

- 5.31 From 2003 to 2015, certain OnePath entities continued to deduct Adviser Service Fees (**service fees**) from the accounts of ~~about 2,9002,988~~ members of MIS and superannuation funds after those accounts ceased to be allocated to an adviser. The total service fees incorrectly deducted were \$~~1,103,810.70931,647.56~~. The incorrect deductions were not remitted to any adviser. OPC, OPFM and OPL reported the breach to ASIC and (in the case of OPC) APRA in respect of the 2,896 members identified in October 2014. 2,645 of those members were. ANZ has reimbursed ~~customers~~ for the incorrectly charged service fees, together with interest, according to a methodology developed by ANZ, assured by an external consultant, and disclosed to ASIC; 251 exited members whose compensation amount was less than \$20 did not receive any compensation.<sup>26</sup> ASIC closed the breach on 5 July 2017. The remaining 92 members were remediated as and when those issues were identified by reversing the charges effective the date that they were originally deducted.
- 5.32 From June 2007 to August 2016:
- (a) Service fees were deducted from ANZFP customers' accounts in amounts or at rates in excess of those quoted in their service agreements. ANZ estimates that this affected approximately 4,035 customers and had a total monetary value of about \$4.5 million. ANZ has reported the issue to ASIC. ANZ is committed to compensating affected customers, including with interest on the money that was wrongly deducted from their accounts. The remediation process is expected to commence in the first half of 2018.
  - (b) ANZFP continued to deduct service fees from the accounts of some Prime Access customers, and failed to refund a proportion of upfront Prime Access fees paid in advance, after customers cancelled their Prime Access services. The total number of customers affected and the service fees involved have not yet been ascertained. ANZ has notified ASIC of the issue and expects to update ASIC in the near future. ANZ is committed to compensating affected customers, including with interest, and has to date paid \$563,981.61 to 198 customers.
- 5.33 Some customers also had their Prime Access status incorrectly recorded on ANZFP's systems and as a result were charged Prime Access fees but did not receive all of the services they were entitled to in the period to February 2013. ANZ is committed to compensating affected customers, including with interest, and has to date paid around \$1 million to 351 clients. ANZ is continuing to investigate this issue and will shortly provide an update to ASIC.
- 5.34 ANZ attributes these problems to issues including: (a) advisers failing to complete application forms in the manner required for the rebates to be processed and applied; (b) operational process failures due to, for example, the manual nature of many of the processes, which led to failures such as advisers' connections with customers' accounts being removed without cancelling ongoing service fees deductions; and (c) certain of ANZ's processes and controls not being sufficiently robust or effective to protect against staff errors.
- 5.35 Steps taken to reduce the risk of fee errors in the future include training, including for advisers, in relation to pricing structures and documentation, and the steps referred to in [5.14] and [5.26].

<sup>26</sup> The reimbursements were made in the form of monetary payments or units credited to the customer's account, depending on the customer's circumstances. No reimbursement or compensation was made to ~~251255~~ affected customers who suffered financial impacts of \$20 or less and who had exited the relevant MIS or fund. That approach was also taken to certain other remediations referred to in section 5, consistent with the joint ASIC and APRA guide, *Unit pricing: guide to good practice* (August 2008). Amounts not paid to customers in those circumstances were paid into the relevant fund, most recently in July 2018.

## E. Implementation of MySuper reforms

- 5.42 In the course of implementing the MySuper reforms, the following issues occurred.
- 5.43 First, ANZ scheduled the creation of MySuper accounts for about 3,500 inactive default members<sup>28</sup> to occur *after* 1 January 2014 (the implementation date of the reforms), not anticipating the significant volume of contributions that would in fact be received from those members after that date but before their accounts were established. This was reported to APRA, and ANZ continued to liaise with APRA through the process of establishing MySuper accounts for those members, reversing contributions paid into the legacy accounts after 1 January 2014, and contacting affected members to advise them of the new MySuper requirements.
- 5.44 Second, between January and October 2014, ANZ incorrectly processed approximately \$28 million worth of default contributions for ~~about 2,500~~ 4,712 members into their legacy superannuation accounts rather than ~~their new~~ MySuper accounts. This occurred as a result of a failure to flag certain accounts by the team dedicated to identifying default members in anticipation of the MySuper reforms. ANZ reported this to ASIC and APRA. ANZ re-allocated contributions to the MySuper accounts of affected members and paid compensation of approximately \$600,000 to account for differences in returns and fees. In addition, 1,127 members who were not identified through the initial remediation methodology were remedied in a similar manner in December 2017, with funds of approximately \$18 million and compensation of \$423,659.13 being paid into new MySuper accounts opened for them. OPC made systems improvements, including conducting and implementing the recommendations of an internal end-to-end review of its contribution processes and implementing the recommendations of a review of its compliance framework conducted by an external consultant at ASIC's request. While making some recommendations, the consultant concluded that the framework was well designed and captured the key elements of a sustainable and effective governance and compliance model. OPC strengthened its compliance systems in light of the review. APRA and ASIC closed this breach on 1 and 26 May 2017 respectively.
- 5.45 **Summary:** 1 and 2 Yes, as described in [5.43] to [5.44]. 3(a) The matter described in [5.44] was referred to during the Four Major Banks Review at a stage when 1,400 customers were identified as being affected.<sup>29</sup> ASIC/APRA were also informed and there were discussions with APRA. 3(b)-(d) ANZ attributes the failures to the matters identified in [5.43] and [5.44]. 3(e)(i) ANZ has taken the remedial steps in [5.43] and [5.44]. 3(e)(ii) The issue in [5.43] occurred during the MySuper transition process. It has been resolved by the creation of the 3,500 MySuper accounts. The steps in [5.44] have been taken to minimise the risk of similar errors in future.

## F. Processing and allocating superannuation monies

- 5.46 From time to time, ANZ has failed to process superannuation contributions and rollovers within the timeframes required by relevant legislation and regulations. Many of these instances involve failures to comply strictly with a rule requiring the rollover of funds to other providers within three days. ANZ has notified or reported these and other processing delays to ASIC and APRA. ANZ rectified these issues in a number of ways, including by processing contributions with the correct effective date, deploying additional staff to assist in processing contributions, and paying compensation for any financial loss suffered.<sup>30</sup> Various steps have been taken to minimise recurrence, including implementing system fixes, restructuring processing teams to achieve processing efficiencies, introducing weekly monitoring reports with agreed actions to address gaps, developing

<sup>28</sup> That is, default members for whom no contributions were received between 1 March and 31 October 2013.

<sup>29</sup> Transcript 5 October 2016, pp. 3-4.

<sup>30</sup> In this instance, interest in the sum of \$1,555,834.94 was paid as compensation.