

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE FOUR MAJOR BANKS AND OTHER FINANCIAL INSTITUTIONS FINANCIAL ADVICE SECTOR

IOOF

IOOFF03QON	Dr MULINO: It would be good if you could provide a little bit of detail on some of the predictive IT information. My sense from other witness who have given evidence is that this is seen as cutting edge and probably one of the most effective areas that firms will invest in. Mr Mota: Yes. I'm happy to do that.
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Response:

In relation to our Client Service Model, we have mandated that every “12 month Client Service Agreement” an adviser has with their clients must be created, managed and tracked inside of core Client Relationship Management application, XPLAN, using a specific prescribed process developed as part of our Advice Client Records (ACR) project (described later). This enables us to capture, track, manage and report on a real-time basis and provides us with full visibility of all client serving agreements, services to be delivered, due dates, progress against service obligations and evidence of service delivery.

This database enables our AFS Licensees to track and view the delivery of all obligations under these agreements and to escalate matters were required (for instance if a promised service is not recorded as being delivered by its target completion date). It also enables us to view the evidence/records saved in support of the service delivery and validate it is sufficient to meet the requirements.

In addition to specific technology deployed to manage our client servicing obligations, IOOF have enhanced our data analysis capabilities and established Key Risk Indicators (following key learning from our REP 515 review, to improve the identification of advisers at higher-risk of having service issues and/or the delivery of potentially non-compliant advice. This capability is internally referred to as Better Risk Data Analytics (BRDA), which uses a combination of behavioural and compliance/risk indicators to provide an “Adviser Risk Score”.

Examples of the KRI’s used in the BRDA tool include:

- High/Low Insurance and Investment sales
- Non approved product exemption requests
- Frequency/Concentration of high-risk or similar risk profile assessments/outcomes
- Total complaints volume and remediation paid
- Latest Audit Score/Rating
- Number of Incidents
- Insurance Lapse Rates

Our BRDA capabilities are embedded in the IOOF Assurance & Governance Framework and are used as a key measure of adviser risk, with the Adviser Risk Score determining the appropriate monitoring and supervision response.

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Whilst BRDA is an effective indicator of risk, IOOF recognise the need to continuously review and improve data analytics to ensure the BRDA tool can capture emerging risks. IOOF continue to enhance the BRDA tool through uplifting process standards and investment in systems and technology.

The ACR project is an example of a procedural change that provides enhanced reporting and analysis capabilities. The ACR project establishes a uniform approach to maintaining client records in advice systems, which provides previously unavailable data points that can contribute to potential new KRI's.

Furthermore, IOOF has engaged with external independent expert Deloitte, to assist with activities to enhance the data analysis capabilities of IOOF. A project is currently underway to leverage the work completed in the in the external remediation program to deliver targeted client level KRI's. This will develop the means to identify risks at a granular, client level and provide the foundations for data analytics to discover trends, metrics, and insights required pertaining to the quality of advice.