

Opening Statement

Senate Economics Legislation Committee

Greg Medcraft, ASIC Chairman

21 October 2015

660 words (7 minutes)

Introduction

- Good afternoon, Chairman.
- Thank you for this opportunity to address the Committee.
- Representing ASIC today are all of our Commissioners –
 - Deputy Chairman **Peter Kell**; and
 - Commissioners:
 - **Cathie Armour**;
 - **John Price**; and
 - **Greg Tanzer**.
- Supporting the Commission are Senior Executive Leaders:
 - Warren Day;
 - Greg Kirk;
 - Louise Macaulay;
 - Tim Mullaly;

- Chris Savundra; and
- Michael Saadat.
- Chairman, I have a brief opening statement in which I wanted to discuss three things:
 - The Government response to the Murray Financial System Inquiry;
 - ASIC's Corporate Plan; and
 - ASIC's Innovation Hub.

1. Government response to FSI

- Chairman, ASIC welcomes the Government's response to the Murray Financial System Inquiry, which was announced yesterday.
- We see the Government's response as very positive. A number of recommendations go to increasing investor and financial consumer trust in the financial system, and providing ASIC with the right toolkit to respond to challenges to this trust and confidence.
- Specifically, a number of recommendations directly impact ASIC's work.
 - **Product design and distribution obligation** – A product design and distribution obligation will help overcome the limitations of disclosure and, in so doing, address the interests and needs of consumers

- **Product intervention powers** – A product intervention power will enable ASIC to respond to market problems in a flexible, effective and timely way.
- **Raise the competency of financial advisers** – we welcome the Government's commitment to raising the professional, ethical and education standards for financial advisers.
- **Strengthening ASIC's funding and powers** - Strengthening the licencing regimes will allow ASIC to more effectively deal with poor behaviour and misconduct.
- And we note that the Government will review our enforcement regime, including penalties and breach notification in 2017 to ensure we have the right deterrents in place.
- Of course, the Government is already consulting on an **industry funding model** for ASIC which will be informed by the findings of the current Capability Review.
- We look forward to further working with the Government in the implementation of these important changes.

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2. ASIC's Corporate Plan

- Chairman, in late August, ASIC published its Corporate Plan 2015–16 to 2018–19 with our Focus for 2015-16.
- The Corporate Plan communicates our thoughts on how our long term strategic priorities and challenges are shaping ASIC's strategy and responses over this period.
- In achieving our strategic priorities of investor and consumer trust and confidence, and fair, orderly, transparent and efficient markets, we see a number of challenges that can threaten them.
- Our long term challenges are:
 1. Conduct risk - balancing a free market-based system with investor and financial consumer protection,
 2. Cyber resilience and digital disruption,
 3. Structural change driven by the growth of superannuation,
 4. Complexity driven by financial innovation, and
 5. globalisation.
- Our Corporate Plan identifies areas of focus for 2015-16 where there are particular immediate concerns that flow from the long term challenges we face.

- The Corporate Plan also highlights how ASIC will evaluate its performance over time and strengthen its capabilities to meet future regulatory challenges.

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3. ASIC's Innovation Hub

- Given the Government's strong focus on innovation, I would also like to mention ASIC's Innovation Hub.
- In 2015, ASIC set up its Innovation Hub to help fintech start-ups in their engagement with ASIC.
- ASIC wants to encourage innovation while not compromising our strategic priorities.

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- For our Innovation Hub, we have a five-point approach.
 - **First:** engaging with other fintech initiatives, including physical hubs and co-working spaces established for start-ups.
 - **Second:** streamlining our processes for innovative business models.
 - **Third:** a new page on ASIC's website – a one-stop-shop for innovative businesses to access information.

- **Fourth:** a senior internal taskforce at ASIC chaired by Commissioner John Price.
- **Fifth:** our Digital Finance Advisory Committee, which comprises of people in fintech who can advise ASIC on developments.

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- Chairman, those are the substantive issues I wanted to mention. We are now happy to take questions.

ENDS