

Access client. The report is then made available to, among others, financial advisers, their practice managers and Financial Planner Support Officers (**FPSOs**) on a share-drive.

- 3.24 When originally instituted in 2011, the Meeting Due Report — then called the "Overdue Report" — listed only overdue annual meetings and was emailed directly to all financial advisers. In April 2015, the report was renamed the "Meeting Due Report" and began reporting not only on overdue meetings but also upcoming ones. The increased size of the report made it prohibitive to email and, from soon afterwards, access to it has been via a share-drive. Financial advisers are encouraged to check the share-drive regularly, including in the Prime Access Process Guide (mentioned below), conversations with direct supervisors, and from time to time in weekly email circulars. Further, when new financial advisers are accredited to provide Prime Access services, they are given instruction concerning the Meeting Due Report.
- 3.25 FPSOs provide administrative support to financial advisers. A substantial part of their role is the provision of support to financial advisers providing the Prime Access service. There are currently 76 FPSOs across the country responsible for approximately 250 financial advisers employed by ANZFP. One of the roles of FPSOs is to review the Meeting Due Report daily and alert the advisers for whom they are responsible, by email or other means, of any overdue annual reviews.<sup>5</sup>

#### *Monitoring and compliance*

- 3.26 Whether financial advisers are complying with their obligations to deliver Prime Access ongoing services, and in particular documented annual reviews, is monitored in a number of ways.
- 3.27 First, annual fee disclosure statements which ANZFP is required to provide to clients to whom there are ongoing service obligations require disclosure of, among other things, whether promised services were delivered over the previous year. When the business control team referred to at [3.23] prepares fee disclosure statements, to determine whether or not annual reviews have been undertaken, they check for a COIN diary note recording the completion of a documented annual review.
- 3.28 Secondly, from December 2017, the ~~central para-planning~~'key control testing team' team has had available a "Diary Note QC Tool". This tool checks a sample (10%) of diary notes recording Prime Access annual reviews for a given financial adviser to determine whether there is a corresponding advice document appearing in COIN as having been dispatched within two months. The sample is, by default, selected by a random sample tool but the selection can instead be weighted if that is desired. The intention is for this tool to be run monthly. ANZ is, at present, reviewing the data produced by the initial run of the tool to determine that it is operating properly before it is implemented on an ongoing basis.
- 3.29 Thirdly, a monthly forum within ANZFP comprising practice managers, State managers and representatives from Head Office, receives reports prepared by the business control team (based on the Meeting Due Report) on how financial advisers are performing in various areas including ongoing service delivery rates. The report provides information aggregated across financial advisers at a State level and identifies individual advisers for whom annual reviews are overdue.
- 3.30 Fourthly, both the process by which FPSOs are required to alert financial advisers of upcoming or overdue service obligations, and the process by which fee disclosure

<sup>5</sup> ANZFP is part way through centralising FPSOs to form a "Support Hub" which reports directly to ANZFP head office, rather than having FPSOs reporting to different practices. That process has been implemented in New South Wales, South Australia and Western Australia to date. ANZFP is presently reviewing the process before implementing it in other States. Where it has been implemented, responsibility for particular financial advisers is shared among a number of FPSOs.

statements are completed, have been identified as "key and material" controls. Accordingly, they are the subject of annual control testing by the ~~Advice Assurance Team~~ key control testing team, a dedicated team of 154 staff nationally.

- 3.31 Fifthly, five files for each ANZFP adviser are the subject of review each year. The files are selected so as to reflect the mix of the adviser's practice; so, for instance, if most of the adviser's files involve ongoing service obligations, most of the files reviewed will be ones involving ongoing service obligations. From July 2017, if an adviser has any files involving the provision of ongoing services, at least one file selected must involve ongoing services.
- 3.32 Sixthly, varying aspects of the process by which the business control team produces the Meeting Due Report are the subject of annual reviews by the Risk Team.
- 3.33 Seventhly, in more serious cases involving financial adviser non-compliance with service obligations (primarily, where there is repeat non-delivery, a failed Advice Assurance review or a customer complaint), the matter is escalated to the Consequence Management Committee. This Committee, which meets monthly, consists of various higher level staff including, for instance, the General Manager of ANZFP, the Head of Risk and the Complaints Manager. The Committee determines what, if any, action should be taken in respect of cases submitted to it. The actions able to be taken include things such as requiring more frequent auditing of a financial adviser, providing more training and coaching, additional monitoring and supervision and, in serious cases, loss of accreditation (both to provide Prime Access services and to act as a financial adviser) and termination.
- 3.34 Eighthly, in December 2017, ANZFP introduced the "Adviser Hub", referred to at [5.26(b)] of the January Submission. Information about advisers is fed into the Hub by various of the processes and teams referred to above, including information about non-compliance by a particular adviser with service obligations or compliance actions taken against that financial adviser. The information can then be accessed by the Advice Assurance team, Complaints, Incidents, Risk, Training and Accreditation, as well as certain authorised employees and supervisors.
- 3.35 In addition to these matters, which have already been implemented, work is being undertaken to consider how enhanced data analytics capabilities could most appropriately be used to monitor compliance with service obligations.

*Performance and incentive links to compliance*

- 3.36 The compliance of advisers with their ongoing service obligations is taken into account in the assessment of their remuneration in a number of ways.
- 3.37 First, it is taken into account via the balanced scorecard referred to at [5.26(d)] of the January Submission. Previously, in the ranking of financial advisers against their peers, including for the purposes of remuneration, greater weight was given to financial matters such as procuring new business. Since 2014, the remuneration model has considered service delivery, and since 2016 there has been a balanced scorecard (as referred to in [5.26(d)] of the January Submission). The current weighting (which was updated in 2017) is as follows: customer, including service delivery (30%); people and reputation (20%); financial and discipline (30%); and risk and process (20%). The ranking of financial advisers against their peers is not, however, simply a mathematical exercise; it is also the product of discussion among supervisors.
- 3.38 Secondly, for financial advisers offering the Prime Access service to be eligible for incentives for a six-month period, a team at Head Office (the Business Unit Incentive Plan) consults with the Advice Assurance Team and the Central Controls Team to determine whether the reports which they have prepared for the relevant period indicate that the adviser has:

- 3.47 Policies and procedures that are relevant to breach reporting exist within ANZ at a general, "whole of bank" level (that is, they apply to all divisions and business units).<sup>6</sup> These policies and procedures deal with operational risk and compliance management, and establish the framework under which compliance incidents are identified, assessed and escalated (including in compliance with breach reporting obligations). Specific procedures apply at the division and business unit levels, reflecting their particular circumstances. The following information describes the procedures applicable in Wealth (as this question was asked in the section of the annexure dealing with Wealth management).
- 3.48 All of the bank's relevant policies and procedures are designed to facilitate and support its breach reporting systems and procedures, which in turn form part of ANZ's broader processes and procedures relating to the identification, assessment and escalation of events more generally (not just significant breaches reportable under s 912D of the Act).
- 3.49 Below is an indicative flowchart that sets out the breach reporting procedures as they apply to Wealth ~~(with the exception of the small business unit known as "Wealth Direct")~~.<sup>7</sup> The policies that directly relate to breach reporting by Wealth are set out in the table following the flow chart.<sup>8</sup>
- 3.50 In preparing this response:
- (a) ANZ has included only those procedures applicable to Wealth that it considers directly relate to s 912D breach reporting. It has not included policies or documents of more general application (such as the policies and procedures that apply at a "whole of bank" level, as referred to in [3.48] above), or which are only indirectly related to s 912D breach reporting (for example, policies governing remediation of customer loss from matters including significant breaches under s 912D, or whistleblower policies and procedures, or the ANZ Code of Conduct).
  - (b) ANZ has focused on those procedures that currently apply to Wealth in relation to s 912D reporting, and the changes made to those policies since they were first introduced. It has not sought to address historical policies and procedures that are no longer in force.
- 3.51 ANZ has also not included the systems and processes that support staff in identifying, recording and reporting issues (such as online forms and reporting templates, and staff training).

<sup>6</sup> Operational Risk Measurement & Management Policy; Operational Risk – Risk Events and Losses Procedure (November 2015); Operational Risk – Risk and Control Assessment Procedure (June 2016); ANZBGL Australian Licencing Procedure (January 2016); Australian Licencing Requirements (February 2016).

<sup>7</sup> The timeframes included at the top of the flowchart refers to the time periods for particular stages stated in policies. They are not intended as a "timeline" of the overall breach assessment process (as multiple phases may, in practice, be undertaken simultaneously) and are not intended to reflect the amount of time taken in practice.

<sup>8</sup> As referred to in [5.1] of the January Submission, Wealth is principally comprised of Wealth Advice, Wealth P&I and Insurance. Wealth Direct comprises five advisers who provide general advice over the phone, under ANZBGL's AFSL. The breach reporting processes for Wealth Direct are not governed by the same policies and procedures that apply to Wealth. Given the limited time in which ANZ has had to prepare this response, Wealth Direct was omitted from the scope of this response, but the ANZ would be pleased to provide further information if that would assist the Commission.