QUESTIONS TAKEN ON NOTICE BY ASIC

Parliamentary Joint Committee on Corporations and Financial Services

12 October 2011

Question 1: Breakdown of the 1.8 million companies ASIC regulates

CHAIRMAN: Thank you very much, Mr Medcraft, for your opening comments and also for the submission you have given us. One of the questions I asked the previous witness, Mr Chaaya, was about this issue of information. We understand there are 1.7 million corporations and organisations under the responsibility of ASIC. It is an enormous number. I cannot imagine that every single one of those is a fully functioning business, and I would be very interested to hear your response in terms of the breakdown—even rough numbers—of how many are properly recognised businesses, corporations and organisations and how many are just people holding an ABN for work purposes. A taxi driver who is required to hold an ABN is clearly not a business and is not recognised as one. I would be very interested in the split of the 1.7 million. ASIC obviously relies heavily on information provided to it through forms that are filled out to apply for licensing, particularly in terms of an AFSL or other licences. I would have to assume that it is based almost completely on trust—there is an enormous trust element in terms of the information that is provided—that it is accurate and properly reflects people filling out those forms correctly. So my question is around that information, the integrity of that information and how ASIC can work towards, or is working towards, following through on early detection of people who might either inadvertently or deliberately mislead ASIC in the information they provide.

Mr Medcraft: Rosanne, would you like to respond to that question?

Ms Bell: To start with the one about the company population, we do have approximately 1.8 million companies.

CHAIRMAN: It has gone up. That is all right. It was 1.7 million this morning.

Ms Bell: It is rough, but it is growing. It grows annually on a net basis. We know whether those companies are public companies or proprietary companies. We know that there are very few public companies—maybe 20,000 out of the 1.8 million—so we know that the remaining companies are proprietary companies. We could provide you with a more detailed breakdown at another time of the different subsets in that. The third point I would make is that one of the requirements for holding a licence is that the entity has, generally speaking, obtained professional indemnity insurance. In my experience the professional indemnity insurance industry is very, very good at assessing where risk is. Obviously where there are concerns there is also that overlay whereby if someone cannot get insurance for the business they want to carry out then you might start asking yourself why that is the case.

ANSWER:

The attached report from the companies database shows that, as at 30 June 2011, there were 21,223 public companies from 1,839,772 in total. ASIC is not able to discern the nature of a business, or whether a business simply holds an ABN alone. ASIC is undertaking work with the Australian Business Register towards the objective of providing a common platform for ABN, company and business name registration, which will assist future analysis.

Question 2: Proportion of AFSL applications that are not approved

2010/2011		
Applications for AFS Licence		
Applications Lodged		**475**
Applications Finalised:		
Licensed	328	
Rejected/Withdrawn at prelodgement	159	
Withdrawn	39	
Withdrawn after hearing	1	
Refused after hearing	2	**529**
% of applications approved	62.00%	
% of applications rejected/wihdrawn prior to assessment	30.06%	
% of applications withdrawn/refused during assessment	7.94%	
Applications variation of AFS Licence		
Applications Lodged		**922**
Applications Finalised:		
Licensed	1410	
Rejected/Withdrawn at prelodgement	119	
Withdrawn	106	
Refused	16	**1651**
% of applications approved	85.40%	
% of applications rejected/wihdrawn prior to assessment	7.21%	
% of applications withdrawn/refused during assessment	7.39%	

Notes

I. An explanation for the significant difference between applications lodged and those finalised is that ASIC had a significant number of applications on hand as at 30 June 2010. ASIC had received significant volumes of Licence and Variation Applications prior to 30 June 2010 from those industry participants requesting Margin Lending Authorisations due to the implementation of the Corporations Legislation Amendment (Financial Services Modernisation) Act 2009. The on hand applications (a smaller volume) as at 30 June 2011 also contribute to the difference between the lodged and finalised figures.

II. The numbers in the table provided vary slightly from those produced in the ASIC 2010-11 Annual Report. The Annual Report figures are based on ASIC Key Performance Indicators which calculate applications upon which a decision is made within 28 days.

The figures provided in the attached table are based on results for all finalised applications, including those finalised outside of the 28 day KPI.

Total Proprietary and Public Companies 1,839,772

Net Growth (average per annum, past 5 years)	**4.4%**
Incorporations (average per annum, past 5 years)	**152,639**

Australian Proprietary Company	**1,818,549**	**Australian Public Company**	**21,223**
Net Growth (average per annum, past 5 years)	4.5%	**Net Growth (average per annum, past 5 years)**	1.1%
Breakdown by Status		**Breakdown by Status**	
Registered	1,775,278	Registered	20,290
Under External Administration and/or Controller Appointed	24,743	Under External Administration and/or Controller Appointed	769
Strike-Off Action in Progress	18,223	Strike-Off Action in Progress	153
Non-Active	305	Non-Active	11
Directors (average per/company)	1.7	Public Companies with less than 3 Directors	2.7%
Secretaries (average per/company)	0.9	Public Companies with between 3 & 6 Directors	63.6%
		Public Companies with greater that 6 Directors	33.7%
Lodgements received in 2010-2011 Financial Year		**Lodgements received in 2010-2011 Financial Year**	
Lodgements to change company details by prorietary companies	723,176	Lodgements to change company details by public companies	40,662
Lodgements of financial accounts by prorietary companies	9,708	Lodgements of financial accounts by public companies	12,259

Note - figures are current as at 30th June 2011 .