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ASIC's role

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Chair's report

On behalf of my fellow Commissioners, I am pleased to present this annual report for 2021–22. I would also like to take this opportunity to thank outgoing Commissioner Cathie Armour for her valued contributions to ASIC's work over the last nine years.

Since I became Chair of ASIC, I have made it clear that I want ASIC to be an ambitious and confident regulator. This means setting clear priorities, acting with courage, communicating what we do and why, and embracing change.

It was a challenging year for global markets and the Australian economy and financial services sector. Global and domestic economic indicators moved and continue to move dramatically, and financial markets are being transformed by technological innovation, the impact of climate risk, and ongoing pandemic-related disruptions.

This year we started to shift our emphasis from helping Australian businesses and consumers recover from the immediate economic impact of the COVID-19 pandemic, to addressing the regulatory and consumer protection issues arising in the changed economic environment.

Against this background, ASIC maintained its commitment to supporting market integrity and tackling the areas of greatest harm to consumers and investors.

We continue to be a strong and targeted law enforcement agency, and an active litigator against misconduct. Now that the majority of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (Financial Services Royal Commission) recommendations for legislative reform have been enacted, including the product intervention power, design and distribution obligations, reform of breach reporting requirements, the hawking prohibition and the deferred sales model for add-on insurance, we have a stronger regulatory framework and more powers to support our enforcement activities. We are committed to using our full, expanded regulatory toolkit to take action against misconduct and reduce the risk of harm to consumers.

Key outcomes achieved this year included:

- › \$113 million in penalties imposed on Westpac for widespread compliance failures
- › judgment against RI Advice Group, establishing that failure to manage cyber security risks is a breach of licence obligations
- › disrupting 'pump and dump' activity in listed stocks to limit the potential for harm to consumers as a result of market manipulation with charges laid against Gabriel Govinda
- › the extension of product intervention orders for contracts for difference
- › filing our final civil proceeding arising from the Financial Services Royal Commission.

These actions were informed by the strategic priorities in our *Corporate Plan 2021–25 – Focus 2021–22*, namely:

- › promoting economic recovery, including through better and more efficient regulation
- › reducing the risk of harm to consumers exposed to poor product governance and design, as well as increased scam activity
- › supporting enhanced cyber resilience and cyber security among our regulated population
- › driving industry readiness and compliance with standards set by law reform initiatives.

We also progressed a range of work to strengthen our organisational capability, ensuring that it effectively supports our front-line regulatory work.

Last year, we commissioned an independent review of ASIC's infrastructure. We have implemented key recommendations, including appointing a Chief Operating Officer and Executive Director Operations, reviewing internal service level standards for our operations functions, and updating our technology service delivery model. In order to be an effective regulator that serves and advances the public interest, we need to be accountable and performance-focused.

ASIC is committed to a digital future. A key part of our organisational change agenda is our digital transformation program, which will be a focus over multiple years and is fundamental to ASIC becoming a leading digitally enabled, data-informed regulator.

We made significant progress this year, especially in relation to data collection, storage and analysis, but there is more to do. Our digital and data strategy sets out our plans to further improve our capabilities, including in data analytics, artificial intelligence, and machine learning. Ultimately, this will transform the way ASIC works.

Regulatory efficiency also remains a priority for ASIC. This year we established a dedicated unit to coordinate work across ASIC on how we administer the law from a functional perspective, to make it easier for business to get things done. The first tranche of initiatives is under way, and focuses on the development of regulatory guidance, the use of our information-gathering powers, and enhancing stakeholder engagement and user experience when interacting with ASIC.

During the year, the newly established Financial Regulator Assessment Authority (FRAA) undertook its first assessment of ASIC's effectiveness and capability. The FRAA found that ASIC is effective and capable in the areas reviewed. ASIC has several initiatives underway that align to the FRAA's recommendations. We will continue to work closely and collaboratively with the FRAA as we implement its findings in our future work.

Looking ahead

The longer-term strategic priorities set out in our *Corporate Plan 2022–26 – Focus 2022–23* will guide our work over the next four years.

As part of delivering on our external strategic priorities, we will focus on core strategic projects, including:

- › disrupting and combating scam activity, in collaboration with other Government agencies
- › enforcing compliance with product design and distribution obligations
- › driving continued improvement in climate-related and sustainability disclosure and governance
- › implementing the new breach reporting reforms, to promote greater transparency and consistency

- › driving active cyber risk management and operational resilience practices
- › prioritising consumer protection in relation to crypto-assets
- › working with the Australian Prudential Regulation Authority (APRA) on joint implementation of the upcoming Financial Accountability Regime.

We will focus on the areas of greatest harm, use technology to optimise our work, and clearly communicate what we do and why, as we continue to confidently play our role to support the Australian economy, serve the community and advance the public interest.



Joseph Longo
Chair

1.1 ASIC's role and responsibilities

ASIC is Australia's integrated corporate, markets, financial services and consumer credit regulator. ASIC is established under the *Australian Securities and Investments Commission Act 2001* (ASIC Act).

Our vision

Our vision is for a fair, strong and efficient financial system for all Australians.

Our regulatory purpose

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 legislative responsibilities

The ASIC Act states that ASIC has the function of monitoring and promoting market integrity and consumer protection in relation to the Australian financial system and the payments system.

It requires that ASIC strive to:

- › maintain, facilitate and improve the performance of the financial system and entities within it in the interests of commercial certainty, reducing business costs, and the efficiency and development of the economy
- › promote confident and informed participation by investors and consumers in the financial system
- › administer the law effectively and with minimal procedural requirements
- › receive, process and store – efficiently and quickly – the information we receive
- › 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.

We enforce the law and regulate companies, financial markets and financial services under the following key legislation:

- › ASIC Act
- › *Business Names Registration Act 2011*
- › *Corporations Act 2001* (Corporations Act)
- › *Insurance Contracts Act 1984*
- › *National Consumer Credit Protection Act 2009* (National Credit Act).

We also administer parts of the following legislation:

- › *Banking Act 1959* (Banking Act)
- › *Life Insurance Act 1995* (Life Insurance Act)
- › *Medical Indemnity (Prudential Supervision and Product Standards) Act 2003*
- › *Retirement Savings Accounts Act 1997*
- › *Superannuation (Resolution of Complaints) Act 1993*
- › *Superannuation Industry (Supervision) Act 1993* (SIS Act).

Our regulatory approach

In everything we do, we are guided by our vision of a fair, strong and efficient financial system for all Australians.

Our regulatory toolkit includes supervision and surveillance, enforcement, financial capability work, industry engagement, guidance and input into law reform.

We use this toolkit across the industry sectors we regulate to identify and respond to threats and harms, and to achieve our vision.

For most of the issues in our remit, we use a combination of our regulatory tools to achieve outcomes for consumers and investors.

ASIC Corporate Plan

Our *Corporate Plan 2021–25 – Focus 2021–22* (Corporate Plan) outlined our regulatory priorities and the actions we plan to take over the next four years. These are based on monitoring and analysis of our operating environment, identification of threats and behaviours that lead to harm, and prioritisation of those harms that need to be addressed.

See pages 38–41 for more detail on our Corporate Plan priorities.

Chapter 2 sets out our achievements against the qualitative and quantitative measures identified in our Corporate Plan.

1.2 ASIC's structure and management

ASIC governance

ASIC's governance and accountability structures are consistent with ASIC being an independent Commonwealth agency that is a statutory body corporate. They reflect the legislative framework within which ASIC operates. ASIC's Chair, Joseph Longo, is the accountable authority under section 9A of the ASIC Act and has held this position since 1 June 2021.

ASIC's Commission has a non-executive board structure. There is a separation between the roles of the Commissioners and the roles of the executives. Commissioners apply a whole-of-ASIC lens to everything that they do, and executives inform the Commission through their specialist lenses. When the Commission deliberates and makes a decision, it considers the various other areas of ASIC's work. This prioritises consistency in ASIC's enforcement and regulatory decisions.

ASIC's Chief Operating Officer (COO) is responsible for non-regulatory decision making and the operational performance of ASIC. The COO enhances ASIC's governance by enabling the Commission to focus on strategic matters, external engagement and communication.

External oversight

ASIC is accountable to Parliament through the following parliamentary committees:

- › Parliamentary Joint Committee on Corporations and Financial Services (PJC)
- › Senate Standing Committees on Economics
- › House of Representatives Standing Committee on Economics
- › other parliamentary committees and inquiries as required.

In March 2022, a report by the PJC inquiring into ASIC's governance framework concluded that our current framework is adequate and fit for purpose.

In October 2021, the Senate referred matters relating to the collapse of the Sterling Income Trust to the Senate Economics References Committee for inquiry and report. The final report was released in February 2022 and ASIC is now considering the findings and recommendations, in particular the two directed at ASIC.¹

¹ Recommendation 3, that ASIC investigate and, if appropriate, commence legal proceedings against Australian financial services licence holders (current and former) that are alleged to have breached section 917B of the Corporations Act but have not consented to participate in relevant Australian Financial Complaints Authority (AFCA) processes, and recommendation 11, that ASIC develop a framework to promote greater awareness and understanding among retail investors and financial consumers in relation to buying financial products and services.

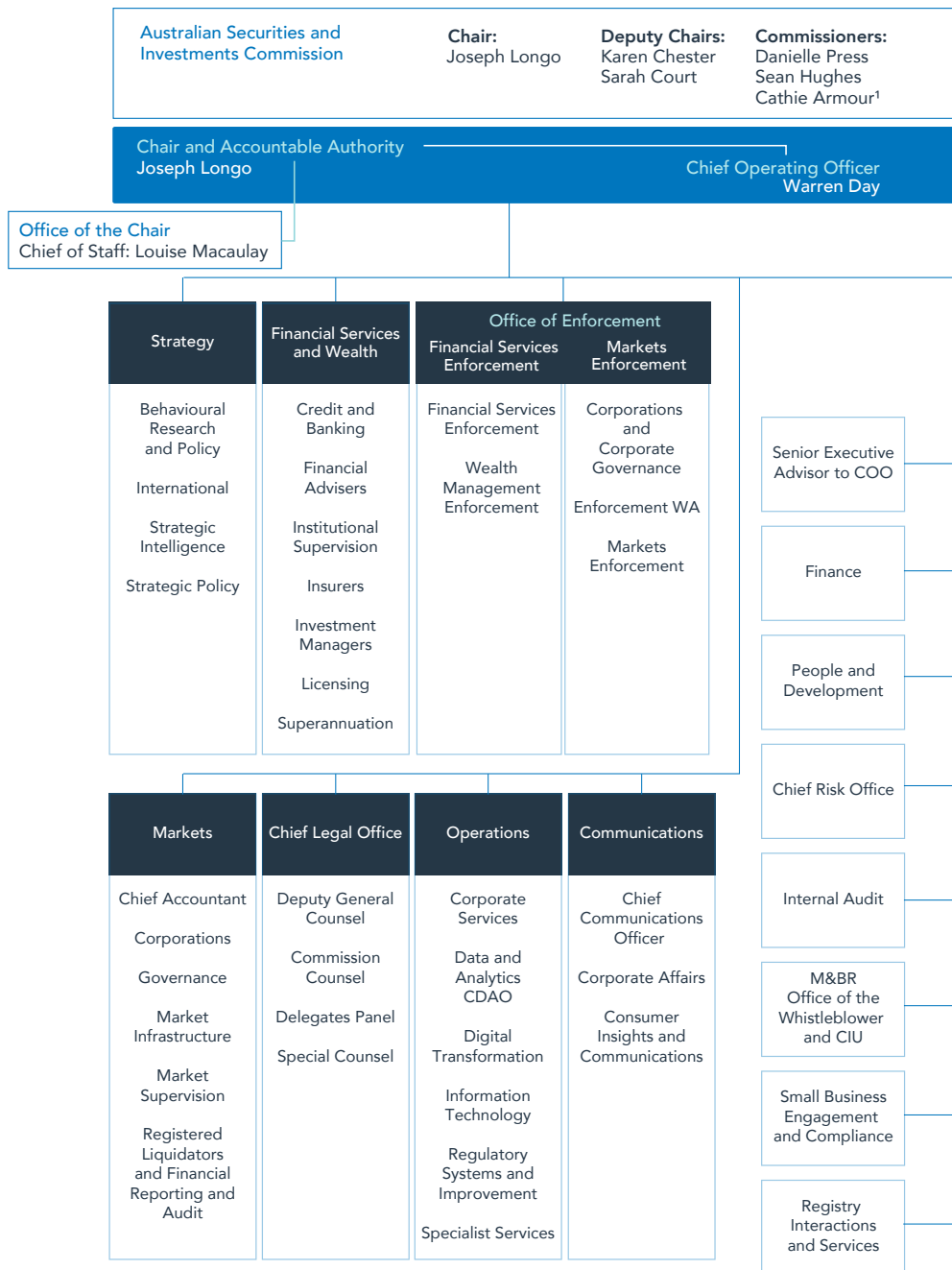
The Financial Regulator Assessment Authority (FRAA), established under the *Financial Regulator Assessment Authority Act 2021*, adds to ASIC's governance mechanisms. Its role is to assess and report on the effectiveness and capability of ASIC and APRA every two years.

The first FRAA assessment of ASIC focused on ASIC's effectiveness and capability in strategic prioritisation, planning and decision making, and our surveillance and licensing functions. The FRAA also examined ASIC's use of data and technology in each of these focus areas. The report detailing the FRAA's first assessment was released in August 2022. The FRAA found that ASIC is effective and capable in the areas reviewed. ASIC has several initiatives underway that align to the FRAA's recommendations. We will continue to implement the FRAA's findings in our future work.

We are under the jurisdiction of the Australian Commission for Law Enforcement Integrity. This Commission investigates corruption issues involving staff members and former staff members of organisations that fall under its jurisdiction.

Further information about ASIC's governance and the role of the Commission is set out in the Appendices on pages 208–209.

ASIC organisational structure



1 Cathie Armour ceased her role as an ASIC Commissioner on 2 June 2022.

ASIC Commissioners

Joseph Longo

Chair

Joseph Longo commenced as ASIC Chair on 1 June 2021.



Sarah Court

Sarah Court commenced as ASIC Deputy Chair on 1 June 2021.



Karen Chester

Karen Chester commenced as ASIC Deputy Chair on 29 January 2019.



Sean Hughes

Sean Hughes commenced as an ASIC Commissioner on 1 December 2018.



Danielle Press

Danielle Press commenced as an ASIC Commissioner on 17 September 2018.



Cathie Armour

Cathie Armour ceased her role as an ASIC Commissioner on 2 June 2022.

She commenced as an ASIC Commissioner on 3 June 2013.



ASIC Executive Committee



**Chair
Commission**

Joseph Longo



**Executive Director
Financial Services
Enforcement**

Tim Mullaly



**Executive Director
Financial Services
and Wealth**

Joanna Bird



General Counsel

Chris Savundra



**Executive Director
Markets Enforcement**

Sharon Concisom



**Executive Director
Markets**

Greg Yanco



**Chief Operating
Officer**

Warren Day



**Executive Director
Operations**

Zak Hammer



**Executive Director
Strategy**

Greg Kirk

ASIC Executive Committee members as at 30 June 2022.
The above list does not reflect standing attendees.

Surveillance and supervisory teams

ASIC's surveillance and supervisory teams and who they regulate

Markets

Greg Yanco – Executive Director

Chief Accountant

Doug Niven – Chief Accountant

- › Licensed domestic and overseas clearing and settlement facilities: 7
- › Exempt clearing and settlement facilities: 2
- › Derivative trade repositories: 1
- › Credit rating agencies: 6
- › Benchmark administrators: 2

Corporations

Claire LaBouchardiere and Rachel Howitt – Senior Executive Leaders

- › Unlisted public companies: 24,036
- › Listed companies (excluding listed schemes): 1,841

Registered Liquidators Financial Reporting Audit

Thea Eszenyi – Senior Executive Leader

- › Registered company auditors: 3,441
- › Entities required to produce financial reports: 29,420
- › Registered SMSF auditors: 5,173
- › Registered liquidators: 646
- › External administrators and controllerships: 4,924

Market Infrastructure

Nathan Bourne – Senior Executive Leader

- › Licensed domestic and overseas financial markets: 51
- › Exempt markets: 3

Market Supervision

Calissa Aldridge – Senior Executive Leader

- › Large securities exchange participants: 63
- › Large futures exchange participants: 36
- › Securities dealers: 1,183
- › Corporate advisers: 560
- › OTC traders: 333
- › Retail OTC derivative issuers: 115
- › Wholesale electricity dealers: 1,619

Governance

Kim Demarte – Senior Executive Leader

The Governance team has a broad range of stakeholders given its various focuses on the governance practices of Australia's larger entities and licensees, preparing to implement the new Financial Accountability Regime and overseeing the whistleblower policy requirements applicable to public companies, large proprietary companies and superannuation trustees.

Financial Services and Wealth

Joanna Bird – Executive Director

Credit and Banking

Tim Gough – Senior Executive Leader

- › Authorised deposit-taking institutions: 139
- › Australian credit licensees: 4,720
- › Credit representative: 39,711
- › Non-cash payment facility providers: 613
- › Trustee companies: 11

Financial Advisers

Leah Sciacca – Senior Executive Leader

- › Financial advisers: 16,621
- › AFS licensees licensed to provide personal advice: 4,112
- › AFS licensees licensed to provide general advice only: 1,049

Insurers

Rhys Bollen – Senior Executive Leader

- › General insurers: 54
- › Life insurers: 23
- › Friendly societies: 11
- › Insurance product distributors: 3,476
- › Risk management product providers: 77*
- › Claims handling and settling services providers: 314**

* 42 of the 77 providers are unique to this subsector.

** 62 of the 314 providers are unique to this subsector.

Investment Managers

Kate Metz – Senior Executive Leader

- › Responsible entities: 420
- › Registered managed investment schemes: 3,656
- › Wholesale trustees: 1,791
- › MDA operators: 230
- › IDPS operators: 76
- › Custodial service providers: 1,250
- › Foreign financial services providers: 1,003
- › Total assets: \$2,724.7 billion

Licensing

Peng Lee – Senior Executive Leader

- › AFS licence: 6,288
- › Australian credit licence: 4,720
- › Registered company auditors: 3,441
- › Registered SMSF auditors: 5,173

Superannuation

Jane Eccleston – Senior Executive Leader

- › Superannuation trustees: 90
- › Total assets: \$2,422 billion

Institutional Supervision

Suneeta Sidhu – Chief Supervisory Officer

Entities subject to supervision:

- › AMP Limited
- › Australia and New Zealand Banking Group Limited
- › Commonwealth Bank of Australia
- › National Australia Bank Limited
- › Suncorp Group Limited
- › Westpac Banking Corporation

Office of Enforcement

FINANCIAL SERVICES ENFORCEMENT

Tim Mullaly – Executive Director

Financial Services Enforcement

Melissa Smith – Senior Executive Leader

Wealth Management Enforcement – Major Financial Institutions

David McGuinness – Senior Executive Leader

Wealth Management Enforcement

Marita Hogan – Senior Executive Leader

MARKETS ENFORCEMENT

Sharon Concisom – Executive Director

Corporations and Corporate Governance

Brendan Caridi – Senior Executive Leader

Enforcement Western Australia and Criminal Intelligence Unit

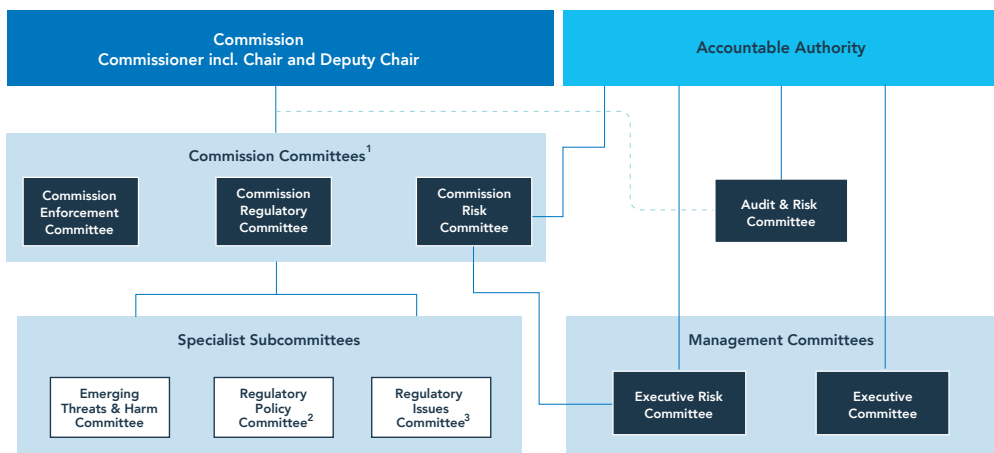
Wendy Endebrook-Brown – Senior Executive Leader

Markets Enforcement

Molly Choucair – Senior Executive Leader

The Commission has established a number of committees to assist it with the effective and efficient performance of its regulatory and governance roles.

ASIC governance structure



1 The Commission Steering Committee was removed from ASIC's Governance Framework in September 2021.

The following changes occurred outside the reporting period, prior to the tabling of the annual report:

2 The Regulatory Policy Committee was removed from ASIC's Governance Framework. It will continue to function at the executive level as a sounding board forum.

3 The Regulatory Issues Committee has been disbanded.

Commission meetings

Commission meetings are convened by ASIC's Chair under section 103 of the ASIC Act. They are scheduled weekly.

Commission Committees

Commission Committees are decision-making committees and comprise the full Commission and other standing attendees. There are three Commission Committees:

- › **Commission Enforcement Committee:** makes strategic and/or significant enforcement decisions (including in relation to the conduct, strategy and focus of major matters and enforcement policies) and oversees ASIC's enforcement and litigation work.
- › **Commission Regulatory Committee:** makes strategic and/or significant decisions relating to regulatory policy, law reform, applications for relief, policy frameworks and reports and oversees ASIC's regulatory activities and functions.
- › **Commission Risk Committee:** considers all types of risk of a strategic and/or significant nature that affect ASIC, our regulated population, Australia's financial system and Australian consumers. This Committee is responsible for setting and monitoring ASIC's risk management framework and risk appetite. The Committee monitors ASIC risk by reviewing and challenging whether material risks have been identified, ensuring that risk remediation plans are in place and challenging whether adequate resources have been deployed to appropriately manage risks.

Specialist subcommittees

Specialist subcommittees support the Commission Committees and provide oversight and guidance in preparing matters for decision by the Commission. The subcommittees consist of two or three Commissioners and standing attendees. There are three subcommittees:

- › **Emerging Threats and Harm Committee:** identifies, considers and provides advice on the management of emerging risks and strategic risks within ASIC's regulated population or the areas we regulate.
- › **Regulatory Policy Committee:** considers submissions recommending new or revised regulatory policy, law reform and novel applications for relief from the laws administered by ASIC.
- › **Regulatory Issues Committee:** considers matters generated by the surveillance and supervisory work undertaken by ASIC's regulatory teams.

Governance Committees

Governance Committees assist the Commission and the accountable authority in undertaking their governance roles. There are two Governance Committees:

- › **Commission Risk Committee:** (as set out above).
- › **Audit and Risk Committee:** operates independently of management in accordance with Terms of Reference approved by the accountable authority. The Committee provides independent assurance to the ASIC Chair on ASIC's financial and performance reporting responsibilities, risk oversight and management, and system of internal control.

Management Committees

The Management Committees are executive-level committees responsible for undertaking and overseeing the day-to-day management of ASIC. There are two Management Committees:

- › **Executive Committee:** responsible for the day-to-day operation and management of ASIC, implementing and delivering ASIC's policies, plans and priorities and leading the implementation of ASIC's business plans.
- › **Executive Risk Committee:** responsible for identifying and monitoring significant risks to ASIC, maintaining risk management frameworks and policies, and implementing and overseeing audit/assurance processes and risk mitigation strategies.

Regional Commissioners

ASIC's Regional Commissioners are our local ambassadors, promoting ASIC initiatives and engaging with regional communities through regular liaison.

Australian Capital Territory

Laura Higgins¹

- › Commenced as Regional Commissioner in May 2019.

New South Wales

Mark Adams

- › Commenced as Regional Commissioner in November 2021.

Northern Territory

Duncan Poulson

- › Commenced as Regional Commissioner in February 2006.

Queensland

Amanda Zeller

- › Commenced as Regional Commissioner in May 2019.

South Australia

Melissa Smith²

- › Commenced as Regional Commissioner in June 2015.

Tasmania

Chris Green

- › Commenced as Regional Commissioner in November 2013.

Victoria

John Wallace³

- › Commenced as Regional Commissioner in November 2021.

Western Australia

Rhian Richards

- › Commenced as Regional Commissioner in November 2021.

The following changes occurred outside the reporting period, prior to tabling of the annual report:

- 1 Peter Dunlop was appointed Regional Commissioner for the Australian Capital Territory in August 2022.
- 2 Natasha Haslam was appointed Regional Commissioner for South Australia in August 2022.
- 3 Warren Day was appointed Acting Regional Commissioner for Victoria in August 2022.

1.3 Key projects

ASIC has progressed or completed a number of key projects this year, including changes to our organisation to improve the way we work, engagement with other agencies on important inquiries, and working with the Government to implement important law reforms.

Promoting better regulation

In November 2021, ASIC established a Regulatory Efficiency Unit (REU) to promote better regulation by making it easier for businesses to fulfil their regulatory requirements effectively. The REU seeks to minimise the cost and burden of regulatory requirements, reduce the impost on industry, and drive better compliance while ensuring that consumer protections remain strong.

The REU initially consulted with industry in March 2022, with the aim of identifying initiatives that can improve the efficiency of ASIC's interactions with our regulated population. More than 70 stakeholders responded to identify some of the key themes and challenges that businesses face when dealing with ASIC.

Implementation of proposed initiatives will begin this financial year.

Infrastructure Review

In June 2021, ASIC engaged PwC to review ASIC's infrastructure and assess how key aspects of our corporate support functions operate as part of

our commitment to ensure efficient and effective regulation. The focus of the review centred on ASIC's operations group encompassing Finance, People and Development, IT, Data and Analytics, Specialist Services, and Corporate Services.

The recommendations from the high-level review of our operations group were received and considered by ASIC's Chair and Commission in July 2021. The Commission agreed with the direction of the recommendations and endorsed an implementation program. This program is being actioned in stages and integrates the PwC recommendations along with existing program initiatives and ASIC priorities.

Recommendations relating to governance and accountability, and to ASIC's service offering, were considered an early priority and were implemented within three months of the program commencement. Governance and accountability measures include confirming the role of the Chief Operating Officer and establishing an Executive Director Operations, as well as clearly communicating the split of accountabilities between the accountable authority, the Commission, and the organisation. Improvements to ASIC's service offering include establishing service level standards for internal stakeholders, and creating a customer service charter. Other recommendations across ASIC relating to strategy, planning and performance, capability and capacity, and information and technology systems require a longer-term program of work that is currently being progressed.

ASIC's engagement with the ALRC on its inquiry into corporations and financial services law

The Australian Law Reform Commission (ALRC) has been considering the potential simplification of laws that regulate financial services in Australia. In November 2021, the ALRC released *Financial Services Legislation: Interim Report A* (Interim Report A), which included suggested reforms to improve the navigability and reduce the complexity of the corporations and financial services legislation.

ASIC welcomes all of the ALRC's recommendations in Interim Report A. We have been providing support to the ALRC, including through the establishment of a working group. ASIC's Chair has also joined the Advisory Committee for the ALRC Review to help provide regular feedback from ASIC as the ALRC continues its work.

Supporting Government legislative reform

ASIC provides advice to the Government on the operational implications of Government policy initiatives and legislative change to support the Government's law reform agenda. We implement reforms once they are passed by Parliament, including through regulatory guidance.

We identify the opportunities and risks that affect our ability to implement the law as intended by Parliament and we advise on law reform to facilitate and improve the performance of the financial system.

This year, a raft of significant law reforms following on from Financial Services Royal Commission recommendations commenced or were progressed. Key Government reforms we worked on included the design and distribution obligations, breach reporting, hawking, the deferred sales model for add-on insurance and the Financial Accountability Regime. These reforms have created a stronger regulatory framework and more powers to support our enforcement activities.

Design and distribution obligations

The design and distribution obligations commenced in October 2021. Their introduction supports ASIC's strategic priority of reducing the risk of harm to consumers. The obligations require financial product firms to develop products that meet the needs of the consumers in their target market, and to direct distribution to that target market. ASIC has engaged extensively with industry during implementation and in the initial stages of this reform.

Reportable situations reforms

Breach reporting (now called reportable situations) reforms commenced on 1 October 2021 to improve the consistency, clarity and timeliness of reporting across the industry. Australian financial services (AFS) licensees must now lodge reports about reportable situations to ASIC through the ASIC Regulatory Portal. The changes in reporting obligations have resulted in a more expansive reporting regime for AFS licensees and also clearer reporting obligations.

In September 2021, ASIC released regulatory guidance to help credit and AFS licensees meet the new breach reporting obligations (Regulatory Guide 78 *Breach reporting by AFS licensees and credit licensees*).

Hawking reforms

Reforms to restrict the unsolicited selling of financial products came into effect in October 2021. The hawking reforms are designed to tackle consumer harms arising from consumers being approached with unwanted products through cold-calls or other unsolicited contact.

Ahead of the commencement of the new law, ASIC published updated regulatory guidance to assist industry in meeting its obligations (Regulatory Guide 38 *The hawking prohibition*).

Deferred sales model for add-on insurance

The deferred sales model, which introduces a mandatory four-day pause between the sale of a principal product or service and the sale of add-on insurance, commenced in October 2021. The Royal Commission found numerous issues in the add-on insurance market, including poor-value products, unfair sales practices and outcomes, and worse claims outcomes than in other insurance markets.

ASIC released a new regulatory guide (Regulatory Guide 275 *The deferred sales model for add-on insurance*) and final customer information requirements as part of our work to implement the new deferred sales model.

Financial Accountability Regime

The Financial Accountability Regime (FAR), subject to it being passed by the Australian Parliament, will extend the Banking Executive Accountability Regime to a wider range of entities and provide for the joint administration of the FAR between APRA and ASIC. It aims to improve the risk and governance cultures of entities in the banking, superannuation and insurance sectors. ASIC and APRA have worked together closely to provide technical and policy input to Treasury and will continue to develop systems and guidance to facilitate a smooth transition and implementation of the FAR.

Final Financial Services Royal Commission proceeding filed

This reporting period marked the filing of ASIC's last civil proceeding stemming from the Financial Services Royal Commission.

All of ASIC's Royal Commission investigations are now complete, with seven proceedings still before the courts. In total, ASIC brought 24 civil and criminal cases based on matters raised at the Financial Services Royal Commission (with one additional criminal matter currently under consideration by the Commonwealth Director of Public Prosecutions (CDPP)).

As at 30 June 2022, the total penalties and fines imposed in proceedings brought by ASIC arising out of the Financial Services Royal Commission amounted to more than \$138 million.

1.4 Financial summary

Outcomes

Parliament funds ASIC to achieve the outcome of improved confidence in Australia's financial markets through promoting informed investors and financial consumers, facilitating fair and efficient markets, and delivering efficient registry systems.

Revenue for the Commonwealth

In 2021–22, ASIC raised \$1,676 million for the Commonwealth in fees, charges and supervisory cost recovery levies, an increase of 11% from the 2020–21 year.

Revenue, appropriations and expenditure

In 2021–22, ASIC received approximately \$422 million in appropriation revenue from the Government, including \$65 million for the Enforcement Special Account (ESA), representing a \$15 million or 3% decrease compared with 2020–21.

ASIC received approximately \$68 million of own-source revenue¹ in 2021–22, \$27 million higher than the previous year. The increase in own-source revenue mainly relates to:

- › higher court cost recoveries for enforcement matters – these recoveries are unpredictable and vary from year to year
- › the reimbursement of operating and capital expenditure incurred by ASIC on Government programs funded directly by other Australian Government entities – most of this received funding was for capital expenditure.

The decrease in total expenses is consistent with the decrease in appropriation, noting that lease liability principal payments are not included in this total.

The increase in the 2021–22 surplus is primarily driven by the revenue variances mentioned above.

¹ Revenue generated and retained by ASIC, including court costs recovered, royalties and other sundry income.

Table 1.4.1 Revenue, appropriations and expenditure

	2021–22 (\$'000s)	2020–21 (\$'000s)	Change (\$'000s)	Percentage change
Revenues from Government (incl. ESA)	422,001	437,092	(15,091)	(3%)
Own-source revenue	67,873	40,598	27,275	67%
Total revenue	489,874	477,690	12,184	3%
Total expenses (incl. depreciation and amortisation, net of gains)	465,760	492,107	(26,347)	(5%)
Surplus/(Deficit)	24,114	(14,417)	38,531	(267%)

Table 1.4.2 ASIC's use of taxpayers' money for outcomes approved by Parliament

	2021–22 (\$'000s)	2020–21 (\$'000s)
Operating expenses (incl. depreciation and amortisation, net of gains)		
Total expenses (net of gains)	465,760	492,107
Annual change on previous year	(5%)	0%
Fees and charges (incl. industry funding) raised for the Commonwealth		
Total	1,675,771	1,512,563
Annual change on previous year	11%	11%