



Don't Kiss Your Money Goodbye
More than 5.5 million Australians, or 40.3% of all adult Australians, now own shares either directly or indirectly, according to an ASX survey. This is in addition to contributions to superannuation funds. The recent listing of AMP added another 730,000 first-time investors to Australia's sharemarket.

The large number of new investors from the AMP and other floats means that it is important for consumers and investors to choose the right financial adviser. Our brochure, *Don't kiss your money goodbye*, is a step-by-step guide for consumers and investors on selecting a good financial adviser and getting the right financial plan. The brochure is published jointly by ASIC and the Financial Planning Association. You can get copies from our Infoline on 1300 300 630 or through our home page www.asic.gov.au

Ministerial functions
The Treasurer has announced the allocation of ministerial functions between the Assistant Treasurer, Senator

Rod Kemp, and the Minister for Financial Services and Regulation, the Hon Joe Hockey.

The Assistant Treasurer will be responsible for taxation; foreign investment; and structural reform (other than competition policy).

The Minister for Financial Services and Regulation will look after financial system regulation and enhancement (including deposit taking institutions, insurance and superannuation); companies and securities; market integrity and consumer protection regulation relating to the financial system; and competition policy.

Fundraising on the internet
We have released our Policy Statement 141 *Offers of securities on the internet*, which outlines when we will regulate fundraising activities on the internet under the Corporations Law and when we will consider internet offers fall under other regulatory jurisdictions.

Our approach is consistent with that taken by regulators in USA and the UK. Efforts by regulators to harmonise the

requirements of different jurisdictions should reduce issuers' compliance costs.

Copies of the policy statement are available on our home page www.asic.gov.au or from our Infoline on 1300 300 630.

Takeovers involving US shareholders
We are developing a policy which will minimise the differences between terms and conditions applying to offers made to shareholders in different countries.

Our National Takeovers Coordinator Richard Cockburn said an increasing number of Australian companies have shareholders with addresses in the United States or with American Depository Receipts over their shares. He said takeover bids involving cash or scrip consideration to US residents can come under US securities laws and compliance with both Australian and US legislation is difficult or impractical.

We believe that the policy of the Corporations Law requires shareholders in an Australian target company to receive the same benefits, as

far as practical, no matter where they reside.

"Offers should be made to all shareholders and the terms of the offers should be substantially identical," Mr Cockburn said.

Statistics
Here is a summary of our insolvency and incorporation statistics for the month ending 31 December 1998.

If you would like more information please contact our Infoline on 1300 300 630.

Insolvencies

NSW	302
VIC	188
QLD	128
SA	52
WA	45
TAS	12
NT	7
ACT	31
Total	765

New incorporations

NSW	2407
VIC	1885
QLD	893
SA	295
WA	521
TAS	46
NT	41
ACT	129
Total	6217

Wattle Group promoter charged

Mr Geoffrey Dexter of Queensland, one the promoters of the Wattle Group, has been charged with inducing people to invest in securities on the basis of promises he knew to be misleading, false or deceptive.

The Wattle Group promised people returns of up to 50% per year and operated for about three years up until March 1998 when ASIC had the scheme closed down. More than 2,700 investors were involved and \$130 million was raised, making the Wattle Group one of the largest investment operations in Queensland.

The Group did not have the traditional hallmarks of an investment scheme. People signed personal loan agreements advancing money to Mr Dexter which he lent to companies and businesses in which he was involved. He had a network of promoters who arranged the loans and who received lucrative commissions. A few licensed financial planners also promoted the scheme.

Some investors actually received the extremely high returns offered, but the report from Mr Dexter's trustee suggests these returns were largely financed from the cash flowing in from new investors, not from the underlying business ventures.

In the last few months of the scheme, it spread rapidly by word of mouth, including

through the ranks of the Australian Federal Police. Some investors even borrowed against the equity in their homes to put money into the scheme.

A couple of responsible financial planners told us about the scheme when clients came to see them about it. After our investigation, we concluded that despite its apparent structure, it was in fact a prescribed interest scheme. With the consent of the court, the scheme was frozen and a receiver appointed to take control of Mr Dexter's affairs and those of his companies. We wrote personally to all the investors we could locate, informing them of what had occurred and through the Financial Planning Associations offered financial counselling to those who needed it. Further investigation led to the charges being laid.

The Wattle Group story highlights that some investors do not appreciate the importance of getting a prospectus. We need to hammer that message home.

With low interest rates and low inflation, the lure of high returns is a potent force. Industry needs to educate investors about what returns can realistically be achieved without taking excessive risks. ■

Accounting surveillance

Jan McCahey, ASIC Chief Accountant, and members of the ASIC accounting team, have been involved in discussions with the national technical partners of the big five accounting firms, the technical directors of the accounting bodies, the Accounting Research Foundation and the senior accounting consultant at the ASX about the results of our accounting surveillance program. The discussions further explored some of the program's less encouraging findings.

Particular areas of concern identified by the program included lack of disclosure of plans and progress on the Year 2000 issue, and non-compliance with new disclosure requirements in relation to financial instruments.

"We are trying to promote an awareness of the problem and encourage some activity and action in an educative sense so we can minimise the problem in the future.

"We are very pleased with the willingness to accept there are problems and to take steps to fix the concerns," Ms McCahey said.

The accounting bodies have agreed to provide additional education to their members, and at least one company has arranged for in-house discussion on some of the areas of concern raised by us as a result of the survey.

The program of surveillance work undertaken last year by members of our accounting disclosure teams reviewed the accounts of 180 listed companies.

Our Office of Chief Accountant will continue to survey companies throughout 1999. ■



Jan McCahey, Chief Accountant

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Welcome to insurance agents and brokers

Welcome to our latest group of *ASIC News* subscribers – insurance agents and brokers. You have received this newsletter because you are likely to be involved with ASIC in our consumer protection role in financial products including securities, superannuation, life and general insurance, and deposit taking. Our consumer protection role covers product disclosure, intermediary licensing, conduct, investment management and complaints resolution.

ASIC News is a free publication and is

published monthly. It will alert you to things you may want to follow up with us. You can do this by contacting our Infoline on 1300 300 630 for the cost of a local call. Or you may want to use our website: www.asic.gov.au

If you would like extra copies of *ASIC News* please fill in the coupon on the back page. We appreciate your feedback and are keen to hear from you about any topics you would like us to cover. Please contact the editor, Danielle Sinani on (02) 9911 2612. ■

External complaints resolution schemes

We are inviting submissions from industry and consumer groups on our new policy proposal paper *Approval of external complaints resolution schemes*.

The policy proposals deal with the:

- reporting of systemic and serious misconduct to ASIC;
- coverage of an approved scheme; and
- independence of an approved scheme.

ASIC Commissioner Jillian Segal said the policy proposals seek to ensure that complaints schemes operating within the financial services sector will provide alternative dispute resolution procedures that are efficient, fair and encourage high-quality decision making.

The policy proposal paper follows the release of our Interim Policy Statement 139 (IPS 139) in August 1998. IPS 139 sets out how we would approve complaints schemes which consider complaints about retail investment

advisory services.

We said that we would consult with industry and consumer groups about a number of specific issues in IPS 139 before settling our final policy. These issues are developed in the policy proposal paper as a series of policy proposals relating to the activities of licensed securities dealers, investment advisers and responsible entities of managed investment schemes.

The policy proposals are also relevant to our ongoing role of overseeing complaints schemes that were previously approved by the Insurance and Superannuation Commission.

Submissions on the policy proposals are due by 5 March 1999. You can get a copy of the policy proposal paper from our Infoline on 1300 300 630 or from our home page at www.asic.gov.au ■

ASIC Speaks on Takeovers

The first of our ASIC Speaks public seminars, on the topic of takeovers, will be held in Sydney in March. We will give the same presentation in Melbourne and Brisbane.

The main speakers at the seminar will be Richard Cockburn, National Takeovers Co-ordinator and a senior operational person from the relevant regional office. ASIC Chairman Alan Cameron will introduce the new forum which is being organised through the Securities Institute of Australia lunch time sessions.

Contact the Securities Institute in your city for more information. ■

PROFILE



Delia Rickard



Peter Kell

NEW OFFICE OF CONSUMER PROTECTION

Our new Office of Consumer Protection (OCP) is headed by experienced consumer protection advocates Peter Kell, who previously worked at the Australian Consumers Association, and Delia Rickard, who recently joined us from the Australian Competition and Consumer Commission.

The OCP provides high level advice to the Commission on consumer protection issues in the financial sector. Mr Kell says, "We will promote ASIC's consumer protection role externally and internally".

"We need to educate industry and consumers to think about consumer protection when they think about ASIC," he says.

The OCP works with and supports the

Inadequate Year 2000 disclosure

There is now less than a year until 1 January 2000 when the Y2K computer bug will strike. Our recent accounting surveillance program results showed that of the 180 listed public companies whose accounts we reviewed, 104 (58%) made no disclosures in relation to the Year 2000 issue in their 30 June 1998 accounts. Very few companies made disclosures which we considered to be excellent or very good.

ASIC Chairman Alan Cameron said he was disappointed in the poor level of disclosure by most Australian companies of their plans and progress in addressing the Year 2000 computer problem.

"It is reasonable for members of companies and other people who use company financial reports to expect companies to disclose their progress in addressing the matter," Mr Cameron said.

Mr Cameron said there was a requirement for listed companies to disclose certain information in relation to Year 2000 matters to the ASX. However, disclosure of information in financial reports will make the information more readily accessible to members and other users of those financial reports.

Mr Cameron said ASIC encouraged directors to focus on providing information which is meaningful to the people who use the financial reports rather than what they may consider to be the minimum disclosures. ■

In a statement today...

We have released the answers to some of the more immediate questions from the Australian Superannuation Funds Association. The answers will be of benefit to all trustees, superannuation funds and agents, including those who were not members of ASFA.

The questions include: Do trustees making their own superannuation fund investments (including derivatives instruments such as put and call options, currency hedging, futures etc) need to hold a licence? Do trustees making decisions about which investment managers to use for investment of the whole of their superannuation funds' assets need to have a licence?

Copies of the Superannuation Questions and Answers are available from our Infoline on 1300 300 630 or the ASIC Policy page on our home page www.asic.gov.au

The Council of Financial Regulators (comprising the Reserve Bank of Australia, the Australian Prudential Regulation Authority, the Australian Securities and Investments Commission and the Australian Financial Institutions Commission), has released an updated version of its booklet *Year 2000 Preparations in the Australian Banking and Financial System*. The booklet describes the approach taken by the financial regulators in supervising the activities of regulated financial institutions in respect of the Year 2000 computer problem. It also provides an update on the status of the Year 2000 preparations of the regulated financial institutions operating in Australia. Copies of the booklet are available from the Info for Companies page on our home page www.asic.gov.au

We have issued a draft policy statement on takeover provisions in relation to warrants. Copies of the draft policy statement are available from our Infoline on 1300 300 630 or from the ASIC Policy page on our home page at www.asic.gov.au

Adviser's five years jail for \$1.4m sting

George Adler, who is already doing time on other ASIC charges, was sentenced to six years gaol starting from May (eligible for parole after 5 years). Mr Adler was charged with obtaining money by deception, over a phone, from his gaol cell – where he was serving time for obtaining money by deception.

Rolf John Schreuder, a former director of Transequity Ltd, was recently in court where he had another four months added on to the sentence he was given last year. He was charged with being involved in the management of a company while he was an insolvent under administration.

Peter Jackman received an 18 month gaol sentence (minimum 4 months) for concealing share prices and commissions relating to share sales. These charges relate to the company Split Cycle Technology.

NEW ON THE NET

Our Internet site (www.asic.gov.au) has had a face lift, with lots of new offerings and updated pages.

Investors and Consumers page

The investors and consumers page has been reorganised and features a new set of information sheets covering consumer rights in financial products, superannuation and banking.

The information sheets run through your rights as a consumer of these financial services.

Watch out for the new consumer news page! It includes the latest news about investment scams and what we are doing to protect consumers and investors.

There is also a list of useful contacts, with links to other internet sites.

Your feedback about the consumers and investors page is welcome, contact Danielle Sinani on (02) 9911 2612.

Policy statements and practice notes

From late February, policy statements and practice notes will be available under the ASIC Policy page.

Policy statements are issued by us as formal declarations of our policies indicating the way in which we will administer the Corporations Law and other legislation we are responsible for. Practice notes are issued for the guidance of practitioners on reporting and compliance matters.

Your feedback

We welcome your feedback on our internet site. You can click on the feedback flag on the site and email us or ring Julie Ward on (02) 9911 2016. ■

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