

Senate Economics Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

2014 - 2015

Department/Agency: Australian Securities and Investment Commission

Question: BET 252 - 261

Topic: NAB

Reference: written - 15 June 2015

Senator: Dastyari, Sam

Question:

252. What oversight or involvement does ASIC have into NAB internal investigation of their financial planning business?
253. What assurances can ASIC provide parliament that NAB is in compliance with the current laws governing financial advice?
254. Has NAB been subject to any additional scrutiny since the revelation broke in February?
255. What involvement has ASIC had in the development of establishment of NABs review?

In 2010 NAB had a mainframe payments disaster. In February revelations, NAB whistleblower released risk reports that were marked with red alerts for systems and infrastructure. These reports are supposed to act as early warning signs, but management ignored them. Reports emerged on Tuesday that NAB's credit card payments system is dysfunctional and costly...

256. Is there a pattern here, perhaps of cost cutting, or cutting corners?
257. Is ASIC investigating any other systemic risk problems at NAB?
258. Has ASIC considered investigating any other systemic risk problems at NAB?
259. Has ASIC conducted an investigation into the behaviour of NAB in the UK?
260. Has the behaviour of ASIC's subsidiary in the UK provided any cause for concern for ASIC here in Australia?
261. As a result of the revelations at NAB, has ASIC requested the other banks (and AMP) disclose how many planners have been 'let go' in past two years etc? Why/why not?

Answer:

252. ASIC commenced a surveillance of NAB's retail financial planning licensees in February 2015. The work is at an early stage and is ongoing. The surveillance work includes a detailed review of:

- a) the effectiveness of compliance and monitoring systems used by NAB licensees to monitor the quality of advice; and,
- b) the appropriateness of the licensees' responses when non-compliant advice is identified.

In addition, as part of the surveillance project ASIC is currently meeting NAB on a fortnightly basis in relation to the development and implementation of an appropriate remediation model for NAB clients impacted by non-compliant advice. ASIC is working with

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NAB to ensure that the remediation model is fair, transparent and provides clients with an opportunity to have determinations independently assessed.

253. ASIC's surveillance work is ongoing. It is too early to reach any concluded views in relation to whether NAB's licensees are currently in full compliance with the law governing financial advice.

254. Yes. As referred to in the answer to Q252 above, ASIC has commenced a surveillance of the compliance and monitoring controls of all NAB licensees (providing personal retail financial advice) in so far as they relate to the identification of non-compliant financial advice. ASIC is also engaged with NAB in relation to the development of a client remediation scheme for affected clients.

255. ASIC has close engagement with NAB in relation to establishing an appropriate remediation scheme. ASIC is dealing with NAB in relation to the ongoing surveillance.

256. ASIC has extensive engagement with NAB, across nearly all areas of its business. As with all entities it regulates, one of the issues ASIC considers in those engagements is whether NAB has allocated sufficient resources (financial, human and technological) to ensure compliance with its legal obligations. For example, in the surveillance referred to in question 252 ASIC is considering, among other matters, whether NAB has devoted sufficient resources to its compliance and monitoring systems in its financial planning licensees. If ASIC formed the view that NAB had not done so it would take appropriate action. It is too early for ASIC to express a view on this issue as this surveillance is ongoing

257. As noted in response to question 252 ASIC has a current surveillance of NAB's retail financial planning licensees. This surveillance is ongoing and it is too early to reach any concluded views.

ASIC is not currently investigating other problems at NAB that would be labelled 'systemic'.

258. ASIC has not observed any systemic problems at NAB

259. ASIC has not conducted an investigation into the behaviour of NAB in the UK.

260. Please see the answer to BET 259

261. Since commencing the surveillance of NAB (referred to in response to question 252) ASIC has met with AMP, Westpac and ANZ in relation to their work to identify inappropriate advice and non-compliant financial advisers including those who have been terminated or resigned at a time of identified compliance failing. Receipt and collation of

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information is ongoing.

ASIC will meet CBA soon to discuss the same issues (*'as of 15 June'*). .