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Banks aren't Super

Bank failures in 2017: 480 million reasons to keep the banks out of super

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Banks Aren't Super

Bank failures in 2017. 480 million reasons why the Banks can't be trusted with your Super.

Independent research found that Bank scandals and rip-offs have cost Australian workers more than \$480 million since 2015.¹

The ACTU has collected a list of just some of the scandals, controversies and excesses of the big banks reported this year. The Turnbull Government is trying to push through its changes to superannuation law which would open the door to let banks profit from your super.

They are attacking not for profit retirement incomes by trying to kick workers' representatives off of superannuation boards, and imposing regulation on industry funds that the banks don't have to abide by.

This is the government doing the banks' bidding. The banks want control of super, and the Turnbull Government trying to let the fox into the henhouse.

After years of scandals, most Australians are deeply concerned with the behaviour of the banks. The big four banks are all currently under investigation for money laundering and ripping off workers' super.² Commonwealth Bank is also alleged to have breached terrorism-financing laws, denying fair life insurance payouts and more.³

If Turnbull passes these laws, workers' retirement incomes are at risk. Bank-owned funds perform worse than industry funds which means less in retirement. Bank-owned funds even ripped off their own customers by \$200 million.⁴

This snapshot of the big bank scandals, controversies and excesses in 2017 alone shows why Turnbull's misguided reforms need to stop.

Minister for Financial Services, Kelly O'Dwyer has stated that her aim is for industry super's governance to be the same as the banks.⁵ This would be a disaster for working people, and would mean that workers would retire with less.

We need to keep the banks out of super.

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ANZ

20 February 2017

Share Investing Limited (an ANZ subsidiary company) has paid a penalty of \$130,000 to comply with an infringement notice from the ASIC Markets Disciplinary Panel (MDP). Share Investing Pty Ltd is a subsidiary of ANZ.

The MDP found that Share Investing ought to have identified the inconsistencies and suspected that the client placed orders with the intention of supporting or maintaining the price of the shares and creating a false and misleading appearance of active trading or with respect to the market for, or price of, the shares.⁶

15 March 2017

ASIC accepts enforceable undertaking from ANZ to address "inadequacies" in wholesale FX business. ASIC is concerned that between 1 January 2008 and 30 June 2013, ANZ failed to ensure that its systems and controls were adequate to address the risks relating to instances of inappropriate conduct identified by ASIC.

ANZ employees:

- On a number of occasions, disclosed specific confidential details of pending customer orders to external third parties and identified customers using code names;
- On at least one occasion, an ANZ trader exchanged with an external market participant confidential and potentially material information about other institutions' customer flow or proprietary positions (including information regarding likely directional flow at the WM/R London 4pm fix, which was potentially inconsistent with the proper approach to market making or hedging). Following the receipt of such information, the ANZ trader acquired a proprietary position in a currency prior to the WM/R London 4pm fix
- on a number of occasions, ANZ employees responsible for managing particular client orders traded "in a manner which was potentially inconsistent with a proper approach to market making or hedging"

ASIC was concerned that ANZ did not ensure that its systems, controls and supervision were adequate to prevent, detect and respond to the conduct outlined above, which had the potential to undermine confidence in the proper functioning and integrity of the market.

Under the enforceable undertaking, ANZ will implement a program to prevent, detect and respond to (1) disclosures of confidential or potentially material information or (2) inappropriate order management and trading while in possession of confidential or potentially material information.

Further points:

- ASIC will appoint an independent consultant to oversee the program and its implementation
- The program will incorporate changes already made by ANZ as part of ongoing reviews of its businesses
- For 3 years after the implementation of the program, ANZ will provide to ASIC an annual attestation from its senior executives that the systems and controls in its spot FX and non-deliverable forwards businesses are appropriate and adequate to effectively manage conduct risks relating to specified matters

- The program will be subject to annual internal reviews and assessment by the independent consultant for 3 years
- ANZ will make \$3m "community benefit payment" to Financial Literacy Australia.⁷

19 May 2017

ANZ has paid or offered \$43,818,571 of an estimated total \$52,431,572 (excluding interest) in compensation for failing to provide general or personal financial advice to customers while charging them ongoing advice fees.

The largest component of ANZ's compensation program related to fees customers were charged for the 'Prime Access' service where ANZ could not find evidence of a statement of advice or record of advice for each annual review period.

ANZ also found that approximately a further \$7.5m additional compensation was payable to Prime Access customers for ANZ's failure to rebate commissions in line with its agreement with customers.⁸

16 June 2017

Robert Hutchinson, an authorised representative of RI Advice Group Pty Ltd (a subsidiary of OnePath and ANZ) from 14/5/2007-30/11/2012 has been permanently banned from providing financial services.

Between January 2011-November 2012, Hutchinson dishonestly:

- Banked cheques directly into his personal account that were received from his clients for advice fees. He knew he was in fact required to remit or report them to RI advice. He then deducted additional fees from his clients' investment platform or financial product for payment to RI advice.
- Banked directly into his personal account cheques from clients for advice fees and then failed to record the receipt of the cheques in RI Advice's payment system

Mr Hutchinson misled or deceived his clients by failing to disclose to them that they had been double charged advice fees and failed to comply with the proper process for remitting and reporting the fees. He misled or deceived RI Advice by failing to disclose that he had deposited the advice fees into his own account and did not comply with RI Advice's relevant fees policies and procedures.⁹

16 June 2017

ANZ paid \$41.8m to its senior executives in the 2016 financial year.¹⁰

10 August 2017

ANZ will pay an additional \$10.5m in compensation to 160,000 superannuation customers for breaches within the OnePath group between 2013 and 2016 mainly in relation to incorrect processing of superannuation contributions and failing to deal with lost inactive member balances.¹¹

14 August 2017

ASIC has banned financial adviser Travis Bryon McLean from providing financial services for 5 years. ASIC banned Mr McLean after reviewing his files relating to the period that he was an authorised representative of Millennium3 Financial Services Pty Ltd (2006 to 2014). ASIC also reviewed Mr McLean's files relating to his subsequent employment. Millennium3 is a financial advice business owned by ANZ.

ASIC found that Mr McLean failed to act in his clients' best interests when providing advice and that he failed to comply with several financial services laws. The surveillance of Mr McLean found that he failed to:¹²

- Provide sufficient detail in Statements of Advice to enable his clients to make informed decisions about his advice;
- Keep proper records;
- Make reasonable enquiries into clients' relevant objectives, financial situation and needs;
- Determine if the amounts of insurance cover he recommended were appropriate and if premiums were affordable; and
- Conduct a reasonable investigation into the financial products that might achieve the objectives of the clients.

22 August 2017

Home owner Carlene Stafford said that she received an unsolicited phone call from a developer in 2012 to borrow \$445,000 to buy an investment property in Queensland. The application for a loan with ANZ was filled out by her broker and she wasn't aware at the time that the bank's own estimates left her with less than \$10 each month after repayments and expenses. She is being forced to sell the property and the bank is taking possession of her house.

ANZ CEO Shayne Elliott met with Ms Stafford in Perth and has since reached an agreement on her debt. ANZ "conceded that Carlene was targeted by aggressive sales tactics by the broker and developer" in a statement, according to the ABC in its Four Corners episode that aired on 21 August 2017.¹³

23 August 2017

ASIC has permanently banned former financial adviser Neil Bruce Trower from providing any financial services. Mr Trower is a former representative of Millennium 3 Financial Services Pty Ltd, which is ultimately owned by ANZ.

ASIC found that between August 2015 and December 2015 Mr Trower:

- Had not complied with a financial services law by failing to give a number of his clients a Statement of Advice, as required, at the time he provided them with oral financial advice; and ;
- Applied the signatures of a number of clients to both internal and external documents in order to pass internal compliance.

ASIC also found Mr Trower's conduct to be dishonest because he did not tell his clients that he had applied their signatures to documents and then submitted the documents to the internal audit team knowing that the team would rely on the documents as being genuine during the conduct of the audit.¹⁴

Commonwealth Bank of Australia

14 and 20 January 2017

An ex-CBA client, (the estate of) Raymond Kataryna is pursuing CBA over \$68,000 compensation through CBA's open advice review program.

While in 2012, the Financial Ombudsman found in favour of the bank, this was due to insufficient evidence to support his claim.

A key part of Mr Kataryna's claim is that he was given personal advice by a bank teller. CBA has since acknowledged some instances where Mr Kataryna likely received inappropriate advice.¹⁵

Mr Kataryna had sought compensation from CBA after he lost thousands of dollars as a result of putting a \$500,000 cheque (from the sale of an investment property) into a cash account instead of his superannuation.

He claimed he was recommended the asset allocation but CBA denies this, saying Mr Kataryna himself had directed the move.¹⁶

2 February 2017

Bankwest, a division of CBA has refunded \$4.9m to 10,800 customers after it failed to take into account customers' offset accounts when interest on home loans.¹⁷

8 February 2017

CBA will pay \$23m in compensation to customers who received bad advice from staff at the centre of the bank's financial planning scandal.

Over 8,600 customers who received advice from financial planners involved in the CBA financial planning scandal registered with the bank's review program. The program covers customers who received advice between 2003 and 2012.¹⁸

21 February 2017

CBA is investigating allegations that it underpaid compulsory superannuation payments to part-time workers working above initially agreed hours. Over 7000 part-time staff are owed millions of dollars in unpaid superannuation entitlements, according to legal advice.¹⁹

3 March 2017

During a parliamentary inquiry into the life insurance sector in February 2017, committee members were told of lists used by large institutions to limit the number of rival-owned products available for their financial advisers to sell to customers.

Simon Swanson, managing director of the life insurance startup ClearView said, "APLs [approved product lists] are key to the big verticals controlling and forcing sales flows into their own products".

Approved product lists linked to CBA and its Colonial First State dealer groups Financial Wisdom, Count and Commonwealth Financial Planning give its advisers a minimum of three insurers to offer customers- Commlnsure, TAL and Asteron (a Suncorp company).

More senior advisers in CBA-linked businesses are allowed an approved product list that has six insurers on it.

Advisers do have the option to refer customers to any provider in the market, but they must gain one-off approval from a senior and explain why it would be in the customer's best interest.²⁰

7 March 2017

CBA is against publicly listing bad behaving executives.

CEO Ian Narev told Senate estimates that a register of executives naming them and the section of the Corporations Act they have breached would not be appropriate because it may have unintended consequences including naming people who have not had a role in the breach and would not lead to accountability.

He said that it would be more appropriate to include consequences for executives in the bank's annual remuneration report.²¹

7 March 2017

No CBA executives were fired for issues in the bank's financial advice division, the Commlnsure unit or in the markets department, following CBA entering into an enforceable undertaking with ASIC (over its foreign exchange traders front running orders on personal accounts and client stop loss orders).²²

15 March 2017

CBA apologised to over 7,000 part-time employees for failing to pay their full superannuation entitlements, including the lowest paid.

It has commenced internal review to pay out current and former employees still owed money.²³

23 March 2017

Commlnsure media release

Commlnsure has paid \$2.5m to 17 eligible customers following it continuing to use a definition of 'heart attack' not consistent with the majority of the industry, resulting in 17 claims being denied between May 2014 and March 2016.

Commlnsure will pay claims back to October 2012.²⁴

Deloitte report

The Deloitte report investigating the Commlnsure scandal was released in February 2017. It examined 797 declined claims (or 20% of denied claims).

It concluded that it did not identify any systemic issues relating to historically denied claims and did not identify any evidence that the current and planned improvements to the claims handling processes are designed in a way that could systemically deliver poor customer outcomes.

It did not interview the customers or their families and relied only on the CommInsure files. Deloitte also considered a claim denied under an outdated definition was an appropriate outcome.

In its report, Deloitte said that data issues restricted its ability to make statistical conclusions in relation to the review.²⁵

Review of claims

The reviewed claims were skewed. 98% of retail death claims, the least contested area, were reviewed while 10% of TPD claims were reviewed, the most contested area. TPD is known for having the highest denial rate across the industry, according to Josh Mennen of Maurice Blackburn. CBA denies all of these claims.²⁶

28 April 2017

CBA has bowed to public pressure and removed contract terms allow it to put small business borrowers into default, even if they have not missed a repayment. It will pledge to remove contract terms that allow "non-monetary defaults" by small business customers who have borrowed up to \$3m from the lender. Non-monetary default clauses put the party into default even if they have not missed a repayment, for example if the loan-to-valuation ratio falls when the bank revalues the property.²⁷

19 May 2017

CBA has paid (or offered) \$5,850,827 of (an estimated) \$105,637,587 in compensation for failing to provide general or personal financial advice to customers while charging them ongoing advice fees.²⁸

27 May 2017

HESTA, TWU Super, Care Super and NGS Super have stopped using CommInsure following allegations that CommInsure was using outdated definitions and denying substantial amounts of death and TOP claims.²⁹

16 June 2017

CBA paid \$52.4m in bonuses to its 12 senior executives in the 2016 financial year. Chief executive Ian Narev received \$12.3m. CBA faces the smallest tax burden of the big four banks only \$220m, despite being the largest company in Australia.³⁰

16 June 2017

CBA has paid out \$23m (covering 1641 cases and out of a totally of \$29.1m) as at 31 May 2017 in compensation to customers who lost out as a result of its poor financial advice or incorrectly imposed fees. The review is part of its "Open Advice Review Program". It aims to finalise the remaining 545 cases over the coming months.³¹

24 July 2017

Small Business Ombudsman Kate Carnell concluded the Commonwealth Bank of Australia mistreated a Queensland property developer after she was introduced to its bankrupt former CEO by Liberal MP Warren Entsch who had been the failed company's chairman.

CBA has accused Ms Carnell of deliberately leaking a report about its involvement with now defunct Cairns business CEC Group to 60 Minutes.

CEC's former CEO alleges that CBA engineered CEC's default. He says that the bank was initially very supportive of the business and then changed its mind, forcing CEC to sell assets.³²

3 August 2017

AUSTRAC initiated civil penalty proceedings in the Federal Court against CBA serious and systemic non-compliance with the Anti-Money Laundering and Counter-Terrorism Act 2006. The proceedings allege over 53,700 contraventions of the Act:

- CBA did not carry out any assessment of the money laundering and counter terrorism financing risk of their Intelligent Deposit Machines before their rollout and took no steps to assess that risk until mid-2015. This was required by the program that CBA had established itself under the requirements of the Act. CBA failed to comply with its own AML/CTF program.
- For 3 years CBA did not comply with requirements to adequately monitor transactions on 778,370 accounts
- CBA failed to give 53,506 threshold transaction reports to AUSTRAC on time for cash transactions of \$10,000 or more through IDMs from 11/2012 to 09/2015
- These transactions represent approximately 95% of the threshold transactions that occurred through CBA's IDMs and had a total value of approximately \$624.7m
- The bank failed to report suspicious matters (either on time or at all) involving transactions totalling over \$77m
- Even after CBA became aware of suspected money laundering or structuring on CBA accounts, it did not monitor its customers to mitigate and manage the risk, including the ongoing money laundering and counter terrorism risks of doing business with those customers.³³

AUSTRAC alleges that even after CBA became aware of suspicious activity, including being told about it by the AFP, it appears to have permitted accounts to remain open and for transactions to continue flowing through them.

Each breach of the Act carries a maximum penalty of \$18m and a potential fine of \$960bn.³⁴

15 August 2017

One of the money laundering syndicates linked to the CBA compliance scandal worked with drug smugglers who imported methamphetamine worth \$315m, the largest Ice seizure in WA history. The Syndicate used CBA to launder more than \$21m according to AUSTRAC.³⁵

8 August 2017

Two CBA shareholders, have launched legal action against CBA alleging that it failed to adequately disclose climate change risks in its annual report.

Specifically, they allege that CBA inadequately disclosed the risk climate change posed to its business in its 2016 annual report and in doing so, breached the Corporations Act by failing to give a true and fair value of its financial position and performance. They also allege that the 2016 did not inform investors of climate risks.³⁶

8 August 2017

CBA's entire group executive team will have their short-term bonuses cut for the 2016/17 financial year, their pay halved and part of their long-term bonuses clawed back.³⁷ Chief executive Ian Narev will have his pay cut by 55%.³⁸

His pay was docked from \$12.3m to \$5.7m.

9 August 2017

Anti-money laundering regulators in New Zealand including the Reserve Bank of New Zealand are questioning CBA's New Zealand subsidiary ASB Bank over the use of its smart ATM machines similar to those allegedly exploited by criminals in Australia.³⁹

9 August 2017

CBA announced a full year after tax profit of \$9.93 billion which is a 7.6% rise from the previous year's profit. The rise in profit comes as Australia's biggest bank faces allegations its intelligent deposit machines were used by money launderers and criminal gangs.⁴⁰

10 August 2017

ASIC is considering pursuing legal action against CBA that would allege that CBA's directors breached their duties to protect the company's reputation when responding to AUSTRAC warnings the institution was being used for money laundering.⁴¹

13 August 2017

There is speculation that CBA may outline further punitive measures for current and former employees in its annual report to be released on Monday 14 August 2017 including clawbacks for the long-term incentives.

Questions have been asked about whether former bank employees will suffer any claw back of long-term incentives such as rights to shares on account of the oversight happening on their watch.

The Australian Financial Review reports the following information about two ex-CBA employees:

The Chief Risk Officer 2008-June 30 2016:

- Paid \$4.6m in 2016 including \$752,091 cash bonus, plus an identical amount that was deferred for 12 months
- Retains 141,000 rights to CBA shares worth \$11.5m which will vest over the next several years
- According to the 2015/16 annual report, he was to continue working for CBA on "quantitative analysis" for two years

The Chief Financial Officer 2006-2017:

- Paid \$4.6m in 2016 including \$812,044 cash bonus and identical payment deferred for 12 months to 30 June 2017- second highest-paid executive at CBA
- Retains 135,835 rights to CBA shares worth \$10.9m which will vest over the next several years
- He also holds another 178,000 ordinary shares worth \$13.7m (according to 2015/16 annual report).⁴²

14 August 2017

CBA's chief executive Ian Narev will depart the bank from 1 July 2017.⁴³

14 August 2017

Commonwealth Bank will refund approximately \$10 million to over 65,000 customers after selling them unsuitable credit insurance between 2011 and 2015. The customers were sold 'CreditCard Plus' insurance for credit card repayments, when they were unlikely to meet the employment criteria (i.e. they were unemployed or were students with lower credit limits) and would be unable to claim the insurance. CBA is also refunding approximately \$586,000 in premiums to approximately 10,000 customers after it over-insured those customers for Home Loan Protection CCI taken out with a CBA home loan, resulting in the overcharging of premiums.⁴⁴

15 August 2017

CBA released new details of serious cases of systemic failings within the business that has cost customers and employees millions of dollars:⁴⁵

1. Superannuation payments to employees. CBA has reviewed superannuation payable to employees dating back 8 years relating to 36,000 current and former employees. It will pay \$16.3m in its first tranche of payments shortly. This is approximately \$463 per employee plus interest.
2. Financial advice concerns. CBA is in discussions with ASIC over concerns that it may have given personal rather than general advice to customers during the sale of CBA's Essential Super product.
3. Credit card charges. CBA will refund \$5m to 335,000 customers relating to 4.5 million transactions dating back to 2009. The transactions concerned disputed credit card transactions. The disputed transactions themselves were correctly reversed, however certain charges associated with the transactions were not always correctly adjusted.
4. Deceased estates. CBA is investigating concerns that it may not have cancelled insurance to deceased estates dating back to 2000.

15 August 2017

Commonwealth Bank shareholders are considering the prospect of a shareholder class action. News of AUSTRAC's action against the bank wiped \$5.5bn from the value of CBA's shares on 3 August 2017.⁴⁶

19 August 2017

Peter Clark, the acting head of AUSTRAC, told Parliament on Friday 18 August that more than 53,000 of CBA's alleged breaches of non-reporting of transactions related to transactions over \$10,000. Six of the late transaction reports relate to cash transactions by five customers with links to terrorism and terrorism finance.⁴⁷

23 August 2017

US insurance group Metlife has walked away as a potential buyer from CBA's Commlnsure business concerned by the seriousness of the money-laundering and terror-funding claims faced by the bank. Metlife is reportedly concerned as well at the current leadership dramas at CBA. [Ian] Narev is leaving the bank before June next year and the composition of the executive committee is under question in the wake of the [money laundering] investigation.⁴⁸

23 August 2017

Maurice Blackburn Lawyers and litigation funders Bentham IMF have announced a potential class action against the Commonwealth Bank of Australia (CBA) on behalf of "CBA's 800,000-odd registered shareholders", who "suffered a significant share price drop on the back of the news that AUSTRAC had initiated legal proceedings against CBA alleging serious and systemic non-compliance with the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth)".

The potential class action looms as the largest shareholder class action the country has ever seen.⁴⁹

27 August 2017

ASIC has defended its decision to hand the Commonwealth Bank an advance copy of a report into its handling of life insurance claims before it was made public in March 2017. An ASIC spokesman confirmed the report and media release were provided to the CBA within 24 hours of its public release, but said it was only to "invite feedback on the factual accuracy".

Andy Schmulow, a specialist in financial regulation at the University of Western Australia said, "I question why it is that ASIC doesn't have enough confidence in its factual findings, that it feels it necessary to double check - some may say obtain the blessing of - those about whom the facts are stated".⁵⁰

28 August 2017

APRA is to establish a prudential inquiry into governance, culture and accountability frameworks and practices within CBA. The prudential inquiry will be conducted by an independent panel, to be appointed by APRA.

APRA Chairman Wayne Byres said the decision to initiate a prudential inquiry followed a number of issues which have raised concerns regarding the frameworks and practices in relation to the governance, culture and accountability within the CBA group, and have damaged the bank's reputation and public standing.⁵¹

29 August 2017

The Commonwealth Bank is tipped to face further upheaval in its senior management ranks after the banking regulator's move to put its organisational structure under the microscope. The Australian Prudential Regulation Authority's probe into CBA could also be a further dampener on the lending giant's

share price, which has already lost 8.7 per cent since an alleged money laundering scandal came to light, analysts said.⁵²

4 September 2017

The Commonwealth Bank of Australia's apparent failure to properly monitor transactions for money laundering and possible terrorism funding makes action from American regulators inevitable, say financial crime experts.

American lawyers have told Thomson Reuters that CBA was already responding to information requests from US agencies with differing mandates and enforcement agendas and the announcement of a formal investigation, a precursor to enforcement action, is now only a matter of time.⁵³

4 September 2017

Commonwealth Bank wants to move a substantial part its information technology division, including critical cyber security operations, to save costs, amid a growing scandal over its ability to monitor and report suspicious transactions. Sources said the bank was seeking substantial savings from its group-wide cyber security division, in what appeared to be a change of strategy under new head Yuval Illuz that has ruffled feathers inside the bank and led to several staff departures.

The bank has called a tender to move staff and a range of functions involved in its critical cyber-security defences to an offshore location, possibly India, in what industry sources say goes against industry practice.

The tender comes amid Federal Court action by the Australian Transaction Reports and Analysis Centre over CBA's failure to report more than 53,000 large cash deposits that may have helped facilitate money laundering and terrorism financing.⁵⁴

5 September 2017

CBA Chairman Catherine Livingstone signalled on Monday 3 September that board renewal was under way at CBA, with three directors to leave the bank, and experienced former Westpac banker Rob Whitfield recruited to the board. The changes come as the bank has battled numerous scandals including a prosecution by the money laundering regulator Austrac and the prospect of action by overseas regulators.⁵⁵

CBA shares have now lost almost 12% since Austrac hit the bank with legal action in early August.⁵⁶

6 September 2017

Litigation funder IMF Bentham has confirmed it will back a shareholder class action against the Commonwealth Bank related to alleged breaches of anti-money laundering and counterterrorism funding laws.⁵⁷

9 September 2017

Commonwealth Bank has admitted it has no idea how many copies of patients' full medical records it keeps for insurance purposes, and has warned an audit to find out would be an "impost" on its business and may not even establish an answer.

Senior executives from the bank's life insurance division, Commlnsure, were also unable to tell members of a parliamentary inquiry into the industry yesterday how much it paid doctors who complied with the company's request for patient information.⁵⁸

12 September 2017

A \$42 million legal case against the Commonwealth Bank of Australia brought by global credit card processors EWC Payments begins in the Supreme Court of Victoria today after a bitter seven-year dispute between the warring parties.

Payment company EWC, its Swiss holding company E-World, and former director Dr Matthew Starr claim it entered into an agreement with CBA to provide internet banking and merchant identity codes for its retailers and customers in 2006.

The company alleges that CBA failed to provide the necessary internet facilities and failed to monitor and maintain its systems so that the number of charge-back requests and cancelled transactions increased exponentially.⁵⁹

12 September 2017

Commonwealth Bank could be forced to hold billions more in regulatory capital after levels of risk-weighted capital fell in recent years, in contrast to rival lenders.

According to Credit Suisse, the amount of capital put aside by CBA for its risk-weighted assets is relatively low compared to rivals NAB and ANZ.

While ANZ and NAB have been increasing risk-weighted capital in recent years, CBA and Westpac have seen falling balances. "CBA is currently almost equal lowest with Westpac in terms of its operational risk RWA mix," Credit Suisse said. The analysts said CBA could face a "permanent capital impact" by being forced to put more money aside - about \$15 billion.⁶⁰

Macquarie Bank

23 March 2017

ASIC accepts enforceable undertaking from former Macquarie Equities Limited adviser Anthony Wilson not to provide financial services on behalf of himself or any other person for four years.

ASIC was concerned that Mr Wilson's advice during the period 30 July 2007 to 30 June 2013 did not meet the standards required of a financial adviser and that he had failed to comply with financial services laws.

In particular, ASIC was concerned that Mr Wilson may have:

1. Misled clients into believing that he was authorised to undertake discretionary trading in circumstances where he was not authorised to do so;
2. Caused false entries to be made in Macquarie's trading system creating the appearance that he had spoken with clients before he executed trades; and
3. Failed to ensure the advice provided to his clients was appropriate given the clients' level of sophistication, risk tolerance and objectives.⁶¹

20 April 2017

AFP investigating former head of investment banking at Macquarie, over allegations that he lied to the tax office.

Allegation: He knowingly backdated declarations to the tax office in relation to "millions of dollars" (\$2m) of share options from the 2002, 2006 and 2007 financial years. He received the share options in the course of his work as the head of investment banking at Macquarie.

The result was that he substantially reduced his income tax. He earned \$15.8m in 2006 and \$22.9m in 2007.⁶²

19 May 2017

Macquarie has entered into an enforceable undertaking with ASIC for breaches in its foreign exchange practice.

Macquarie failed to ensure that systems and controls were adequate to prevent "inappropriate conduct" in its spot FX business.

Between 1 January 2008 and 30 June 2013, Macquarie employees disclosed details of pending client orders to third parties and "confidential and material information" about the bank's own trading activities. The terms of the EU include to develop a program of changes to Macquarie's existing systems of monitoring and supervision and appoint an independent consultant to assess and implement the program. Macquarie will make a \$2m donation to The Smith Family to support its financial services operations. The move follows similar undertakings by Westpac, ANZ, NAB and CBA as part of the same FX investigation.⁶³

8 June 2017

Since the Macquarie Equities remediation program started in 2014, Macquarie has repaid approximately \$24.7m in compensation including interest to 263 clients. Some cases are still with the FOS or in court.⁶⁴

16 June 2017

Macquarie Bank says that it should escape the bank levy entirely because it provides retail banking competition and is a successful exporter of financial services. It also says that it is "not a major bank" and it delivers "world leading" low-cost digital banking services.⁶⁵

16 June 2017

Macquarie paid over \$120m in to its 12-member executive team. Macquarie's chief executive Nicholas Moore is the highest paid boss of an ASX-listed company and received an \$18.7m bonus. Macquarie Group is expected to face a tax bill of about \$50 million stemming from the bank levy.⁶⁶

21 June 2017

Macquarie faces an investor class action following allegations that some of its investment advisers artificially inflated the price of a small mining company before a sudden collapse wiped out many of its investors. Macquarie's brokers are accused of deliberately "ramping" stock in Cleveland Mining Group by playing a key role in the acquisition of a Brazilian iron ore mine project with a potential value of \$34 billion that turned out to be a worthless patch of jungle.

Lawyers for prospective claimants say that their clients "have concerns about the financial advice provided by Macquarie in relations [sic] to Cleveland Mining."⁶⁷

23 June 2017

Macquarie Securities paid a penalty \$505,000 to comply with an infringement notice given to it by the Markets Disciplinary Panel (MOP) for alleged contraventions of ASIC's Market Integrity Rules.

The MOP reasonably believed that Macquarie contravened the Market Integrity Rules by:

- Macquarie was aware of the trading and rather than adopt measures to minimise the risk of, and opportunity for breaches of the market integrity rules, Macquarie's decision to customise the parameters of the concurrent bid I offer filter, although not of itself objectionable, had created a more fertile environment for a possible breach;
- Macquarie's conduct was reckless, given that Macquarie permitted ongoing trading through Macquarie's AOP system for 39 days after a reasonable market participant in the same position as Macquarie ought reasonably have taken prompt steps to temporarily suspend the client's account; and
- The key organisational failure was the inexplicable delay of Macquarie's management in completing the Suspicious Activity Report and further failing to temporarily suspend the account until it was satisfied that it was meeting its obligations under the market integrity rules.⁶⁸

5 September 2017

A group of disgruntled clients have accused Macquarie Group of fostering a toxic culture of harassment and predatory behaviour amid claims a male stockbroker cut off the ponytail of a female assistant and another adviser took "upskirting" photos of a colleague under her desk.

In August 2017, lawyers representing the investors in Cleveland Mining Group, sent a 26-page letter to Macquarie and the Australian Securities and Investments Commission that delivered a withering assessment of the bank's alpha-male culture and slack corporate governance.

"That culture led to a workplace defined by behaviour such as rampant drug taking leading to reckless trading after lunches, sexist and chauvinistic behaviour including an adviser engaging in predatory behaviour towards a female staff member and Macquarie choosing not to terminate that adviser because of the amount of commissions the adviser earned," according to the letter from Macpherson Kelley Lawyers.

Fairfax Media has been told:

1. Desk assistants were regularly preyed upon by several brokers who were never held to account. The brokers involved in the allegations have since left Macquarie but continue to work in the finance industry.
2. One former Macquarie stockbroker used scissors to cut off a desk assistant's ponytail in 2013. At least two staff complained about the attack to an office manager, but no disciplinary action was taken.
3. In 2010, the same broker was accused of stalking another female employee outside her home, but a subsequent complaint was said to have been ignored.
4. Another broker was accused of taking photographs on a mobile phone of a female manager in 2014 as she sat at her desk in an open-plan office. The man responsible for the upskirting was asked to move desks but no formal disciplinary action was taken.
5. Another female assistant, was described as "voluptuous", and was secretly photographed by a former Macquarie adviser who then circulated the images on his phone.

A Macquarie spokesperson said that the bank treated all allegations of inappropriate or illegal behaviour seriously and said that "You have raised serious and defamatory allegations of historic and inappropriate workplace behaviour, none of which involved current staff. The allegations were either never put to Macquarie, or those that were made were reviewed and appropriate action was taken."⁶⁹

National Australia Bank

18 January 2017

A first home buyer has lost a \$41,000 deposit on a St Kilda apartment because National Australia Bank walked away from the loan at the last minute arguing the property was too small.

20-year-old Alexander Tashevski-Beckwith said he was left without the deposit he paid and is on the hook for further tens of thousands of dollars in vendor fees after the bank reneged on the loan a day before settlement.

Mr Tashevski-Beckwith's mother received a phone call from the bank at 4.30pm the day before settlement saying the bank manager who had been handling the loan had "resigned" and that it was the bank's policy not to lend to properties under 50 square metres.⁷⁰

20 January 2017

A senior planner at NAB who cheated on his third attempt to pass a basic compliance exam has been found guilty of breaching an industry code. The man was expelled in January 2017 from the Financial Planning Association after it emerged in December 2016 that he had swapped exam papers during a 2015 exam. According to the FPA Conduct Review Commission panel ruling on the matter, the man changed the answers to 26 questions after checking the exam paper of another person completing the test.

The FPA Conduct Review Commission ruled on the matter and said, "The Panel finds most of [his] explanations unconvincing and implausible as to why he changed his answers to questions ... most explanations make so little sense they also, unfortunately, give the panel little confidence as to [his] capacity to perform work as a financial planner. NAB has started a review of the man's client files."⁷¹

2 February 2017

ASIC imposed additional Australian Financial Services License conditions on NULIS Nominees, NAB's superannuation trustee, following breakdowns in internal procedures. The breaches involve a breakdown in risk management and communication procedures following the transfer in 2012 and 2013 all members of MLC MasterKey Business Super (MKBS) and MLC MasterKey Personal Super (MKPS), as well as changes made to the death and total and permanent disablement insurance of MKBS and MKPS.

Approximately 400,000 members were impacted by the insurance changes.

System breakdowns included:

- Inadequate disclosure of insurance changes to members;
- Inadequate training for staff; and
- Insurance policies not being updated.

The breach reports lodged by NULIS covered a breakdown in risk management and communication procedures. As a result of the breakdowns:

- Incorrect insurance tests were applied to MKBS and MKPS customers between May 2013 and July 2015. NULIS identified that 10 members' insurance claims were incorrectly assessed with

approximately \$1.6m of claims underpaid or declined. NAB has compensated the affected members \$1.8m (incl interest)

- NAB's wealth entities identified that over 220,000 member accounts were incorrectly charged planned service fees, of approximately \$34.7m between September 2012 and October 2016 in the MKBS and MKPS products. Members were charged planned service fees when they were provided general advice and where no plan adviser had been appointed to provide advice. NAB has confirmed that it will compensate the relevant fund members for the incorrect charge.

Additional AFSL conditions:

- NULIS must engage an ASIC-approved independent expert to assess and report on the adequacy of its compliance and risk-management practices for its retail and wrap superannuation funds.
- NULIS must inform ASIC of any recommendations it does not implement and give reasons⁷²

The Australian reports that KPMG will conduct the audit.⁷³

3 March 2017

The \$44 billion life insurance industry is under pressure to come clean on how products are sold to customers. At a parliamentary inquiry into the sector in February 2017, committee members were told of lists used by large institutions to limit the number of rival-owned products available for their financial advisers to sell to customers.

Simon Swanson, managing director of life insurance company ClearView, said that "APLs [approved product lists] are a key to the big verticals controlling and forcing sales flows into their own products" NAB Financial Planning has two insurers on its approved product list. NAB licensees Garvan, Godfrey Pembroke and Apogee have between 5 and 7 insurers on their APLs.⁷⁴

3 March 2017

Head of Wealth Management Division Andrew Hagger received 120% of his bonus for the period when it came to light that NAB overcharged \$36.5m to 220,000 corporate superannuation accounts.⁷⁵

3 March 2017

NAB Paid \$25m overall in compensation to victims of dodgy financial advice. \$7m of that went to 102 customers of one former NAB financial planner. The man was allowed to resign, paid \$185,000 and given a letter of recommendation.⁷⁶

3 March 2017

More than 1100 NAB staff were deemed to not have met the bank's code of conduct. Of these, 5 were senior managers. Two were dismissed and three faced disciplinary action.⁷⁷

55 financial planners have left NAB since 2009 for poor conduct.⁷⁸

NAB is resisting the recommendation of a parliamentary inquiry in 2016 to publicly identify executives involved in license breaches and set out the repercussions they face.⁷⁹

11 April 2017

CEO Andrew Thorburn admitted in response to a question on notice to the parliamentary committee investigating the major banks that 78% of NAB's customer-facing staff are eligible to participate in the short-term incentive program.⁸⁰

2 May 2017

ASIC suing NAB (and Westpac and ANZ) in the Federal Court over alleged manipulation of the bank bill swap rate. The matter goes to trial on 23 October 2017.⁸¹

11 May 2017

NAB chief executive Andrew Thorburn has said that the major bank tax will "impact millions of every day Australians who are employees, customers or shareholders of banks" and "a tax cannot be absorbed. This tax is borne by these people. It is not possible to impose a tax without an impact on people, and therefore the wider community."⁸²

19 May 2017

NAB has paid (or offered) \$4,641,539 of (an estimated) \$5,027,383 in compensation for failing to provide general or personal financial advice to customers while charging them ongoing advice fees. NULIS Nominees (NAB's superannuation trustee) has not paid any of the (estimated) \$34,720,614 that it owes to date.⁸³

26 May 2017

Andrew Hagger, on behalf of MLC Life, admits that MLC updated its definitions of Troponin, heart attack and others after the Commlnsure scandal came to light through Four Corners.⁸⁴

27 May 2017

NAB's hundreds-strong workforce have apparently been falsely witnessing death beneficiary forms. This practice first came to the attention of Tim Steele, General Manager, NAB financial planning in November 2016 and may go back five years.

NAB notified ASIC on 18 May, 6 months after becoming aware of the practice.

The Financial Services Union has been told that there are 17 cases currently under investigation.⁸⁵

2 June 2017

Ex-NAB financial planner Patrick Mitchell permanently banned from the financial services industry after pleading guilty to misappropriating \$2.3 million from a client.

He was sentenced to 8 years jail in March after being found guilty of 25 counts of stealing in the course of his role as a financial planner at Garvan Financial Planning, an MLC subsidiary.⁸⁶

10 June 2017

Russell Cousins is the head of Bank Victims Pty Ltd. He alleges that consumers have been misled by lenders at the big banks for more than a decade.

Mr Cousins says that the banks fail to reveal any details about the Constitution at the heart of the lenders' Code Compliance Monitoring Committee. He says this gives banks an unfair advantage in legal battles. He says the non-disclosed constitution allows banks to torpedo court challenges⁸⁷

16 June 2017

NAB paid \$35.1m in remuneration to its senior bankers in the 2016 financial year. Its post-tax levy bill is estimated at around \$250m.⁸⁸

20 June 2017

NAB financial planners are worried that the bank's review of problems with witnessing documents could result in staff being reported under a new industry-wide regime to identify misconduct. The Finance Sector Union argued that false witnessing was "normal practice" within parts of the bank.

The FSU said in a letter to NAB CEO Andrew Thorburn that incorrect witnessing had not been picked up in the bank's internal quality checks, reinforcing the idea that it was acceptable.⁸⁹

23 June 2017

The Federal Court has set aside the Administrative Appeals Tribunal's (AAT) decision not to ban Gerard McCormack, a former NAB financial Adviser, from providing financial services for five years. This was despite the AAT finding that Mr McCormack had engaged in misleading and deceptive conduct.⁹⁰

7 July 2017

NAB failed to disclose relationships between advisers, advice licensees and other members of the NAB group that issue investment products when advising customers to acquire products from, NAB-related firms (such as MLC). At least 150,000 customers received deficient disclosure.⁹¹

The conduct occurred from 2007 to 2016. ASIC said the problems were caused by a "process error" at NAB and NAB failing to update its templates. The NAB-owned financial advice businesses JB Were, Meritum Financial Group, GWN Adviser Services, Apogee Financial Planning and Godfrey Pembroke were investigated by ASIC.⁹²

17 July 2017

Clydesdale Bank (UK) is facing legal action alleging that thousands of small business customers were fraudulently mis-sold a loan product that destroyed their businesses and torched potentially billions of pounds. Clydesdale was wholly owned by NAB between 2002 and 2012.

About 8000 of the fixed-interest tailored business loans contained embedded or hidden swaps, which were not disclosed to customers who thought they were entering a simple fixed interest loan. Customers suddenly found themselves being charged interest repayments as much as three times the bank's variable rates after interest rates plunged during the GFC.

These loans were investigated by the UK regulator in 2014, which found that NAB and Clydesdale Bank had behaved badly.⁹³

17 July 2017

Aussie war heroes have lost hundreds of thousands of dollars after being convinced by a smoothtalking ex-military man to invest in property that flopped. Up to 200 soldiers and officers- one losing up to \$160,000- were persuaded to pour their danger and deployment money, earned fighting on the front line in the Middle East, into under-performing property developments, mainly in Darwin.

The man convinced diggers returning from overseas deployments to invest in the National Rent Assistance Scheme (NRAS) through property developers Zest, allegedly saying that they could double their wealth in 5 years. He was paid an average fee of \$20,000 per property from developers while NAB paid him a commission of 0.4% on any loan.⁹⁴

4 August 2017

A former NAB financial adviser has been charged with two counts of forging financial planning documents during the course of his employment at NAB.

ASIC alleges that he completed 22 false client change of adviser forms and submitted them to MLC Ltd to transfer NAB clients to his personal financial planning client list. ASIC alleges that he forged client signatures and undertook this process without clients' knowledge or authorization so that he could receive additional financial planning remuneration from NAB. He was banned in 2016 for 7 years from providing financial services and credit activities.⁹⁵

Westpac

6 January 2017

BT Financial Group had a claim rejection rate 37% in its total and permanent disability insurance claims in 2016. This is the highest rate of rejected claims in the industry.

Westpac's life insurance arm (selling insurance directly to consumers and through superannuation, and which controls about 10% of the Australian market) brought in cash earnings of \$162m in 2015.⁹⁶

9 January 2017

ASIC has taken legal action against Westpac Securities Investment Limited (WSAL) and BT Funds Management Limited (BTFM) for their telephone sales campaigns to superannuation fund members, and a number of contraventions.

According to ASIC, both WSAL and BTFM provided personal financial product advice to customers, recommending them to "roll out of their other superannuation funds into Westpac-related superannuation accounts". According to ASIC, they were not permitted to provide personal financial product advice under their AFSLs and did not comply with the "best interest" duty under the FoFA rules. ASIC also argues that they did not undertake a proper comparison of superannuation funds as required by law.

First hearing is scheduled for February in Sydney.⁹⁷

13 January 2017

An "influential" money markets trader at Westpac, has moved to a strategic advisory role in the treasury division from an active trading role (managing director, markets, risk and liquidity) in the wake of ASIC filing proceedings against Westpac' for alleged rigging of the bank bill swap rate. The man's "communications were among those littered through the regulator's case against Westpac."⁹⁸

10 February 2017

David St Pierre, a former home finance manager at Westpac has been sentenced to three years jail to be released after 6 months on a recognizance order.

He pleaded guilty to three counts of dishonest use of his position with the intention of directly or indirectly gaining an advantage for himself or others.

St Pierre submitted loan applications knowing they contained false information and were supported by false documents. He targeted elderly and vulnerable people and encouraged them to borrow large sums of money against their homes between August 2008 and July 2013. The funds were then invested in a Tasmanian property development scheme that promised 12-20% returns/year. The schemes failed but Mr St Pierre earned large cash bonuses of up to \$15,000 per loan.⁹⁹

The customers initially received monthly interest payments from the schemes but the payments stopped shortly before a liquidator was appointed on 28 February 2011. This left the customers without sufficient income with which to pay their loans to Westpac. He was permanently banned from providing financial

services in 2014. Westpac has compensated the customers who obtained loans through St Pierre in relation to the amounts invested in one of the schemes.¹⁰⁰

1 March 2017

ASIC has commenced civil proceedings in the Federal Court against Westpac for a number of contraventions of the responsible lending provisions of National Consumer Credit Protection Act 2009 (Cth) (the National Credit Act). ASIC alleges that Westpac breached the National Consumer Credit Protection Act 2009 between 12/2011 and 12/2015 by failing to properly assess whether borrowers could meet repayment obligations prior to entering home loan contracts.

ASIC alleges that Westpac:

- Used a benchmark instead of actual expenses declared by borrowers in assessing their ability to repay the loan
- Approved loans where a proper assessment of a borrower's ability to repay the loan would have shown a monthly deficit
- For home loans with an interest only period, Westpac failed to have regard to the higher repayments at the end of the interest only period when assessing the borrowers' ability to repay

The next case management hearing is on 26 September 2017.¹⁰¹

3 March 2017

The \$44 billion life insurance industry is under pressure to come clean on how products are sold to customers. At a parliamentary inquiry into the life insurance sector in February 2017, committee members were told of lists used by large institutions to limit the number of rival-owned products available for their financial advisers to sell to customers.

Simon Swanson, managing director of life insurance company ClearView, said that "APLs [approved product lists] are a key to the big verticals controlling and forcing sales flows into their own products". Westpac's BT Financial Advice advisers have access to one insurer on their approved product list (APL)- Westpac Life.

Westpac's authorised representatives such as Securitor and Magnitude have 10 providers on their APLs. Mr Swanson said that he was told in 2013 it would cost \$150,000 to join securitor's APL.¹⁰²

15 March 2017

ASIC accepts enforceable undertaking from Westpac to address "inadequacies" in wholesale FX business. ASIC was concerned that between 1 January 2008 and 30 June 2013, Westpac failed to ensure that its systems and controls were adequate to address the risks relating to instances of inappropriate conduct identified by ASIC.

Westpac employees:

- On several occasions, Westpac employees disclosed confidential details of pending client orders to external traders in the spot FX market, including on a few occasions identification of the client by use of code names;

- On at least one occasion, a Westpac employee acted together with an external party to share confidential information and enter and cancel offers on a trading platform other than in the ordinary course of hedging or market making;
- On several occasions, Westpac employees inappropriately received and/or disclosed confidential information about Westpac's or another institution's orders in the course of fix order management and execution;
- On one occasion, a Westpac employee altered a proprietary position prior to the fix upon, receipt of confidential and potentially material information in relation to other institutional fix orders; and
- On at least one occasion, a Westpac employee inappropriately disclosed confidential Westpac fix order information to an external party to inform their joint personal account trading strategy.

ASIC was concerned that Westpac did not ensure that its systems, controls and supervision were adequate to prevent, detect and respond to the conduct outlined above, which had the potential to undermine confidence in the proper functioning and integrity of the market.

Under the enforceable undertaking, Westpac will implement a program within its spot FX business to prevent, detect and respond in relation to:

- Disclosure of confidential information to external market participants
- Inappropriate order management and trading, including fix orders and the entry or cancellation of offers on an electronic trading platform other than in the ordinary course of hedging or market making activities; and
- Inappropriate personal trading

Further matters:

- ASIC will appoint an independent consultant to oversee the program and its implementation
- The program will incorporate changes already made by Westpac as part of an existing review of its spot FX business
- For 3 years after the implementation of the program, Westpac will provide to ASIC an annual attestation from a senior executive that systems and controls in its spot FX business are appropriate and adequate to effectively prevent, detect and respond to specified matters
- The program will be subject to annual internal reviews and assessment by the independent consultant for 3 years
- Westpac will make a \$3m community benefit payment to support the financial capability of vulnerable people including women experiencing family violence, the elderly and at risk.¹⁰³

25 March 2017

Former Head of Wealth Management, who was responsible for \$34bn of investments in Westpac's wealth management business, left Westpac on 24 March 2017 after allegations of inappropriate behaviour toward two female staff members. He had previously been disciplined for breaches of Westpac's code of conduct. Complaints were made that he stroked the hair of two female colleagues and made disparaging comments about their weight. These were substantiated following a review by Clayton Utz. Unsubstantiated allegations against the man included slapping a woman in the face.¹⁰⁴

9 May 2017

APRA will force banks to hand over life insurance claim data by the end of the financial year to impose better standards on the sector. BT Financial Group has a claims rejection rate of 37%. BT claims that the 37% includes rejected claims from people who had lodged a claim but had never actually held a policy with BT.¹⁰⁵

9 May 2017

Westpac's wealth management arm BT Financial Group increased the premiums on its in-force life insurance policies by 11% for the six months ending 31 March 2017, while gross written premiums across the general insurance division rose by 2 percent during the same period. During the same period, BT Financial Group's profit decreased by 11%.

BT Financial is the fifth-largest life insurance provider in the country.¹⁰⁶

11 May 2017

Westpac CEO Brian Hartzler has said of the bank levy that "There is no 'magic pudding', the cost of any new tax is ultimately borne by shareholders, borrowers, depositors, and employees."¹⁰⁷

19 May 2017

Westpac has paid all of the estimated \$2,670,479 in compensation it owed to customers for failing to provide general or personal financial advice to customers while charging them ongoing advice fees. There is possibly some further compensation to be paid that has not yet been calculated.

The ASIC report also pointed out that while Westpac originally identified a systemic fees-for-no-service issue in relation to one adviser only, with compensation of \$1.2 million paid in relation to those failures, "following further ASIC enquiries, Westpac subsequently clarified that it has paid further compensation of approximately \$1.4 million to 161 customers of that adviser and 14 further advisers, in respect for fee-for-no-service failures in the period 1 July 2008 to 31 December 2015."¹⁰⁸

1 June 2017

Wes Hall, the ex-chief operating officer of advice at BT Financial Group, is suing his former employer for past and future economic loss arising out of his February 2016 dismissal.

BT claims that it dismissed him due to behaving inappropriately at work functions and being an "ineffective leader". BT claims that it became aware before dismissing Mr Hall that he had been taking and supplying illegal drugs to others at work-related functions.

Mr Hall alleges that he was fired because he wrote a memorandum to the leadership team raising, serious concerns about the quality of financial advice to clients, including requesting a further 25 roles in the wealth arm. He identified key risks including restrictions on recruitment, pressure on the advice business and time-sensitive issues arising out of the Senate committee into financial advice.

The case goes to hearing in September 2017.¹⁰⁹

8 June 2017

Sudhir Sinha, a Westpac financial planner, has been banned from providing services for 5 Years from 2 June 2017.

An ASIC investigation established that he systematically failed to meet his ongoing advice service obligations over a period of six years while he was employed by Westpac. He was employed by Westpac from 2001 to 10 November 2014.

He failed to conduct ongoing reviews for at least 9 clients (for which the clients were paying).

ASIC found that Mr Sinha's conduct demonstrated that he was not adequately trained or was not competent to provide financial services. It also found that he was likely to breach a financial services law in future.

As at 28/2/17, Westpac has remediated \$1,473,914 for Mr Sinha's conduct.¹¹⁰

16 June 2017

Westpac paid \$35.3m in bonuses to its executive team in the 2016 financial year. Westpac is expected to face a bill of about \$260m after tax for the bank levy.¹¹¹

23 June 2017

Nick Reade, the chief executive of BankSA, owned by Westpac, said on Friday the and the broader Westpac Group had put on hold plans for an automated processing centre in Adelaide which would have created 150 jobs as a direct consequence of the bank levy. The decision was made on Thursday night (22 June 2017).¹¹²

27 June 2017

Westpac has paid a \$127,250 penalty to comply an ASIC infringement notice. The infringement notice relates to an alleged breach of ASIC's rules governing the reporting of derivative transactions during the period 2 October 2013 to 30 April 2015.

Westpac failed to report information about 112,556 reportable transactions. ASIC has identified 398 alleged contraventions of the rules.

Westpac became aware of this flaw in July 2014 and reported it to ASIC between 1 and 22 January 2016.¹¹³

19 July 2017

ASIC has banned financial adviser Jason Atkins for three years.

ASIC found that Mr Atkins provided advice to clients to establish SMSFs and use limited recourse borrowing arrangements to fund the purchase of the properties by their super funds in breach of the FoFA best interests obligation. ASIC said that he did not conduct a reasonable investigation into the financial products that might achieve the needs of clients that would reasonably be considered as relevant to the advice. ASIC found that Mr Atkins failed to act in the best interests of four clients.

ASIC was not satisfied that Mr Atkins:

- Had identified the subject matter of the advice
- Conducted a reasonable investigation into the financial products that might achieve the objectives and meet the needs of the client that would reasonably be considered as relevant to the advice on that subject matter
- Understood what was required of him to comply with the best interests duty

Mr Atkins was a former corporate authorised representative of Magnitude Group, which is a subsidiary of Westpac from May to December 2015.¹¹⁴

22 August 2017

ABC's Four Corners says that it has obtained Westpac's most recent performance expectations that required lending staff to complete between 6 and 9 home loan requests per week. If targets were exceeded staff could earn bonuses of \$6000 per quarter. Current and former bank staff said that if they did not meet the lending targets, they were "performance managed out of the bank", according to the report.¹¹⁵

4 September 2017

Former BT Executive Wes Hall, who was sacked amid allegations of selling cocaine at work functions, dropped his unfair dismissal claim at the last minute after his former employer agreed to pay part of his legal fees. In a statement, BT said "Mr Hall has withdrawn his action against Westpac. Westpac has made a small contribution to Mr Hall's costs incurred in running the action."¹¹⁶

All of the Major Banks

4 April 2017

ASIC has joined APRA in cracking down on interest-only loans. It will undertake targeted surveillance of lenders and mortgage brokers inappropriately spruiking loans. ASIC also said eight lenders, including CBA, ANZ, NAB, will be forced to provide remediation and possible refunds to consumers who have suffered financial difficulty as a result of shortcomings in past lending practices.¹¹⁷

19 April 2017

ASIC regularly bowed to from big banks and financial players four, AMP and Macquarie to water down language in press releases dealing with industry wrongdoing over nearly a decade. The Australian reports that documents obtained under freedom of information laws show the intense pressure put on the regulator by battalions of lawyers, executives and doctors in the service of banks and financial services companies.¹¹⁸

1 May 2017

APRA has admitted that it has "no idea" how much the banking industry makes from running retail superannuation funds. APRA could not say how much profit was earned from the banks in the last financial year.¹¹⁹

1 May 2017

In 2015, the banks paid about \$2.4bn in upfront and trail commissions (according to ASIC's review of brokers' remuneration that included 16 of the biggest lenders).¹²⁰

1 May 2017

Big four Banks expected to unveil over \$13bn profit for the half year ending 31 March 2017.¹²¹

26 May 2017

The banks have caved in on small business bank overdraft agreements. The clauses gave the banks total power to do anything they wished and made conducting small businesses in Australia using a bank overdraft facility an incredibly risky affair. The clauses have been removed on all agreements signed since 12 November 2016.¹²²

28 May 2017

Over 90% of the \$31 billion in fees drawn in the Australia superannuation industry were drawn by for-profit wealth management groups. Banks "consistently underperformed" not-for-profit funds by 2 percent per year over 10 years.¹²³

10 June 2017

The major banks have not increased base interest rates for savers for seven years, while they have continued to increase borrower's fees regularly.

Savers' base rates which excludes special short-term promotions are at approximately 1%. The base rate is the rate earned by most bank customers with a call account requiring immediate access to money.¹²⁴

16 June 2017

The big four banks and Macquarie paid a combined \$300 million to a total of 64 bankers across the five banks last financial year. This means that their total remuneration packages equal one third of the \$1 billion estimated impact of the government's new bank levy.¹²⁵

8 July 2017

Financial advisers are leaving the major lenders and AMP (which control nearly half of all financial advisers) because the major banks are limiting advisers' ability to recommend products offered by their rivals, according to Bell Potter analyst Lafitani Sotiriou.¹²⁶

22 August 2017

The South Australian Government will face a High Court challenge if it introduces its proposed bank tax. The Australian Bankers Association says that other states will also face a constitutional challenge in the Court if they propose new taxes for banks.¹²⁷

23 August 2017

The big four banks will capitulate to pressure over unfair contract terms in small business contracts. Small Business and Family Enterprise Ombudsman, Kate Carnell, said "the banks' initial underdone response to the legislation serves as a reminder that the banks were once again trying to 'game' the rules and this erodes trust".

The banks will agree this week to specific changes outlined by ASIC and the Small Business and Family Enterprise Ombudsman to eliminate unfair terms from their contracts. The banks initially failed to comply with their obligations under the unfair contracts legislation that came into effect in November 2016.

The changes include:

- Covering small business total loan facilities up to \$3m, up from \$1m
- Clauses deemed unfair will no longer be included in loan documents, such as "entire agreement clauses" which absolve banks from responsibility for conduct, representations or statements they make to borrowers outside the written contract
- Material adverse event clauses will also be removed so banks will not have the power to terminate for an unspecified change in the circumstance of a small business customer
- Banks' ability to vary contracts will be limited to specific circumstances and where such a variation would cause a small business customer to want to exit the contract, the banks will, provide a period of 30-90 days to do so.¹²⁸

28 August 2017

Fewer than one in three Australians have a high level of trust in banks, a report by Edelman reveals. The study, commissioned by the Australian Bankers' Association to benchmark responses to the industry's reform program to improve culture, shows banks have more work to do to lift perceptions about the industry, suggesting banks will be ramping up advertising as Labor continues to prosecute the case for a royal commission into the sector.

Edelman finds that 27 per cent of people have low trust. Of those with low trust, 85 per cent said they saw banks as being driven by profit, while 52 per cent said banks weren't focused on customer needs and were not transparent about fees.¹²⁹

28 August 2017

Hundreds of thousands of Australians who rely on free travel insurance through premium credit cards are leaving themselves exposed to huge medical and travel bills if they are caught up in terrorist acts such as last month's Barcelona attack.

An investigation by The Australian of banks and financial institutions offering free travel insurance with platinum, gold, black and other credit cards shows that nearly 70 per cent offer no terrorism cover at all, while close to 80 per cent offer no hospital and evacuation cover in the event of a terrorist attack.

Financial institutions whose free high-end card insurance policies offer little or no cover for terrorism in their fine print include banking giant Westpac and three other Westpac-owned banks: St George, Bank of Melbourne and Bank SA, as well as American Express, Citibank, the CBA-owned Bankwest, Suncorp and HSBC.¹³⁰

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