

## **Parking ticket-style fines for non-compliance**

Parking ticket-style fines for non-compliance with disclosure regulations seem certain following confirmation from the Federal Government that it remains committed to the concept flagged in a discussion paper last September.

Federal Treasurer Peter Costello told Federal Parliament in the past fortnight the coalition government wants to give the Australian Securities and Investments Commission the ability to hit companies with fines for failing to meet expected standards of disclosure.

He said the law pertaining to corporations already requires disclosures related to executives and more regulations are set to be issued by the Australian Stock Exchange to demand greater disclosure.

“The way in which company law operates is that a person who invests in a company – and nobody is forced to invest in a company; people choose whether or not they are going to invest in particular companies – gets a right to determine the directors,” the Treasurer said. “The law requires the disclosure of the remuneration of the top five executives. I believe the Australian Stock Exchange is about to release listing rules which will heighten the requirements to actually disclose.”

The Treasurer said the government believes the ASIC have powers to issue infringement notices in response to a contravention of disclosure regulations.

“If they want to contest it, they can take it off to a court, but they will be able to do that on the spot, which we think will heighten the disclosure. I have indicated before that the government believes that the appointments it has made to the Telstra board are people of due diligence, that they have been conducting their duties properly.”

His comments on remuneration were contained responses to questions from the Federal Opposition related to both the activity on the board of AMP and also board appointments to telecommunications giant Telstra.

Shadow Treasurer Bob McMullan asked whether the Federal Government was using the same measuring stick of governance that applied to full-caste public corporations regarding remuneration practices.

“Isn't it the case that Telstra uses some of the practices which have been exploited in the recent flood of excessive golden handshakes, including fixed-term contracts which would be paid out in full if terminated early and special options for senior executives and directors?” asked McMullen.

“As the majority shareholder in Telstra, why isn't the government taking its own advice and taking action to ensure that contracts for Telstra directors and senior executives do not contain provisions which have the potential to lead to excessive payouts?”

Treasurer Costello told the Federal Parliament that the government did not engage in any unilateral appointment of directors or the unilateral setting of remuneration levels.

“The government – not exclusively but along with other shareholders – are responsible for the appointment of the directors. The directors who are operating Telstra have the confidence of the government,” the Treasurer said.

“We believe that they are reputable and are properly managing the affairs of the company. The directors in turn, in compliance with the law, are responsible for remuneration. They have to disclose that remuneration because Telstra is a listed company.”

Treasurer Costello pointed to the absence of requirements to disclose particular types of remuneration for entities that do not fall within the Corporations Act.

“Incidentally, if Telstra were not in the private sector, you would not have to disclose the salaries under the Corporations Law,” the Treasurer said.

“I mention in passing that, if the Labor Party had had its way, Telstra would not be subject to those requirements, because the Labor Party opposed the equity in Telstra and bringing it onto the Stock Exchange.”

This article was supplied by Tom Ravlic. Tom is a financial journalist who has spent the past seven years covering the accounting profession, accounting and audit standard setting and corporate governance. His work has appeared in various publications including *Business Review Weekly*, *Personal Investment* (now *Personal Investor*), *The Age*, *CFO Magazine*, the *Australian CPA*, the *Company Director Journal* and the newsletters of the internationally renowned Lafferty Group. In addition to his freelance commitment to a wide range of publications, Tom has recently accepted an appointment to be editor of *Chartac Accountancy News*, published by Melbourne-based publisher Crown Content.