



Session III: Role of Regulators/Supervisors in Promoting Economic Growth

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ASIC

**Australian Securities &
Investments Commission**

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Introduction

- Economic growth depends on resilient capital markets which investors at home and abroad can have confidence in
- Regulation has a key role to play in creating resilience and providing a basis for trust and confidence

Introduction

- ASIC is a securities regulator. Australia operates with a twin peaks model. APRA is the prudential regulator.
- Australia's experience of the Lehman failure was limited. We saw the collapse of a few major investment entities with a highly leveraged business model.
- Major impact was on over-leveraged retail investors.

Australia's short term response to the crisis

- Recognise Australia is linked to the global markets. We are determined to participate in the global initiatives, and are doing so through G20, FSB and IOSCO.
- Domestic focus is on improving the quality of retail experience in the markets, to restore confidence: quality of financial advice, adequacy of disclosure of business models, and financial literacy.

Longer term projects

- Australia is a net importer of capital. We need to ensure our capital markets continue to have a strong reputation.
- We are looking to assist corporates to access alternative funding sources to just the banks. See Asia as a potential source.
- We are looking to enhance Australia's financial services sector's ability to access Asian markets, as an investor and service provider.

Regulatory objectives

Regulatory objectives at the national level are –

1. Transparency – so investors get accurate, complete, relevant information when they invest and on an ongoing basis

- eg ASIC monitors prospectus and takeover material for content and clarity (but does not verify)
- eg ASIC is currently developing detailed guidance for retail offerings

Regulatory objectives

1. Transparency (cont.)

- eg require continuous disclosure of market sensitive information to the listed market

Regulatory objectives

2. Confidence in how our exchanges and trading platforms work – low volatility, efficient management of disruptions, and limited scope for transmitting systemic risk

- e.g. ASIC's recent consultation on equity market structure

Regulatory objectives

3. Confidence in our institutions – through effective corporate governance and risk management

- e.g. ASIC's recent risk-based assessments of market participants – review of compliance, governance, operational and risk frameworks

Regulatory objectives

- 4. Confidence in how we deal with wrongdoers** – swift and decisive action by enforcement agencies and regulators
- Since Jan 2009, ASIC has commenced 335 investigations (57 related to suspected insider trading/market manipulation)
 - ASIC has had 34 successful market integrity-related outcomes

Regulatory objectives

4. Confidence in how we deal with wrongdoers (cont.)

- ASIC was given responsibility for 'front line' supervision of market participants in August 2010
- A key benefit is a reduction in time taken to commence investigation into suspicious conduct

The challenges

- Achieving these objectives and outcomes without stifling innovation
- Is better disclosure enough –
 - Are investors capable of understanding the information?
 - Do investors use the information available?
 - Access to financial advice

The need for regulatory cooperation

- At international and regional levels, cooperation and coordination are also critical to
 - reducing arbitrage risks; and
 - reducing the costs to firms of doing business across borders

Effective international cooperation / coordination requires -

- Consistent or aligned approach to regulation (doing things the same way, or having processes to reduce the impact of different approaches)
- Cooperation in investigating and prosecuting cross border activity
- GFC demonstrated need for wider cooperation in identifying, assessing, and mitigating potential risks (to investors, markets, and to financial stability)