ASIC Viewpoint: Our market supervision priorities for the year ahead

To keep you informed of the emerging issues in Australia’s markets, our Market Supervision team has identified three strategic priorities for 2017–18. We encourage you to plan for the year ahead by assessing your firm’s risk management framework against these priorities.

**Strategic Priority 1: Technology, risk and resilience**

Technology and operational risk is a significant concern for financial markets. To prevent and address critical issues, you should review and refine your firm’s technology and operational systems and processes.

Cyber resilience practices can also be improved by considering the cyber risks to your business and taking appropriate action. You can do this by establishing robust collaboration and information-sharing networks to access the best defensive intelligence and technology.

For our part, we will continue to provide cyber self-assessment questionnaires to select market participants and check-in with top tier investment banks to understand changes since our last survey. Our goal is to conduct a cyber-resilience health check of our regulated population and identify common areas for improvement.

**Strategic Priority 2: Conduct**

We are continuing our focus on conduct that enhances market integrity across all market-based activities. In particular, we are asking firms to consider whether their controls are appropriate.

The handling of confidential information is an ongoing concern for us. The leakage of material, non-public information can threaten market integrity by creating information inequality. This can damage investor confidence and increase the risk of insider trading. When assessing your firm’s conduct risk, you should consider the risks identified in Report 486.

It is also important to ensure that conflicts between your firm and its clients – and between the competing interests of different clients – are properly managed. We have recently published Consultation Paper 290 which sets out proposed guidelines to manage conflicts at each stage of a capital raising transaction. It also sets out general guidelines for the structure and funding of research teams and for the identification and handling of material, non-public information.
Strategic Priority 3: Effective capital markets

We are conducting a review of market activity in the over-the-counter (OTC) sector of the market, primarily FICC and equity derivatives. This multi-year project will be undertaken while the market considers how to implement the Global FX Code and ASIC Report 525. We will use Report 525 as a reference point for our surveillance of the FX market and, where appropriate, broader wholesale OTC markets.

Our broader OTC review will consider whether you have appropriate systems and controls in place to prevent, detect and address inappropriate conduct within your organisation (including governance, supervision, monitoring and compliance measures).

Reforms to strengthen the protection of client money provided by retail derivative clients will commence on 4 April 2018. As part of the reforms, we have been given the power to make new client money reporting rules. To ensure consistent standards across the derivatives industry, we want your feedback on the proposals in Consultation Paper 291.

For more details about the focus areas for each of these priorities, head to our website.