Briefing for FRAA Panel: Update on ASIC action in response to the FRAA's recommendations

30 November 2022

Overview

1. The FRAA's assessment found that ASIC is generally effective and capable in the three areas reviewed (strategic prioritisation, planning and decision-making and ASIC's surveillance and licensing functions).

2. The FRAA's recommendations are aimed at enhancing ASIC's effectiveness and capability. ASIC welcomed the FRAA's recommendations, noting that they align closely with the Chair's priorities for ASIC.

3. As acknowledged in the report, ASIC already had a number of initiatives underway that align with the FRAA's recommendations, and has subsequently put further initiatives in place addressing the FRAA's recommendations.

4. In line with the FRAA's findings, ASIC's Corporate Plan 2022-26 - Focus 2022-23 highlights key projects and initiatives to provide further clarity to ASIC's stakeholders on what it is focused on.

5. ASIC will provide an interim update to the FRAA in February/March 2023 on its implementation progress. A further update will be provided in June 2023 prior to the commencement of the FRAA's next review of ASIC.

Detailed update on ASIC initiatives

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

6. ASIC has commenced **multi-year data and digital strategies** focused on uplifting ASIC's technology systems and data capabilities to increase efficiency and effectiveness, support innovation and improve user experience for stakeholders.

7. ASIC's **Digital Strategy**, which was launched to staff in September 2022, envisages that by 2030 ASIC will be a leading digitally-enabled, data-informed regulator. There are five principles to support this vision:

    a. Remain relevant and resilient to change
    b. Promote innovation across the Australian economy
    c. Make it easy to do business with ASIC
    d. Create a workforce fit for the digital age
    e. Intelligently automate everything we do

8. A **Digital Uplift and Delivery hub** has been established to improve understanding and capability of 'digital' across ASIC. One of the key achievements is a 23-week campaign focused on building the **digital literacy of senior leaders** by sharing case studies, articles and information across a variety of topics including digital mindset, innovation, automation and Artificial Intelligence. This will form the foundation of further work in 2023.

9. ASIC has completed a campaign to identify **automation opportunities** across ASIC. Over 118 automation ideas have been captured to date. A program is underway to prioritise and cost the initiatives including benefits. Some quick-win opportunities will be delivered by 30 June 2023.

10. ASIC has launched a project to better understand **pain-points and opportunities to improve ASIC's external digital channels.** This includes quantitative and qualitative research with selected external users. A report with recommendations will be completed approximately 31 March 2023, forming the basis for future improvement initiatives.

11. ASIC has also launched the **AFSL Portal uplift project** with the aim of finalising requirements and design before June 2023.

12. ASIC's recent **data work** has included:

    a. Collection and analysis of **recurrent data**, including of Internal Dispute Resolution (IDR) data from January 2023 including links to External Dispute Resolution data. This will provide valuable insights into the nature of and outcomes from consumer complaints.

    b. Ongoing population of data into **ASIC's data lake**, most recently from ASIC's CRM system, and Trader ID data from the ATO, to facilitate analysis in a modern protected environment.

    c. Further development of an **expanded suite of tools and applications** to access in one central location, facilitating good data governance practice whilst providing a 'one stop shop' for users of data and analytics services.

    d. Development of a **Data Ethics Framework** to ensure ethical data use.

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

13. ASIC's **corporate plan** published in August 2022 includes an improved structure to more clearly highlight ASIC's priorities and key projects and outlining timeframes for its shorter-term work. This will also be reflected in the 2023 annual report.

14. ASIC published its specific **enforcement priorities** for 2023 on 3 November 2023. These priorities communicate ASIC's intent to industry and stakeholders, and give a clear indication of where ASIC will direct its resources and expertise.

15. From early 2023 ASIC intends to publish a six-monthly **regulatory developments timetable** showing proposed timeframes for regulatory actions that are within ASIC's control (e.g. publication of consultative papers and draft or final guidance, and anticipated making of legislative instruments).

16. ASIC has conducted **pre-investigation meetings** in appropriate matters to help parties better understand what the relevant investigation is about, the steps involved and what is expected of them. These meetings are intended to increase the efficiency of enforcement investigations and manage burdens from information-gathering.

17. ASIC is working on **enhancing its interaction with AFS licence applicants through the application process**, including by increasing engagement for novel applications and variations, and speaking to applicants before requesting more information. These measures are being complemented by changes to application systems and processes.

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

18. ASIC's work on performance measurement focuses on **building on and iterating existing initiatives**, including:

    a. Embedding an **impact assessment methodology** to measure the impact of individual regulatory interventions which seek to address specific harms – 22 projects have been identified for impact assessment in 2022-23 business plans.

    b. Introducing new **efficiency measures** in two stages to better inform operational and management decisions and increase the transparency and accountability of cost

recovery activities – stage 1 measures have been completed internally and will continue on a quarterly basis; stage 2 measures to be considered following rollout of the granular time recording tool in July 2022.

c. Undertaking a **stocktake of existing metrics** to help identify ways to better frame ASIC's performance narrative, and identify a **small number of new potential metrics** that can be developed with existing data – to be completed by June 2023 as part of the joint ASIC/APRA/Treasury working group developing a broader framework for performance measurement. Work is underway to include a measure of the quality of licensing decisions as suggested in the FRAA report.

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

19. ASIC is implementing a multi-year **people strategy** to help deliver its organisational priorities. This includes defining ASIC's workforce strategy to identify future demands and build a future fit workforce that is equipped with a broad skill set, including skills to harness the benefits of ASIC's technology and data commitments, ensuring staff have experience in new and emerging market areas of risk, and skills to engage in constructive dialogue with stakeholders.

20. ASIC has already taken the following action:

    a. A new ***Head of Talent and Workforce Strategy*** was appointed in October 2022. A key priority for them will be to develop the ASIC-wide Workforce Strategy.

    b. ASIC has developed an aligned **Leadership and Learning Strategy** to address capability needs identified by the previously completed capability checkpoint assessments and learning needs identified through consultation.

    c. ASIC has commenced a pilot to trial a **new approach to performance management**, due to be completed, to move the current model towards one anchored in continuous feedback. The pilot will integrate ASIC's capability framework in a cycle of communication that is linked to the rhythm of work, featuring ongoing conversations focussed on the development of new capabilities and continuous improvement.