



Rabobank

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Commissioner KM Hayne AC QC
Royal Commission into Misconduct in the
Banking, Superannuation and Financial Services
Industry

By email: [REDACTED]

Date 29 January 2018

Subject **Royal Commission into the Misconduct in the Banking, Superannuation and Financial Services Industry - Request for early written submission**

Dear Commissioner

Rabobank Australia Limited (**Rabobank** or **the Bank**) acknowledges receipt of your letter of 15 December 2017 inviting it to make an early written submission to the Commission regarding the questions set out in your letter.

A. Outline of this response

This response is structured as follows:

- Section B sets out a brief overview of Rabobank's activities in Australia, in order to provide some context to the response.
- Section C sets out in broad terms, the approach that Rabobank has taken in preparing this response.
- Schedule 1 and Schedule 2 to this response set out Rabobank's detailed responses to the questions contained in your letter.

In order to address the matters in paragraphs 18 to 21 of your Practice Guideline 1, a note will separately be provided to you concerning confidentiality of information provided in this response. This note will be provided by Rabobank's external legal advisors, Baker McKenzie, to the Solicitor Assisting.

B. Rabobank's activities in Australia

1.0 Introduction

Rabobank is a part of the international Rabobank Group headed by the Dutch cooperative bank named Coöperatieve Rabobank U.A. (CRUA), a leading specialist in food and agribusiness banking. CRUA has nearly 120 years' experience in providing customised banking and finance to businesses involved in all aspects of the food and agribusiness sector. This specialist business operates in 40 countries across the world.



2.0 Entry into the Australian market

CRUA entered the Australian market in 1990, initially establishing a representative office in Sydney and then in 1994 acquiring the Primary Industry Bank of Australia (**PIBA**), which held a banking authority that is still current today. In March 2003, PIBA was renamed as Rabobank Australia Limited.

3.0 Profile of Rabobank in Australia

In Australia, Rabobank is one of the leading agricultural lenders and a significant provider of business and corporate banking and financial services to the region's food and agribusiness sector. Rabobank has 61 branches throughout Australia, 56 of which are located in regional and rural areas contributing to the Australian economy as a regional employer and as an active promoter of food, agribusiness and regional affairs.

As an authorised deposit-taking institution under the *Banking Act 1959* (Cth), Rabobank receives deposits predominantly through its online RaboDirect platform and from its rural customers. Rabobank uses those deposits to fund the food and agribusiness sector through loans.

Rabobank does not offer wealth management, superannuation or insurance products or services. One of Rabobank's associated entities, Rabo Australia Limited, was a shareholder in Rabo Financial Advisors Limited from 2001 until 2009, when that company and its business was sold to Hillcross Financial Services Limited, a subsidiary of AMP.

3.1 Sustainable growth

From 2008 to 2018, Rabobank has maintained a moderate, sustainable growth rate across all Australian states and territories.

Rabobank's total "full time equivalent staff" numbers grew from 682 in 2008 to reach 908 at the start of 2018 (refer figure 3.1.1).

The total number of Rabobank's branches across Australia has remained stable, growing from 52 in 2008 to 61 in 2011, where it has remained since (refer figure 3.1.2). These branches serve as regional hubs ensuring Rabobank's Rural Managers are based in the same geographical area as their clients, but they do not offer full retail banking services, such as tellers.



Figure 3.1.1

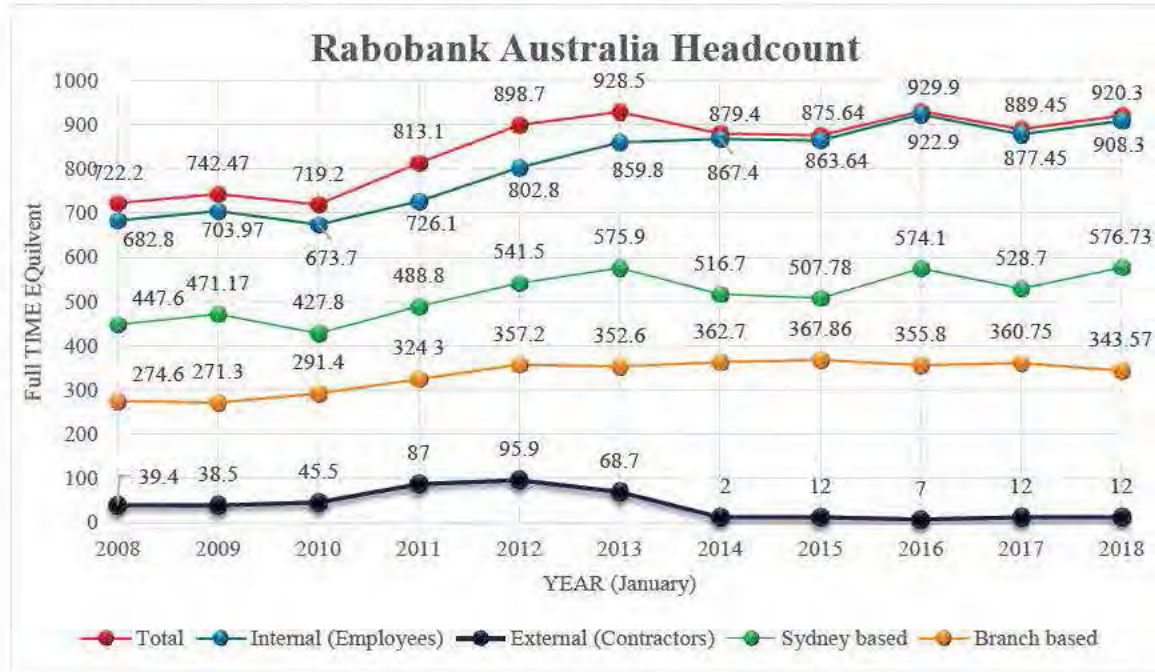
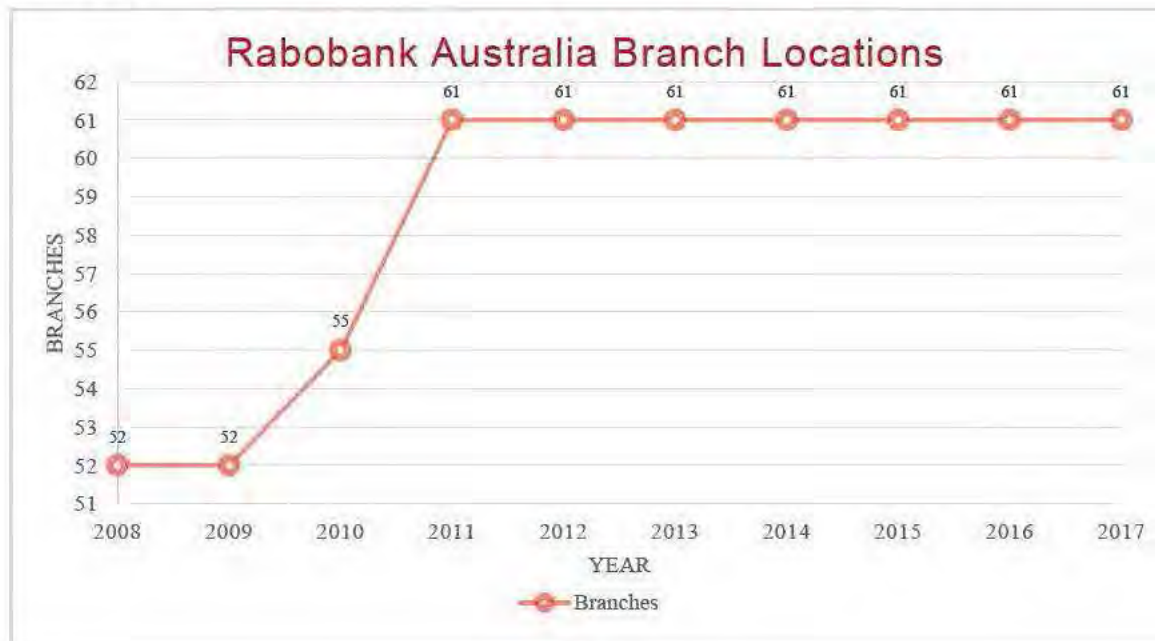


Figure 3.1.2





3.2 Risk culture

Rabobank expects all employees to contribute to a sound risk culture, focusing on long-term relationships with its customers. Employees are expected to deal with risks and dilemmas, to carefully consider the interests of stakeholders, to always be honest and reliable and to take responsibility for their actions.

Rabobank's risk principles provide additional guidance in preserving its core values:

- *We are always client-focused and decisive*
- *We work with courage and conviction*
- *We are professional and considerate*
- *We bring out the best in each other and are committed to keep learning*

These principles serve as an internal compass to guide actions by staff and provide standards for the desired behaviour within the Bank. This is complemented with risk awareness and compliance training for all employees.

3.3 Banking for Food Strategy - providing access to knowledge, networks and finance

With a core focus on food and agribusiness, in addition to providing finance, Rabobank takes a leadership role in providing access to knowledge and networks. As part of CRUA's global *Banking for Food* strategy, the Bank:

- conducts and provides industry-leading research across commodities through local and global food and agribusiness research teams;
- provides education through farm business management programs, farm exchange programs and masterclasses for farmers across the globe;
- stages forums for primary producers, food and agribusiness companies and the wider agricultural sector; and
- conducts leadership awards programs for established and emerging food and agribusiness leaders.

Rabobank also has regionally based Client Councils across Australia, bringing together clients to discuss issues affecting their sector and commodities, address broader topics including financial literacy, nutrition and food security and, importantly, providing the opportunity for clients to comment on the Bank's strategy and initiatives.

3.4 Stakeholder feedback

Rabobank has a solid history of putting clients at the centre of everything it does, evidenced through industry-leading customer satisfaction survey scores (Net Promoter Scores and Brand Health) and strong customer retention. Additionally, the Bank has regularly returned industry-leading employee engagement scores – evidence of the commitment and dedication employees have to the sector and servicing their clients. Rabobank's Rural Managers have an intimate knowledge of food and agribusiness, with 71% of them either owning or having grown up on a farm.

The Bank takes a long-term approach with its clients and assists them in building sustainable and successful businesses through the provision of finance, access to knowledge, and access to networks.



3.5 Working constructively with clients through difficulties

In situations where a client experiences financial difficulties over an extended period, the Bank works patiently and supportively with the client in order to allow every reasonable opportunity to resolve the difficulties. The effectiveness of Rabobank's approach has been demonstrated by the fact that the overwhelming majority of the Bank's farming customers throughout Australia continue to operate strong and successful businesses.

4.0 Senate Select Committee on Lending to Primary Production Customers

In 2017 Rabobank was involved in the Senate Select Committee on Lending to Primary Production Customers, during which the Bank provided a detailed submission, appeared as a witness, and responded to submissions made by three customers.

Full details of the Committee's Terms of Reference, submissions, hearing transcripts and report dated 6 December 2017 can be found on the Committee's homepage:

https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Lending_to_Primary_Production_Customers/LendingPrimaryProduction/Submissions

C. Approach to preparing this response

The approach that Rabobank has taken in responding to your invitation for an early written submission is outlined below.

The timeframe for a response

The timeframe for providing this response was challenging, given Rabobank's relatively small staff numbers and resources in Australia and that the period encompassed the Christmas/New Year holidays. In spite of these challenges, the working group established within Rabobank to respond to your invitation worked to provide the response by the deadline.

Separation of answers to your questions

In Schedules 1 and 2 to this response, Rabobank has responded to Question 1 and Question 2 of your letter in a single response, to avoid an overlap of events included in the response. Question 3 in your letter has been answered separately in relation to each event.

Structure of Rabobank and its associated entities

In providing this response, Rabobank has considered events involving itself and the following entities that fall within the definition of "associated entities" as set out in your letter:

1. Rabobank Australia Limited (ACN 001 621 129). This entity is regulated by the Australian Prudential Regulatory Authority under the *Banking Act 1959* (Cth). It also holds an Australian Financial Services License (AFSL) issued under the *Corporations Act 2001* (Cth) and an Australian Credit Licence under the *National Consumer Credit Protection Act 2009* (Cth).
2. The Australia Branch of Coöperatieve Rabobank U.A. (ARBN 003 917 655). Please note that CRUA, Australia Branch is separately regulated by the Australian Prudential Regulatory Authority and it also holds an AFSL. Rabobank has not considered events concerning CRUA that have not occurred in Australia or that do not directly involve CRUA, Australia Branch.



3. Rabo Australia Limited (ACN 060 452 217), a sister company of Rabobank and the holder of an AFSL.
4. Rabobank Equipment Finance Limited (ACN 072 771 147), which is a fully owned subsidiary of Rabo Australia Limited.
5. Graincorp Pools Pty Limited (ACN 095 759 890), which is also a fully owned subsidiary of Rabo Australia Limited.
6. Soft Commodity Trading Pty Limited (ACN 085 595 562), which is also a fully owned subsidiary of Rabo Australia Limited.

Other Associated Entities

Rabobank has two other "associated entities" in Australia (applying the definition in your letter) whose conduct has not been addressed in the preparation of this submission. Background information on those associated entities and the reasons why they have been excluded in the response are set out below.

De Lage Landen Pty Ltd (**DLL**) is a "sibling" company of Rabobank – DLL is ultimately wholly-owned by CRUA. DLL does not hold a banking authority and is not an AFSL holder. However, Rabobank understands from ASIC's records that DLL is presently an "authorised representative" of Protecsure Pty Ltd (**Protecsure**), which holds an AFSL. Protecsure is unrelated to Rabobank.

DLL offers equipment finance products in Australia and has a majority-owned subsidiary, Agco Finance Pty Ltd (**Agco**). DLL is managed and operated separately to Rabobank – Rabobank has no management oversight or control over DLL.

Achmea Schadeverzekeringen N.V. (**Achmea**) is a Dutch entity which is 29% owned by CRUA. Achmea holds an AFSL and is registered with APRA under the *Insurance Act 1973* (Cth) as a general insurer authorised to conduct new or renewal insurance business in Australia. Achmea specialises in the provision of farming general insurance products. The company is managed and operated separately to Rabobank – Rabobank has no management oversight or control over Achmea.

Rabobank understands that each of DLL and Achmea have not received letters from the Commission inviting them to make early written submissions to the Commission.

In preparing this submission, Rabobank has not considered, nor referred to, any "conduct, practice, behaviour or activity" of either DLL (including Agco) or Achmea for the following key reasons:

1. Rabobank has an arms-length relationship with each of DLL and Achmea, which both operate separately in their Australian management and businesses.
2. Neither Achmea nor DLL are able to be controlled by Rabobank. This is particularly the case for Achmea, given the minority ownership position of CRUA.
3. While DLL may be a "financial services entity" as defined in the Terms of Reference (because of its status as an authorised representative of Protecsure), and is an "associated entity" of Rabobank, we understand that the products offered by DLL are not consumer-facing products.

Time period considered

This response to your letter addresses events that have occurred between 2008 and the date of this response.



Focus on customer-facing events

In preparing the response, Rabobank has focused on customer-facing events. This focus was informed by the Commission's Terms of Reference, the short timeframe for provision of this response and the various media releases published by the Prime Minister and the Treasurer in relation to the Commission's objectives.

Certain events not included in this response

In considering the response to Questions 1 and 2 of your letter, Rabobank has not included standalone events resulting from human or technical errors that might meet the definition of "misconduct" or "conduct, practice, behaviour or business activity...fall(ing) below community standards and expectations", where the event only affected one or a small number of Rabobank's customer/s, unless those incidents resulted in an adverse finding being made against it by the Financial Ombudsman Service (**FOS**) of which Rabobank is a member, by the Privacy Commissioner, or in Court proceedings. For clarity, Rabobank has not identified any events that did result in such an adverse finding.

In considering the response to Questions 1 and 2 of your letter, Rabobank has also not included standalone events resulting from human or technical errors, which may have inadvertently contravened its obligations under the *Privacy Act* 1988 (Cth) but only affected one or a small number of Rabobank's customers. However, where such events have occurred on a number of occasions, that series of events has been included in the response contained Schedules 1 and 2.

Standalone events resulting from human or technical errors which meet the definition of "misconduct" or "conduct, practice, behaviour or business activity...fall(ing) below community standards and expectations" and affected a significant number of Rabobank's customers, or that have occurred on a number of occasions, have been included in the response contained in Schedules 1 and 2.

Consistent with Rabobank's focus in this response on customer-facing events, in preparing this response, Rabobank has not considered internal human resources matters which do not involve its customers.

For clarity, while Rabobank did look for human resources matters that resulted in an adverse determination being made against Rabobank in an employment dispute (such as by the Fair Work Commission), it did not identify any such matters.

Involvement in the Senate Select Committee on Lending to Primary Production Customers

As briefly noted in Section B above, Rabobank recently participated in the Senate Select Committee on Lending to Primary Production Customers. The Bank provided a detailed submission, appeared as a witness, and responded to matters raised by three of its customers.

Matters that concern those three customers have not been included in Schedules 1 and 2 and details concerning them are available from the website homepage for the Senate Select Committee on Lending to Primary Production Customers (URL provided above, in Section B).

Inapplicability of Question 4 to Rabobank

Question 4 in your letter is not applicable to Rabobank because it is not (and is not relevantly associated with) an RSE licensee of a registrable superannuation entity (as defined in your letter).

Confidentiality of Schedules 1 and 2 to this response

A claim for confidentiality in relation to the information contained in Schedules 1 and 2 will be provided on behalf of Rabobank by its external legal advisors, Baker McKenzie.



Rabobank

Contact details for further information

Rabobank has appointed Baker McKenzie as its external legal advisor to assist in responding to your requests for the duration of the Royal Commission. Steven Glanz [REDACTED] and David Walter [REDACTED] of Baker McKenzie are copied to this letter. We ask that the Solicitor Assisting the Commission direct any questions and correspondence to Rabobank via Baker McKenzie.

I look forward to continuing Rabobank's cooperation with the Commission.

Yours sincerely



Peter Knoblanche
CEO Rabobank Australia

Cc: Steven Glanz and David Walter
Baker McKenzie

CONFIDENTIAL**Confidential Schedules 1 and 2 to letter dated 29 January 2018**

List of matters involving misconduct and/or conduct that falls below community standards and expectations, as requested in Questions 1 and 2 of the Commissioner's letter to Rabobank Australia Ltd dated 15 December 2017 ("Letter")

Questions

1. Excluding cases of theft from the entity itself, or from an associated entity, has the entity identified any misconduct by the entity (including by its directors, officers or employees, or by anyone otherwise acting on its behalf) which occurred at any time since 1 January 2008? If so, what is the nature, extent and effect of that misconduct?
2. Has the entity identified any conduct, practice, behaviour or business activity it has engaged in (including by its directors, officers or employees, or by anyone otherwise acting on its behalf) since 1 January 2008, which it considers has fallen below community standards and expectations? If so, what is the nature, extent and effect of that conduct, practice, behaviour or activity?
3. If yes to either or both of questions one and two:
 - (a) Is the identified conduct, practice, behaviour or activity the subject of another inquiry or investigation, or a criminal or civil proceeding?
 - (b) Does the entity attribute any of the identified conduct, practice, behaviour or activity to the particular culture or governance practices of the entity? If so, describe that culture or governance practice.
 - (c) Does the entity attribute any of the identified conduct, practice, behaviour or activity to some broader cultural or governance practices in the industry or sector of the industry in which the entity operates? If so, describe those cultural or governance practices.
 - (d) Does the entity consider that the identified conduct, practice, behaviour or activity results from other practices (including risk management, recruitment or remuneration practices)? If so, describe those practices.
 - (e) What steps has the entity taken to:
 - (i) remedy the consequences for consumers or other businesses of the identified conduct, practice, behaviour or activity;
 - (ii) prevent recurrence of conduct, practice, behaviour or activity of the kind identified?

Question Four omitted.

CONFIDENTIAL**Schedule 1****1. | Incorrect interest rates applied for Premium Saver product****Nature, extent and effect**

RaboDirect publicly communicated that the interest rate for its Premium Saver had changed to 4.5% on 25 October 2010. This interest rate would apply if a customer was not eligible for the higher rate (which a customer would be eligible for if they had increased their balance over the previous calendar month). However, due to a breakdown in communication, the relevant interest rate change was not changed in the system. As a result, a number of customers were receiving a lower rate than advertised.

This affected 4,381 customers for a period between October 2010 – December 2010. The total amount of compensation paid to customers in order to correct the misrepresentation was \$12,000.

Information requested in Question 3 of the Letter

- a) No
- b) No
- c) No
- d) No
- e) The system was updated on or about 23 December to reflect the previously published interest rate. An interest adjustment credit was made on 29 December 2010 to reflect the interest that should have been paid from 25 October 2010. All affected customers received a payment reflecting the interest they should have been paid. RaboDirect also communicated to affected customers on this matter explaining the mistake that had been made and how it would be corrected.

2. | Issues with data quality of IFTI reporting to AUSTRAC**Nature, extent and effect**

As a result of a compliance assessment conducted by AUSTRAC of reports made by Rabobank entities in Australia between July 2012 and July 2013, a number of issues were identified with the quality of data supplied by Rabobank to AUSTRAC.

Of the 4,051 IFTI reports sampled, AUSTRAC identified that:

- 1,105 were not actually IFTIs;
- 572 did not include accurate account numbers;
- 1,960 contained incorrect completion of fields; and
- 18% were reported outside the prescribed period between January – March 2013; and 3% were reported outside the prescribed period in May 2013.

With respect to reporting of suspicious matters (SMRs), AUSTRAC identified that of the 8 reports of suspicious matters reported, not all available information was provided.

It was also identified that Rabobank's Part A program did not document systems and controls to ensure compliance with its IFTI reporting and SMR obligations.

Isolated incidents were also identified around customer identification procedures.

Information requested in Question 3 of the Letter

- a) No

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- b) No
- c) No
- d) No
- e) The Bank's actions in response to the AUSTRAC findings included:
 - staff involved with payment requests were provided with additional training to ensure correct information was captured;
 - additional staff were trained to undertake IFTI reporting (a shortage of staff was responsible for some of the delays with IFTI reporting) ;
 - filtering rules were updated to more accurately assess transactions as IFTIs;
 - the payment system and the file used to submit IFTI reports was enhanced in order to overcome some of the data quality issues;
 - training provided to staff on details required to be included in SMRs and the relevant SMR procedure was updated to more clearly set out the details required to be included in an SMR; and
 - individual customer identification issues were rectified and second line monitoring of the customer identification process was increased.

3. Term deposit rollover letters were sent to clients with an incorrect interest rate**Nature, extent and effect**

On 21 June 2012, RaboDirect identified that a batch of letters sent to RaboDirect term deposit customers had incorrect interest rates specified. The incident was identified on 26 June 2012. The incorrect batch of letters was sent to 65 customers. The letters incorrectly specified that the interest rate for a 1 year term deposit was 5.45% instead of 5.12% and the 5 year rate was 6% instead of 5.80%.

Information requested in Question 3 of the Letter

- a) No
- b) No.
- c) No.
- d) No.
- e) 30 of the 65 customers had taken out term deposits with the incorrect rate and therefore were affected. These customers were called and advised the rate given in the letters were incorrect but would be honoured. When new rates are released all letters are subject to a '4 eye check' to confirm the accuracy of the rates.

4. Customer data sent to intermediary in error**Nature, extent and effect**

One of the channels through which RaboDirect obtains customers is through intermediaries who may open an account on behalf of their client with RaboDirect and operate the account on their client's behalf. On 11 November 2011, a weekly data file reporting to an intermediary on their clients with RaboDirect inadvertently contained data on clients of all intermediaries (not just that intermediary's clients). 3,200 customers had their information disclosed in error. The incident was identified on the same day.

Information requested in Question 3 of the Letter

- a) No
- b) No
- c) No
- d) No
- e) RaboDirect contacted the intermediary and were informed that only a single employee had opened the file and had agreed to destroy the file. In addition, the following processes were implemented:

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- the relevant email and the contents of any client report sent to an intermediary would be double checked by another staff member; and
- a specific file for the intermediary was created to mitigate the risk of human error.

This incident did reoccur in May 2012 (see immediately below)

5. Customer data sent to intermediary in error**Nature, extent and effect**

One of the channels through which RaboDirect obtains customers is through intermediaries who may open an account on behalf of their client with RaboDirect and operate the account on their client's behalf. On 29 May 2012 a weekly data file reporting to an intermediary on their clients with RaboDirect inadvertently contained data on clients of all intermediaries (not just that intermediary's clients). 3,600 customers had their information disclosed in error. This was a recurrence of an almost identical error on 11 November 2011 (see immediately above).

Information requested in Question 3 of the Letter

- No
- No
- No
- No
- RaboDirect contacted the intermediary and were informed that only a single employee had opened the file and had agreed to destroy the file. In addition, the following processes were implemented:
 - separate tasks were to be generated for the daily HISA and weekly PremiumSaver Reports, this would segregate that intermediary's data from all other data;
 - the weekly email templates and contents would be double checked by a second staff member who would send a written confirmation that they have completed the check; and
 - before the email is sent out, the second staff member would again double check the email addresses the email is being sent to.

6. Interest rates not updated on Rabobank website**Nature, extent and effect**

Interest rates on the Rabobank website for Farm Management Deposit product (with 1-9 month terms) and Term Deposit (1 year term) were not updated between 13 April 2016 and 23 May 2016. This was caused by a change to a different part of the Rabobank website that inadvertently caused certain interest rates to not update. The Bank identified that 59 customers may have been affected by the published interest rates based on the date an account was opened or rolled over ie such customers may not have viewed the incorrect interest rate and only been advised of the correct rate (for example, in the confirmation letter).

Information requested in Question 3 of the Letter

- No
- No
- No
- No
- Despite not being able to confirm whether customers had viewed the incorrect interest rate, Rabobank treated such customers as having viewed the incorrect rate. The total amount of compensation paid was \$2,043.

CONFIDENTIAL**Schedule 2****1. Blocked RaboDirect Accounts****Nature, extent and effect**

As part of its customer due diligence enhancement activity, on 15 December 2017, RaboDirect blocked access to 440 savings accounts for customers who had not provided additional identification material. Some of these customers did not receive notice of the proposed access blocking or had their access blocked earlier than the date which had been advised to them. This was designed to require customers to call the Call Centre where the information requirements would be met or the monies refunded to the nominated customer account and this account closed. This constituted a breach of the bank's contract with these customers which required a minimum notice period to be provided before such action could be taken and potentially misleading conduct for those customers who were given notice of a longer period before such action would be taken. Blocking the accounts caused these customers to be unable to transact on their accounts earlier than the bank was entitled to do so. The bank unblocked all of the affected accounts on 22 December 2017. To date the bank has not been made aware of any customer who has suffered loss as a result of its conduct.

Information requested in Question 3 of the Letter

- a) No
- b) No
- c) No
- d) No
- e) It has been reiterated that any such blocking of access to accounts requires approval from the business head and the Legal and Compliance departments.

2. Incorrect debit card letter sent**Nature, extent and effect**

In December 2017, the external supplier of the bank's debit cards issued replacement cards to customers using an incorrect letter template which did not contain the information required to activate the cards. Approximately 162 customers were affected.

Information requested in Question 3 of the Letter

- a) No
- b) No
- c) No
- d) No
- e) Customers contacted the bank and their cards were activated upon verification of identity. Discussions were held with the supplier to tighten their internal controls verifying that correct correspondence is issued. This will be monitored in the regular relationship meetings with the supplier.

3. Incorrect term deposit reinvestment letter**Nature, extent and effect**

In some isolated cases, the term deposit reinvestment letter sent to RaboDirect customers could misstate the term that the maturing deposit would be rolled into. This error, which was identified in November 2017, arose from an incorrect calculation assumption in the system issuing the letters. The misstatement only affected a small number of customers whose deposit terms were calculated on the number of days

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and ended mid-month. The term which had been originally set in the core banking system to apply when the deposit matured would still be applied, thereby ensuring that a customer's original instructions were followed. The term disclosed in the letter could, however, cause some confusion. The error in the system which issues the letters has now been rectified, so that the correct term now appears.

Information requested in Question 3 of the Letter

- a) No
- b) No
- c) No
- d) No
- e) No customers were disadvantageded. The system has been rectified so that no further errors are made.

4. Delayed issue of renewal Visa debit cards**Nature, extent and effect**

The bank's external supplier failed to issue 250 renewal Visa debit cards to bank customers in November 2017. This oversight arose from a breakdown in controls within the bank's Fulfilment Team who are to reconcile the number of cards to be issued by the supplier against the file issued by the bank's system. All affected customers were contacted by the bank and advised of the delay in issuing the cards and were suggested alternative means to make transactions, such as through the bank's internet banking platform.

Information requested in Question 3 of the Letter

- a) No
- b) No
- c) No
- d) No
- e) Customers were contacted directly by the bank and advised of the situation and potential alternative action to take during the delay. The bank's Fulfilment Team have been reminded of the importance of executing their control responsibilities.

5. Unauthorised recording of TFNs**Nature, extent and effect**

In October and November 2017, in 3 separate incidents, a customer's TFN was not removed from data emailed by an account manager to the bank's regional office and 2 customers' TFNs were not removed from financial statements provided to the bank prior to their being scanned into the bank's records database.

Information requested in Question 3 of the Letter

- a) No
- b) No
- c) No
- d) No
- e) The TFNs have been removed from the bank's records and the staff involved have been reminded of the bank's obligations regarding the recording of TFNs. In the wake of these incidents, the Regional Compliance Officer sent out a communication to all staff in the region of the need to remove any TFNs from customer financial material before they are placed into the bank's systems.

CONFIDENTIAL**6. APRA code not allocated to isolated counterparties in electronic records****Nature, extent and effect**

New clients may require the entry of an APRA code which is reported to APRA for the purposes, inter alia, of calculating liquidity ratios for certain categories of counterparties. In October 2017, some overseas based customers were established without the relevant APRA codes being entered, which caused a failure to report the required information.

Information requested in Question 3 of the Letter

- a) No
- b) No
- c) No
- d) No
- e) No impact on customers. Customer records have been corrected. The data management team have now been provided with the codes to be used for overseas based clients and the entry of this code is now subject to a '4 eyes' check.

7. FATCA/CRS reporting for intermediaries with AML/CTF agency agreements**Nature, extent and effect**

Two agency arrangements were not updated prior to 1 July 2014 to cater for the implementation of FATCA and, subsequently, CRS. This error arose from the non-identification of the agency arrangements as impacted by the implementation of the FATCA and, subsequently, CRS requirements.

Information requested in Question 3 of the Letter

- a) No
- b) No.
- c) No
- d) No
- e) Sample checking of customer records completed by the agents in question has not indicated any non-compliance with FATCA requirements. The CRS requirements have only been in effect since July 2017. The agency agreements are in the process of being replaced and until this is done, no further instructions will be accepted from these agents. Future implementation projects which relate to client on-boarding requirements will ensure that these types of agency arrangements are covered.

8. Foreign currency rates not updated in Eximbills**Nature, extent and effect**

Foreign currency rates are used in Eximbills to calculate foreign currency fees that are incurred on letters of credit. When the Eximbills system was outsourced to Rabobank Singapore Branch in 2015, the rates ceased being automatically updated due to a miscommunication during the transfer. This oversight was identified in September 2017 and the bank is still determining the impact on the customers who have used the system during the period in question.

Information requested in Question 3 of the Letter

- a) No
- b) No
- c) No
- d) No

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- e) The impact on customers is still being determined. If any overcharges are found to have been made, these will be refunded. The rates in the system are now being updated manually to reflect the current market rates.

9. CPI Notes possible payments discrepancy**Nature, extent and effect**

In mid-2017, the bank's Finance department undertook a reconciliation on interest payments on CPI Notes maturing on 28/8/2020 and found minor discrepancies may exist in the calculation of interest which may indicate that investors had been underpaid interest. The maximum cumulative amount of interest which may have been underpaid is \$24,553 over a period of 8.5 years on notes issued to a maximum value of \$500 million. The total amount of interest paid on these notes over this period is in excess of \$100 million. However, an actual underpayment is considered highly unlikely as the amounts calculated were checked and agreed for each payment between 3 regional offices of the bank and 3 external swap counterparties. All holders of these notes are wholesale and institutional investors, which are very difficult to identify at any particular time as the Notes are continuously traded on the secondary market.

Information requested in Question 3 of the Letter

- a) No.
 b) No.
 c) No.
 d) No.
 e) As it is highly unlikely that an actual underpayment of interest has occurred and, if it did, the amount is very small given the long period over which the payments have been made and the total amount of interest paid, the bank does not propose to take any further action. The minor defects in the interest calculation process have been rectified.

10. TFNs used to de-duplicate new customer details**Nature, extent and effect**

When the bank on-boards a RaboDirect customer, its systems compare any existing information recorded for that customer against the new data provided. One of the data fields checked is the TFN recorded for that customer.

Information requested in Question 3 of the Letter

- a) No.
 b) No.
 c) No.
 d) No.
 e) In December 2017, the de-duplicating process was reviewed and the check against the record of the TFN has been removed.

11. Regulatory reporting**Nature, extent and effect**

For a 6 month period from 1 July 2016, some incorrect figures for personal finance lending were reported to APRA. The error arose from a failure to manually update the specifications for the report to match the requirements.

CONFIDENTIAL**Information requested in Question 3 of the Letter**

- a) No.
- b) No.
- c) No.
- d) No.
- e) There is no customer impact. The report specifications have been updated and this is now done automatically, rather than manually. APRA has been provided with the rectified data.

12. Blocking of RaboDirect accounts in June and July 2017**Nature, extent and effect**

As part of RaboDirect's CDD remediation program, in June 2017, 12,261 dormant accounts were to be blocked using a XITP program. When this program ran, it caused an additional 32 accounts to be incorrectly blocked. This error arose from an anomaly in the program which caused some customer records to incorrectly apply to multiple ownership structures. The erroneously blocked accounts were unblocked the next day. A fix was made to the XITP program to remove the identified error.

A further 5,097 dormant RaboDirect accounts were to be blocked in July 2017 using the XITP program. Another apparent fault in the XITP program caused 19 customer accounts and 40 related broker accounts to be blocked in error. These accounts were also unblocked the next day and the XITP program is no longer used.

Information requested in Question 3 of the Letter

- a) No
- b) No
- c) No
- d) No
- e) See comments above. There has been no customer impact.

13. Direct Debit duplication**Nature, extent and effect**

On 28 September 2017, Rabobank's equipment finance customers incorrectly had their leasing accounts debited with direct debits which had already been debited on 27 September 2017. This occurred because the processing system failed to purge the direct debit file for 27 September 2017 before it ran the direct debit file for 28 September 2017.

Information requested in Question 3 of the Letter

- a) No
- b) No
- c) No
- d) No
- e) The direct debits were reversed and affected customers restored to their prior position.

14. Interest rates were not updated**Nature, extent and effect**

Incorrect interest rates affected Rabobank trade loan products for wholesale clients for the period between 28 May 2012 and 16 November 2012. This occurred as a result of a change to the back end computer system supporting the administration of such accounts (T24). A change to the way in which interest rates

CONFIDENTIAL

were mapped caused the interest rate for affected products to not update. The incident was identified on 3 September 2012. 10 clients were affected and the amount of loss suffered by clients totalled \$288.

Information requested in Question 3 of the Letter

- a) No
- b) No.
- c) No.
- d) No.
- e)
 - Rabobank calculated the total loss suffered by clients and compensated such clients accordingly (this totalled \$288). This was communicated to the client both by letter and through the account manager.
 - A monitoring process was put in place.

15. Marketing campaign contained incorrect date for beginning of promotion**Nature, extent and effect**

RaboDirect conducted a 'bonus' interest rate campaign for its High Interest Savings Account product. However, it informed its customers of the wrong commencement date. The direct marketing email stated that the campaign began 'today' and the email was sent was on 31 August 2012. However, the campaign commenced the next day on 1 September 2012. The email was sent to 40,156 customers. However, it appeared that 1,000 customers acted based on the incorrect email. The incident was identified on 3 September 2012.

Information requested in Question 3 of the Letter

- a) No
- b) No.
- c) No.
- d) No.
- e) RaboDirect undertook the following actions:
 - Customers that called RaboDirect were advised of the error;
 - the applicable interest rate in the system was backdated so that customers received the higher interest rate from the date as advertised;
 - Changes to policies and procedures were implemented as a result of the incident:
 - the checking process was extended so that a representative each from Marketing, Operations and the Call Centre reviewed marketing copy before it was approved; and
 - a final, publishable copy is to be emailed to the management team prior to publication.

16. Confirmation of new account letters were not produced**Nature, extent and effect**

For the period between October 2011 to 23 October 2012, deposit clients of Rabobank Australia Limited did not receive a confirmation letter pack that their account had been opened. This letter pack, in some circumstances, contained information required to be given by the Code of Banking Practice. The incident was identified on 1 August 2012. This meant that approximately 800 clients did not receive the letter pack.

Information requested in Question 3 of the Letter

- a) No
- b) No.
- c) No.

CONFIDENTIAL

- d) No.
- e) Affected clients were sent the information required to be given along with an apology letter. The system was also resolved to prevent the matter reoccurring.

17. Informing AUSTRAC of incorrect earnings category for the purposes of calculating AUSTRAC's supervisory levy**Nature, extent and effect**

On 2 July 2012, Rabobank identified that it had incorrectly advised AUSTRAC of its earnings as it had considered each individual reporting entity separately and the total global earnings of the business as opposed to the earnings relating to the group of related 'leviable entities'. As a consequence, Rabobank was not charged the correct 'large entity component' levy. This was the first time that Rabobank had been required to make this calculation for the purposes of the supervisory levy. Rabobank notified AUSTRAC on 5 July 2012.

Information requested in Question 3 of the Letter

- a) No
- b) No.
- c) No.
- d) No.
- e) AUSTRAC was notified and Rabobank's updated information was provided.

18. Overcharging of loan interest and undrawn loan fee**Nature, extent and effect**

On 31 October 2011 and prior to a system upgrade, certain fees that were updated on the client management system would not automatically update the transaction system. Staff were required to manually advise the Operations team of the change in the fee so that the transaction system could be updated. However, in some cases this process did not take place. The impact was such that 126 clients were not charged a correct fee. The total amount of loss suffered by clients was \$372,206.50. The incident was identified on 1 November 2011 (the next day).

Information requested in Question 3 of the Letter

- a) No
- b) No.
- c) No.
- d) No.
- e) Rabobank sent a letter to affected clients explaining the error and were compensated for the amount owed. As a result of the upgrade to the client management system, this manual process was automated.

19. Incorrect rate on Harvest Advantage Loan statements**Nature, extent and effect**

Rabobank's Harvest Advantage Loan statements for the period beginning on September 2011 until the date it was identified, 15 February 2012, displayed an incorrect interest rate. This error only affected a product no longer offered by Rabobank, the Harvest Advantage Loan. However, the actual interest rate payments calculated were correct. The error affected 212 accounts.

CONFIDENTIALInformation requested in Question 3 of the Letter

- a) No
- b) No.
- c) No.
- d) No.
- e) For those clients that had received incorrect statements, apology letters were issued.

20. Advertisement contained representation potentially misleadingNature, extent and effect

In its advertisement for its Cash Management Account products, Rabobank stated that 'When you invest \$20,000 or more into our new Cash Management Account, you get a market leading interest rate of up to 4.75%pa'. However, customers were eligible for only the interest rate of 4.75%pa if they deposited over \$250,000 into the Cash Management Account. The advertisement was brought to Rabobank's attention by ASIC on Friday, 3 February 2012. The advertisement was updated on 7 February 2012.

Information requested in Question 3 of the Letter

- a) No
- b) No.
- c) No.
- d) No.
- e) The advertisement was withdrawn and replaced.

21. Emails being sent to closed accountsNature, extent and effect

Some customers that had closed their RaboDirect account continued to receive marketing materials as a result of human error in not excluding a category of recipients from the email delivery system. Approximately 7,000 former customers received such emails.

Information requested in Question 3 of the Letter

- a) No
- b) No
- c) No
- d) No
- e) The following actions were undertaken to prevent this type of activity again:
 - individuals involved in the sending of promotional messages received refresher training on 28 March 2012
 - data segments to be consolidated and simplified
 - training of additional team members in the task
 - additional checks and reconciliations performed prior to the sending of promotional messages to ensure the message is sent only to recipients where RaboDirect has the necessary consents

22. Customers onboarded in a certain manner were automatically considered to have consented to receive marketing materialsNature, extent and effect

It was identified that customers that applied for a RaboDirect account and had proceeded through 'straight through processing' (where customers are verified through online methods and do not need to provide identification documents themselves) within 24 hours of having opened the account, were being flagged

CONFIDENTIAL

by the client management system as having opted in to receiving marketing materials whether or not they had actually opted in to receiving marketing materials. This error occurred as a result of a system error.

This affected approximately 10,000 clients and lasted from 23 September 2010 until the date identified on 25 January 2012.

Information requested in Question 3 of the Letter

- a) No
- b) No
- c) No
- d) No
- e) The following actions were undertaken to prevent this type of activity again:
 - from the date the incident was identified, all new customers were treated as 'opt out' for marketing purposes and existing customers were reviewed and, if necessary, their marketing preferences were updated; and
 - on 22 June 2012, the system was fixed so that the error no longer occurred.

23. Client data was given to an external training service provider to prepare training materials**Nature, extent and effect**

Rabobank engaged an external training service provider to prepare a training program. For the purposes of providing case studies to tailor the training, Rabobank provided information about 3 of its clients to that service provider. However, it had not obtained the consent of clients to provide this information nor would clients have expected their information to be used in such a manner. The information was provided in late 2011.

Information requested in Question 3 of the Letter

- a) No
- b) No
- c) No
- d) No
- e) The following actions were undertaken to prevent this type of activity again:
 - the data that was provided for training purposes was removed
 - communications were sent to relevant stakeholders reiterating the confidentiality of client data;
 - the Learning & Organisational Develop division agreed to consult with Compliance when preparing training programs; and
 - the business unit, Credit, that had provided the data confirmed that they were no longer providing customer data to the training provider.

24. Screening of Responsible Person was not completed within timeframe**Nature, extent and effect**

A responsible person for the purposes of APRA Prudential Standard 520 is required to be screened prior to their initial appointment and then re-assessed annually (or as close to annually as practicable). However, this did not take place for a responsible person. The responsible person was appointed on 1 April 2011. However, the screening process did not take place until the incident was identified on 30 November 2011.

Information requested in Question 3 of the Letter

- a) No
- b) No

CONFIDENTIAL

- c) No
- d) No
- e) The failure to conduct screening was reported to APRA. The following actions were undertaken to prevent this type of activity occurring again:
 - a new flow chart documenting the process was created with check points;
 - a communication was sent to managers on the requirements for bank wide screening; and
 - improved information sheets on the hiring process were provided to hiring managers.

25. Error on end of year tax statements**Nature, extent and effect**

154 customers received incorrect tax statements in respect of their holdings in 2 third-party managed funds listed on the RaboDirect Investor Directed Portfolio Service (a service no longer offered by Rabobank). For clarity, Rabobank has never itself issued managed funds products. The incorrect statements were issued to customers on 23 September 2011 and this error was identified and rectified on 27 September 2011.

Information requested in Question 3 of the Letter

- a) No
- b) No
- c) No
- d) No
- e) The incorrect reports were corrected and sent to affected customers. Additional checks by RaboDirect and the internal Tax department on source documentation and information would take place before such information is entered into the system.

26. Departure of a Key Person (for AFSL purposes) was not notified to ASIC**Nature, extent and effect**

A person listed as a 'Key Person' on a Rabobank entity's Australian Financial Services Licence (AFSL) ceased their employment with the Bank from 7 February 2011. However, Rabobank did not notify ASIC, as required, until this incident was identified on 7 June 2011.

Information requested in Question 3 of the Letter

- a) No
- b) No
- c) No
- d) No
- e) The relevant form to notify ASIC was submitted to ASIC. The 'Fit and Proper Person' process was updated to ensure that all appropriate people are notified of the departure of key persons.

27. Marketing email inadvertently sent to larger segment of customers than intended**Nature, extent and effect**

On 23 June 2011, a promotional email was sent to 90,000 email addresses (although 30,000 emails bounced) when the intended population was only 1,200 customers. Of these 90,000 email addresses, 47,000 emails were sent to 'opt out' clients.

CONFIDENTIAL**Information requested in Question 3 of the Letter**

- a) No
- b) No
- c) No
- d) No
- e) The following actions were undertaken to prevent this type of activity again:
 - procedure documentation was rewritten to articulate the process more clearly;
 - the revised procedure documentation required 2 additional approval steps before sending an email communication; and
 - the revised procedure documentation requires a manual step to check the volume of emails to be sent before sending.

28. Confidential information inadvertently sent to external party**Nature, extent and effect**

An email containing a list of M&A WIP matters was inadvertently sent to an unintended recipient.

Information requested in Question 3 of the Letter

- a) No
- b) No
- c) No
- d) No
- e) The recipient of the email was contacted, advised that the document was confidential and requested that it be deleted. The recipient confirmed that the confidential document was deleted.

29. Sanctions checks did not include a specific list required by Global policy**Nature, extent and effect**

SWIFT transactions were not filtered against the Office of Foreign Assets Control (“OFAC”) list as required by Rabobank International Sanctions Policy since 2006. This screening failed to take place from 15 December 2006 when it was required by policy until it was identified in March 2011.

Information requested in Question 3 of the Letter

- a) No
- b) No
- c) No
- d) No
- e) Systems were rectified in March so that transactions were screened against the OFAC list and recertifications have since taken place to ensure that staff that require access to the system have access.

30. Sanctions checks did not include a specific list required by Global policy**Nature, extent and effect**

Coöperatieve Rabobank U.A. (CRUA) is classified by APRA as a ‘foreign bank with an Australian branch’. A condition of CRUA’s authorisation to carry on a banking business in Australia is that it, before accepting deposits, needs to inform the depositor (who will be a ‘wholesale’ client for the purposes of the *Corporations Act 2001*) in the prescribed form of certain matters required by section 11E of the *Banking Act 1959*. With respect to a specific product, a Certificate of Deposit product, which could be subsequently held by a different person, this was required to have a distinguishing mark in the Austraclear

CONFIDENTIAL

field (the exchange upon which the product could be traded) so that a potential holder were notified of the appropriate disclosures. However, this distinguishing mark was not made. The breach affected 15 clients.

Information requested in Question 3 of the Letter

- a) No
- b) No
- c) No
- d) No
- e) The distinguishing mark was effected in Austraclear on 9 February 2011 and a letter was sent to the 15 clients regarding this matter.

31. Interest collected from incorrect account**Nature, extent and effect**

As a result of an IT incident on 20 November 2010, interest was not collected from certain accounts on the scheduled date (20 – 22 November) and was instead collected on 26-29 November. However, because of errors made in preparing the file for the collection of interest, certain clients had interest collected from an incorrect account. 53 clients were affected in this manner.

Information requested in Question 3 of the Letter

- a) No
- b) No
- c) No
- d) No
- e) A letter of apology was sent to affected clients. Interest and fees that were incorrectly collected were refunded and backdated. Interest was instead collected from the correct account. Data fixes were subsequently subjected to a '4 eyes check' by the relevant staff and processes were updated to reflect this.

32. Failure to process bulk payment batches**Nature, extent and effect**

As a result of the roll out of new functionality on Rabobank's internet banking platform, a number of errors in the system meant that 57 batch transactions that had been scheduled in the future were not processed. The errors occurred on 23, 26 and 27 July 2010. The incident was identified on 26 July 2010.

Information requested in Question 3 of the Letter

- a) No
- b) No
- c) No
- d) No
- e) A letter of apology was sent to affected clients. Interest and fees that were incorrectly collected were refunded and backdated. Interest was instead collected from the correct account. Processes in relation to data fixes were updated so that such processes are subject to a '4 eyes check' by the relevant staff.

CONFIDENTIAL**33. Cheque fraud and not checking signature****Nature, extent and effect**

An employee of a client fraudulently signed 20 cheques. In accordance with policy not to verify cheques under a certain amount, the signature was not verified. 20 fraudulent cheques were accepted by Rabobank and the total value of fraudulent cheques was \$28,050. The cheques were accepted over a period of 2 months before the fraud was identified by the client.

Information requested in Question 3 of the Letter

- a) No
- b) No
- c) No
- d) No
- e) The amount was refunded to the client.

34. Customer complaints about Premium Saver account**Nature, extent and effect**

On its website, RaboDirect promoted a Premium Saver account which had a higher rate of interest than the 'Master Account' which was required to be opened by every RaboDirect customer. When customers opened a Premium Saver account with RaboDirect, they were also required to have a Master Account. In the welcome letter, the default account number RaboDirect provided to a client was the account number for the Master Account. As a result, some customers deposited funds into the Master Account instead of the Premium Saver account and were receiving a lower rate of interest than they expected. The Premium Saver account is an account that provides a higher rate of interest if the balance is increased during a month. 21 customers had complained about this issue.

Information requested in Question 3 of the Letter

- a) No
- b) No
- c) No
- d) No
- e) RaboDirect undertook the following actions:
 - 21 customers that complained were provided with the higher rate of interest as if they had deposited funds into the Premium Saver account;
 - the content on the website and welcome letter were amended to avoid further confusion by customers; and
 - a letter was sent to all Premium Saver customers clarifying the accounts that had been set up for a customer and this would continue to be sent periodically.

35. Letters sent to different clients**Nature, extent and effect**

General account administration letters (for example, about interest deferrals, deposit details and interest rate bookings) sent on 25 January 2010 were sent to incorrect recipients by an external mail house. This breach affected 10 clients.

Information requested in Question 3 of the Letter

- a) No
- b) No
- c) No

CONFIDENTIAL

- d) No
- e) Rabobank apologised and communicated the error to affected clients. The mailing house confirmed that the process had been strengthened including additional verification and approval by the production team leader would be conducted for future mail runs.

36. Marketing material sent to clients on opt-out list**Nature, extent and effect**

Under APS 310, Rabobank is required to maintain a detailed description of its risk management practices (otherwise known as a 'Risk Management Systems Description' (RMSD)). This must be provided to APRA and regularly reviewed and updated, at least annually. A review of APS310 identified that the RMSD has not been updated for a number of years. Rabobank failed to comply with this requirement on or about March 2009 and this was identified on or about 4 February 2010.

Information requested in Question 3 of the Letter

- a) No
- b) No
- c) No
- d) No
- e) The following actions were undertaken to prevent this type of activity again:
 - an external firm was engaged to provide the Bank with a template RMSD.
 - an update was provided to APRA on 31 March 2010 ; and
 - this obligation was included in the compliance obligations register held by Compliance.

37. Marketing material sent to clients on opt-out list**Nature, extent and effect**

A marketing letter was sent to 2,225 customers that were on RaboDirect's opt-out list. This letter was sent out on 1 December 2009.

Information requested in Question 3 of the Letter

- a) No
- b) No
- c) No
- d) No
- e) The following actions were undertaken to prevent this type of activity again:
 - Marketing team agreed to meet regularly with Legal and Operations to discuss current and future activities; and
 - a training session was given by Legal to Marketing team on main requirements of marketing campaigns and areas of potential breach.

38. Delay in transfers into RaboPlus account using direct debit**Nature, extent and effect**

Payment files had not been sent to Westpac, who processed electronic payments for RaboPlus (as RaboDirect was then known). This caused payments that had been transferred from a customer's RaboPlus account into their linked account to be delayed by a day. This may have meant that customers would have lost 1 day's interest and would receive their payment later than expected.

CONFIDENTIAL**Information requested in Question 3 of the Letter**

- a) No
- b) No
- c) No
- d) No
- e) Operations updated the procedure so that receipt of payment files by Westpac is checked at 3.45pm and 5.45pm daily.

39. Customer emailed statements bounce back**Nature, extent and effect**

Rabobank has provided clients with account statements electronically rather than in paper format since December 2016. Rabobank gives such statements by making the account statements available in its internet banking platform and notifying the customer by email of the availability of that statement. However, it was identified that approximately email 'bounces' have been occurring so that some clients do not receive the notification that their statement is available. This has been ongoing from December 2016 until present with some variation in the volume of bounces each month. In September 2017, the matter was identified and text messages were sent to those individuals that did not receive the email notification.

Information requested in Question 3 of the Letter

- a) No
- b) No
- c) No
- d) No
- e) Text messages have been sent to those clients that do not receive the notification email. The majority of bounces occur because the request is declined by the relevant email host. The Bank has been working with the email host to permit emails to go through and is also attempting improve the quality of the email addresses it holds on file by reaching out to affected clients.

40. Accounts opened with incorrect product codes**Nature, extent and effect**

6 RaboDirect 'sub accounts' were opened with incorrect product codes and as a result, clients received a lower rate of interest than they were entitled to. The incident was identified on 17 February 2016 and related to accounts that had been set up in 2013-2014. The total amount of interest owed to customers was approximately \$20,000.

Information requested in Question 3 of the Letter

- a) No
- b) No
- c) No
- d) No
- e) All affected customers were contacted and had the interest they should have received deposited into their account. Since the time that the accounts had been opened an additional 'QA' team had been created to ensure that all account openings were double checked by another staff member before opening.

CONFIDENTIAL**41. Advice provided causing loss to client****Nature, extent and effect**

An adviser of Rabo Financial Advisers Ltd, provided incorrect advice that caused a client to deposit a sum of \$150,000 into the client's super account for which the client was unable to claim concessional tax treatment. The advice was incorrect as the adviser had overlooked a payment made at the beginning of that financial year. This incorrect advice was provided on 10 April 2008.

Information requested in Question 3 of the Letter

- a) No
- b) No
- c) No
- d) No
- e) The incident was identified after Rabo Financial Advisors Ltd was sold. However, Rabobank recognised that the fault occurred whilst it owned the entity and in this instance compensated the client for the amount that the ATO had penalised the client (by way of an assessment). This payment was for \$57,877.60.

42. Failure to report IFTIs**Nature, extent and effect**

As a result of an internal audit review in April 2015, it was identified that a number of IFTI transactions were not reported to AUSTRAC when they should have been. The issue arose from the change in location of SWIFT infrastructure from Singapore to the Netherlands. This resulted in some SWIFT messages not being captured by the Bank's processes for reporting to AUSTRAC. In total, 488 transactions were not reported from 2012 when the location of the SWIFT infrastructure was changed.

Information requested in Question 3 of the Letter

- a) No
- b) No
- c) No
- d) No
- e) The relevant IFTI transactions were subsequently reported to AUSTRAC once they had been identified. The reporting tool used by RANZG was enhanced to capture transactions that had previously been missed.

43. Staff improperly altered a customer contract**Nature, extent and effect**

In February 2015, after receiving an equipment finance contract signed by the client, a branch finance officer realised that the signed contract contained incorrect dates on different pages. Instead of informing the client and asking them to re-sign a corrected contract, the staff member substituted the incorrect pages of the signed contract.

Information requested in Question 3 of the Letter

- a) No.
- b) No.
- c) No.
- d) No.
- e) The incident was raised with HR and branch staff were reminded of the serious nature of this act. The client was asked to sign the corrected contract.

CONFIDENTIAL**44. Failure to meet APRA minimum liquidity holding****Nature, extent and effect**

In July 2013, APRA directed Rabobank to meet certain Minimum Liquidity Holdings regarding the level of High Quality Liquid Assets (HQLA) by 1 October 2013. These new HQLA levels were incorrectly implemented by Rabobank. APRA identified this breach in November 2013.

Information requested in Question 3 of the Letter

- a) No.
- b) No.
- c) No.
- d) No.
- e)
 - Rabobank extended the existing framework of monitoring, forecasting & management to ensure continuous daily compliance.
 - Rabobank applied a buffer of 1% above the minimum in order to avoid breaches of the threshold due to unexpected cash flow volatility.
 - Senior management and board members met with APRA to discuss the matter and to agree action steps to be taken by Rabobank.

45. Investment confirmations not sent for Cash Management Account**Nature, extent and effect**

In November 2013, the bank's system was unable to generate letters detailing product investment details (including interest rates and dates opened) for the Rabobank Cash Management Account. It was found that this functionality had failed to be documented as part of the system business requirements. 175 clients were affected.

Information requested in Question 3 of the Letter

- a) No.
- b) No.
- c) No.
- d) No.
- e) The letters were initially created manually upon request by clients, and the system subsequently was updated to provide the required functionality.

46. Incorrect term displayed on Term Deposit Reinvestment Letter**Nature, extent and effect**

In September 2015, 111 customers were sent a term deposit reinvestment confirmation letter which contained an incorrect interest rate. The error resulted from a change in the email template.

Information requested in Question 3 of the Letter

- a) No.
- b) No.
- c) No.
- d) No.
- e) Affected customers were re-sent the letter containing the correct information. Internal procedures were updated to require an individual to own the change management process, and also to ensure more thorough checking was to be completed.

CONFIDENTIAL**47. Email sent to 924 customers in contravention of the Spam Act****Nature, extent and effect**

In June 2013, a promotional email was inadvertently sent to 924 customers who had not consented to receive marketing material.

Information requested in Question 3 of the Letter

- a) No.
- b) No.
- c) No.
- d) No.
- e) Additional procedures were put in place to ensure more thorough checking of marketing email campaigns.

48. Not providing customers an alternative identity verification method where they do not want the bank to use credit header information for this purpose.**Nature, extent and effect**

In December 2012, RaboDirect commenced using credit header information held by credit reporting agencies to verify the identity of applicants in its online account opening process (AOP). In May 2017, it was discovered that the disclosure documents and statements which the applicants are asked to accept at the commencement of the AOP did not provide the applicant with the express option of choosing an alternative means of verifying their identity, as required under the AML/CTF Rules. Instead of providing this option, the AOP merely stopped the applicant from proceeding with their application if they did not agree to all of our terms and conditions.

Information requested in Question 3 of the Letter

- a) No.
- b) No.
- c) No.
- d) No.
- e) Changes to the AOP customer disclosure text were made at the next available opportunity.

49. Letters addressed to incorrect recipients**Nature, extent and effect**

In December 2016, 7200 debit card limit increase letters were sent to incorrect recipients. As such the names of clients were disclosed to other clients. This was caused by a data error following last minute changes by the marketing department. The recipient list was not subsequently reviewed and the data mismatch was not picked up.

Information requested in Question 3 of the Letter

- a) No.
- b) No.
- c) No.
- d) No.
- e) Clients were re-issued with the correct letters, and changes were made to internal processes to ensure that in future, recipient lists would be re-checked if the marketing team made changes to the file.

CONFIDENTIAL**50. OTC Commodity Trades not reported to ASIC****Nature, extent and effect**

In February 2016, it was found that 102 commodity swap transactions were not reported to ASIC under derivative transactions reporting requirements for Phase 3 Reporting Entities, which went live on 12 October 2015. These transactions were made between Rabobank group entities, leading to certain trades being incorrectly categorised as trades within the same legal entity.

Information requested in Question 3 of the Letter

- a) No.
- b) No.
- c) No.
- d) No.
- e) The unreported trades were subsequently reported to ASIC. A new system release would prevent this error from occurring again.

51. Delay in reporting OTC Interest Rate Swaps to ASIC**Nature, extent and effect**

In September 2015, the Rabobank London office made changes to the ODIN system interfaces which resulted in Interest Rate Swaps not being sent from the Kondor system to the Regulatory Reporting Solution (RRS). 8 Interest Rate Swaps were not reported to ASIC as required under Derivative Transaction Rules whilst the ODIN interface was not working correctly.

Information requested in Question 3 of the Letter

- a) No
- b) No
- c) No
- d) No
- e) The trades were re-sent to the RRS and subsequently reported to ASIC. It was noted that better communication and knowledge of downstream impacts was required between our global teams in order to prevent a reoccurrence.

52. Non-deliverable FX Forward (NDF) trades incorrectly reported as FX Forwards**Nature, extent and effect**

In September 2016, it was identified that non-deliverable FX Forwards had been incorrectly reported as FX Forwards to ASIC via the Regulatory Reporting Solution (RRS). This was due to there being no reconciliation built between the Kondor system and RRS when transaction reporting was initially implemented.

Information requested in Question 3 of the Letter

- a) No
- b) No
- c) No
- d) No
- e) The correct trades were resubmitted to ASIC. A reconciliation was built to prevent the error from occurring again.

CONFIDENTIAL**53. Interest Rate Options not reported to ASIC – October 2015 – November 2016****Nature, extent and effect**

It was identified that Interest Rate Options were not included in the Regulatory Reporting Solution (RRS) and therefore not reported to ASIC as required under Derivative Transaction Rules between October 2015 and November 2016. This was caused by a lack of analysis and oversight when building the relevant system.

Information requested in Question 3 of the Letter

- a) No
- b) No
- c) No
- d) No
- e) The interest rate options were manually uploaded to the relevant system so that they could be subsequently reported to ASIC.

54. Commodity Options not reported to ASIC**Nature, extent and effect**

Two commodity option trades in July 2016 were not reported to ASIC as required under Derivative Transaction Rules. This was due to there being no solution included for this specific category of trades in Regulatory Reporting Solution (RRS).

Information requested in Question 3 of the Letter

- a) No
- b) No
- c) No
- d) No
- e) The interest rate options were manually uploaded to the relevant system so that they could be subsequently reported to ASIC. Future trades would be reported under a different system to ensure correct reporting to ASIC.

55. 2016 - Termination of employment based on improper use of confidential information**Nature, extent and effect**

An employee breached the bank's IT and Information Handling policies, including by sending customer related and other confidential information to an unauthorised location outside the bank. As a result of this conduct, the employee's employment was terminated.

Information requested in Question 3 of the Letter

- a) The employee commenced proceedings against the bank for wrongful dismissal in the Fair Work Commission, which were settled by agreement without any determination being made by the Commission.
- b) No
- c) No
- d) No
- e) Undertakings were received and a statutory declaration obtained from the employee regarding the destruction and no improper use of the confidential information.

CONFIDENTIAL**56. 2016 – Resignation of employee following misconduct****Nature, extent and effect**

In breach of the bank's Code of Conduct and its policies, an employee was found to have entered into personal commercial arrangements with customers which were not disclosed to the bank. The employee was to have his employment terminated, but elected to resign.

Information requested in Question 3 of the Letter

- a) No
- b) No
- c) No
- d) No
- e) There was no adverse impact on any bank customers of the employee's conduct.

57. 2015 – Resignation of employee following misconduct**Nature, extent and effect**

An employee was formally disciplined after a second incident of amending a document after execution by a customer. In both cases, although the amendments did not disadvantage the customers and were subsequently ratified by them, the employee had acted contrary to the bank's Code of Conduct and policies. The employee resigned a month after being disciplined.

Information requested in Question 3 of the Letter

- a) No
- b) No
- c) No
- d) No
- e) Customers were not adversely impacted by the conduct.

58. 2015 – Employee disciplined after misconduct**Nature, extent and effect**

An employee was formally disciplined after failing to disclose that he had a conflict of interest through involvement with a customer and executing a bank document on behalf of that customer (with their acknowledgement).

Information requested in Question 3 of the Letter

- a) No
- b) No.
- c) No
- d) No
- e) No customer was adversely impacted by the conduct.

59. 2012 – Termination of employee following fraud**Nature, extent and effect**

An employee falsified customer and bank documentation which enabled him to appropriate funds from both bank and customer owned accounts for his own use. The employee's activities took place during the period from 16 December 2010 until 22 June 2012. Following an investigation, the employee's employment was terminated and all customer funds were reinstated.

CONFIDENTIAL**Information requested in Question 3 of the Letter**

- a) The employee was prosecuted and convicted of theft. The bank obtained judgement against the employee for the amount of the stolen funds and, subsequently, a bankruptcy order.
- b) No
- c) No
- d) No
- e) All funds stolen from customer accounts were reinstated. The bank also undertook a review of its fraud prevention controls and introduced consequential enhancements.

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