




Question No.	Question	Response
1.	<i>How many clients does Commonwealth Financial Planning (CFP) have?</i>	<p>As at 28 May 2014, CFP has approximately 319,000 clients.</p> <p>For the purposes of question 1, a client of CFP is defined as:</p> <ul style="list-style-type: none"> any separate legal entity that has had a Colonial First State (CFS) or CommInsure (CI) product originated by a planner working under the CFP licence; and/or any separate legal entity that has transferred servicing rights of a CFS or CI product to a planner working under the CFP licence; and that product is still active (for example, the insurance policy is in force or the insurance/superannuation/pension account is still open). <p>We note that the above number includes customers who are holders of products obtained through CFP who do not have an active advice relationship with CFP.</p> <p>The terms 'client' and 'customer' are used interchangeably.</p>
2.a.	<i>How many people are employed by CFP?</i>	<p>None.</p> <p>As at 28 May 2014 there was the equivalent of approximately 876 full time employees working in CFP. These employees are employed by other CBA Group entities.</p> <p>The above number of employees working in CFP excludes employees working in CBA that provide shared services to CFP, for example finance, human resources, compliance and IT.</p>
2.b.	<i>How many give advice to clients?</i>	<p>Of the employees in Question 2.a. above the equivalent of 685 full time employees are authorised by CFP to provide financial advice to customers.</p> <p>There are an additional 86 self-employed advisers licensed by CFP.</p>



Question No.	Question	Response
3.	<i>What is the total number of files at CFP? If the number is different to the total number of CFP clients, why is this?</i>	<p>It is important to understand that hard copy files are not maintained as a matter of course. Instead CFP maintains customer records which are comprised of statements of advice, financial needs analysers and other advice and product documentation maintained on a number of media, including electronic system data, hard copy and scanned files.</p> <p>CFP holds customer records for each of the approximately 319,000 customers referred to at 1 above. It has not been CFP's practice to keep running totals of the number of hard copy files therefore CFP is unable to specify the number of hard copy files at a point in time.</p>
4.	<i>Under Project Hartnett:</i>	
4.a.	<i>How many clients were assessed as part of the compensation process?</i>	<p>The remediation projects undertaken and referred to in this response uses the language of 'cases' to describe groupings of related customers who received advice collectively (for example husband, wife and/or their self-managed super fund). Remediation customers are grouped into cases to reflect the entire circumstances of a particular advice relationship. The number of individual customers will be in excess of the number of cases described. For example, in our submission on 16 May 2014 we noted 6,659 cases represented 7,960 customers.</p> <p>Project Hartnett reviewed 2,093 cases to determine whether advice was provided by Don Nguyen or Anthony Awkar. CFP's systems indicated those 2,093 cases had some connection with those advisers. Of those 2,093 cases, CFP determined that no advice was actually provided in 1,317 cases. This can occur when customers of advisers who leave CFP are reassigned to a current adviser and the current adviser has not provided advice to that customer.</p> <p>CFP determined that advice was provided by Don Nguyen and Anthony Awkar with respect to 776 cases.</p>
4.b.	<i>How many clients were offered compensation?</i>	Of 776 cases in respect of which advice was provided, 415 cases were offered compensation.



Question No.	Question	Response
4.c.	<i>How many clients were not offered compensation?</i>	Of the 776 cases, 361 cases were not offered compensation.
4.d.	<i>Of the clients not offered compensation:</i>	
4.d.i.	<i>Why were these clients excluded from the compensation process?</i>	<p>No customers who received advice were excluded from the compensation process.</p> <p>The principle of the compensation process was to put customers in the financial position they would have been in had they received appropriate advice.</p> <p>Customers were not offered compensation where:</p> <p>a) the assessment was that the customer received appropriate advice from the adviser in question;</p> <p>b) the assessment was that the customer received inappropriate advice from the adviser in question however their actual portfolio outperformed the reference portfolio that represented the investments they would have held had they received appropriate advice; or</p> <p>c) the customer could not be contacted and the compensation process concluded (see response below at 4.g.i. for further details).</p> 



Question No.	Question	Response
4.d.ii.	<i>Who made the decision not to offer compensation to these clients?</i>	Each of the 361 cases where customers were not offered compensation were assessed in accordance with CFP's Project Hartnett remediation methodology and process validated by the Independent Expert (Ernst & Young) reporting to ASIC. As part of this process, the initial assessment was made by a case manager. All cases then proceeded through a series of reviews including peer review and manager review. The highest level of case review was conducted by a group comprising [REDACTED] (unless the case in question was considered to be complex in which case the matter was reviewed by the Remediation Panel). [REDACTED] This Panel was comprised of representatives from CFP, CBA Group Customer Relations, CBA Group Finance, CBA Group Risk Management and CBA Group Legal (Remediation Panel). In addition, Ernst & Young attended Project Hartnett Remediation Panel meetings at their discretion.
4.e.	<i>How many clients accepted the first offer of compensation made by the CBA?</i>	Of the 415 cases who received an offer of compensation from CFP, 361 cases accepted CFP's first offer of compensation.
4.f.i.	<i>How many clients rejected the first offer of compensation made by the CBA and subsequently received a revised offer?</i>	54 cases.
4.f.ii.	<i>Of those, how many accepted the revised offer?</i>	48 cases.





Question No.	Question	Response
4.f.iii.	<i>Who was the most senior officer involved in reviewing this decision-making process?</i>	All revised offers were initially proposed by the relevant case manager. As part of CFP's Project Hartnett remediation methodology and process all such revised offers proceeded through peer review, manager review and review by the group referred to in 4.d.ii. All revised cases were then reviewed and approved by the Remediation Panel. There was no single individual who made the decision concerning a revised offer. If the revised offer was less than \$10,000 (subsequently increased to \$25,000), it did not go to the Remediation Panel for detailed review but the remediation proposal was noted and approved by the Remediation Panel.
4.g.i.	<i>How many clients could not be contacted for a compensation offer to be made?</i>	As at 27 May 2014, 24 cases remain uncontactable. These comprise cases where CFP was unable to make contact in order to assess advice.
4.g.ii.	<i>What were the reasons for being unable to contact these clients?</i>	<p>The reason that clients were unable to be contacted was due to CBA not being able to locate current or updated contact details for these clients. Considerable efforts were undertaken to locate such clients by sourcing information from the client files, from CBA Group systems, White Pages, Internet and social media. If these failed, a notation was placed on the CBA Group's systems indicating that there was an outstanding matter. This notification allows CFP client-facing staff to be aware of the need to re-establish contact with the client.</p> <p>In the Project Hartnett closure meeting with ASIC dated 19 March 2012, CFP provided a list of the then uncontactable clients to ASIC. ASIC offered to assist in contacting them. We have not been contacted further by ASIC in relation to this offer.</p>
4.h.	<i>After being provided with a compensation offer, how many clients did not respond?</i>	No cases.
5.	<i>Under the Past Business Review:</i>	



Question No.	Question	Response
5.a.	<i>How many CFP clients were assessed as part of the compensation process?</i>	<p><u>Background</u></p> <p>It is important for the Committee to understand that in the responses to questions 5 to 7, “Past Business Review” means the Past Business Review undertaken by CFP pursuant to the CFP Enforceable Undertaking (EU). There was no obligation under the CFP EU to remediate advice given by Financial Wisdom Limited (FWL) advisers because the CFP EU applied to CFP only. The formal Past Business Review process established pursuant to the CFP EU therefore did not encompass FWL advisers. It encompassed 16 CFP advisers subject to Significant Breach Notifications reported to ASIC from 1 July 2008 to the date of the CFP EU (25 October 2011).</p> <p>The remediation work included a further 3 CFP advisers who were not part of the formal Past Business Review because they were either not reported as significant breaches leading up to the date of the CFP EU or they were the subject of a Significant Breach Notice subsequent to the date of the CFP EU.</p> <p><u>Answer</u></p> <p>The compensation total of \$51m referred to in the CBA Group Written Submission dated 11 November 2013 (now close to \$52m as a result of compensation payments made since the date of that submission) included compensation paid to customers of 6 FWL advisers and 3 CFP advisers who were not within the scope of the Past Business Review.</p> <p>The Past Business Review undertaken pursuant to the CFP EU considered 2,505 cases to determine whether advice was provided by the relevant advisers. These cases were identified by reference to the conduct of the adviser specified in breach reports submitted to ASIC, for example poor advice limited to insurance recommendations and/or inadequate file documents. Of those 2,505 cases, CFP determined that no advice was actually provided to 218 cases. CFP determined that advice was provided to 2,287 cases.</p> <p>In relation to the 3 CFP advisers handled outside the Past Business Review, CFP considered 998 cases to determine whether advice was provided by the 3 relevant advisers. Of those 998 cases, CFP determined that no advice was actually provided in 425 cases. CFP determined that advice was</p>



		provided in 573 cases.
Question No.	Question	Response
5.b.	<i>How many CFP clients were offered compensation?</i>	Past Business Review: - Of the 2,287 cases in respect of which advice was provided, 403 cases were offered compensation. 3 other CFP advisers: - Of the 573 cases in respect of which advice was provided, 55 cases were offered compensation.
5.c.	<i>How many CFP clients were not offered compensation?</i>	Past Business Review: - Of the 2,287 cases in respect of which advice was provided, 1,884 cases were not offered compensation. 3 other CFP advisers: - Of the 573 cases in respect of which advice was provided, 518 cases were not offered compensation.
5.d.	<i>Of the CFP clients not offered compensation:</i>	
5.d.i.	<i>Why were these clients excluded from the compensation process?</i>	No customers who received advice were excluded from the compensation process. See response to question 4.d.i.
5.d.ii.	<i>Who made the decision not to offer compensation to these clients?</i>	Each of the 1,884 cases where customers were not offered compensation were assessed in accordance with CFP's Customer Remediation Policy and Methodology. As part of this process, the initial assessment was made by a case manager. All cases then proceeded through a series of reviews including peer review and manager review. The highest level of case review was conducted by a group comprising   This Panel was comprised of representatives from CFP, CBA Group Customer Relations, CBA Group Finance, CBA Group Risk Management and CBA Group Legal (Remediation Panel).



Question No.	Question	Response
5.e.	<i>How many CFP clients accepted the first offer of compensation made by the CBA?</i>	<p>Past Business Review: - Of the 403 cases who received an offer of compensation from CFP, 377 cases accepted CFP's first offer of compensation.</p> <p>Other 3 CFP advisers: - Of the 55 cases who received an offer of compensation from CFP, all cases accepted CFP's first offer of compensation.</p>
5.f.i.	<i>How many CFP clients rejected the first offer of compensation made by the CBA and subsequently received a revised offer?</i>	<p>Past Business Review: - Of the 403 cases who received an offer of compensation from CFP, 19 cases rejected CFP's first offer of compensation. Note: 7 cases have neither accepted nor rejected a compensation offer.</p> <p>Other 3 CFP advisers: - Of the 55 cases who received an offer of compensation from CFP, no cases rejected CFP's first offer of compensation.</p>
5.f.ii.	<i>Of those, how many accepted the revised offer?</i>	<p>Past Business Review: - Of the 19 cases that rejected the first offer, 12 cases accepted the revised offer.</p> <p>Other 3 CFP advisers: - No cases (as they were previously accepted).</p>
5.f.iii.	<i>Who was the most senior officer involved in reviewing this decision-making process?</i>	See response to 4.f.iii and read CFP Customer Remediation Policy and Methodology for Project Hartnett remediation methodology and process.
5.g.i.	<i>How many clients could not be contacted for a compensation offer to be made?</i>	<p>Past Business Review: - As at 27 May 2014 10 cases could not be contacted.</p> <p>Other 3 CFP advisers: - No cases.</p>
5.g.ii.	<i>What were the reasons for being unable to contact these clients?</i>	See response to 4.g.ii.



Question No.	Question	Response
5.h.	<i>After being provided with a compensation offer, how many clients did not respond?</i>	Past Business Review: - 4 cases did not respond. 3 CFP advisers: - No cases.
6.	<i>Under the Past Business Review:</i>	
6.a.	<i>How many Financial Wisdom clients were assessed as part of the compensation process?</i>	<p><u>Background</u></p> <p>As explained in the response to question 5.a, the Past Business Review was undertaken by CFP pursuant to the CFP EU and therefore did not encompass any FWL advisers. FWL undertook its own customer remediation work covering former FWL adviser Rollo Sherriff and four other former FWL advisers [REDACTED]. Also included was one other former FWL adviser [REDACTED]. Therefore the remediation work undertaken by FWL encompassed six former FWL advisers in total.</p> <p>In undertaking its remediation process, FWL initially adopted a remediation methodology developed to remediate customers of Rollo Sherriff. FWL provided that remediation methodology to ASIC in February 2011. FWL refined that remediation methodology and subsequently FWL adopted a remediation policy that was very closely based on the CFP Customer Remediation Policy and Methodology used for the Past Business Review.</p> <p><u>Answer</u></p> <p>FWL considered 1,063 cases to determine whether advice was provided by the 6 relevant advisers. Of those 1,063 cases, FWL determined that no advice was actually provided in 270 cases.</p> <p>FWL determined that advice was provided in 793 cases.</p>
6.b.	<i>How many Financial Wisdom clients were offered compensation?</i>	Of the 793 cases in respect of which advice was provided, 258 cases were offered compensation.



Question No.	Question	Response
6.c.	<i>How many Financial Wisdom clients were not offered compensation?</i>	Of the 793 cases in respect of which advice was provided, 535 cases were not offered compensation.
6.d.	<i>Of the Financial Wisdom clients not offered compensation:</i>	
6.d.i.	<i>Why were these clients excluded from the compensation process?</i>	No customers who received advice were excluded from the compensation process.
6.d.ii.	<i>Who made the decision not to offer compensation to these clients?</i>	Each of the 535 cases where a customer was not offered compensation were assessed in accordance with FWL's remediation methodology. As part of this process, the initial proposal was made by a case manager. All cases then proceeded through a series of reviews including peer review and manager review. The highest level of case review was conducted by a group comprising [REDACTED] [REDACTED] (unless the case in question was considered to be complex in which case the matter was reviewed by the Remediation Panel). [REDACTED] [REDACTED] This Panel was comprised of representatives from FWL, CBA Group Customer Relations, Group Finance, Risk Management and Legal.
6.e.	<i>How many Financial Wisdom clients accepted the first offer of compensation made by the CBA?</i>	Of the 258 cases offered compensation, 242 cases accepted the first offer.
6.f.i.	<i>How many Financial Wisdom clients rejected the first offer of compensation made by the CBA and subsequently received a revised offer?</i>	Of the 258 cases offered compensation, 16 cases rejected the first offer.



Question No.	Question	Response
6.f.ii.	<i>Of those, how many accepted the revised offer?</i>	15 cases accepted the revised offer.
6.f.iii.	<i>Who was the most senior officer involved in reviewing this decision-making process?</i>	See response to 4.f.iii and read FWL for CFP and ignore the reference to Project Hartnett.
6.g.	<i>How many clients could not be contacted for a compensation offer to be made? What were the reasons for being unable to contact these clients?</i>	None.
6.h.	<i>After being provided with a compensation offer, how many clients did not respond?</i>	1 case.
7.	<i>On page 2 of your letter, you advise that 'not all CFP and FWL customers were offered \$5,000 to pay for an independent review of their assessment by a qualified accountant, solicitor, or licensed financial adviser of the customer's choice'.</i>	
7.a.	<i>Under Project Hartnett:</i>	
7.a.i.	<i>How many CFP clients were offered \$5,000 to pay for an independent review?</i>	To be provided on 2 June 2014.

[REDACTED]

Question No.	Question	Response
7.a.ii.	<i>How many CFP clients were not offered \$5,000 to pay for an independent review?</i>	To be provided on 2 June 2014.
7.a.iii.	<i>Were selections of a particular accountant, solicitor or financial adviser made by CFP clients rejected by the CBA? If so, why?</i>	<p>Under Project Hartnett, our records show that the only selections of a particular accountant, solicitor or financial adviser made by CFP customers rejected by CBA were those where the adviser selected could not demonstrate to CFP that they were appropriately qualified. The specific advisers that were rejected were from [REDACTED] and an associated company called [REDACTED] both operating from the same address.</p> <p>CFP first encountered [REDACTED] in 2010 when it started contacting customers and it was then described publicly, by Maurice Blackburn lawyers, as “claims farmers” who were cold calling investors. [REDACTED]</p> <p>[REDACTED]</p> <p>CFP became concerned that [REDACTED] had gained access to confidential and private details of its customers. It wrote to [REDACTED] seeking an explanation as to how they could be contacting its customers directly by telephone. No satisfactory explanation was given. Various customers complained that they had been “cold called” and sought an explanation. CFP’s concerns continued when [REDACTED] was unable to satisfy it that it was licensed or qualified to give financial or legal advice. It appeared to CFP that one of [REDACTED]’s representatives had previously been banned from the industry by ASIC for 2 years and that in addition to seeking payment from CFP of \$5,000 to advise customers on CFP’s assessment of past advice, they had entered into no-win no-fee arrangements with those customers seeking to be entitled to up to 15 per cent of any compensation payment paid by CFP. Accepting CFP’s offers in those circumstances would not return customers to the position they should have been in if appropriately invested and would directly disadvantage them if compensation was paid back into a superannuation account. One customer challenged the legality of that arrangement and refused to pay [REDACTED]. CFP was provided with copies of that correspondence.</p> <p>Consistent with encouraging customers to seek an independent review of CFP’s assessment of past</p>

[REDACTED]

		<p>advice, CFP wrote to its customers known to be associated with [REDACTED], explained its concerns and why it would not fund [REDACTED] to review the assessment and encouraged them to seek a second opinion from a qualified professional.</p> <p>CFP raised these concerns with ASIC on 16 November 2011 questioning whether [REDACTED] needed to be licensed to undertake its activities. CFP understand ASIC may have raised CFP's concerns with [REDACTED] and for a time [REDACTED]'s website was taken down. CFP can provide further information and documents if doing so would assist the Inquiry.</p>
Question No.	Question	Response
7.b.	<i>Under the Past Business Review:</i>	
7.b.i.	<i>How many CFP clients were offered \$5,000 to pay for an independent review?</i>	<p>None.</p> <p>It was not part of the CFP Customer Remediation Policy and Methodology used for the Past Business Review to offer up to \$5,000 to seek advice from an independent accountant, lawyer or licensed financial adviser (the \$5,000 Offer). This was communicated to ASIC through the provision of the CFP Customer Remediation Policy and Methodology to ASIC on 17 February 2012 and through monthly meetings with ASIC conducted as part of the CFP EU status meetings, in particular those meetings held between CFP and ASIC in November 2012 and March 2013.</p> <p>The CFP Customer Remediation Policy and Methodology formed part of the Implementation Plan under the CFP EU. The Independent Expert under the CFP EU, in its First Interim Report delivered to ASIC on 25 May 2012, included details of the Independent Expert's testing of CFP's compliance with the CFP Customer Remediation Policy and Methodology. No exceptions were noted. Because the CFP Customer Remediation Policy and Methodology did not require CFP to provide the \$5,000 Offer, it is not surprising that the Independent Expert did not find exceptions.</p> <p>In individual situations where legal costs were incurred by customers, these were reimbursed by CFP at its discretion in accordance with the Policy.</p>

Commonwealth Bank of Australia:

Response to Senate Economics References Committee (the Committee) Questions on Notice dated 23 May 2014



Question No.	Question	Response
7.b.ii.	<i>How many CFP clients were not offered \$5,000 to pay for an independent review?</i>	No CFP customers under the Past Business Review received the \$5000 Offer with respect to an independent review for the reasons given in 7.b.i.
7.b.iii.	<i>Were selections of a particular accountant, solicitor or financial adviser made by CFP clients rejected by the CBA? If so, why?</i>	No.
7.b.iv.	<i>How many Financial Wisdom clients were offered \$5,000 to pay for an independent review</i>	Remediation in respect of FWL advisers was not implemented under the Past Business Review (see 6.a. for background). No FWL clients were provided with the \$5,000 Offer under the FWL remediation process. The \$5,000 Offer was not an element of the remediation methodology developed to remediate customers of Rollo Sherriff (provided to ASIC in February 2011) nor the remediation policy subsequently adopted by FWL. The remediation policy adopted by FWL was part of CBA's commitment to ASIC to leverage the benefits of the CFP EU into FWL.
7.b.v.	<i>How many Financial Wisdom clients were not offered \$5,000 to pay for an independent review?</i>	No FWL customers received the \$5,000 Offer with respect to independent advice for the reasons provided above in 7.b.iv.
7.b.vi.	<i>Were selections of a particular accountant, solicitor or financial adviser made by Financial Wisdom clients rejected by the CBA? If so, why?</i>	No.



Question No.	Question	Response
8.	<i>On page 2 of your letter, you advise that 'not all CFP and FWL customers received all the written communications described'.</i>	
8.a.	<i>Under Project Hartnett:</i>	
8.a.i.	<i>How many CFP clients received all of the written communications?</i>	<p>In responding to question 8 generally, it is important to understand that the remediation work undertaken by CFP and FWL covered a range of different scenarios and potential interactions with customers which dictated the need, frequency and content of communication for each. There were many forms of communications including standard form letters, requests for information by e-mail and telephone calls/meetings. Once part of the process, customers received the required communication suitable to the circumstances of their matter and suitable to the steps required to progress their matter to resolution.</p> <p>Only with respect to Project Hartnett was it required that customers who had received advice from the advisers in question, Nguyen and Awkar, received a letter stating that CFP had concerns about the advice provided and including the \$5,000 Offer.</p> <p>Under the CFP EU covering the Past Business Review it was not required that that initial communication was sent to customers. Communications to clients of advisers in the Past Business Review were made when further information was required from the customer in order to assess the case and/or there was an assessment of inappropriate advice and compensation was assessed as payable. Subsequent to that communication, tailored communications with respect to the resolution of the case were made as stated above.</p> <p>The communication with respect to the FWL clients was similar to those in the Past Business Review.</p> <p>It should be noted that some customers received no communication from us. Generally this included customers in respect of whom there was no evidence of ever having received advice from the adviser in question.</p>



8.a.i. cont.		<p>CFP and FWL were able to determine customers who did not receive advice by interrogating its systems and those customers' account details to confirm, despite an apparent connection with a relevant adviser in its systems, that no advice relationship existed with that adviser. The most common reason why CFP or FWL systems might associate a customer with an adviser when no advice relationship exists, is the allocation of customers of other CFP or FWL advisers to colleagues when their authorisation ceases. This is the first population assessment process (and in the case of Project Hartnett overseen by the Independent Expert) to understand the relevant customer population.</p> <p>The proposed licence conditions agreed with ASIC will result in a customer who received advice from a relevant adviser receiving a written communication to make them aware of the assessment that has already taken place and to make the \$5,000 Offer.</p>
8.a.ii.	<i>How many CFP clients did not receive all of the written communications? What communications were received by these clients? What communications were not received?</i>	See response at 8. a. i above.
8.a.iii.	<i>How many CFP clients could not be contacted?</i>	See response at 8. a. i above.



Question No.	Question	Response
8.a.iv.	<i>How many CFP clients did not receive all of the written communications for reasons other than they could not be contacted? Why did these clients not receive all of the written communications?</i>	See response at 8. a. i above.
8.b.	<i>Under the Past Business Review:</i>	
8.b.i.	<i>How many CFP clients received all of the written communications?</i>	See response at 8. a. i above.
8.b.ii.	<i>How many CFP clients did not receive all of the written communications? What communications were not sent? What communications were received by these clients? What communications were not received?</i>	See response at 8. a. i above.
8.b.iii.	<i>How many CFP clients could not be contacted?</i>	See response at 8. a. i above.



Question No.	Question	Response
8.b.iv.	<i>How many CFP clients did not receive all of the written communications for reasons other than they could not be contacted? Why did these clients not receive all of the written communications?</i>	See response at 8. a. i above.
8.b.v.	<i>How many Financial Wisdom clients received all of the written communications?</i>	See response at 8. a. i above.
8.b.vi.	<i>How many Financial Wisdom clients did not receive all of the written communications? What communications were received by these clients? What communications were not received?</i>	See response at 8. a. i above.
8.b.vii.	<i>How many Financial Wisdom clients could not be contacted?</i>	See response at 8. a. i above.



Question No.	Question	Response
8.b.viii.	<i>How many Financial Wisdom clients did not receive all of the written communications for reasons other than they could not be contacted? Why did these clients not receive all of the written communications?</i>	See response at 8. a. i above.
9.	<i>Why was the compensation process put in place for clients of Mr Don Nguyen and Mr Anthony Awkar not followed for all affected clients?</i>	<p>CFP understands this question to be why the Project Hartnett compensation process was not followed for the CFP customers covered by the Past Business Review and the FWL customers covered by the compensation process undertaken by FWL.</p> <p>Project Hartnett was established in March 2010 to remediate clients of ex-CFP adviser Don Nguyen.</p> <p>Following a series of meetings and letter exchanges between CFP and ASIC during July to October 2010 concerning Don Nguyen, ASIC announced on 3 November 2010 that CFP had agreed to implement an agreed client compensation program in relation to Don Nguyen's clients.</p> <p>The compensation process (Hartnett Methodology) was designed to remedy the specific problems that arose from inappropriate advice and misconduct of Don Nguyen. The Hartnett Methodology is detailed in its description of remediation steps and was confined to the customers of Don Nguyen.</p> <p>In December 2010 CFP lodged a Significant Breach Notification in relation to the conduct of ex-CFP adviser Anthony Awkar and informed ASIC that the Anthony Awkar remediation would be included in the scope of Project Hartnett. The Hartnett Methodology was used to remediate customers of Anthony Awkar with changes made to elements of detail in order to reflect the circumstances of Awkar's advice (e.g. a focus on insurance advice).</p>



<p>9. cont.</p>		<p>The Project Hartnett ‘reference portfolio’ methodology was new, untested and developed iteratively in the Project. In this context the suggestion of providing the \$5000 Offer to affected clients was agreed with ASIC in correspondence between CFP and ASIC in the period July to October 2010. CFP agreed with ASIC to provide the \$5,000 Offer to clients who received a settlement offer from CFP. The payment was made available to clients who wished to seek advice from an independent accountant, lawyer or licensed financial adviser.</p> <p>This element of the compensation program was considered unique but relevant to the particular circumstances of Project Hartnett. As the Hartnett project progressed there was increased confidence that the compensation methodology was robust and sound, as evidenced by the small number of clients who referred their compensation offer to FOS or took up the offer of funded advice (48 cases).</p> <p>ASIC held regular meetings, typically monthly, with CFP to discuss progress with Project Hartnett. During the course of early 2011 it was agreed with ASIC that the scope of these meetings would be expanded to include updates on all adviser matters then the subject of notifications to ASIC. From 7 June 2011 project status updates included updates in relation to a number of other CFP advisers together with Rollo Sherriff (a FWL adviser).</p> <p>During May 2011 ASIC began working on the draft of the proposed CFP EU. A draft EU was delivered to CFP on 20 July 2011. As part of subsequent EU discussions with ASIC, CFP agreed to conduct the Past Business Review. The scope of the Past Business Review was CFP advisers the subject of breach notices submitted by CFP to ASIC from the period 1 June 2008 to the date of the EU (25 October 2011).</p> <p>As the Past Business Review covered a wider range of CFP advisers (in contrast to the specific circumstances of the two advisers in Project Hartnett) CFP committed to ASIC to develop a documented CFP Client Remediation Policy to be approved by the CFP Board. The subsequent CFP Board-approved Customer Remediation Policy and Methodology formed part of the Implementation Plan under the CFP EU (as required by the 18 October 2011 letter from CFP to ASIC entered into as part of the CFP EU process) and was provided to ASIC on 17 February 2012.</p>
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<p>9. cont.</p>		<p>The CFP Customer Remediation Policy and Methodology incorporated a documented remediation methodology and process (Methodology). The Methodology was designed to address all manner of issues that arise when financial services provided by CFP contribute to client detriment necessitating remedial action and to support large-scale portfolio reviews. It was designed to be broad in nature so as to capture the variety of potential circumstances requiring remediation.</p> <p>The core principles of the CFP Customer Remediation Policy and Methodology that applied to the Past Business Review compensation included a principle to provide a complimentary offer of CFP financial advice to all affected clients in conjunction with remediation or once the remedial obligations were finalised. There have been no changes made to the CFP Customer Remediation Policy and Methodology with respect to this principle.</p> <p>It is important to note that under the Policy CFP has the discretion to offer to fund the cost of independent advice on a settlement offer.</p> <p>The Independent Expert's First Interim Report on the CFP EU, delivered to ASIC on 25 May 2012 included details of the Independent Expert's testing of CFP's compliance with the CFP Customer Remediation Policy and Methodology. No exceptions were noted.</p> <p>As part of the process of preparing Project Hartnett closure reports, ASIC sought clarification about how the Project Hartnett approach would "morph" in to the Past Business Review conducted in conjunction with the implementation of the requirements of the EU. The Project Hartnett Closure Reports addressed this confirming, at ASIC's request, that the Past Business Review process would incorporate the CFP Client Remediation Policy and Methodology.</p> <p>CBA is unaware of any other financial services provider that provides an offer of funded independent advice in conjunction with making compensation offers to clients, either as part of normal operations or under ASIC requirement.</p> <p>The Project Hartnett approach contrasts with the typical industry approach to customer</p>
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		<p>compensation for poor or inappropriate financial advice. The industry approach is characterised by the offer of complimentary financial advice in conjunction with payment of compensation where required and involves a combination of internal and external dispute resolution mechanisms, including FOS.</p> <p>In summary the Hartnett Methodology was designed to resolve the confined and specific issues associated with the widespread and inappropriate advice of Don Nguyen as well as the fraudulent advice of Anthony Awkar. On the other hand the CFP Customer Remediation Policy and Methodology used for the Past Business Review was designed to cater for all circumstances where CFP and its advisers may have caused client detriment.</p> <p>Because the CFP Customer Remediation Policy and Methodology was used for the very varied circumstances covered by the Past Business Review, CFP did not use the Project Hartnett compensation methodology as it was designed to cover the specific issues raised by the advice of Don Nguyen and Anthony Awkar. Key differences such as CFP not providing the \$5,000 Offer and not sending up front communications to all clients were communicated to ASIC and contemplated by the Implementation Plan under the CFP EU.</p>
Question No.	Question	Response
10	<p><i>Could you provide the committee with some indication of the difference between the first offer of compensation and the final offer received by CFP clients - a fair sample (15) representing the spread of from the highest to the lowest?</i></p>	<p>To be provided on 2 June 2014.</p>

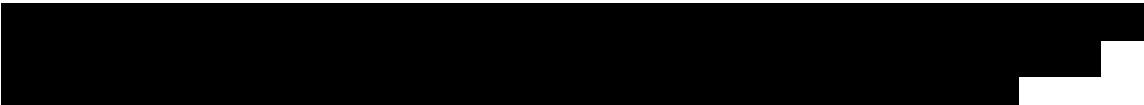
[REDACTED]

Question No.	Question	Response
11.	<i>Were clients with complex financial arrangements and/or multiple accounts offered more than the \$5,000</i>	No. In relation to Project Hartnett where the offer applied, the offer took a standard form. However, in certain cases, across all the remediation activity referred to in these responses, including Project Hartnett, CFP has reimbursed professional costs incurred which were in excess of \$5,000 where CFP was satisfied the costs were reasonably incurred. In a number of cases in the Past Business Review, CFP reimbursed clients for professional costs upon request by clients. In the time available it has not been possible to identify the exact number of these cases.
12.	<i>The committee has before it a number of clients who assert that their documentation was in some way altered, including the insertion of their signature, without their knowledge. Some clients also assert that they were signed up for products they did not ask for, such as insurance. How were documents alleged to be fraudulent treated under the compensations schemes - did a forensic expert examine such documents?</i>	<p>No handwriting experts were retained.</p> <p>The primary objective of the remediation projects was to remediate advice received by customers and put them into the position they should have been in if they were appropriately advised. The compensation assessment looked at what the customer's position would have been had they received appropriate advice. This approach obviated the need to rely solely upon advice documents or ascertain their authenticity where this could have been in doubt.</p> <p>In addition to breach reporting to ASIC, allegations or concerns in relation to [REDACTED] [REDACTED] were assessed by the CBA Group Security team as to whether we had sufficient evidence for a referral to the police.</p> <p>[REDACTED]</p> <p>[REDACTED]</p>



Question No.	Question	Response
13	<i>Before the Committee finalises its report, is there anything further about the CFP or Financial Wisdom matter that should be brought to the committee's attention?</i>	<p>CBA deeply regrets the events that occurred in our financial planning business in the past. CBA has no tolerance for behaviour that prejudices the financial wellbeing of our customers.</p> <p>Our primary focus throughout the remediation process has been our customers and putting them back in the position they would have been had they received appropriate advice. As discussed above the remediation process was progressed in phases, was complex and took time and substantial effort.</p> <p>The issues addressed in all our responses to the Inquiry stemmed from the behaviour of a relatively small group of advisers. We wish to acknowledge the concerns expressed by some to the Inquiry that these issues may have occurred with respect to more advisers than were covered by the remediation discussed above.</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>We note that we have fully complied with the requirements of the CFP EU, as evidenced by the Independent Expert and approved by ASIC. However, as a result of the impression incorrectly created by our initial submission to the Inquiry that the \$5,000 Offer was made to all clients who received advice we have agreed with ASIC to accept licence conditions which require CFP and FWL to provide notification and that offer to clients who received advice from relevant advisers.</p> <p>This will have the further benefit of ensuring there is no doubt that affected clients are treated consistently. We believe this additional assurance should give comfort to the Committee that CBA is continuing to take the issues of the past seriously and is being transparent with customers. CBA's</p>



<p>13. cont.</p>		<p>desire is to close off the events of the past in the eyes of its customers.</p> <p>The CFP and FWL businesses are fundamentally transformed. There have been substantial changes to ensure that the regrettable issues of the past are not repeated including new robust compliance and supervision systems and processes, new management and structure and changes in culture reinforced by improved training and changes in remuneration. Both CFP and FWL have new systems and processes that monitor and assess the quality of the advice provided by our advisers and, in the case of inappropriate advice, follow our remediation policies.</p> <p>Evidence of that transformation can be seen in the fact that despite these negative media reports of the past issues data released by Roy Morgan Research revealed that in the 12 months to March 2014, the clients of CBA financial planning/advice had the highest satisfaction with 84.2 per cent, followed by ANZ (83.2 per cent), Westpac (80.5 per cent) and NAB (80.1 per cent).</p> <p>ASIC and Industry context</p> <p>In the process described above ASIC took a quite siloed approach to each remediation project with the projects only coming together, with a significant portion of the staff shared across them, through 2011.</p> <p>Turnover of ASIC staff throughout the projects was considerable. We believe this has made it difficult for ASIC to have an overview of the projects as a whole as well as a deep understanding of the phases and development within each project despite our communications with them.</p> <p>We note that currently ASIC is going through similar processes of requiring remediation of clients with other licensees. We are not aware of ASIC requiring other industry participants to fund independent legal, accounting or financial advice or to notify all customers regardless of whether compensation is payable.</p> 
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<p>13. cont.</p>		<p>Process of the Inquiry</p> <p>We note that CFP has sought to facilitate the Inquiry in its processes. We have consciously, and we believe appropriately, waived our confidentiality agreement with clients and former employees with whom we have settled to allow them to present at the Inquiry.</p> <p>However we wish to note some factual inconsistencies with some of their testimony to the Inquiry.</p> <p><i>Jeff Morris</i></p> <p>We wish to respond to allegations that Mr Morris made during his testimony in regards to the remediation project team and the number of clients he had.</p> <p>On the topic of the remediation project team, Mr Morris concludes that, due to the number of people reported by CFP as being employed on the remediation project (at its peak, it numbered approximately 50), “it simply does not compute that those people were engaged on an innocent file reconstruction and compensation program.”</p> <p>CFP wishes to make it clear that the resources working on the remediation project were responsible for a wide range of activities to ensure that adversely affected customers were compensated. The resources hired to do this work were all suitably qualified and experienced.</p> <p>Mr Morris was not directly involved in the remediation process nor was he a member of the remediation project team. [REDACTED]</p> <p>[REDACTED]</p> <p>Mr Morris states that when he worked for CFP, he had 3,000 clients. Our records show that, at its height, Mr Morris’ book of assigned clients numbered slightly over 600.</p>
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[REDACTED]

<p>13. cont.</p>		<p><i>CFP's offer to fund independent advice</i></p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>CFP's offer was to contribute \$5,000 to pay for the independent review of its assessment by a qualified accountant, solicitor or licensed financial adviser of the customer's choice. Customers were under no obligation to choose any particular accountant, solicitor or financial adviser. CFP stipulated only that this offer would apply only to those providing these services who held recognised accreditation in these fields.</p> <p>We are concerned that the Committee may believe that there is no forum for complaints against financial planners. The appropriate venue for complaints that cannot be resolved is the Financial Ombudsmen Service (FOS). In our communications with clients we referred them to FOS in the event that they were dissatisfied. We note that very few clients sought assistance from FOS though all clients were told this was an option for them.</p> <p>Closing statement</p> <p>CBA deeply regrets the events that occurred in its financial planning business in the past. CBA has no tolerance for behaviour that prejudices the financial wellbeing of its customers.</p> <p>CBA's primary focus throughout the remediation process has been its customers and putting them back in the position they would have been in had they received appropriate advice.</p>
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