

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

**REVIEW OF THE FOUR MAJOR BANKS AND OTHER FINANCIAL INSTITUTIONS
SUPERANNUATION SECTOR**

ME Bank

ME12QW: Please provide the number of products currently provided to customers that have an applied interest rate (including any discounts or reductions in interest rate) for any form of borrowing, mortgage or debt facility?

Answer:

Interest Rate (%) p.a	Products currently offered	Context
0% - 0.25%	Personal Loans – 22 accounts	All 22 Personal Loans have been established as a result of isolated operational errors** or as part of a collections management strategy***
0.251% - 0.5%	Nil	
0.51% - 0.75%	Nil	
0.751 - 1.0%	Nil	
1.01% - 1.25%	Nil	
1.251% - 1.5%	Nil	
1.51% -1.75%	Nil	
1.751% - 2.0%	Nil	
Note: there are <u>no</u> other loans (including home loans) priced in any of the above bands. Lowest rate on any individual home loan is 2.19%.		

** "Isolated operational error" refers to a situation where funds were inadvertently paid into an incorrect customer's account, that customer then withdrew and used those funds, and ME Bank subsequently negotiated a commercial agreement for that customer to repay the amount either in full or part, over time, without interest. This approach is consistent with the approach taken by other banks in similar circumstances.

*** A collections management strategy is an agreed financial arrangement with a customer who has fallen into arrears, to repay that debt, including arrears, over an extended period.

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

**REVIEW OF THE FOUR MAJOR BANKS AND OTHER FINANCIAL INSTITUTIONS
SUPERANNUATION SECTOR**

ME Bank

ME13QW:

In the contracting of Mr Tony Beck:

- a) What are the terms of his contract?**
- b) What are the services he is hired to provide?**
- c) What is the financial value of his current contract?**
- d) What is the length of the terms of his current contract?**
- e) What is the date of commencement of his current contract?**
- f) For how many years has he been contracted prior to his current contract?**

Answer:

- a) Mr Beck is engaged by ME Bank on a contractual basis as an independent service provider. See further details below.
- b) Mr Beck is hired to provide the following services:
 - Support the office of the ME Bank CEO in convening and managing the regional bank working group. This is a working group of regional banks coming out of the work of the ABA, chaired by the ME Bank CEO.
 - Support ME Bank in relation to the Australian Bankers' Association and its related activities.
- c) Mr Beck is engaged for five days per month (unless otherwise agreed) at a day rate of \$1,500 per day (inclusive of GST).
- d) The current contract expires on 23 December 2020.
- e) The date of commencement of his current contract was 20 December 2019.
- f) Two years.

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

**REVIEW OF THE FOUR MAJOR BANKS AND OTHER FINANCIAL INSTITUTIONS
SUPERANNUATION SECTOR**

ME Bank

ME14QW: Please provide in a table for each year since ME Bank's formation:

- a) ME Bank's valuation.**
- b) Dividends paid to shareholders.**
- c) Capital provided from shareholders.**

Answer:

- a) The information sought is confidential and commercially sensitive.
- b) None.
- c) The information sought is confidential and commercially sensitive.

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

**REVIEW OF THE FOUR MAJOR BANKS AND OTHER FINANCIAL INSTITUTIONS
SUPERANNUATION SECTOR**

ME Bank

ME15QW: Please provide information on the members benefit program.

Answer: The Member Benefit Program is a valuable distribution channel offered exclusively to participating Industry Super Funds (**ISFs**) and unions, which allows ME Bank to access a wide range of potential customers. ISFs and unions are eligible to participate if they actively promote ME Bank's offers direct to their members at least once a quarter by electronic Direct Mail (eDM) and/or Enewsletters. The Member Benefit Program is also promoted by ISFs and unions via a carousel banner or web tile on websites, social media marketing, statement insert and posters and flyers on worksites where ISF and union members work. If a participating ISF or union introduces ME Bank to an employer, the participating employees of that employer are also able to access the benefits of the Member Benefit Program.

As part of the program, ME Bank provides offers to members of participating ISFs and unions' members which include:

- discount off ME Bank's Package Home Loan (currently 0.05% discount); and
- discount low rate credit card (currently 9.99%).

A total of 29 ISFs and 108 unions currently participate in the Member Benefits Program.

Since inception, a total of 8,496 home loan settlements worth \$3.1bn have been generated through this program, equating to approximately 12% of ME Bank's total home loan settlements per annum, which is approximately 40% of the settlements generated via direct proprietary channels (as opposed to third party channels such as mortgage brokers).

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

**REVIEW OF THE FOUR MAJOR BANKS AND OTHER FINANCIAL INSTITUTIONS
SUPERANNUATION SECTOR**

ME Bank

ME16QW: **Please provide a list of investors in SMHL securitizations.**

Answer: The information sought is confidential and commercially sensitive.

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

**REVIEW OF THE FOUR MAJOR BANKS AND OTHER FINANCIAL INSTITUTIONS
SUPERANNUATION SECTOR**

ME Bank

ME17QW: On ME Bank's decision to reduce redraw facilities for customers, can you provide clarity on how the assessment was completed for impacted customers?

Answer: The customers affected by ME Bank's decision to reduce redraw limits were a small subset of customers (approximately 4% of ME Bank customers) with a home loan originated prior to mid-2015 on ME Bank's legacy IT system, Ultracs.

The particular customers whose redraw limits were reduced were those whose loans were still on Ultracs and who ME Bank identified as being able to redraw amounts which would result in their loan balance being above their amortisation curve. If these customers fully drew down on their redraw facilities, they could be put at risk of not reaching their repayment commitments, potentially leaving them open to paying additional interest on their home loan, or being at risk of not meeting their scheduled repayment, or having a home loan longer than was scheduled.

See further the answer to ME19QW (a) below.

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

**REVIEW OF THE FOUR MAJOR BANKS AND OTHER FINANCIAL INSTITUTIONS
SUPERANNUATION SECTOR**

ME Bank

ME18QW: Please provide a copy of the paper provided to the Board's subcommittee that was formed in November 2019 comprised of Christine Christian, David Issa and Cheryl Bart.

Answer: The paper sought is confidential and contains commercially sensitive information.

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

**REVIEW OF THE FOUR MAJOR BANKS AND OTHER FINANCIAL INSTITUTIONS
SUPERANNUATION SECTOR**

ME Bank

- ME19QW:** In the context of the decision by ME Bank to reduce the redraw facilities of customers, please provide the following details:
- a. The legal terms and conditions that ME Bank can make such a decision.**
 - b. The date that it was proposed to the Executive.**
 - c. The date that the decision was made by the Executive.**
 - d. The committee that proposed the decision to the Board.**
 - e. The date of the formation of the committee that proposed the decision to the Board.**
 - f. The paper provided by management to the committee.**
 - g. The paper provided by the committee to the Board.**
 - h. The date that it was proposed to the Board.**
 - i. The date that the decision was approved by the Board.**
 - j. The date that the decision was communicated to staff within ME Bank.**
 - k. A copy of their notification to staff within ME Bank.**
 - l. The decision-making process made by ME Bank to justify such a decision at a bank level.**
 - m. The decision-making process made by ME Bank to justify such a decision at an individual mortgage level.**
 - n. Whether any assessment was made across ME Bank of the value of redraw facilities that would be reduced.**
 - o. The average dollar value for each customer.**
 - p. The assessment made of the financial capacity of the customers impacted prior to the reduction in redraw facilities.**
 - q. The assessment of the employment status and income of the customer prior to the reduction of their redraw facilities.**

- r. A copy of the notification provided to customers who had their redraw facilities reduced.
- s. The date of the notification's distribution.
- t. The date and time of the decision made to allow customers to be able to reverse ME Bank's decision.
- u. The date and time of ME Bank's receipt of notification that it would be required to appear before the House of Representatives Standing Committee on Economics.
- v. The number of customers who have nominated to reverse the decision of ME Bank.
- w. The value of the options exercised by customers who have nominated to reverse the decision of ME Bank.
- x. The date ME Bank informed ASIC of its intent to reduce the redraw facility of its customers.
- y. A copy of the notification to ASIC of ME Bank's intent to reduce the redraw facility of its customers.
- z. The date ME Bank informed ASIC of its decision to reduce the redraw facility of its customers.
- aa. A copy of the notification to ASIC of ME Bank's decision to reduce the redraw facility of its customers.
- bb. The date ME Bank informed APRA of its intent to reduce the redraw facility of its customers.
- cc. A copy of the notification to APRA of ME Bank's intent to reduce the redraw facility of its customers.
- dd. The date ME Bank informed APRA of its decision to reduce the redraw facility of its customers.
- ee. A copy of the notification to APRA of ME Bank's decision to reduce the redraw facility of its customers.

Answer:

- a. The legal terms and conditions that ME Bank can make such a decision.

The relevant terms and conditions provide that, during a variable rate period, the customer may request from time to time to redraw all or part of their "available funds".

The terms and conditions provide that, if the customer requests a redraw, ME Bank may either:

- agree to the request; or

- decide not to permit the redraw.

The term “available funds” is defined in the relevant terms and conditions to be the amount, if any, by which the customer’s loan account is prepaid. This amount is calculated by taking the difference, if any, between:

- the customer’s actual loan balance (other than amounts credited to the loan account which have not yet cleared); and
- what the customer’s loan balance would have been at the draw date had the customer made all repayments due up to that date on time but made no additional prepayments.

b. The date that it was proposed to the Executive.

As part of preparing to migrate Ultracs home loans to ME Bank’s new platform, in late 2019, ME Bank identified that the redraw facility of these loans could lead to some customers potentially falling behind their original repayment schedules if those customers fully drew down on their redraw facilities. Following this, ME Bank investigated this issue further, which involved assessing the potential impact on customers and determining options to deal with the issue.

Following these investigations, in mid-March 2020, an Executive Steering Committee (comprising the CEO and senior management from relevant business units) prepared material that was provided to the Special Issues Regulatory & Compliance Board Sub-Committee (**SIRC**) to enable the SIRC to make a decision regarding the redraw issue.

On 26 March 2020 this material was provided to the SIRC. The SIRC had delegated authority from the Board to deal with this issue.

On 26 March 2020 the SIRC, pursuant to its delegated authority, instructed management to proceed with the reduction in redraw limits for certain customers.

c. The date that the decision was made by the Executive.

Please refer to (b) above.

d. The committee that proposed the decision to the Board.

Please refer to (b) above.

e. The date of the formation of the committee that proposed the decision to the Board.

The SIRC was formed on 18 February 2020. Please refer to (b) above.

f. The paper provided by management to the committee.

Please refer to ME18QW.

g. The paper provided by the committee to the Board.

Please refer to (b) above.

h. The date that it was proposed to the Board

Please refer to (b) above.

i. The date that the decision was approved by the Board.

Please refer to (b) above.

j. The date that the decision was communicated to staff within ME Bank.

ME Bank implemented its standard communication and training process to prepare its frontline servicing teams to be ready to deal with the redraw issue by 27 April 2020. The training of the relevant frontline staff occurred from 20 – 24 April. The Bank also had additional resources trained to take calls through the dedicated 1300 telephone number provided (which went live from 29 April).

k. A copy of their notification to staff within ME Bank.

Please refer to (j) above.

l. The decision making process made by ME Bank to justify such a decision at a bank level.

Please refer to ME17QW, ME18QW and the other sub-questions of ME19QW.

m. The decision making process made by ME Bank to justify such a decision at an individual mortgage level.

Please refer to ME17QW, ME18QW and the other sub-questions of ME19QW.

The decision-making process included an assessment of the potential customer impact of this change, ME Bank's ability to adequately resource and support customer queries, and the risk of inaction in relation to this issue.

If the affected customers had redrawn to the previous level, this would leave them open to:

- paying additional interest on their home loan;
- being at risk of not meeting their scheduled repayments; or
- hardship at the end of the loan term.

n. Whether any assessment was made across ME Bank of the value of redraw facilities that would be reduced.

Please refer to ME17QW.

ME Bank assessed its Ultracs home loan portfolio to identify home loans where the current balance was lower than the original amortisation curve but where

a redraw of the disclosed available funds could put these customers above their original amortisation curve.

ME Bank conducted an analysis of the number of customers (accounts) affected and volume of redraw requiring adjustment to assess the overall impact of adjusting redraw levels.

o. The average dollar value for each customer

The average adjustment to redraw for each customer was approximately \$17,000.

p. The assessment made of the financial capacity of the customers impacted prior to the reduction in redraw facilities.

ME Bank undertook a risk-based assessment of all customers that were identified as being able to redraw amounts which would result in their loan balance being above their amortisation curve.

The impact on customers' financial capacity to continue repayments was used as a basis for the support plans which ME Bank established as part of this change. As part of these support plans, ME Bank advised affected customers that it would discuss the following options with them:

- Extending the term of their loan to reduce the size of their regular repayments.
- Offering them a repayment holiday for up to six months.
- Discussing options for refinancing or topping up their loan.
- Other credit options.

q. The assessment of the employment status and income of the customer prior to the reduction of their redraw facilities

Please refer to (p) above.

These types of processes are conducted as part of ME Bank's ongoing management of its customers. As reducing redraw limits is not an extension of new credit, no assessment of employment status or income of the customer was done prior to the reduction of the redraw limits.

Rather, ME Bank was concerned that, if it did not make a change, customers may be exposed to:

- paying additional interest on their home loan;
- being at risk of not meeting their scheduled repayments; or
- hardship at the end of the loan term.

r. A copy of the notification provided to customers who had their redraw facilities reduced.

Please refer to **Annexure A**.

s. The date of the notification's distribution.

28 April 2020.

t. The date and time of the decision made to allow customers to be able to reverse ME Bank's decision.

The decision was made on 6 May 2020. Management prepared a recommended program to execute the decision, which was presented to the Board on 7 May 2020. On 7 May 2020, the Board agreed for the program to proceed.

u. The date and time of ME Bank's receipt of notification that it would be required to appear before the House of Representatives Standing Committee on Economics.

Matthew Read, ME Bank's General Manager Communications, received notification on 5 May 2020 at 8.30am.

The decision to enable customers to increase the redraw limits to the original level was not made as a result of, or in connection with the, receipt of the notification to appear before the Committee.

v. The number of customers who have nominated to reverse the decision of ME Bank.

As of 28 May 2020, of the 21,790 of customer accounts that had their redraw limit reduced, 4,155 customers had requested to have their redraw limit changed back, in full or in part.

w. The value of the options exercised by customers who have nominated to reverse the decision of ME Bank.

As of 27 May 2020, the value of the redraw limits reinstated by ME Bank was \$94,987,164.36.

x. The date ME Bank informed ASIC of its intent to reduce the redraw facility of its customers.

On 10 December 2019, ME Bank notified ASIC of the current redraw issue and informed ASIC that it was analysing the issue further and considering actions it would take to address the issue. The redraw issue was also discussed during ME Bank's quarterly engagement meeting with ASIC on 18 December 2019.

On 30 March 2020, ASIC requested an update in respect of the redraw issue. On 16 April 2020, ME Bank provided an update to ASIC, at which time it informed ASIC of its decision made in March to reduce the redraw limits of certain of its customers. On 21 April 2020, ASIC sought further information from ME Bank about its update, which ME Bank provided on 23 April 2020.

Since 3 May 2020, ME Bank has been in regular contact with ASIC regarding the redraw issue, including its decision to allow affected customers to request reinstatement of their redraw limit.

y. A copy of the notification to ASIC of ME Bank's intent to reduce the redraw facility of its customers.

ME Bank regards its communications with regulators, including ASIC, as confidential.

z. The date ME Bank informed ASIC of its decision to reduce the redraw facility of its customers.

Please refer to (x) above.

aa. A copy of the notification to ASIC of ME Bank's decision to reduce the redraw facility of its customers.

Please refer to (y) above.

bb. The date ME Bank informed APRA of its intent to reduce the redraw facility of its customers.

On 16 December 2019, ME Bank notified APRA of the redraw issue. This matter was then discussed with APRA as part of ME Bank's regular engagement with APRA. The matter was further discussed with APRA on 3 February 2020, again as part of ME Bank's regular engagement with APRA.

On 30 April 2020, ME Bank provided an update to APRA regarding the redraw issue and informed APRA of its decision to reduce the redraw limits of certain of its customers.

ME Bank has since provided updates to APRA regarding the redraw issue, including its decision to allow affected customers to request reinstatement of their redraw limits.

cc. A copy of the notification to APRA of ME Bank's intent to reduce the redraw facility of its customers.

ME Bank regards its communications with regulators, including APRA, as confidential.

dd. The date ME Bank informed APRA of its decision to reduce the redraw facility of its customers.

Please refer to (bb) above.

ee. A copy of the notification to APRA of ME Bank's decision to reduce the redraw facility of its customers.

Please refer to (cc) above.



LEVEL 28, 360 ELIZABETH ST MELBOURNE VIC 3000
 GPO BOX 1345 MELBOURNE VIC 3001
 mebank.com.au • 13 15 63

XTitleX XFirstnameX XSurnameX
 XAddress1X
 XAddress2X
 XSuburbTownX XStateX XPostcodeX

[Date]

Hello XFirstnameX

We've changed one of the features on your home loan.

Borrowers name(s): XBorrowersNamesX
Loan Account: XLoanAccountX

Following a recent review of our home loan product range, we are changing a feature that affects your home loan. We believe the change will put you in a better position to manage your home loan in the future.

What feature have we changed?

The change we've made is to your redraw facility, specifically the amount of funds available to redraw. The redraw facility lets customers dip into their home loan when they're ahead of their repayment schedule. The current design of this feature allows people to 'over-dip' to a point where they could fall behind their original repayment schedule. When this happens a customer's repayments may increase in the future to ensure the loan is still paid off by the end of the loan term. This could create financial stress for some customers, so we have decided to reduce the available redraw amount.

All other features of your loan remain the same.

We have not changed any other loan features. Your regular repayment amounts, the total amount outstanding, and the time remaining on your loan, all remain the same. The only change is the degree to which you can dip back into your loan for funds. Your new redraw amount has been recalculated and is outlined below:

Loan balance: \$XCurrentLoanBalanceX
Previous redraw balance: \$XPreviousRedrawBalanceX as at XDataDateX
Redraw balance reduced by: \$XRedrawAdjustmentX

Helping you during COVID-19.

Given the economic impacts of COVID-19 on many households we know some people will be looking for financial support. We understand this is a very uncertain time for all Australians and your financial wellbeing is our number one priority. We will continue to support you in any way we can.

If you have been considering the redraw as one option for additional funds and if the new limit isn't enough to get you by, other options are available which we are happy to discuss, including:

- offering you a repayment holiday for up to six months
- discussing options for refinancing or topping up your loan
- other credit options.

Questions?

For any questions or to discuss these options please call our Customer Action Team on **1300 308 357** Monday – Friday 9am – 6pm (AEST/AEDT).

For more information about the redraw feature please go to mebank.com.au/redraw and for information about our COVID-19 support please visit mebank.com.au/covid19

Thanks

The team @ ME

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

**REVIEW OF THE FOUR MAJOR BANKS AND OTHER FINANCIAL INSTITUTIONS
SUPERANNUATION SECTOR**

ME Bank

ME20QON: **Has there been a secondary valuation carried out by shareholders over the valuation of ME Bank?**

Answer: ME Bank is unaware of a secondary valuation being carried out by shareholders over the valuation of ME Bank.

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

**REVIEW OF THE FOUR MAJOR BANKS AND OTHER FINANCIAL INSTITUTIONS
SUPERANNUATION SECTOR**

ME Bank

ME21QON: Do you have any data that you can provide us on indications of mortgages or other accounts under stress?

Answer: As at 31 March 2020, home loan facilities that were 30+ days past due and 90+ days past due represented 1.75% and 0.93% respectively of the total home loan portfolio.

As at 31 March 2020, personal loan facilities that were 30+ days past due and 90+ days past due represented 4.80% and 2.24% respectively of the total personal loan portfolio.

As at 31 March 2020, credit card facilities that were 30+ days past due and 90+ days past due represented 2.83% and 0.78% respectively of the total credit card portfolio.

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

**REVIEW OF THE FOUR MAJOR BANKS AND OTHER FINANCIAL INSTITUTIONS
SUPERANNUATION SECTOR**

ME Bank

**ME22QON: The changes in your shareholding register and at what prices et cetera—
is that information available publicly?**

Answer: No, this information is not available publicly.

Answers to be provided In coming months

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

**REVIEW OF THE FOUR MAJOR BANKS AND OTHER FINANCIAL INSTITUTIONS
SUPERANNUATION SECTOR**

ME Bank

ME23QON: I wanted to also ask a couple of questions around your response to COVID... What have you offered to home loan accounts and credit cards and personal loan repayments in terms of, for example, deferrals of interest and other more flexible arrangements?

Do you have any data you can give us on how many people are taking those options up?

I'd appreciate it if you could provide us with an update—say, two months and six months down the track. Obviously this is a very fluid situation. I'd be interested in how this situation evolves.

Answer: ME provided a range of targeted offers to provide financial support during COVID-19 crisis. These include:

- A range of low rate fixed rate home loans
- Competitive term deposit pricing
- The ability to pause home loan repayments for up to 6 months, with a review at 3 months.
- An offer to online savings customers to automatically qualify for bonus interest without the need to undertake a minimum number of *tap&go* transactions (i.e. avoiding the need to go out during lockdown to earn bonus interest).

To date we have had the following take up of these offers:

- As of 1 May 2020, a total of 1,598 customers either switched to a fixed rate loan, or applied for one (new customers).
- As of 25 May 2020, 5,047 customers have taken up the offer of a repayment pause on their home loan and 526 customers have taken up an offer of a repayment pause on their personal loan.
- As of 18 May, 87,865 accounts have been provided with automatic bonus interest qualification without the need to perform *tap&go* transactions.

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

ME Bank

ME23QON: [Proof Hansard, 14 May 2020, p. 21]

Dr MULINO: ...I wanted to also ask a couple of questions around your response to COVID... What have you offered to home loan accounts and credit cards and personal loan repayments in terms of, for example, deferrals of interest and other more flexible arrangements?

...

Dr MULINO: Do you have any data you can give us on how many people are taking those options up?

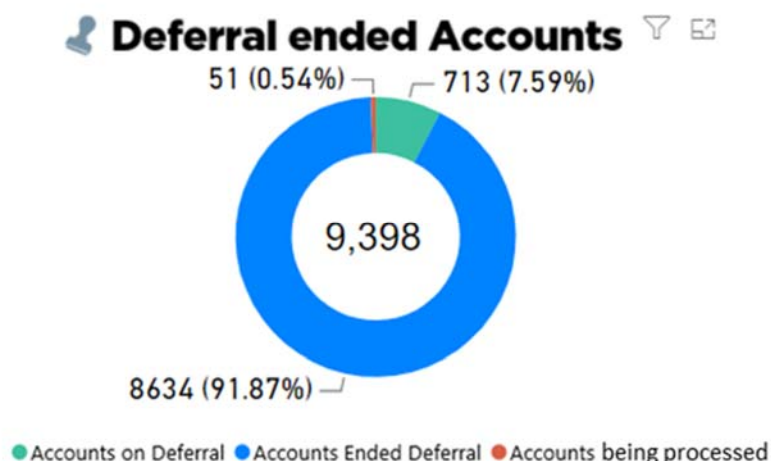
Mr McPhee: Yes, we do. At the moment, it's around eight per cent of our customers. We are slightly under the industry in the take-up at this point in time.

Dr MULINO: I'd appreciate it if you could provide us with an update—say, two months and six months down the track. Obviously this is a very fluid situation. I'd be interested in how this situation evolves.

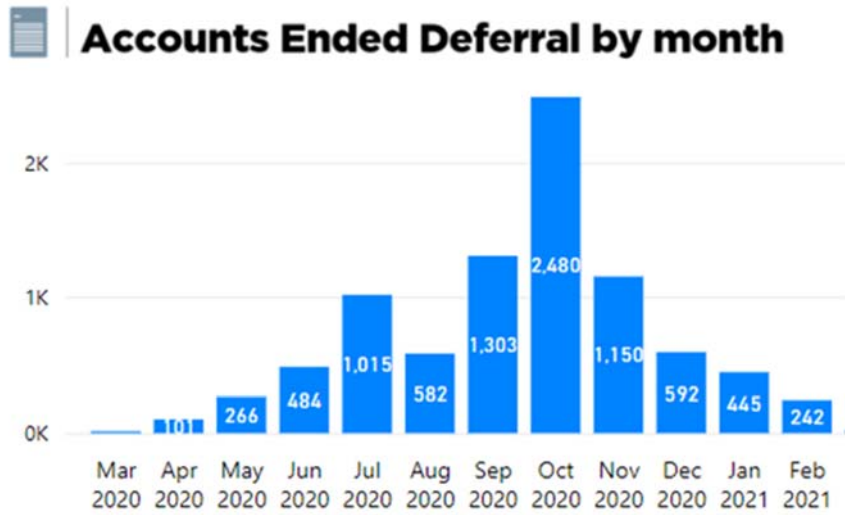
Mr McPhee: Happy to do so.

Answer: As at 17th February 2021, over 91% of ME Bank customer accounts previously on repayment pause have exited deferral, with the majority of deferrals ending in October 2020. The data below represents individual accounts on deferral.

Accounts with deferrals ended as at 17 February 2021

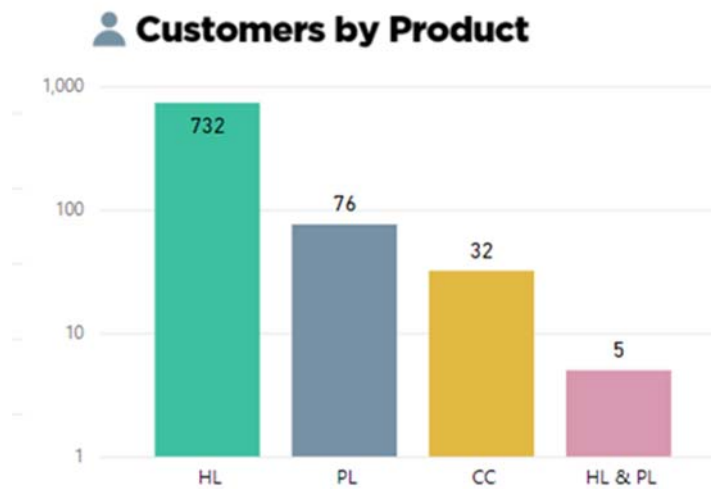


Accounts ended deferral by month as at 17 February 2021



A small portion of customers across all product categories remain on deferral. Customers will continue to be proactively contacted with all pauses ending by 31 March 2021. The data below represents all customers on deferral. Where accounts are held in more than one name, all account holders will be represented in the data.

Customers currently on Repayment Pause by Product as at 17 February 2021



ME24QON:

[Proof Hansard, 14 May 2020, p. 29]

Dr MULINO: ...it would be good to get on notice down the track, in six months, say, a summary of processes that have been reviewed and, potentially, updated—for example, ways in which issues like...[the legacy home loans redraw facility changes] are communicated with the board, or the way in which the organisation communicates. Clearly, just as Dr Leigh was exploring ways in which you can learn lessons on the IT front, there are also things to be learned on the way in which the organisation interacts with members.

Answer:

Set out below are the lessons learnt as well as the action plan being implemented to ensure ME Bank mitigates the risk of a similar incident occurring.

Lessons

- Customer data and insight should be readily available so that the customer consistently plays a strong role in decision making.
- Having an assurance cycle of test, monitor and learn to reveal potential issues and test assumptions will strengthen decision making.
- It would be beneficial to clarify the expectations of internal stakeholders relative to regulatory expectations in the Bank's regular communications with its regulators.
- Readiness reporting should have clarity and linkages to risk scenarios and contingency planning.
- The understanding and documentation of manual work arounds could be improved.
- The operating model for communications should be enhanced to reflect the Bank's change in scale to ensure clear accountabilities.
- Optimal decision making is supported by clear accountability, quality of information, effective use of governance tools, decision rights and constructive challenge and oversight.

Actions

The above lessons are being addressed by the following remediation streams:

- *Customer experience* – implementation of a customer experience framework that outlines customer experience principles, ensuring the Bank has the right process and customer insight to inform the customer and communication strategy up front.
- *Strategic communications model* – conducting a communications audit that will review the current communications landscape, channels, structure, resources, process, and key messaging.
- *Change readiness and contingency planning* – implementation of an enhanced delivery model that will incorporate the standards and processes required to implement change, including, but not limited to, customer, business and risk impact assessments, testing and validation requirements incorporating piloting and tranches, accountability model, the preparation of risk scenarios and contingency planning.
- *Risk transformation* – execution of a risk maturity plan to deliver clear understanding of the Bank's core business processes, including ensuring that

manual process elements are captured and adequate controls are incorporated to ensure inherent risks are managed while strategic fixed are developed.

- *Governance and culture* – conducting a review of governance mechanisms and implementation of training in connection with the preparation of executive and board papers and techniques to encourage positive debate.

The action plan is currently being executed, with all actions due to be completed by June 2021.

ME38QON:

[Proof Hansard, 3 June 2020, pp. 7-8—Relating to the bank’s internal review of its communication processes]

I ask that ME Bank provide us with an update when there are some conclusions arising from that and also whether there are any decisions as to changes that might arise in the way that ME Bank might deal with similar situations in the future.

Answer:

Please refer to ME24QON.