

Subject: Senator Sherry Media Release Westpoint: ASIC compensation action
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SENATOR NICK SHERRY

Labor Senator for Tasmania

Shadow Minister for Superannuation,

Intergenerational Finance: Banking & Financial Services

***** MEDIA RELEASE *****

08 November 2007

Westpoint: ASIC compensation action

Labor welcomes today's announcement that it is to take legal action on behalf of investors in the Westpoint Group seeking compensation for their failed investments.

It is noted that in the details of claim and FAQ's for investors the potential damages are up to \$245m against directors and officers with freezing orders covering approximately \$54 million in assets. In respect of five advisors assets up to \$63.2 million with the financial capacity and their insurance arrangements, if any, unknown.

The Westpoint case is one of four major collapses to date in which over 20,000 investors stand to lose up to \$1.3 billion.

Whilst the action is welcome a number of key issues are still unanswered. They include;

- The debenture promissory note loophole of \$50,000 is still open despite ASIC writing to the government on the 24th May seeking the Howard government close it.
- Lack of effective direct regulatory oversight of the entities themselves,
- Lack of comprehensive dispute resolution and compensation regime. Some investors have received compensation via FICS however most are ineligible for this service due to the \$100,000 cap.
- Ineffective professional indemnity insurance requirements that took the Howard government over six years to act on.

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The role and actions of ASIC in its regulatory oversight of the sector since first being notified of issues relating to Westpoint up to the plan of action outlined by ASIC chairman Mr Tony D'Aloisio in May 2007.

Labor renews its call for an independent inquiry into all aspects of the collapses.

Further, Labor calls on ASIC to take action on behalf of the victims of Fincorp, A Bridgecorp.

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