



Enforcement

Peter Wood
Executive Director, appointed 2001, previously
Victorian Solicitor for Public Prosecutions.

In this section we cover:

- what we did
- criminal offences
- civil action and compensation
- administrative enforcement
- outlook

What we did

Enforcement staff investigated suspected breaches of the law and

- delivered briefs of evidence to the Director of Public Prosecutions in criminal matters
- took civil proceedings to freeze assets, recover money or obtain civil penalties
- brought administrative action to ban or discipline licensees, investment advisers, insurance brokers and company auditors and liquidators.

We aimed to prepare faster, high quality briefs against misconduct and those who conceal it. The new Executive Director was appointed in April 2001, and from 1 July 2001 will lead all enforcement staff throughout Australia.

Our strong focus on major cases saw us bring complex and serious contraventions before the courts. Some statistics below reflect reallocation of resources foreshadowed last year. In particular, the substantial reduction in summary prosecutions and also, to a lesser extent, criminal and civil litigation reflects the diversion of enforcement resources from relatively minor offences to the more complex cases now confronting us.

Main activities	This year	Last year	% change
Major investigations commenced	214	200*	7%
Criminal litigation completed	78	93	-16%
Civil enforcement actions completed	72	80	-10%
Summary prosecutions completed	22	336	-93%
Orders banning people from investment advice	29	50	-42%
Successful misconduct action against auditors and liquidators	16	12	33%
Compensation ordered or arranged	\$54 million	n/a	
Assets frozen	\$77 million	n/a	
Money saved from stopping illegal schemes or inadequate disclosure	\$400 million	n/a	

*excludes discontinued minor investigations

Resources

Staff employed (FTE estimate)	300
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Criminal offences

In criminal cases, our staff investigated and obtained evidence for the Commonwealth Director of Public Prosecutions (DPP). The DPP decided and prosecuted all indictable matters, except those referred to a State DPP. We involved DPP officers in considering evidence on potentially serious criminal investigations at an early stage.

25 criminals gaoled

What they did	Names and details of crime	Sentence
Unlicensed people who cheated investors or clients	George Balos defrauded investors, including retirees, of \$2.2 million.	11 years to serve a minimum of 8
	Geoffrey Dexter defrauded 14 investors of \$1.2 million through the Wattle Group investment scheme.	10 years, subject to appeal
	Donald Clarke misappropriated \$552,000 from investors.	9 years, to serve a minimum of 3
	Frank Pugliese defrauded 8 investors of approximately \$625,000.	5 years, with a minimum of 3
	George Cormack defrauded 3 clients of \$195,000.	4 years, 9 months
	John Laurence Skinner defrauded investors of \$259,000.	4 years and 6 months, to be suspended after 6 months
	Denis Joseph Wallace defrauded investors of \$182 000.	4 years, to be suspended after 12 months
	George Adler obtained money by deception.	4 years
	Accountant Ross Patrick Zagari illegally redeemed \$2.5 million in superannuation benefits and defrauded the Tax Office.	3 years and 6 months
	Royce Charlett, an unregistered insurance broker, stole clients' money and made false statements.	3 months; a further 9 months suspended for 2 years
Noel Andrew Bell illegally raised \$2.8 million from 18 investors.	2 years and 10 months	
Christopher Bruce Smith defrauded a pensioner of \$119,400 in the Wattle investment scheme.	2 years imprisonment suspended after 6 months	
John Murray Murnane, a bankrupt, acted as an unregistered insurance broker and breached a condition of a suspended sentence.	3 months	

25 criminals gaoled (continued)

What they did	Names and details of crime	Sentence
Investment advisers who cheated their clients	Robyn Cochrane defrauded investors of more than \$1 million.	4 years, to serve a minimum of 2
	Charles William Swinton misappropriated \$281,088 from 3 clients.	3 years
	Wayne Clifford McNamara cheated clients of more than \$70,000	2 years, with a minimum of 10 months, on bail subject to appeal
	Brian Peter Dodd traded in futures under false names.	18 months gaol, to be released after 6 months on a good behaviour bond
	Christopher Martyn Matson fraudulently induced a fund manager to deal in securities.	1 year, to be released after 6 months on a good behaviour bond
Market manipulation	Steven George Hourmouzis sent 4 million emails and posted messages on internet bulletin boards to manipulate the price of US stock, Rentech.	2 years in gaol, to be released after 3 months on a good behaviour bond
Dishonest company directors and officers	Damien Parkes misappropriated more than \$162,000, and managed 3 companies while bankrupt.	5 years, with a minimum of 3; disqualified from managing a company for 25 years
	John Andrew McPhee stole \$250,000 and falsely accounted for company funds of \$643,000.	2 years and 6 months gaol, with a minimum of 1 year and 3 months
	Mark Stuart Crosling dishonestly drew more than \$675,000 in cheques from his company.	2 years, with a minimum of 12 months
	Michael Taylor misappropriated over \$380,000.	2 years gaol, to be released after 3 months on a good behaviour bond.
Managing companies while disqualified	David Douglas Meeson deceived creditors of his companies.	9 months, served as an intensive correction order
	Karl William Brooks left debts exceeding \$500,000.	3 months gaol, with a further 5 months suspended

Referrals to the DPP, witness expenses

When we conclude a criminal investigation, the matter is referred to the DPP. The reduction in the number of defendants arose as a result of focusing on major matters.

Months between resourcing investigation and requesting handover

Months	0-3	3-6	6-9	9-12	12+	Total
Number of defendants 2000 – 2001	10	23	11	7	4	55
Number of defendants 1999 – 2000	26	33	21	14	6	100

The DPP accepts handover of a matter for prosecution once it has decided that the evidence is sufficient to support a conviction and the matter otherwise warrants prosecution. In most cases charges are laid within three months of handover being accepted by the DPP.

There were 32 claims for allowances and expenses under section 89 of the ASIC Act by people required to attend our hearings and inquiries. Some 29 were paid in full, one paid in part and two rejected. The total amount paid was \$17,178. The average amount paid was \$592, the highest claim paid was \$3268 and the lowest claim paid was \$14.

Civil action and compensation

Our civil litigation focused on freezing funds to preserve assets for investors and creditors, and in cases of public interest, launching proceedings to recover money. We also commenced proceedings, where appropriate, for civil penalties against directors or others who failed in their duties.

Funds protected, assets frozen, compensation ordered

We recovered funds through criminal compensation orders, civil recoveries, court enforceable undertakings and negotiated settlements. Major matters are listed below.

What we alleged	Result of proceedings	Amount recovered
Payment of dividends otherwise than out of profit	We and directors and auditors of the former Adelaide Steamship Company Ltd settled the matter out of court.	\$20 million
Improper advice by representatives	Hillross to compensate investors who received improper advice from their representatives.	\$10.6 million, estimated
Trustees of TWU superannuation fund misled members	The Trustees agreed to compensate more than 500 superannuation members.	\$6-7 million, estimated
Claim concerning the operation of a cash management account	Macquarie Investment Management Ltd settled our claim arising from an account that fraudster George Balos used. Macquarie was not a party to the fraud.	\$3.2 million
Misleading advice by representatives	Garrisons compensated investors whom their representatives advised to invest in solicitors' mortgage schemes.	\$2.5 million
Misleading advice by representatives	Financial Wisdom Pty Ltd and ANZ compensated investors whom their former representative Robyn Cochrane defrauded. The companies played no part in her fraud.	\$1.1 million
58 sellers of Ashton Mining shareholders had been disadvantaged	Malaysia Mining Corporation Berhad (MMC) ordered to compensate sellers of Ashton shares when the market was not properly informed.	\$1 million
Company officer liable to pay back money	Satellite Group officer Jonathan Broster paid over funds to the company.	\$1 million

We succeeded in freezing assets worth \$77 million so that they were preserved for possible claims by investors and creditors. The highest amount was \$45 million assets frozen belonging to former One.Tel Ltd directors and officers.

We saved investors from potentially losing another \$400 million by stopping unlawful investment schemes or investment offers that inadequately disclosed material information. The highest amount, \$150 million, was sought under the Adventure Private Capital prospectus.

Administrative enforcement

To protect the public, we banned 30 investment advisers and deregistered four insurance brokers. We revoked seven licences to deal or advise in securities. We obtained disciplinary orders against 28 company auditors and liquidators from the Companies Auditors and Liquidators Disciplinary Board. We disqualified 10 people from managing companies.

Dealers licences revoked

Company	Reason
Chapel Road	Failings in supervision, compliance and expertise, subject to AAT review.
Boston Research Ltd	Breached compliance conditions of managed investments laws.
Financial and Rural Management Ltd	Breached compliance conditions of managed investments laws.
Knightsbridge Funds Management Ltd	Breached compliance conditions of managed investments laws.
Soho Lemon Management Ltd	Under external administration
MML Management Ltd	Under external administration
Zenas Sharetrading Ltd	Under external administration

17 people banned for life from advising investors

Name	Period of banning	What they did
Warren John Aitken	Permanently	Financial adviser made unauthorised investments, and transferred about \$300,000 from clients' superannuation funds without authority.
William Richard Berghouse*	Permanently	Financial adviser took company funds and \$2000 from a client's account.
Christopher John Daws	Permanently	Traded on a client's account without authority, created misleading appearance to the market, falsely completed buy orders.
Raymond Michael Dawson*	Permanently	Misled investors about an investment scheme he sold.
Brian Peter Dodd	Permanently	Futures trader imprisoned for fraud.
Bradley Francis Flynn	Permanently	Financial adviser used \$381,000 of clients' funds for himself.
Leon Keith Jamieson	Permanently	Financial adviser misled mortgage investors, or failed to make adequate enquiries.
Luke Stuart McGrath	Permanently	Financial adviser failed to invest money on behalf of clients.
John Geoffrey Margaria	Permanently	Former mortgage broker gave misleading information or failed to make adequate enquiries.
Darryl Bernard Mason	Permanently	Misled investors about an investment scheme he sold.
Richard Masson Moody	Permanently	Former stockbroker's representative fraudulently obtained money, falsely completed orders, traded on client accounts without authority and engaged in misleading conduct.
Kerry Janette Nixon*	Permanently	Financial adviser made unauthorised investments. Clients lost more than \$10 million.
Matthew David Palmer	Permanently	Financial advisers gave clients false information, misused funds.
Graeme John Perry	Permanently	Financial adviser misled clients and failed to make reasonable or adequate inquiries about investments.
Anthony Robinson	Permanently	Financial adviser invested funds in a company of which he was a director and in which he had financial interests. Investors lost \$4 million.
Maxwell Vardanega	Permanently	Financial adviser dishonestly obtained loans.
James Webster	Permanently	Stockbroker's representative misappropriated his company's money.

* Subject to AAT review

To protect the public, another 13 advisers were banned for shorter periods of time.

8 insurance brokers deregistered, suspended or subject to conditions

Name	Period of deregistration	What they did
East Coast Insurance Brokers (NSW)	5 years	Banned by the court as company directors for 5 years. East Coast's liabilities to insurance companies and underwriters exceeded its assets.
Town and Country Insurance Brokers	2 years	Failed to produce satisfactory audited accounts.
Nationwide & TWU Insurance Brokers*	18 months	Failed to lodge audited accounts and had a deficiency of funds in its Insurance Broking Account.
Livingston and Associates	11 July 2000 till 31 December 2001	Failed to produce satisfactory audited accounts, and failed to maintain adequate compliance procedures.
Blundell & Associates	Suspended	Computer system did not properly record its accounting transactions. Must produce satisfactory audited accounts.
Harris Financial Services	Suspended	Company must become a member of an approved disputes resolution scheme.
Oxford Insurance Brokers	Suspended	Company must become a member of an approved disputes resolution scheme, and repay a deficit in its broking account.
Neil Pethers Insurance Brokers	Conditional	Subject to six monthly audits for the next two years.

* Subject to AAT review

Samson Elmazi, formerly of Dandenong Insurance Brokers and VIP Insurance Brokers pleaded guilty to fraud and acting as an insurance broker without registration.

16 company auditors and liquidators disciplined

Name	Penalty	What they did
Roger Michael Amos, auditor	4 month suspension	Failings in 1998 audits of Seven Network Ltd and Seven Network Operations Ltd.
Alan Robert David Walsh, auditor	Severe reprimand	Failings in 1998 audits of Seven Network Ltd and Seven Network Operations Ltd.
Stuart Gooley, auditor*	Reprimand	Failings in audit of Southern Cross Airlines Holdings Ltd , also known as Compass II.
Nicholas Driver, liquidator	Suspended until payment of money made to ASIC	Failed to observe undertaking to ASIC concerning a previous matter.
Grahame St Clair Burton, auditor	Reprimand	Failings in his conduct in audit of a Queensland insurance broker.
Timothy Paul Heesh, liquidator*	2 month suspension	Failed to remedy serious defects in an administration.

16 company auditors and liquidators disciplined (continued)

Name	Penalty	What they did
Michael Philip Gilovitz, auditor	Reprimand and other conditions	Failings in conduct in the 1994 and 1995 audits of Aboriginal Housing Co Ltd.
Brian Norman Treleaven, auditor	Restricted practice	Deficient audits of Cornwall Resource Corporation NL 1993/94 and 1994/95.
Arthur John Forrest, auditor	3 year suspension	Failings in audit of Industrial Banking Corporation Ltd accounts.
Graham John Clark, as liquidator and auditor	Cancelled	Failings in numerous company liquidations and other conduct.
Lionel Hendy, liquidator	18 month suspension	Failings in 47 administrations and long delays before creditors received dividends.
Warren Pantzer, liquidator*	7 day suspension	Breach of undertakings that he would commission peer reviews of his next five administrations.
Andrew Craig Ashton, auditor & liquidator	Cancelled	Not a fit and proper person, gave false evidence in a Federal Court proceeding.
Keith Junius, auditor	Undertaking required	Undertaking to attend additional professional development to improve audit skills.
David Gregory Young, liquidator	6 month suspension	Failings in three voluntary administrations.
Jack Wolstencroft, auditor	Cancelled	Became a bankrupt. Had previously been subject to disciplinary proceedings.

*Subject to AAT review

Another 12 auditors were disciplined for failure to lodge documents or other lesser breaches.

46 court enforceable undertakings

ASIC accepted 46 enforceable undertakings involving lesser alleged breaches. These undertakings enabled us to obtain more wide ranging remedies on behalf of more people than can usually be obtained in court proceedings. See, for example, details about the TWU Superannuation Fund on page 30.

Outlook

Enforcement faces a challenging year investigating large, complex matters. Interaction with the Royal Commission into the collapse of HIH Insurance will require careful coordination with our own inquiries and Court proceedings. The convergence of several major corporate collapses such as HIH, Harris Scarfe and One.Tel will stretch our resources.

Our key objectives are to

- significantly increase public confidence in ASIC enforcement
- maintain our target for successful criminal and civil litigation at 70%
- complete all our investigations within 12 months
- upgrade our ability to enforce the law in the field of e-commerce.



Financial services regulation

Ian Johnston
 Executive Director, appointed 2000, previously served in senior roles within ASIC and the financial services industry.

In this section we cover:

- what we did
- licensed advisers and insurance brokers
- managed investment schemes
- insurance, superannuation, and deposit taking
- financial services reform
- outlook

What we did

Financial services regulation staff protected retail investors and consumers. They

- licensed investment advisers and insurance brokers
- regulated managed investment schemes
- inspected consumer disclosure in superannuation, insurance and deposit taking

- began a major project to implement financial services reforms, if enacted.

We aimed to sharpen the focus and impact of regulation to uncover and resolve problems earlier, and to prepare to implement the Financial Services Reform Bill, if enacted.

Main activities	This year	Last year	% change
Securities licences issued	268	269	nil
Insurance broker registrations issued	224	210	6%
Managed investment scheme inspections	109	44	148%
Managed investment schemes registered*	787*	1780*	-56%*
Responsible entity licences issued	71	274	-74%

* Last year many existing schemes were registering for the first time under new laws.

Resources

Staff employed (FTE estimate)	130
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Watchdog probes banks' sales pr

The Australian Securities and Investments Commission is investigating two of Australia's major banks over sales practices.

BANKING
CAROLYN BATT

ASIC confirmed yesterday that it was "examining closely" the events giving rise to the allegations, and expected to end its review shortly.

NAB confirmed yesterday that it was "examining closely" the events giving rise to the allegations, and expected to end its review shortly.

general manager Andrew Linklater also emphasised that no contribution distinction applied for the bank's fastest-growing product, the master trust fund.

"Our financial planners are certainly among the most ethical and

ASIC details Financial Services Reform Bill plan

As the bill is due to come into effect on October 1, ASIC is consulting with the financial services industry about how to adjust licensing, scheduled for release yesterday, would now be issued later.

The paper will propose the financial services reform, which will give a uniform licensing regime, the question of when aggressive was giving financial advice, and there-

Licensed advisers and insurance brokers

Disclosing commissions and conflicts of interest

Most financial advisers get paid through commissions on products they recommend to clients. They must tell clients about all commissions paid.

Five advisers were gaoled for defrauding clients, including Paul John Borella for not disclosing his own financial interests in an investment he recommended to clients. Another adviser was banned permanently for not disclosing his interests. In total, 30 people were banned from the industry, see page 25.

Advisory firms owned by major institutions

Many advisory firms are owned, directly or indirectly, by banks and investment management companies. This means advisers may receive higher commissions or incentives for selling products sponsored by the parent bank or investment company.

For clients, simply finding out the amount of commission earned may not alert them to a possible conflict of interest. Clients are unlikely to know if there are comparable products, possibly with lower commissions or other costs, that may suit them better.

We have alerted institutions to this problem, and are investigating relevant cases. Tighter disclosure guidelines may be required.

Ensuring advisers join an external complaints scheme

We ran a campaign that has significantly improved compliance by investment advisers with a fundamental consumer protection condition of their licence. Some 419 advisers agreed to join a consumer complaints resolution scheme after we checked on those who advise consumers. These advisers must belong to a complaints resolution scheme approved by ASIC.

Insurance brokers

Our staff deregistered, suspended or placed conditions on 8 insurance broking companies for poor accounting or failure to pass premiums on to the insurance companies, see page 26.

Broker accounts hold consumers' insurance premiums before they are passed to the insurer, as well as money from successful insurance claims that the consumer may have made. As a legislative safeguard for consumers, all brokers must use a registered company auditor who is independent. As a result of our surveillance, 21 brokers either appointed, or began appointing, an approved auditor.

Managed investment schemes

The managed investments industry ranges from major funds with tens of thousands of unit holders to small agricultural schemes with a few hundred investors. At 30 June 438 responsible entities operated 2794 schemes.

Solicitors and finance brokers mortgage schemes

In 2001, we began a national inquiry into unlisted solicitors' mortgage investment schemes, focusing on runout mortgage schemes. Runout schemes did not transfer to our tougher managed investments regulatory regime in 1999. We prohibited them from accepting new mortgage investors, and gave them until 31 October 2001 to wind up their affairs, under the supervision of State law societies. A number had serious default rates, and defaults were likely to become worse.

To date we have obtained Court orders to remove Triscott Investments Ltd as responsible entity of a scheme after we revoked the entity's licence for breaching key provisions. In Tasmania, Garrisons Pty Ltd, who advised clients to invest in solicitors mortgage schemes which later failed, agreed to repay investors their capital plus 6% interest, amounting to about \$2.5 to 3 million. Our inquiry is continuing.

Managed investment offer documents

We received 1682 managed investment prospectuses. Of these, 804 were in short form and many included a longer form document by reference. As with equity prospectuses, we have tightened guidelines on forward looking statements to ensure that the prospectus outlines a reasonable basis

for forecasts. Of the 81 stop orders we issued on inadequate documents, 28 related to managed investments.

Surveillance of managed investments

The law creates a single responsible entity that must manage and safeguard investors' funds. To ensure that entities were complying with the law, we monitored their conduct.

Our staff inspected 83 responsible entities, representing almost one fifth of the industry, and remedial action resulted from 83 per cent of these visits. The table shows the most serious actions taken.

Action we took	No.
Licence revoked	4
Licence conditions imposed	13
Enforceable undertaking	1
Amendment to compliance plans	22

Insurance, superannuation and deposit taking

TWU superannuation members compensated

ASIC settled proceedings against the trustee of the TWU Superannuation Fund, responsible for more than 130,000 members. We alleged that the trustee had engaged in misleading conduct over disability insurance cover.

Our intervention ensured additional compensation, which would have been difficult and costly for individual members to pursue. Some 500 or more fund members will receive additional disability compensation through an independent assessment mechanism established for disablement claims between July 1995 and January 1999.

Disability insurance campaign

Policyholders pay \$750 million in premiums each year for disability insurance, and we became concerned about standards of advice. Staff interviewed life insurance companies representing about 40% of this market and 59 of their agents.

At least two companies fell short of meeting standards in the Life Code of Practice for advising, selling and complaints handling in the life insurance industry. We required the companies to review the compliance of about 18 of their agents, and to report action taken. We also asked the companies to change internal compliance to ensure they meet Life Code requirements.

General insurance advertising claims

We received court enforceable undertakings from two companies over alleged misleading and deceptive advertising.

What we alleged

Tower Life Australia Ltd advertisements for a funeral plan claimed guaranteed acceptance and no exceptions. In fact, significant exceptions existed.

GIO General Ltd advertisements for business insurance claimed that customers would pay no commissions if they dealt with GIO direct. In fact, GIO representatives did receive commissions on sales performance.

Result

Tower paid nearly \$250,000 to 42 families who were previously denied claims.

GIO sent corrective letters to customers, offered refunds, and launched a company wide review of their compliance program.

Financial services reform

To implement the Government's Financial Services Reform Bill, if enacted, we established a \$2 million project to develop administrative policies and build information technology systems to issue proposed Australian financial services licences. We expect to license about 2000 organisations for the first time and to re-license another 4000.

We intend that as much as possible of the new licensing system will be automated, and that institutions and companies will be able to update the public registers of their representatives through the internet. We have already issued nine proposals for public comment on key areas to implement the proposed law.

Outlook

The Government presently contemplates that the Financial Services Reform Bill will commence on 11 March 2002. We expect to be ready, although the change will represent a massive regulatory undertaking. We will collaborate with financial services organisations to implement the Government's blueprint.

Our priorities include helping consumers and investors to get honest and competent financial advice, untainted by conflicts of interest. We also expect to shift our inspections to key risk areas for investment scheme managers in dealing honestly and fairly with investors' funds.



Markets regulation and policy

Shane Tregillis

Executive Director, appointed 2000, previously ASIC National Director Regulation, with more than 10 years experience in regulation.

In this section we cover:

- what we did
- market disclosure and financial reporting
- equity fundraising and takeovers
- securities and futures markets
- policy development
- outlook

What we did

Markets and policy staff

- regulated equity fundraising and takeovers
- monitored market disclosure and financial statements
- regulated Australia's securities and futures markets

- developed policies that regulate industry and professionals.

We aimed to sharpen the focus and impact of regulation to uncover and resolve problems earlier. The Executive Director was appointed in November 2000 and on 1 July 2001 will lead all market and policy staff throughout Australia.

Main activities	This year	Last year	% change
Prospectuses lodged	2774	1033	166%
Prospectus stop orders issued	81	n/a	n/a
Equity fundraising relief applications	320	n/a	n/a
Takeovers received	81	81	Nil
Takeover relief applications	638	356	79%
New regulatory policies issued	4	20	-80%

Resources	
Staff employed (FTE estimate)	110

Market disclosure and financial reporting

Continuous disclosure to the market

We stepped up our involvement in making sure directors kept the market informed, especially among newly listed companies or those which raised funds in back door listings. We obtained additional disclosure on 30 occasions from listed companies.

We followed up 18 companies whose ASX filings revealed potential cash flow problems. Nine were required to disclose additional information, and one appointed a voluntary administrator. Below we list the more prominent examples.

Company	Action we took
HIH Insurance Ltd	Trading halted for two weeks before the company informed the market that it had entered provisional liquidation. Shares suspended.
Austrim Nylex Ltd	Trading halted until the company informed the market about expected losses.
realestate.com.au Ltd	Prohibited from raising capital by short form prospectus, until 28 February 2002, after the Corporations and Securities Panel criticised its disclosure.
Swish Group Ltd	Trading halted until the company released details of its performance and its partnership arrangements.
Cardia Technologies Ltd	Prohibited from raising capital by short form prospectus for the next 12 months, for late annual financial statements and poor disclosure.
Pahth Ltd	Subject to enforceable undertaking for review and audit of continuous disclosure and corporate governance, due to poor disclosure.
Phoenix Technology Corporation Ltd	Trading halted until the company corrected its advertised claim of assets worth \$70 million despite their audited value of only \$1 million.

Better disclosure for shareholders

In November 2000, we investigated trading in Brambles Industries Ltd shares. The company had given a private briefing to an analyst a few days before it downgraded its profit forecast. Our investigation revealed no offence, but the company allowed a perception of unequal disclosure to arise. Brambles acknowledged the timing of the briefing was regrettable and decided to review its policy and procedures.

This example showed the relevance of our August 2000 guidelines on how companies can keep investors better informed. The ASX supported our guidelines and proposes to issue an updated guidance note on continuous disclosure.

Financial reporting

We presently have legal proceedings underway over accounting issues.

Company	What we allege
MYOB Ltd	That the accounting treatment of assets acquired in April 1999 led to overstated earnings.
Cable and Wireless Optus Ltd	That the accounting treatment of two capacity agreements led to overstated earnings. The company has asked the court to determine the issue. (Matter settled in August 2001.)

We asked 53 companies to clarify their financial reporting and disclosure following a review of 140 companies in high technology, dot.com or related businesses. Typical issues included accounting for acquisition of businesses, reporting and amortising of intangibles, accuracy of quarterly cash flow statements and recognition of revenue.

Dual listed companies

BHP-Billiton became a dual listed company. After we intervened, the company released extra information for shareholders. We settled proposed accounting policies with the companies and asked the Australian Accounting Standards Board to set standards on how companies must account for such transactions. Brambles Ltd is proposing a dual listed structure.

Equity fundraising and takeovers

Prospectuses

Out of 832 equity prospectuses lodged, we inspected 188 and took action to deal with inadequate disclosure in 114 cases. Overall equity prospectuses grew strongly in the first half of the year, while high technology offers remained buoyant.

We issued stop orders on 81 prospectuses. Since the law changed in March 2000, stop orders have become our principal means of dealing with inadequate disclosure. (Previously the registration process could also filter out some problems.)

We found too many prospectuses contained forward looking statements without showing any reasonable basis, and we tightened our guidelines on projections. Stop orders also increased because we no longer have the power to refuse to register inadequate prospectuses.

An example of a company the subject of an interim stop order was Adventure Private Capital, a \$150 million fundraising to trade shares, options and other financial instruments. Our concerns included inadequate disclosure of the investment strategy, of the results of the trading model, and of directors' interests.

Takeovers

Out of 81 takeovers, we took enforcement action in six matters. The Corporations and Securities Panel became the primary umpire of takeover disputes from March 2000. Below we list examples of some more prominent matters.

Companies involved	Action we took
REA Holdings (No 1) Pty Ltd and REA Holdings (No 2) Pty Ltd (RP Data) bid for realestate.com.au Ltd	Applied to the Panel which found RP Data's subsidiary had acted recklessly. The Panel also found that realestate.com.au had not accurately informed the market and RP Data about its financial position.
St Barbara Mines Ltd bid for Taipan Resources NL	Panel vested in ASIC 2.7 million Taipan shares held by St Barbara that we were ordered to sell.
CXA Communications Ltd (CXA) reverse takeover by Mobiletronics Pty Ltd and the sale of a CXA subsidiary	Issued an official letter to CXA shareholders explaining concerns about the proposal.
Techniche Ltd bid for Bligh Ventures Ltd	Had share parcel representing about 9% of Bligh frozen until the real owners were revealed.

For some companies trading on major foreign stock markets, we granted relief from Australian takeover provisions. Otherwise, they would have to bid for shares in downstream Australian companies whenever they acquired shares in an upstream company also listed on a foreign stock market.

We invited comments on proposals to address anomalies and issues since changes in the takeover law.

Securities and futures markets

Trading behaviour education and surveillance

ASIC and ASX launched a campaign to check if compliance systems, supervision and training, and record keeping of ASX brokers are effective to detect and deter manipulation and other abusive practices.

Australia's changing market structure

The Minister approved the reopening of the Bendigo Stock Exchange (designed to deal in small capitalisation companies). The Sydney Futures Exchange completed its demutualisation and subsequent merger with Austraclear. The ASX continued to explore offshore relationships with other market operators, and set up a special purpose subsidiary to supervise trading and report possible market misconduct.

All Australian markets are now commercial, competitive businesses, and this has increased our workload.

Australian Derivatives Exchange short lived

The Australian Derivatives Exchange Ltd received Ministerial approval to operate a new futures market, subject to licence conditions we recommended. ADX found that it had insufficient funds to run its market, and within three months, appointed a voluntary administrator and ceased operating. The conditions we recommended helped ensure that those who traded in the ADX market suffered no loss as a result of its failure.

ASX share trading and compliance

ASX shares trade on its own market. To avoid conflicts of interest, ASIC directly monitored daily trading and compliance by ASX with its listing rules in much the same way as ASX oversees other listed entities. At the ASX's request, we granted one trading halt.

Policy development

Financial services reform

Policy staff worked under great pressure to analyse and draft proposals on how ASIC might implement the Financial Services Reform Bill. We issued nine policy proposals and an overall framework document.

Cooperative financial institutions

We issued a policy on mutuality to help cooperative financial institutions comply with the Corporations Law, especially during restructures, without compromising their distinctive mutuality principles.

Electronic regulation

We issued interim guidelines on internet discussion sites, known as internet chat sites or bulletin boards, which contain information, advice or opinions about securities. The guidelines covered warnings that must be given to members of the public, warnings to people posting information, and the obligations imposed on site operators.

Internet stockbroking

Our study of internet stockbroking found weaknesses in

- explaining order taking and processing
- identifying the stockbroking firm that executed orders
- explaining service and complaint handling.

We discussed these issues with internet broking firms so that they take these issues into account as they develop their services.

Outlook

Globalisation presents formidable challenges in market regulation. The ASX is exploring relationships with offshore markets, and the Sydney Futures Exchange is a fully demutualised company. Two dual listed entities now rank among Australia's top twenty companies. The demands for harmony in cross border regulation grow louder and complicate legal and regulatory arrangements.

The Financial Services Reform Bill is a major policy project that will carry over into the coming year.



Consumer protection

Peter Kell, Executive Director, and Delia Rickard, Deputy Executive Director appointed 2001, previously co-directors of ASIC's Office of Consumer Protection.

In this section we cover:

- what we did
- consumer enforcement and regulation
- consumer protection projects
- researching consumer issues
- outlook
- Consumer Advisory Panel report

What we did

The Office of Consumer Protection

- advised enforcement and regulation staff
- carried out consumer protection projects
- analysed consumer issues and risks.

From April 2001, the Office was upgraded to a national directorate, and from 1 July will include extra staff with compliance and analytical skills.

Resources

Staff employed (FTE estimate)

15

Consumer enforcement and regulation

Here we highlight matters where the Office of Consumer Protection played a major part, although it contributed to many results described in this report.

Combined Insurance agents and Aboriginal communities

Agents of Combined Insurance Company mis-sold insurance in rural Aboriginal communities. ASIC staff obtained refunds from the company that now exceed \$115,000, a significant amount since most annual

premiums were less than \$100. Court enforceable undertakings from the company will also fund educational material about insurance for indigenous consumers.

HIH insurance

Immediately following the HIH collapse, we helped negotiate alternative cover and let policyholders know where they stood. We have also worked with the provisional liquidator and APRA on issues affecting policyholders.



Ensuring advisers join an external complaints scheme

We advised on and publicly led a campaign to ensure that all retail investment advisers had joined a consumer complaints resolution scheme, as their licence requires. As a result, 419 advisers immediately agreed to join, see also page 29.

Consumer protection projects

Launched new electronic funds transfer code

We launched a new Electronic Funds Transfer Code of Conduct. The Code covers all forms of electronic banking, including telephone and internet banking and stored value products such as smart cards, not just ATM and EFTPOS transactions covered under the old Code.

Improving bank transaction fee disclosure

Our draft Guide for Banks, Building Societies and Credit Unions proposed that they

- summarise fee information on statements
- warn ATM users if a "foreign ATM" fee applies, if they are about to overdraw an account, and, in the longer term, show how much each transaction will cost

- display a prominent link to fees for internet customers.

Educating investors and consumers

We released a discussion paper on consumer education, the first from an Australian financial services regulator. The paper will lead to a formal strategy to address areas of greatest risk and to create and distribute material effectively. We published Australia's first internet directory of consumer financial information, sponsored by the Securities Institute of Australia.

Consumer alerts on risks and pitfalls

We issued alerts about

- share trading software
- high technology companies: questions for investors to ask
- financial tips for young Australians
- unlawful access to superannuation before retirement.

Consumer complaint resolution schemes

We approved the Insurance and Enquiries Complaints Ltd scheme, covering general insurance. We are currently processing five other applications to approve five financial services complaint resolution schemes.

Monitoring industry codes of practice

ASIC reported that compliance remained high with the payments system codes of practice and the EFT Code of Conduct during 1999 – 2000. Complaints about unauthorised EFT transactions increased. We warned consumers about the importance of safeguarding their PINs.

In July 2000, we approved the General Insurance Code that covers insurers selling specific types of insurance.

Researching consumer issues

Consumer Advisory Panel

The Panel sponsored three new research projects

- a directory of financial services case workers across Australia
- a study of successful consumer education strategies
- a study about why investors make poor or risky decisions.

Its bank fees research of last year played a crucial part in our policy work and in encouraging banks to adopt many of our guidelines. See page 41 for the Panel's report, and page 17 for its role.

Account aggregators

We suggested ways forward on the consumer issues raised by these relatively new internet services which aggregate account information from many financial institutions on a single page. We warned consumers that when they provide aggregators with their PINs or passwords, they risk losing protection for unauthorised transactions.

Debit cards and Aboriginal communities

In some Aboriginal communities, stores keep people's debit cards and PINs in the shop, and bill transactions when wages or social security payments are credited. We commissioned a study to assess the risks, including possible fraud, and consider possible reforms.

Outlook

The new national directorate will bring in extra staff experienced in research and risk analysis, strengthening our ability to identify and deal with important issues.

The Financial Services Reform Bill, if enacted, will transfer responsibility for law enforcement against misleading or deceptive conduct relating to loans and credit cards from the Australian Competition and Consumer Commission to ASIC.



Panel Members left to right: Basil La Brooy representing Wayne Byrne, National Information Centre on Retirement Investments, David Jackson, Australian Shareholders' Association, Gordon Renouf, Northern Australian Aboriginal Legal Service, Jenni Mack, Consumers Federation of Australia, Iain Ross, Council on the Ageing, Ingrid Gubbay, Legal Aid Commission NSW, Carolyn Bond, Consumer Credit Legal Service Victoria, Barbara Cail AM (Chair), Louise Petschler, Australian Consumers' Association.

The Consumer Advisory Panel (CAP) met four times. It advised ASIC on consumer protection and commented on ASIC activities. The Office of Consumer Protection acted as our secretariat.

CAP supported research on

- a directory of financial services case workers across Australia
- a study of successful consumer education strategies
- a study about why investors make poor or risky decisions.

Our stocktake of consumer education was used to create a web based consumer information directory, launched in November 2000, with support from the Securities Institute of Australia. Our earlier research on consumer understanding of bank fees laid the foundation for much improved bank fee disclosure guidelines.

CAP's membership changed this year to ensure that a broad range of consumer organisations had an opportunity to participate.

I thank all members for contributing.

Barbara Cail AM

Chairman, Consumer Advisory Panel



International and regional coordination

Greg Tanzer

Executive Director, appointed 2000, also Queensland Regional Commissioner, experienced in corporate law and regulation.

In this section we cover:

- what we did
- international law enforcement
- cold calling
- international regulation
- regional coordination
- outlook

What we did

The Office of International Relations

- managed international requests for assistance in law enforcement
- led ASIC's contribution to international regulation.

Main activities	This year	Last year	% change
ASIC requests overseas assistance	84	82	+ 2%
Other regulators request our assistance	210	138	+ 52%
Visits to ASIC from foreign regulators	53	28	+ 89%

Resources	
Staff employed (FTE estimate)	11

From November 2000, the Office was upgraded to a national directorate and became responsible for coordinating our regional representation and regional activities.

by MARK BAKER
USA EDITOR
SINGAPORE

CRIME

Australian securities regulators are warning of an epidemic of telephone investment scams operating out of South-East Asia after the arrest of a Philippines-based syndicate accused of stealing millions from Australian investors.

from Australians caught in the scams in the past 12 to 18 months, with hundreds of people seeking help. "It probably runs into tens of millions of dollars being lost when you consider how many complaints we are getting and the numbers of other people who would not have made

few of which were ever... He said that since the scam began in July last year, it had taken more than \$1 billion dollars (\$A1.1 million) from Australian investors. "They claimed to be a company of longstanding reputation with international connections and a record for people-to-people service, but it was all fictitious," Mr Syquia said. He said Adam McGlashan, who is in custody in Manila, was believed to have been involved in the scam for 31 share-trading

International law enforcement

We made 84 requests for investigative assistance to overseas authorities and received 210 from them. For example, to obtain evidence to help convict fraudster George Balos, see page 21, we obtained evidence from Swiss, Israeli, UK and New Zealand authorities. In recent years, we have found that authorities are more often able to help each other, although the processes and local court appeals still take time.

We also hosted 53 visits from foreign regulators seeking training or discussions about common problems.

Cold calling

For the past three years, we have warned Australians about overseas organisations who illegally “cold called” people offering get rich quick schemes, most recently operating out of Thailand, the Philippines and Indonesia. Thanks to our publicity, more investors contacted us and took our advice not to send money offshore to such schemes. Unfortunately, some other people had already lost between \$1000 and \$750,000 each.

To warn investors, we published names of cold calling organisations on our consumer website and in the press. Staff contacted the offshore organisations, told them to stop, and reported them to local authorities. In 2001, the Philippines, Indonesian and Thai authorities announced investigations and called for evidence from Australians who lost money.

International regulation

ASIC is a member of the Executive and Technical Committees of the International Organisation of Securities Commissions (IOSCO), which has over 150 member organisations representing securities regulators and self regulatory organisations.

To protect investors in world markets and to strengthen the work of national regulators through cooperation, IOSCO members

- are implementing agreed principles for regulating securities markets
- took coordinated enforcement action, including a sweep of the internet for illegal offerings in April 2001, in which ASIC participated
- produced a seminal report on ‘Securities Activity on the Internet’ in June 2001 (see www.iosco.org).

Regional coordination

Service levels were maintained in each State and Territory. Regional Liaison Committees representing the business community met about four times each year, received information on our performance and service, and offered ideas.

ASIC's Regional Commissioners all played national roles as part of our new structure. They represented the organisation in their jurisdiction and reported on ASIC activities and performance to State and Territory Ministers.



Regional Commissioners: standing left to right, Ron Ladlay, Simon Dwyer, Karen Axford, Michael Gething, Anthony Beven; **seated,** Jane Diplock, Greg Tanzer, Mark Drysdale.

Regional Commissioner	State or Territory	National role	Term
Karen Axford	South Australia	Insolvency Adviser	February 2004
Anthony Beven	Northern Territory	Enforcement Adviser	September 2002
Simon Dwyer	Tasmania	Enforcement Adviser	October 2003
Jane Diplock	New South Wales	Executive Director	(Left on 31 July 2001 to become Chair of the New Zealand Securities Commission)
Mark Drysdale	Victoria	Executive Director	Acting
Michael Gething	Western Australia	Markets and Policy Adviser	June 2004
Ron Ladlay	Australian Capital Territory	Enforcement Adviser	March 2003
Greg Tanzer	Queensland	Executive Director	March 2005

Outlook

The key issues for 2001 – 2002 are to

- coordinate increasing requests for international investigative assistance and legal advice
- consolidate our work on cold calling and take coordinated action, especially within the Asia-Pacific region, against this practice
- contribute to international work on auditing standards, financial disclosure standards, clearing and settlement, risk assessment of managed fund operators, and simplified prospectuses for collective investment schemes
- maintain service levels in all States and Territories.



Public and commercial services

Mark Drysdale
Executive Director, appointed 2000, and acting Victorian Regional Commissioner, with experience in corporate management and regulation.

In this section we cover:

- what we did
- company database
- complaints and reports on misconduct
- telephone enquiry services
- electronic services
- commercial services
- outlook

What we did

Public and commercial services staff

- maintained Australia's public database of 1.2 million companies
- assessed complaints from the public about misconduct
- answered 765,000 telephone enquiries
- developed new electronic services for the public and people we regulate
- sold high volume document imaging services on commercial terms.

The Executive Director was appointed in November 2000 and from 1 July 2001 will lead all public and commercial services staff throughout Australia.

Main activities	This year	Last year	% change
Total companies	1,224,207	1,195,851	2%
New companies incorporated	76,103	105,472	-28%
Revenue collected for the Commonwealth	\$372 million	\$361 million	3%
Online searches	2,780,169	2,667,835	2%
Over the counter searches	102,700	161,609	-36%
Changes to company data processed online	52%	45%	16%
Company data lodged on time	96%	94%	2%
Public complaints about misconduct	6946	5534	26%
Telephone inquiries	765,000	835,000	-8%

Resources	
Staff employed (FTE estimate)	340

Company database

New companies registered

The number of companies registered in Australia increased 2.4 per cent to 1,224,207, the slowest rate of growth since ASIC began in 1991. This reduced fees we collected. Nearly 65% of the 76,103 new companies were registered electronically, up 32%.

Free internet searches

People conducted 4.6 million free internet searches of company names, numbers and document lists, up 44% on last year. Users of Company Alert, our free overnight email service that lets you know of changes to company details, doubled with 23,800 companies being monitored, up from 11,500. People also searched for licensed financial advisers, their representatives, insurance brokers, company auditors and liquidators.

Paid company searches

The total number of paid searches rose 2%. About 96% of full company searches occurred online, the highest number ever, through approved commercial information brokers. Only 4% of searches were conducted over the counter in our Business Centres. Faced with falling over the counter demand, we have relocated and integrated Business Centres within our Regional Offices.

New revenue system installed

Our staff collected fees on behalf of the Commonwealth, see page 12. We successfully installed a new revenue system that managed debts, saved interest costs to the Government of about \$2 million, and better supported accrual accounting.

Processing improvements

For the first time, companies could reprint their annual return form through our website. Faster banking of clients' cheques within 2 – 3 days helped clients confirm that we had received their company documents. These changes reduced incoming phone calls during our peak processing period.

Data lodgement

More companies are updating and lodging data with us electronically, which helps reduce errors on our database. 720,273 or 64% of all annual returns were lodged electronically, up 1%. Companies electronically lodged 348,585 critical change documents or 52% of changes, a 13% increase over last year. The number of small companies dealing directly over the internet to change their data and to lodge and pay for their annual return rose from 3600 to 4400.

Company information on time

About 96% of companies lodged their information with us on time, a record level of compliance in lodging company information.

Complaints and reports of misconduct

Staff analysed and assessed 6946 complaints from the public about breaches of the law, up 26%. We analysed and assessed 3,866 reports from company liquidators, receivers, administrators and auditors, down 3%. The table below shows the action we took on complaints.

	This year	Last year
Public complaints		
Total complaints	6946	5534
Complaints outside ASIC's jurisdiction	604	574
Net complaints	6342	4960
Action taken on public complaints		
Investigation	2.6%	1.7%
Surveillance	9%	19.4%
Resolved by information provided/negotiation	37.2%	20.8%
Analysed, assessed and recorded	51.1%	55.9%
Statutory reports from external administrators		
Total reports	3866	3825
Reports where no offences recorded	1091	975
Net reports	2775	2850
Action taken on statutory reports		
Investigation	1.2%	0.6%
Surveillance	0.6%	2.4%
Resolved by information provided/negotiation	4.5%	1.6%
Analysed, assessed and recorded	93.7%	95.4%

Telephone enquiry services

About 35 staff located in our Information Processing Centre and Business Centres handled more than 642,000 calls from the public about

- routine company housekeeping matters and company searches (80%)
- our regulatory and enforcement activities (20%).

Total calls fell, mostly due to faster banking of cheques received and greater use of online facilities.

Infoline, which handled regulatory and enforcement matters, received 123,000 calls, a 15% increase.

Infoline staff helped 94% of callers on the spot, up 2%. Where another staff member had to ring the caller back, we averaged 81% of call backs within 24 hours, up from 79%.

Electronic services

Electronic complaint processing

From May 2001, consumers, investors and creditors lodged complaints about misconduct through our website and received an automated acknowledgement. The data was automatically registered into our complaints management system and then assessed. If the complaint lay outside our jurisdiction, the online system redirected people to the appropriate regulator.

Enforceable undertakings and gazette

We created an internet register of all ASIC's enforceable undertakings so the public and professionals could get the full text. (We accept these undertakings offered, to remedy suspected breaches of the law.)

We also set up a new internet gazette of ASIC notices such as:

- instruments or class orders that vary or set aside provisions of the law
- changes to company status
- company deregistrations
- company reinstatements.

Government online

We responded to the Government's online strategy by preparing and releasing a plan for extending our online services. We cooperated with the Australian Taxation Office in developing the Australian Business Register, and making sure Australian Business Numbers corresponded with Australian Company Numbers.

Commercial services

To recover some of the cost of our document imaging systems, we sold seasonal surplus capacity to government agencies and the private sector. Our sales complied with competitive neutrality principles.

We specialised in

- high volume scanning services for organisations that wish to "back capture" data
- document management services in litigation and public inquiries.

Customers included the Metropolitan Ambulance Service Royal Commission and the RAAF F111 Board of Inquiry.

Outlook

Electronic data processing and complaints lodgement, supported by telephone staff, analysts and assessors, will continue to grow. Consequently, workloads in counter service and manual processing will gradually decline over the next two to three years.

In the coming year, we also expect to deliver a marked increase in electronic regulatory and enforcement services, both for licensing and external company administration documents.

Government proposals that companies no longer lodge an annual return but still pay an annual fee were delayed while the Commonwealth and States tackled Constitutional uncertainties over the Corporations Law. These proposals may be enacted this financial year.



Infrastructure

Jane Diplock
Executive Director and NSW Regional Commissioner
(until 31 July 2001), with extensive public and private sector
experience in senior management.

In this section we cover:

- what we do
- information technology
- human resources
- finance
- business management
- outlook

What we did

Our infrastructure staff delivered

- information technology and knowledge management
- human resources
- finance
- business management services.

Our strategy has been to deliver systems and services that enhance our regulatory and enforcement operations and support them efficiently, with a minimum of distraction. The Executive Director was appointed in November 2000 and on 1 July 2001 will lead all infrastructure services staff throughout Australia.

Resources

Staff employed (FTE estimate)

250

Information technology

IT outsourcing

Government agencies may now determine the appropriate model for outsourcing IT, subject to the Government's IT outsourcing policy, following the review of outsourcing conducted by Richard Humphry. ASIC withdrew from the Group 11 tender process early in January 2001 and engaged consultants to make independent recommendations to the Commission on outsourcing.

New applications developed

Using Lotus Notes, we developed new applications that help staff manage regulatory and enforcement transactions.

User group	What the application delivered
Superannuation Complaints Tribunal	Manages the workflow of cases from start to finish.
Commission and senior decision makers	A system for preparing and researching regulatory decisions, and an electronic forum for out of session decisions, agenda and minuting facilities.
Legal staff	National precedents system that automates assembly of court forms and legal documents.
Managed investments staff	Stage 2 of our managed investment system automatically updates back office systems as staff deal with requests and applications.

Revenue management

The new revenue system was implemented on 11 September 2000, but experienced performance and response time problems. After significant efforts to resolve these problems, the system successfully handled the peak annual returns processing period.

Standard operating environment implemented

The national rollout of the standard operating environment concluded ahead of schedule. The project delivered the new Office 2000 desktop applications to all users, audited all software installed across ASIC, standardised the desktop environment and reduced PC support costs and maintenance.

Email, and IT security policies approved

We allowed all staff access to internet email and web browsing, subject to guidelines for the responsible use of these facilities. Our security policy was revised to set new standards for our IT systems.

Human resources

Management review and restructure

As part of setting up our new national structure, we reviewed about 1000 staff positions across the country, affecting roles, job descriptions, remuneration and reporting lines.

New Certified Agreement

ASIC's second Agency Agreement was certified in the Australian Industrial Relations Commission on 20 April 2001 after extensive negotiation with the union. The agreement supports our performance culture and allows ASIC to manage flexibly and responsibly.

Performance management

All staff participated in our performance management process which rewards high performing staff and helps manage underperformance. The first performance appraisal cycle under the new performance management framework for staff below senior executive level was successfully completed in August 2000.

Learning and development

We brought our learning and development activities under the control of a General Manager of Human Resources, and have set up a team that will be able to integrate learning and development into our overall human resources plans.

Finance

Accrual accounting

Accrual accounting and reporting were implemented down to business unit level throughout the organisation. This eliminated the cash/accrual anomalies inherent in the previous reporting processes of business units, using cash, and at the corporate level, using accruals.

GST compliance

GST compliance required co-ordinated adaptation of accounting and internal control processes. We conducted an awareness campaign for staff, and developed and implemented new processes and procedures for recording and reporting information required for ASIC's monthly Business Activity Statement.

Business management

Internet

To offer consumers financial information and safety checks, we created a second website called FIDO (financial information delivered online) at www.fido.asic.gov. This site has grown from 58,000 in 1999 – 2000 to 241,000 visits in 2000 – 2001. Our main website catered to industry and professionals and received 2.3 million visits.

Media relations

To increase the visibility of ASIC's enforcement activities, the new Chairman has played a stronger part as ASIC's chief spokesperson. This strategy has succeeded in lifting our profile. To keep those we regulate and consumers up to date, we issued 502 media releases, of which more than 90% were published in the media.

Corporate communication

We established two electronic newsletters, a Financial Services Reform (FSR) newsletter that keeps about 1,700 people up to date with our work on the FSR Bill, and *FIDO News*, a free consumer newsletter that has attracted 855 subscribers since March 2001. Our hard copy newsletter, *ASIC News* is distributed to about 6000 readers. We contributed regular articles to *Age Pension News*, and professional magazines. For the second year in a row, the ASIC Annual Report received a Gold Award from Annual Reports Australia Inc.

Rationalising accommodation

We completed the final stage of a four year restructure of ASIC's property portfolio, reducing leased property by one third and saving about \$11.5 million for the period September 1996 to January 2003. This project consolidated leases and reduced property financial obligations, releasing funds for core activities.

Business continuity and security

We successfully planned and managed the impact of the Sydney 2000 Olympics, and developed and implemented a national business risk assessment program. To cover insurable risks, we became insured under the Commonwealth's insurance scheme, Comcover.

Environment

To minimise our impact on the environment, we aim to reduce energy use in our offices. To achieve energy savings, internal protocols for monitoring usage are being developed. If successfully implemented, we expect to save up to 7% in energy costs for the year 2001 – 2002, rising to 20% in 2003 – 2004. Our offices recycled waste paper.

Outlook

Together with the Department of Finance and Administration, ASIC will undertake an output Pricing Review that will require costing and performance measures to be thoroughly examined.

The key IT issues we face are

- replacing our IT network operating system and resuming IT asset replacement
- approving a three year IT Strategic Plan to identify key future applications
- considering and implementing final recommendations on outsourcing
- developing systems that will support knowledge management.

We will review and redevelop HR services, and link career and succession planning, performance management and staff development. We aim to implement a one stop shop for HR service, supported by a new national training plan and online staff information about recruitment and induction, careers, development needs and entitlements.

In this section we cover:

- staff and basis of employment
- work environment
- senior management
- outlook

Staff and basis of employment

We employed 1221 full time equivalent staff over the year, comprising

- investigators, lawyers, accountants, and analysts
- information processing and customer service staff
- infrastructure staff, and information technology, human resources, financial, and communication specialists.

Staff remuneration

Most staff received remuneration under a certified agreement, with about 285 senior staff under individual Australian Workplace Agreements. ASIC contributed to superannuation through Commonwealth Government schemes, State Government schemes for staff who transferred to ASIC in 1991, and private sector schemes for consultants or contractors. See also the financial statements on page 82.

Ongoing and fixed term staff

Basis of employment	No. of staff
Public Service Act, ongoing	904
Public Service Act, temporary, most often for peak company annual return processing	256
ASIC Act consultants, for essential specialist services including investigatory, legal, corporate regulatory and accounting functions	12
Contractors, mainly in information technology	49
Total (average FTE over the year)	1221

The percentage of contract and non-ongoing staff remained steady at about 25%. This helped us meet seasonal peak workloads in document processing, but also reflected market based remuneration and employment packages.

Work environment

Management review and restructure

Resulting from the restructure of our operations, all staff now report to Executive Directors of national directorates. The new structure is expected to help staff work together, as a truly national organisation. As part of the restructure, reporting lines were streamlined to improve decision making.

Performance management

We successfully implemented the first full year of performance management for all staff. Staff performance management established clear responsibilities and objectives for each position, including key performance indicators. Twice a year at a minimum, supervisors met one on one with staff and conducted a formal appraisal. This helped ensure that plans, performance and development needs were properly considered. All staff are eligible for performance-based pay.

Learning and development

Our organisation needs skilled managers and skilled technical specialists. To ensure that we can deliver training that balances these needs, we established a new national framework to plan and deliver both types of programs. This will also bring about a closer tie-in with our performance management system.

Workplace diversity and equal opportunity

We are an equal opportunity employer. At 30 June 2001, women made up 56% of our workforce. One Commissioner, one Executive Director and two Regional Commissioners are women, and women make up 37% of our executives and senior executives.

Occupational health and safety

Broadly speaking, our working environment presented no major health and safety risks. Occupational Health and Safety Committees monitored the workplace and helped reduce risks. Rehabilitation case managers helped ensure injured staff returned to work early. We have an OHS policy and an OHS agreement with the union.

Industrial relations

We successfully completed negotiations with union and staff representatives on a new Certified Agreement. We had no significant national industrial issues or disputes.

Location and profile of staff

As full time equivalents averaged over the year, we employed 548 staff in Victoria, 418 in New South Wales, 99 in Queensland, 75 in Western Australia, 43 in South Australia, 20 in the Australian Capital Territory, 11 in Tasmania and 7 in the Northern Territory.

Staff (average full time equivalents)	No*	%
Operational and support (ASIC 1 – 4)	794	65%
Senior operational staff (EL1 and EL2)	378	31%
Senior Executive Service	37	3%
Others (contract staff under the ASIC Act)	12	1%
Total	1221	100%

* Average full time equivalents

Senior management

Commissioners, Executive Directors and Regional Commissioners

Our Commissioners are full time, see pages 16 and 18. Executive Directors lead seven national directorates, see directorate chapters of this report.

Regional Commissioners, reporting to Commissioners, undertook national roles and represented ASIC in each State and Territory. They are qualified in law or accounting or have extensive regulatory experience.

General Counsel and Chief Accountant

General Counsel is Brendan Byrne, previously counsel for our Regulatory Policy Branch. Ian Mackintosh is Chief Accountant, formerly Director of Accounting Standards at the Australian Accounting Research Foundation.

Outlook

We expect the first half of the year will involve settling down and making adjustments to our new national structure. Since this will be the first time that all staff work through national, not regional, structures, we anticipate some fine tuning.

Under our new national structure, we will be able to link recruitment, induction, performance management and exit strategies, and apply them consistently across Australia. We will also establish more consistent policies and procedures to help us recruit and retain the staff we need.

The ASIC Audit Committee assisted Commissioners to discharge 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, fraud control planning, and GST compliance program.

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, MBA, is a Chartered Accountant, Consultant and Company Director. Deputy Chairman Robert Savage, BCom, 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 six times: three times in August 2000; and once in November 2000, April 2001 and May 2001. Details of membership and attendance were:

Members	Meetings attended
Merran Kelsall (Chairman - appointed 29 January 1998)	6
Robert Savage (Deputy Chairman - appointed 1 March 2000)	5
Karen Axford (appointed 13 May 1998)	6
Sue Carter (retired 30 November 2000)	4
Simon Dwyer (appointed 5 April 2001)	2
Jillian Segal (appointed 6 November 1997)	6

Ms Axford is South Australian Regional Commissioner, Ms Carter was Victorian Regional Commissioner, Ms Segal is Deputy Chair of ASIC, and Mr Dwyer is Tasmanian Regional Commissioner.

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 Network Security Arrangements; Corporate Card Compliance; Chart of Accounts; Delegations; Accounts Payable; Payroll Processing; and post implementation reviews of ASIC's GST, Corporations Law Revenue Collection and Human Resource Management systems.

Merran Kelsall, Chairman, ASIC Audit Committee, 4 July 2001

In this section we cover:

- publications
- freedom of Information
- Electoral Act disclosure
- financial comparisons

Publications

We publish the following free publications

- external newsletters: *ASIC News* (regulation and enforcement), *InFocus* (company information); internal staff newsletters: *Shortcuts*, (regulation and enforcement), *Pipeline* (company information).
- brochures: *Don't kiss your money goodbye*, *Super decisions*.
- 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 Forms on CD*.

Freedom of Information Act 1982

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 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
 - correspondence, statistics, policy documents and registration materials relating to licensees, receivers, auditors, liquidators and official liquidators
 - internal working papers and statistics relating to examination and assessment of financial and accounting information, securities and futures and other matters
 - 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
- 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 from the Centre for Professional Development, telephone 03 92050600.

ASIC Digest - which contains policy statements, practice notes, information brochures, 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.

Disclosure under Commonwealth Electoral Act 1918

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

- advertising agencies: AORTA Advertising \$20,900 for advertising, creative, production and account service
- market research organisations: Chant Link & Associates \$59,268
- polling organisations: nil
- direct mail organisations: CMR Direct \$33,672 and Security Mailing Services \$53,295
- media advertising organisations: Advertising Investment Services \$124,269 and TMP Worldwide for recruitment advertising \$133,962.

Financial comparisons: Corporations Law and new functions

The Ministerial Council for Corporations asked ASIC to disclose a comparison of costs and revenue attributable to the new functions we received on 1 July 1998, compared with our traditional Corporations Law functions.

	National corporations scheme 2000 – 01	National corporations scheme 1999 – 2000	New financial services functions 2000 – 01	New financial services functions 1999 – 2000	Total 2000 – 01	Total 1999 – 2000
Operating revenue	134.2	130.3	9.9	9.9	144.1	140.2
Operating expenses	131.7	132.1	11.6	10.8	143.3	142.9

	2000/2001	1999/2000	1998/1999	1997/1998	1996/1997	1995/1996
Business information						
Number of registered companies	1,224,207	1,195,851	1,149,297	1,088,192	1,026,206	965,461
New companies incorporated	76,103	105,472	98,038	97,031	92,680	79,259
Company searches through online brokers	2,780,169	2,666,835	2,141,783	1,922,408	1,704,433	1,347,155
Over the counter searches at ASIC offices	102,700	161,069	191,831	284,150	382,252	472,502
ASIC website browses	4,626,700	3,214,852				
Securities dealers	2,250	2,081	1833	1547	1608	1508
Authorised representatives	37,610	36,068	31,392	28,968	25,971	26,763
Investment advisers	224	224	231	227	241	232
Futures brokers	121	120	108	99	97	87
Futures advisers	70	65	64	40	51	35
General insurance brokers	975	1,043				
Life insurance brokers	263	225				
Foreign insurance agents	14	12				
Managed investment schemes registered (previously principal trust deeds approved)	787	1,780	502	313	144	109
Prospectuses lodged	2,744	1,033	707	683	602	466
Takeovers (Parts A & C) registered	81	81	73	76	75	96
ASIC performance data						
Investigations commenced	214	200	207	215	186	155
Litigation concluded	150	173	154	199	178	41*
% successful litigation	71%	75%	75%	75%	75%	75%
% company annual returns lodged on time	96%	94%	91%	94%	90%	78%
Financial summary (\$m)						
Operations						
Total operating expenses	143.3	143.0	145.2	134.6	131.7	144.8
Total operating revenue	144.2	140.2	146.7	130.8	133.3	137.0
Revenue transferred to Commonwealth Consolidated Revenue Fund (\$ m)	372	361	332	326	298	275
Financial position						
Current assets	15.1	12.2	12.1	10.4	13.5	9.8
Non-current assets	22.1	24.9	25.6	25.6	25.8	27.9
Current liabilities	18.6	21.7	17.1	15.6	21.3	18.4
Non-current liabilities	16.4	16.6	18.9	19.6	13.7	17.4
Total liabilities	35.0	38.3	36.0	35.2	35.0	35.7
Total equity	2.2	(1.2)	1.7	0.8	4.3	2.0

* These figures include only major criminal matters.