I have been an investor with Storm Financial since June 1996 (12.5 years). I invested with Storm Financial because I had received a payout from my previous employer and I wanted to invest the funds to assist with my retirement plans. I did not previously have superannuation and since the introduction of the Superannuation Guarantee Scheme, it was obvious that I would not be able to fund my retirement without the aid of the age pension. There have been consistent reports that the age pension would not be worth very much when I retire and having seen the struggle my parents have had with the current age pension I decided that I needed to invest what little I had in order to build my savings. After a lot of research, most Financial Planners were recommending simply putting my money into superannuation and leaving it there. This would have tied up the funds until retirement and I always thought that I may invest in a business enterprise or real estate and therefore needed access to the funds if this was to occur.

The only Financial Adviser to offer the hope that I was looking for was Storm Financial. In 1996, the firm was known as Cassimatis Securities. After a lengthy discussion with the Financial Planner, it was recommended that my wife and I attend an investment seminar on "Wealth Creation" run by Emmanuel Cassimatis. During the seminar, Mr Cassimatis quoted numerous articles from various newspapers, periodicals and reference books in support of his proposed wealth creation. There were graphics and charts showing continuing growth on investments including market fluctuations since inception of the All Ordinaries. This included the "crash" of 1987 and other major stock market downturns in the early '90's. Cassimatis remained positive about the market in that "it always rose above its previous highs" after a fall and that a fall in the market was an opportunity to purchase stock in a depressed market resulting in more growth in the investment. Although he could not guarantee any increase in wealth over any particular period of time, he advised that it was all about "time in the market, not timing the market". Finally, he advised that if he failed to provide sound financial advice, then he would be liable and he was required to take out liability insurance to protect investors from such a risk. I knew that if I had to rely on this insurance to create wealth, then I would be in serious trouble and would not have proceeded with the investment.

In order to undertake the investment, the Financial Planner presented a financial plan that outlined the strategies that would apply to our portfolio which included mortgaging the family home which was unencumbered at the time. This allowed us to access the equity in the home at the cheapest interest rate. Further, we were advised to take out a small margin loan to increase the amount of funds in the market. Not having previously had a large debt, we were a little concerned about the debt but were assured that this was good debt and would be closely monitored by the Financial Planner to avoid any margin calls. I also figured that no other Financial Planner I had spoken with was prepared to undertake this type of proposal and although it was not without risk, it offered the best opportunity to grow our investment. I also thought that I would be able to follow the market and question the Financial Planner if the investments did not begin to grow as per the plan.

For the first four years, the investment grew slowly. Although we were not wealthy by any standard, the All Ordinary index had continued to rise and it was clear that it would now take a significant fall in the market to wipe out our investment. We were encouraged to take further steps. We dutifully followed the instructions of the Financial Planner and our investments grew stronger and stronger. More steps were undertaken and more growth. From 2005 to 2008 the steps were more frequent (9 in total) as the market moved higher and higher. We were worried about the amount of the margin loan that had gone from $200,000 in 1996 to $1,250,000 in 2008. The Financial Planner told us not to worry about it as they were monitoring the market for all Storm Clients. I was also aware that Colonial Geared Investments were also monitoring the investments and would advise as soon as the investments went into Margin Call. I knew that I would only have 24 hours to fix a margin call and although I did not know how I would be able to fix the problem, I was comfortable that Storm Financial would have the solution. I had noted that the margin buffer on my quarterly statement had moved from 70% in 1996 to 90% in 2008 but had not thought any more about it as Storm Financial would have discussed this with CGI and I was not advised by either CGI or Storm the reasoning for this change.

In 1996, when we undertook this investment, all funds were in MLC Managed Funds. In 2000, it was recommended that we invest in Ozdaq Hi Tech Index Fund. Cassimatis Securities had now changed their name to Ozdaq and had branded an Index Fund operated by Ozdaq Research Pty Ltd as the Ozdaq Hi Tech Index Fund. Our next investment occurred in June, 2004 when Ozdaq had changed its name to Storm Financial. All investments after June 2004, began being made into Storm branded index funds. The Responsible Entity for these funds was Colonial First State Investments Limited. It appears that Colonial First State was the preferred supplier of margin loan products and supported the Storm Financial model by allowing the use of Storm Index funds to be purchased and secured through the margin loan facility.

In 2007, I advised my Financial Advisor that I wanted to retire in January, 2008 due to family illness. I requested Storm review my portfolio and advise if this was possible. I was delighted to learn that I would be able to retire in January, 2008 without loss of income as the investments had achieved the result that I was seeking 12 years earlier. I did think that the income that I would receive in retirement (as per Storm's Statement of Advice) was a little ambitious. However, it was reviewed by a committee at Storm and I thought that they were the experts having done this many time before. I would live modestly until I was comfortable that the investments would in fact sustain our lifestyle in retirement. In February 2008, due to the market falling more than 16%, my income was reduced by $20,000. This was more in line with the income that I thought was applicable to my investment portfolio. However, the market continued to fall in 2008 and by October, 2008, I had to review my income again. Now I was considerably worse off than when I was working but I was prepared for a period when the market would turn negative and all I needed to do was reduce my expenditure to a minimum. However, on 29th October, 2009 and 31st October, 2009 all (MLC and Colonial) investments held within Storm Financial Indexes were sold by Colonial Geared Investments and the proceeds were credited to my Accumulated Cash Account. I had previously opened the Accumulated Cash Account with a balance of $50,000 and this together with the sale of the Index Funds left me with a surplus of approximately $42,000 and a CBA debt of $290,000 on my home. I was not asked if I could have corrected the margin call (which I could have done) and became aware that there was a dispute between Storm Financial and Colonial Geared Investments.

I believe that Colonial Margin Lending and Colonial Geared Investments have not acted in the best interests of its clients in this matter. CGI were the Responsible entity and should have ensured that their clients were not adversely affected by the termination of the Index Funds. If the funds were invested in a Colonial First State Index, then it would not have been possible to terminate the index funds. Why did CGI terminate the Storm Index Funds?

The following is an extract from an email sent by Storm Financial on 5th January, 2009:

> *"On 10 December 2008, Colonial First State (CBA) shut down the Storm badged funds. These funds had approximately $100 million in funds invested and accordingly liquidity management is highly unlikely to have been an issue despite it being the excuse.*
>
> *Unfortunately for clients in that fund, closing the fund <u>without any material notice (Storm was given 6 minutes notice of closure)</u> meant that few options were available. The funds were closed and investments redeemed giving neither Storm nor the clients the opportunity to make arrangements to limit damage. Storm is dismayed by this extremely poor conduct by Colonial First State (CBA) and believes its clients would share that view.*
>
> *In addition, those funds were set up with the ability to change the Responsible Entity (RE) easily and therefore allow Colonial to be out of the fund with no impact to the clients. This was ignored by Colonial First State. In the 6 minutes Storm had to consider, we were able to contact another RE and get agreement to have them take over the fund but unfortunately when that RE approached Colonial to do so, Colonial would not allow this to occur. Accordingly, clients and their investments were disadvantaged for no good reason when a solution, again, would be very easy."*

The closing of the Index Funds impacted not only CBA clients but all Storm Clients irrespective of where the Margin Loan was held. The Margin Loan LVR was an issue for the lending institution to address with its clients. It had no bearing on the Index Fund's operation in the market – particularly if most clients were able to meet any margin call. It would appear that CGI got nervous because, if all the Storm clients were in margin call, there would be a significant amount of withdrawal from the Storm indexes resulting in liquidity problems for the fund. However, if Storm clients were not in the Storm branded indexes, they would have been in CGI Indexes. Liquidity would not have been an issue as these funds would have been supported by non Storm investors who would not be withdrawing because of margin calls. CGI (CBA) agreed to act as the Responsible Entity. They knew (or ought to have known) the investment advice Storm was giving. If they were concerned, they would not have agreed to be the Responsible Entity. By implication, they sanctioned the Storm investment model. They had a duty of care to ensure the investor's funds were safe.

1. the role of financial advisers;

Financial Advisers play a significant role in selecting investments. A Financial Adviser should be aware of current market trends risks and the various products available to assist their clients achieve their financial goals. It was my belief that just like going to a doctor, solicitor or accountant for specialist advice, going to a financial planner would give me similar protection from unscrupulous practices. The licencing of Financial Advisers indicated to me that there is a code of practice which members are required to abide by although this does not stop rogue advisers operating within the industry. Licencing would also require advisers to attain certain standards and undertake ongoing professional development.

In 1996 when I was looking for investment opportunities, generally the financial planners I spoke to were not interested in small mum and dad investors. For small investors like myself, they would only advise to invest in superannuation funds. Alternatively, I could see a stock broker who would manage investments in the share market and I would have to respond to his/her recommendations on which shares to buy/sell. There was also a delay in buying and selling shares through the local stockbrokers. It was also not possible to invest in sufficient shares to track the All Ordinaries because of the limited funds at my disposal with the result that I may not choose the right shares in order to attain my goals.

With managed funds being more popular with small investors, the product that was presented to me by Cassimatis Securities met my requirements. Further to this, my adviser suggested that I could achieve my goals quicker and without significantly increasing my risk by borrowing funds. I was aware that some people undertook debt to enter the share market with a Stock Broker but I was not prepared to speculate with debt for that purpose. The adviser probably spent an hour and a half to two hours on how I could achieve the desired results by mortgaging the family home. He was insistent that before anything further could be done, my wife would need to attend an information session about the investment. We attended the information session and then proceeded to have a plan drafted for us. After reviewing the plan, we decided to follow the recommendation.

2. the general regulatory environment for these products and services;

The regulatory environment may well be adequate but it is ineffective. Like a number Government agencies, they are "tigers without teeth". It appears ASIC will only get involved when a complaint has been lodged. Therefore, this is like closing the gate after the horses have bolted. ASIC never had a complaint against Storm until the final few months. Storm was registered with ASIC but there was never any statement issued by ASIC advising that the investment strategy was risky. Did ASIC ever audit Storm in relation to their compliance? I would hope so. Was it evident that this type of investment using borrowings was risky and if so, what warning did the regulator give? ASIC does not provide any protection to investors as a result of bad advice or highly risky investment. There has been a comment made elsewhere that maybe risky investments should carry a warning label similar to cigarettes i.e. "…they are hazardous to your WEALTH".

The FPA cannot stop an unscrupulous organization from offering investment products. They can only expel the organization or penalize them. However, not all financial planners have to be registered with FPA. The FPA does not concern itself with the services offered by an organization. This is evident in the Storm case. Storm never came under FPA scrutiny until the final few months. Did this mean that FPA did not know the type of product/services Storm was offering? Storm was a member of FPA and it appears that FPA approved of Storms investment advice and the use of debt to achieve the desired goals. Never did FPA advise that this was a risky practice and clients should review their decisions to invest using such large amounts of debt. FPA simply registered Storm as a member and took its annual subscription. Like ASIC, the FPA offers no protection from bad advice and will only take action to suspend or expel a member for breaches of the FPA regulations.

3. the role played by commission arrangements relating to product sales and advice, including the potential for conflicts of interest, the need for appropriate disclosure, and remuneration models for financial advisers;

I was concerned about the initial investment with MLC as Cassimatis was an Insurance salesperson for MLC prior to becoming a Financial Planner. However, the opportunity to advance financially was the overriding factor and if MLC was able to provide the vehicle to achieve this result, then I was happy to follow the recommendation. Insurance was also recommended and this too was with MLC. I was aware that there were commissions and trailing commissions available to the Financial Planner and Cassimatis but this was standard practice for the industry. There was also a large upfront fee charged by Cassimatis Securities but this was for the life of the investment and there would be no further charges in relation to advice on these invested funds. My justification for these high costs was that it was quality information and the investment suited my requirements. Cassimatis was a good salesman and he was well prepared for questions from his audience. I do not believe he was deceitful but he had a business to build and he was passionate about developing his business reputation. In the later years though, I believe he became too big too quick and with that there was arrogance. I did mention this to my adviser in the later years as I considered there was a bigger emphasis on growing the company nationally and building palatial premises. I felt that this was to the detriment of his client base. Cassimatis also built a very close relationship with the Commonwealth Bank (CBA) and arranged Storm badged investments with CBA being the Responsible Entity (RE). Cassimatis had moved his alliance from MLC to CBA and now that he had his own badged investment with CBA, he could no longer be seen as independent. There was considerable conflict of interest in recommending only Storm badged investments but the Storm model relied only on investing in Australian Shares and it would have made very little difference in terms of performance which Australian Index was used. It proved to be fatal in the fallout with CBA because CBA could terminate the Storm Index when it would not be possible to do this with a larger Index fund. Clearly, CBA were happy with the Storm Index arrangement as they now had a very successful salesman delivering quality customers to CBA. Although the products were badged Storm, they were identical to Colonial First State funds and begs the question whether Storm Financial was an agency for CBA/CGI/CML.

CBA also provided Storm Clients better LVRs that it would to any other client. This meant that there was an incentive for Storm to source the margin loan facility from CBA as more borrowings meant more commission. As the market rose, more funds were available from CML making it an attractive proposition for Storm Financial. The association that Storm had with CBA was close and both parties benefited in rising markets.

4. the role played by marketing and advertising campaigns;

Storm's marketing and advertising campaigns were very successful. A significant amount of the Storm business came from referrals. This was continually mentioned by Cassimatis at investment updates. The opulence that was evident in his Head Office buildings and overseas trips for clients were all great strategicies that promoted the success of investing with Storm. There were always large groups attending investor update meetings because Cassimatis always made each investor feel special and would deliver positive messages that we all wanted to hear. The fact that the Stock Market was powering along made it possible to deliver positive information.

5. the adequacy of licensing arrangements for those who sold the products and services;

I am not qualified to comment on the licensing arrangements but from a layman's viewpoint, I would think it was adequate. Storm Financial held all the appropriate licenses but this did not save Storm from destruction. Unless the licensing authorities take responsibility for the operations of its members by providing financial protection to investors, all the changes to licensing of financial planners/advisers will not assist investors when the actions of others in the same industry destroy the hopes and dreams of the very same investors it sets out to protect.

6. the appropriateness of information and advice provided to consumers considering investing in those products and services, and how the interests of consumers can best be served;

The current legislation to make the information provided by financial planners more meaningful to clients is beginning to become cluttered. More detail in the Statement of Advice does not necessarily mean investors are better informed. From my own point of view, I think the information and advice provided by Storm was appropriate. I was able to follow the advice and could see the future direction of my investments. However, I already had a good knowledge of investments and I have an interest in statistics and figures in general. For those who do not share these interests, the Statement of Advice from Storm or any other planner may confuse more than it assists the client understand the current and future performance of a portfolio.

7. consumer education and understanding of these financial products and services;

Education of consumers is currently available to all consumers. It depends on the level of knowledge consumers require. The understanding of the various products may be difficult for some consumers and not others. Storm ran one or two education seminars each year. This generally informed consumers of the current market situation and a number of future scenarios. Usually there was nothing new in the information provided as a prudent investor would be able to gather similar information from a number of investment organizations. Education is not difficult in times of good market returns as everyone can see the growth in investments and generally feel positive about the future. Consumers think that the market will stay this way for a long time so the need to understand more about the current market is not as high as it would be in a contracting market. In declining markets, consumers are more worried about their investments and require more information on returns and future direction of the market. Their need for education and understanding in declining markets has a higher priority.

8. the adequacy of professional indemnity insurance arrangements for those who sold the products and services, and the impact on consumers; and

There is a need to ensure that each organization provides sufficient indemnity insurance to cover potential losses as a result of poor advice. Storm Financial had $20M indemnity insurance but had $4Billion in investments. The level of cover is only 2% of funds invested. Clearly this is insufficient to cover losses from poor investment advice. The need to insure against poor advice would seem unnecessary for any organization that was genuine in its attempt to create wealth for its customers. Insurance companies are notorious in seeking ways to avoid their responsibilities and it usually involves additional costs from the consumer to achieve some relief. The fact that CBA did not give appropriate advice in relation to its product and the underlying security when approving a substantial loan should also be consideration for litigation.

9. The need for any legislative or regulatory change.

The only change I can see that should be adopted is to regulate the Margin Loan product. Currently, banks have no regulations to force them to act in the interests of its clients. This is the situation Storm clients find themselves in today. It appears that the terms of CBA Margin Loan Agreements propose that they have no responsibility at all in relation to monitoring of the margin loan. Consequently, CML claim they did not have to contact its clients or Storm for that matter and the information that was provided had to be checked by the individual customer/s for accuracy. CML would not provide a margin loan if the customer did not accept these terms. This clearly puts the customer at a disadvantage and in the case of Storm Financial's dispute with CGI, it ended in the catastrophic disaster where every client was seriously affected. The customer did nothing to warrant the action taken by CGI. CGI and Storm Financial were in dispute. CGI should have contacted the customers to sort out what was a fundamental breach in the contact – a margin call. Such a breach of a fundamental term under any other circumstance (loan agreement) would see the bank taking possession of the underlying asset. Time was of the essence as the CBA had agreed (with Storm Financial) to extend the LVR to 90% for Storm customers only. This clearly meant there was a huge incentive for Storm to source CBA Margin Loans for its customers.

10. The committee will investigate the involvement of the banking and finance industry in providing finance for investors in and through Storm Financial, Opes Prime and other similar businesses, and the practices of banks and other financial institutions in relation to margin lending associated with those businesses.

There have been many who say the Storm model was flawed. I disagree.

The model worked and would have worked even to this day if CML/CGI had followed its own advice. It is often quoted that markets will move up and down. All Storm clients were informed of this and were positioned for the downward movement. With the benefit of hindsight, if the index funds were not closed in December, all clients would be 20% better off than when they were sold out. If clients were given the opportunity to add additional funds to the Margin Loan when they were in margin call, they would not have lost their total investment. They would have been in a position to recover from the downturn. CGI/CML/CBA did not give their customers any chance of survival because they did not contact them. Even those who offered to fix the margin call were told it was too late. Whatever the reason for not calling the client or accepting assets to correct the margin loan was, it was not the fault of the customer. CGI closed all Storm badged index funds wreaking havoc and despair on its customers. Such a catastrophe should have been avoided. The action of CGI and its senior officers were Un-Australian and unethical and were not consistent with the Commonwealth Bank Code of Ethics.

No one predicted such a large fall in the market and Storm was not prepared for such an event. Even CGI/CML/CBA were not prepared. They were not able to provide accurate data in their Margin Loan statements as at 30th September, 2008. On reviewing the calculations on my CML account, I believe I was already in margin call before 30th September, 2008 but no action was taken until 29th October, 2009 to sell (part) of my portfolio. At that time, I would have been able to take corrective action to ensure the margin call was corrected.

I conveyed this information to CBA Complaints section which was dismissed with the arrogance and disinterest that characterises the Commonwealth Bank.

> "I acknowledge that you remain dissatisfied with our view and I suggest that, if you wish to pursue a claim against CGI, you may want to elevate your complaint to the Financial Services Ombudsman."

The points raised in my letter of complaint highlights some of the issues above. Questions need to be answered by CBA. A copy of my letter to the Complaints section is provided in the hope that the questions will be answered by CBA.

Tina Puru
CommSec Client Relations
Locked Bag 22
Australia Square NSW 1215

Dear Ms Puru,

<u>Colonial Margin Loan XXXX</u>

We were very disappointed with your response to our complaint dated 19th February, 2009. Of course, we expected you to defend your position, but it reinforces the community's distrust and dislike of the arrogance and greed of the Commonwealth Bank, its subsidiaries and Senior Financial Officers. The action of CGI and its senior officers are Un-Australian and unethical and are not consistent with the Commonwealth Bank Code of Ethics reproduced below.

- *promote honest and ethical conduct, including the ethical handling of conflicts of interest*
- *promote full, fair, accurate, timely and understandable disclosure*
- *promote compliance with applicable laws and governmental rules and regulations; and*
- *deter wrongdoing.*

The Commonwealth Bank recently announced its massive half year profit whilst continuing to extract every last cent from its customers without any compassion. However, the bank was not backward in coming forward to seek assistance from the Government when the impact of the financial crisis began to affect its business. At a time when its customers (Storm Financial) were also being impacted by the same crisis, the Commonwealth Bank cut all ties with those affected customers and cut them adrift without offering any further advice or alternative action. Some customers may have been able to add cash to correct the margin loan facility but your customers were not given that choice. You failed to take care of your customers because you do not normally communicate with them directly.

However, we would like to point out that as you choose to hide behind a contract in which we had no bargaining power, you have a fiduciary duty of care to your customer. You state that you do not normally contact the client as the product has been set up to deal with the Financial Planner. This is fine for normal circumstances, but what we have here is something not normal. Failing to correct a Margin Call would be a fundamental breach of the contract which would render the contract void, particularly if you are not getting the response from the Financial Planner. You advise that you do not contact the customer, so the only alternative is to sell the assets.

We could possibly live with that decision, provided you acted ethically and honoured your part of the agreement. The agreement, that we signed and that you continue to wave in front of us says many things. One of which is that if we enter into the Margin Buffer (81.43%) we (through our adviser) have 5 days to bring the Margin Loan back within the limits set by you. If the loan falls into Margin Call (91.43%) we have 24 hours to correct. Failure to correct the default will result in the sale of the underlying assets. This is what we would expect the bank to do. However, I should point out that the margin call that was agreed to back in 1997, was 80.18% and has been changed by you without reference to us.

Now, we know you will point out that the contract says that you do not have to sell the assets. You could sit on your hands and do nothing because that is what the contract says. The contract could not be altered by us, so we had to accept the terms of the contract or walk away from the loan. We wanted the loan so we could do the investments; therefore, we had no choice but to sign on the dotted line. After more than 12 years of business together, we never expected that the bank would sit on their hands and do nothing. We always believed that if we reached the Margin Call, we would either need to add more assets or be sold up within 24 hours. We believe that a fundamental term of the contract was that you would continue to provide the Margin Loan facilities, provided the loan did not fall into margin call. A margin call would therefore be in breach of a fundamental clause of the contract. Your only contact was with Storm Financial, despite this being a fundamental breach and even then, you delayed action resulting in further deterioration of our position. If you were a responsible organization with real concerns for your customers, a reasonable person would consider it prudent to contact the customer direct, to correct the situation; particularly when it was evident that the breach was ongoing.

We believe you have a fiduciary duty to your customers (us) and even though you do not normally contact the customer, you cannot act negligently and attempt to contract out of your fiduciary duty as you have tried in the contract that you are continually referring me to. We, the customers have some common law rights and you cannot cause us harm because you act negligently.

Some interesting observations have come to light as we go back and check YOUR figures. If these figures were to show our position at the end of the period, we would be in considerable trouble if we were to rely on your calculations.

At 30th September, 2008, your statement showed that we were at 78.37% LSR. A comparison of the figures appearing on the Margin Loan statement to the Colonial First State (actual investment) statements at 30th September, 2009 highlights a discrepancy of 6.45% ($66,614). This discrepancy is not in our favour and would take the LSR into the margin buffer. This does not include our other investments with MLC, XXX and XXX When we include these figures the discrepancy is in the vicinity of 6.76% ($107,710). Why is it that you do not have the correct figures from within your own organization? We know you are going to point to the contract again and the statement which says we shouldn't rely on the figures. Is that because you know you may make mistakes and you want to contract out of any responsibility? But, are the figures you have in your computer any more accurate and can we rely on them? How can we check our daily balances to know if we are in margin call or not? In order to make an informed decision, we should be entitled to have accurate figures. According to my calculations, and your statements, we believe we were in the buffer prior to 30th September, 2008. Looking at the All Ordinaries Index, we probably went into the buffer on 29th September, 2008. You advise that you acted on instructions from Carmela Richards of Storm on 29th October, 2008 – one month later. The All Ordinaries Index had declined a further 22.47% in that time and would have taken the LSR beyond 100%.

As we stated earlier, our expectation was that we would need to correct the margin buffer situation within 5 days. Failure to do that would result in the sale of the assets. However, you did nothing for 30 days. According to our calculations, the All Ordinaries Index dropped a further 11.62% as at the 9th October, 2008 which would then have taken us into Margin Call. We would have expected that at that time you would have sold the underlying assets. You still did nothing until 29th October, 2008. Why?? Were you not concerned?? Why did you not advise our Adviser that you would sell the assets (within 24 hours) or dare we say, ***why did you not contact us.*** *Obviously we are not important enough for you to contact us because you have a contract that you can wave in front of us saying you do not have to do anything - it is all up to us. You chose to do nothing other than produce a list with incorrect information and waited for someone to get back to you. You were not pro active, you were negligent. If you had bothered to contact us, we could have added the necessary funds or agreed that the sale of the assets was the only other alternative. You did not give us that choice because it was not normally done that way and no one in your organization is capable of thinking outside the square. Certainly, no one in your organization believed they had a duty of care to their customer.*

It is difficult to understand the lack of communication that existed between you and Storm Financial. There doesn't appear to have been any urgency in getting the facility back into line. Instead there has been an ongoing battle between CGI and Storm which ended up going pear shape which devastated investors trying to secure their future and thinking that by going through a Financial Planner they would be better protected. As an investor, we put complete faith and trust in Storm Financial as well as CGI. Both organizations have failed us (and others) terribly.

In order to further investigate these transactions, we now formally request copies of all correspondence relating to our account (including correspondence to and from Storm Financial, screen and file notes, memos etc) as well as a printed copy of any Colonial First State Bank Margin

Lending documents we have signed since commencing with the facility (including our original set up documents as we have never received any written communication from you).

Yours faithfully,

Finally, when the Storm index funds were suspended and all the assets were sold, who purchased those assets (shares)? Did the CBA purchase the assets at the expense of its own customers?

I believe the CBA and its subsidiaries had a duty of care to its customers. It failed these customers by acting negligently. The following points need investigation.

- Storm received preferential treatment from CBA by giving Storm Clients a higher LVR than other clients
- CBA did not contact the customer to advise any change to LVR
- LVR of 90% or more did not allow sufficient time to ensure corrective action was taken by the customer
- CBA Margin Loan Statement contained incorrect data
- CBA did not contact the customer after a fundamental breach of the Margin Loan Agreement
- CBA did not act immediately to correct the margin call. It took 30 days to act and then only sold down 75% of investments
- CBA did not take further action for another 30 days to sell the remaining assets
- CBA allowed margin loans to exceed 100% of LVR
- Why did CBA terminate the Storm Index Funds?
- Would the CBA have been able to achieve the same result if all Storm Clients were invested in established index funds like CFS Australian Share Index Funds?
- Did CBA purchase the shares from the Index Fund when the funds were suspended?
- Did CBA engineer the Margin Call by reducing the LVR from 90% to 80% prior to closing the index funds?

I hope the Parliamentary Inquiry establishes the true reason for Colonial First State closing the Storm Index Funds and not allowing another Responsible Entity to take over the Index Funds which caused enormous distress to every Storm Client. It is hoped that the Parliamentary Inquiry investigates why the CBA allowed Storm Clients to have an LVR at 90% and then allowed the Storm investors LVR to exceed 100% placing these investors into negative equity. Why did CBA not allow clients to correct the margin loan call by contacting the clients direct? How did the closing of the Index Funds impact on investors with loans from other banks?

The CBA/CML/CFS knew or at least should have known the impact it would have on all investors by closing the Index Funds. It would therefore appear that the Commonwealth Bank and its subsidiary acted callously and negligently in closing the Index funds and destroyed the lives of many Australians who were attempting to avoid reliance on the Commonwealth Government Aged Pension for their own retirement.