements to guidance materials** • Industry stakeholders commented that it could be difficult for a lay person to find all of the information available since it is published in both regulatory guides and information sheets. • A consumer advocacy body commented that there was a need for clearer licensing regulatory guides, since they are currently long, yet lacking in detail.
[5.12]-[5.17]	**Upgrades to Licensing Portal and enhancing user experience** • Industry stakeholders highlighted the inability to upload documents to the portal and the cumbersome process to update licensee details.
[5.18]-[5.23]	**Refine methodology and staff capabilities to promote consistency** • Industry stakeholders reported procedural inconsistences in their licensing applications, noting the process appeared to vary depending on the analyst assigned to the assessment. • Inconsistencies create additional uncertainty, delays in processing times and additional costs. • The FRAA encourages ASIC to continue to review and refine its methodology and staff capabilities to promote consistency, including via its digital upgrade.
[5.24]-[5.32]	**Improvements to timeliness of licensing decisions** • Several industry stakeholders commented that ASIC's licensing processing times are too long and it can be faster to take over a licenced entity than process a licence application with ASIC. • Some stakeholders consider the long processing times, particularly experienced by complex and innovative business models, are a barrier to Australia's growth as a financial centre. • The FRAA questions whether ASIC's licensing timeframes are keeping pace with timeliness expected (compare service improvements by Service NSW, the ATO and the corporate sector).
[5.33]-[5.36]	**ASIC's licensing function has not been prioritised and is under resourced**

	• Industry stakeholders and several of ASIC's licensing staff commented that the licensing function is under resourced. • Several commissioners and executive directors noted that the licensing function had not been prioritised relative to other organisational and regulatory priorities. • Senior ASIC officials agree that with more resourcing, licensing assessment timeframes could be improved.
[5.37]-[5.47], [5.66]	**Improved communication with licensing applicants** • Some stakeholders reported frustration around the difficulties contacting ASIC, and a perceived lack of willingness by ASIC staff members to discuss their applications. • Industry stakeholders suggested the licensing process could be improved by making more use of verbal discussions with applicants to assist ASIC gain a better understanding of applications. • One stakeholder suggested the use of interviews could improve the licensing regime (other jurisdictions such as Singapore, UK, Dubai, Cayman Islands and Canada have an interview component to their licensing regimes). • Stakeholders would like to see ASIC staff display a greater understanding of different business models. More verbal discussions with applicants may help ASIC showcase their industry knowledge. • The FRAA considers that a willingness to engage in verbal communication may improve user experience.
[5.54]-[5.60]	**Opportunity to measure quality of licensing decisions** • The main focus of ASIC's licensing reporting is whether it meets the timeliness targets set in the Service Charter. • ASIC does not report on the quality of licensing decisions. ASIC does not track information to support its decisions as to whether recent licensees are operating competently and honestly. • One way this could be done is by recording the level of reports of misconduct of recent licensees. • The FRAA encourages ASIC to consider whether the elapsed time method for assessing licensing applications gives ASIC enough information on the efficiency of their operations and gives sufficient scope for comparison with other regulators.
[5.61]-[5.62]	**Opportunity to measure user experience** • Unlike some other regulators, ASIC does not have a systematic process to measure the 'user' experience of licence applicants and licensees (CF FMA's annual 'Ease of Doing Business' survey). • Collecting data on the applicant's user experience could also help ASIC to assess whether they are meeting community expectations and identify key areas for improvement.

Appendix B: Stocktake of initiatives underway and other FRAA expectations in the report

#	Initiatives we have underway or expectations that may require an initiative for each theme
Data and Digital	
1.	Further investment in technology, data and digital capabilities (6.5)
2.	Implementation of data and digital strategy (6.9)
3.	Cultural change to realise the benefits of our data and digital investments (3.78-3.79, 3.82, 6.12)
4.	Development of innovative surveillance systems and technology platforms, particularly in FSW (4.68)
5.	Streamlining and automating aspects of the licensing assessment process through a new workflow system that will integrate the licensing portal into CRM (4.68, Box 5.2)
6.	Further developing ASIC's data lake, including increasing the subject areas covered by the data lake (4.64, 6.68)
7.	Uplift in data capabilities to enhance and better inform strategic prioritisation and planning processes (3.79)
8.	ASIC should build a sound case for law reform and additional funding to enhance ASIC's data collection powers and its ability to process such data (4.97)
Stakeholder engagement	
9.	Undertaking the three initiatives of the Regulatory Efficiency Unit (Box 3.3)
10.	Communicating short-term concrete work and initiatives (3.86-3.88, 3.106, Box 3.3)
11.	Continued focus on communication of surveillance outcomes (4.79, Box 4.2)
12.	Upgrading the licensing portal to improve user experience and licensing timeframes (5.17, 5.65, Box 5.2)
13.	Cultural shift with a deep focus on our stakeholders and their experience in interacting with ASIC (6.22) including: • a mindset that sees ASIC become more transparent, open and responsive to feedback from stakeholders) (Executive Summary p 4) • communicating to stakeholders how their feedback has been considered (3.55)

#	Initiatives we have underway or expectations that may require an initiative for each theme
14.	Greater collaboration and information sharing across ASIC teams so issues raised by stakeholders can be passed to the teams that can best action them (6.22)
15.	The FRAA considers that additional emphasis on the user experience including the advantages of ASIC's licensing staff to willingly engaging in more verbal communication with applicants would improve the effectiveness of the licensing function.
16.	More verbal discussions with applicants may help ASIC showcase their industry knowledge (5.33)
17.	The FRAA considers that ASIC can further reduce regulatory impost through the improved scoping of notices and information requests, as well as enhanced engagement with notice recipients prior to issue.
Performance measurement	
18.	Enhancing the quantitative measures ASIC uses to report on efficiency and effectiveness (Box 3.3)
19.	Embedment of an Impact Assessment Framework, including in relation to the measurement of surveillance impact (4.88, Box 4.2)
20.	Better aligning our Corporate Plan and Annual Report (including identifying specific metrics tied to desired outcomes in our Corporate Plan and reporting those metrics in its Annual Performance Statement) (3.101, 3.107, 6.31, 6.32)
21.	Embedded measures to comprehensively assess the outcomes of its activities across strategic planning, prioritisation and decision making and licensing (6.31)
22.	Measuring and reporting on quality of licensing decisions, specifically by reporting on the number of RoMs relating to new licenses within a certain timeframe and the number of enforcement actions relating to new licenses (5.67)
23.	Creating and embedding measures of 'user experience' for licensing applicants (5.61)
People	
24.	Implementation of a capability framework, people strategy and digital uplift program (Box 4.2)
25.	Recruitment of Head of Workforce Management (Box 4.2)
26.	Capability across ASIC to engage in open and constructive dialogue with stakeholders (6.36)
27.	Ensuring staff have experience in contemporary and emerging market areas such as crypto, cyber and climate change risks (6.36)

#	Initiatives we have underway or expectations that may require an initiative for each theme
28.	Continue recruiting staff members with appropriate regulatory and market experience, including a focus on increasing qualifications and experience in digital and data analytics (4.57)
29.	Developing and implementing measures of our effectiveness and capability will need to be accompanied by a culture of continuous improvement (6.37)
30.	ASIC should look to engage private-sector professionals or representatives from financial institutions to conduct in-house seminars and training for ASIC staff to help increase industry knowledge (4.57)
Other topic-specific expectations that are not aligned with the four themes	
31.	Amending our strategic planning process, including longer term priorities and better integration of the budget setting process (Box 3.3)
32.	Maintain a clear view of the critical organisation wide set priorities and ensure these are adequately resourced (3.69, 3.106)
33.	Improve effectiveness through increased collaboration with other regulators and increased collaboration across ASIC (4.43, 4.92)
34.	Reducing regulatory impost through improved scoping of notices and information requests (4.30, 4.92)
35.	Encouragement of ASIC to continue to review and refine its methodology and staff capabilities to promote consistency in processing its Licensing applications (5.23)
36.	Reducing Licensing timeframes by considering more resourcing, researching approaches by other entities (e.g. industry, government, non-profit) (5.32, 5.36)
37.	Considering using the 'stop the clock' timing methodology for better international comparison (5.56)

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