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# Annual Report 1998/99



ASIC

Australian Securities &  
Investments Commission

# What ASIC is and what we do

The Australian Securities and Investments Commission (ASIC) is an independent Commonwealth government body established by the *Australian Securities and Investments Commission Act 1989* (ASIC Act).

**We regulate and enforce laws that promote honesty and fairness in:**

- investments, superannuation, insurance, deposit taking and financial advice to Australian consumers;
- buying and selling shares, debentures, options, futures contracts, managed investments, and other securities in Australian markets;
- directing and managing companies, company financial reports, raising money from investors and takeovers.

We also maintain a public database on Australia's 1.1 million companies to provide certainty in dealing with companies.

We report to the Commonwealth Parliament directly and through the Treasurer, the Hon Peter Costello, MP.

We began operating on 1 January 1991 as the Australian Securities Commission, dealing only with the Corporations Law, but on 1 July 1998 we took on extra responsibilities, more staff and our current name.

1,225 full-time equivalent staff work around Australia, under the direction of three full-time Commissioners appointed by the Governor-General on the nomination of the Treasurer.

We work with other financial, consumer and law enforcement bodies in Australia and internationally.

## Further information:

Use our website <http://www.asic.gov.au> or Infoline on 1300 300 630.

## Contents

Overview	1-7
Chairman's review of operations	8-25
Commissioners	18
Corporate governance	20
Financial overview 1998-99	22
Summary of our major operations	23
Enforcement and regulation	26-41
Public information	42-46
National and support services	47-51
Our staff	52-57
Audit committee and audit services	58
Consumer advisory panel	59
Appendixes	60
Financial Statements	63-106
Index	107-108

## About this report

This report is produced under section 36 of the *Commonwealth Authorities and Companies Act 1997*. We met the requirement to transmit it to the Minister in time for tabling in Parliament on or before 30 October. We obtain and use feedback about our report from Parliamentarians. We aim to meet best practice in reporting as well as legal requirements. Last year's report won a silver award from Annual Report Awards Australia Inc.

# Where we fit in the regulatory picture

We are one of three Commonwealth government bodies that regulate financial services.

We protect markets and consumers from manipulation, deception and unfair practices. We regulate advising, selling and disclosure of all financial products and services to consumers, except credit. We are also the Corporations Law watchdog, promoting honesty and fairness in companies and the market.

The Australian Prudential Regulation Authority (APRA) is responsible for promoting the safety and soundness of deposit taking institutions, life and general insurance companies, and larger superannuation funds.

The Reserve Bank of Australia (RBA) is responsible for monetary policy and the stability of the financial system.

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# Who we regulate and how we do it

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## Organisations and people we regulate

## We regulate them by

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*Superannuation funds*

*Life and general insurance companies. Deposit taking by banks, credit unions, building societies, friendly societies*

Setting standards about what they tell their customers.

Monitoring their sales practices and compliance with codes of practice.

Checking customer complaints systems.

Co-operating with APRA.

Investigating and taking action against misconduct.

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*Investment advisers Insurance agents and brokers*

Setting standards for their education, training and operations.

Licensing them before they start operating.

Recording their details and the names of their authorised representatives on a public register.

Monitoring the quality of advice they give.

Investigating and taking action against misconduct.

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*Australian Stock Exchange Ltd (ASX Ltd)*

Advising the Minister on changes to its rules.

Monitoring what ASX Ltd says and does as a listed company.

Monitoring trading in ASX Ltd shares.

Investigating and taking action against misconduct of listed companies, brokers and traders that the market operators tell us about.

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*Sydney Futures Exchange and other markets authorised by the Minister*

Advising the Minister on whether to approve new markets.

Advising the Minister on changes to market rules.

Investigating and taking action against misconduct that the market operators tell us about.

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*Managed investments*

Setting standards for their operations.

Licensing them before they start operating.

Recording their details and the names on a public register.

Registering prospectuses before money is raised.

Monitoring their sales practices and operations.

Investigating and taking action against misconduct.

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*Companies*

Registering each company with a unique number.

Recording the company's number, name, directors and other information on a public register.

Granting or refusing their requests for relief from the law.

Registering prospectuses before money is raised.

Monitoring what directors say and do.

Investigating and taking action against misconduct.

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*Company auditors and liquidators*

Registering them before they start operating.

Monitoring their work.

Investigating and taking action against misconduct.

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# Highlights

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- From 1 July 1998 Parliament extended our role to protect consumers in superannuation, insurance, deposit taking and managed investments and gave us start up funds of \$18 million.
- We won court orders against a major offshore investment house, Nomura International plc, for manipulating Australia's share and futures markets in transactions worth \$600 million, the first action of this type in Australia.
- We secured \$6.5 million to pay Cobar mine workers nearly all of their entitlements when the company employing them collapsed. Without our intervention, workers stood to lose their entitlements.
- Evidence from our investigation brought Simon Hannes to trial for insider trading in the first case where the accused denied the charges. (In August 1999 he was convicted.)
- In our most successful investor warning, we used a hoax website, Millennium Bug Insurance, to highlight safety checks investors should make.
- We recovered \$4.7 million that Australians would have lost in offshore scams, using our relationships with overseas authorities.
- Through our investigations, 22 people were gaoled for cheating superannuants, investors and creditors, making a total of 140 people gaoled since 1 January 1991.
- We maintained a public database of 1.1 million companies, the highest ever and up 6% on last year.
- People browsed our company database on the Internet 1.6 million times, up 91%, making our website one of the top 100 Australian sites. People paid for 2.3 million company searches, up 11%.
- Our net cost of services rose 8% to \$137 million as a result of our new responsibilities. We transferred \$331 million in company fees to consolidated revenue, down 1%.

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## Areas for improvement next year

- Finish investigations more quickly, with 75% completed in six months and 100% in 12 months compared with the old target of 85% in 12 months.
- Increase our electronic commerce activities through more Internet surveillance, new policies that clear the way for e-commerce services and additional on-line services.
- Analyse and act on emerging patterns of misconduct, increase surveillance in managed investments and focus on disclosure and compliance in our new jurisdiction.
- Communicate more systematically with business and consumers through seminars, consultative meetings, circular letters, articles and newsletters.

# 1998-1999 in brief

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## Our role

- On 1 July 1998 Treasurer the Hon. Peter Costello MP launched ASIC, with new consumer protection responsibilities.
- In June 1999 Commonwealth and State Parliaments extended our coverage to financial institutions previously regulated under State laws.

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## Consumer advice

- ASIC Consumer Advisory Panel appointed; it completed its first research project on investor education. Office of Consumer Protection established.
- We warned consumers about unlicensed people “cold calling” from overseas, risky rural investment schemes, and about investing on the Internet through our Millennium Bug Insurance April Fool's Day joke.
- We published a book, *Scams and Swindlers*, for investors on how to avoid investment disasters, a consumer superannuation guide *Super decisions*, and a completely revised edition of *Don't kiss your money goodbye* on how to choose a financial adviser.

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## Investments, superannuation, insurance

- Investments and advice: new managed investments policies released. Australian Consumers Association-ASIC survey found quality of advisers improved but problems remained. We charged Geoffrey Dexter with misleading investors in his \$130 million Wattle group investment scheme. Investment advisers Count Group Pty Ltd gave enforceable undertakings for external review of their compliance plan. Seventeen people banned from advising consumers.
- Superannuation: two administrators of Beneflex Retirement Plan gaoled on ASIC charges. Insurance companies and ASIC secure funds from fraudster John Robert Houghton, later gaoled. Court orders against insurance agent David Young to protect superannuation money.
- Insurance: court orders against broker Royce Charlett who failed to pass premiums on to insurance companies. We required 329 apparently unregistered insurance brokers advertising in the Yellow Pages to explain or comply with the law.
- Managed investments: guidance issued on new law and changeover procedures. New team established to assist industry and protect investors. 277 investment management companies applied for licences.

## Markets

- Insider trading: stockbroker Russell Cribb pleaded guilty to insider trading in Cortecs Ltd shares, two people charged over Carpenter Pacific Ltd shares, two committed for trial over Mt Kersey Mines NL shares. Simon Hannes tried (and convicted in August 1999) over TNT Ltd options.
- ASX Ltd became a company listed on its own exchange and we became its front-line regulator. We won court orders against Nomura International plc for misleading and deceptive conduct on Australia's shares and futures markets.
- We won an extra \$28.5 million for shareholders in Great Central Mines Ltd in action against an unlawful takeover scheme (now subject to appeal). The Full Federal Court reduced our power to modify the takeover law but we obtained special leave to appeal to the High Court.

## Companies

- Former Linter Group director Katy Boskovitz gaoled for five years on ASIC charges. Our reports on Burns Philp Ltd and Spedley group tabled in Parliament. We brokered \$6.5m settlement of workers' claims in Cobar Mines Pty Ltd.
- We accepted an enforceable undertaking from Crown Ltd and took action against Davids Ltd for breaches of disclosure obligations. Seven Network Ltd and Media Entertainment Group Ltd agreed to meet our concerns over their financial statements.
- We warned single director companies of risks to their businesses if the director has no valid will.

## Electronic commerce and Y2K

- Our first enforceable undertaking got investors' money back from an illegal forestry plantation scheme offered on the Internet. We obtained court orders to stop Internet site "The Chimes" from giving unlicensed investment advice. Electronic enforcement unit set up.
- Our new Internet electronic company registration service offered greater speed and ease in forming companies.
- We issued new policy on Internet fundraising, and our April Fool's Day joke highlighted safety checks investors can make on the Internet.
- We warned markets, companies and advisers about the need to be ready for the Year 2000, and completed our own Y2K program.
- Our website ranked in Australia's top 100 as browsing our company database jumped 91% to 1.6 million searches. We added media releases, policies and up to date consumer and business information to our site.

# The year's results

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What we planned to do	What we achieved
<i>To protect consumers in our new areas of superannuation, insurance, deposit taking and managed investments</i>	<p>In our new areas, we began 17 investigations (7% of total), secured two of 22 gaol terms and four of 58 civil orders.</p> <p>Conducted our first campaign about unregistered insurance brokers to protect consumers.</p> <p>Produced our first consumer guide on superannuation.</p> <p>Commissioners explained our consumer protection role to banking, insurance and superannuation representatives and distributed 5,000 explanatory booklets to all institutions.</p> <p>Started review of Electronic Funds Transfer Code of Practice so all consumer transactions are covered.</p> <p>Recruited and trained 103 staff in new work, now 8% of our total staff.</p> <p>Published new managed investments guidelines, and 277 management companies (about half of total) applied for licences under the new law.</p> <p>Established new Consumer Advisory Panel and Office of Consumer Protection.</p>
<i>To introduce new enforcement and regulatory strategies, especially in electronic commerce, to nip potential problems in the bud</i>	<p>Took first court action in Australia against unlawful Internet investment advice, set up new electronic enforcement unit, and began testing one of the world's first automated securities surveillance systems on the Internet.</p> <p>Used for the first time our relationships with overseas authorities to recover \$4.7 million that Australians would have lost in offshore scams.</p> <p>Used our new power to obtain enforceable undertakings in 25 matters for faster, cheaper remedies than court proceedings.</p> <p>Launched electronic company registration on the Internet. This was the first commercial application in Australia of smart cards to sign information digitally using public key technology.</p> <p>Issued guidelines that reduced legal uncertainty about offering investments on the Internet.</p> <p>Issued policy on consumer dispute resolution schemes. Schemes will now report systemic problems to us.</p>



What we planned to do	What we achieved
<i>To change our work environment, internal service delivery and communication in order to support our regulatory and enforcement staff</i>	<p>Used formal project planning more often in investigations, completing 90% of matters within 12 months, up 6%.</p> <p>Introduced performance management for all staff for the first time under new Certified Agreement.</p> <p>Installed automated complaints system that captures more information and reduces processing time.</p> <p>Launched <i>ASIC News</i>, a monthly newsletter, and <i>ASIC speaks</i> public seminars that provided business with extra information they wanted.</p> <p>Installed desktop Internet e-mail and web browsing for our staff making communication and research faster.</p> <p>Better coordinated our training and tripled technical courses for about twice the cost.</p> <p>Restructured our Intranet and increased sites from 17 to 29, giving staff up to date and easier to find information.</p> <p>Increased the number of contract staff by 9% to bring in current market knowledge.</p>
<i>To lower costs and increase efficiency</i>	<p>Performed more efficiently in all IT services when independently compared with Australian and international peers.</p> <p>Reduced manual processing through electronic lodgment, up 9% for company annual returns and up 11% for changes to company details.</p> <p>Converted from cash to accrual accounting and installed new financial management information system.</p>

# Results with three year comparison

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Result	1998/99	1997/98	1996/97
<b>Net cost of services reflects increased workload</b>			
\$ millions	137	127	125
Annual change	8%	2%	-9%
<b>Staff (full-time equivalents) up</b>	1225	1165	1174
Annual change	5%	-1%	-14.8%
<b>Fees transferred to the Commonwealth down</b>			
\$ millions	331	335	298
Annual change	-1%	12%	8%
<b>Enforcement actions jump as summary prosecutions increase (see page 35)</b>			
Actions completed	564	199	178
Annual change	183%	12%	-39%
<b>Court results steady</b>			
% successful	89%	90%	84%
Annual change	-1%	7.1%	7.6%
<b>More new investigations</b>	233	215	186
Annual change	8%	16%	17%
<b>Corporate investigations finished faster</b>			
% completed within 12 months	90%	85%	67%
Annual change	6%	27%	8.9%
<b>Market investigations finished faster</b>			
% completed within 9 months	74%	70%	48%
Annual change	6%	46%	60%
<b>Fundraising relief applications down</b>	1598	2373	2050
Annual change	-33%	16%	n/a
<b>Fundraising relief applications more complex</b>			
% processed within 10 business days	76%	83%	65%
Annual change	-8%	28%	n/a
<b>Prospectuses up slightly</b>			
Prospectuses registered	707	683	602
Annual change	4%	13%	29%
<b>Prospectus registration took longer but within target</b>			
% registered within 5 business days	66%	68%	75%
Annual change	-3%	-9.3%	38%
<b>Companies update information promptly</b>			
% lodged within prescribed time	93%	94%	90%
Annual change	-1%	4.8%	14%
<b>Electronic lodgment increased</b>			
% annual returns lodged electronically	59%	54%	45%
Annual change	9%	20%	125%
<b>On-line company searches up</b>			
% searches on-line	92%	88%	84%
Annual change	4%	4.7%	7.6%
<b>Calls to Infoline rise</b>			
Number of calls	104,000	89,000	70,000
Annual change	17%	27%	n.c
<b>Infoline helped most callers on the spot</b>			
% Infoline callers assisted on the spot	91%	93%	75%
Annual change	-2%	24%	n/a
<b>IT mainframe availability steady</b>			
% IT mainframe system available	99.7	99.8%	98.0%
Annual change	-0.1%	1.8%	-1.9%

# Outlook for 1999-2000

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Areas of work	What we plan to deliver
<i>Patterns of misconduct</i>	<p>More regulatory and enforcement action to identify and stop systemic problems, not just individual cases. Complaints about misconduct will be analysed more for evidence of systemic problems. Typically, we will identify a problem, alert businesses and consumers to it, target our inspections, and take enforcement action to reduce its impact.</p> <p>Quicker investigations, faster action before the courts, at hearings or in concluding matters.</p>
<i>Electronic commerce</i>	<p>Increased Internet surveillance, monitoring of on-line market behaviour and more “electronic” enforcement actions to protect investors and consumers.</p> <p>New policies that clear the way for business to offer e-commerce services.</p> <p>New services that increase customer electronic lodgment and searching. Subject to law reform, new systems so people can lodge and search for prospectuses and offer documents.</p>
<i>Consumer protection</i>	<p>Easier reporting and faster resolution of complaints about misleading information, dishonest dealings or complaints that consumers cannot otherwise resolve through industry complaints schemes.</p> <p>Increased research about consumer needs. Targeted consumer information about financial services through brochures, the Internet and public events and consumer forums.</p>
<i>Communication</i>	<p>More comprehensive and inclusive communication so businesses and consumers can discuss issues with us, offer opinions and receive explanations.</p> <p>More public seminars on topical issues, consultative meetings, circular letters, articles, information booklets. A renovated website that provides more interactive services and easier to find information.</p>
<i>Human resources, information technology, finance and communication</i>	<p>Extra staff training, human resources advice and more flexible recruitment and employment options for managers.</p> <p>New IT services that extend what staff can do from their desktop.</p> <p>Communication strategies that increase compliance and public knowledge of action we take.</p>

# Chairman's review of operations

2



*From left, ASIC Chairman Alan Cameron AM, Consumer Advisory Panel Chairman Barbara Cail AM and the Minister for Financial Services and Regulation, the Hon. Joe Hockey MP.*

*We appointed a Consumer Advisory Panel launched by the Minister for Financial Services and Regulation. Its first project was a research report on consumer education in financial services. The report included a comprehensive database of educational materials.*

## Overview

This has been a challenging, even a difficult year for ASIC, and yet it has been a successful one. We had excellent enforcement results – Nomura (page 11), Yandal (page 31), Reid (page 34) and Hannes (page 11) and the prosecution commenced against Dexter (page 28). Success on behalf of the Cobar miners and small business people showed how our investigations could help ordinary Australians (page 33). These high profile matters attracted attention and plaudits, but the depth of our work across the country is demonstrated by the good results in the wide range of cases finalised during the year.

We successfully introduced new arrangements for managed investments, including guidelines for strata title schemes and solicitors' and finance brokers' lending, issues we had not expected to address in July 1998. The market integrity and consumer protection role we inherited at that time is now part of our daily work. These new functions are settling in, although different laws and procedures have made it difficult to integrate them fully. We are working closely and well with APRA, and will improve our day to day co-operation with APRA and other regulators to deliver more seamless regulation to the finance markets.

Electronic commerce is changing how we work in ways I would not have expected only a few years ago; for example, full on-line electronic incorporations are now a reality.

The changes in our markets have been dramatic; we are proud that we dealt effectively with them and played our part in ensuring that investors remained confident and informed during the Asian financial crisis.

The High Court this year held that conferring jurisdiction in Corporations Law matters on the Federal Court was unconstitutional. The decision means divergent interpretations of the law may emerge in different States, making it harder for us to achieve our statutory goal of uniformity in administering the law. Legislation is being introduced to ensure that previous Federal Court decisions and proceedings are not at risk.

We have refreshed our senior leadership over the last two years, bringing in new skills and current market knowledge. But we are under strain. Recruitment in the major cities is very difficult at middle levels, especially for our new functions. The increasing volume of our traditional work is outpacing our capacity to deliver. Our core funding has not increased.

The extra funding we received this year of some \$18 million was for our new work only. Achieving timely enforcement has put unacceptable pressure on our staff, to which they have responded very well. But we may now have too few staff on the ground to achieve the outcomes we and the government want.

We have appreciated the support of the government, Parliament, our fellow regulators, and the Director of Public Prosecutions; we will need it even more in future.

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### In this section we cover:

- ◆ overview
  - ◆ what we set out to do
  - ◆ what we achieved
  - ◆ the people who made it happen
  - ◆ outlook
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# Chairman's review of operations

## 2

### What we set out to do

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Superannuation, insurance, and deposit taking were new to us. We set out to understand the legislation, these industries and how they operate so we could establish a credible presence as soon as possible. Similarly, we wanted to be ready to register managed investment schemes under the new law.

Our next priority was to introduce more sophisticated compliance and communication strategies. This meant more precisely targeted inspections, faster action and keeping companies and consumers informed about action we took and underlying compliance problems. New strategies are needed to protect people dealing with electronic commerce and the Internet because traditional enforcement and regulatory methods are less effective.

To support the organisation, we planned to make our work environment, internal service delivery and communication more responsive and efficient, because the extra money we were receiving from Parliament was for a transitional period and not a permanent increase.

### What we achieved

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Our key results with comparisons and trends are on pages, 4-7. Major highlights and events are also found on preceding pages. Here I deal with some important themes.

#### *Acting on our new responsibilities*

By the end of our first year, we had absorbed our new functions. In superannuation, insurance and deposit taking, our staff established new procedures, conducted 630 inspections, began 17 investigations and completed five enforcement actions. We inspected more than 300 people advertising as insurance brokers apparently without proper registration, a situation where consumers could lose the protection offered by genuine brokers' professional indemnity insurance and their membership of a complaints resolution scheme. To help superannuation fund members make better decisions for their retirement, we also published a consumer guide to superannuation, *Super decisions*, with the Association of Superannuation Funds of Australia.

By December 1998, Commissioners had met the new industry representatives to explain our new role.

New managed investment guidelines were published, procedures set up and our staff received licence applications under the new law from about half of more than an estimated 500 management companies. An independent survey found that managers had commended our work overall and had identified areas for specific improvement. We made 51 presentations to industry about the new law and its procedures.

To instil a consumer protection culture inside the organisation, we established an Office of Consumer Protection and a new Consumer Advisory Panel. The panel includes experienced consumer and investor advocates from across the financial services industry, with an independent Chair. Launched by the Minister for Financial Services and Regulation, the Hon. Joe Hockey, in November 1998, the Panel completed one research project and another is well advanced. Its report is on page 59.

### *New enforcement and compliance strategies*

The Federal Court this year upheld our claim that Nomura International plc, a major offshore investment house, had manipulated Australian securities and futures markets in 1996 through misleading and deceptive trading strategies affecting \$600 million worth of shares and futures contracts. In the first action of this type, we sought the ruling to establish the boundaries of acceptable trading, not only in Australian markets, but also for players in the international securities and futures markets. Our investigation was supported by the SFE, ASX Ltd, the UK Financial Services Authority and the Hong Kong Securities and Futures Commission.

To maintain honesty in the market, we continue to investigate insider trading and five insider trading cases are presently before the Courts, the highest number ever. The trial began in May 1999 of former merchant banker Simon Hannes for insider trading and related offences arising from TNT Ltd options purchased while his employer was advising on a takeover bid for TNT. (In August he was convicted on all charges.) Sophisticated computer analysis played a key role in the case. We have also publicly spoken out on the risks to an informed market when companies give private briefings to analysts that are not released to the market, and we obtained enforceable undertakings from Crown Ltd concerning this matter.

Our 1999 April Fool's Day hoax was designed to inform consumers of basic Internet safety checks they should make using our website. We set up a fake Internet investment site called Millennium Bug Insurance. 233 people signed up to invest more than \$4 million in a non-existent scheme, without a prospectus or a licence to manage investments. The blaze of publicity when we exposed the joke doubled checks on investment advisers, and visits to the consumer section of our site jumped 70%.

Over the past few years, we have moved from random surveillance and a case by case approach to more refined targeting. This trend will continue. Our surveillance of the 900 strong investment adviser network operated by Count Pty Ltd led to enforceable undertakings to improve compliance. In our new area of insurance, even the simple step of checking the Yellow Pages revealed, for the first time, the problem of apparently unregistered insurance brokers mentioned above.

# Chairman's review of operations

2

Changes to our legislation gave us the power to obtain enforceable undertakings, which have long been part of the Australian Competition and Consumer Commission's armoury. These provide quicker, cheaper remedies than court proceedings, and the undertakings may involve any action to which the parties agree. We obtained 25 enforceable undertakings covering disclosure, financial reporting, and compliance; details are on our website [www.asic.gov.au](http://www.asic.gov.au).

We successfully used our international relationships with overseas authorities to recover \$4.7 million for people who lost money in overseas investment scams. We have set up an electronic enforcement unit that is coordinating our response to market manipulation, illegal fundraising, unlicensed investment advice and fraud in an electronic environment. Overall, we completed our investigations faster (see page 5), and we have decided to set a higher performance hurdle.

## *High Court decisions affected our operations*

The Court's decision on the jurisdiction of the Federal Court to hear Corporations Law matters has been referred to above. That decision (Wakim) does not pose any risk to the structure of the national scheme under which Australian corporations operate, although as mentioned above, it may have some long term effect on the unified administration of the law.

The Court granted special leave to appeal against a Full Federal Court decision in relation to a matter affecting our power to modify takeover provisions of the Corporations Law. The Federal Court's decision cast doubt on the validity of many common modifications we grant in relation to takeovers.

The High Court restored the review powers of the Superannuation Complaints Tribunal (SCT), so that the SCT can now deal properly again with superannuation disputes.

Finally, the Court upheld an appeal by the Commonwealth, finding that the Minister's consent was not required for the laying of charges against former Bond Corporation executive, Mr Tony Oates. Mr Oates had been charged for his alleged role in stripping Bell Resources Ltd of more than \$1.2 billion while he was an executive of the Bond group of companies. He had argued that the law required Ministerial consent and that the Minister must grant him procedural fairness before giving that consent. (He remains outside Australia, subject to extradition proceedings.)

## *Electronic company registration*

To make it easier and faster to set up new companies, we launched electronic company registration (ECR) this year, which uses digital signatures and smart cards for authentication. ECR is Australia's first commercial application of smart cards for digitally signing information using public key encryption technology. 59% of companies lodged annual returns with us electronically, a 9% increase. The timeliness with which companies lodge information with us dropped slightly, most likely because of short notice about changes to the law.



### *Y2K and our work environment*

To date we have spent about \$800,000 on Y2K compliance. A rolling schedule of Y2K testing will ensure that all our systems and applications become and remain compliant right up to the change of date. (In our early August 1999 report to the Office of Government Online, we reported we were 81% Y2K compliant).

Other improvements to our work environment are on page 5. Most importantly, by modernising our industrial arrangements, through a new Certified Agreement, we have been able to develop and link our internal remuneration policy (including performance-related pay) and classification structures to individual, team and organisational performance. By adopting flexible pay arrangements we have greater scope to recruit and retain quality staff.

### *Efficiency and costs*

Information technology comprises the largest, most expensive and critical part of our support services, as we move into electronic enforcement and service delivery. The Gartner Group, an independent information technology consulting firm, benchmarked our own IT services against peer organisations from around the world, drawn from the public and private sectors.

In all areas, we were performing better than the peer standard. The efficiency of our IT services is increasingly important as we develop new systems to support electronic transactions between ASIC and the business community.

In a year of increased demand for our “traditional” resources and absorption of new functions, our costs have risen. We have had to find staff with market experience where suitable people are often already well remunerated. We have also invested in technology to protect consumers in an increasingly electronic marketplace. As part of the Government’s public sector reforms, we installed a new financial management information system to provide accrual accounting.

### *Summary financial report*

We incurred expenditure of \$146 million of which over \$10 million was on capital expenditure. Parliamentary appropriation and efficiencies from the previous year provided 94% of the costs. The balance was funded through our operating revenues, mainly derived from reimbursement of investigation and litigation costs in successful cases.

The increase in operating expenditure of nearly \$11m over the previous year (when we operated as the Australian Securities Commission) was for activities associated with our new functions and powers.

We transferred \$331 million to the Commonwealth in fees we collected on its behalf, down 1%. The drop arises largely as a result of our overestimating 1997/98 accrued revenue. 1997/98 was the first year in which we had to prepare such an estimate. In cash terms, however, the Commonwealth received more fees this year than last year, see page 96.

# Chairman's review of operations

2

## The people who made it happen

Parliament and government, our staff and managers, and the people we regulate and protect all make it possible for ASIC to operate effectively.

### *Parliament and government supported us*

The Commonwealth Parliament, the Federal Government and State and Territory Ministers demonstrated their support by expanding our legislative authority to include credit unions, building societies and friendly societies from 1 July 1999. We value the confidence our Ministers showed in what we were doing. Commissioners and senior staff appeared on four occasions before the Parliamentary Joint Committee on Corporations and Securities and other Parliamentary Committees.

The Chairman of ASIC is ex-officio a member of the Board of APRA, and attended nine meetings, and also attended regular meetings of the Council of Financial Regulators (comprising ASIC, APRA and the Reserve Bank). We have set up a good relationship with the Australian Competition and Consumer Commission (ACCC) with whom consumer protection matters can overlap. We worked very closely with the Commonwealth Director of Public Prosecutions (DPP) who decides on and prosecutes all our indictable criminal matters.

### *Our staff and managers*

Our staff have covered a larger, more complex territory, they have absorbed new legislation and helped companies and consumers interpret the law. Our policy workload was very heavy; the new policies we issued jumped to 14, compared with five the previous year. Our performance in our traditional areas of work is faster and more focused, and we have brought in current market knowledge through hiring new staff from the private and public sectors.

At national level, Commissioner Jillian Segal and I much regretted the resignation of our Deputy Chairman Peter Day who returned to the private sector on 31 January 1999. We appreciated his contribution which was significant in a short term. The Minister appointed Shane Tregillis as Acting Commissioner, until our new Deputy Chairman David Knott was appointed from 5 July 1999. For more information about Commissioners, their roles and corporate governance see pages 18-21.

We strengthened our national management team by appointing Executive General Manager Phil Khoury to join National Director Enforcement Joe Longo and National Director Regulation Shane Tregillis. Additional senior staff in markets, managed investments, compliance and consumer protection provided specialist advice to support our operational work.

Our eight State and Territory Regional Commissioners lead our operational work. Three Regional Commissioners changed this year. After a long and distinguished public service career, NSW Regional Commissioner Bill Coad retired, and Jane Diplock was appointed. Sue Carter took over as Regional Commissioner in Victoria. Tasmanian Regional Commissioner Peter Garrisson was replaced by Ian Johnston in June 1999. Three of eight Regional Commissioners are women, a better balance than we have ever had before. My thanks and appreciation to all of them for their achievements and support. See page 57 for our current Regional Commissioners.

Our 1999 Summer School brought 21 staff, 35 Australian and 32 overseas professionals and five observers (including the Asian Development Bank) together to discuss regulatory challenges for domestic and international regulators and market participants. It focused on current debates about strengthening the infrastructure of domestic and global financial markets in light of recent volatility.

Speakers included Mr Anthony Neoh, former Chairman of the Hong Kong Securities and Futures Commission, Mr Phillip Thorpe, Managing Director of the UK Financial Services Authority and Mr Don Mercer, former Chief Executive Officer of the ANZ Banking Group Limited.

### *Businesses and consumers assisted us*

Successful regulation and enforcement is a two-way street. The people we regulate and who deal with us contributed enormously to our effectiveness. Business generally provides us with essential feedback on policies we put out for comment. Investment managers, trustees and advisers helped us refine our new managed investment policies. Consumers, investors and business assisted our investigations by telling us about unlawful behaviour and giving evidence. Companies, shelf company promoters and professionals gave us feedback to develop our electronic company registration system. The number of industry associations we have worked with has grown significantly as our role expanded, and I would like to acknowledge their help in making our transition smooth.

For their support in joint projects during the year, I thank the Australian Consumers Association, the Financial Planning Association, the Investments and Financial Services Association, and the Association of Superannuation Funds of Australia.

Regional Liaison Committees, established under the Corporations Agreement with the States and Northern Territory, usually met four times in each State and Territory, generally attended by another Commissioner or me. These Committees received information on our performance and provided input from the local business community.

# Chairman's review of operations

2

Our customer service standards have been under pressure with all the changes I have mentioned. Calls to our Infoline jumped by 17% to over 100,000. Despite this increase, staff answered 91% of callers on the spot, down only 2% on last year. In the 9% of calls where we promised that the right staff member would get back to the caller within 24 hours, only 24% of referred calls were recorded as being dealt with on time. The disappointing result is exaggerated because of changes to computer software and loss of data. However, in the first half of the year, we still did not have enough specialist staff to deal with referred calls. Fourteen complaints about our staff required senior management attention. See page 54 for details. 74% of significant correspondence was answered within 28 days, down 11%. All this indicates the pressure our staff have been under, and we will be working to improve in the coming year.

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## Outlook

In the last two years, the way Australia regulates companies, markets and financial services has changed greatly. The final part of the structural reforms fell into place when, in June 1999, the Commonwealth Parliament and all the States passed laws that bring credit unions, building societies and friendly societies under our supervision for corporate governance and consumer matters, and APRA's. But the substantive changes to the laws we administer, especially in disclosure and licensing, to give effect to the vision spelled out in the 1997 Financial System Inquiry (the Wallis report), are still in the pipeline.

As an organisation we expect to come under increasing public scrutiny because of our extended responsibilities for consumer protection, as well as market integrity in sensitive areas such as superannuation, insurance and banking.

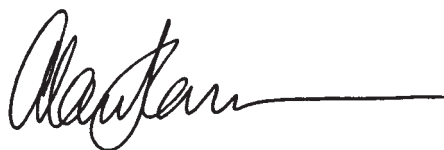
Our immediate objectives for 1998/99 are to regulate and enforce the law effectively but more quickly. Added to that, we plan to deal with emerging trends of fraud and unfair practice through carefully planned compliance activities. We will increase further the resources we commit to electronic commerce, electronic enforcement and market regulation. We will also develop and strengthen our role in consumer protection, especially in the areas of superannuation, insurance and deposit taking.

Success in our new role requires us to develop our law enforcement skills and judgement as to what matters make the most difference to market outcomes and behaviour. Surveys of public opinion have told us that we need to act faster and select the issues that will have real effect on the market. To instil a greater sense of urgency in our work, we are establishing quicker turnaround times for our investigations. In selecting cases, we intend to focus much more on detecting and dealing with patterns of undesirable behaviour, not just individual transactions.

To succeed, ASIC must be a regulator with sophistication and commercial understanding, so that our guidelines protect consumers without being overly prescriptive.

To increase electronic services for companies and to provide more consistent regulation, especially for smaller companies, we plan to bring our electronic client service and our company compliance work closer together with our other regulatory and enforcement activities. To support our operations, we will also design and deliver new human resources, information, communication and finance services.

As I mentioned earlier, there are great demands upon us across all our responsibilities. My fellow Commissioners and I look forward to the challenges of meeting the high expectations held of us, and of our staff.

A handwritten signature in black ink, appearing to read 'Alan Cameron', followed by a long horizontal line.

Alan Cameron, AM  
Chairman

# Commissioners

2



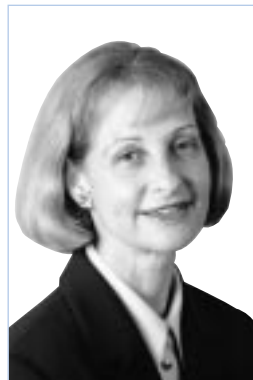
## Alan Cameron, AM

*BA, LLM (Hons)*

*ASIC Chairman*

Alan Cameron is a lawyer. He has been appointed Chairman of ASIC until 31 December 2000, and had served as Chairman of the ASC from 1 January 1993. Previously he was Commonwealth Ombudsman, and before that, national executive partner of Blake Dawson Waldron, solicitors. He has held a range of other appointments and has been a director of a number of companies.

He is an ex-officio member of the Companies and Securities Advisory Committee and the Council of Financial Regulators, and a Board member of the Australian Prudential Regulation Authority. He is Chairman of the Joint Forum, an international body of regulators of firms active in banking, insurance and securities.



## Jillian Segal

*BA, LLB, LLM (Harv)*

*Commissioner and Acting Deputy  
Chairman until 4 July 1999*

Jillian Segal is a lawyer. She specialises in corporate and environment law. She was appointed Commissioner of ASIC until 12 October 2000. She was previously Special Counsel at Dunhill Madden Butler advising on issues management and prior to that a partner and consultant to Allen, Allen and Hemsley. She has also been a company director with particular experience in the financial services sector.

Among her other interests she was a Professorial Fellow in the Faculty of Law at the University of Wollongong, a member of the Legal sub-committee of the Companies and Securities Advisory Committee and a member of the consultative committee for the Corporate Law Simplification project.



### Shane Tregillis

*BComm, LLB, MComm*

*Acting Commissioner from  
31 March 1999 to 4 July 1999*

Shane Tregillis is a lawyer and is ASIC National Director, Regulation. He was appointed Acting Commissioner while Jillian Segal was Acting Deputy Chairman. He was previously Australian Securities Commission Director of Regulatory Policy and worked in market regulation with the National Companies and Securities Commission (NCSC). He is a member of the Council of Financial Regulators.

He has worked on a wide range of major policy, law reform and regulatory issues, including a secondment to the United Kingdom Securities and Investment Board (SIB) in 1994 to work on their major UK equity market reform project. He is on the the Advisory Board of the Graduate Centre for Commercial and Securities Law at Melbourne University.



### Peter Day

*LLB, MBA, FCA, FCPA*

*Deputy Chairman until  
29 January 1999*

Peter Day is an accountant. He was appointed Deputy Chairman of ASIC in October 1997. He was previously Managing Director, Group Business Services for Rio Tinto Ltd, and formerly Vice President of Strategic Analysis and Planning for Comalco and Chief Financial Officer of the Commonwealth Aluminium Corporation in the USA.

He has significant experience in financial reporting, capital markets and business services, and is past Chairman of the Group of 100, Australian Accounting Standards Board and Urgent Issues Group. He is also an active member of the professional accounting bodies. He resigned to take up a senior position in the private sector.



### David Knott

*LLB*

*Deputy Chairman from  
5 July 1999*

David Knott is a lawyer and Fellow of the Australian Institute of Company Directors. Previously he was Chief Operating Officer of the Australian Prudential Regulation Authority (APRA).

He spent 13 years in private legal practice, specialising in company and commercial law. In 1992 he became inaugural Executive Director of the Australian Financial Institutions Commission, which was established by the State and Territory governments to regulate credit unions and building societies. He then served as Chief Executive of Commonwealth Funds Management. In 1998 he was appointed to help establish APRA, playing a key part in the Authority's formation, strategic planning and structuring.

# Corporate governance

2

## *Commissioners' role and accountability*

ASIC operates as an independent body directed by three full-time Commissioners. We are accountable to Parliament, and the Parliamentary Joint Committee on Corporations and Securities reviews our activities.

The Commission held 16 formal meetings,

Commissioners		Meetings attended
Alan Cameron	Chairman	16
Peter Day	Deputy Chairman	9
Jillian Segal	Commissioner, then Acting Deputy Chairman	15
Shane Tregillis	Acting Commissioner	3

With full-time Commissioners, we do not distinguish between a non-executive Board and executive management in the same way as major corporations. Among the three Commissioners, there is close involvement in all major enforcement, regulatory, budgetary and staffing matters. Three National Directors and eight Regional Commissioners report to the Commissioners.

Collectively, Commissioners receive legal advice from staff, and from independent legal and accounting experts. We do not have a procedure for an individual Commissioner to obtain legal advice independently at ASIC expense. No occasion for such advice has arisen, and all Commissioners are legally qualified.

## *Appointments and Minister's role*

Commissioners are appointed by the Governor-General for fixed terms that may be terminated only for reasons set out in section 111 of the ASIC Act. The Treasurer and, in matters determined by him, the Minister for Financial Services and Regulation, are the Ministers responsible for ASIC under the ASIC Act.

Our Commissioners meet with the Treasurer, the Hon. Peter Costello MP, and the Minister for Financial Services and Regulation, the Hon. Joe Hockey MP, regularly.

Under sections 12 and 14 of the ASIC Act, the responsible Minister may give us directions. He has not done so. The Minister may appoint acting Commissioners during vacancies or absences, and he appointed Commissioner Jillian Segal as Acting Deputy Chairman and Shane Tregillis as Acting Commissioner, following the resignation of Deputy Chairman Peter Day.



### *Disclosure, confidentiality, remuneration*

Conflicts of interest, confidentiality of information and Commissioners' remuneration are dealt with in the ASIC Act. Briefly, the Chairman must disclose to the Minister direct or indirect pecuniary interests. Other Commissioners disclose their interests to the Chairman. All Commissioners must disclose and, if necessary, not take part in decisions where they have an interest that could conflict with the proper performance of their duties. Strict statutory controls over the confidentiality of information are reinforced by internal procedures. Commissioners' remuneration is set by the Remuneration Tribunal.

### *Independent Audit Committee*

The Commissioners have an Audit Committee with an independent Chair, Ms Merran Kelsall, a senior chartered accountant and company director. There is also an independent Deputy Chair. The Committee's charter conforms with Australian National Audit Office and Australian Institute of Company Directors best practice guidelines. The Committee examined internal and external audit matters and risk assessment, and its report is on page 58.

# Financial overview 1998-99

2

Our operating expenses for the year were \$146 million, up 14%, representing extra costs of our new functions.

Parliamentary appropriation and efficiencies from the previous year provided 94% of the costs. The balance was funded through our operating revenues, mainly derived from reimbursement of investigation and litigation costs in successful cases.

## *Employee costs*

Employee costs represented nearly 53% of the budget spent which is marginally higher than that spent in the previous year. In absolute terms our employee costs rose 16%. The rise in costs represents both an increase in our staffing levels associated with our new functions and powers and the effect of a wage increase related to the Certified Agreement between the Commission and its staff which came into effect in early December 1998.

## *Expenses on goods and services*

These expenses represented 28% of our costs. Total expenses increased, directly related to the increase in staff numbers and the requirement to provide additional IT equipment, office requisites and staff training. We also invested in a new financial management information system costing about \$1 million and a similar amount for the initial phase of new groupware databases and e-mail system. These and other national projects will help us deal with emerging issues in our regulatory functions, company information and internal information management.

## *Property expenses*

The effect of the measures we put in place to reduce our overall annual property costs are reflected in the expenditure incurred. Total property costs of \$17.4 million represented a reduction of nearly 10% over last year. Expenditure on property comprised 12% of our operating expenses.

## *Loan management*

We paid back to the government the first instalment of a \$6.5 million loan we took out last year. The loan repayment was \$2.2 million.

## *Revenue collected*

We transferred \$331 million to the Commonwealth in fees we collected on its behalf, down 1%. Last year's revenue of \$335 million included estimated accrued revenue of \$14 million – amounts owing for the period but not collected. This was the first year in which we had to prepare such an estimate, based on the number of companies that might have had an outstanding lodgment, adjusted for possible deregistrations. The estimate was too high, and the accrued amount is now more realistically estimated to be \$8 million. In cash terms, however, the Commonwealth received more in fees this year than last year, see the cash flow statement prepared under the *Financial Management and Accountability Act 1997* for 1998/99, page 96.

# Summary of our major operations

2

## Regulatory and enforcement operations

### *Who and where we are*

- 716 full-time equivalent staff.
- Eight offices in each State and Territory capital.
- Operating expenses: about \$95 million.

### *What we do*

- Investigate alleged misconduct and take action.
- Supervise securities and futures markets.
- License and inspect financial advisers, insurance brokers and other intermediaries.
- Approve and monitor consumer complaint resolution schemes.
- Monitor codes of practice across all financial services.
- Register and inspect managed investment schemes.
- Monitor what company directors say and do.
- Grant or refuse requests for relief from the law.
- Receive and inspect prospectuses.
- Monitor takeovers.
- Register company auditors and liquidators.
- Handle defunct company property.

### *What we achieved*

- Succeeded in 89% of our court actions.
- 22 prison sentences, second highest since 1 January 1991.
- Completed investigations faster than ever before and up 6% on last year.
- Registered 66% of 707 prospectuses within five business days, 4% below our target but the highest workload since 1994.
- 75% of 747 fundraising applications processed within 21 days, down 8% on last year.
- Banned 16 unsuitable people from giving investment advice, two less than last year.

### *What we plan*

- To investigate alleged misconduct more quickly by completing 75% of investigations within six months and all matters within 12 months.
- To increase the resources we commit to electronic commerce and electronic enforcement, with more Internet surveillance and monitoring of on-line market behaviour.
- To increase consumer information about financial services, to release an education strategy for public comment.
- To provide consumers with easier reporting and faster resolution of complaints they cannot resolve through industry complaints schemes.

# Summary of major operations

## 2

### Public information

#### *Who and where we are*

- 309 full-time equivalent staff.
- Information Processing Centre at Traralgon, Victoria, 12 Business Centres in capital cities, Geelong, Newcastle, Gold Coast and Townsville.
- Operating expenses: about \$31 million.

#### *What we do*

- Register new companies with a unique number.
- Record every company's name, number, directors and other information on a public register.
- Collect company fees and transfer them to consolidated revenue.
- Process changes to company details and make retrievable images of company documents.
- Answer company housekeeping and information enquiries.
- Take enforcement action against people who fail to lodge company information.

#### *What we achieved*

- Increased electronic searching of company information by 9%.
- 93% of company information lodged on time, down 1%.
- Increased electronic lodgment of annual returns by 9%.
- Delivered electronic company registration, now attracting 22% of all registrations.
- On-line company searches increased by 4%, and free Internet browsing up 91%.
- Maintained service levels despite staff reductions.

#### *What we plan*

- To integrate our company compliance and electronic services functions into our mainstream regulatory and enforcement work.
- To offer businesses increased opportunities to deal with us electronically.
- To concentrate basic data and document processing functions in our Information Processing centre in Traralgon, Victoria.
- To implement changes to Corporations Law resulting from the Corporate Law Economic Reform Program.

## National coordination and support services

### *Who and where we are*

- 200 full-time equivalent staff.
- National Offices in Melbourne (our headquarters) and in Sydney.
- Operating expenses: about \$20 million.

### *What we do*

- Coordinate and provide legal, accounting and policy support for enforcement and compliance activities.
- Develop guidelines and policies to help business comply with the law.
- Provide information technology systems and support.
- Provide human resources, training and payroll services.
- Provide finance, budgeting and audit systems and advice.
- Provide administrative support to operations.
- Provide and advise on communication and publishing.
- Operate Infoline call centre.

### *What we achieved*

- 14 new policies issued to guide industry, up from five the previous year.
- IT system availability and service slightly reduced resulting from system changes.
- IT help desk calls up 8%, 23% resolved within 15 minutes.
- Provided human resources advice and payroll services for 1225 full-time equivalent staff.
- Managed \$146 million in expenditure, replaced financial management information system, moved to accrual accounting.
- Answered 91% of Infoline calls without the need to refer the caller to another person (down, but still ahead of our target of 85%).

### *What we plan*

- To implement information technology changes arising from law reform to company fundraising and prospectuses.
- To develop and release new systems that will provide staff with faster access to information they need for their work.
- To develop a long term framework for both our people strategies and our financial management.

# Enforcement and regulation

3



*We addressed this meeting of Queensland investors who had lost money in solicitors' mortgage schemes. Photo courtesy the Gold Coast Bulletin.*

*Our enquiries uncovered poor administration of solicitors' mortgage and finance brokers' schemes. In August 1999 we brought all schemes involving more than \$5 million under the managed investments law.*

## What we did

Main activities	This year	Last year	% change
Investigations commenced	233	215	8%
Serious criminal litigation completed	88	73	21%
Summary prosecutions completed	410	114	259%
Civil enforcement actions.	64	34	88%
Complaints of misconduct finalised	7904	7509	5%
Securities licence applications	213	281	-24%
Insurance broker registration applications	159	n/a	n/a
Consumer complaint resolution schemes approved	1	n/a	n/a
Managed investment licence applications	277	n/a	n/a
Fundraising relief applications	1598	2373	-33%
Prospectuses registered	707	683	4%
Takeover relief applications	506	n/a	n/a
Takeovers (Parts A or C) received	73	76	
New regulatory policies issued	14	5	180%
Company auditor applications	78	59	32%
Company liquidator applications	36	44	-18%

Resources used	This year	Last year	% change
Staff employed	716	658	8%
Estimated operating costs	\$95m	\$76m	27%

The significant jump in staff and resources arose from our additional new functions.

**In this section we cover:**

- ◆ what we did
- ◆ our strategies
- ◆ investments
- ◆ markets
- ◆ major corporates
- ◆ small business
- ◆ outlook

## Our strategies

Our new responsibilities to consumers of all financial products and services, except lending, doubled the number of people we protect from the 40-50 per cent of adults who hold investments to the entire adult population. We regulate a whole new class of insurance products where people protect themselves from loss, not just products where people make a return on their money. While the laws are broadly similar in principle to those we were used to, they are very different in detail and in the way they are administered.

To deal effectively with this much wider consumer base and with additional legal complexities, we introduced new strategies:

- to target inspections and take action that will increase the quality of service and advice for consumers and get rid of incompetent or dishonest people;
- to guide and consult with industry so consumers can use new products and services without loss of protection;

# Enforcement and regulation

3

- to strengthen relationships with financial institutions and industry associations to raise standards of disclosure and advice that investors and consumers receive; and
- to communicate so that businesses comply with the law and consumers use their rights to avoid fraud.

This year we concentrated on integrating our new responsibilities in superannuation, insurance and deposit taking into our operations, and changing over to the new managed investments law.

To cope with such a large area of work, we organised our activities into investments, markets, major corporates and small business.

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## Investments

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### What it covers

*Superannuation, investments, deposit taking and insurance; selling and advising on these products and services*

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### What we do

Licence and inspect financial advisers, insurance brokers and other intermediaries.

Approve and monitor consumer complaint resolution schemes.

Monitor codes of practice across all financial services.

Register and inspect managed investment schemes.

Receive and inspect prospectuses.

Grant or refuse requests for relief from the law.

Investigate alleged breaches of the law and take enforcement action.

Guide and listen to investors, consumers and business.

### *Taking action*

Seven out of 22 people gaoled this year on ASIC charges were financial advisers or people in positions of trust managing clients' or superannuation fund members' money, see page 38. We banned 17 people from the securities industry, see page 40. Our investigations into Geoffrey Dexter, who raised \$130 million from retail investors through the Wattle Group by promising 50% p.a. returns, led to criminal charges being laid against him for allegedly misleading those investors.



In our new area of insurance, our research suggested that consumers were at risk by dealing with people advertising as insurance brokers who were not actually registered as brokers. More than 300 such people were listed in the Yellow Pages around Australia. We wrote to each person asking for an immediate explanation or application for registration.

Another area of attention has been offshore investing. Australia's current low interest rates and low inflation make get rich quick schemes sound very attractive. Fraudsters have been actively promoting illegal high return investment schemes. Fortunately investors and advisers tipped us off to some of the local promoters and we succeeded in acting against them.

Overseas operators have also been cold calling Australian investors selling fake investments. This has been harder to tackle. Through well publicised alerts, we have advised investors to hang up on these callers and deal only with licensed Australian advisers. We have also succeeded in getting overseas authorities to make life uncomfortable for these operators, although they change names, locations and countries frequently.

We registered 707 prospectuses, the highest number since 1993/94. Registration means that investors can be sure that company directors have taken legal responsibility for statements they make about the investment offer. We inspected 106 prospectuses which appeared to show weaknesses in disclosure or where there was public concern. These inspections resulted in corrections, supplementary prospectuses being lodged to address weaknesses and, occasionally, orders that stopped fundraising altogether.

### *Guidance for industry*

Hundreds of thousands of Australians invest in managed investments, rather than owning assets directly. To protect them, the Managed Investments Act, which took effect as part of the Corporations Law on 1 July 1998, established a single responsibility entity for managed investment schemes instead of a separate investment manager and trustee. We license managers and approve their management arrangements to make sure investors' assets are protected in the way the new law requires. The law gave us a great deal of discretion in setting detailed guidelines. These affect, on current estimates, more than 500 management companies, ranging from major operators to those running small or highly specialised investments. Management companies were given up to two years to change over, and to date about half have applied.

To protect investors, we also required real estate strata schemes to comply with the new managed investments law. Later in the year, we reviewed the operations of solicitors' mortgage and finance brokers' schemes. Investors had suffered losses and our inquiries uncovered poor administration and supervision of these schemes. (In August 1999 we brought all schemes involving more than \$5 million under the managed investments law.)

# Enforcement and regulation

3

We became responsible for consumer complaint resolution schemes on 1 July 1998. These schemes provide faster and cheaper settlement of consumer complaints than legal action. Our job is to set guidelines for schemes and approve each one, with the exception of superannuation where the complaints scheme is set up under statute. Under interim guidelines, we approved the Financial Services Complaints Resolution Scheme, covering investment advisers and financial planners. (We released our final guidelines on 8 July 1999.)

## *Relationships with consumers and industry*

The results of our joint survey with the Australian Consumers Association of the quality of financial advice to consumers showed improvement over the 1995 survey. Advice was judged by a panel of experts, including a Financial Planning Association nominee and experienced planners. Encouraging as the results were, the survey highlighted improvements needed in training and supervising representatives. We will also use the study to target inspections and to refine our consumer communication strategies.

Relationships with our new industry groups started with a series of meetings at the highest level between our Commissioners and industry leaders. Our approach has been to consult them and keep them fully briefed on our plans so there are few surprises. We look forward to building relationships of the same depth and value as we have with those in our traditional areas.

## *Educating investors and consumers*

Over the last few years consumers and investors have been more actively investing and managing their finances. They have been encouraged by robust financial markets and good economic conditions. We have been concerned that fair weather has lowered the guard of some investors, who are ready to risk their money even if it sounds too good to be true.

The Internet has been a source of scams, false and misleading information. For this reason we launched our own fake Internet site, offering people investment packages in Millennium Bug Insurance. 233 people signed up for more than \$4 million, despite the sheer improbability of the business and the outlandish claims made about it. Our real purpose was to highlight practical Internet safety checks investors can make through the ASIC website. As result of the tremendous publicity this practical joke generated, we doubled the searches people made to check if advisers and investment schemes were licensed.

To show how many scams can be easily avoided, we published our first book *Scams and Swindlers: investment disasters and how to avoid them*, released commercially for the investor market. About 5,000 copies have been sold. To help adults at work understand superannuation we also published our first guide to superannuation *Super decisions*, in conjunction with the Association of Superannuation Funds of Australia.

## Markets

### What it covers

*Trading in shares, options, warrants and other securities and futures contracts through Australian markets; takeovers and disclosure by listed companies*

### What we do

Supervise securities and futures markets.

Monitor what company directors say and do.

Monitor takeovers.

Register company auditors and liquidators.

Grant or refuse requests for relief from the law.

Investigate alleged breaches of the law and take enforcement action.

Communicate with investors, consumers and business.

### *Taking action*

With five insider trading matters now being heard by the courts, the highest number in Australian history, we worked to make sure that our markets operate honestly and fairly. ASX Ltd and the SFE have alerted us to a number of other matters during the year which we are investigating.

The Federal Court found and made orders against Nomura International plc for manipulating Australia's securities and futures markets. This was a civil case we brought against a major offshore investment house, resulting from \$600 million worth of trades the company executed in April 1996 in the hope of making extraordinary profits from unsettling our financial markets through artificial and manipulative trades. This action was essential to maintain market integrity, even though the company has no direct presence in Australia.

The other major matter, now subject to appeal, was our intervention in the takeover of Great Central Mines Ltd by Yandal Gold Pty Ltd. We argued that the two major shareholders had set up an unlawful scheme to deprive minority shareholders of the real value of the shares. The Court found in our favour and ordered \$28.5 million to be made available to minority shareholders. These orders have been stayed pending the outcome of an appeal to the Full Federal Court.

We also established an electronic enforcement unit to coordinate action and develop automated systems to detect market manipulation, illegal fundraising activities and unlicensed investment advisers/securities dealers in an electronic environment. We successfully obtained court orders against a website that was offering investment advice without a licence and whose activities were demonstrably distorting the market price for thinly traded shares.

# Enforcement and regulation

3

In our last annual report, we referred to a possible breach by Crown Ltd of the continuous disclosure rules. These rules ensure that investors are informed of matters likely to affect share prices. The timing of two announcements was in issue: first, the apparently large losses sustained in Crown's international business, and secondly decisions not to construct a second hotel tower and theatre. Crown Ltd gave us an enforceable undertaking to improve its disclosure practices and dropped its legal actions against us and ASX Ltd.

## *Regulating markets*

We advised the Minister about ASX Ltd changing to a “for profit” company limited by shares listed on its own exchange. It had been a not for profit company limited by guarantee and controlled by the participants in its markets. When approved, we became the front line supervisor of ASX Ltd as a listed entity.

We monitored daily trading in ASX Ltd shares and compliance by ASX Ltd with its Listing Rules in much the same way as ASX Ltd oversees the market. The ASX Ltd share price ranged from \$4.00 on listing on 14 October 1998 to a high of \$16 during the year. We made two formal share price queries to ask ASX Ltd if they possessed any information that would explain rapid upward share price movements. The queries and responses were released to the market and no further action was required.

Announcements by ASX Ltd and Computershare Limited of bids for the SFE, and developments with electronic and other competitive markets, have raised a number of issues such as the potential for conflicts of interest, investor protection and the continued operation of fair, efficient and transparent markets. Some changes may be needed to the way in which market supervision is structured. We have been working on these issues with the parties, the ACCC and government.

We also worked with the SFE on changes to its constitution and by-laws and on new trading rules for screen trading.

We reviewed our derivatives policy as applied to the electricity markets and gazetted a new national wholesale electricity market declaration. We undertook a similar project for a national market in wholesale gas. Two local stock exchanges, Newcastle Stock Exchange Limited and The Stock Exchange of Bendigo Limited, received our guidance on proposals to revive them as regional stock exchanges.

The Full Federal Court reduced our power to modify the takeover law. It decided that we acted beyond power when we allowed a successful bidder to acquire shares issued after a takeover had concluded when they were not originally subject to the bid. We have obtained special leave to appeal to the High Court on this matter.

### *Relationships with markets and professionals*

A strong relationship between the markets and ourselves helps markets operate efficiently and sees that any misconduct is quickly dealt with. We set up a new national markets unit to coordinate all our dealings with the markets. A market regulation team in our NSW Regional Office is responsible for preparing advice to the Minister in relation to amendments made to ASX Ltd and SFE constitutions and Business Rules, ASX Listing Rules, exempt stock and futures markets declarations and applications for approval as a stock or futures exchange.

We also require effective relationships with lawyers and professional advisers. They play a major role in contested takeovers. The law is technical and most takeovers require some form of relief from us to proceed. To build a better understanding of how we operate and of current technical problems, we successfully introduced and ran four *ASIC speaks* public seminars for professionals on takeovers.

## Major corporates

### What it covers

*All major investigations including major companies by listed companies*

### What we do

Monitor what company directors say and do.

Investigate alleged breaches of the law and take enforcement action.

### *Taking action*

Katy Rachele Boskovitz was sentenced to five years gaol, one of the longest gaol terms handed down this year as a result of our investigations. Ms Boskovitz had made false representations to the Bank of Tokyo, Westpac Banking Corporation and Chase AMP Bank Ltd in order to obtain \$50 million in lending facilities for the Linter Group. The Linter Group failed in the late 1980s, and this matter progressed slowly through the legal system as a result of her change of plea.

We recovered \$6.5 million for miners, amounting to 87 cents in the dollar, at Cobar in a settlement of employee entitlements when Cobar Mines Pty Ltd, the mainstay of the rural NSW town, collapsed. The settlement followed an investigation into the company's collapse, and in particular a letter of financial support given by Ashanti to Cobar Mines and the withdrawal of that support in January 1998. Because employees do not rank ahead of other secured creditors in a liquidation, or because there may be no assets left, State and Commonwealth governments are considering law reform to safeguard employee entitlements when companies fail.

# Enforcement and regulation

3

This year, we acquired for the first time the power to accept enforceable undertakings. These offer a quicker and cheaper method than court action for remedying possible breaches of the law. Twenty five undertakings have been accepted this year, from major listed companies as a result of our accounting surveillance to individuals involved in advising consumers. All undertakings are listed on our website.

The investigation into transactions between Coles Myer Ltd and shelf company Yannon is continuing but it is not appropriate to make details public.

(In July 1999 the Victorian Court of Appeal upheld the 1997 conviction of Douglas Reid, former deputy Chairman of Southern Cross Holdings Ltd, the airline company. Evidence we collected showed that Reid stole money, falsified company records and failed to act honestly as a director. His sentence was reduced to eight years, with eligibility for parole after six.)

### *Enforcement guidelines approved*

The Commissioners have approved formal guidelines about when enforceable undertakings may be accepted and for making them public. This avoids any suggestion of deals behind closed doors. The guidelines and a list of all undertakings are posted on our website.

### *Relationships with DPP, witness expenses*

Criminal prosecutions in all indictable and some other matters are decided and prosecuted through the Commonwealth DPP. It is our role to present the DPP with a brief of evidence to make a decision to prosecute and to support that prosecution through the Courts. We involved DPP officers in considering evidence on potentially serious criminal investigations at an early stage. We conduct almost all civil matters ourselves.

In criminal matters, the following data shows the time taken between starting an investigation and referral of a matter to the DPP and between acceptance of a referral by the DPP and the laying of charges. The DPP usually accepts a referral only after it has decided to prosecute.

	0-3 mths	3-6 mths	6-9 mths	9-12 mths	12 mths or more	Total
From start of investigation to referral to DPP	20	36	15	17	11	99
From referral accepted to laying of charges	79	8	-	-	-	87

At the Parliament's request, here are the details of claims for allowances and expenses under section 89 of the ASC Law by people required to attend our hearings and inquiries. There were 18 claims, all of which were paid in full. The total amount paid was \$5,446, with the average claim being \$303. The highest claim paid was \$1,541 and the lowest claim paid was \$19.

### *Lessons from Burns Philp and Spedley*

We inquired into the affairs of Burns Philp Ltd, a former blue chip company with thousands of small shareholders. The company's massive write downs in its herbs and spice businesses resulted in the collapse of its share price and raised questions about whether directors had adequately supervised management and had revealed the problems soon enough. We prepared a report, tabled in Parliament by the Minister, to explain to shareholders what had gone wrong. We concluded that the evidence did not support criminal charges being laid but we documented problems the company had experienced in accurately valuing its brand names.

To draw out lessons for the future, we also reported on the special investigation into Spedley Securities Ltd, which collapsed in 1989, with massive debts. In one of the largest ever corporate investigations, major frauds were revealed and, through the DPP, successfully prosecuted. With the legal proceedings concluded, the report highlighted lack of internal controls, the dominance of a single director, Brian Yuill, and the absence of an arms length commercial approach to loans.

## Small business

### What it covers

*Small company insolvent trading, bankrupts and other disqualified people running companies, companies under external administrations and defunct company matters*

### What we do

- Monitor what company directors say and do.
- Investigate alleged breaches of the law and take enforcement action.
- Assist liquidators and company administrators.
- Handle defunct company property.
- Communicate with small business owners and their advisers.

### *Taking action*

We took action against dishonest directors, bankrupts managing companies, insolvent trading, phoenix companies and failure to cooperate with external administrators. Ten of the 22 people gaoled this year were company directors who cheated investors or creditors of small to medium sized companies or who were involved in managing companies while disqualified. We prosecuted summarily 354 directors or company officers who had failed to give external administrators statements about the company's affairs or books and records. Streamlining this process caused a marked jump from the 90 prosecutions last year.

# Enforcement and regulation

3

Where company directors have two or more companies which are wound up in the previous seven years and return less than 50 cents in the dollar to creditors, we may ask them to show cause why they should not be prohibited from managing companies. This year we prohibited 74 people from acting as a director. Our website lists people disqualified from company management.

We attended to over 1,290 regulatory matters affecting small companies during the year. These included action to eliminate bankrupts from company management, responses to requests from directors and shareholders and applications in relation to assets of defunct companies which vest in ASIC.

## *Relationships*

In each State and Territory, our small business team has developed relationships with company liquidators to identify serious offenders and to provide assistance. Teams have also set up links with professional groups, industry associations who represent small business, especially in industries prone to higher than average levels of insolvency, such as the building and computer sales industries.

## *Educating small business*

All new company directors received a short letter informing them of their obligations. Infoline calls from small business owners, directors and company secretaries rose 17%, from 4,034 in 1997/98 to 4,716. The small business section of our website increased in popularity.

We provided speakers and information sheets to small business groups and industry associations and monthly updates on topics of interest to small business. We had many requests for our leaflet on single director companies in which we warned small business owners to leave a valid will or face major disruption to their companies if they die.

In the Northern Territory we paid special attention to educating Aboriginal company directors about the law. We also cooperated with industry and government organisations that assist small business, and we published a "Small Business Update" each month.

## *Assessing complaints and reports of misconduct*

We assessed 5,376 complaints from the public alleging breaches of the law, up from 3,798 last year. We referred 50% for follow-up inspection, 4% resulted in cautions or undertakings, 4% led to formal investigations, 1% resolved with complainant, and we declined to pursue 40%. However, we analysed the information to identify suspicious companies and individuals. We did not have the resources to investigate every complaint, and in any case there was often insufficient evidence to pursue useful inquiries.



We assessed 2,528 reports from company liquidators, receivers, administrators and auditors, down from 3,711 last year, of which 95% alleged offences. The remainder did not allege any offence but told us of directors of companies that had returned less than 50 cents in the dollar to their creditors. 2% of all these reports were resolved, 8% pursued through surveillance, and 1% formally investigated. In 84% of cases, no further action was taken because of the age of the matter, lack of sufficient evidence or scarce resources.

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## Outlook

On 1 July 1999 State-regulated building societies, credit unions and friendly societies transferred to our jurisdiction, with many of them becoming entities incorporated under the Corporations Law for the first time. We will be working with them to make that transfer successful and to protect their members and customers.

The Government's corporate law reform agenda is expected to change fundraising and takeover procedures significantly and we will be under pressure to issue new guidelines and update old ones to meet the new regime.

To do our basic job of taking action quicker, the Commissioners have set a new target to complete 75% of investigations within six months and all matters within 12 months. The resources we commit to electronic commerce and electronic enforcement will increase, with more Internet surveillance and monitoring of on-line market behaviour.

Following recently completed research, we plan to release a consumer education strategy for public comment that will increase consumer information about financial services. We also plan to provide consumers with easier reporting and faster resolution of misconduct problems which they cannot resolve through industry complaints schemes.

We will review our small business activities, and may combine them with the work we do to ensure that companies lodge information with us on time.

# Enforcement and regulation

3

## 22 Criminals gaoled

What they did	Names and details of crime	Sentence
<i>Unlicensed people who cheated investors</i>	George Adler for obtaining money by deception.	6 yrs gaol
	Robin Andrew Buckley for obtaining a financial advantage by deception and the making of offers for subscription of a prescribed interest. Mr Buckley had invited people to participate in a investment enterprise from which he obtained approximately \$1.5 million. Mr Buckley claimed the scheme generated a high rate of return by trading on the foreign exchange market.	8 yrs with a minimum of 6 yrs
<i>Cheating superannuation fund members</i>	Cyril John Pearson, former Brisbane company director, for fraudulently accounting money put into the Beneflex Retirement Plan superannuation fund. The money was contributed by members of the restaurant and catering industry in Queensland.	5 yrs
	John Robert Houghton, former director of NSW company Houghton and Associates, for fraudulently applying funds from wholesale superannuation investment pools for his own benefit totalling \$1.3 million.	2 yrs with a minimum of 18 mths
<i>Investments advisers who cheated their clients</i>	Stuart John Forsythe, a Newcastle investment adviser, for misappropriation and forgery charges involving \$1.4 million. He defrauded a number of his elderly clients over a period of seven years.	6 yrs with a minimum of 4 yrs
	Allan McDonald Healy, former Melbourne financial adviser, for dishonestly obtaining and applying approximately \$3 million that had been entrusted to him by his clients in the failed Sentinel financial services group of companies.	5 yrs with a minimum of 3 yrs
	Sandra Joyce Stephens, former Tasmanian investment adviser and a director of Fineplan Services Pty Ltd, for improperly using her position as a company officer and charges of stealing more than \$404,000 of her clients' funds.	4 yrs, with a non parole period of 2 yrs
	Peter Gerard Jackman, former Queensland investment adviser, for concealing share prices and commissions relating to share sales and inducing a person to deal in the shares of unlisted Gold Coast company Split Cycle Technology Ltd. Mr Jackman dishonestly concealed the share price and commissions he received on the transfer of these shares.	18 mths with release after 4 mths on the condition he pay a \$1000 bond and be placed on 2 yrs good behaviour
	Errol John White, Gold Coast financial adviser, for contempt of court for failing to comply with statutory notices issued by ASIC during its investigation into coastal Asset Management Corporation.	8 mths gaol

## 22 Criminals gaoled (continued)

What they did	Names and details of crime	Sentence
<i>Market manipulation</i>	Bevan Maurice Crowley, former managing director of Media Asia Pacific, for market manipulation. He told the market that the directors had reviewed trading and had decided to revise MEP profit forecast for the first year of trading upwards to \$4.5 million. But there had been no review and the profit forecast was false.	2 yrs gaol
<i>Dishonest company directors</i>	Katy Rachelle Boskovitz, former Linter Group director, for obtaining a financial advantage by false statements to the Bank of Tokyo, Westpac Banking Corporation and Chase AMP Bank Ltd. Ms Boskovitz obtained \$50 million in lending facilities for the benefit of the Linter Group.	5 yrs
	Michael James Giovinazzo, a West Australian company director, for cheating investors and stealing company money for gambling.	4 yrs
	Peter Laurence Cox, a South Australian resident, for improperly using his position as a director of a travel agency company. He used his position to obtain travellers cheques and foreign currency which he used to gamble during a 10 month period.	3 yrs and 2 mths gaol
	Rolf John Schreuder, former director of Transequity Limited, for taking \$6.8 million from Transequity's bank account with the intent to defraud the company and its members. Later, a further sentence for managing a company while banned from doing so.	3 yrs gaol – 9 mths of which were suspended; then 4 mths gaol
Editor's note: This document has been edited in accordance with the spent convictions scheme.		
	Melissa Wendy Norman, former Kerdale Pty Ltd director, for five misappropriation charges involving \$240,996.	18 mths
	Paul Stanton (aka Paul Almerino Cavaliere), former Gold Coast building company director, for transferring more than \$326,000 from the accounts of Cavaliere Constructions into his personal bank account after he had a trustee in bankruptcy appointed to him.	3 yrs gaol (to serve a minimum of 6 mths)
	Kevin John Lord, former director of furniture wholesaler Keith Lord Wholesale Pty Ltd, for misappropriating between \$266,000 and \$566,000 after the company had been placed in liquidation and had managed to trade its way out of difficulty with the help of an administrator. The misappropriation of the funds put the company back into liquidation.	18 mths gaol (to be released after 9 mths if he enters a \$1000 3 yr good behaviour bond)

# Enforcement and regulation

3

## 22 Criminals gaoled (continued)

What they did	Names and details of crime	Sentence
<i>Managing companies while disqualified</i>	Robert David Lavigne, a bankrupt Sydney businessman, for managing a company while he was still an insolvent under administration and while he was still banned from doing so because of a previous conviction for serious fraud.	24 wks gaol
	Dean Russell Anderson, a Central Coast businessman, for managing Australian Home Marketing Pty Ltd while an undischarged bankrupt.	3 mths gaol
	Roland Kerkmez, former company director, for managing Videoland Pty Ltd and Videoland Enterprises Pty Ltd while banned from doing so.	6 mths gaol
<i>People who defrauded companies</i>	David Anthony Bradshaw, former Melbourne liquidator and auditor, for stealing money from Mariemont Investments Pty Ltd when he was the registered liquidator. He also stole money from a number of bankrupt estates when he was the registered trustee in bankruptcy.	18 mths gaol with 14 mths suspended

## 17 Investment advisers banned to protect the public

What they did	Name	Period of banning
<i>Misappropriation and forgery of \$1.5 million of client's money</i>	Stuart John Forsythe	Banned permanently Also charged criminally
<i>Misused clients' money</i>	Sandra Joyce Stephens	Banned permanently Also charged criminally
<i>Mismanagement and wrongful dealings with investors' money</i>	Gerard Ivinson	Banned permanently Also charged criminally
<i>Using clients' money for his own purposes and misdirecting investors' cheques into other accounts</i>	Paul Anthony Macarthur	Banned for 10 yrs Also convicted and gaoled
<i>Used clients money for his own purposes and failed to invest their money as instructed</i>	Robert Huston Reynolds	Banned for 10 yrs

## 17 Investment advisers banned to protect the public (continued)

What they did	Name	Period of banning
<i>Stockbroker who bought speculative investments inappropriate to client's needs and made false and misleading statements about a company takeover</i>	Peter Phillip Stewart	Banned for 7 yrs
<i>Advised clients to invest in failed ECCC Ltd without a reasonable basis for doing so</i>	Peter John Astill	Banned for 6 yrs
<i>Misleading and deceptive conduct and false trading in shares</i>	Allan Edward Goorderham	Banned for 6 yrs, under enforceable undertaking
<i>Took \$290,000 in high risk loans from clients and failed to highlight conflict of interest</i>	Ranko Raduka	Banned for 5 yrs
<i>Misleading and deceptive conduct, unauthorised trading, gave unauthorised credit</i>	Gerard Farley	Banned for 4 yrs
<i>Illegal fundraising, misleading statements, failure to disclose benefits, failure to show care and diligence on behalf of clients</i>	Lenard George Richards	Banned for 4 yrs
<i>Unlicensed advising, creating a false and misleading impression about the price of shares, advised clients to make investments without a reasonable basis</i>	Peter Ness	Banned for 3 yrs
<i>Gave untrue advice to investors, unlicensed advice</i>	Anthony John Campbell	Banned for 2 yrs
<i>Sold interests in an illegal tax effective scheme, and gave tax advice when not qualified to do so</i>	Joachim Gottfried Diedler	Banned for 2 yrs
<i>Sold interests in an illegal tax effective scheme, and gave tax advice when not qualified to do so</i>	John Barron	Banned for 2 yrs (subject to AAT appeal)
<i>Undischarged bankrupt</i>	Verners Pleiksna	Banned permanently
<i>Undischarged bankrupt</i>	Laurence John Tobin	Banned until 22 November 1999

# Public information

4



On 17 May 1999 the Minister for Communications Information Technology and the Arts, Senator the Hon. Richard Alston, launched electronic company registration. ASIC Director Business Services, Dreda Charters-Wood, assists.

*The rate of electronic company registration continues to increase rapidly and in June 1999 reached 22% of new companies registered.*

## What we did

Main activities	This year	Last year	% change
New companies incorporated	98,038	97,031	1%
Company fees collected for the Commonwealth	\$331m	\$335m	-1%
On-line searches	2,141,783	1,922,408	11%
Over the counter searches	191,831	284,150	-32%
Changes to company data processed on-line	37%	26%	42%
Company data lodged on time	93%	94%	-1%
Companies deregistered by ASIC	21,339	30,642	-30%
Companies deregistered on request	14,366	2,312	521%

Resources used	This year	Last year	% change
FTE Staff employed	309	340	-9%
Estimated operating costs	\$31m	\$36m	-8%

### In this section we cover:

- ◆ what we did
- ◆ our strategies
- ◆ electronic registration
- ◆ electronic searching
- ◆ law reform
- ◆ outlook

## Our strategies

The number of companies registered in Australia increased by 6% to 1,149,297 which is 60,375 more than last year and the highest number ever recorded. Government reforms, particularly those affecting small companies, have significantly reduced the regulatory burden placed on company officers. It is our job to keep track of all these companies, to collect information and fees from them and to make information about them available to the public as soon as possible. People use this information to make sure they know who they are dealing with and for credit checks.

We developed three strategies for dealing with such a large number of companies and changes to the law. We offer:

- electronic services for registering companies and for lodging company information. This reduces the time and cost of these activities.
- electronic searches of our database. This gives fast public access to company information.
- help and information to company directors and officers about law reform.

## Electronic registration and data lodgment

### *Electronic company registration*

Electronic company registration (ECR) was launched as a pilot project in October 1998. It enables service providers to register and pay electronically for Australian companies using the Internet. They can do this in a highly secure environment.

We were the first in Australia, and one of only a few in the world, to introduce smart cards commercially so people can sign information using public key technology. The electronic payments component of the system uses a proprietary accounts receivable system with funds being collected through the Reserve Bank Direct Debits system. Thanks are due to our technical staff who made this possible.

With pilot testing proving satisfactory, the service was officially launched by Senator the Hon. Richard Alston, Minister for Communications, Information Technology and the Arts on 17 May 1999 as part of the Government's On-Line Australia Year campaign.

In the period to 30 June 1999, 8,454 or 11% of all company registrations were lodged electronically. The rate of electronic company registrations continues to increase rapidly and in June 1999 was 22% of new company lodgments. We also provided a company registration service through the Commonwealth Government Business Entry Point website.

### *Data lodgment*

This year, 59% of all annual returns were lodged electronically, an increase of 9%. Electronic annual return lodgments increased from 544,774 in 1997/98 to 612,925 in 1998/99. This was slightly more than our target of 610,000.

Companies can also use our electronic system for lodging changes to their details, and 37% of changes were lodged electronically, an 11% increase over last year.

Our latest electronic service is called eRegisters. It allows company directors or their agents to have direct contact with our database using the Internet, to make changes to their company data and to lodge and pay for their annual return. Live testing began in June 1999 and this service is provided through the Business Entry Point.

### *Company information on time*

93% of companies lodged their information with us on time. During this year, law reform reduced time for lodging changes to company information. Despite this change, there was only a 1% decrease in the timeliness of company lodgments.



There has been a continuing trend towards generally higher levels of compliance in lodging company information. This year we issued 22,923 penalty notices to companies for non-lodgment, a 28% reduction on 1997/98. We attribute this reduction to our annual return warning notices. These notices enabled 20,000 companies to avoid a penalty notice by responding to a 'Final Notice' to lodge. This warning program has been well received, particularly by newer company officers. It enabled many company secretaries to avoid the ultimate sanction of a penalty notice and possible court action.

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## Electronic searching

### *Full company searches*

Today 92% of all company searches occur on-line, the highest number ever. The total number of searches has also increased, up 11% on last year. Searches occur through our approved commercial information brokers, a number of whom can be reached through the Internet.

Only 8% of searches were conducted over the counter in our Business Centres, a rate which has been falling steadily. We are relocating some Business Centres with our Regional Offices to save accommodation costs.

### *Internet free searches*

The Netsearch company names index on our website was launched in March 1997. This free service provides basic details of a company's name, its unique Australian Company Number (ACN) and a list of documents lodged with us. Netsearch also provides access to the business names index.

Netsearch browses almost doubled from 886,629 in 1997/98 to 1,694,047 in 1998/99. 1,659,443 of these were Netsearch browses of the Company Names Index. The remainder were free searches of securities dealers, futures brokers, their representatives, auditors, liquidators, and of registers of people banned from directing companies or from giving investments advice. Browses are now approaching 200,000 per month and still increasing. As a result, our website ranks in the top 100 sites used by Australians.

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## Law reform

The vast majority of Australia's 1.1 million companies are "small companies" that are required by law to pay an annual fee, to lodge a return each year and otherwise to tell us about changes to directors, registered office or other significant details. They are not required to lodge any financial details with us.

### *Company Law Reform Act 1998*

The *Company Law Reform Act 1998* simplified procedures for registering and running companies. It streamlined the rules relating to meetings, including facilitation of electronic communication; it abolished the concept of “par value” in company shares; capital reductions no longer required court approval; it allowed electronic lodgment of documents including annual returns; and many items previously required to be included in annual returns were omitted.

The amount of change to be implemented within a short space of time led to some confusion for many companies and users of our services. The changes started only four days after the legislation passed through Parliament. In that four day period we had to approve and release the final version of a large number of prescribed forms and information sheets.

### *Australian Business Number*

The Australian Business Number (ABN) will be introduced as part of Government taxation reforms. It will be a single business identifier for all Commonwealth purposes. We have been working closely with the Taxation Office to ensure that during the transitional period, the existing arrangements for Australian Company Numbers are compatible with the new ABNs.

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## Outlook

Proposed law reforms will mean that companies may no longer have to lodge an annual return with us if they have no changes to make, although they will still pay an annual fee. If implemented, this will reduce their paperwork and our processing workload. This change, combined with the shift from paper and in person transactions to electronic transactions over the last three years, presents us with the opportunity to take a fresh look at the way we organise our activities.

We can offer businesses increased opportunities to deal with us electronically by integrating our electronic service staff into our other activities.

We can also find internal efficiencies by integrating the work we do to require companies to lodge information with us into our other regulatory and enforcement work. Basic data and document processing functions will continue, but as opportunity offers, they will be more heavily concentrated in our Information Processing Centre in Traralgon, Victoria.

# National and support services

5



*Our support staff planned, organised production and coordinated publicity for this hoax Internet site.*

*In our most successful investor warning, we used a hoax website, Millenium Bug Insurance, to highlight safety checks investors should make.*

# National and support services

5

## What we did

Our support services include information technology, human resources, learning and development, finance and management services and our national telephone inquiry services. Much of this work went into specific projects described below or into responding to specific inquiries and problems.

Resources used	This year	Last year	% change
FTE staff employed	200	154	30%
Estimated operating costs	\$20m	\$15m	33%

The significant jump in staff and resources reflects the general rise in staff numbers across the board, a transfer of some staff from our company information work and a number of infrastructure projects. About 45 staff provided direct legal, accounting and policy support to our enforcement and regulatory work in policy and coordination, see Chapter 3.

## Our strategies

The success of our regulatory and enforcement activities depends on the ability of our support services to deliver the right systems and services. Our strategy has been to:

- deliver systems and services that demonstrate a clear benefit to regulatory and enforcement operations; and
- provide support efficiently and with a minimum of “noise” that would distract operational staff from their work.

## Information technology

### *Year 2000 compliance*

In our early August 1999 report to the Office of Government Online, we reported we were 81% Y2K compliant. Our application testing was a major exercise running over many months and was concluded successfully in June 1999. There are still a number of other Y2K issues to address but these are expected to be completed by about September 1999. We will be focussing on our contingency and business continuity planning in the months ahead. We will implement a rolling schedule of Y2K testing to ensure that all our systems and applications are compliant right up to the change of date.

### *Gartner Group finds our IT efficient and effective*

The Gartner Group completed a benchmarking study of our IT operation. The study benchmarked our IT cost efficiency and cost effectiveness against best practice and peer organisations in Australia and internationally. It found that our IT performed better than the rating scored by peer organisations across all functional areas. This result reflects effective management of a diverse IT environment and the large scale of our IT infrastructure.

### *A leading role in delivering electronic government services*

A small group of IT staff has been dedicated to developing electronic commerce services such as electronic company registration and electronic data lodgment. The impact of these services is now considerable. We conducted approximately 10 million electronic commerce transactions with our customers through our company information activities, see page 44.

### *Transfer of IT systems for our new functions*

The Brokers and Agents Administration System (BAS) and Life Unclaimed Monies System were successfully transferred to us in November 1998. BAS registers and monitors life insurance agents, general insurance agents and foreign insurance brokers. Preparations have begun for the handover of State-regulated financial institutions. We are capturing all necessary data from other systems ready for when we become responsible for registering and processing these schemes.

### *New systems introduced*

We have developed a number of new systems operating within a Lotus Notes environment. A new complaints management system that significantly improves our ability to classify and analyse complaints was implemented. Another new system integrated our Infoline e-mail and call centre information, automated reminders of overdue calls and rosters for call acceptance. The system also includes faxing services. We have improved the service offered to callers by adding a knowledge base and integrated access to the Internet. By September 1999 all staff will use Lotus Notes systems that will significantly enhance their ability to work collaboratively across and within offices.

### *Internet and Intranet*

Our staff now have access to Internet e-mail and browser/news access from desktop PCs. We use a gateway which allows the electronic exchange of information in a secure environment. More than 90% of our staff have desktop Internet access for Internet e-mail and most also have desktop Internet browsing access. Software tools prevent inappropriate access.

Our redesigned Intranet portal was released nationally, displaying daily national and local news summaries on login with archives of all articles available. It also includes links to other ASIC Intranet sites and a site index.

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**In this section  
we cover:**

- ◆ what we do
  - ◆ our strategies
  - ◆ major areas  
of activity
  - ◆ outlook
-

# National and support services

## 5

### Corporate and management services

#### *Financial management*

As part of government reforms to the public sector, we have installed a new financial management information system so that we can move from cash to accrual accounting at the beginning of the 1999/2000 financial year. This major project was successfully completed.

#### *Business continuity and security*

Security arrangements in our offices were strengthened with the installation of additional security systems in several offices. We have also reviewed protective security arrangements and introduced programs to tighten procedures for handling sensitive information. A business continuity program was introduced to ensure that we are able to handle major disruptions to building, computer and other services.

#### *Rationalisation of accommodation*

The relocation and co-location of the National Office Melbourne into the Victorian Regional Office premises in La Trobe Street completed our Melbourne consolidation. A similar project co-located our Darwin Business Centre with the Northern Territory Regional Office. These initiatives further reduced our leased property holdings.

#### *Managing human resources*

Following the consolidation of our payroll services into a single office, and a subsequent repositioning of human resources nationally, we have recruited several new staff and are preparing an organisation-wide people plan. Management information systems are under review because they require replacement. All our people management policies have been revised to make them easier for managers and staff to use. All policies are published on the ASIC Intranet. The HR and learning and development site is also being revised to give more timely and accurate information.

#### *Learning and development*

Our national learning and development section delivered approximately three times more training at only about twice the cost. This increase in training was necessary to familiarise staff throughout Australia with our new superannuation, insurance and consumer and financial institutions responsibilities. It was presented by internal and external experts. Feedback from staff who attended was very good. For more details about activities, see Page 54.

#### *Environment*

As a services organisation, our impact on the environment was largely confined to our use of energy for heat, light and power in our offices, and the disposal of paper waste. Our accommodation is fitted with power saving devices to avoid waste, and paper waste is separated from other waste to assist recycling.

## Call centres

### *Calls about lodging and obtaining company information*

About 30 staff in our Information Processing Centre and Business Centres handled more than 732,000 telephone calls this year about routine company housekeeping matters and company searches. We commissioned an external review of these telephone operations to identify the most cost-effective options. The review has been completed and is being analysed.

### *Infoline*

Infoline is our principal call centre for regulatory and enforcement activities. It received 104,000 calls this year, a 17% increase on the 89,000 received last year, with the major proportion of this increase due to managed investments and superannuation and insurance matters. 91%, or 6% above our target, were dealt with on the spot, slightly down on last year. This freed our enforcement and regulatory staff to deal with more complex matters. Infoline employs 13 staff.

### *Financial Complaints Referral Centre*

In cooperation with the complaints resolution schemes for banking, life and general insurance, superannuation and investment advice, we operated the Financial Complaints Referral Centre. The Centre refers consumers who do not know how to resolve a complaint to the relevant complaints scheme. The trial of the service was extended to February 2000. Last year it received 5,739 calls compared with 1,642 calls from 1 February to 30 June 1998.

## Outlook

Law reform proposals in the area of company fundraising and prospectuses call on us to give public access to offer documents before applications for investments are processed.

We will develop a system for public access through our website. We plan to integrate the information systems our staff use so that they are easily accessible from their desktop computers. Presently, information is spread over different databases, operating on different computer platforms. We will develop and release new systems that will give staff faster access to information they need to work more effectively.

All support services have been brought together under an Executive General Manager who will develop a long term framework for our people strategies and financial management.

# Our staff

6



ASIC Legal Officer  
Gabrielle Hurley from our  
Northern Territory office  
visits Bathurst Island  
to explain how  
company law affects  
Aboriginal communities.

*We provided speakers and information sheets to small business groups and industry associations, and monthly updates on topics of interest to small business.*



## Who works for us

### *Staff numbers and basis of employment*

At 30 June 1999, we employed 1,225 staff, most under the Public Service Act, of whom 39 were Senior Executive Service officers (including eight Regional Commissioners).

Staff employed under the Public Service Act comprised 961 permanent staff and 207 temporary staff, compared with 962 and 190 last year. Staff employed under the ASIC Act comprised 36 contractors (mainly in information technology) and 21 consultants (when adequate expertise was not available to provide essential specialist services including investigatory, legal, corporate regulatory and accounting functions).

For our regulatory and enforcement activities we employ professionals with legal, accounting, commercial, analytical or investigative skills or with financial sector experience. In our company information work, we employ administrative staff with information processing and customer service skills. For our support services we employ people with general management, project management, information and technology as well as administrative skills.

### *Location and profile of staff*

We have 478 staff in Victoria, including our National Office, Regional Office and the Information Processing Centre at Traralgon; 422 in New South Wales, 120 in Queensland, 89 in Western Australia, 60 in South Australia, 28 in the Australian Capital Territory, 17 in Tasmania and 11 in the Northern Territory.

Our staff profile is illustrated in the table below.

Type of staff	Number	%
Operational and support	791	65
Senior operational staff	380	31
Senior executives	39	3
Others	15	1
<b>Total</b>	<b>1,225</b>	<b>100</b>

**In this section  
we cover:**

- ◆ who works for us
- ◆ major issues
- ◆ senior management and organisation
- ◆ outlook

## Major issues

### *Productivity*

The output of policy work, the number of investigations, enforcement actions and inspections have all increased, as shown on page 23. There is no doubt that our staff are working harder and more productively, although there is no single measure we can apply. Additionally, the transfer of new functions put great pressure on those relatively few staff familiar with relevant legislation. Major law reforms increased the pressure for guidelines and industry and consumer consultation, and this is not likely to change.

# Our staff

6

## *Enterprise agreements*

Our new Certified Agreement was implemented in December 1998. It introduced more flexible, streamlined and ASIC focused employment arrangements. The Agreement reduced the number of classification streams from five to one, introduced six salary bands below SES, and rationalised pay points in each band. The Agreement also introduced a new remuneration system which is linked to performance and was the vehicle for introducing our new performance management framework. The Agreement allows us to introduce Australian Workplace Agreements (AWAs) for all staff employed under the Public Service Act. Executive Level staff will be offered AWAs progressively, after the performance management system is implemented.

## *Industrial relations*

Throughout the Certified Agreement negotiations in November and December, a “hot-line” kept staff informed and allowed them to share their concerns and provide input to policy development. We have also changed consultative arrangements which now involve staff and unions. There have been no significant national industrial issues.

## *Learning and development*

Developing our staff is primarily the responsibility of supervisors and managers. Our national training effort focused on major priorities, such as core technical learning (including enforcement, legal, financial, markets and accounting skills), staff induction and extensive training on our expanded functions. Leading external and internal experts ran the workshops. Approximately 283 technical programs with more than 4,000 attendances were run this year, compared with just over 100 last year.

## *Staff recruitment*

We succeeded in attracting a number of experienced people who are well qualified to assist us in our new market and consumer responsibilities. There was a shift towards engaging term and contract staff who now make up 16% of our staff compared with 8% last year.

## *Performance management*

Performance agreements are currently being developed by all staff, with an expectation that their supervisors will appraise them against those agreements at least twice a year. Our executives are currently being encouraged to take up AWAs. All staff are now eligible for performance based pay under the conditions laid down in ASIC’s Certified Agreement or AWAs.

## *Complaints about our staff*

Our staff exercise important legal powers and we have procedures to investigate properly any complaints about how they behaved. In 1998/99 14 complaints were received, one more than last year. The complaints tended to be about

alleged professional misconduct and the alleged improper release of confidential information.

As a result of inquiries into these complaints, six complaints were found to be unsubstantiated, one complaint was found to be partially substantiated, one complaint was found to be substantiated, and five complaints are still being investigated. One complaint was withdrawn. The substantiated complaint concerned misuse of power. The ASIC officer was counselled and warned. Another complaint about disclosure of information, though not substantiated, resulted in changed procedures. In all cases the complainant was advised in writing of the outcome of the inquiry.

In our 1997/98 Annual Report we reported that four matters were still under investigation. In each instance the complaint was unsubstantiated and the complainant was advised of the result.

### *Equal opportunity*

We are an equal opportunity employer, with women making up 51% of our workforce. There was a significant increase in women in SES positions, now 32% compared with 16% last year. At 30 June 1999, one Commissioner and three Regional Commissioners were women. Also, 35% of senior officer legal positions and 60% of all ASO positions were held by women.

A Workplace Diversity Program was introduced in 1998/99. Initiatives included improved access to home-based work and more flexible working arrangements. We have also sponsored an accelerated professional development program for women in conjunction with the Graduate School of Management at the University of Adelaide, South Australia.

### *Occupational health and safety*

A recent Australian Public Service (APS) Human Resources benchmarking study revealed that our OH&S costs are considerably lower than other APS departments and agencies. While this is a good result, the study also indicated that we had a higher than average unscheduled absence rate. We are investigating the reasons so we can find ways to reduce it. A new OH&S Agreement was recently updated and signed with the union.

### *Superannuation*

The majority of our staff are members of the Commonwealth and public sector superannuation schemes, which are defined benefit funds. A small number of staff are covered under State government and private sector schemes. The majority of these staff were employed by state governments and transferred to ASIC at its inception in 1991. Details of ASIC contributions to various superannuation schemes are in Note 19 of ASIC's financial statements, page 86.

## Senior management and organisation

### *Commissioners*

Our Commissioners are full-time executives, appointed by the Governor-General under the ASIC Act, and sections 108-111 set out the terms and conditions of their appointments. Section 111 sets out grounds for termination.

The Commissioners were Chairman Alan Cameron AM, re-appointed for a three-year term ending on 31 December 2000, Deputy Chairman Peter Day, appointed for a 3 year term ending on 30 September 2000 resigned on 31 January 1999, and Commissioner Jillian Segal, appointed for a three-year term ending on 12 October 2000 was appointed Acting Deputy Chairman until 4 July 1999.

The Minister appointed National Director Regulation Shane Tregillis as Acting Commissioner. On 5 July Mr David Knott was appointed as Deputy Chairman. The Commissioners' qualifications and areas of particular responsibility are on pages 18-22.

### *National Directors, General Counsel and Chief Accountant*

At 30 June 1999, there were two full-time National Directors and an Executive General Manager who assist in coordinating our activities. Joseph P Longo is National Director Enforcement. He is a lawyer, and was previously ASC litigation consultant in Perth and formerly a commercial litigation partner at Parker and Parker, solicitors. Shane Tregillis is National Director Regulation. He is a lawyer and was previously ASC Director of Regulatory Policy and worked in market regulation with the National Companies and Securities Commission (NCSC). Phil Khoury is Executive General Manager. He is an experienced general manager and has previously held a variety of senior executive positions including operational roles as acting ASIC Regional Commissioner in Victoria and Director, Business Services in our Information Division.

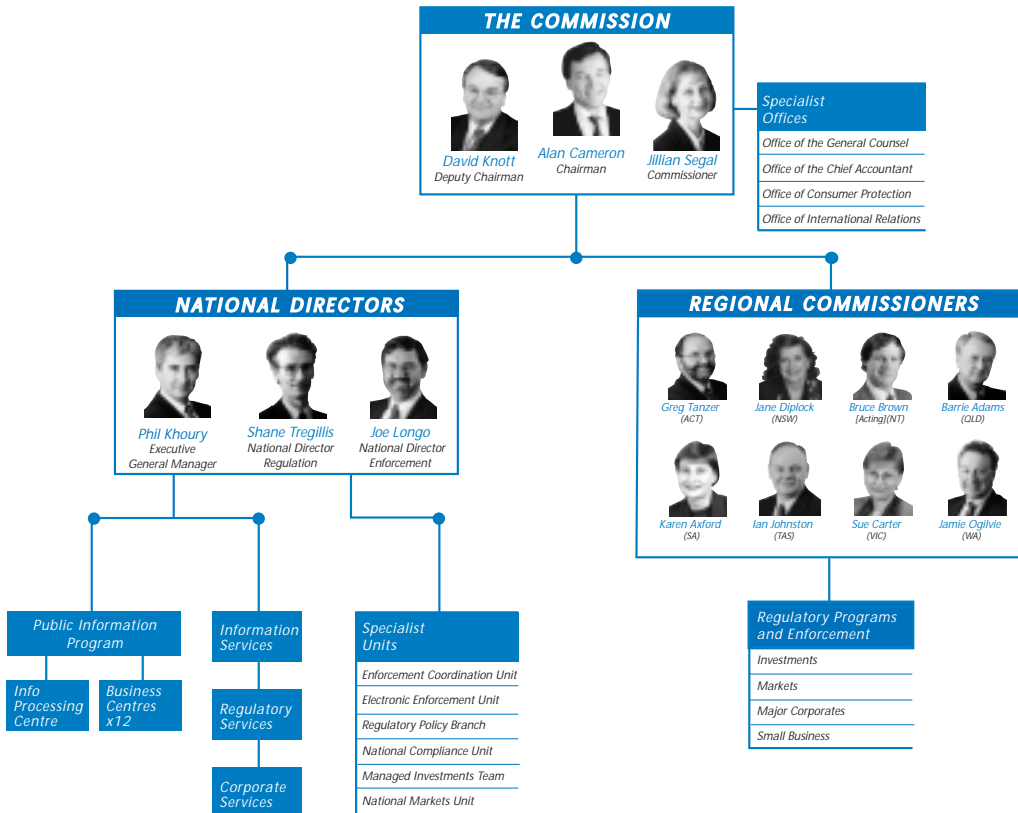
General Counsel is George Durbridge. He has held that position since the ASC was established in 1991. He was also General Counsel to the NCSC. Jan McCahey is Chief Accountant, and was appointed in 1998. She was formerly Director of Accounting Standards at the Australian Accounting Research Foundation.

### *Regional Commissioners*

Our Regional Commissioners are appointed by the Commission, in consultation with State Ministers, to run our enforcement and regulatory operations in each State and Territory. They are employed on fixed term contracts. They are qualified in law or accounting or have extensive regulatory experience.

At 30 June 1999, in alphabetical order, they were: Barrie Adams, Queensland, until 31 March 2000; Karen Axford, South Australia, until 26 April 2001; Bruce Brown, Northern Territory (acting); Sue Carter, Victoria, until 16 February 2002; Jane Diplock, New South Wales, until 17 January 2002; Ian Johnston, Tasmania, until 15 June 2002; Jamie Ogilvie, Western Australia, until 12 January 2001; Greg Tanzer, Australian Capital Territory, until 31 December 2001.

## How we are organised



## Outlook

In the past few years, public sector employment practices have changed, offering individual departments and agencies the opportunity to negotiate arrangements with staff and unions.

We are embarking on major change over the next three years to align our people management policies and practices with our business needs and preferred ways of operating. As an initial step, we will implement a strategic three year People Plan from the second half of 1999. Some of the expected outcomes of this reform program are: cost savings; better internal services for operational staff; a more capable and productive workforce; and improved morale and job satisfaction. Lessons learnt from developing and implementing our current Certified Agreement will lead to further improvements which can be introduced into our next Agreement.

# Audit Committee and audit services

7

The ASIC Audit Committee assisted Commissioners in discharging their responsibilities for financial reporting, and overseeing the effectiveness and integrity of internal controls and audit processes. The Committee examined internal and external audit matters, risk assessment, and Year 2000 compliance program. The Committee substantially revised ASIC's Internal Audit Charter in December 1998 to conform with Australian National Audit Office guidelines.

The Audit Committee has between five and six members, at least two of whom (including the Chairman and Deputy Chairman) are suitably qualified persons appointed from outside ASIC.

Chairman Merran Kelsall, BCom (Hons), FCA, is a chartered accountant, consultant and company director. Deputy Chairman Roy Boyce, FCA, is a chartered accountant and company director.

The internal appointments include at least one Commissioner and at least one Regional Commissioner.

The Committee met four times, in August and December 1998, and April and June 1999. Details of membership and attendance were:

Members		Meetings attended
Merran Kelsall	(Chairman - appointed 29 January 1998)	4
Roy Boyce	(Deputy Chairman - appointed 1 November 1994)	3
Karen Axford	(appointed 13 May 1998)	4
Sue Carter	(appointed 20 April 1999)	2
Peter Day	(retired 1 January 1999)	2
Peter Garrisson	(retired 20 April 1999)	3
Jillian Segal	(appointed 6 November 1997)	4

Ms Axford is South Australian Regional Commissioner, Ms Carter is Victorian Regional Commissioner, Mr Day was ASIC Deputy Chairman, Mr Garrisson was Tasmanian Regional Commissioner, and Ms Segal was Acting ASIC Deputy Chairman.

The Australian National Audit Office provided external audit services, chartered accountants Ernst & Young provided internal audit services, and Simon Farrer held the position of National Manager Audit. Both external and internal audit representatives attended Audit Committee meetings.

Internal audits included reviews of IT Processes at ASIC's Information Processing Centre, Delegations, Security Deposits for Liquidators, Unclaimed Moneys Companies Account, UNIX Configuration Management, Accounts Payable and Payroll Processing.

Merran Kelsall,  
Chairman, ASIC Audit Committee, 9 July 1999

# Consumer Advisory Panel

8

The Consumer Advisory Panel (CAP) was established in November 1998. Our role is to advise ASIC on consumer protection issues and provide feedback on ASIC activities.

We replaced the former National Investor Liaison Committee, and our membership reflects the broader range of consumer protection responsibilities that ASIC gained on 1 July 1998.

Two consumer research projects were funded under CAP this year: a stocktake of consumer education material (including websites) in the finance sector, and a “consumer issues audit”.

The consumer education stocktake has been completed and provides a great deal of useful data for ASIC, consumers and industry alike. In particular, it has identified some key gaps in the provision of consumer education, such as in the area of direct share investment. The project also provides the foundation for a financial services consumer education database

We also provided comment on ASIC policies and campaigns, such as the policy on alternative dispute resolution schemes.

The Office of Consumer Protection, established in February 1999, provides us with secretariat support.

CAP met four times during 1998-99.

Members	Meetings attended
Barbara Cail AM (Chair)	4
Ray Bricknell, Australian Investors Association	4
Chris Connolly, Financial Services Consumer Policy Centre	3
Dan Coyne, Australian Consumers' Association	4
Jenni Mack, Consumers Federation of Australia	3
Gordon Renouf, Northern Territory Legal Aid Service	2
Ted Rofe, Australian Shareholders' Association	3
Gerard Thomas, Australian Pensioners and Superannuants' Federation	4
Ray Trestrail, Independent Retirees	4
Cassandra Williams, CANNEX	4

I thank all members for their interest and support.

Barbara Cail AM,  
Chairman, Consumer Advisory Panel, 22 July 1999

# Appendices

## 9

### Publications

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We publish the following free publications:

- External newsletters: *ASIC News* (regulation and enforcement), *InFocus* (company information); internal staff newsletters: *Shortcuts*, (regulation and enforcement), *Inside Info* (company information).
- Brochures: *Don't kiss your money goodbye*, *Super decisions*.
- Booklets for institutions to be regulated by ASIC: *More than a corporate watchdog* (out of print); *Changing to a company structure*.
- Annual report, occasional reports, papers and information sheets on a wide range of topics accessible through our website or Infoline.

We publish for sale: *ASIC Digest*, *ASIC Working Guide for Accountants*, *ASIC Working Guide for Company Secretaries*, *ASIC Good Advice Handbook: investment advisory services*, *ASIC Managed Investments Handbook*, *ASIC Forms on CD-ROM*.

### Freedom of Information Act 1982

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Members of the public may obtain copies of documents in ASIC's possession under the Commonwealth *Freedom of Information Act 1982* (FOI Act) by making an application addressed to the Administrative Law Coordinator in the regional office in the State or Territory in which the applicant resides or to the Manager, Administrative Law, National Office Sydney.

ASIC maintains the following categories of documents which are in its possession as required by section 8 of the FOI Act:

- documents relating to meetings of ASIC, meetings between ASIC and government and non-government bodies, business communities and committees;
- documents relating to parliamentary committees and parliamentary questions;
- papers relating to new and amending legislation;
- general correspondence with members of the public;
- documents relating to applications from businesses, including:
  - a) correspondence, statistics, policy documents and registration materials relating to licensees, receivers, auditors, liquidators and official liquidators;
  - b) internal working papers and statistics relating to examination and assessment of financial and accounting information, securities and futures and other matters; and
  - c) applications and submissions made to ASIC.



- documents, books and records of companies and individuals obtained pursuant to ASIC's information gathering powers; investigation reports and prosecution briefs;
- documents relating to administrative law matters;
- registers of instruments of delegation, direction and authorisation;
- documents relating to accommodation, estimates, accounts, expenditure, banking arrangements and internal audit; computer systems and purchases, human resources, recruitment and staff management; and
- handbooks, guidelines, manuals, policy statements, practice notes, media releases, information releases, pamphlets and annual reports and other documents held as public database information (ASCOT) (see note below).

As required by section 9 of the FOI Act, ASIC makes available to the public the following documents for inspection and purchase by subscription to the *ASIC Digest* from the Centre for Professional Development, ph: 03 92050600. Policy statements, practice notes, information sheets, media releases, information releases, public memoranda, summaries of most ASIC Instruments, class orders, ministerial orders, pro formas for applications, legal commentary and accounting commentary.

Note: Documents that are made available to the public on ASCOT, in the *ASIC Digest* and by the Centre for Professional Development are not available under the FOI Act.

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## Disclosure under *Commonwealth Electoral Act 1918*

Section 311(A) of the Act requires us to report for the financial year ended 30 June 1999, payments made by us or on our behalf to:

- advertising agencies: Doorley, Abram, Davis and Chapman \$35,126 for advertising creative, production and account service and TMP Worldwide \$112,115 for recruitment advertising.
- market research organisations: Chant Link & Associates \$128,590 and Eureka Strategic Research \$61,395.
- polling organisations: nil.
- direct mail organisations: City Mail Room \$28,429 and Security Mailing Services \$440,462.
- media advertising organisations: Advertising Investment Services \$189,867.

# Six year summary

9

	1998/99	1997/98	1996/97	1995/96	1994/95	1993/94
<i>Business information</i>						
Number of registered companies	1,149,297	1,088,192	1,026,206	965,461	933,652	885,118
New companies incorporated	98,038	97,031	92,680	79,259	82,278	83,5165
Company searches through on-line brokers	2,141,783	1,922,408	1,990,041	1,704,433	1,347,155	866,435
Over the counter searches at ASIC offices	191,831	284,150	382,252	472,502	625,526	822,013
ASIC website browses	1,694,047	–	–	–	–	–
Securities dealers	1,833	1,547	1,608	1,508	1,408	1,365
Authorised representatives	31,392	28,968	25,971	26,763	41,571	35,745
Investment advisers	231	130	227	241	232	248
Futures brokers	108	99	97	87	83	87
Futures representatives	64	40	51	35	30	27
Insurance brokers	1162	* 1089	–	–	–	–
Managed investment schemes registered (previously principal trust deeds approved)	502	313	144	109	89	105
Prospectuses registered	707	683	602	466	503	780
Takeovers (Parts A & C) registered	73	76	75	96	64	75
<i>ASIC funding and revenue</i>						
Parliamentary appropriation						
Operating costs (\$m)	137	116.9	118.5	121.7	124.8	127.9
Capital works (\$m)	** na	5.8	7.2	6.4	12.81	8.3
Loan outstanding (\$m)	4.8	6.5	4.0	–	–	–
Fees transferred to Commonwealth Consolidated Revenue Fund (\$m)	331	335	298	275	258	216
<i>ASIC performance data</i>						
Investigations commenced	233	215	186	155	256	163
Litigation concluded	564	199	178	*** 41	74	99
% successful litigation	89	90	84	*** 78	81	78
% company annual returns lodged on time	91	94	90	78	84	61
% prospectuses registered on time	66	68	75	54	60	53
<i>Financial summary (\$m)</i>						
<i>Operations</i>						
Total operating expenses before abnormals	145.5	127.1	127.8	140.4	151.7	142.7
Total operating revenue	9.2	7.5	7.0	8.2	6.4	5.3
Net cost of services	136.6	127.1	124.6	136.5	147.7	137.4
Revenue from government	137.5	123.2	126.2	128.7	138.2	136.6
<i>Financial position</i>						
Current assets	12.1	10.3	13.4	9.7	11.2	12.6
Non-current assets	25.6	25.6	25.8	27.9	31.4	33.6
Current liabilities	17.1	15.6	21.2	18.3	13.6	11.1
Non-current liabilities	18.9	19.5	13.7	17.4	19.2	15.1
Total liabilities	36.0	35.1	34.9	35.7	32.9	26.3
Total equity	1.6	0.8	4.2	1.9	9.7	20.0

\* Insurance and Superannuation Commission data.

\*\* Capital appropriations now consolidated into a single Appropriation Act.

\*\*\* These figures and those for preceding years included only major criminal matters.



**ASIC**

Australian Securities &  
Investments Commission

## How to find ASIC

**<http://www.asic.gov.au>**

### Infoline

Information for consumers and complaints about financial services and products (except lending), investors' rights, companies, company directors, auditors and liquidators, company administration, policy and procedures:

**1300 300 630**

### National Offices

Policy and coordination

*Melbourne*

*Sydney*

### Regional Offices

Corporate regulation  
and investigations

*Australian Capital Territory*

*New South Wales*

*Northern Territory*

*Queensland*

*South Australia*

*Tasmania*

*Victoria*

*Western Australia*

## Business Centres

Incorporation, document lodgment, searches & fees

### *Adelaide*

Telephone 08 8202 8500

Facsimile 08 8202 8510

### *Brisbane*

Telephone 07 3867 4900

Facsimile 07 3867 4930

### *Canberra*

Telephone 02 6250 3850

Facsimile 02 6250 3888

### *Darwin*

Telephone 08 8943 0950

Facsimile 08 8943 0960

### *Geelong*

Telephone 03 5229 2966

Facsimile 03 5229 2940

### *Gold Coast*

Telephone 07 5528 1960

Facsimile 07 5528 1968

### *Hobart*

Telephone 03 6235 6850

Facsimile 03 6235 6860

### *Melbourne*

Telephone 03 9280 3500

Facsimile 03 9280 3550

### *Newcastle*

Telephone 02 4929 4555

Facsimile 02 4929 1759

### *Perth*

Telephone 08 9261 4200

Facsimile 08 9261 4210

### *Sydney*

Telephone 02 9911 2500

Facsimile 02 9911 2550

### *Townsville*

Telephone 07 4721 3885

Facsimile 07 4721 3803

## Information Processing Centre

Company annual returns,  
penalty notices, deregistra-  
tion and reinstatement

### *Traralgon, VIC*

Telephone 03 5177 3700

Facsimile 03 5177 3999