



COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



HOUSE OF REPRESENTATIVES

COMMITTEES

Corporations and Financial Services Committee

Report

SPEECH

Monday, 14 September 2009

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

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Questioner
Speaker Robert, Stuart, MP

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Mr ROBERT (Fadden) (8.41 pm)—Section 243 of the Australian Securities and Investments Commission Act 2001 sets out the role of the parliamentary committee's duties. One of them is to inquire into and report to the House on the activities of ASIC, hence the report this evening about the hearing of 17 June 2009 in the parliamentary committee's inquiry on the role of ASIC. The legislation also requires the committee to look at the operation of the Corporations Law, or any other law of the Commonwealth or indeed states as to how it affects the operation of the corporations legislation, to examine the annual report and to inquire into any questions that may arise.

The hearing on 17 June questioned ASIC on a range of issues, including short selling, market integrity, recent corporate collapses, BrisConnections, mortgage fund and cash management trust redemptions, professional indemnity insurance, ASIC's structure and budget, and of course investor education. I wish to make a few brief comments on some of the more salient issues that were covered. As the chair of the committee indicated, the committee welcomes the decision to lift the ban on covered short selling of financial stocks. The committee considers that covered short selling certainly contributes to market liquidity and price discovery and is certainly a valid feature of the Australian market.

Likewise central to the recent short selling of course was the issue of market integrity. ASIC is responsible under the law for identifying and prosecuting any instances of a lack of market integrity. ASIC told the committee that its efforts to improve market integrity have included expanding enforcement teams, working closely with the ASX, checking market activity and a website for people to lodge complaints. There have been no prosecutions to date, though ASIC told the committee that Project Mint was a work in progress and that it had already produced and commenced a range of deterrent works.

The last 12 months in particular have seen a range of market volatility, resulting in a range of corporate collapses. To date insolvencies have included ABC Learning, Allco, Babcock and Brown, Great Southern, Octaviar, Timbercorp and Storm Financial. Some \$23 billion has been lost through those. Another \$39 billion has been lost through 11 entities that have also seen their market capitalisation collapse. All in all, a figure

of \$73 billion, or 6.2 per cent of GDP in 2008, has been lost through a range of corporate collapses. Whilst perhaps the most spectacular was Storm Financial, where up to \$4 billion of investors' money has been lost, it is important to understand that \$73 billion in value has been wiped out through a range of collapses. That is a significant amount considering that in the wake of the 1987 stock market crash around \$20 billion, or 5.4 per cent of 1989 GDP, was wiped from balance sheets.

As this House would be aware, the Parliamentary Joint Committee on Corporations and Financial Services has commenced a full-blown inquiry into the collapse of Storm Financial, Opes Prime and other related entities. The committee has received more than 400 written submissions to its inquiry into financial products and services, and the majority of these relate to Storm Financial. This is an ongoing inquiry that is coming to its natural conclusion and should report, all things being equal, by the end of the year. I see the chair of the committee nodding from across the House.

Likewise, the committee tabled its report on aspects of agribusiness managed investment schemes on 7 September and made two very specific recommendations with respect to ASIC—that the government amend the Corporations Act to require ASIC to appoint a temporary responsible entity in the case of collapse and, of course, a requirement for agribusiness MISs to disclose qualifications and accreditation of third parties that provide expert opinion. The committee takes its oversight role of ASIC seriously and looks forward to continuing that oversight role to ensure that the regulatory body of ASIC, which now governs all areas of financial services with the bill going through the House to deal with margin loans and the like, continues to play that fundamental role we need it to play in our society.

The DEPUTY SPEAKER (Hon. DS Vale)—Order! The time allotted for this debate has expired. Does the member for Oxley wish to move a motion in connection with the report to enable it to be debated on a future occasion?