

Australia and New Zealand Banking Group Limited

Response to Questions on Notice following 5 October 2016 House of Representatives Economics Committee Hearing

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Question

CHAIR: I want to start out with a number of specific instances of behaviour by ANZ, and then I will come to some broader systemic questions for you a bit later. Firstly, between early 2013 and mid-2015 around 1.3 million customers were affected by various breaches within the OnePath wealth management business. Those breaches included customers having their superannuation money allocated to the wrong account for up to 12 months.

[...]

CHAIR: When you say you have changed your process, what were the internal consequences in terms of management and remuneration?

Mr Elliott: Remuneration absolutely would have been affected for individuals who were involved in those breaches, if there was found to be individual culpability—and there was. I would have to get back to you on the number of people that were involved, but absolutely there would have been consequences. There were consequences to the business overall in terms of, for example, the remuneration that that team received, and there certainly would have been consequences for individuals. (p. 4)

Answer

The OnePath breaches included:

- Not issuing financial services guides (a form of regulatory disclosure) when required
- Allocating super contributions of \$29m into customers' old super accounts rather than new MySuper-compliant accounts
- Unit pricing errors
- Not providing discounts that were offered for general insurance policyholders who held multiple products due to algorithm/system errors
- Issuing statements to customers with incorrect balances.

To address these issues and mitigate the risk of the future occurrence of similar issues, OnePath has:

- Recognised the breaches as factors, among others, that resulted in relevant managers and staff members having incentive payments and remuneration increases withheld.
- Remediated each of the identified breaches and provided compensation of approximately \$4.5M to affected clients.
- At ASIC's request, engaged PwC to conduct an independent review of its compliance frameworks. PwC's report, which has been provided to ASIC, observed that:

"OnePath's Compliance Management Framework was well designed and captures the key elements of a sustainable and effective governance and compliance model."

- Identified the need for enhanced capability in some areas and made some changes to management.

- Strengthened its compliance systems, including improved targeted external audits and enhanced staff training to improve monitoring, reporting and governance.