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Committee Secretary,  
Senate Standing Committee on Economics,  
Department of the Senate,  
PO Box 6100,  
Parliament House,  
CANBERRA ACT 2600  
Australia

24<sup>th</sup> January 2014

Dear Sir,

**Re: Submission 170 to the State inquiry into the Australian Securities and Investment Commission**

My name is Ian Botterell, an Independent Financial Adviser with OFS (Spain).

Since 2006, we have introduced 25 clients to the LM Australia funds investing a total of AUS\$ 1.1 million.

The decision to recommend any fund follows a period of in depth due diligence, and is a process that continues throughout the time of investment.

It therefore came as a shock to be advised that those investors who had placed their trust in us could now lose between 73% (LM Currency Protected Australian Income Fund) and 95% (LM Managed Performance Fund) of their money.

Since March 2013 when the debacle first came to light, much time and effort has been given to identifying the causes of what must be the most serious financial scandal in Australian history.

However, ten months on and still nobody has been able to offer a detailed explanation as to how the situation was allowed to evolve, and worse still, nobody has been held accountable.

We have always been led to believe that the Australian Financial Services sector was one of the most regulated in the world, a fact that gave additional peace of mind to both ourselves as advisers, and our clients as investors.

It would now appear that this opinion was misguided.

We understand that the Regulator, ASIC, was aware of Peter Drake and the potential consequences facing the LM funds some months before the disaster surfaced.

One would therefore have expected ASIC to exercise its powers much earlier and bring those responsible to book.

Instead, their apparent lack of action has resulted in no protection for the investors causing them to suffer even greater losses.

Indeed, ASIC waited until September before making submissions to the Court about Peter Drake.

How can the Regulator justify such a delay and why has it still not confirmed its intentions regarding the potential for criminal action against those involved?

To say that both we and our clients feel let down by those whose responsibility it is to police such irregularities is an understatement.

We have heard much from the insolvency practitioners, their lawyers, Barristers and other associated parties, all of whom have had their substantial legal costs and expenses paid from the depleted cash reserves of the LM funds.

However, the only result for the investor is that they have been told just how little they can expect in return from their investment. They have been given no explanation as to how or why they have lost so much money.

OFS (Spain) is part of the Advisers Committee for Investors (ACI), a proactive group of IFAs that is making every effort to enhance the potential returns for its clients.

However, we cannot achieve our goal without the total support of ASIC and would therefore urge you to be forceful and direct in your questioning of Mr Medcraft at the forthcoming Submission.

Thank you for your help in this matter.

Yours Sincerely,

Ian Botterell  
Financial Adviser