



## NAB Royal Commission Recommendations – Implementation update - August 2020

Implementing the Royal Commission Recommendations remains a priority for NAB. We will continue to work closely with the Government as it pursues its Implementation Roadmap and consults with the industry on the legislative and regulatory requirements associated with the reforms.

We are fully committed to implementation of this reform agenda. We have completed 7 recommendations and continue to progress the implementation of a further 32 recommendations. Of the remainder, 8 are not applicable to NAB and 29 do not currently require action. We are also pressing ahead with our own program of culture improvement.

NAB supports the Government's decision to defer implementation of some commitments associated with the Royal Commission as a result of the significant impacts of COVID-19. We will continue to progress programs of work to meet Royal Commission commitments that are applicable to us, and at the same time maintain our focus on supporting our customers and colleagues through these unprecedented times.

**KEY**

**Nov 19 May 20 Aug 20**

| <b>Complete</b>  | Actions that NAB has completed in accordance with the intent of the recommendation.  | 5  | 7  | 7  |
|--|--|----|----|----|
| <b>In progress – including those pending legislation, or regulatory or industry guidance</b> | Recommendations that NAB has: <ul style="list-style-type: none"> <li>• completed to the extent possible, pending further guidance; or</li> <li>• commenced work on and / or is involved in consultation on (noting some are in the very early stages); or</li> <li>• commenced work on, but that do not require definitive future legislative, or regulatory or industry action.</li> </ul>  | 34 | 32 | 32 |
| <b>No action required by NAB (including awaiting future reviews)</b>                         | The recommendation applies, or may apply to or impact NAB, however no action is currently required. This is because the recommendations: <ul style="list-style-type: none"> <li>• are directed at other industry participants, including Industry Associations and Regulators, that require them to take action; or</li> <li>• do not require or result in action to be taken by NAB; or</li> <li>• are due to be reviewed in the future.</li> </ul> | 29 | 29 | 29 |
| <b>Not applicable to NAB</b>   | The recommendation does not apply to NAB.  | 8  | 8  | 8  |

**BANKING**

| Rec | Topic  | Recommendation  | Government Implementation Roadmap                  | NAB Status  | NAB Response   |
|-----|--|---|--|---|--|
| 1.1 | Amendment of National Consumer Credit Protection Act | The NCCP Act should not be amended to alter the obligation to assess unsuitability.   | Complete – No action required.                     | No action required by NAB.  | NAB agrees with the recommendation that the National Consumer Credit Protection Act (NCCP Act) should not be amended to alter the obligation to assess unsuitability.<br><br>There is currently no action required by NAB.   |
| 1.2 | Mortgage Brokers Best Interest Duty                  | The law should be amended to provide that, when acting in connection with home lending, mortgage brokers must act in the best interests of the intending borrower. The obligation should be a civil penalty provision.  | Changes due to come into effect on 1 January 2021. | In progress – Pending legislation or regulatory or industry guidance. | Following release of ASIC regulatory guidance, NAB has implemented systems to assist brokers comply with this recommendation. Further training, tools and processes will be rolled out over the coming months in readiness for implementation.<br><br>Training is due to commence in September which will give comfort as to readiness for implementation of this recommendation. It is our intention to be ready for implementation by 1 October.   |
| 1.3 | Mortgage Broker Remuneration                         | The borrower, not the lender, should pay the mortgage broker a fee for acting in connection with home lending.<br><br>Changes in brokers' remuneration should be made over a period of two or three years, by first prohibiting lenders from paying trail commission to mortgage brokers in respect of new loans, then prohibiting lenders from paying other commissions to mortgage brokers. | Changes due to come into effect on 1 January 2021. | In progress – Pending legislation or regulatory or industry guidance. | NAB supports the recommendation.<br><br>NAB is actively participating in the development of these reforms through its membership in the CIF. NAB supports the Government's response to broker remuneration and submitted its own response to the Government's consultation on 4 October 2019.<br><br>NAB has taken the following actions to align with CIF recommendations: <ul style="list-style-type: none"> <li>• From November 2018, NAB has paid upfront commission based on drawn down amount and net of offset, which assists to ensure that brokers are not remunerated for credit that consumers potentially may not need.</li> <li>• From January 2019, NAB has not paid, and its aggregators have not received or accepted from NAB, volume-based payments.</li> <li>• NAB applies standard commercial practice for claw back to be no more than two years.</li> </ul> Further, NAB's subsidiary aggregators have implemented processes to ensure remuneration they receive from other lenders complies with those CIF remuneration reforms.<br><br>NAB has also provided input to Treasury via ABA on draft regulations with a view that the changes already made aligning to CIF will align with final regulations. Final regulations are required to assess whether any further changes need to be made.<br><br>NAB through the CIF and ABA has requested implementation relief due to the impact of COVID-19. |

| Rec | Topic                                  | Recommendation  | Government Implementation Roadmap   | NAB Status  | NAB Response  |
|-----|--|---|---|---|---|
| 1.4 | Treasury-led working group             | A Treasury-led working group should be established to monitor and, if necessary, adjust the remuneration model referred to in Recommendation 1.3, and any fee that lenders should be required to charge to achieve a level playing field, in response to market changes.  | Review to be undertaken 2022.   | No action required by NAB – Review in 2022.                                       | NAB supports the Government's plan for the Council of Financial Regulators and the Australian Competition and Consumer Commission (ACCC) to conduct a review of changes to mortgage broking remuneration and the operation of trail and upfront commissions in 2022.  |
| 1.5 | Mortgage Brokers as Financial Advisers | After a sufficient period of transition, mortgage brokers should be subject to and regulated by the law that applies to entities providing financial product advice to retail clients.  | To be progressed following the review of financial advice reforms.  | No action required by NAB -<br><br>Pending Government review of financial advice. | NAB notes the Government's intention to progress this recommendation following the review of financial advice reforms (see Recommendation 2.3). NAB will await the outcome of that review.  |
| 1.6 | Mortgage Broker Misconduct             | ACL holders should: <ul style="list-style-type: none"> <li>be bound by information-sharing and reporting obligations in respect of mortgage brokers similar to those referred to in Recommendations 2.7 and 2.8 for financial advisers; and</li> <li>take the same steps in response to detecting misconduct of a mortgage broker as those referred to in Recommendation 2.9 for financial advisers.</li> </ul> | Legislation is subject to delay as a result of changes in Parliamentary sitting dates due to COVID-19. Due to be introduced by December 2020. | In progress – Pending legislation or regulatory or industry guidance.             | NAB agrees with the recommendation. NAB is actively participating in the consultation process for the development of this legislative change through its membership of the CIF.<br><br>NAB will work with relevant industry bodies and with the Government on the implementation of this recommendation, including participating in consultations on the draft legislation.<br><br>NAB is also implementing the following activities that align to the governance framework proposed by the CIF: <ul style="list-style-type: none"> <li>NAB and industry have been working on governance frameworks to improve monitoring of broker conduct and improve customer outcomes. That framework includes the development and implementation of 'Key Risk Indicators' (KRIs).</li> <li>Industry has committed to have those KRIs by end of 2020. That timeframe has moved following COVID-19 impacts.</li> <li>NAB continues to work on those industry KRIs implementing 2 (percentage of interest only loans in portfolio and loans in 90 days arrears) of the 4 key risk indicators and continuing to work on the remaining 2 with CIF (level of complaints and switching/refinance indicators).</li> <li>NAB has completed third party reviews of aggregator and broker governance frameworks.</li> </ul> |
| 1.7 | Removal of Point of Sale Exemption     | The exemption of retail dealers from the operation of the NCCP Act should be abolished.   | Legislation is subject to delay as a result of changes in Parliamentary sitting dates due to COVID-19. Due to be introduced by December 2020. | Not applicable to NAB.  | NAB agrees with the recommendation.<br><br>NAB does not offer the product or service.   |

| Rec  | Topic  | Recommendation  | Government Implementation Roadmap    | NAB Status                 | NAB Response   |
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| 1.8  | Access to Banking Services                       | <p>The ABA should amend the Banking Code to provide that:</p> <ul style="list-style-type: none"> <li>banks will work with customers: <ul style="list-style-type: none"> <li>who live in remote areas; or</li> <li>who are not adept in using English,</li> </ul> </li> </ul> <p>to identify a suitable way for those customers to access and undertake their banking;</p> <ul style="list-style-type: none"> <li>if a customer is having difficulty proving his or her identity, and tells the bank that he or she identifies as an Aboriginal or Torres Strait Islander person, the bank will follow AUSTRAC’s guidance about the identification and verification of persons of Aboriginal or Torres Strait Islander heritage;</li> <li>without prior express agreement with the customer, banks will not allow informal overdrafts on basic accounts; and</li> <li>banks will not charge dishonour fees on basic accounts.</li> </ul> | Revised Code implemented March 2020. | Complete                   | <p>NAB agrees with the recommendation and worked with the ABA and industry on implementation of the required changes to the Banking Code of Practice (BCoP) which were formally approved by ASIC on 17 December 2019 and implemented by 1 March 2020.</p> <p>NAB launched a dedicated Indigenous Customer Service Line and Customer Support Hub to better support Aboriginal and Torres Strait Islander customers, particularly those living in remote locations. These will assist these customers to access and undertake their banking services. These initiatives will also assist in taking extra care with customers who are experiencing a range of vulnerabilities.</p> <p>Since the Customer Support Hub and Indigenous Customer Service Line were opened in June 2019, 7,037 and 1,079 calls have been received respectively, (up to 2 April 2020).</p> <p>NAB continues to utilise AUSTRAC’s guidance to help Aboriginal and Torres Strait Islander people meet identification requirements, including in relation to specific community identification cards and letters of referees.</p> <p>The initiatives in NAB’s Framework for Customers Experiencing Vulnerability support a range of ways extra care is taken with customers who are experiencing vulnerability. This includes our commitment to support customers with limited English by progressing work on an easy-read document to assist customers in understanding the services of NAB’s transaction account and establishing interpreter services for customers. Both these initiatives are expected to go live in the coming months.</p> <p>New customers with Government concession cards are specifically asked as to whether they would like to prevent their account from being overdrawn.</p> <p>NAB’s basic transaction accounts continue to have no monthly account keeping fees, and no overdrawn or dishonour fees.</p> |
| 1.9  | No extension of the NCCP Act to small businesses | The NCCP Act should not be amended to extend its operation to lending to small businesses.  | Complete – No action required.       | No action required by NAB. | <p>NAB agrees with the recommendation.</p> <p>There is currently no action required by NAB.</p>  |
| 1.10 | Definition of “Small Business”                   | The ABA should amend the definition of ‘small business’ in the Banking Code so that the Code applies to any business or group employing fewer than 100 full-time equivalent employees, where the loan applied for is less than \$5 million.   | N/A                                  | Complete                   | The ABA decided not to amend the Code. Notwithstanding this, NAB has extended the protections of the Code to small businesses with less than \$5 million in total business lending.  |

| Rec  | Topic                      | Recommendation  | Government Implementation Roadmap          | NAB Status  | NAB Response   |
|------|----------------------------|---|--|---|--|
| 1.11 | Farm Debt Mediation Scheme | A national scheme of farm debt mediation should be enacted.   | Awaiting guidance.                         | In progress – Pending legislation or regulatory or industry guidance. | <p>NAB agrees with the recommendation.</p> <p>As Australia’s largest agri-lender, NAB has been a long-time supporter of Farm Debt Mediation (FDM) schemes.</p> <p>NAB continues to support a national FDM scheme and has previously implemented measures in preparation for it, based on the NSW FDM agreements which NAB considers to be the best state-based scheme.</p> <p>From November 2018, NAB adopted the cooling off process, and offers financial support to customers attending farm debt mediation to ensure that they can have their advisers present during mediation.</p> |
| 1.12 | Land Valuations            | <p>APRA should amend Prudential Standard APS 220 to:</p> <ul style="list-style-type: none"> <li>require that internal appraisals of the value of land taken or to be taken as security should be independent of loan origination, loan processing and loan decision processes; and</li> <li>provide for valuation of agricultural land in a manner that will recognise, to the extent possible: <ul style="list-style-type: none"> <li>- the likelihood of external events affecting its realisable value; and</li> <li>- the time that may be taken to realise the land at a reasonable price affecting its realisable value.</li> </ul> </li> </ul> | Revised compliance date of 1 January 2022. | In progress – Pending legislation or regulatory or industry guidance. | <p>NAB agrees with the recommendation.</p> <p>NAB has implemented changes to ensure that land valuations are conducted independently from our loan origination, processing and decision processes. NAB also supports APRA updating its standard APS220 to reflect the recommendation.</p> <p>APRA advised that the compliance date is 1 January 2022 and we are working effectively towards this date.</p>   |
| 1.13 | Charging default interest  | The ABA should amend the Banking Code to provide that, while a declaration remains in force, banks will not charge default interest on loans secured by agricultural land in an area declared to be affected by drought or other natural disaster.  | Revised Code was implemented March 2020.   | Complete  | <p>NAB agrees with the recommendation.</p> <p>Since July 2018, NAB ceased charging default interest to drought impacted farmers when they are in default. This was then extended to customers impacted by other natural disasters, beginning with the 2019 Queensland floods. From 1 March 2020, NAB has now removed default interest on all business loans and overdrafts, for Business and Private Banking customers, not just those impacted by drought or natural disaster.</p>  |

| Rec  | Topic                                  | Recommendation  | Government Implementation Roadmap  | NAB Status | NAB Response  |
|------|--|---|--|------------|---|
| 1.14 | Distressed Agriculture Loan Management | <p>When dealing with distressed agricultural loans, banks should:</p> <ul style="list-style-type: none"> <li>• ensure that those loans are managed by experienced agricultural bankers;</li> <li>• offer farm debt mediation as soon as a loan is classified as distressed;</li> <li>• manage every distressed loan on the footing that working out will be the best outcome for bank and borrower, and enforcement the worst;</li> <li>• recognise that appointment of receivers or any other form of external administrator is a remedy of last resort; and</li> <li>• cease charging default interest when there is no realistic prospect of recovering the amount charged.</li> </ul> | <p>The Government asked that banks implement this as soon as possible.</p> | Complete   | <p>NAB agrees with the recommendation for dealing with distressed loans.</p> <p>NAB has a specialist Agri-banking unit within its Strategic Business Services team.</p> <p>NAB only appoints receivers as a last resort.</p> <p>As noted in our response to recommendation 1.11, NAB offers financial support to customers attending farm debt mediations. Default interest is not charged when an assessment determines that there is no realistic prospect of recovery.</p> |

| Rec  | Topic                       | Recommendation   | Government Implementation Roadmap  | NAB Status                        | NAB Response   |
|------|-----------------------------|--|--|-----------------------------------|--|
| 1.15 | Enforceable Code Provisions | <p>The law should be amended to provide:</p> <ul style="list-style-type: none"> <li>that ASIC’s power to approve codes of conduct extends to codes relating to all APRA-regulated institutions and ACL holders;</li> <li>that industry codes of conduct approved by ASIC may include ‘enforceable code provisions’, which are provisions in respect of which a contravention will constitute a breach of the law;</li> <li>that ASIC may take into consideration whether particular provisions of an industry code of conduct have been designated as ‘enforceable code provisions’ in determining whether to approve a code;</li> <li>for remedies, modelled on those now set out in Part VI of the Competition and Consumer Act, for breach of an ‘enforceable code provision’; and</li> <li>for the establishment and imposition of mandatory financial services industry codes.</li> </ul> | <p>Legislation is subject to delay as a result of changes in Parliamentary sitting dates due to COVID-19. Due to be introduced by December 2020.</p> | <p>No action required by NAB.</p> | <p>NAB agrees with the recommendation.</p> <p>There is currently no action required by NAB.</p> <p>NAB subscribes to industry codes and will work with relevant industry bodies and with the Government on the implementation of this recommendation, including participating in consultations on the draft legislation.</p> |
| 1.16 | 2019 Banking Code           | <p>In respect of the Banking Code that ASIC approved in 2018, the ABA and ASIC should take all necessary steps to have the provisions that govern the terms of the contract made or to be made between the bank and the customer or guarantor designated as ‘enforceable code provisions’.</p>   | <p>Timeframe for this recommendation depends on progress relating to Recommendation 1.15.</p>  | <p>No action required by NAB.</p> | <p>NAB agrees with the recommendation and implemented the new Code in March 2020.</p> <p>NAB will work with the ABA and ASIC on the implementation of this recommendation.</p>   |



| Rec  | Topic                           | Recommendation  | Government Implementation Roadmap   | NAB Status  | NAB Response  |
|------|---------------------------------|---|---|---|---|
| 1.17 | BEAR - Product Accountabilities | After appropriate consultation, APRA should determine for the purposes of section 37BA(2)(b) of the Banking Act, a responsibility, within each ADI subject to the BEAR, for all steps in the design, delivery and maintenance of all products offered to customers by the ADI and any necessary remediation of customers in respect of any of those products. | The Government has announced a delay of six months to the introduction of the FAR legislation. It is expected that the legislation will be introduced by June 2021. | In progress – Pending legislation or regulatory or industry guidance. | <p>NAB responded to APRA's consultation paper in August 2019, supporting the aims and objectives of this recommendation. This consultation has now been subsumed into APRA's work on the Financial Accountability Regime (FAR).</p> <p>NAB also submitted a response to Treasury's proposal paper on the FAR in February 2020.</p> <p>Treasury intends to consult further on the exposure draft legislation and the implementation timeframe for the FAR.</p> <p>APRA intends to release further information on product responsibility at this time.</p> <p>NAB will address this recommendation, in consultation with APRA, as part of the regulatory change management processes.</p> |

**FINANCIAL ADVICE**

| Rec | Topic                              | Recommendation  | Government Implementation Roadmap  | NAB Status   | NAB Response   |
|-----|------------------------------------|---|--|--|--|
| 2.1 | Annual renewal and payment         | <p>The law should be amended to provide that ongoing fee arrangements (whenever made):</p> <ul style="list-style-type: none"> <li>• must be renewed annually by the client;</li> <li>• must record in writing each year the services that the client will be entitled to receive and the total of the fees that are to be charged; and</li> <li>• may neither permit nor require payment of fees from any account held for or on behalf of the client except on the client's express written authority to the entity that conducts that account given at, or immediately after, the latest renewal of the ongoing fee arrangement.</li> </ul> | <p>Legislation is subject to delay as a result of changes in Parliamentary sitting dates due to COVID-19. Due to be introduced by December 2020.</p> | <p>In progress – Pending legislation or regulatory or industry guidance.</p> | <p>NAB agrees with the recommendation. NAB Financial Planning (NAB FP) employed advisers transitioned to annual fixed term agreements by 1 April 2020. Clients are now on 12-month contracts that record in writing the services the client will be entitled to receive and the fees that are to be charged.</p> <p>Self-employed advisers commenced transitioning clients from 1 July 2020 and all clients are required to be transitioned to 12-month fixed term agreements by 30 June 2021.</p> |
| 2.2 | Disclosure of lack of independence | <p>The law should be amended to require that a financial adviser who would contravene section 923A of the Corporations Act by assuming or using any of the restricted words or expressions identified in section 923A(5) (including 'independent', 'impartial' and 'unbiased') must, before providing personal advice to a retail client, give to the client a written statement (in or to the effect of a form to be prescribed) explaining simply and concisely why the adviser is not independent, impartial and unbiased.</p>   | <p>Legislation is subject to delay as a result of changes in Parliamentary sitting dates due to COVID-19. Due to be introduced by December 2020.</p> | <p>In progress – legislation or regulatory or industry guidance.</p>         | <p>NAB supports improved disclosure in this area to ensure that all clients and potential clients understand whether or not the financial adviser they are dealing with is 'independent' and if not, why not.</p> <p>We have included an update to the Financial Services Guides for our NAB FP and Advice Partnerships AFS licensees. Once the relevant legislation is passed, we will make any further updates that are required to those documents.</p>   |

| Rec | Topic   | Recommendation  | Government Implementation Roadmap                              | NAB Status                                  | NAB Response   |
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| 2.3 | Review of measures to improve the quality of advice | <p>In three years' time, there should be a review by Government in consultation with ASIC of the effectiveness of measures that have been implemented by the Government, regulators and financial services entities to improve the quality of financial advice. The review should preferably be completed by 30 June 2022, but no later than 31 December 2022.</p> <p>Among other things, that review should consider whether it is necessary to retain the 'safe harbour' provision in section 961B(2) of the Corporations Act. Unless there is a clear justification for retaining that provision, it should be repealed.</p> | Review to be undertaken 2022.                                  | No action required – Review in 2022.        | <p>NAB agrees with the recommendation and supports the need for a Review in 2022.</p> <p>MLC Wealth believes the provision of quality advice plays a critical role in managing key risks and supporting improved retirement outcomes for Australians.</p> <p>We continue to operate under the new Advice Review process which was introduced in February 2020.</p> |
| 2.4 | Grandfathered Commissions                           | Grandfathering provisions for conflicted remuneration should be repealed as soon as is reasonably practicable.  | Bill has passed and been given Royal Assent (28 October 2019). | In progress                                 | <p>NAB agrees with the recommendation.</p> <p>NAB has removed grandfathered commissions on MLC Wealth superannuation and investment products for NAB Financial Planning employed advisers. The majority of clients have had commissions removed.</p> <p>For remaining arrangements, grandfathered commissions will be removed before 1 January 2021.</p>           |
| 2.5 | Life risk insurance commissions                     | When ASIC conducts its review of conflicted remuneration relating to life risk insurance products and the operation of the ASIC Corporations (Life Insurance Commissions) Instrument 2017/510, ASIC should consider further reducing the cap on commissions in respect of life risk insurance products. Unless there is a clear justification for retaining those commissions, the cap should ultimately be reduced to zero.  | ASIC Review in 2021.   | No action required by NAB – Review in 2021. | <p>NAB agrees with the Life Insurance Framework (LIF) reforms and the planned review at the conclusion of the LIF transition period in 2021.</p> <p>There is no action currently required by NAB.</p>  |

| Rec | Topic   | Recommendation   | Government Implementation Roadmap   | NAB Status  | NAB Response  |
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| 2.6 | General insurance and consumer credit insurance commissions | <p>The review referred to in Recommendation 2.3 should also consider whether each remaining exemption to the ban on conflicted remuneration remains justified, including:</p> <ul style="list-style-type: none"> <li>the exemptions for general insurance products and consumer credit insurance products; and</li> <li>the exemptions for non-monetary benefits set out in section 963C of the Corporations Act.</li> </ul> | Review to be undertaken in 2022.  | No action required by NAB – Review in 2022.                           | NAB supports the review of general insurance and consumer credit insurance commissions in 2022 and will work with Government and industry in relation to any legislative change. There is no action currently required by NAB.  |
| 2.7 | Reference checking and information sharing                  | All AFSL holders should be required, as a condition of their licence, to give effect to reference checking and information-sharing protocols for financial advisers, to the same effect as now provided by the ABA in its ‘Financial Advice – Recruitment and Termination Reference Checking and Information Sharing Protocol’.  | Legislation is subject to delay as a result of changes in Parliamentary sitting dates due to COVID-19. Due to be introduced by December 2020. | In progress – Pending legislation or regulatory or industry guidance. | <p>NAB agrees with the recommendation.</p> <p>MLC Wealth has signed up to the ABA reference checking protocol as part of ongoing operations. NAB will monitor the legislative changes and action as necessary.</p>  |
| 2.8 | Reporting compliance concerns                               | All AFSL holders should be required, as a condition of their licence, to report ‘serious compliance concerns’ about individual financial advisers to ASIC on a quarterly basis.  | Legislation is subject to delay as a result of changes in Parliamentary sitting dates due to COVID-19. Due to be introduced by December 2020. | In progress – Pending legislation or regulatory or industry guidance. | <p>NAB agrees with the recommendation.</p> <p>NAB already reports individual adviser cases of ‘serious compliance concerns’ to ASIC. NAB supports the transition to reporting on a quarterly basis and would be comfortable reporting on that cadence when legislative change occurs.</p> |

| Rec  | Topic                            | Recommendation   | Government Implementation Roadmap  | NAB Status   | NAB Response  |
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| 2.9  | Misconduct by financial advisers | <p>All AFSL holders should be required, as a condition of their licence, to take the following steps when they detect that a financial adviser has engaged in misconduct in respect of financial advice given to a retail client (whether by giving inappropriate advice or otherwise):</p> <ul style="list-style-type: none"> <li>• make whatever inquiries are reasonably necessary to determine the nature and full extent of the adviser’s misconduct; and</li> <li>• where there is sufficient information to suggest that an adviser has engaged in misconduct, tell affected clients and remediate those clients promptly.</li> </ul> | <p>Legislation is subject to delay as a result of changes in Parliamentary sitting dates due to COVID-19. Due to be introduced by December 2020.</p>   | <p>In progress – Pending legislation or regulatory or industry guidance.</p> | <p>NAB agrees with the recommendation.</p> <p>NAB has an investigation and remediation policy and operating procedure in place that aligns with this recommendation.</p>  |
| 2.10 | A new disciplinary system        | <p>The law should be amended to establish a new disciplinary system for financial advisers that:</p> <ul style="list-style-type: none"> <li>• requires all financial advisers who provide personal financial advice to retail clients to be registered;</li> <li>• provides for a single, central, disciplinary body;</li> <li>• requires AFSL holders to report ‘serious compliance concerns’ to the disciplinary body; and</li> <li>• allows clients and other stakeholders to report information about the conduct of financial advisers to the disciplinary body.</li> </ul>   | <p>Legislation is subject to delay as a result of changes in Parliamentary sitting dates due to COVID-19. Due to be introduced by 30 June 2021.</p> <p>From 1 January 2020 a Code of Ethics applies.</p> | <p>In progress, pending legislation or regulatory or industry guidance.</p>  | <p>NAB agrees with the recommendation.</p> <p>A comprehensive review of all standards has now occurred to ensure alignment with FASEA Code of Ethics guidance, and those standards are in the process of being rolled out to all advisers to ensure ongoing compliance with legislative requirements.</p> |

**SUPERANNUATION**

| Rec | Topic   | Recommendation   | Government Implementation Roadmap   | NAB Status  | NAB Response   |
|-----|---|--|---|---|--|
| 3.1 | Trustee – “No other role or office”                       | The trustee of an RSE should be prohibited from assuming any obligations other than those arising from or in the course of its performance of the duties of a trustee of a superannuation fund.  | Legislation is subject to delay as a result of changes in Parliamentary sitting dates due to COVID-19. Due to be introduced by December 2020. | Complete  | NAB agrees with the recommendation.<br><br>As part of the ongoing board performance and renewal process, four new directors were appointed to the NULIS Board in December 2019 and one director retired at the end of March 2020. Of the seven non-executive directors, five are independent.  |
| 3.2 | No deduction of fees from MySuper accounts                | Deduction of any advice fee (other than for intrafund advice) from a MySuper account should be prohibited.   | Legislation is subject to delay as a result of changes in Parliamentary sitting dates due to COVID-19. Due to be introduced by December 2020. | In progress – Pending legislation or regulatory or industry guidance. | NAB supports strengthened controls over the deductions of advice fees from super accounts and fees for service in general.<br><br>NAB will work with Treasury and the industry on the detail for implementation, noting the importance of all customers being able to access advice, if they choose, and receive best possible outcomes.   |
| 3.3 | Limitations on deducting advice fees from choice accounts | Deduction of any advice fee (other than for intrafund advice) from superannuation accounts other than MySuper accounts should be prohibited unless the requirements about annual renewal, prior written identification of service and provision of the client’s express written authority set out in Recommendation 2.1 in connection with ongoing fee arrangements are met. | Legislation is subject to delay as a result of changes in Parliamentary sitting dates due to COVID-19. Due to be introduced by December 2020. | In progress – Pending legislation or regulatory or industry guidance. | NAB agrees with the recommendation and will work with Industry and Government in relation to this legislative change.<br><br>NAB has enhanced superannuation product disclosure statements to provide greater transparency on how Adviser Service Fees (ASF) are charged, alternative payment options and how they can be turned off. NAB has also uplifted the controls relating to the deduction of advice fees.<br><br>MLC Licensees are also transitioning all clients to 12-months fixed term advice agreements to be completed by June 2021. |

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| 3.4 | Hawking of Superannuation products     | <p>Hawking of superannuation products should be prohibited. That is, the unsolicited offer or sale of superannuation should be prohibited except to those who are not retail clients and except for offers made under an eligible employee share scheme.</p> <p>The law should be amended to make clear that contact with a person during which one kind of product is offered is unsolicited unless the person attended the meeting, made or received the telephone call, or initiated the contact for the express purpose of inquiring about, discussing or entering into negotiations in relation to the offer of that kind of product.</p> | <p>Legislation is subject to delay as a result of changes in Parliamentary sitting dates due to COVID-19. Due to be introduced by December 2020.</p> | <p>In progress – Pending legislation or regulatory or industry guidance.</p> | <p>NAB agrees with the recommendation.</p> <p>NAB has commenced assessing the impact of the draft legislation and supporting materials issued to date, along with preparations for implementation. NAB will continue to monitor the legislation and supporting materials issued to clarify the changes that may be required.</p> |
| 3.5 | Single Default Superannuation Accounts | <p>A person should have only one default account. To that end, machinery should be developed for ‘stapling’ a person to a single default account.</p>  | <p>Awaiting the government’s response to the Productivity Commission Report.</p>   | <p>No action required by NAB.</p>  | <p>NAB agrees with the recommendation.</p> <p>There is no action currently required by NAB.</p>  |
| 3.6 | Treating of Employers                  | <p>Section 68A of the SIS Act should be amended to prohibit trustees of a regulated superannuation fund, and associates of a trustee, doing any of the acts specified in section 68A(1)(a), (b) or (c) where the act may reasonably be understood by the recipient to have a substantial purpose of having the recipient nominate the fund as a default fund or having one or more employees of the recipient apply or agree to become members of the fund.</p> <p>The provision should be a civil penalty provision enforceable by ASIC.</p>  | <p>Implemented in April 2019.</p>  | <p>Complete</p>  | <p>NAB agrees with the recommendation.</p> <p>NAB has reviewed and strengthened existing controls to comply with the requirements. Updates were made to relevant procedures and control documentation, and staff training provided.</p>  |

| Rec | Topic                                      | Recommendation  | Government Implementation Roadmap   | NAB Status  | NAB Response   |
|-----|--|---|---|---|--|
| 3.7 | Civil Penalties                            | Breach of the trustee’s covenants set out in section 52 or obligations set out in section 29VN, or the director’s covenants set out in section 52A or obligations set out in section 29VO of the SIS Act should be enforceable by action for civil penalty. | Implemented in April 2019.  | No action required by NAB.  | NAB agrees with the recommendation.<br>There is currently no action required by NAB.   |
| 3.8 | APRA and ASIC responsibilities             | The roles of APRA and ASIC with respect to superannuation should be adjusted, as referred to in Recommendation 6.3.   | December 2020.  | No action required by NAB.  | NAB agrees with the recommendation.<br>There is currently no action required by NAB.   |
| 3.9 | Extension of BEAR regime to Superannuation | Over time, provisions modelled on the BEAR should be extended to all RSE licensees, as referred to in Recommendation 6.8.   | The Government has announced a delay of six months to the introduction of the FAR legislation. It is expected that the legislation will be introduced in June 2021. | In progress – Pending legislation or regulatory or industry guidance. | NAB agrees with the recommendation.<br>In January 2020, Treasury released its proposal paper on the new Financial Accountability Regime (FAR). NAB submitted a response to Treasury’s proposal in February 2020. Treasury intends to consult further on the exposure draft legislation and the implementation timeframe for the FAR.<br>NAB will address this recommendation, in consultation with APRA and ASIC, as part of regulatory change management processes. |

**INSURANCE**

| Rec | Topic   | Recommendation  | Government Implementation Roadmap   | NAB Status  | NAB Response   |
|-----|---|---|---|---|--|
| 4.1 | No hawking of insurance                               | Consistently with Recommendation 3.4, which prohibits the hawking of superannuation products, hawking of insurance products should be prohibited.                                 | Legislation is subject to delay as a result of changes in Parliamentary sitting dates due to COVID-19. Due to be introduced by December 2020. | In progress – Pending legislation or regulatory or industry guidance. | NAB agrees with the recommendation.<br>NAB has commenced assessing the impact of the draft legislation and supporting materials issued to date, along with preparations for implementation. NAB will continue to work with relevant industry bodies and with the Government on the implementation of this recommendation and will monitor the legislation and supporting materials issued to clarify the changes that may be required. |
| 4.2 | Removing the exemptions for funeral expenses policies | The law should be amended to: <ul style="list-style-type: none"> <li>remove the exclusion of funeral expenses policies from the definition of ‘financial product’; and</li> </ul> | December 2019   | Not applicable to NAB.  | NAB agrees with the recommendation.<br>NAB does not sell funeral expenses insurance.   |



| Rec | Topic  | Recommendation   | Government Implementation Roadmap   | NAB Status  | NAB Response   |
|-----|--|--|---|---|--|
|     |  | <ul style="list-style-type: none"> <li>put beyond doubt that the consumer protection provisions of the ASIC Act apply to funeral expenses policies.</li> </ul>   |   |   |  |
| 4.3 | Deferred sales model for add-on insurance                                  | A Treasury-led working group should develop an industry-wide deferred sales model for the sale of any add-on insurance products (except policies of comprehensive motor insurance). The model should be implemented as soon as is reasonably practicable.  | Legislation is subject to delay as a result of changes in Parliamentary sitting dates due to COVID-19. Due to be introduced by December 2020. | In progress – Pending legislation or regulatory or industry guidance. | In relation to Consumer Credit Insurance / debt insurance and travel insurance, NAB has implemented a referral model that complies with the intent of this recommendation and related regulatory guidance (e.g. ASIC REP 622, Banking Code of Practice).<br><br>NAB will continue to work with relevant industry bodies and with the Government on the implementation of this recommendation, including participating in consultations on the draft legislation. |
| 4.4 | Cap on commissions and Add-on insurance sold by motor vehicle dealers      | ASIC should impose a cap on the amount of commission that may be paid to vehicle dealers in relation to the sale of add-on insurance products.   | December 2020   | Not applicable to NAB.  | NAB agrees with the recommendation.<br><br>NAB does not sell add-on insurance products through motor vehicle dealers.  |
| 4.5 | Duty to take reasonable care not to make a misrepresentation to an insurer | Part IV of the Insurance Contracts Act should be amended, for consumer insurance contracts, to replace the duty of disclosure with a duty to take reasonable care not to make a misrepresentation to an insurer (and to make any necessary consequential amendments to the remedial provisions contained in Division 3). | December 2020   | Not applicable to NAB.  | NAB agrees with the recommendation.<br><br>Although not an insurer, NAB agrees with the intent of proposed measures that protect customers and will achieve fairer insurance outcomes.   |
| 4.6 | Avoidance of life insurance contracts                                      | Section 29(3) of the Insurance Contracts Act should be amended so that an insurer may only avoid a contract of life insurance on the basis of non-disclosure or misrepresentation if it can show that it would not have entered into a contract on any terms.  | December 2020   | Not applicable to NAB.  | NAB agrees with the recommendation.<br><br>Although not an insurer, NAB agrees with the intent of proposed measures that protect customers and will achieve fairer insurance outcomes.   |

| Rec | Topic  | Recommendation   | Government Implementation Roadmap | NAB Status             | NAB Response  |
|-----|--|--|-----------------------------------|------------------------|---|
| 4.7 | Application of unfair contract terms provisions to insurance contracts | <p>The unfair contract terms provisions now set out in the ASIC Act should apply to insurance contracts regulated by the Insurance Contracts Act. The provisions should be amended to provide a definition of the ‘main subject matter’ of an insurance contract as the terms of the contract that describe what is being insured.</p> <p>The duty of utmost good faith contained in section 13 of the Insurance Contracts Act should operate independently of the unfair contract terms provisions.</p> | December 2020                     | Not applicable to NAB. | <p>NAB agrees with the recommendation.</p> <p>Although not an insurer, NAB agrees with the intent of proposed measures that protect customers and will achieve fairer insurance outcomes.</p> |
| 4.8 | Removal of claims handling exemption                                   | The handling and settlement of insurance claims, or potential insurance claims, should no longer be excluded from the definition of ‘financial service’.   | December 2020                     | Not applicable to NAB. | <p>NAB agrees with the recommendation.</p> <p>Although not an insurer, NAB agrees with the intent of proposed measures that protect customers and will achieve fairer insurance outcomes.</p> |

| Rec  | Topic                         | Recommendation  | Government Implementation Roadmap | NAB Status  | NAB Response  |
|------|-------------------------------|---|-----------------------------------|---|---|
| 4.9  | Enforceable code provisions   | <p>As referred to in Recommendation 1.15, the law should be amended to provide for enforceable provisions of industry codes and for the establishment and imposition of mandatory industry codes.</p> <p>In respect of the Life Insurance Code of Practice, the Insurance in Superannuation Voluntary Code and the General Insurance Code of Practice, the Financial Services Council, the Insurance Council of Australia and ASIC should take all necessary steps, by 30 June 2021, to have the provisions of those codes that govern the terms of the contract made or to be made between the insurer and the policyholder designated as 'enforceable code provisions'.</p> | 30 June 2021                      | In progress – Pending legislation or regulatory or industry guidance. | <p>NAB agrees with the recommendation.</p> <p>NULIS, the superannuation trustee, has agreed to adopt the Insurance in Superannuation Voluntary Code of Practice (Code). A Code Transition Plan has been developed to deliver compliance by July 2021.</p> |
| 4.10 | Extension of Sanctions Powers | The Financial Services Council and the Insurance Council of Australia should amend section 13.10 of the Life Insurance Code of Practice and section 13.11 of the General Insurance Code of Practice to empower (as the case requires) the Life Code Compliance Committee or the Code Governance Committee to impose sanctions on a subscriber that has breached the applicable Code.  | Awaiting guidance                 | No action required by NAB.  | <p>NAB agrees with this recommendation.</p> <p>Currently no action required by NAB.</p>   |

| Rec  | Topic   | Recommendation  | Government Implementation Roadmap | NAB Status  | NAB Response  |
|------|---|---|-----------------------------------|---|---|
| 4.11 | Co-operation with AFCA                            | Section 912A of the Corporations Act should be amended to require that AFSL holders take reasonable steps to co-operate with AFCA in its resolution of particular disputes, including, in particular, by making available to AFCA all relevant documents and records relating to issues in dispute.   | Complete                          | Complete  | NAB agrees with the recommendation and will work constructively with AFCA. NAB will make available to AFCA all appropriate relevant documents and records relating to issues in dispute.  |
| 4.12 | Accountability regime                             | Over time, provisions modelled on the BEAR should be extended to all APRA-regulated insurers, as referred to in Recommendation 6.8.   | July 2021                         | Not applicable to NAB.  | NAB agrees with the recommendation.<br><br>Although not an insurer, NAB agrees with the intent of proposed measures that protect customers and will achieve fairer insurance outcomes.  |
| 4.13 | Universal terms review                            | Treasury, in consultation with industry, should determine the practicability, and likely pricing effects, of legislating universal key definitions, terms and exclusions for default MySuper group life policies.   | Awaiting guidance.                | In progress.  | NAB supports measures that will ensure members defaulted into MySuper have a minimum level of insurance and that “like for like” comparisons can be made between products. The industry is currently awaiting Government’s response to the consultation paper: <i>Universal Terms for Insurance within MySuper</i> .  |
| 4.14 | Additional scrutiny for related party engagements | APRA should amend Prudential Standard SPS 250 to require RSE licensees that engage a related party to provide group life insurance, or who enter into a contract, arrangement or understanding with a life insurer by which the insurer is given a priority or privilege in connection with the provision of life insurance, to obtain and provide to APRA within a fixed time, independent certification that the arrangements and policies entered into are in the best interests of members and otherwise satisfy legal and regulatory requirements. | Throughout 2020                   | In progress – Pending legislation or regulatory or industry guidance. | NAB agrees with the recommendation.<br><br>NAB will review any future amendments to Superannuation Prudential Standard (SPS) 250 and determine actions required to address any new obligations.<br><br>As part of the Trustee Insurance Management Framework (IMF) and to meet compliance with SPS 250 an independent review of the insurance arrangements with the Trustee’s major insurance provider was completed in 2019. |

| Rec  | Topic  | Recommendation   | Government Implementation Roadmap | NAB Status  | NAB Response  |
|------|--|--|-----------------------------------|---|---|
| 4.15 | Status attribution to be fair and reasonable | APRA should amend Prudential Standard SPS 250 to require RSE licensees to be satisfied that the rules by which a particular status is attributed to a member in connection with insurance are fair and reasonable. | Throughout 2020                   | In progress – Pending legislation or regulatory or industry guidance. | NAB agrees with the recommendation.<br><br>NAB will review any future amendments to Superannuation Prudential Standard (SPS) 250 and determine actions required to address any new obligations. |

## CULTURE, GOVERNANCE AND REMUNERATION

| Rec | Topic  | Recommendation  | Government Implementation Roadmap | NAB Status  | NAB Response  |
|-----|--|---|-----------------------------------|---|---|
| 5.1 | Supervision of remuneration – principles, standards and guidance | In conducting prudential supervision of remuneration systems, and revising its prudential standards and guidance about remuneration, APRA should give effect to the principles, standards and guidance set out in the Financial Stability Board’s publications concerning sound compensation principles and practices.<br><br>Recommendations 5.2 and 5.3 explain and amplify aspects of this Recommendation. | Awaiting guidance                 | In progress – Pending legislation or regulatory or industry guidance. | NAB agrees with the recommendation.<br><br>NAB is awaiting the final prudential standard and further consultation of prudential guide and reporting requirements; noting that APRA has deferred consultation on certain regulatory changes to at least 30 September 2020 to prioritise the COVID-19 response.   |
| 5.2 | Supervision of remuneration – aims                               | In conducting prudential supervision of the design and implementation of remuneration systems, and revising its prudential standards and guidance about remuneration, APRA should have, as one of its aims, the sound management by APRA regulated institutions of not only financial risk but also misconduct, compliance and other nonfinancial risks.  | Awaiting guidance                 | In progress – Pending legislation or regulatory or industry guidance. | NAB agrees with the recommendation. NAB is awaiting the final prudential standard and further consultation of prudential guide and reporting requirements.<br><br>APRA has deferred consultation on certain regulatory changes to at least 30 September 2020 to prioritise the COVID-19 response.<br><br>NAB has commenced the design of a new Employee Conduct Management Framework. The framework will empower people leaders to manage conduct flexibly and consistently, resulting in fairer and proportionate consequences for employees including consequences relating to remuneration. NAB is currently targeting implementation in FY21. |

| Rec | Topic                                     | Recommendation   | Government Implementation Roadmap | NAB Status  | NAB Response  |
|-----|---|--|-----------------------------------|---|---|
| 5.3 | Revised prudential standards and guidance | <p>In revising its prudential standards and guidance about the design and implementation of remuneration systems, APRA should:</p> <ul style="list-style-type: none"> <li>• require APRA-regulated institutions to design their remuneration systems to encourage sound management of non-financial risks, and to reduce the risk of misconduct;</li> <li>• require the board of an APRA-regulated institution (whether through its remuneration committee or otherwise) to make regular assessments of the effectiveness of the remuneration system in encouraging sound management of non-financial risks, and reducing the risk of misconduct;</li> <li>• set limits on the use of financial metrics in connection with long-term variable remuneration;</li> <li>• require APRA-regulated institutions to provide for the entity, in appropriate circumstances, to claw back remuneration that has vested; and</li> <li>• encourage APRA-regulated institutions to improve the quality of information being provided to boards and their committees about risk management performance and remuneration decisions.</li> </ul> | Awaiting guidance                 | In progress – Pending legislation or regulatory or industry guidance. | <p>NAB agrees with the recommendation. NAB is awaiting the final prudential standard and further consultation of prudential guide and reporting requirements; noting that APRA has deferred consultation on certain regulatory changes to at least 30 September 2020 to prioritise the COVID-19 response.</p> <p>In addition to our new Employee Conduct Management Framework, NAB is evolving its Performance and Reward Strategy to facilitate a more data driven approach and enable the NAB Board to test effectiveness of remuneration practices across the Bank, monitor the effectiveness of the framework changes (including Sedgwick Review recommendations) and to support the desired culture of the bank.</p> |

| Rec | Topic                            | Recommendation  | Government Implementation Roadmap | NAB Status  | NAB Response  |
|-----|----------------------------------|---|-----------------------------------|-------------|---|
| 5.4 | Remuneration of front line staff | All financial services entities should review at least once each year the design and implementation of their remuneration systems for front line staff to ensure that the design and implementation of those systems focus on not only what staff do, but also how they do it.  | Awaiting guidance                 | In progress | <p>NAB agrees with the recommendation.</p> <p>An external review to assess the effectiveness of NAB’s performance and reward process and practice in achieving the principles of the Group Remuneration Policy was completed in 2019.</p> <p>The findings of the review were communicated to the Remuneration Committee in June 2019.</p> <p>A culture program was developed as part of the findings from NAB’s 2018 Self-Assessment. The culture program puts the customer at the heart of everyday activities. NAB’s performance framework captures a holistic balanced assessment of employee performance across customer outcomes, risk management, business performance and demonstration of shared values and behaviours. Key actions being progressed in FY2020 to enable performance to lead the reward outcomes are:</p> <ul style="list-style-type: none"> <li>• A simplified Performance Framework with mandatory customer and risk goals for all employees.</li> <li>• A Recognition Tool was implemented underpinned by shared values and behaviours supported by leader training on ways to identify, encourage and reward positive customer outcomes.</li> </ul> <p>All Sedgwick Review recommendations to be implemented by Oct 2020 (see 5.7).</p> |
| 5.5 | The Sedgwick Review              | Banks should implement fully the recommendations of the Sedgwick Review.  | March 2020                        | In progress | <p>NAB agrees with the recommendation.</p> <p>NAB has completed 17 of the 21 Sedgwick Review recommendations, with 3 not relevant to NAB. The final recommendation (#9) relating to workplace sales culture is due for completion by October 2020.</p> <p>The commitment to the Sedgwick Review recommendation relating to culture measurement is confirmed in 5.6.</p>   |
| 5.6 | Culture and governance           | <p>All financial services entities should, as often as reasonably possible, take proper steps to:</p> <ul style="list-style-type: none"> <li>• assess the entity’s culture and its governance;</li> <li>• identify any problems with that culture and governance;</li> <li>• deal with those problems; and</li> <li>• determine whether the changes it has made have been effective.</li> </ul> | Ongoing                           | In progress | <p>Since the last report NAB has a new Group Strategy which defines our purpose to, “Serve customers well and help communities prosper”. The idea of serving customers well is central to the Group Strategy which also defines what we want to be known for: Relationship-led, Safe, Easy, and Long-Term.</p> <p>Finally, the Group Strategy defines our cultural expectations for all colleagues in How We Work (values) as Excellence for Customers, Grow Together, Be Respectful and Own It.</p> <p>Effective risk management, with a strong emphasis on non-financial risk, is inherent in the new expectations for all employees. The refreshed NAB code of conduct will be founded on these expectations (due for launch in September 2020). The culture (and risk culture) framework is also being updated to reflect this ambition.</p> <p>We will be surveying all colleagues more frequently and updating how we report to the senior executive and Board to provide deeper insight and recommendations for management action.</p> <p>Work continues to ensure that NAB takes the appropriate steps to intervene on culture and determine if changes it has made have been effective.</p>  |

| Rec | Topic                                 | Recommendation   | Government Implementation Roadmap | NAB Status   | NAB Response   |
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| 5.7 | Supervision of culture and governance | <p>In conducting its prudential supervision of APRA regulated institutions and in revising its prudential standards and guidance, APRA should:</p> <ul style="list-style-type: none"> <li>• build a supervisory program focused on building culture that will mitigate the risk of misconduct;</li> <li>• use a risk-based approach to its reviews;</li> <li>• assess the cultural drivers of misconduct in entities; and</li> <li>• encourage entities to give proper attention to sound management of conduct risk and improving entity governance.</li> </ul> | End 2019                          | In progress- Pending legislation or regulatory or industry guidance. | <p>NAB agrees with the recommendation.</p> <p>NAB is awaiting further details of APRA’s enhanced regulatory and supervisory approach; noting that APRA has deferred consultation on certain regulatory changes to at least 30 September 2020 to prioritise the COVID-19 response.</p> <p>APRA’s Statement of Approach in relation to this recommendation was released on 19 November 2019.</p> |

## REGULATORS

| Rec | Topic                          | Recommendation   | Government Implementation Roadmap | NAB Status                 | NAB Response   |
|-----|--------------------------------|--|-----------------------------------|----------------------------|--|
| 6.1 | Retain twin peaks              | The ‘twin peaks’ model of financial regulation should be retained.   | Completed – No action required.   | No action required by NAB. | <p>NAB agrees with the recommendation.</p> <p>No action required by NAB.</p>           |
| 6.2 | ASIC’s approach to enforcement | <p>ASIC should adopt an approach to enforcement that:</p> <ul style="list-style-type: none"> <li>• takes, as its starting point, the question of whether a court should determine the consequences of a contravention;</li> <li>• recognises that infringement notices should principally be used in respect of administrative failings by entities, will rarely be appropriate for provisions that require</li> </ul> | N/A                               | No action required by NAB. | <p>NAB agrees with the recommendation.</p> <p>No action currently required by NAB.</p> |



| Rec | Topic | Recommendation   | Government Implementation Roadmap | NAB Status | NAB Response |
|-----|-------|--|-----------------------------------|------------|--------------|
|     |       | <p>an evaluative judgment and, beyond purely administrative failings, will rarely be an appropriate enforcement tool where the infringing party is a large corporation;</p> <ul style="list-style-type: none"> <li>• recognises the relevance and importance of general and specific deterrence in deciding whether to accept an enforceable undertaking, and the utility in obtaining admissions in enforceable undertakings; and</li> <li>• separates, as much as possible, enforcement staff from non-enforcement related contact with regulated entities.</li> </ul> |                                   |            |              |

| Rec | Topic                                | Recommendation  | Government Implementation Roadmap  | NAB Status                        | NAB Response  |
|-----|--------------------------------------|---|--|-----------------------------------|---|
| 6.3 | General principles for co-regulation | <p>The roles of APRA and ASIC in relation to superannuation should be adjusted to accord with the general principles that:</p> <ul style="list-style-type: none"> <li>• APRA, as the prudential regulator for superannuation, is responsible for establishing and enforcing Prudential Standards and practices designed to ensure that, under all reasonable circumstances, financial promises made by superannuation entities APRA supervises are met within a stable, efficient and competitive financial system; and</li> <li>• as the conduct and disclosure regulator, ASIC’s role in superannuation primarily concerns the relationship between RSE licensees and individual consumers. Effect should be given to these principles by taking the steps described in Recommendations 6.4 and 6.5.</li> </ul> | <p>Legislation is subject to delay as a result of changes in Parliamentary sitting dates due to COVID-19. Due to be introduced by December 2020.</p> | <p>No action required by NAB.</p> | <p>NAB agrees with the recommendation.<br/>No action currently required by NAB.</p> |
| 6.4 | ASIC as conduct regulator            | <p>Without limiting any powers APRA currently has under the SIS Act, ASIC should be given the power to enforce all provisions in the SIS Act that are, or will become, civil penalty provisions or otherwise give rise to a cause of action against an RSE licensee or director for conduct that may harm a consumer. There should be coregulation by APRA and ASIC of these provisions.</p>  | <p>Legislation is subject to delay as a result of changes in Parliamentary sitting dates due to COVID-19. Due to be introduced by December 2020.</p> | <p>No action required by NAB.</p> | <p>NAB agrees with the recommendation.<br/>No action currently required by NAB.</p> |

| Rec | Topic                              | Recommendation   | Government Implementation Roadmap   | NAB Status                    | NAB Response   |
|-----|------------------------------------|--|---|-------------------------------|--|
| 6.5 | APRA to retain functions           | APRA should retain its current functions, including responsibility for the licensing and supervision of RSE licensees and the powers and functions that come with it, including any power to issue directions that APRA presently has or is to be given.   | Legislation is subject to delay as a result of changes in Parliamentary sitting dates due to COVID-19. Due to be introduced by December 2020.                       | No action required by NAB.    | NAB agrees with the recommendation.<br>No action required by NAB.  |
| 6.6 | Joint administration of the BEAR   | ASIC and APRA should jointly administer the BEAR. ASIC should be charged with overseeing those parts of Divisions 1, 2 and 3 of Part IIAA of the Banking Act that concern consumer protection and market conduct matters. APRA should be charged with overseeing the prudential aspects of Part IIAA.  | The Government has announced a delay of six months to the introduction of the FAR legislation. It is expected that the legislation will be introduced in June 2021. | No action currently required. | NAB agrees with the recommendation.<br>NAB is awaiting confirmation of statutory amendments to determine if any action is required.                      |
| 6.7 | Statutory amendments               | The obligations in sections 37C and 37CA of the Banking Act should be amended to make clear that an ADI and accountable person must deal with APRA and ASIC (as the case may be) in an open, constructive and co-operative way. Practical amendments should be made to provisions such as section 37K and section 37G(1) so as to facilitate joint administration. | The Government has announced a delay of six months to the introduction of the FAR legislation. It is expected that the legislation will be introduced in June 2021. | No action required by NAB.    | NAB agrees with the recommendation.<br>NAB always endeavours to deal with APRA, ASIC and other regulators in an open, constructive and co-operative way. |
| 6.8 | Extending the BEAR                 | Over time, provisions modelled on the BEAR should be extended to all APRA-regulated financial services institutions. APRA and ASIC should jointly administer those new provisions.   | The Government has announced a delay of six months to the introduction of the FAR legislation. It is expected that the legislation will be introduced in June 2021. | No action required by NAB     | NAB agrees with the recommendation.<br>No action is currently required by NAB.   |
| 6.9 | Statutory obligation to co-operate | The law should be amended to oblige each of APRA and ASIC to: <ul style="list-style-type: none"> <li>co-operate with the other;</li> </ul>   | July 2021   | No action required by NAB.    | NAB agrees with the recommendation.<br>No action required by NAB.  |

| Rec  | Topic                                 | Recommendation  | Government Implementation Roadmap | NAB Status                 | NAB Response   |
|------|---------------------------------------|---|-----------------------------------|----------------------------|--|
|      |                                       | <ul style="list-style-type: none"> <li>share information to the maximum extent practicable; and</li> <li>notify the other whenever it forms the belief that a breach in respect of which the other has enforcement responsibility may have occurred.</li> </ul>   |                                   |                            |  |
| 6.10 | Co-operation memorandum               | <p>ASIC and APRA should prepare and maintain a joint memorandum setting out how they intend to comply with their statutory obligation to co-operate.</p> <p>The memorandum should be reviewed biennially and each of ASIC and APRA should report each year on the operation of and steps taken under it in its annual report.</p> | December 2019                     | No action required by NAB. | <p>NAB agrees with the recommendation.</p> <p>No action required by NAB.</p> |
| 6.11 | Formalising meeting procedure         | The ASIC Act should be amended to include provisions substantially similar to those set out in sections 27–32 of the APRA Act – dealing with the times and places of Commissioner meetings, the quorum required, who is to preside, how voting is to occur and the passing of resolutions without meetings.                       | July 2021                         | No action required by NAB. | <p>NAB agrees with the recommendation.</p> <p>No action required by NAB.</p> |
| 6.12 | Application of the BEAR to regulators | In a manner agreed with the external oversight body (the establishment of which is the subject of Recommendation 6.14 below) each of APRA and ASIC should internally formulate and apply to its own management accountability principles of the kind established by the BEAR.   | End 2019                          | No action required by NAB. | <p>NAB agrees with the recommendation.</p> <p>No action required by NAB.</p> |

| Rec  | Topic                      | Recommendation  | Government Implementation Roadmap   | NAB Status                 | NAB Response  |
|------|----------------------------|---|---|----------------------------|---|
| 6.13 | Regular capability reviews | APRA and ASIC should each be subject to at least quadrennial capability reviews. A capability review should be undertaken for APRA as soon as is reasonably practicable.  | N/A   | No action required by NAB. | NAB agrees with the recommendation.<br>No action required by NAB.   |
| 6.14 | A new oversight authority  | A new oversight authority for APRA and ASIC, independent of Government, should be established by legislation to assess the effectiveness of each regulator in discharging its functions and meeting its statutory objects. The authority should be comprised of three part-time members and staffed by a permanent secretariat. It should be required to report to the Minister in respect of each regulator at least biennially. | Legislation is subject to delay as a result of changes in Parliamentary sitting dates due to COVID-19. Due to be introduced by December 2020. | No action required by NAB. | NAB agrees with the recommendation.<br>No action required by NAB.<br>NAB will work with relevant industry bodies and with the Government on the implementation of this recommendation, including participating in consultations on the draft legislation. |

## OTHER RECOMMENDATIONS

| Rec | Topic                              | Recommendation   | Government Implementation Roadmap | NAB Status  | NAB Response  |
|-----|------------------------------------|--|-----------------------------------|---|---|
| 7.1 | Compensation scheme of last resort | The three principal recommendations to establish a compensation scheme of last resort made by the panel appointed by government to review external dispute and complaints arrangements made in its supplementary final report should be carried into effect. | 30 June 2021                      | In progress – Pending legislation, regulatory or industry guidance<br><br>No update for August. | NAB agrees with the recommendation.<br>NAB worked through the ABA to contribute to a Treasury discussion paper establishing a compensation scheme of last resort.<br>NAB will work with AFCA on the design of the scheme to ensure its effective implementation. The submission detailed support for a CSLR which, in line with the Government’s response to the Final report, is: <ul style="list-style-type: none"> <li>• forward looking (covering unpaid determinations made under Australian Financial Complaints Authority (AFCA) Rules);</li> <li>• industry funded.</li> <li>• has its own independent board.</li> <li>• is supported by AFCA.</li> <li>• extends beyond personal advice failures; and</li> <li>• has design features consistent with the Ramsay Review recommendations.</li> </ul> |

| Rec | Topic                             | Recommendation   | Government Implementation Roadmap   | NAB Status  | NAB Response   |
|-----|-----------------------------------|--|---|---|--|
| 7.2 | Implementation of recommendations | The recommendations of the ASIC Enforcement Review Taskforce made in December 2017 that relate to self-reporting of contraventions by financial services and credit licensees should be carried into effect.                         | Legislation is subject to delay as a result of changes in Parliamentary sitting dates due to COVID-19. Due to be introduced by December 2020 with an effective date of October 2021 as currently drafted. | In progress – Pending legislation, regulatory or industry guidance. | <p>NAB agrees with the recommendation. NAB is working with relevant industry bodies and with the Government on the implementation of this recommendation, including participating in consultations on the draft legislation.</p> <p>Detailed impact assessments and implementation plans will be established once updated legislation has been released.</p> <p>A number of changes related to this recommendation have been and are being delivered, including the following changes relating to Regulatory Events Management:</p> <ul style="list-style-type: none"> <li>• A specialist Regulatory Events team has been created within Group Compliance to review and challenge all potentially significant breaches;</li> <li>• Additional resources have been introduced to support timely and quality identification, investigation and remediation of Regulatory Events;</li> <li>• Accountabilities for the management of Regulatory Events have been clarified, with targeted training provided to key people;</li> <li>• Enhanced governance introduced supporting the assessment and reporting of breaches to regulators; and</li> <li>• Enhanced Management and Board reporting on Regulatory Events Performance.</li> </ul> <p>In addition to the above, the following changes are in progress:</p> <ul style="list-style-type: none"> <li>• New workflow and Governance Risk &amp; Compliance systems are being delivered, that include covering regulatory events management and this is due to go live by 31 August;</li> <li>• Enhanced data capability being introduced to support the proactive identification and investigation of regulatory events;</li> <li>• Thematic reviews into the significant breach portfolio are being completed, with outcomes and insights being reported to Executive Risk Committees; and</li> <li>• An updated Regulatory Breach Policy and standards have been developed that is due to go live by 31 August.</li> </ul> |
| 7.3 | Exceptions and qualifications     | As far as possible, exceptions and qualifications to generally applicable norms of conduct in legislation governing financial services entities should be eliminated.  | N/A   | No action required by NAB.  | <p>NAB agrees with the recommendation.</p> <p>No action required by NAB.</p>   |
| 7.4 | Fundamental norms                 | As far as possible, legislation governing financial services entities should identify expressly what fundamental norms of behaviour are being pursued when particular and detailed rules are made about a particular subject matter. | N/A   | No action required by NAB.  | <p>NAB agrees with the recommendation.</p> <p>No action required by NAB.</p>   |