

**Senate Economics Legislation Committee**  
**ANSWERS TO QUESTIONS ON NOTICE**  
**Treasury Portfolio**  
Budget Estimates  
2016 - 2017

**Department/Agency:** ASIC

**Question:** **BET210-213**

**Topic:** **ASIC Capability Review**

**Reference:** **Written – 6 May 2016**

**Senator:** **Chris Ketter**

**Question:**

- 210. Was the capability review critical of ASIC in its findings?
- 211. Despite Mr Medcraft's public attacks on the culture of the banking and financial services sector, Section 2.4 of the Capability Review "considers ASIC's internal culture to be more defensive, inward looking, risk averse and reactive than is desirable for a conduct regulator" – is this a fair and accurate general observation of ASIC's internal culture?
- 212. Is it to be the responsibility of leadership to set the culture?
- 213. The Capability Review states "commissioners therefore need to articulate the required cultural changes in the organisation" – what cultural changes have been articulated? Why?

**Answer:**

- 210. The role of the Capability Review was to critically scrutinize and assess the capabilities of ASIC and its ability to meet its current and future objectives and challenges.

As set out in the Capability Review report, in order to ensure that the review provided a set of useful recommendations to ASIC, its focus was on areas for improvement. Accordingly, it was more focused on a forward looking identification and assessment of current shortcomings, while acknowledging but not elaborating on relative areas of strength. The report stated that it was incumbent in undertaking the review that greater detail be afforded to areas for improvement and practical recommendations for actions to address them.

Overall the Panel found that the effectiveness and efficiency of ASIC's capabilities varied across the range of areas assessed. Capabilities such as real-time market supervision and consumer education were found to be in line with or at the forefront of global best practice. Most elements of ASIC's regulatory toolkit (for example surveillance, education and policy guidance) were found to be broadly appropriate for current and future needs. A few capabilities were found to be in line with most other regulators but behind where they need to be to ensure ASIC is fit for the future, including application of data analytics, responding to innovation in the financial sector and improving the use of ASIC's external accountability infrastructure. Areas for improvement articulated in the report included ASIC's governance model and leadership related processes, IT, data infrastructure and management information systems, and its approach to stakeholder management. Importantly the Panel found that ASIC had already identified many of the gaps and issues identified in the Review and launched a number of relevant initiatives to address them.

ASIC has provided a response to the Capability Review which sets out the actions ASIC is taking and will take to develop its capabilities in the areas identified by the Panel.

211. Culture is complex and changes slowly. Care and accuracy is needed in identifying and understanding cultural issues and working to address them.

In 2011 we undertook a culture diagnostic which identifies the underlying values and beliefs in the organisation. The diagnostic showed a culture with a strong achievement and teamwork orientation however at times is cautious and bureaucratic in approach. Based on the results of this exercise, we implemented a number of initiatives to build on our strengths and manage the areas needing improvement. A second diagnostic was conducted in 2014 which showed improvement in the areas we targeted.

The PwC Evidentiary Report found the strength of ASIC values and, how they are modelled by leadership as having a unifying effect on our culture.

212. Leaders have a significant role in shaping organisational culture and so have responsibilities in this regard. This is generally described as the 'tone from the top'. However, culture is also formed by the systems, processes and practices that operate in any organisation. While these systems, processes and practices are strongly influenced by leadership, they are also a product of the history, mandate and environment of the organisation.

213. In 2011, we conducted our first 'culture diagnostic', followed by another in 2014 to assess the success of the program. The program involved the development of new values, the roll-out of ASIC's 'Values and Behaviour' program, embedding the values in core people and development processes and leadership activities, a leadership assessment centre and coaching groups. We will run another diagnostic in 2016 to monitor progress and to take into account the specific concerns identified by the Capability Review.