

Address to Senate Economics Committee

Opening statement

16 February 2012

Words: 1200 words

Timing: 10 minutes

- Thank you Mr Chairman.
- Short statement to update the Committee on our work.
- With me today is Deputy Chairman Belinda Gibson, Commissioner Peter Kell, Senior Executive Leaders John Price, Warren Day and Adrian Brown.

PAUSE

- Pleased to appear before the Committee.

Delivering against our strategic framework

- Update on our delivery against the ASIC strategic framework since we last appeared in October 2011.
- Our framework is:
 - 1) Confident and informed investors and financial consumers
 - 2) Fair and efficient financial markets, and
 - 3) Efficient registration and licensing.

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By: Mr Greg Medcraft, Chairman, ASIC

Time/Date: 7-45pm - 16/02/2012

1. Confident and informed investors and financial consumers

Education

1. Moneysmart schools (HOKUF)

- Working with Government on agreements with States and Territories for the launch of Moneysmart in schools.
 - Will teach a minimum of 6,000 teachers in Australian primary and secondary schools. The professional learning will build teachers' capability to integrate consumer and financial literacy into the classroom.
 - Working on this for some time and we're looking forward to seeing kids get a lift in financial literacy.

2. Moneysmart website and tools

- Since launch in March 2011 MoneySmart has had:
 - over 1.57 million unique visitors;
 - over 1.9 million overall visits;
 - over 38,000 views of 32 videos; and
 - 1180 Twitter followers and 740 Facebook fans.

Gatekeepers

1. Trio

- Further update on Trio Capital.
- As a result of ASIC's investigation of Trio, to date more than 10 individuals have either been gaoled, banned by ASIC from providing financial services, disqualified from managing corporations or have agreed to remove themselves from participating in the financial services industry for a combined total of more than 50 years. Two of the individuals agreed to lifetime voluntary bannings.
 - This includes Shawn Richard – former Astarra director, now serving a minimum of 2½ years in prison after last year pleading guilty to two counts of dishonest conduct in carrying on a financial services business.
- This month our efforts are continuing with ASIC accepting an enforceable undertaking from Tony Maher (formerly known as Paul Gresham) that he not participate in the financial services industry or manage a corporation indefinitely. Mr Maher was the investment manager of ARP.
- ASIC investigations into Trio are continuing.

2. Insolvency reforms

- Reviewing the insolvency options paper released by Government.
- ASIC is working closely with Treasury to ensure that these reforms will be effective in dealing with poor behaviour.
- In the meantime we have a surveillance and enforcement program focused on practitioners. Two key areas for focus are:
 - ensuring that they have the competency to do the work that they do; and
 - that the fees they charge can be substantiated.

Consumer behaviour

Debentures

- Release this month (8 Feb 2012) of new guidance on debentures (RG 69 – *Debentures and notes: Improving disclosure for retail investors*).
- Designed to help ensure issuers of debt products such as debentures and notes provide investors and financial consumers with the information they need to make informed decisions about investing in these products.

- As well as guidance to issuers, also put clear guidance on our website to help consumers.

Hybrids

- Issued a warning in December reminding investors to carefully consider risks before investing in hybrids.
- We know these products are sold by financial advisers and we encourage investors to ask questions.
- Hybrid securities are complex products and we're warning even experienced investors to understand the risks.

Infrastructure

- Also released (24 Jan 2012) further guidance (*RG 231 – Infrastructure entities: Improving disclosure for retail investors*) for issuers of infrastructure investments.
- Improves investor awareness of the risks associated with investing in these products.
- Nine benchmarks and eleven disclosure principles that apply to infrastructure entities, aimed at addressing the risks peculiar to infrastructure entities.

Advertising

- Release this week of new guidance on advertising. (RG 234 *Advertising financial products and advice services: Good practice guidance*).
- Advertising has an important effect on human behaviour so it's important that it is used responsibly.
- Guidance is designed to ensure that promoters give clear, accurate and balanced messages when promoting financial products and services.

Agriculture

- Release (30 Jan 2012) of new guidance (RG 232 – *Agribusiness managed investment schemes: Improving disclosure for retail investors*) for issuers of agriculture products, along with an investor guide.
 - Requires issuers to increase their disclosures significantly around a series of 'if-not, why-not' benchmarks.

Super disclosure

- Recently (24 Jan 2012) wrote an article in the AFR about super disclosure.
- ASIC considers enhanced disclosure and transparency of funds' portfolio holdings would provide a number of

benefits to investors including better assessment of risks, rewards, liquidity and diversification of investment options; and better engagement.

- Stronger Super proposes that trustees of large APRA funds be required to disclose their complete portfolio holdings on a 6 monthly basis.
- Pleased to see the work on this by the FSC and ASFA.

2. Fair and efficient financial markets

Market supervision

1. Markets Disciplinary Panel

- Eight matters have been referred to the Markets Disciplinary Panel (MDP) to date.
- Two of these have been completed and have been the subject of public announcements.
- Good use of the MDP reflects a focus on getting effective and efficient resolution of poor conduct. The key to MDP is that the decisions are made by market experts who are industry peers.

2. Market supervision report

- Release of report last week covering 6 months to December.
- 20,029 trading alerts with 131 matters requiring further consideration. Some 27 matters were referred for investigation, related to market conduct and adviser misconduct. This was consistent with prior periods.
- In the reporting period one case of insider trading and one case of market manipulation were successfully completed. A further three people agreed to plead guilty to insider trading. Their suspicious trading was identified within a year.
- ASIC has refined its systems to reduce the time taken between identifying poor conduct, assessment and completing the investigation.

3. Executive remuneration

Also, briefly, we're finalising the executive remuneration report, next one issued in the next week. It's going to focus on disclosure to ensuring market and investor confidence.

3. Efficient registration and licensing

- Third, we continue to gain momentum and efficiencies as part of our Registry Services business.

- In mid-2012 ASIC will manage and administer a new national business name registration service. This forms part of a new whole-of-government program that will introduce initiatives to reduce red tape, save time and cut costs for business.
- The new national business name registration service will mean that businesses no longer have to register their business name in every State and Territory they want to trade in. The new service will replace the current State and Territory systems.
 - Easier, cheaper and simpler approach for businesses around the country.
- Looking forward to seeing it come online to help make life easier for business.

Conclusion

- Finally, working on final preparations for ASIC Summer School, which commences next week. Terrific speakers and delegates.

PAUSE

- That concludes our opening comments Mr Chairman.
- We are ready to take your questions.

ENDS