

ASIC 2011 – 2017

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1. Outcomes

Enforcement and surveillance: Made best use of our resources and powers to provide credible deterrence.

In the period 1 July 2011 – 30 June 2017

- Over **7000+** high-intensity surveillances
- Over **1100+** investigations completed
- Over **\$32 million+** in civil penalties
- More than **140+** criminal convictions, with **80+** people being jailed
- More than **670+** people/companies banned from providing financial services or credit
- Over **340+** people disqualified or removed from directing companies
- Over **\$1.4 billion+** compensation secured for investors and financial consumers

Drove a risk-based approach to focus on the biggest problems, including:

- financial advice and wealth management;
- responsible lending in mortgages and payday lending.

Repositioned ASIC as a law enforcement agency, significant matters include:

- Benchmark manipulation - BBSW
- Vulnerable consumers - Mintable (indigenous community)
- Insolvent trading - Kleenmaid
- Directors duties - Cassimatis
- Insider trading - Curtis
- Compensation - Storm

Other statistics:

- **Financial literacy / financial capability** - **15.7** million unique visitors to MoneySmart website over past four years.

- **Red tape** - ASIC has cut more than **\$470 million** in red tape since September 2013

Strategy: Introduced initiatives to position ASIC as a more strategic and proactive regulator

- **Emerging Risk Committee**, that identifies risks on the horizon
- **Innovation Hub**, to help start-up fintech businesses navigate regulation
- **Behavioural / Consumer Research and Policy Unit**, to better understand consumer behaviour and how this should inform our policy and regulatory work. ASIC team has grown to over a dozen
- **Refreshed membership of External Advisory Panel**, to help ASIC to gain a better understanding of developments and systemic risks in the financial system from senior business and community representatives. Greg introduced 4 year terms to enable refresh of panel skillsets and perspectives and ensured all relevant sectors are represented (eg technology companies (Google), consumer groups)

Fintech and digitisation: Embraced the 4th industrial revolution. See section 3 for more information.

- Innovation Hub, regulatory sandbox and fintech meetups
- External digital finance advisory committee – drawn from a cross-section of the fintech community, as well as academia and consumer backgrounds
- Data and machine learning
 - created the role of Chief Data Officer and a team of data scientists. Established a data science lab.
 - ASIC has established a comprehensive data strategy and data governance framework.
 - ASIC is exploring a move from bespoke data requests to using recurring granular data sets, initially through portals, and in the future possibly from nodes using distributed ledger.

Transparency: Increased transparency of ASIC outcomes and processes by publishing information on our strategy and operations

- Ensured all regulatory outcomes (by consent or otherwise) are made public.
- Our approach to enforcement (INFO 151 - *ASIC's approach to enforcement*) and 6 monthly enforcement report
- ASIC's Corporate Plan (previously Strategic Outlook), details our key risks and how we will address these
- Use of compulsory information gathering powers (INFO 145 - *ASIC's compulsory information gathering powers*)
- ASIC executive accountability (for instance, voluntarily publishing international travel costs)

Advocacy: Driven successful initiatives to position ASIC for the future.

- Industry funding model for ASIC
- Registry separation
- Financial System Inquiry - ASIC posed a number of strategic reforms, which the FSI recommended and the Government has supported, including product intervention power, a review of penalties, a competition mandate for ASIC and removing ASIC from the Public Service Act.

- Culture and conduct – business leaders have acknowledged the need to consider culture and the social license

Organisational change: Long term change agenda to change the DNA of ASIC. See section 2 for more information.

International leadership: particularly as IOSCO Chair. See section 4 for more information.

- **IOSCO strategy** – as IOSCO chair, re-oriented and set a strategy to 2020 - *IOSCO 2020*. Makes IOSCO more relevant with greater impact.
- **International collaboration** - set in motion the IOSCO Task Force on Cross-Border Regulation.
- **Wary of regulatory over-reach** - persuaded FSB to re-think prudential approach to regulating Asset Management.
- **Capacity-building** –particularly for emerging markets. Set up global certificate program; expanding on existing training; developing the capacity-building online toolkit; and setting up an international secondment register.
- **Ahead of the game** – brought thought leadership to IOSCO on cyber, fintech, regtech and data analytics and how regulators can respond. Drove ideas around regulators facilitating capital markets including securitisation and infrastructure finance as an asset class.

2. Internal changes

- **Redefined ASIC's priorities and vision:**

Old vision	New vision
<p><i>For our functions in the financial economy: to exercise our powers to make a real difference by improving confidence in financial market integrity and protecting investors and consumers</i></p> <p><i>For our functions in the real economy: to deliver outstanding and cost-effective services.</i></p>	<p><i>To allow markets to fund the economy, and in turn, economic growth. In doing so, we contribute to the financial wellbeing of all Australians. We do this by:</i></p> <ul style="list-style-type: none"> • <i>Promoting investor and consumer trust and confidence</i> • <i>Ensuring fair and efficient markets, and</i> • <i>providing efficient registration services.</i>

- **Refined and simplified values:** to Accountability, Professionalism and Teamwork ("APT") based on staff feedback, and embedded them in processes, systems and performance frameworks. Previous values were Achievement, Excellence, Independence, Integrity and Teamwork.
- **Commission skill set:** Developed and implemented the strategy to achieve internally a strong complementary commission skill set (Kell, Armour, Price and Tanzer)
- **Reorganised ASIC into two clusters and Registry** – Financial Services Cluster and Markets Cluster. This included merging relevant stakeholder and enforcement teams under each cluster
- **Whistle-blowers** – improved processes to deal with whistleblowers that contact ASIC, including establishing an Office of the Whistleblower.
- **Articulated our regulatory tools to achieve our vision:** education, guidance, surveillance, enforcement, policy advice
- **SEL Performance management:** : Implement performance objectives based on "BBBs":

- **Business plans** – aligned to ASIC objectives and SELs accountable
- **Budget** – moved away from headcount to \$ budgeting: zero tolerance over budget and up to 5% under;
- **Behaviour** – driven by our values APT
- **One ASIC - Connecting the dots strategy:** Regulatory Transformation, ‘share everything you can’ approach to data, common language across ASIC, activity based working.
- **Diversity:**
 - **Adopted targets for Women in Leadership in 2013:** Over the last 6 years, 81.8% of SES appointments have been women.
 - **Established Diversity Council in 2014** - a governing body for all ASIC's diversity-related committees and activities
 - **Equitable briefing of barristers** – nationally, we have committed to the Equitable Briefing Initiative lead by a number of Victorian legal organisations.
- **Communication and Stakeholder Engagement:** Improved our communication strategy to drive behavioural change through engagement.
 - Engaged directly with boards and senior executives where problems observed
 - Introduced stakeholder engagement strategy for Commission and increased frequency of regular engagement with boards, and senior executives – now covers all major financial institutions and industry organisations (including consumer organisations)
 - Led strategic communication through media to shape the behaviour of ASIC's regulated population.
 - Expanded stakeholder liaison to include Parliamentarians, legal community, other agencies (eg APRA, AGD)

3. Technological changes

External impact

1. Fintech

- **Improved engagement** - through the creation of the Innovation Hub
- **ASIC's approach:**
 - Technology neutral
 - Flexible and adaptable
 - Skills and expertise – recruited a data science team
 - Global cooperation – various fintech MOUs in place with major and emerging markets.

2. **Markets** – monitoring technology, high frequency trading, possible use of distributed ledgers

3. **Financial services** – Robo advice, payments, peer to peer, questions about responsibility for algorithms

Internal impact

1. **e-Surveillance** – conducting trials and exploring further opportunities including:

- **Crimson Hexagon** – machine learning algorithm analyses data from social media posts and content to identify relevant trends and sentiments.
- **Red marker** – machine learning algorithm scans websites to detect probability weighted patterns, and can detect where unlicensed advice may be being offered by accountants
- **Predictive behavioural analytics:** algorithm uses data to gain insights into various patterns of behaviour to forecast future behaviour based on patterns or trends in previous behaviour

- **Funds management, Data 61:** ASIC is working with Data61 to develop a prototype risk assessment platform using statistical modelling and machine learning techniques. The platform will monitor managed investment schemes and raise red flags for investigation by ASIC investigators. The development of this prototype is utilising ASIC's recently developed data science labs.

2. e-Investigation

- **IBM i2** does two things in helping to connect the dots by visually presenting:
 1. connections between people, places and entities; and
 2. relevant connections in a chronological fashion for analysis.
 This is done through machine learning algorithms reviewing structured and unstructured data in data sets held by ASIC including evidence collected from surveillance and enforcement activities.
- **NUIX analytics**, machine learning algorithm enabling us to efficiently review large data sets and identify relevant documents on a probability weighted basis.

3. e-Enforcement – e-discovery is court approved

- **FTI Ringtail:** Ringtail e-discovery software delivers a unique visual approach to document review and predictive coding that helps our enforcement teams review vast amounts of data.

4. IOSCO

- **Refined IOSCO's mission**

Old mission	New mission
<p><i>To cooperate in developing, implementing and promoting adherence to internationally recognised and consistent standards of regulation, oversight and enforcement in order to protect investors, maintain fair, efficient and transparent markets, and seek to address systemic risks.</i></p> <p><i>To enhance investor protection and promote investor confidence in the integrity of securities markets, through strengthened information exchange and cooperation in enforcement against misconduct and in supervision of markets and market intermediaries.</i></p> <p><i>To exchange information at both global and regional levels on their respective experiences in order to assist the development of markets, strengthen market infrastructure and implement appropriate regulation.</i></p>	<p><i>To be seen by regulators, industry and policy makers as the key global reference point for financial services and markets regulation.</i></p> <p><i>This supports our collective strategic objective of allowing the markets we regulate perform their fundamental purpose of funding the real economy and driving economic growth by ensuring investors have trust and confidence in markets, the markets are fair, efficient and transparent and the financial system risks they may pose are mitigated.</i></p> <p><i>We do this by being Effective, Pro-active and Forward looking and focused on cooperation, capacity building and standard setting.</i></p>

- **Fine-tuned IOSCO to be more forward looking, dynamic and relevant**
- **Board** – amended constitution to review the composition every 4 years to ensure relevant in terms of changing relative importance of markets
- **First 5 year forward-looking strategic plan** to 2020
- **Chairs involved in leading committees** to make IOSCO more member driven
- **Strategy**
 - **Advocated for Cooperation**

- Enhanced Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information (EMMOU) - includes meta data for phone and internet,
- Drove focus on emerging risks - fintech, cyber, data, regtech, social media
- **Capacity building developments** – focused on 80 emerging markets
 - 5 year forward program
 - E-learning programs for regulators globally
 - Knowledge hub – for new trends globally
- **Standard setting**
 - Financial benchmarks – rolled out globally
- **Expanded external engagement** –
 - Eg. Nationally televised speech to US National Press Club – Future of Capital Markets
 - Proactive on FSB and other forums – voice of capital markets vs banking regulators.

5. Challenges

1. Dealing with 5 long term external risks/challenges

1. **Culture and conduct** – aligning conduct in a market-based system with investor and consumer trust and confidence
2. **Digital disruption and cyber resilience**
3. **Financial capability**
4. **Globalisation/fragmentation**
5. **Structural and demographic change** through the growth of superannuation largely invested in markets and, for example, the aging of our population. This amplifies the above four challenges

2. Dealing with long term internal challenges

1. **People** – skills, flexibility and adaptability. Removing ASIC from the Public Service Act to bring us closer to APRA and the RBA will help. This will give us greater flexibility in how we recruit, structure jobs and pay staff to help us attract and retain the best people.
2. **Powers and reforms** – implementation and change management for industry funding, competition mandate, new powers and resolving the future of the ASIC Registry.
3. **IT and technology** – ensuring we keep pace with technological change, including having appropriate IT tools (eg moving to a single Microsoft CRM from a fragmented collection of Lotus Notes databases)
4. **Engagement** – listening to and deepening engagement with industry and other stakeholders (including consumers).

6. What I've enjoyed the most and least

Most

1. Collegiality and smart people
2. Our values – accountability, professionalism, team work
3. Making a difference through public service

Least

1. Inquiries
2. Being in the public eye

7. Most important things to focus on in the coming years

1. Implementing long term change agenda

- a) **Implementation of the reforms** passed and announced, including industry funding, higher penalties, new powers for ASIC and removing ASIC from the Public Service Act
 - b) **Implementation of the One ASIC Connecting the Dots Strategy** including regulatory transformation
 - c) **Data analytics resources and skills** to better detect, understand and respond
2. **Emerging risks**, including digital disruption and cyber-security
 3. **Remain pro-active, forward looking and courageous**
 8. **Next chairperson**
 1. Be independent, proactive, forward looking and courageous
 2. Balance consumer protection with flexibility for business
 3. Industry funding implementation