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ASIC is overhauling agribusiness scheme regulations

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ASIC will improve agribusiness disclosure laws to help investors

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THE corporate regulator has targeted the \$8 billion agribusiness sector in an attempt to improve disclosure rules for investors following the collapse of several companies since 2008.

The Australian Securities & Investments Commission has been working on introducing an investor guide and regulatory guidance with new disclosure benchmarks and principles, after investors suffered significant losses when companies collapsed following the global financial crisis.

"ASIC's new disclosure benchmarks for agribusiness schemes are one component of a multi-faceted approach to holding the gatekeepers in this sector to account," ASIC's senior executive leader, investment managers and superannuation, Ged Fitzpatrick, says.

"Our initial focus was on surveillance of the sector when problems emerged and our investigations into the collapses of a number of agribusiness responsible entities are continuing."

In 2010, Willmott Forests collapsed owing about \$120 million, which followed the demise of Timbercorp, Great Southern, Forest Enterprises Australia, Rewards Group and Enviroinvest, since November 2008.

The new guidance for agribusiness schemes follows last week's release of a regulatory guide calling for greater disclosure of risk, and a less formal investor guide, on companies promoting infrastructure projects.

Many professional investors had lost money in unlisted projects such as the Sydney Airport Railway and the city's Lane

Cove Tunnel and Cross City Tunnel, while retail money was lost in listed stocks such as Babcock & Brown or BrisConnections.

ASIC says its aim with agribusiness is to improve the quality of disclosure available to retail investors about the schemes to maximise the chance that they will make an informed investment decision about whether the product is appropriate for them.

"ASIC has now introduced disclosure benchmarks to ensure people considering investing in agribusiness schemes are aware of the associated risks," Mr Fitzpatrick says.

"Responsible entities of agribusiness schemes must ensure people better understand what they are getting into before they invest."

The new regulatory guide outlines five benchmarks and five disclosure principles that apply to all agribusiness schemes.

Under the new rules, agribusiness schemes must disclose whether they meet the benchmarks and if not, why not.

The new disclosure rules have to be met for any product dated on or after August 1 this year.
