

\$26M funding cut to hobble ASIC, experts say



Securities

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By [Christine Caulfield](#) | Melbourne

The Federal Government's \$26 million cut to ASIC's budget has been blasted by experts and the opposition for undermining the corporate regulator, already facing

the heat of the Banking Royal Commission.

The government is “all bark and no bite”, Labor MP Matt Keogh said Thursday in response to the Australian Financial Review’s exclusive report that ASIC’s permanent budget would be reduced from \$346 million to \$320 million and investigator numbers slashed by 30.

It claims to be big on white collar enforcement, but then it hobbles the enforcer, Keogh told Lawyerly.

Experts said the move could not have come at a worse time for the Australian Securities and Investments Commission, which is already under resourced and under fire.

“At a time when the Royal Commission has unearthed how supine ASIC has been for the past 10 years, to cut ASIC’s budget doesn’t make much sense,” said Thomas Clarke, Professor of Corporate Governance at University of Technology Sydney.

“At best it’s penny pinching, at worst it is undermining the possibility of regulating the banks and exposing the behaviour we’ve seen at the Royal Commission and prosecuting it.”

ASIC has faced criticism, including from former Australian Competition and Consumer Commission chief Allen Fels, for taking the soft option with enforceable undertakings and out-of-court settlements with offending corporations.

Fels slammed the regulator in 2016 as “too cautious”, but a scarcity of resources may be partly to blame, and this week’s budget cuts could make the situation worse, experts said.

“ASIC can only carry out enforcement within its means. If you reduce their resources they may choose to not take any enforcement in some cases, or they take the action and the defendant knows that if they can make it expensive enough ASIC might be more receptive to the soft options,” said UNSW Professor of Law Michael Legg.

“If you have a party in power that does not want a lot of white collar enforcement, it doesn’t have to say it, it can just not fund the enforcer.”

The budget cuts come in the wake of the Royal Commission’s airing of multiple case studies involving serious allegations of misconduct by banks and other

financial services firms. AMP could face criminal charges for its misconduct, the counsel assisting the commission said.

Treasurer Scott Morrison said he was deeply disturbed by the hearings into AMP's conduct, which included misrepresentations to ASIC, but said he was reassured the conduct was "being pursued by ASIC and will continue to be pursued".

"What they need is resources to pursue these cases," said Prof. Clarke. "In ten years they have not brought a single criminal prosecution against the financial industry. This funding cut isn't encouraging them."

A spokesperson for ASIC declined to comment Thursday.

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