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# Market SUPERVISION

With an extensive career in banking, finance, and securitisation, Greg Medcraft is continuing to make his mark on the industry through his role as chairman of the Australian Securities and Investments Commission.

Images by Scott Ehler

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Looking at emerging trends, listening to customers, and being creative are the keys to success in the banking industry. That’s according to Greg Medcraft, the current chairman of the Australian Securities and Investments Commission (ASIC), who has been in the finance industry for more than four decades. The businessman started his career as a chartered accountant with KPMG before moving into a corporate finance position with Société Générale. There he worked his way up the ranks to become director and head of securitisation for Asia and Australia, before moving to New York to work as the managing director and deputy global head of financial engineering.

After less than three years, he was promoted to Société Générale’s global head of securitisation, a position he held from 2000 to 2007. While living in the US, Greg

co-founded the American Securitization Forum in 2002, an industry group with the aim of enhancing and improving the market by adhering to the core principles of advocacy, consensus, and education. In 2008, he returned home and became the CEO and executive director of the Australian Securitisation Forum, then joined ASIC 13 months later as a commissioner. In 2011, he was appointed chairman of the group for a five-year tenure, which finishes in May next year.

“My time at ASIC has been really exciting,” he says. “I’ve taken the approach to do the best that I can with what we have, and I think that we’ve developed a very clear strategy about how we want to do things here at ASIC. We have made sure that we’ve communicated that to those we regulate, and that the strategy is integrated through the business plans and performance management.”

Coming from a working-class background, Greg says he was the first in his family to finish school, and credits education as the key to his career success. “I remember I was so excited when finally university education was made free and I had the opportunity to go,” he recalls. “That was the building block, I think, because getting an education gives you great opportunity. What I learned is it is all about hard work, being disciplined, being focused, and having a strategy and a vision for what you want to do. It shapes how you approach things. I remember the first time I had a deal go wrong and a senior banker said to me that the greatest experience you can have is to actually have a loan go bad and have to get the money back. That’s how you learn.

“As well as education, I think success is equally about hard work, discipline, and self-motivation. Sometimes it is luck, but also >



sometimes you've just got to do it yourself. It's basically up to the person concerned to take advantage of opportunities that are presented."

As Australia's corporate, markets, and financial services regulator, ASIC sets out to ensure the industry is fair and transparent while being supported by confident and well-informed investors and consumers. It is an independent body of the Commonwealth Government. Greg believes that in order for the organisation to operate effectively, it must be proactive, forward thinking, and courageous.

"I think you've got to be courageous if you want to be a good regulator, because you've got a wonderful opportunity to make a difference, so that's what I've certainly sought to do. Our focus is to allow businesses to try and harvest economic growth opportunities from this, while also mitigating the risks to investor trust and confidence and market integrity. We want to be able to make sure that we never actually

threaten investor trust and confidence and market integrity. The outcome we are looking for is always the same. It's a continuum being at ASIC: you're a custodian for a short time, so making sure you do the best you can with the resources you have is critical.

"There are four things which I have really applied during my time with ASIC. The first is to have a very clear strategy and to make sure that strategy rolls down throughout the whole organisation, so that essentially we're all working in the same direction. The second is to make sure there is very good communication from the top through to the bottom so that there is no doubt about the strategy and how things are done. The third is that it's important in an organisation to have good accountability and sanctions if expectations are not met. Going along with that is the fourth thing, which is to make sure you have empowerment. I have never been a micromanager; I believe in people having clear goals, and equally having good accountability and empowerment. I think that is important.

"I think the most important thing about a good leader is that they have a strong, authentic character. The qualities of a good leader are threefold. One is that it's about having resilience. The best leaders are those who have perhaps failed and recovered and can actually empathise with people when they don't succeed. Two is having personal discipline. A leader needs to face challenges head-on and have a clear strategy for doing so. Third is the ability to work as a team. At the end of the day, unless you can work as a team, you will never achieve anything. So I think that is quite important. You need to get the best out of your team, so



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you also need an ability to communicate effectively."

Greg leads in a way that instils a feeling of empowerment among his staff, and this is something he has focused on since day one. "When I first came, we used to manage through headcount, and now we manage through budgets and dollars. I don't micromanage that, but no-one's allowed to go over budget. That's important. We have the three 'B' words: business plan, budget, and behaviour. Our behaviours are really important; and accountability, professionalism, and teamwork are all values that we set when I became chairman. Making those simple so that I can repeat them and so that other people can repeat them is important because they are the drivers of the outcomes we get at ASIC."

During his term, Greg has been happy with the way ASIC has matured to become more resilient and digitally savvy. He is positive about the government's consideration of the Financial System Inquiry, including a recommendation that ASIC's regulatory activities be funded by industry, and believes ASIC will continue to integrate more flexible digital tools in its operations as time goes on.

"The FSI also recommended a review of penalties," he adds. "Making sure we've got the right level of deterrents is important in a free market. Furthermore, I've been a big fan of what the government has been doing to support market mutual recognition and the Asia Regions Funds Passport schemes."

Earlier this year, ASIC launched its Innovation Hub, an initiative that Greg has also been incredibly proud of. He says fostering an environment that facilitates innovation to create and share greater value with customers in financial services and markets is crucial.

"The reason for the hub is so we can try to facilitate new ideas," he explains. "I think that is important,



to have a culture where we are receptive to new ideas. We do have flexibility; we can provide relief from the letter of the law where appropriate."

ASIC has had a strong relationship with the Australia-Israel Chamber of Commerce (AICC) for many years and regularly looks to its innovative peers in Israel for inspiration. Greg believes Israel is a global leader in innovation and is impressed with the progress it is making in that space. "I think it's a great benchmark for any country. Having ideas and being able to export them, and having a culture which allows people to take risks, is important.

"At the end of the day, market regulators are not opposed to people taking risks; we've got to enable risk, but it's about making sure that people have trust and confidence. To take risks, you can either win big or you can lose big. Our job is about making sure that it is essentially done by people who understand what they're doing. I do think that what Israel is doing in terms of innovation is fabulous. Some of it is still a bit of an untold story and, frankly, I'm very enthusiastic about it."

Greg believes the biggest challenges facing the Australian finance industry today revolve around megatrends that have a large influence on the sector. These include digitisation and cyber resilience. "Those two things go together and present opportunities and risks," he

explains. "Secondly, there is structural change, which is basically savings moving out of the banking system and into the funds management system as a result of retirement saving accumulating away from banks. Most of that is in capital markets, which is what we regulate, whether it be debt equity, capital markets, or funds management. The third trend is globalisation, which is a fact of life and is going to continue.

"Probably the fourth thing which I think is a challenge at the moment is the issue of longevity risk in financial services. People are living longer, and what does that mean for time and savings—adequacy of savings, financial products, and so on. Something else that is just starting to come on the radar as a business risk is climate change. I think people in the finance industry are starting to think about how that risk will affect it.

"There are more things, but I think they are the top few and they intersect with one another. You always want to be looking at emerging trends, and you've got to be watching what's happening around the world. You've got to be looking at where the trends are to identify opportunities and risks.

"I think the greatest thing I've learned is that as an industry group, equally you've got to be proactive and forward looking. It's like running a business: you've got to be focusing on emerging risks and trends, and you've got to be ahead of the game." •