

NACC drops ‘corruption’ probe into former ASIC deputy chair Karen Chester

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Former ASIC deputy chair Karen Chester appears before an Economics Senate Inquiry at Parliament House in Canberra. Picture: Martin Ollman/NCA NewsWire

The former deputy chair of the corporate regulator Karen Chester will not face a full investigation by the National Anti Corruption Commission, with the agency revealing a preliminary probe “did not confirm the existence of a corruption issue”.

In its decision published on Thursday, the NACC said it was “clearing the air” surrounding Ms Chester, who previously held a senior role at the Australian Securities & Investments Commission.

This is the first time the NACC has attempted to publicly rehabilitate the reputation of a subject of an investigation.

The NACC said it was taking this step in a bid to protect Ms Chester’s reputation “when the fact that a referral has been made about a person has been publicised, and the Commission decides not to investigate it”.

The agency said it had conducted a preliminary investigation of Ms Chester after a referral against the public servant in August last year alleging the former ASIC deputy chair “shared market-sensitive information with Mr John Hempton via an encrypted messaging application”. Mr Hempton is the boss of short-selling firm Bronte Capital.

Independent economist and ASIC critic John Adams made the referral against Ms Chester.

“It was claimed this conduct resulted in unfair market advantages and undue financial benefits to some companies and individuals, while also resulting in losses for others,” the NACC said.

“The referral also alleged that Ms Chester acted improperly by deleting the messages.”

The NACC said it probed the issue as part of its efforts to confirm the existence of a corruption issue.

“The Commission, exercising its preliminary investigative powers, requested and received extensive information from various sources relating to the conduct alleged in the referral,” the NACC said.

The agency said it probed “available” records of phone and email communications and messages between Mr Hempton and Ms Chester.

The NACC said its investigations “did not uncover any evidence that Ms Chester shared market-sensitive information, or any other official or sensitive information, with Mr Hempton”.

“In addition, there was no evidence that Ms Chester has improperly deleted messages or other official records. ←

“No findings have been made by the Commission in relation to Ms Chester or Mr Hempton.”

Messages between Ms Chester and Mr Hempton, published under Freedom of Information, show the Bronte Capital boss sent Ms Chester a number of messages on WhatsApp.

The two had previously worked together at Treasury in the 1990s.

Mr Adams said he accepted the decision of the NACC, but noted “questions remain as to what methodology did the NACC deploy and what evidence did the NACC review in coming to its decision.”

The NACC said it was revealing normally tightly held information concerning an investigation due to publicity about the matter.

The referral was raised at a June Senate Estimates hearing after moves by the NACC to seek legal advice concerning Ms Chester [were revealed in The Australian in February](#).

This was confirmed through documents provided under FOI.

The Australian did not suggest any corruption, only that the NACC was probing a referral.

In a letter at the time, Ms Chester’s then-lawyer Gilbert and Tobin partner Janet Whiting warned she had “confirmed that your position includes incorrect information” after demanding The Australian supply the former ASIC deputy chair with the documents obtained under FOI.

“I am able to advise that we have reason to believe you have inaccurate information. We are in communication with the NACC and are awaiting information from them,” she said.

Ms Whiting also disputed suggestions the NACC had sought legal advice regarding Ms Chester, noting the NACC had advised her “this is not true”.

This is despite documents released under FOI showing the NACC said its staff had “put in a formal request for legal advice to address the question”.

Ms Whiting no longer acts for Ms Chester. Her current lawyer, HWL Ebsworth partner Nicholas Pullen, has been contacted for comment.

The NACC reports it is currently conducting 32 preliminary investigations into matters before it, with only one matter closed with no corruption issue arising.

Another 29 matters are currently under investigation, including eight joint investigations.

The NACC is also overseeing 17 investigations by other agencies.

A further 494 referrals are currently pending assessment.