



ASIC
Australian Securities &
Investments Commission

Committee	Senate Economics References Committee
Inquiry	Inquiry into Sterling Income Trust
Question No.	005
Reference	Spoken, 18 November 2021, Hansard page 48
Committee member	Senator Pratt

Question

Dr Bollen: The stop order is in August 2017. In September 2017 the financial statements of Theta come to us. They're qualified and there's a 'going concern qualification' in the audited financial statements, and ASIC begins to become concerned. We do more analysis following that—that there may be a solvency issue in addition to the defectiveness of the PDS. The formal investigation, as you can see from our chronology, starts the next year, but conversations between the supervision team and the enforcement team have already started at that point.

Ms Armour: Just on that, you'll find that description in paragraph 159 of our submission.

Senator PRATT: Thanks you. What feedback was going back to the department in Western Australia?

Dr Bollen: I understand there were regular conversations between the ASIC team and the WA agency. **I can't give you timings or particular dates and times. If you need more detail, we can come back on that.**

Answer

ASIC was in regular discussions with the WA Department of Mines, Industry Regulation and Safety (DMIRS) in the period from August 2017 onwards. Some examples of these regular discussions are below.

The interim stop order on the (then) current PDSs for Sterling New Life was imposed on 7 August and ASIC informed DMIRS of this on 10 August. At the time, ASIC also asked DMIRS to let us know if they became aware of any new tenant-investors.

ASIC and DMIRS met to discuss the Sterling matter on 10 August. DMIRS asked for an update on the matter on 17 August.

ASIC and DMIRS had discussions about whether a proposed Sterling New Life seminar on 21 August was likely to go ahead in the lead up to and on 21 August.

The final stop order on the (then) current PDSs for Sterling New Life was imposed on 29 August. ASIC informed DMIRS about the final stop order on 7 September.

ASIC published a media release about the stop order on 18 September 2017. ASIC and DMIRS discussed the stop order and media release on 19 September 2017.

ASIC became aware that a new PDS had been issued in relation to the Sterling Income Trust on 9 November 2017. ASIC informed DMIRS about this on 21 November 2017.

ASIC provided DMIRS an update on the Sterling matter on 20 March 2018.

DMIRS provided additional documents that it had received on Sterling to ASIC on 13 April 2018.

On 27 April 2018, ASIC asked DMIRS for more information about the complaints that DIMIRS had received and the names of the investors who had made those complaints.

On 16 May 2018, ASIC met with DMIRS and received a brief from them about the status of their investigation into suspected breaches of the Residential Tenancies Act by the Sterling Group.

On 6 June 2018, ASIC served a s33 Notice on DMIRS seeking production of documentation in the possession of DMIRS that was relevant to ASIC's investigation into the Sterling Group.

On 14 June 2018, DMIRS produced documents to ASIC in response to the s33 Notice dated 6 June 2018.

On 15 August 2018 Theta informed ASIC that Theta intended to wind up the Sterling Income Trust. ASIC informed DMIRS about this on 29 August 2019.



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Question No.	006
Reference	Spoken, 18 November 2021, Hansard page 50
Committee member	Senator Pratt

Question

Senator PRATT: Could you please provide to the committee a copy of the section 13 ASIC file note and documents that refer to the matter of enforcement or to the commencement of the investigation.

Ms Armour: If we do that, we may need to consider whether that needs to be confidential.

Senator PRATT: I'm happy for it to be in confidence.

Answer

ASIC intends to produce these documents to the Committee on a confidential basis and will be writing separately to the Committee Secretary on this matter.



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Committee	Senate Economics References Committee
Inquiry	Inquiry into Sterling Income Trust
Question No.	007
Reference	Spoken, 18 November 2021, Hansard page 54
Committee member	Senator Steele-John

Question 1

Senator STEELE-JOHN: I just ask you to take on notice—because I bet you don't have the figure now— ASIC's communications budget. If you have the figure, that would be quite impressive and it would be great to hear it, but, if not, are you able to take it on notice.

Answer 1

Across the Agency, communication activities may be embedded in core business deliverables i.e. Markets Enforcement contributions to a Media Release. Provided below are costs associated with dedicated communication roles. The costs do not reflect all communication related activity.

Total 2021-22 budget for ASIC communication roles (as described below) is \$3,051,910.

Question 2

Ms Armour: We'd be happy to. We'll take that on notice, if that's okay. We'll also send you the link to the part of the Moneysmart web page which is designed as a consumer communication to the managed investment scheme sector. If you have some suggestions on what we might look at doing there

Answer 2

<https://moneysmart.gov.au/managed-funds-and-etfs>

Question 3

Senator STEELE-JOHN: If you could also tell us how many

- FTEs within your organisation are in dedicated communications roles, that'd be great.
- And, could let the committee know: if you're able to divide your communications budget up so that we can see the difference between what you're doing in a reactive space and what you're doing in a proactive space, that would be useful.

Answer 3

- 19 FTEs are in dedicated communications roles in ASIC.
- Approximately 15% of the dedicated communications FTEs are reactive.

Question 4

Ms Armour: That sounds terrific. I think we can reasonably easily

- a) divide the money we spend on communications for Moneysmart and
- b) similar consumer focused programs. We can get that to you.
- c) We'll also send you through a research paper we did with a Dutch regulator, which flags the perils of disclosure as a key tenet of regulatory systems, because the whole behavioural science—

Answer 4

- a) A number of ASIC staff across the agency contribute to Moneysmart content, and there are a number of staff that contribute (as a percentage of their role) to technical development and support.

13.5 FTEs currently contribute to Moneysmart content, technical development and support.

ASIC has annual administered funding of \$575k to support activities that communicate and promote Moneysmart.

- b) ASIC has a small number of consumer focus programs, including the Moneysmart program (Moneysmart website, Moneysmart social media, Moneysmart for teachers, Moneysmart network). ASIC also supports better outcomes for Indigenous Australians through the Indigenous Outreach Program (IOP).

5.5 FTEs currently work on Moneysmart consumer focus programs.

9 FTEs support the Indigenous Outreach Program in 2021-22.

The IOP has internal and external workstreams including:

- providing specialist advice, insights, and support where the work of other ASIC teams relates to and / or involves Indigenous consumers and investors, for example surveillances, investigations and court action
- working with industry on best practice for engagement with Aboriginal and Torres Strait Islander consumers and improving outcomes relating to financial services and products
- developing targeted resources and communications relevant to particular geographical needs or emerging issues
- providing assistance through a telephone helpline and email address accessible by members of the public and intermediaries (financial counsellors, Aboriginal health and community organisations etc).

- c) <https://download.asic.gov.au/media/5303322/rep632-published-14-october-2019.pdf>

Question 5

Senator STEELE-JOHN: That'd be really good. If we could also include, if you have such a thing, your budget and FTEs allocated to direct community engagement, because what I have also learnt through exploring this issue is that there are particular communities which often are more or less targeted by people offering these products—

Answer 5

ASIC has limited direct community engagement, however, we speak directly to consumers via Moneysmart, our small business activity and the IOP.

A range of activities in the Moneysmart program, and Small Business Engagement and Compliance have a focus on more vulnerable consumers.

Within the Moneysmart program, ASIC works collaboratively with stakeholders to consider the needs of vulnerable consumers i.e. working with WIRE (Women's Information and Referral Exchange - [Home | WIRE](#)) to provide information and support financial decision making by families impacted by domestic violence. ASIC also works with Beyond Blue to support consumer's experiencing mental health issues.

ASIC's Small Business Engagement and Compliance (SBE&C) team has a community education engagement role. In the year ending 2021, the team participated in 150 engagements, providing regulatory information and guidance and sharing ASIC's Moneysmart resources. For more information, see ASIC's [Small Business Strategy](#). SBE&C has 2 FTE dedicated to this work and is also working with other agencies to engage with small businesses in regional areas. We are focusing on areas affected by natural disasters, as well as Indigenous and culturally and linguistically diverse (CALD) small businesses. SBE&C has a project delivering outreach and education to CALD small business communities in Victoria. In 2022, we will also be working with the Office of the Registrar of Indigenous Corporations to deliver outreach and education to Aboriginal and Torres Strait Islander directors and communities.

In relation to ASIC's IOP, due to public health concerns opportunities for direct community engagement have been restricted in calendar years 2020 and 2021. In FY 2020-21:

- approximately 10% of the IOP's resources (9 FTE) focused on communications
- a further approximately 12% dedicated to stakeholder and Aboriginal and Torres Strait Islander consumer assistance networks (involving other regulators with direct consumer outreach and intermediaries).

Recent examples of direct community engagement include:

- Developing a social media campaign for Scams Awareness Week 2020 (September 2020) focused on Indigenous consumers
- In association with the Indigenous Consumers Assistance Network and other stakeholders, developed a resource to assist money management by recipients of compensation as part of the Queensland Stolen Wages Class Action Settlement Distribution



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- As a pilot only, prepared resources and/or delivered financial well-being sessions in two prison facilities in Western Australia, targeted to people who are about to reintegrate from prison. These sessions focused on managing individual money information and how to get help across different money decisions.