. is that it won't help you get your money back

What you don't know about the watchdog

■ David Huggins

The regulator of the Australian financial services industry is the Australian Securities and Investments Commission or ASIC. There are two common misconceptions about ASIC.

The first is that if you have lost money because of poor financial advice or some other reason, ASIC will help you get your money back. The second is that the financial services industry is heavily regulated.

Let's start with ASIC helping you to get your money back. That's not true. ASIC is focused on enforcing the law rather than recovering funds for investors.

It has the power to start court proceedings on an investor's behalf but this is rare.

If it does, it will be in high-profile cases involving a big number of investors.

If you don't fall into this category, there is practically no chance ASIC will help you. That means for just about anyone wanting to recover losses the only option is to start court

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proceedings or make a complaint to a dispute resolution scheme such as the Financial Ombudsman Service.

Now the second misconception: That the financial services industry is heavily regulated.

Over many years a vast amount of regulation has been imposed on the financial services industry.

That gives the appearance that standards have improved and consumers are protected but, in reality, compliance is rarely enforced by ASIC, partly because although it has a budget of $380 million and 2000 staff, it is required to regulate the activities of 1.9 million companies, the insolvency industry, the financial reporting and auditing industry, the financial advisory industry including investment banks, each of Australia's stock exchanges and the credit industry.

The number of ASIC staff directly involved in regulating the financial advisory industry, including financial planners and other financial advisers is 29.

If you keep in mind that there are at least 7500 financial planners (not counting the other advisers) you can start to understand the magnitude of the task facing ASIC. Its resources are simply inadequate.

Even more disturbing is the fact that there are only 43 people directly involved in the supervision of the funds management and superannuation industry which controls in excess of $1 trillion.

That is the industry that manages your compulsory superannuation contributions.

The financial services industry is, in a sense, heavily regulated because it is subject to a vast and steadily increasing number of compliance-related obligations.

The various lengthy documents that must be given to you when you see a financial planner are an example of how the regulatory system works in practice.

This regulation is, of course, not free. Its costs are built into the fees that you pay every time you buy a financial product or receive financial advice.

The problem with the system is that ASIC does not have the resources to ensure compliance and to take action each time the law is broken.

That means that many of the people who decide to break the law know that their misconduct is unlikely to be detected by ASIC and — even worse — that ASIC is unlikely to take action against them.

So while you may be overwhelmed by the amount of paperwork your financial planner gives you, there is no one making sure that what is said in those documents is correct.

What this means is that, unless things change, consumers of financial services need to look out for their own interests and they cannot assume that ASIC is doing this job for them.

■ David Huggins is a lawyer who specialises in resolving disputes about poor financial advice