



ASIC

Australian Securities & Investments Commission

REGULATORY GUIDE 117

Commentary on compliance plans: Financial asset schemes

April 2004



ASIC

Australian Securities & Investments Commission

Commentary on compliance plans received by ASIC

Financial asset schemes

Practical feedback based on ASIC's review of compliance plans submitted since 1 July 1998 and other compliance plan related activities — including surveillances and breach notifications

April 2004

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Contents

	<i>Page</i>
How we developed this commentary	4
Features of better plans	6
1 Commentary on fundamentals of the structure of plans	11
1.0 Contents page	11
1.1 Purpose of plan	13
1.2 How to read this plan	15
1.3 Description of the scheme	16
2 Compliance frameworks described in plans	17
2.1 Compliance framework/structure	17
2.2 Role of compliance committee	19
2.3 Role of compliance officer	21
2.4 Role of audit	23
2.5 Reviewing and amending the compliance plan	25
2.6 Summary of compliance procedures	26
3 Operational compliance measures	28
3.1 Valuation	29
3.2 Income	31
3.3 Fees and expenses	34
3.4 Unit pricing	38
3.5 Applications, redemptions and distributions	40
3.6 Trades, churning and investment restrictions	43
3.7 Safe keeping and segregation of scheme property	46
3.8 Record keeping and disclosure	48
3.9 Capital liquidity and insurance	50
3.10 External service providers	53
3.11 Training and recruitment	57
3.12 Promotion of scheme	59
3.13 Monitoring Australian financial services licence and authorised representatives	61
3.14 Related party issues	63
3.15 Market manipulation	66
3.16 Complaints	68
3.17 Reporting breaches	70
Appendices in a plan	73
A1 Glossary	73
A2 Organisational structure chart	74
A3 Compliance committee charter	75
A4 Pro forma compliance committee meeting agenda	76
A5 Pro forma compliance report by responsible officer	77
A6 Pro forma breach report	78

How we developed this commentary

The managed investment industry asked for our feedback on compliance plans lodged with us. This commentary summarises the better compliance plans submitted to us and is a practical guidance for members of the industry.

This document is not a checklist for compliance with the *Corporations Act 2001* (Corporations Act). You should also refer to our Policy Statement *132 Managed investments: Compliance plans* [PS 132]. Although this commentary reflects current compliance methodology it must not be used as a substitute for Australian Standard® AS 3806–1998: *Compliance programs* and other compliance information.

Review of approved compliance plans

Between 1 July 1998 and July 1999 we reviewed over 300 compliance plans that had been submitted for approval. Our reviews highlighted a wide variety of styles and content in compliance plans. We welcome this variety as it reflects the diversity in the nature of managed investment schemes and the scale of their operations.

In our review of plans we:

- compared the plans against [PS 132] which sets out our policy on compliance plans;
- separated the plans into industry type, ie financial assets, property and agricultural;
- reviewed each plan noting which sections and operations were used consistently in plans for each industry group; and
- for each section or operation, noted examples that stood out in clarity, format and meeting compliance objectives.

Further review in 2003

Between June 2003 and August 2003 we conducted an additional review of surveillance activities, breach notifications and associated compliance plans relating to the period 1 July 2001 to May 2003. This review covered:

- qualified compliance plan audit reports lodged with ASIC;
- breach notifications about inadequacies in compliance plans or breaches of compliance plan provisions reported to ASIC; and
- surveillance activities carried out by ASIC which discovered breaches of compliance plans.

These reviews highlighted a number of concerns about the quality of compliance plans, identified a number of plans that were inadequate and a number of instances of non-compliance with plans. In some cases the inadequacies were general in nature and in other cases the issues related to specific compliance measures not being included in a plan or being inadequately set out in the plan.

Choosing examples for this commentary

The comments and suggestions in this commentary are based on compliance plans, which we believe contribute to an effective compliance program. The commentary on operational procedures includes two examples for the different activities undertaken. We found that many plans included good and bad parts. Therefore the first example is often a combination of different plans. However the second example is taken from an actual compliance plan we have reviewed, updated for the Financial Services Reform Act.

Other commentaries

We recognise the diversity of the managed investments industry. Therefore we have produced separate commentaries on compliance plans for:

- financial assets;
- property;
- agricultural schemes; and
- mortgage schemes.

We have not produced separate commentaries for different operational structures.

Features of better plans

Use plain language

Better plans use:

- plain English and avoid legal or industry jargon;
- a simple structure including a contents list and clear headings; and
- meaningful words to describe what is actually done, eg “a documented due diligence process is applied to each Product Disclosure Statement. The compliance manager is responsible for ensuring the process takes place and that it has been carried out properly.” This means that compliance with the plan can be audited against these measurable standards. (Avoid vague terms such as “appropriate”, “adequate” or “sufficient”.) See [PS 132] at [PS 132.4] and [PS 132.17]–[PS 132.19].

Better plans also include:

- An overview about the plan, its scope, aim and where it sits in the RE’s compliance and risk management framework.
- A section to explain “how to use” the plan eg in some plans you need to read some sections first before you can understand how other sections need to be applied. A how to use guide is helpful and assists the many users of the compliance plan.

State who must do what by when

Better plans focus on the tasks staff must do. Staff will see them as “documents for our lawyers” if plans do not tell them this. With better plans staff can easily find out:

- who is responsible for a certain task and when, or how often, that task must be done;
- how they can meet these obligations; and
- how their work will be monitored.

However, better plans also give staff enough information about the legal concepts and requirements so that they can quickly apply that knowledge in their day-to-day tasks.

Plans that state clear timeframes are more easily audited and complied with, eg words such as “regularly”, “periodically”, and “as required” should be avoided as they do not provide a standard that can be monitored and audited.

Plans that state who or what position is responsible for certain tasks create a sense of ownership of tasks. This also makes it easier to monitor such plans.

Describes monitoring and reviewing activities

Better plans state when reporting on compliance must take place. They state specific dates or use such terms as “no less than monthly”. (“Regular” is meaningless when describing the frequency of reporting.)

When detailed procedures are described in another document, the better plans state how compliance with those procedures is monitored and how the procedures are reviewed. However, only high level procedures are described in the plan document. Individual tasks that are part of their procedures are better contained in other documents in order that they can be changed easily.

Better plans clearly outline:

- how breaches are reported and who is responsible for rectifying them, and
- what action needs to be taken if the plan is breached.

Better plans state “how and when” the plan will be reviewed so that it continues to comply with the Corporations Act and the Constitution. These plans are better equipped to ensure that the plan complies with the Corporations Act by continuing to be adequate.

There are no limitation or exclusion clauses in the better plans. Nor do they delegate the obligations of the compliance committee.

Monitoring compliance

Generally we found that the better compliance plans had been prepared or extensively reviewed by the business. We found they were more likely to reflect:

- an analysis of the risks of the business that might impact on the investors or the scheme
- the actual business processes in place to minimise risk and ensure compliance (rather than generic processes); and
- the measures used by the business to monitor and accurately report on compliance and the monitoring of breaches.

We note that the better plans clearly address the structure of the RE, in particular the outsourcing risks of special purpose REs (or REs for hire).

There was a great deal of variation in the level of detail in the plans. Not surprisingly, plans for smaller entities contained more detailed procedures that reflected their flatter and smaller structures. Larger entities referred to detailed procedures in internal documents.

Some plans did not contain enough detail to be audited. Often we saw plans that were so vague that the organisation would not know whether the plan had been breached.

The better plans were clear about:

- what the obligation was;
- what the risk of non compliance with the obligation was;
- what procedures were in place to meet that obligation;
- how those procedures were monitored; and
- who was responsible for monitoring compliance with that procedure.

The better plans, when referring to documents that contained procedures, detailed how the procedures are monitored and updated.

Compliance with procedures

In our review undertaken in 2003 it was noted that a large number of qualified compliance plan audit reports are being lodged with us due to inadequate monitoring of compliance plan procedures, or due to non-compliance with procedures. It is vital that compliance plans include adequate procedures for monitoring compliance with the compliance plan and adequate resources are devoted to this role. The key findings in this area were:

- Qualification of audit reports due to breaches of the financial conditions of a REs licence and the failure to lodge scheme financial statements or compliance plan audit reports with ASIC within the required time period.
- Plans that included detailed compliance procedures in attachments, after the main body of the plan, had more instances of non-compliance with procedures.
- Plans that required one person to monitor a number of the procedures had more compliance plan audit qualifications for non-compliance. This highlights the need to ensure that only persons with adequate time and experience are assigned to monitor compliance with procedures.
- Persons nominated for compliance monitoring who have other significant and possibly conflicting duties eg being the compliance officer and the managing director of the RE. In these circumstances, there is a greater chance of non-compliance with the procedures in the plan. When drafting the plan care should be taken that those assigned to compliance plan roles do not have conflicting duties.
- The most common reason why compliance plan audit reports were qualified was the failure of the RE to comply with compliance plan requirements for the financial conditions of the dealers licence.
- Breaches of plans also occurred because distributions of income to investors were not paid on time, were not paid at all or incorrect payments were made. This was due to plans not dealing adequately with the requirements for calculation of distributions or because plans included inadequate procedures for the monitoring of distributions.

Adequacy of procedures

Based on our review in 2003, we have set out below a summary of the major issues that caused plans to be inadequate, which would apply to any type of compliance plan. We recommend the consideration of these issues when preparing a plan.

- Plans which were a standard or model plan (“Off the Shelf Plan”) or primarily based on an Off the Shelf Plan were found to result in a larger number of qualified audit reports and breach notifications to ASIC relating to inadequate plan procedures and/or non-compliance with procedures in a plan. This emphasises the importance of plans being prepared that are specifically written for the type of scheme and the individual business to be operated.
- Plans in which the compliance procedures were set out in a narrative style as opposed to a table format were found to result in more breaches of compliance plan procedures and more inadequate plans. We do not necessarily recommend any particular style of plan, however, it should be simple to monitor and audit compliance.
- Compliance procedures for ensuring financial conditions were complied with were sometimes inadequate. They were not detailed enough to cover all the requirements of the financial conditions set out in the licence; in particular there was often no procedure to check compliance with all the licence conditions.
- The failure to report breaches of the plan to the board of directors of the RE and/or compliance committee was a common matter reported as a breach of plans by auditors. Plans need to include procedures for checking that the RE reports breaches of plans.
- We also noted that we are issuing an increasing number of interim and final stop orders on Product Disclosure Statements (PDSs). It was apparent that due diligence being carried out on PDSs and procedures in plans for review of PDSs needs to be improved. In particular forecasts were included in PDSs for which there was no reasonable basis and where the disclosure of fees and expenses was inadequate.

A specific issue identified from the review that related to financial assets schemes was the incorrect calculation of unit prices. This was often reported to ASIC and caused incorrect redemption and application unit prices and resulted in losses to investors.

- The incorrect calculations appear to have occurred due to inadequate monitoring of the calculation of unit prices or due to the procedures for checking the calculation being inadequate.
- It was noted in some cases that the provisions in scheme constitutions for the calculation of unit prices was not followed.
- The Plan needs to carefully cover the monitoring of the accuracy of unit prices.

Use of references for advice

Better plans:

- refer to Australian Standard® AS 3806–1998: *Compliance programs*; and
- reflect other compliance plans they have, for example, plans for trade practices, life insurance and superannuation requirements.

1 Commentary on fundamentals of the structure of plans

1.0 Contents page

Our staff found that compliance plans containing a contents page were much easier to review.

We also anticipate that as compliance plans are a working document and are expected to be used on a frequent basis by numerous parties, a well-planned contents page will:

- reduce time spent locating relevant clauses; and
- provide an overview of the scope of the compliance plan.

We found that in better plans, the contents page was not too detailed, and was only one to two pages in length.

The best plans highlighted areas users are most likely to regularly look for, eg operational matters such as valuation of scheme property.

Example of a contents page

	<i>Page</i>
1 Information about this plan	
1.1 Purpose of this plan	
1.2 How to read this plan	
1.3 Description of the scheme	
2 Framework	
2.1 Compliance framework.....	
2.2 Role of the compliance committee	
2.3 Role of the compliance officer	
2.4 Role of audit	
2.5 Reviewing and amending the compliance plan	
2.6 Summary of compliance procedures	
3 Operational procedures	
3.1 Valuation.....	
3.2 Income	
3.3 Fees and expenses	
3.4 Unit pricing.....	
3.5 Applications, redemptions and distributions	
3.6 Trades, churning and investment restrictions.....	
3.7 Safe keeping and segregation of scheme property.....	
3.8 Record keeping and disclosure.....	
3.9 Capital, liquidity and insurance	
3.10 External service providers	
3.11 Training and recruitment.....	
3.12 Promotion of scheme	
3.13 Monitoring Australian financial services licence and authorised representatives.....	
3.14 Related party issues	
3.15 Market manipulation.....	
3.16 Complaints.....	
3.17 Reporting breaches.....	
Appendices	
A1 Glossary.....	
A2 Organisation structure chart.....	
A3 Compliance committee charter.....	
A4 Pro forma compliance committee meeting agenda	
A5 Pro forma compliance report by responsible officer.....	
A6 Pro forma breach report	

1.1 Purpose of plan

We found that good plans contained contextual information to assist the users of a compliance plan. Many users are unlikely to have been involved in drafting the document or have a compliance background. These plans contained a brief explanation of:

- the scope of the compliance plan;
- the aim of the compliance plan; and
- how the compliance plan fits into the RE's compliance and other management reporting framework.

This information is likely to be very helpful to the auditor as well as to us in understanding the RE's approach to compliance.

Plans that did not contain this type of contextual information were more difficult to understand and in our view reflected a lack of thought about the role of the plan and a lack of commitment to it working in practice.

Example

1.1 Purpose of this plan

Set out main objective of plan, eg:

This compliance plan sets out the key processes, systems and measures the RE will apply to ensure compliance with:

- Corporations Act;
- scheme constitution;
- Australian financial services (AFS) licence;
- industry practice standards relevant to the scheme; and
- internal organisational standards and culture.

Comment on how the plan sets out to achieve this, eg:

This plan is a "how to" document, providing sufficient detail on:

- the obligations which must be met by the RE;
- the risk of non-compliance with these obligations;
- what measures or procedures are in place to comply with these obligations; and
- how compliance with those measures and procedures will be monitored.

This plan also details the risks of not complying with these obligations, and how breaches are to be reported and addressed.

The description of measures in place allows RE staff with compliance responsibilities to identify what procedures they are responsible for monitoring and how often they have to report on compliance or otherwise with those measures.

This plan must be integrated into the operations of the business and its use is not optional.

A statement of the organisation's compliance commitment is not often seen in compliance plans. However we feel that the better plans reflected a higher level of ownership when they clearly outlined the organisation's level of commitment to compliance, eg:

The organisation wants to achieve a compliance culture where each staff member owns compliance, and immediately reports and addresses breaches as far as practicable.

We want our staff to not only do the right thing, but also know how to do it. Failure to report a breach is treated seriously and as such, the organisation adopts a no blame policy in relation to breaches but not so in relation to failure to report.

1.2 How to read this plan

It was not easily apparent in many plans how various parts of the plan linked or affected other parts. Indeed on occasions when applicants were asked to explain how the plan worked they had difficulty answering. In particular, the better plans focused users to read the sections that describe the scheme and where they as responsible officers fit into the compliance framework.

Most compliance plans reviewed are targeted at ASIC whereas the best ones targeted the many users. For this reason very few REs addressed this important point.

Example

1.2 How to read this plan

It is vital that users of this plan understand their role in its effective implementation. The operational procedures noted in section 4 do not provide enough information on their own and there are several sections of the plan that must be read by all users of this document in order to fully understand their responsibilities.

Sections that are considered essential reading, in addition to comments on procedural areas specific to the user are:

- 1.1 Purpose of the plan
- 1.3 Description of the scheme
- 2.1 Compliance framework
- 2.2 Role of the compliance committee
- 2.3 Role of the compliance officer
- A1 Glossary
- A2 Organisational structure chart
- A6 Pro forma breach report.

The plan is structured in such a way that it clearly identifies the legal responsibility that must be complied with and the risk of non compliance with that obligation. The procedures described are the part of processes used by the RE to meet that obligation. The plan identifies what part of the business is responsible for carrying out those procedures, how compliance with those procedures will be monitored and who is responsible for monitoring compliance. That person is also responsible for reporting compliance and non-compliance with those procedures to the Compliance Officer. The frequency of reporting is also stated.

1.3 Description of the scheme

In many instances it was not readily apparent what type of scheme the compliance plan related to. Some better plans reflected the understanding that a number of users of compliance plans will not be involved in the operation of the scheme and may need to review the compliance plan in isolation. These plans contained a brief description of the structure and purpose of the scheme for users so they could understand the risks facing the scheme and, hence why certain compliance procedures have been included or omitted. Its purpose was also to enable users to assess if the plan is adequately focussed on the most important risk areas. An example is the increased importance of compliance with investment restrictions for an ethical fund compared to funds with broader investment restrictions.

Unfortunately, many plans reviewed failed to comment on the particular risks faced by the RE in operating the scheme and ultimately the risks to investors. Indeed, for a number of plans, it was difficult to even identify the type of asset managed by the scheme. Some plans contained a brief description of the main risks facing the scheme early in the plan or described the scheme later in the compliance plan with the compliance procedure addressing that risk.

ASIC certainly found a brief description early in the plan helpful in terms of review, particularly for unusual or stand alone plans.

Example

1.3 Description of the scheme

The scheme is a managed fund investing principally in Australian listed equities.

In managing these assets the RE uses derivatives and warrants on a daily basis. All investment decisions are made by the RE with reference to specific benchmarks set by the Board.

We take a “top down” approach to investment and focus our interest on the top 100 companies only. The unit pricing, custody and settlement functions are outsourced, however all customer service is provided by the RE.

The overall investment strategy is to provide substantial growth for investors, and accordingly it is aimed at investors with a medium tolerance for risk.

2 Compliance frameworks described in plans

2.1 Compliance framework/structure

A clear description of the RE's compliance framework or structure was a clear feature of the better plans. Entities included this in the plan to:

- aid in understanding the RE's overall approach to addressing compliance;
- provide background to the RE's compliance reporting structure; and
- provide staff with a clear statement on where the compliance plan sat in the framework.

Better plans reflected the understanding that the procedures and measures in the plan needed to be supported by a sound and workable compliance structure.

Even though the structure is described in the RE's licence application some plans provided more detail in the compliance plan. In reviewing plans, we are mindful that the compliance structure is the framework in which the compliance plan sits and, if the fundamental framework does not work, it is unlikely that the compliance plan will achieve the desired outcome.

AS 3806

For more information on compliance frameworks and structures we refer you to the Australian Standard® AS 3806–1998: *Compliance programs*.

Flowcharts

The better plans contained flowcharts of the compliance reporting structure to provide a clear picture of the compliance process and allow RE staff to quickly ascertain where they fit into the overall framework. They also helped us assess the adequacy of the RE's compliance structure eg, the level of access the compliance manager had to the compliance committee or Board. These are best left as position titles, rather than names of individuals so that the plan does not need to be updated when organisational changes occur.

Monitoring compliance

Not all plans described how compliance with procedures will be monitored. For example:

- will the compliance officer visit the area concerned and talk to staff?
or
- is it a self assessment process which is periodically reviewed by internal or external auditors?

Again this area was the focus of many requisitions by ASIC officers.

Transparent structure

The best plans showed the compliance reporting process in enough detail to enable the Compliance Committee to determine how the reports on compliance with procedures are put together. It was not clear in some plans who was responsible for producing reports for the compliance manager.

Truth in reporting

Few plans described the methodology by which compliance reports would be put together to ensure that the report reflected the correct position on compliance. Surveillances reveal that sanitisation of reports is a real risk area for an entity, as well as guess work at the basic reporting level.

2.2 Role of compliance committee

There was a variety in the level of detail about the function and responsibility of the Compliance Committee. The better compliance plans clearly explained the Committee Members' duties and emphasised the importance of fulfilling their obligations.

A number of REs included a Compliance Committee Charter describing the rules and guidelines to be followed by the Committee as an appendix to the compliance plan. See appendix A3: Compliance committee charter.

Some plans also included the process by which a Compliance Committee member is appointed. Other plans referred to documents outlining this process. It was not always clear how this process was going to be monitored.

Example

2.2 Role of the compliance committee

Compliance committee membership

Included details of minimum number of members, minimum qualifications and appointment process.

Responsibilities

Referred to duties per s601JC, stressing that the Committee must ensure the compliance plan meets the requirements of the Corporations Act on an ongoing basis. Many compliance plans also explained the Committee's procedure for:

- *dealing with breaches, including following up on action taken by the RE following recommendations made by the Committee, and reporting to ASIC if the RE has not taken or does not propose to take action to deal with a reported breach;*
- *ensuring they are made aware of all significant transactions involving scheme assets;*
- *ensuring the scheme is not trading while insolvent, or is not expected to be. This will include reviewing and approving any additional funding requirements of the scheme; and*
- *assessing if the RE's actions are in accordance with the Product Disclosure Statement, constitution, Corporations Act and in the investors' best interest.*

Meetings and reporting

This area included frequency of meetings, quorum and the requirement to take minutes for distribution to the Board. The better plans included a standard agenda as an appendix. (See appendix A4: Pro forma compliance committee meeting agenda.) This provides the Compliance Officer with a guide to the matters that need to be reported to the Committee at each meeting.

Many plans disclosed the right of the Committee to access information, reports, resources, audit and experts as necessary. Better plans also contain details of when the Committee will report to ASIC and the regular consideration of whether any matters require reporting. We have noted from our review of breach notifications that very few breaches are reported to ASIC by Compliance Committees.

We have noted cases where a Compliance Committee has made no report to ASIC even when a scheme RE has gone into external administration or is likely to go into external administration and as a result is unable to be able to carry out its duties as a RE.

2.3 Role of compliance officer

The compliance officer features prominently in many plans in relation to reporting and monitoring on some obligations. The better plans explained the compliance officers pivotal roll in the compliance framework and responsibility for liaising between the compliance committee and the officers responsible for implementing and monitoring compliance procedures. The best plans stressed the importance of this role and explained the duties clearly.

Several REs achieved this by including in the compliance plan, as an appendix, a job description for the compliance officer position and a Pro forma report to the compliance committee covering matters that need to be reported on a regular basis. This is not recommended as they then form part of the compliance plan and the plan then must be updated if changes to these documents occur.

In some plans the compliance officer has been given too much responsibility and has been made responsible for carrying out most of the compliance monitoring. This may not be appropriate if it means that the compliance officer does not have time to carry out their duties effectively, particularly when they have other duties.

Better plans emphasised that the compliance officer had direct access to the board of directors or the compliance committee to ensure the officer had the appropriate seniority or “clout”.

Example

2.3 Role of the compliance officer

Overview of the role

The compliance officer will ensure adequate internal systems and controls have been implemented to ensure compliance with the Corporations Act, the scheme’s constitution, the entity’s AFS licence and internal and industry standards. These duties include promoting the compliance culture within the organisation and to external service providers.

The compliance officer is primarily responsible for reviewing compliance on an ongoing basis, reporting on compliance matters, including breaches, to the Committee and acting on recommendations of the committee. Matters can be escalated to the board or ASIC if necessary.

Qualifications, reporting line, frequency and format of reporting

The compliance officer must have a minimum of five years experience in the industry and report directly to the compliance committee monthly or more frequently as required. The format of reporting is as per the Pro forma report in Appendix A5.

Some plans included other matters such as delegating, use of experts, access to external and internal audit, ensuring committee recommendations are implemented within a set time-frame, records, maintaining knowledge of best practice, ensuring staff have adequate access to procedures manuals, monitoring compliance of the Committee with the Compliance Committee Charter, ranking by significance the matters to be reported to the Committee, etc as applicable.

2.4 Role of audit

It was disappointing that most compliance plans make no mention of the role of internal audit. This included plans prepared by REs who are large financial institutions, with an internal audit service available, who presumably contribute in a particular way to the compliance framework.

The best plans explained the role of both the internal and external auditor in the compliance framework. As noted in section 2.1: Compliance framework/structure, many plans rely on audit to periodically review compliance frameworks that are based on a self-assessment process. It is more workable if a reader of such a compliance plan understands audit's role in order to understand the RE's approach to compliance.

These plans also explained who is responsible for addressing issues raised by internal and external audit and who follows up any recommendations made and ensures they are implemented in a timely manner.

Some plans included provisions that require the compliance plan auditor to be responsible for checking compliance with specific matters. This is not the role of the external auditor, who should not be responsible for day-to-day compliance monitoring.

Example

2.4 Role of audit

The internal audit team is part of the financial management division and reports directly to the board audit committee, who monitor and direct the team's work. The team's role is to confirm that the policies and procedures are operating as expected. Internal audit's terms of reference in respect of the plan are approved by the board audit committee following consultation with the compliance committee.

The Team will conduct a risk based review of compliance with this plan, focusing on areas considered to be of greatest or emerging risk. All operational aspects of the plan will be reviewed at least every two years. Areas considered high risk will be reviewed at least every six months.

A key objective of the team is to assess the adequacy of the compliance framework and to ensure major issues are promptly identified and addressed.

Copies of all internal audit reports relating to this compliance plan are sent to the board audit committee, compliance committee and external auditor.

The role of the external auditor is to annually:

- examine the plan;
- carry out an audit of compliance with the plan; and
- submit a report to the RE providing an opinion as to if the RE has complied with the plan throughout the period and if the plan continues to comply with the requirements of the Corporations Act.

2.5 Reviewing and amending the compliance plan

In spite of the obligation for the plan to “continuously comply”, most plans reviewed failed to mention that any periodic review of the compliance plan was required. This was surprising when the environment in which the RE operates is likely to change frequently due to new regulations, new products, restructuring, etc. Quality plans outlined the obligation of the RE to carry out a review of the adequacy of the plan at least annually and after any significant event that they are aware would impact the plan. This sometimes included consideration of reasons for any breaches and the impact on the compliance plan of any issues raised.

Example

2.5 Reviewing and amending the compliance plan

To ensure the compliance plan continues to provide an adequate compliance framework for protection of investors, the RE will report to the compliance committee at least annually on the continued adequacy of the plan.

So that the committee is informed of all internal developments, all staff, including internal audit, are instructed to report all proposed changes in operating structure and procedures to the compliance officer. These reports are included in the compliance officer’s monthly report to the compliance committee.

Part of the compliance officer’s role is to remain up to date with all regulatory and industry standard changes. Any such changes that impact the plan are reported to the committee in the compliance officer’s monthly report to the committee.

Subject to the Corporations Act the board or the compliance committee can amend this plan. All amendments are notified to the chairman of the compliance committee prior to the approval of the amended plan by the committee.

The compliance officer is responsible for submitting amended plans to ASIC and ensuring all staff responsible for compliance matters receive notification of the change and an updated copy of the plan.

2.6 Summary of compliance procedures

ASIC found it easier to review plans that clearly separated the different measures used to achieve compliance. The best plans clearly identified the following:

- legal or constitutional obligation;
- procedures in place to satisfy that obligation;
- who was responsible for reporting on whether or not the procedures had been followed;
- how compliance with procedures were monitored;
- who carried out that monitoring; and
- when reporting/monitoring took place.

Some plans were also useful in that they contained a summary of the types of procedures to be employed, identified the officer responsible for monitoring compliance with those procedures, and also indicated the frequency with which the officer must report as to such compliance. The compliance officer and the Compliance Committee could then use the summary as a checklist.

The “responsible officer” is usually the person who is responsible for ensuring a particular procedure is followed and reporting to the Compliance Officer on whether there were any breaches in following the procedure.

Example

2.6 Summary of compliance procedures

Function	Responsible officer	Reporting frequency	Details of procedure (reference)
Valuation	Manager Fund Accounting	At least monthly	3.1
Income	Manager Fund Accounting	At least monthly	3.2
Fees and expenses	Manager Fund Accounting	At least monthly	3.3
Unit pricing	Manager Investments	Daily	3.4
Applications, redemptions and distributions	Manager Investments	At least monthly	3.5
Trades, churning and investment restrictions	Manager Investments	Daily	3.6
Safe keeping and segregation of scheme property	Financial Controller	No less than quarterly	3.7
Record keeping and disclosure	Financial Controller	At least monthly	3.8
Capital, liquidity and insurance	Financial Controller	No less than quarterly	3.9
External service providers	Financial Controller	No less than quarterly	3.10
Training and recruitment	Manager Human Resources	No less than quarterly	3.11
Promotion of scheme	Manager Legal	No less than quarterly	3.12
Monitoring AFS licence and authorised representatives	Manager Legal	No less than quarterly	3.13
Related party issues	Manager Legal	No less than quarterly	3.14
Market manipulation	Manager Legal	No less than quarterly	3.15
Complaints	Manager Legal	At least monthly	3.16
Reporting breaches	Compliance Officer	At least monthly	3.17

3 Operational compliance measures

The format REs chose to present details of procedures varied considerably. The clearest format incorporated tables including details of the function, the risks of non-compliance, the relevant policies and the compliance procedures. Some REs also grouped together tables covering compliance procedures overseen by the same officer, allowing RE staff to quickly locate information on all areas of compliance they are responsible for.

The best plans showed sufficient detail to allow the responsible officer to know what the responsibilities of the role are, what procedures are required to be performed to fulfil those responsibilities, how they were monitored and reviewed, who to report to and whether compliance checks are automated or manual.

Many plans reviewed refer to procedures manuals and detail contained in agreements rather than including lengthy descriptions of procedures within the compliance plan. This improves clarity and allows procedures to be updated without having to amend the compliance plan. What is often missing though are the measures used to ensure that the procedures contained in the manuals and agreements are followed, working and updated.

An area that was covered poorly in many compliance plans is reporting of breaches. Industry best practice requires all breaches to be reported even if they have been rectified during the period. This enables the Compliance Committee to have a full picture of the level of breaches that are taking place. Many entities rated breaches as to significance in order that the Compliance Committee may focus on the higher risk breaches that will impact on investors or the RE. The better quality plans also ensured the Committee were aware of systemic breaches and the source of breaches.

Recent surveillances have revealed that the operational procedures quoted are often not the ones actually carried out. It is important to ensure that the plan actually reflects business practice.

Examples

These are not meant to be procedural best practice, rather they are illustrations of the better examples noted from our review. Content would need to be tailored to the specific scheme and entity operations as well as any further relevant points considered.

3.1 Valuation

Example 1

Responsible Officer: Manager Fund Accounting (MFA)

Frequency of Reporting: Monthly

Function	Risks	Procedures	Monitoring of procedure
Valuation of scheme assets is conducted at appropriate intervals and in an appropriate manner.	Quotation of incorrect unit price. Breach of constitution or Corporations Act.	All equities are valued daily by way of automatic price feeds from a third party. Manually priced securities are identified as such by accounting section managers and periodically verified against independent sources. All valuations are reviewed by fund accounting section managers independent of the portfolio managers prior to release for unit pricing. Any significant unexplained fluctuations are reported to the MFA to be investigated.	The MFA arranges sample testing quarterly to review compliance with valuation policy and IFSA standard on valuation of assets. A summary of reported unexplained valuation fluctuations and any rectifying action is included in the monthly report by the MFA to the Compliance Officer.

Example 2

Scope

This Compliance Rule sets out the arrangements applied in operating the Fund to ensure that the Fund property is valued at regular intervals appropriate to the nature of the property in accordance with the requirements of the Corporations Act and the Constitution.

Functional head

Head of Finance and Administration

Primary provisions

- (a) The primary provisions of the Constitution relevant for this Compliance Rule are clauses 8 and 9.
- (b) The primary provision of the Corporations Act relevant for this Compliance Rule is s601FC(1)(j).

Reporting frequency

The frequency of reporting to the Compliance Committee is quarterly, unless stated to the contrary, or the Chair agrees that it is not necessary to receive a report for a particular quarter.

Duties and compliance activities

The duties and compliance activities of the Head of Finance and Administration are set out in the table included under the heading Valuation. He/she is required to review and assess compliance with the Compliance Rule, and the procedures and monitoring and reporting activities outlined in the following table. Where appropriate, he/she is to report to the Compliance Manager any matter of non compliance and recommend any changes to the procedures and monitoring and reporting activities to ensure they remain appropriate. The Compliance Manager is to report such matter to the Compliance Committee.

Valuation

Compliance activity	Procedures followed	Monitoring and reporting
Fund property is valued at regular intervals appropriate to the nature of the property in accordance with the requirements of the Corporations Act and the Constitution.	<p>Custodian is engaged to value the Fund property.</p> <p>The custodian is provided with a copy of the Constitution and the most recent representation made to unitholders.</p> <p>The Constitution and the Service Agreement clearly define the duties and obligations of the Custodian.</p> <p>Expected income of the Fund is monitored and reconciled to the value of actual income received.</p> <p>The underlying assets of the Fund are valued on a daily basis or more frequently if required by the Custodian to ensure that the scheme becomes aware of changes in security values.</p>	A daily valuation report is provided by the Custodian and is reviewed by the Head of Finance and Administration to ensure that valuations are being performed in a timely and accurate manner.

3.2 Income

Example 1

Responsible Officer: Manager Fund Accounting (MFA)

Frequency of Reporting: Monthly

Function	Risks	Procedures	Monitoring of procedure
Collect and calculate correctly all income due to the scheme.	Not all income is collected or accrued for resulting in a loss of income for investors and incorrect calculation of unit prices.	<p>Investment income is collected by the external custodian.</p> <p>Corporate action information is advised daily from a third party information service and Scheme records updated. Income and associated tax credits are reconciled monthly to the custodian valuation.</p> <p>Overdue income is highlighted in the bank confirmation. Differences are investigated as soon as detected.</p> <p>Interest accruals are calculated automatically by the investment system on a daily basis. Interest accruals are reconciled to the custodian confirmation monthly.</p> <p>Expected dividend/coupon dates for income from securities identified as not covered by the information service is diarised by fund accounting section managers and verified with the security issuer.</p> <p>All valuations, including Scheme income, are reviewed by fund accounting section managers independent of the portfolio managers prior to release for unit pricing.</p> <p>Any significant unexplained fluctuations are reported to the MFA to be investigated.</p>	<p>The MFA reviews custodian and bank reconciliations monthly.</p> <p>The MFA arranges sample check calculations of interest accruals quarterly.</p> <p>Scheme income and associated tax credits are reviewed by external audit annually.</p>

Example 2

Scope and risk considerations

This section sets out the arrangements that the Manager is to apply in operating the Trust to ensure compliance with the Constitution and offer document regarding matters arising from calculation of income, payment of income and reinvestment, and the risks to the manager are that:

- (a) income is not calculated or distributed in accordance with the Constitution and offer document, resulting in a breach; and
- (b) the overall tax status of the Trust may be prejudiced.

The risk to the Trust Member is that income entitlements are not accurately calculated or correctly applied. This could result in the submission of incorrect taxation information to authorities.

Office holder

Primary Office Holder	Secondary Office Holder
Head of Client Services	Compliance Manager

Primary provisions

The primary provision of the Constitution of the Trust relevant for this Compliance Rule is clause 9.

Reporting frequency

The frequency of reporting to the Compliance Committee is quarterly.

Duties

To address the risk outlined above, the Manager has engaged a suitably qualified related party custodian to calculate, distribute, re-invest and record income. The terms of engagement are set out in a service level agreement between the Manager and the related party custodian. Subject to the foregoing, the duties of the Primary Office Holder (POH) are to:

- (a) ensure that the distributable income of the Trust for each distribution period is calculated in accordance with the Constitution and offer document and such calculations do not prejudice the Trust's overall tax status;
- (b) ensure income entitlements are calculated accurately and in a timely manner;
- (c) ensure income distributions are made in accordance with the Constitution, the offer document and the Corporations Act.

Operational systems

A related party custodian will prepare the accounting information necessary to perform income and distribution calculations in accordance with the above. The following Operational Systems are relevant to this section.

Compliance activity	Responsible officer	Risk	Procedures	Timing
Calculation, distribution and recording of: Income Distributions Re-investment	POH	Income or other distributions or payments to Trust Members are not made in accordance with the Constitution, Offer Document and Trust Member instructions	<p>Custodian to:</p> <p>maintain adequate systems to capture all income due to the Trust as contained in the service level agreement</p> <p>ensure Trust income and distributions and re-investments are calculated and processed in accordance with the Constitution, offer document and Trust Member instructions</p> <p>ensure income and capital distributions are classified separately within the general ledger</p> <p>ensure when transfers are processed, income entitlements are calculated and reflected in the value of unit transfer</p> <p>POH to:</p> <p>report any material breaches to the Compliance Committee</p> <p>provide Compliance Committee with a status report</p>	<p>Half-yearly</p> <p>Half-yearly</p> <p>Half-yearly</p> <p>Half-yearly</p> <p>Immediately</p> <p>Quarterly</p>
Tax status of Trust	POH	Prejudice Trust's overall tax status	<p>Custodian to:</p> <p>Monitor taxable income of the fund against accounting income throughout the financial year to ensure all taxable income is distributed at year end</p> <p>ensure external auditors review and sign-off on distributions for year end</p>	Annually

3.3 Fees and expenses

Example 1

Responsible Officer: Manager Fund Accounting (MFA)

Frequency of Reporting: Monthly

Function	Risks	Procedures	Monitoring of procedure
Payment of Scheme related expenses and fees payable to the RE.	Expenses and management fees paid are not valid or are overpaid.	<p>All invoices received are reviewed by the MFA to ensure services or goods were received and related to the Scheme. The MFA sends a summary of approved expenses to be paid for the month with copies of related invoices to the FC who arranges payment.</p> <p>Two directors signatures are required on each cheque.</p> <p>The MFA calculates and accrues for the RE's management fee monthly in accordance with details per the Product Disclosure Statement (PDS).</p> <p>The FC prepares monthly management accounts, a list of expenses paid in the month and a cashflow forecast for the following six months. These documents are submitted monthly to the Compliance Officer (CO), together with:</p> <p>any proposals for additional funding; and</p> <p>supporting documentation for any forecast expenses greater than \$10,000.</p>	<p>The CO reviews the FC's reports and submits them for review by the compliance Committee. The purpose of the CO and the Committee's review is to assess if past and forecast transactions are in accordance with the PDS, constitution, Corporations Act and are in the investors' best interest.</p> <p>The CO reviews the RE management fee calculation monthly.</p> <p>External audit review expenses paid during the year and recalculate the management fee accrual as part of the annual audit.</p>

Example 2: Fees and expenses

Scope

This Compliance Rule sets out the arrangements applied in operating the Fund to ensure compliance with matters arising from the reimbursement of expenses.

Functional heads

Head of Finance and Administration

Primary provisions

- (a) The primary provision of the Constitution relevant for this Compliance Rule is clause 30.
- (b) The primary provisions of the Corporations Act relevant for this Compliance Rule are sections 601FC(1)(k) and 601GA(2).

Reporting frequency

The frequency of reporting to the Compliance Committee is quarterly, unless stated to the contrary, or the Chair agrees that it is not necessary to receive a report for a particular quarter.

Duties and compliance activities

The duties and compliance activities of the Head of Finance and Administration are set out in the table included under the heading Expense Reimbursements. He/she is required to review and assess compliance with this Compliance Rule, and the procedures and monitoring and reporting activities outlined in the following table. Where appropriate, he/she is to report to the Compliance Manager any matter of non compliance and recommend any changes to the procedures and monitoring and reporting activities to ensure they remain appropriate. The Compliance Manager is to report such matter to the Compliance Committee.

Expense reimbursements

Compliance activity	Procedures followed	Monitoring and reporting
<p>Expense reimbursements are calculated and processed in accordance with the requirements of the Constitution, the Corporations Act and the most recent representations made to unitholders.</p>	<p>Allowable expenses are outlined in the Constitution and in the most recent representation made to unitholders.</p> <p>The Head of Finance and Administration requests reimbursements for expenses incurred for the Fund.</p> <p>Expense reimbursements are appropriately allocated by the Custodian and paid to the RE.</p> <p>The RE is only reimbursed from the Fund for expenses incurred in the proper performance of the RE's duties in respect of the Fund.</p> <p>The Custodian and the Head of Finance and Administration maintain records of expense reimbursements.</p>	<p>Expense reimbursements paid to the RE are spot checked by the Fund's internal and/or external auditors. A report is provided to the Head of Finance and Administration and the Group audit and compliance Committee.</p> <p>The Head of Finance and Administration receives and reviews a monthly report detailing expense reimbursements paid by the Fund to ensure payments are permitted by the Constitution and are calculated and allocated appropriately.</p> <p>A report on the findings of a review is provided to the Management Compliance Committee.</p> <p>Exceptions are dealt with as outlined in section 3.17.</p>

Example 3: Fees

Scope

This Compliance Rule sets out the arrangements applied in operating the Fund to ensure compliance with matters arising from payment of fees from the Fund.

Functional heads

Head of Finance and Administration

Primary provisions

- (a) The primary provisions of the Constitution relevant for this Compliance Rule are clauses 28, 28A and 29.
- (b) The primary provisions of the Corporations Act relevant for this Compliance Rule are section 601FC(1)(k) and 601GA(2).

Reporting frequency

The frequency of reporting to the Compliance Committee is quarterly, unless stated to the contrary, or the Chair agrees that it is not necessary to receive a report for a particular quarter.

Duties and compliance activities

The duties and compliance activities of the Head of Finance and Administration are set out in the table included under the heading Fees. He/she is required to review and assess compliance with this Compliance Rule, and the procedures and monitoring and reporting activities outlined in the following table. Where appropriate, he/she is to report to the Compliance Manager any matter of non compliance and recommend any changes to the procedures and monitoring and reporting activities to ensure they remain appropriate. The Compliance Manager is to report such matter to the Compliance Committee.

Fees

Compliance activity	Procedures followed	Monitoring and reporting
Fees are calculated and paid in accordance with the requirements of the Constitution, the Corporations Act and the most recent representations made to unit holders.	The Custodian calculates and pays all fees. The Custodian and the Head of Finance and Administration maintain records of payments of fees.	Fee payments paid to the RE are spot checked by the Fund's internal and/or external auditors. The Head of Finance and Administration receives and reviews a monthly report outlining fees paid from the Fund to ensure payments made are permitted by the Constitution and are calculated and allocated appropriately. A report on the findings of a review is provided to the Management Compliance Committee. Exceptions are dealt with as outlined in s3.17.

3.4 Unit pricing

Example 1

Responsible Officer: Manager Investments (MI)

Frequency of Reporting: Daily

Function	Risks	Procedures	Monitoring of procedure
Calculate unit price in accordance with the constitution, PDS and the Corporations Act.	<p>Units issued or redeemed at an incorrect price resulting in a loss to the investor.</p> <p>Quoted unit prices that are misleading.</p>	<p>The daily unit price is calculated automatically per procedures set out in the Fund Accounting Procedures Manual (FAP).</p> <p>Unit price movements of more than 2% compared to the unit price on the previous day are noted in an exception report automatically by the investment system. The Manager Fund Accounting (MFA) is responsible for investigating the difference and reporting findings to the MI prior to approval of the daily unit price.</p> <p>The percentage movement in daily unit price is compared to the daily percentage movement in the benchmark index. Differences between the two percentages of more than 25 points are investigated by the MFA and findings reported to the MI prior to approval of the daily unit price.</p> <p>Any errors in pricing are notified immediately to the MI and the compliance Officer and are dealt with in accordance with the IFSA Guidance Note: Incorrect Pricing of Scheme Assets.</p> <p>The FAP manual is reviewed by the MFA annually and after any relevant change to the Corporations Act or industry standards to ensure procedures are still adequate.</p>	<p>The calculated daily unit price is reviewed and signed off as approved by the MI prior to its release.</p> <p>The unit pricing system is reviewed at least annually by internal audit.</p> <p>The Compliance Officer maintains a register of all reviews and updates of procedures manuals. The MFA is required to sign the register following each review of the FAP manual.</p>

Example 2

Compliance requirements	Non-compliance risk	Compliance source	Compliance measure	Monitoring	Frequency
<p><u>Unit prices</u> are calculated in accordance with the Scheme's Constitution and Offer document.</p> <p>Application and redemption unit prices are determined by applying fixed buy and sell spreads.</p> <p>Constitution requires unit pricing frequency be, at a minimum, weekly.</p>	<p>Where a unit price is incorrectly calculated, entering and exiting unitholders could be disadvantages at the benefit or detriment of existing unitholders depending upon whether the unit price incorrectly calculated is higher or lower than the correct price.</p>	<p>Constitution</p> <p>Offer document</p> <p>Internal policy</p>	<p>Unit prices are calculated daily.</p> <p>Prices are reviewed and signed off by a supervisor prior to release.</p>	<p>Monthly review of price calculation by Manager Investments</p>	<p>Monthly</p>
<p>Any <u>unit pricing errors</u> are analysed and the magnitude of the error is determined and where appropriate, rectified.</p>	<p>Where a unit price is incorrectly calculated, entering and exiting unitholders could be disadvantaged at the benefit or detriment of existing unitholders depending upon whether the unit price incorrectly calculated is higher or lower than the correct price.</p>	<p>Constitution and IFSA</p> <p>Guidelines</p> <p>Internal policy</p>	<p>All pricing errors are reported to the Manager Investments.</p>	<p>Manager Investments reviews amended calculations and approves any compensation payments to investors.</p>	<p>Monthly</p>

3.5 Applications, redemptions and distributions

Example 1

Responsible Officer: Manager Investments (MI)

Frequency of Reporting: Monthly

Function	Risks	Procedures	Monitoring of procedure
<p>Applications and redemptions are made in accordance with the PDS, constitution and Corporations Act.</p> <p>Distribute or reinvest income according to the constitution.</p>	<p>Application monies are paid to the wrong entity.</p> <p>Investor has not received the current PDS and invests relying on out of date information.</p> <p>Units are issued at a price inconsistent with the constitution causing loss to the investor or the Scheme.</p> <p>Applications and redemptions are not processed in a timely manner, resulting in a later trade date and different price to what the investor expected.</p> <p>Income distributions are incorrectly calculated and distributed/reinvested to/for investors.</p>	<p>All applications, redemptions and distributions are checked, approved and processed in accordance with the Managed Investments Department Procedures Manual (MIDP).</p> <p>Incomplete applications or applications not using an original form from the latest PDS are sent back to the investor for amendment and resubmission.</p> <p>Application monies are deposited in a trust account operated by the external custodian until the corrected application is received.</p> <p>Procedures Manual checks noted above include checking the issue price is the current quoted price for the scheme.</p> <p>Manager Legal checks all distribution calculations prior to issue and signs off as approved. Any errors are reported immediately to the MI and Compliance Officer.</p> <p>The MI reviews the MIDP manual annually and after any relevant change to the Corporations Act or industry standards to ensure procedures are still adequate.</p>	<p>MI arranges for sample testing of application and redemption approvals every six months.</p> <p>The MI signs off trust account reconciliations weekly.</p> <p>Exception reports of units issued at other than the daily price are produced automatically from the system and reviewed by the MI.</p> <p>Every six months the MI reviews distributions documentation to ensure all required approvals were obtained.</p> <p>The Compliance Officer maintains a register of all reviews and updates of procedures manuals. The MI is required to sign the register following each review of the MIDP manual.</p>

Example 2

Scope/obligation addressed/responsible officer	Compliance activity	Inherent risk category/inherent risk addressed	Procedures followed	Monitoring and reporting frequency
<p>This compliance Measure sets out arrangements of the RE in operating the Scheme to ensure applications for units are processed in a timely manner, application monies are protected before they become Scheme assets, and application monies are invested in the correct scheme and at the correct price.</p> <p>Corporations Act sections 601FC and 601GA(1)(a)</p> <p>Scheme Constitution Clause 4</p> <p>ASIC Policy Statement 132 <i>Managed investments: Compliance plans</i> [PS 132].</p> <p>Head of Investments, and Head of Finance</p>	<p>Application monies are banked within 24 hours upon receipt, and are held in a separate bank account prior to investment into the Scheme.</p> <p>The RE issues an order to the Custodian each business day for the total application monies accepted for that day in respect of the Scheme.</p> <p>Confirmation statements are issued to the RE detailing number of units issued, unit price and effective date the next business day after the applications is processed.</p> <p>Units issued to the RE are issued for not less than the consideration that would have been payable by another person.</p>	<p>High risk category</p> <p>Application monies may be lost before they become Scheme assets, or application requests may be processed incorrectly or may not be processed in a timely manner, so that applicants may be issued with an incorrect number of units or units at incorrect prices.</p> <p>Application requests may be processed at prices different from that calculated according to the formula set out in the Scheme constitution, or processed in a timely manner so that Scheme members may not be issued units or receive withdrawals in a timely fashion or in the right amount.</p>	<p>Application forms are date and time stamped upon receipt. Application monies are banked within 24 business hours of receipt.</p> <p>All applications and application monies received and accepted by the RE on a business day are aggregated by the RE for one application order to be sent to the Custodian.</p> <p>Daily bank reconciliations are performed by the Custodian and the RE to reveal any non-timely processing of applications.</p> <p>The Custodian issues the relevant number of units to the RE based on the amount of application monies notified and received by the Custodian for a business day.</p> <p>The Custodian is required to issue a statement showing unit price, the number of units allocated and the effective date to the RE the next business day after processing the application.</p> <p>The Custodian receives an authorised instruction for the RE as to how to calculate unit prices for the Scheme, including the transaction costs applicable. Unit prices are calculated by the Custodian's unit</p>	<p>The compliance Manager and/or compliance Officer performs semi-annual reviews of the Custodian's Registry Department in accordance with the RE's Monitoring plan for the Custodian, and reports his/her findings to the Compliance Committee.</p>

registry department
according to this
authorised instruction.
The Custodian is also
provided with a copy of
the Scheme constitution
to enable it to verify
instructions.

3.6 Trades, churning and investment restrictions

Example 1

Responsible Officer: Manager Investments (MI)

Frequency of Reporting: Daily

Function	Risks	Procedures	Monitoring of procedure
Purchases and sales of securities are in accordance with the scheme PDS and constitution and Corporations Act.	<p>Trades are entered into that are not in the best interest of the Scheme causing loss to the Scheme.</p> <p>Investment portfolio differs from the Product Disclosure Statement, providing a different risk profile to that which the investor expected.</p>	<p>The Scheme’s investment exposures are monitored through an automated process at least every business day. Breaches of investment restrictions are printed from the system automatically and reviewed by a fund accounting manager. Reasons for the breach are investigated and the findings reported to the MI who arranges implementation of any necessary corrective action.</p> <p>All breaches of investment restrictions and details of corrective action taken are reported to the compliance officer.</p> <p>Investment strategy is set by the MI and approved by the Board. The strategy is reviewed monthly by the MI and any recommendations for change submitted to the Board for approval.</p> <p>The MI has no access to the compliance-checking programme.</p> <p>Policies on churning of securities are covered in the Dealers Procedures Manual (DP) and are included as part of the annual related party training given to all dealing staff.</p> <p>A list of approved equity brokers and agreed rates is compiled and provided to all dealers. Dealers are not permitted to:</p> <ul style="list-style-type: none"> • use brokers not on the list; or • use approved brokers at rates that differ to those agreed. <p>The MI reviews the DP manual annually and after any relevant change to the Corporations Act or industry standards to ensure procedures are still adequate.</p>	<p>All trades are reviewed by the MI daily. The MI is required to be satisfied each trade was in the best interest of the Scheme.</p> <p>All material breaches of investment restrictions or evidence of churning are reported immediately by the CO to the chairman of the compliance committee.</p> <p>External audit review compliance with investment restrictions annually as part of the audit.</p> <p>Internal audit review investment restriction criteria recorded on the system quarterly. They ensure the criteria comply with investment strategy, the constitution and the PDS.</p> <p>The Compliance Officer maintains a register of all reviews and updates of procedures manuals. The MI is required to sign the register following each review of the DP manual.</p>

Example 2

Compliance requirement	Non-compliance risk	Compliance source	Compliance measure	Monitoring	Frequency
Scheme assets consist of only <u>authorised investments</u> as detailed in the Constitution and Offer Document.	Unitholders may suffer loss through an investment that is not permitted under the Constitution or Offer Document. The investment objectives of the Fund may not be met.	Constitution and Offer document. Internal policy	Automated monitoring process.	Report reviewed daily by Accounting Manager.	Daily
Scheme is managed in accordance with its <u>investment objectives</u> and investment strategy as outlined in the Constitution and Offer Document. Rate of return for each Scheme is monitored in light of neutral <u>benchmarks</u> established internally.	Scheme is managed outside its investment objectives and investments strategy.	Constitution and Offer document. Internal policy	Automated monitoring process.	Report reviewed daily by Accounting Manager.	Daily
<u>Trades are executed</u> within established price limits.	An investment purchase or sale may be executed beyond established price limits, causing a less than optimum price to be obtained.	ASIC Policy Statement 132 <i>Managed investments:</i> <i>Compliance plans</i> [PS 132] at [PS 132.25] Internal policy	Automated monitoring process.	Report reviewed daily by Accounting Manager.	Daily
Investment trades are <u>allocated</u> to the fund designated at the time of trading.	One scheme may be allocated a particular investment that was originally designated for another scheme at the detriment of the other scheme and its unitholders.	[PS 132] at [PS 132.25] Internal policy	Reconciliation of portfolio to custodian report monthly	Reconciliation reviewed by Accounting Manager.	Monthly
Managers monitor the level of <u>brokerage costs</u> incurred by the Investment Trusts	If level of trading is inappropriate to the size of the Scheme this could cause excessive brokerage costs and so disadvantage investors.	[PS 132] at [PS 132.25] Internal policy	Automated process. List of all trades for day produced.	List reviewed by Manager Investments.	Daily

Example 2 continued

Compliance requirement	Non-compliance risk	Compliance source	Compliance measure	Monitoring	Frequency
Offers to <u>sub-underwrite</u> a security issue are not accepted, unless we are satisfied that the acceptance is in the best interest of Scheme members.	Investment Trusts may be allocated with shares from a share issue being underwritten by the RE, which is not in the best interest of unitholders.	Corporations Act Internal policy	Sub-underwriting agreements require Board approval.	Compliance reviews Board minutes and fund monthly valuations.	Monthly
No <u>soft dollar arrangements</u> or other transactions outside the normal course of business are entered into without the prior approval of a director or the RE.	Unitholders could be disadvantaged by soft dollar arrangements which benefit the RE or Investment Manager at the detriment of the unitholders.	Internal policy	Board approval	Compliance reviews Board minutes and fund monthly valuations.	Monthly
Neither the RE nor the Employees of the RE are permitted to deal on <u>personal account</u> in a security at the same time that the investment manager is dealing in the market for a Scheme. Employees are not permitted to buy and sell within a three month period. NB RE does not hold any interests in the Investment Trusts other than initial seed capital.	The RE or its Employees could manipulate the market for their own benefit at the expense of the scheme or substitute personal or house trades with the scheme.	Corporations Act Part 7.10 Div 3 and 4, s1043A [PS 132] at [PS 132.25] Code of Conduct	Requirements are included in the staff handbook. Trading on the RE's own book requires Board approval.	All staff sign a statement annually stating they are familiar with these requirements and have complied with them.	Annually

3.7 Safe keeping and segregation of scheme property

Example 1

Responsible Officer: Financial Controller (FC)

Frequency of Reporting: Quarterly

Function	Risks	Procedures	Monitoring of compliance procedures
<p>Ensure scheme property is clearly identified as scheme property; and held separately from property of the RE and property of any other scheme.</p>	<p>Scheme property is mixed with that of the RE or other schemes and cannot be separately identified.</p> <p>Custodian does not meet service level agreement requirements effecting level of service to the investors.</p>	<p>Scheme funds from application monies and received as income is checked at least on a monthly basis to ensure it is all paid intact into a scheme account and is held in schemes name</p> <p>Holdings of scheme property are reconciled monthly to records per the external custodian and reviewed by a Fund Accounting Team Manager. Exceptions are followed up with the custodian as soon as they are detected.</p> <p>Internal audit and the FC visit the external custodian annually to discuss controls in place at the custodian, compliance with the service level agreement and to obtain confirmation from the custodian of compliance with ASIC requirements.</p> <p>An AGS 1026 report is obtained annually from the custodian, confirming controls stated by the custodian operated effectively throughout the year.</p> <p>Due diligence is performed by the FC and Board approval obtained before appointing an external custodian (refer to section 3.10: External service providers). Procedures include ensuring terms of custodian agreement address ASIC [PS 133] and the Scheme’s constitution.</p> <p>The FC measures performance of external service providers against service level agreement targets quarterly.</p> <p>Breaches of the service level agreement are reported to the compliance officer as soon as they are detected.</p>	<p>External audit annually confirm existence of assets held at third party custodian.</p> <p>AGS 1026 report is submitted to the compliance committee as soon as received.</p> <p>FC confirms monthly to RE that all scheme monies have been banked into a scheme account and all scheme monies and scheme assets are held in scheme’s name.</p> <p>FC confirms to the compliance officer quarterly that there are no significant reconciling items on the custodian reconciliation.</p> <p>Internal audit reports are submitted directly to the compliance committee and the Board Audit Committee.</p>

Example 2

Scope/obligation addressed/responsible officer	Compliance activity	Inherent risk category/inherent risk addressed	Procedures followed	Monitoring and reporting frequency
<p>This Compliance Measure sets out arrangements undertaken by the RE in operating the Scheme to ensure that, subject to any ASIC relief, Scheme assets are held in a clearly identifiable manner, separately from the RE's own property or that of other schemes.</p> <p>Corporations Act sections 601FC(1)(i) and 601HA(1)(a)</p> <p>Scheme Constitution Clause 2.2</p> <p>ASIC Policy Statement 132 <i>Managed investments: Compliance plans</i> [PS 132] and Policy Statement 133 <i>Managed investments: Scheme property arrangements</i> [PS 133]</p> <p>Head of Investments</p>	<p>The RE holds units in other schemes managed and operated by the RE on behalf of the Scheme. These units are recorded on the Custodian's registry system, and held separately from the RE's own assets, and separately identified in the Custodian's registry system from assets of other schemes.</p> <p>Formal custody agreement and service level agreement are in place. The Custodian has to keep separate records for the Scheme.</p> <p>Custody agreement and service level agreement continually reflect regulatory and service requirements.</p>	<p>Category of risk: High</p> <p>Scheme assets (ie units in other schemes operated by the RE) may be co-mingled with those of the RE's or that of other schemes.</p>	<p>All units held by the RE on behalf of the Scheme are recorded on the Custodian's registry system.</p> <p>The Custodian prepares monthly portfolio reports (including transaction history), and reports to the Head of Investments of the RE.</p> <p>The Head of Investments reconciles Scheme assets to the Custodian's records on a monthly basis, and reports to the Investments Committee of the RE.</p> <p>The Compliance Manager continuously monitors custodian performance and compliance with agreements.</p> <p>Custodian agreement and service level agreement reviewed annually and at the times regulatory or service level requirements change.</p>	<p>The Head of Investments reviews portfolio reports prepared by the Custodian.</p> <p>The Head of Investments will report to the Compliance Committee on the status of Scheme property reconciliations between the RE and the Custodian.</p> <p>The compliance team continuously monitors Custodian performance and compliance with agreements in accordance with Monitoring plan for the Custodian.</p>

3.8 Record keeping and disclosure

Example 1

Responsible Officer: Financial Controller (FC)

Frequency of Reporting: Monthly

Function	Risks	Procedures	Monitoring of compliance procedures
<p>Correctly record and explain transactions, financial position and performance, enabling true and fair financial statements to be audited and correct tax returns submitted.</p> <p>Ensure records are maintained for a minimum of seven years.</p>	<p>Incorrect or insufficient records resulting in qualified audit report.</p> <p>Penalty payments resulting from incorrect tax returns.</p> <p>Tax information to investors is insufficient.</p>	<p>All records are stored electronically for at least seven years and are readily accessible. The FC is required to confirm to the compliance Officer (CO) the adequacy of record archiving annually.</p> <p>The IT manager reviews the disaster recovery plan annually and its adequacy confirmed to the CO.</p> <p>All external service providers confirm the adequacy of disaster recovery plans to the CO annually.</p> <p>The FC confirms to the CO annually that all relevant accounting standards have been complied with during the year.</p>	<p>Records, including those for tax purposes, are reviewed by external audit at the year end and before each interim dividend is announced.</p> <p>The CO diarises the dates when confirmations are due to be received and follows up on any that are overdue.</p>

Example 2

Scope/obligation addressed/responsible officer	Compliance activity	Inherent Risk category/inherent risk addressed	Procedures	Monitoring and reporting frequency
<p>This Compliance Measure sets out arrangements of the RE in operating the Scheme to ensure that the Custodian has the system and resources to carry out the accounting function and maintain accounting records for the Scheme, which in turn enables the RE to prepare Scheme financial statements in accordance with Australian Accounting Standards and the Scheme constitution.</p> <p>Corporations Act s601HA(1)(e) ASIC [PS 132] Head of Finance</p>	<p>The Custody Agreement sets out the Custodian’s duty to maintain proper accounting and taxation records for the Scheme, and report to the RE regularly depending on the nature of the reports.</p> <p>Reports from the Custodian’s external auditors on their semi-annual review of the Custodian’s systems and internal control is provided to the Board.</p> <p>The Scheme financial statements are subject to semi-annual external audit or review.</p>	<p>Category of risk: High</p> <p>The Custodian may not have adequate resources or systems to carry out accounting functions or maintain accurate accounting records for the Scheme, and makes it impossible for the RE to prepare financial statements according to Australian Accounting Standards and the Scheme constitution. Inaccurate Scheme accounting records leads to inaccurate pricing and distribution to Scheme members with respect to their holdings in the Scheme.</p>	<p>The RE and the Custodian have a formal agreement stating that the Custodian performs accounting for the Scheme, and detailing the accounting records to be maintained and reports to be provided.</p> <p>Custodian provides monthly accounting reports to the Re’s Finance Department and Head of Investments. The Custodian also provides quarterly taxation reports to the RE’s Finance Department. The Custodian is required to maintain accounting and taxation records for the Scheme in accordance with Australian Accounting Standards, Corporations Act and taxation law.</p> <p>The Finance Department prepares statutory financial and taxation reporting of the Scheme based on monthly accounting reports and quarterly taxation reports provided by the Custodian.</p>	<p>The Head of Finance reports to the compliance Committee on a semi-annual basis on the financial statements of the Scheme.</p> <p>The Compliance Manager and/or the Compliance Officer will review the Custodian’s accounting records process on a semi-annual basis in accordance with the Monitoring plan for the Custodian, and report his or her findings to the Compliance Committee.</p>

3.9 Capital liquidity and insurance

Example 1

Responsible Officer: Financial Controller (FC)

Frequency of Reporting: Quarterly

Function	Risks	Procedures	Monitoring of compliance procedures
<p>Ensure RE and external custodian maintain adequate capital, liquidity and insurance levels as required by the Corporations Act or the RE's AFS licence.</p> <p>Scheme unable to meet its ongoing cash requirements.</p> <p>Maintain adequate insurance protection for the RE against loss from negligent administration or fraud by its officers or agents.</p>	<p>Breach of licence conditions.</p> <p>Delay in payments to investors due to insufficient funds.</p> <p>RE has insufficient funds to compensate the Scheme for loss from negligent administration or fraud by its officers or agents.</p>	<p>The FC obtains confirmation from the custodian quarterly that they are complying with minimum capital requirements.</p> <p>The FC confirms to the Compliance Officer (CO) quarterly that the RE and the external custodian comply with minimum capital requirements.</p> <p>The Board annually reviews the adequacy of insurance cover.</p>	<p>CO submits FC confirmation to the Compliance Committee.</p> <p>The CO annually obtains confirmation from the Board that insurance cover has been reviewed and approved. The CO reports the findings to the Compliance Committee.</p>

Example 2

Scope

This Compliance Rule sets out the arrangements applied in operating the Funds to ensure that the capital, liquidity and insurance requirements of the Corporations Act and conditions of the AFS licence are met.

Functional heads

Head of Finance and Administration

Group Secretariat

Primary provisions

- (a) The primary provisions of the Corporations Act relevant for this Compliance Rule are section 912A and 912B.
- (b) Conditions specified in the AFS licence.

Reporting frequency

The frequency of reporting to the Compliance Committee is quarterly, unless stated to the contrary, or the Chair agrees that it is not necessary to receive a report for a particular quarter.

Duties and compliance activities

The duties and compliance activities of the Head of Finance and Administration and the Group Secretariat are set out in the table included under the heading Capital, Liquidity and Insurance. They are required to review and assess compliance with this Compliance Rule, and the procedures and monitoring and reporting activities outlined in the following table. Where appropriate, they are to report to the Compliance Manager any matter of non compliance and recommend any changes to the procedures and monitoring and reporting activities to ensure they remain appropriate. The Compliance Manager is to report such matter to the Compliance Committee.

Capital, liquidity and insurance

Compliance activity	Procedures followed	Monitoring and reporting
<p>The RE and its service providers maintain adequate capital, liquidity and insurance as required by the Corporations Act and the AFS licence conditions.</p>	<p>The net tangible assets (NTA) of the RE are calculated monthly.</p> <p>The Group Secretariat annually review insurance cover to ensure that levels are appropriate for the Fund and meet licence requirements.</p> <p>A positive confirmation that net tangible assets (NTA) requirements are met is provided on a monthly basis by the Custodian.</p> <p>On a quarterly basis, each service provided completes a self assessment questionnaire confirming their ability to fulfil their obligations in respect of their capital, liquidity and insurance requirements.</p>	<p>The Head of Finance and Administration reviews NTA reports for both the RE and the Custodian on a monthly basis and reports on findings to the Management compliance Committee.</p> <p>The Head of Finance and Administration and the compliance Manager review the responses to the quarterly self assessment questionnaires.</p> <p>The RE is subject to an annual audit, which includes assessing compliance with the requirements of the Corporations Act and the AFS licence conditions.</p> <p>The Head of Finance and Administration monitors the Fund's financial requirements ensuring that there are sufficient resources to meet the Fund's related cash requirements for a minimum of three months. A monthly self assessment questionnaire is completed to this effect.</p> <p>A report on the findings of questionnaires and reviews are provided to the Management Compliance Committee.</p> <p>Exceptions are dealt with as outlined in section 3.17.</p>

3.10 External service providers

Example 1

Responsible Officer: Financial Controller (FC)

Frequency of Reporting: Quarterly

Function	Risks	Procedures	Monitoring of compliance procedures
<p>Carry out adequate due diligence when appointing external service providers.</p> <p>Monitor providers to ensure they comply with contractual obligations and service level agreements.</p>	<p>Procedures may break down due to poor service from external providers resulting in loss to the RE and investors.</p>	<p>Due diligence procedures and approvals are performed in accordance with the Due Diligence Procedures Manual (DDP).</p> <p>Contracts with service providers are reviewed and approved by Manager Legal (ML) prior to approval by the Board.</p> <p>The FC measures performance of external service providers against service level agreement targets quarterly.</p> <p>The FC and internal audit visit the premises of all external service providers annually or more frequently depending on performance of the provider.</p> <p>The ML reviews the DDP manual annually and after any relevant change to the Corporations Act or industry standards to ensure procedures are still adequate.</p>	<p>The Board reviews all due diligence documentation prior to accepting any nominated service provider.</p> <p>Internal audit review performance of service providers annually and report directly to the Board Audit Committee and Compliance Committee.</p> <p>The Compliance Officer maintains a register of all reviews and updates of procedures manuals. The MI is required to sign the register following each review of the DDP manual.</p>

Example 2

Responsible officer: Compliance Officer (CO)

The RE has determined to use external service providers to attend to a number of functions, as it is permitted to do under section 601FB of the Corporations Act in situations, where it believes that by doing so it can obtain the most cost effective delivery of services. While the RE has ultimate responsibility for management of the Scheme, it intends to outsource a number of functions for which it has responsibility under the Constitution and the Corporations Act, in accordance with best industry practice.

Appointment

The RE will conduct detailed due diligence, including reference checks, on key personnel with respect to its key service providers and may assess the internal compliance and control procedures of each service provider. The due diligence process may include addressing the following issues depending on the nature of the services to be supplied:

- Confirmation of appropriate Professional Indemnity of Fidelity insurances
- Evidence of experience and relevant industry qualifications and licenses
- Obtaining details of the size of the organisation and its management or decision making structure
- Obtaining details and reviewing the experience and qualifications of key staff
- Checking personal and/or business references.

Other issues to be addressed prior to actual appointment include:

- Negotiating an agreed commercial fee for the services before the services are provided
- Obtaining an engagement letter or services agreement setting out the scope of work to be undertaken, length of assignment, performance benchmarks and conditions for early termination if necessary. The document should be signed by both parties to confirm agreement.

An assessment of whether each service provider is capable of performing their respective duties will be based on these factors.

Monitoring ongoing service

The Committee will continuously monitor the performance of all service providers. Where it is appropriate, the Committee will establish formal reporting procedures that service providers will produce to the Committee.

Such reports will be designed to demonstrate that the service provider is fulfilling its legal and contractual obligations, as well as identifying any breakdown in the controls or compliance procedures within the service provider in a timely manner.

The RE monitors performance of external service providers with particular regard to:

- ability to work within set time frames
- ability to deliver results within generally agreed parameters
- ease of access to key personnel
- review of reports and other documents provided by the service provider, particularly those that take the form of formal advices
- quality of advice and reports.

Any material matters arising from the monitoring of service providers that indicate they are not fulfilling their obligations adequately or that there is a potential breakdown in controls will be investigated by the CO and the Scheme's auditors. They will jointly report their findings back to the Committee, who will then decide if further action is necessary.

The Committee must include all such matters referred to it by the CO and auditors in their report to the Board. If the Board forms the view that the service provider is not fulfilling their obligations then they will take the appropriate measures to remedy the problem.

Custodian

Applicable policies and procedures developed by the RE in the monitoring of external service providers are to be applied in the monitoring of the Custodian. In addition to these matters, the CO will meet with the Custodian's Manager on a quarterly basis to discuss and review any matters with the Custodian relating to the Scheme that have arisen in the course of the delivery of services by the Custodian.

The review by the CO may include such matters as:

- the contractual arrangements with the Custodian remain current and reflect the requirements of the Scheme and the Corporations Act
- the authorisation process for cheques and electronic transmission files in accordance with the cheque signatory protocol set out in the Custody agreement
- the Custodian maintains appropriate arrangements with respect to information providers, registries, sub Custodians and clearing systems (if relevant)
- any other matters reported to the CO by officers or employees of the RE.

The CO will report any matters of concern that arise during the course of discussions with the Custodian to the Compliance Committee.

The Plan Auditor will also have regard to the performance of the Custodian in its assessment of the performance of the RE in meeting the requirements of the plan. In particular, the Plan Auditor will assess whether the Custodian has appropriate compliance and control systems in place. To do so, the Plan Auditor will liaise with the Custodian's auditors to determine the status and appropriateness of the Custodian's compliance and control systems on an ongoing basis.

The Plan Auditor will assess whether the Custodian has complied with its obligations under the Custody Agreement and include the assessment in its annual report to the RE, as required by section 601HG(3)(c).

In relation to each significant transaction, the RE will obtain legal advice to receive confirmation that the contracts or terms of engagements for each service provider are appropriate for the intended purpose and contain adequate compliance related measures.

3.11 Training and recruitment

Example 1

Responsible Officer: Manager Human Resources (MHR)

Frequency of Reporting: Quarterly

Function	Risks	Procedures	Monitoring of compliance procedures
Staff recruited are competent and receive sufficient training for them to be able to be able to perform their duties and to be familiar with the requirements per the compliance plan.	<p>Staff do not have the skills necessary to competently perform their duties.</p> <p>Key staff have specific knowledge that is lost if they leave the employment of the RE.</p>	<p>Staff are recruited according to the Recruitment Procedures Manual (RP) which is designed to ensure appointees have adequate experience and ability.</p> <p>Staff competency and development needs are reviewed by line managers every six months in accordance with the staff review process detailed in the staff handbook.</p> <p>The MHR maintains a register detailing when each staff member last had a review, the training they have attended and areas identified for training in the future. The MHR reviews this register quarterly and follows up any overdue staff reviews or training needs.</p> <p>All compliance personnel are required to attend compliance training for a minimum of one day per annum.</p> <p>The MHR maintains a succession plan for all staff the Board considers to be key personnel. The MHR reviews this plan every six months and submits any recommendations for amendments to the Compliance Officer (CO).</p> <p>The staff handbook and the RP manual are reviewed by the MHR annually and after any relevant change to the Corporations Act or industry standards to ensure procedures are still adequate.</p>	<p>The CO reviews the register maintained by the MHR annually.</p> <p>The Board reviews the key personnel succession plan annually.</p> <p>The CO maintains a register of all reviews and updates of procedures manuals and handbooks. The MHR is required to sign the register following each review of the RP manual and staff handbook.</p>

Example 2

Scope/obligation addressed/ responsible officer	Compliance activity	Inherent risk: category/inherent risk addressed	Procedures followed	Monitoring and reporting frequency
<p>This compliance Measure sets out arrangements of the RE in operating the Scheme to ensure that training is provided so that existing and new employees are familiar with the compliance plan, that only appropriate personnel hold positions of trust, and that key staff are competent to perform their relevant roles.</p> <p>ASIC [PS 132] and [PS 133]</p> <p>Department Heads</p>	<p>Competence is examined, for both new and existing staff members. New compliance staff are required to have appropriate industry experience. Senior compliance staff must be qualified lawyers or chartered accountants with relevant industry experience or have considerable industry experience.</p> <p>Employees of the RE are appraised annually which includes a review of training and continuing education requirements.</p>	<p>Inherent risk category: moderate</p> <p>Employees of the RE may be allocated responsibilities not commensurate with their competence level or experience in the operation of the Scheme, exposing the Scheme to operational risks that the investors are not prepared to take.</p>	<p>A structured program of recruitment is in place. Existing and new staff have incorporated in their job descriptions those provisions of the compliance plan relevant to them.</p> <p>New staff attend an induction course which includes a compliance induction component.</p> <p>Department Heads are responsible for identifying knowledge and competency gaps of their staff and ensuring that training is provided.</p> <p>The Compliance Manager provides annual compliance training to relevant staff members.</p>	<p>The compliance Manager conducts random reviews of educational background and experience of staff members including interviews with staff and their managers, to ensure that existing and new staff members are given responsibilities commensurate with their competence and that the RE's recruitment policies have been followed.</p> <p>The Compliance Manager reports his or her findings to the Compliance Committee at the next meeting after the review.</p>

3.12 Promotion of scheme

Example 1

Responsible Officer: Manager Legal (ML)

Frequency of Reporting: Quarterly

Function	Risks	Procedures	Monitoring of compliance procedures
<p>Issue Product Disclosure Statements (PDSs) that comply with the Corporations Act and which provide the RE with the maximum due diligence protection and defences.</p> <p>Ensure all non-PDS marketing and promotional material is complete, accurate and in accordance with the Corporations Act.</p>	<p>PDSs or advertising material is misleading to investors.</p> <p>Action by investors to recover losses.</p> <p>PDSs is subject to an ASIC stop order.</p>	<p>In-house legal counsel reviews and signs off on all new, supplementary and rolled over PDSs confirming that the Due Diligence Procedures Manual has been followed.</p> <p>Relevant external expert sign off is obtained for all PDSs issued.</p> <p>Performance information is authorised by the Actuarial Manager prior to release for promotional purposes.</p> <p>Procedures to approve the release of promotional material is reviewed and signed off by the Marketing Manager to confirm procedures per the Communications Procedures Manual have been followed correctly.</p> <p>The relevant department manager reviews compliance manuals annually and after any relevant change to the Corporations Act or industry standards to ensure procedures are still adequate.</p>	<p>Internal audit review approval documentation for all promotional material at 6 month intervals.</p> <p>Compliance Officer maintains a register of all reviews and updates of procedures manuals. Relevant department heads are required to sign the register following each review of a procedures manual.</p>

Example 2

Responsible Officer: Director, Legal and Compliance

Frequency of Reporting: Quarterly

Activity	Risk and risk category	Procedures	Monitoring/Rectification
<p>Obligation of the RE to issue PDSs which comply with the Corporations Act and which provide directors with maximum due diligence protection and defences.</p> <p>Obligation of the RE to ensure that any advertising material complies with the Corporations Act.</p>	<p>Risk category: high PDSs or advertising material is misleading or deceptive causing loss to investors.</p> <p>Risk category: high PDSs is subject to ASIC stop order.</p> <p>Risk category: high Action by investors to recover losses for misleading conduct.</p>	<p>In-house Legal Counsel follows due diligence procedures on annual PDSs rollover and on issuing any supplementary PDSs. These are located in the “compliance Manual - Due Diligence Procedures”.</p> <p>Various parts of the PDS are reviewed and signed-off by internal experts, and directors, after completing questionnaires.</p> <p>For new or substantially altered products, external legal sign-off obtained.</p> <p>All statements verified to source documents, kept in central due diligence files.</p> <p>Responsible officer ensures sign-off procedures on issuing any advertising material are followed. These are located in the “Compliance Manual - Communications Procedures”.</p> <p>All advertising material is signed-off according to Compliance Manual - Communications Procedures.</p>	<p>The Responsible officer ensures ongoing monitoring so that a PDS remains accurate, with no material omissions.</p> <p>The responsible officer receives a certificate every month from each internal expert confirming that no material matters (Issues) have arisen since the issue date which would be required to be disclosed and that the PDSs is still accurate.</p> <p>Breaches reported to Head of compliance for rectification.</p> <p>Any Issues discussed with In-house Legal Counsel for further action.</p> <p>Annual report given to Compliance Committee.</p> <p>Any breach of advertising rules rectified by Head of compliance with relevant marketing/advertising executive.</p> <p>Compliance manuals are reviewed annually by the responsible officer named in the manual to confirm the manual is up to date.</p>

3.13 Monitoring Australian financial services licence and authorised representatives

Example 1

Responsible Officer: Manager Legal (ML)

Frequency of Reporting: Quarterly

Function	Risks	Procedures	Monitoring of compliance procedures
Ensure the RE complies with the licence conditions at all times and ensures the licence remains current.	Licence suspended or revoked.	<p>All Authorised Representatives (AR) receive a minimum of twenty hours training each year updating them on responsibilities under the Corporations Act, industry standards, new and revised products and other relevant information.</p> <p>The ML maintains a training and securities register.</p> <p>Compliance questionnaires are completed by all ARs quarterly and returned to the ML for review and sign off. This includes confirmation by ARs that details per the securities register are correct.</p> <p>AFS licence requirements checklist is completed quarterly by the ML.</p>	<p>Internal audit review registers, completed AFS licence requirements checklists and supporting documentation every two years.</p> <p>External audit review the AFS licence requirements annually.</p>

Example 2

Scope/obligation addressed/ responsible officer	Compliance activity	Inherent risk: category/inherent risk addressed	Procedures followed	Monitoring and reporting frequency
<p>This Compliance Measure sets out arrangements the RE undertakes to ensure that it has a AFS licence authorising it to operate the Scheme prior to Scheme registration, and that in operating the Scheme it continues to comply with any conditions of the licence, for example meeting financial requirements.</p> <p>Corporations Act sections 601FA, 601FK and Divisions 2 and 3 of Part 7.6.</p> <p>ASIC Policy Statements: [PS 130], [PS 131], [PS 132], [PS 133], [PS 164], [PS 165] and [PS 166].</p> <p>Head of Finance, Head of Investment Risk, and all Department Heads</p>	<p>The RE has an AFS licence authorising it to operate the Scheme. This licence was in place prior to the Scheme registration.</p> <p>The Head of Finance is responsible for monitoring compliance with financial requirements under the licence conditions and Corporations Act on at least a monthly basis. The Compliance Manager performs at least semi-annual reviews of compliance with the financial requirements under the licence conditions.</p> <p>Department Heads have the responsibility that their staff who are not Authorised Representatives comply with any advice restriction imposed on the subject licence.</p> <p>The Head of Investment Risk has responsibility for monitoring the Custodian's compliance with the financial conditions.</p>	<p>Inherent risk category: high</p> <p>The RE may not meet with licence conditions (eg meeting financial requirements) in operating the Scheme, resulting in inadequate protection for members' investments</p>	<p>All licence conditions are identified and allocated to the relevant responsible officers for ongoing compliance. The Head of Finance will be responsible for maintaining and implementing measures for compliance with any financial conditions and monitoring this on at least a monthly basis.</p> <p>All Department heads have the responsibility that their staff who are not Authorised Representatives comply with any advice restriction imposed on the subject licence.</p>	<p>The Compliance Manager does semi-annual reviews of compliance with financial requirements under the licence conditions, and reports his or her findings to the Compliance Committee.</p> <p>The Compliance Manager reviews all Authorised Representatives at least annually including confirmation that the person is aware of and adheres to any advice restriction imposed on the subject licence and reports his or her findings to the Compliance Committee.</p> <p>The head of Investment Risk obtains confirmation from the Custodian that it complies with the financial conditions on an annual basis and reports this to the compliance Committee and the Board.</p>

3.14 Related party issues

Example 1

Responsible Officer: Manager Legal (ML)

Frequency of Reporting: Quarterly

Function	Risks	Procedures	Monitoring of compliance procedures
<p>To ensure financial benefit is not given to the RE or a related party unless approved by the Board and disclosed to investors.</p>	<p>Investors suffer loss. Detrimental to the reputation of the RE and the Scheme.</p>	<p>The ML holds a register of related parties. This register is available to all staff via the Intranet.</p> <p>All RE staff are trained in related party transaction procedures when they commence employment. A register is maintained noting details of all staff who have attended this training. These procedures are also detailed in the staff handbook, which is available on the Intranet.</p> <p>Dealers require approval from the Manager Investments (MI) for all trades above the amount set in the Dealers Procedures Manual. Approval is only given if the MI is satisfied the investment objective of the trade is legitimate and in line with the Scheme’s objectives.</p> <p>All non-investment transactions are subject to the approval process per the Operations Manual. Authorisation is only given if the transaction is considered in the best interest of the investor. External legal advice is obtained if best interest cannot be determined.</p>	<p>All related party transactions are reported to the Compliance Officer quarterly.</p> <p>The training register is reviewed annually by Manager HR to ensure all new starters have attended.</p> <p>MI reviews all investment transactions daily.</p> <p>Exception reports of units issued at other than the daily price are produced automatically from the system and reviewed by the MI.</p> <p>All trades above the approval limit per the Dealers Procedures Manual are printed on a weekly report and reviewed by the ML.</p> <p>Compliance with appropriate authority rules for non-investment transactions are reviewed on a sample basis by internal audit annually.</p> <p>Related party transaction procedures in the staff handbook are reviewed for adequacy by the ML annually. This includes a check to ensure procedures are consistent with the IFSA Standard on Related Party Transactions. The results of the review and any recommendations are reported to the Compliance Officer.</p>

Example 2

Adequate protection for information flows between group companies

Scope/obligation addressed/ responsible officer	Compliance activity	Inherent risk: category/inherent risk addressed	Procedures followed	Monitoring and reporting frequency
<p>This compliance Measure sets out the arrangements the RE undertakes in operating the Scheme that information flows between companies within a group are appropriately protected.</p> <p>Corporations Act s601LA, s601LB, and s601LC</p> <p>ASIC Policy Statement 132</p> <p><i>Managed investments: Compliance plans</i> [PS 132]</p> <p>Head of compliance, and all Department Heads</p>	<p>The RE operates at arm's length from other Group entities other than the RE. In particular, related-party investment managers and related-party custodian operate from separate office buildings.</p> <p>Each Department Head is charged with the responsibility of allowing staff access to sensitive information based on job needs, and that these staff members be reminded of the need to protect such information from other parties.</p> <p>Annual compliance training given to each Department Head and staff members reinforces this issue and the RE's policies on protecting sensitive information.</p>	<p>Inherent risk category: High</p> <p>The RE is part of a Group, offering a wide range of financial services nationwide.</p> <p>Inappropriate flow of information with regard to the Scheme may result in these Group entities taking improper advantage of the Scheme and their members.</p>	<p>The RE and other fund managers within the Group share the same service providers, but do not compete with one another in the same managed investments market. Accordingly, there is low level of protection needed of sensitive information that may give these Group entities a competitive advantage over the Scheme.</p> <p>Investment managers are appointed to manage discrete pools or particular trusts to a specified mandate so that the issue of the RE being able to act to the detriment of the Scheme does not arise.</p>	<p>Department Heads are required to confirm to the Head of compliance on an annual basis that they are aware of the company policy on use of company information and have adhered to it.</p> <p>The Head of Compliance reports annually to the Compliance Committee the status of confirmation from all Department Heads on compliance with company policy on use of company information.</p>

Example 2 continued

Scope/obligation addressed/ responsible officer	Compliance activity	Inherent risk: category/inherent risk addressed	Procedures followed	Monitoring and reporting frequency
<p>This compliance Measure sets out arrangements the RE undertakes to ensure that the decision to use a related-party service provider is in the best interests of the Scheme.</p> <p>Corporations Act s601LA, s601LB and s601LC</p> <p>ASIC [PS 132]</p> <p>Head of compliance</p>	<p>The RE assesses related-party service providers based on the same criteria as it does a third party service provider.</p> <p>Due diligence reviews on related-party services providers are at least as extensive as those on non-related parties.</p> <p>The RE engages independent consultants in appointing major service providers such as Scheme asset custodian to ensure that the same review criteria apply to both related-party service providers and third-party service providers.</p> <p>Banking services are provided on normal commercial terms. Other services have detailed service level agreements are in place between the RE and related-party service providers as if these service providers are third-party entities.</p>	<p>Inherent risk category: High</p> <p>The RE outsources a range of services to related-party entities, such as Scheme asset custody, registry, Scheme accounting and unit pricing. It also uses banking facilities maintained with its ultimate holding company on behalf of the Scheme. Lack of procedures and basis as to appointment of related-party service providers may give rise to interruption in Scheme operation, or incurring uncompetitive service fees to the Scheme, causing detriment to Scheme assets and financial loss to member of the Scheme.</p>	<p>A related-party service provider is used where the RE can be assured of the service provider’s ability to provide the services and the competitiveness of the pricing of those services. Such decision is reached after giving consideration to recommendations made by independent consultants in the subject matter area.</p> <p>The RE applies the same procedures as it does third-party entities to ensure that contract with related-party service providers are appropriate. Please refer to section 3.10 for details.</p> <p>Banking services are provided on normal commercial terms.</p>	<p>Appointment of major service providers must be approved by the Board after it has satisfied itself that appropriate due diligence reviews have been carried out by relevant officers of the RE.</p> <p>Head of Compliance reports to the Compliance Committee each time a related-party service provider is used in relation to Scheme operation, and the review process undergone by the RE.</p>

3.15 Market manipulation

Example 1

None of the plans reviewed covered this area in as much depth as ASIC believes it warrants. The example below is an illustration drafted by ASIC of the type of procedures that could be put in place to address this risk, though would require modification to match the specific risks of each scheme. This example has been drafted following consultation with financial markets staff at ASIC.

Responsible Officer: Manager Legal (ML)

Frequency of Reporting: Quarterly

Function	Risks	Procedures	Monitoring of compliance procedures
Requirement not to make use of information acquired through being the RE in order to gain an improper advantage or cause detriment to members.	<p>Prosecution under insider trading provisions of the Corporations Act.</p> <p>Civil action by investors.</p>	<p>New starters undergo an induction programme that includes instruction on staff dealing procedures.</p> <p>RE policies and procedures relating to insider trading are available to all staff via the staff handbook, which is available on the intranet.</p> <p>All staff are required to annually sign a compliance form stating they have read and understood the policies and procedures noted above.</p> <p>All staff dealings are subject to pre-approval by the Manager Investments.</p> <p>Dealers require approval from the Manager Investments (MI) for all trades above the amount set in the Dealers Procedures Manual. Approval is only given if the MI is satisfied the investment objective of the trade is legitimate and in line with the Scheme's objectives.</p>	<p>The ML reviews annually the list of current signed compliance forms for completeness.</p> <p>All trades above the approval limit are printed in a weekly report and reviewed by the ML.</p> <p>All investment transactions are reviewed daily by the ML.</p>

Example 2

Function	Risks	Procedures	Monitoring of compliance procedures
<p>Requirement that the RE shall not create a false or misleading appearance of active trading in securities, or a false or misleading appearance in the market for, or the price of securities.</p> <p>Requirement that the RE shall not buy or sell securities that does not involve any change in beneficial ownership of shares or by any fictitious transaction, maintain, increase, reduce or cause fluctuations in the market price of any securities.</p>	<p>Prosecution under the Market Rigging provisions of the Corporations Act</p> <p>Civil actions</p> <p>ASIC Admin actions</p>	<p>New starters undergo an induction programme that includes instruction on entity and staff dealing procedures.</p> <p>RE policies and procedures relating to stock market manipulation are available to all staff via the staff handbook, which is available on the intranet.</p> <p>All staff are required to sign annually a compliance form stating that they have read and understood the policies and procedures noted above.</p> <p>All staff dealings are subject to pre-approval by the Manager Investments (MI) and are recorded in a register of transactions.</p> <p>All dealings by the RE or its associated entities are reviewed by MI for compliance.</p> <p>Dealers require approval from the MI for all trades above the amount set in the Dealers Procedures Manual. Approval is only given if the MI is satisfied the investment objectives are in line with the Scheme's objectives.</p> <p>MI shall report monthly to the Compliance Committee as to whether all compliance procedures have been followed by the RE.</p>	<p>The ML reviews annually the list of current signed compliance forms for completeness.</p> <p>All trades above the approval limit are printed in a weekly report and reviewed by the ML.</p> <p>Staff trading registers are reviewed on a monthly basis by ML for compliance.</p> <p>All investment transaction are reviewed daily by the MI</p>

3.16 Complaints

Example 1

Responsible Officer: Manager Legal (ML)

Frequency of Reporting: Monthly

Function	Risks	Procedures	Monitoring of compliance procedures
Handle investor, tenant and other parties' complaints in a manner consistent with the Corporations Act, constitution and ASIC requirements relating to the RE's AFS licence.	Complaints are not adequately addressed and are escalated to litigation. Breach of licence and constitution.	<p>All complaints are referred to the ML who records the details in a complaints log. The ML is responsible for investigating and responding to complaints.</p> <p>If a complaint relates to the ML the matter is dealt with by the Compliance Officer (CO).</p> <p>Complaints are acknowledged within 2 days of receipt and are responded to within 1 month of receipt. If the matter is not finalised within 1 month the response will detail what has been done to date in response to the complaint.</p> <p>The ML and CO report all complaints to the Board and the Chairman of the Compliance Committee within one month of receipt of the complaint. Details reported include reason for complaint, the officer or service provider responsible for the subject of the complaint, any impact on the Scheme or the RE, if the complaint revealed a systematic error or weakness in the compliance plan and recommendations for addressing complaint and any compliance plan or systems issues raised.</p> <p>The RE will become a member of an approved external complaints resolution scheme in accordance with the conditions of its licence, within the time frame specified by ASIC.</p> <p>The acknowledgment to complaints also informs investors that they have the right to have their complaint dealt with under the external complaint resolution scheme if they are unsatisfied with the handling of the complaint by the RE.</p>	<p>The Compliance Committee reviews the complaints log and associated responses monthly to ensure they have been informed of all complaints and that the complaints have been, or are in the process of being, satisfactorily resolved.</p> <p>The CO maintains a training register noting who has received complaints training and when. This register is reviewed by external audit annually.</p>

New staff of the RE are trained in complaints procedures by the ML on induction and are updated on an annual basis.

The complaints procedures have been developed using the Australian Standard AS 4269 as a benchmark.

Example 2

Responsible Officer: Chief Operating Officer

Source of Rule: Section 601GA(1)(c) and 912A(2) of the Corporations Act, AS 4269-1995, Constitution and Licence Conditions

Activity	Risk and risk category	Procedures	Monitoring/rectification
<p>Obligation of the RE to ensure that the constitution makes adequate provision for the method by which complaints by members are dealt with;</p> <p>it is a member of an external complaints resolution scheme; and</p> <p>it has in place complaints handling procedures in accordance with Australian Standard AS 4269:1995</p>	<p>Risk category: Medium</p> <p>Complaints from members are not dealt with appropriately and on a timely basis.</p>	<p>Responsible officer maintains membership of an approved ASIC complaints resolution scheme.</p> <p>Internally, a dedicated team of complaints officers (Customer Care Team) are trained and kept up to date, as required.</p> <p>New staff are made aware of complaints procedures on the induction course.</p> <p>Complaints are referred promptly to the Customer Care Team.</p> <p>All complaints are properly logged and dealt with in accordance with the Customer Care guidelines.</p>	<p>Daily reports are run to check all complaints in the system.</p> <p>Each complaint is reviewed to ensure adequate handling and documentation.</p> <p>Monthly reports are distributed to senior management, including the responsible officer and the Head of compliance.</p> <p>Complaints are categorised and forwarded to the appropriate departments, including action taken to ensure errors are not repeated.</p>

3.17 Reporting breaches

Example 1

Responsible Officer: Compliance Officer (CO)

Frequency of Reporting: monthly or following each significant breach

Function	Risks	Procedures	Monitoring of compliance procedures
Breach of the Corporations Act, Scheme constitution, industry or internal standards or this compliance plan are identified, reported and rectified.	Refer to risks of non-compliance referred to in 3.1 to 3.16.	<p>At each month end all responsible officers are required to report verbally to the CO whether any breaches or potential breaches have occurred that month. Written reports are sent to the CO at the reporting frequencies noted in section 3: Summary of compliance Procedures.</p> <p>Significant breaches are reported to the CO immediately.</p> <p>A sequentially numbered breach report is prepared for each reported breach, detailing its nature, its significance, whether it is systematic or an isolated event and any remedial action taken. If appropriate include timing and person responsible for fixing breach. (Refer to appendix A6: Pro forma breach report.)</p> <p>All breach reports are presented to the Compliance Committee.</p> <p>Breach reports remain open until the chairman of the Compliance Committee has signed the report as closed.</p>	<p>A list is maintained of all responsible officers who have reported to the CO each month. Any missing reports are followed up.</p> <p>Breach report files are reviewed each month by the CO to ensure sequential numbering is complete and that all reports closed in the previous month have been signed by the Chairman of the Compliance Committee.</p> <p>A file of all open breach reports is reviewed by the Compliance Committee at each meeting.</p> <p>All breaches are reviewed to determine whether the source of the breach will likely cause other breaches in the future. A report recommending action is given to the compliance committees.</p>

Example 2

Scope/obligation addressed/ responsible officer	Compliance activity	Inherent risk category/inherent risk addressed	Procedures followed	Monitoring and reporting frequency
<p>This Compliance Measure sets out arrangements the RE has to ensure the Compliance Committee monitors the extent to which the RE complies with the compliance plan, and that it reports to ASIC on any breaches of the Corporations Act or the Scheme constitution should it feel that the RE is not dealing with these breaches.</p> <p>Corporations Act s601FC, s601JC and s912D</p> <p>Board of Directors</p>	<p>The Charter of the Compliance Committee states that the Committee has the following functions:</p> <p>monitor compliance with the Scheme's compliance plan;</p> <p>report any departures from the compliance plan to the Board;</p> <p>report any breach of the Corporations Act or the Scheme constitution to ASIC if the Committee is of the opinion that the RE is not dealing with such breaches; and</p> <p>review adequacy of the compliance plan.</p> <p>The Compliance Committee monitors compliance on the basis of quarterly and other ad hoc compliance reports from the Head of Compliance, and quarterly reports from the RE's internal compliance committee (once established).</p>	<p>Inherent Risk Category: Moderate</p> <p>Breaches of the Corporations Act, Scheme constitution, and compliance plan may go unmonitored and unreported. These breaches may impact on the RE's operation of the Scheme, and expose the Scheme assets to various risks.</p>	<p>The charter of the Compliance Committee states that the Compliance Committee is authorised by the Board to have access to Scheme accounting records, obtain assistance from employees of the RE for information relevant to the RE's operation of the Scheme, and external professional services should the need arise. The charter also incorporates details of the responsibilities of the Committee including reporting to ASIC in the specified circumstances.</p> <p>The Head of Compliance reports to the Committee quarterly on findings of the surveillance and monitoring activity carried out by the compliance team, and other compliance issues he or she considers should be brought to the Committee's attention. The Committee will also receive quarterly reports from the RE's internal compliance committee. It is open to the Committee to</p>	<p>The Chairman of the Compliance Committee reports at least semi-annually to the Board. The Chairman has the right to attend Board meetings to raise compliance issues with the Board.</p> <p>The quarterly report by the Head of Investment Risk to the Board will include any issues relating to the Compliance Committee.</p> <p>The minutes of the Compliance Committee meetings will be available for inspection at any time by the Directors or the internal or external auditors.</p>

request further reports or make any inquiries it wishes in regard to the Scheme for which it is responsible.

Aside from this formal meeting arrangement, the Head of Compliance has direct access to the Compliance Committee at any time should issues of significant compliance impact arise.

Appendices in a plan

A1 Glossary

Some plans were very helpful in that they included a glossary. If the plan includes technical or organisation specific terms, or if the users are unlikely to have a financial or legal background, then a glossary can be a helpful tool for users.

Example (refers to this document)

A1 Glossary

Compliance Committee

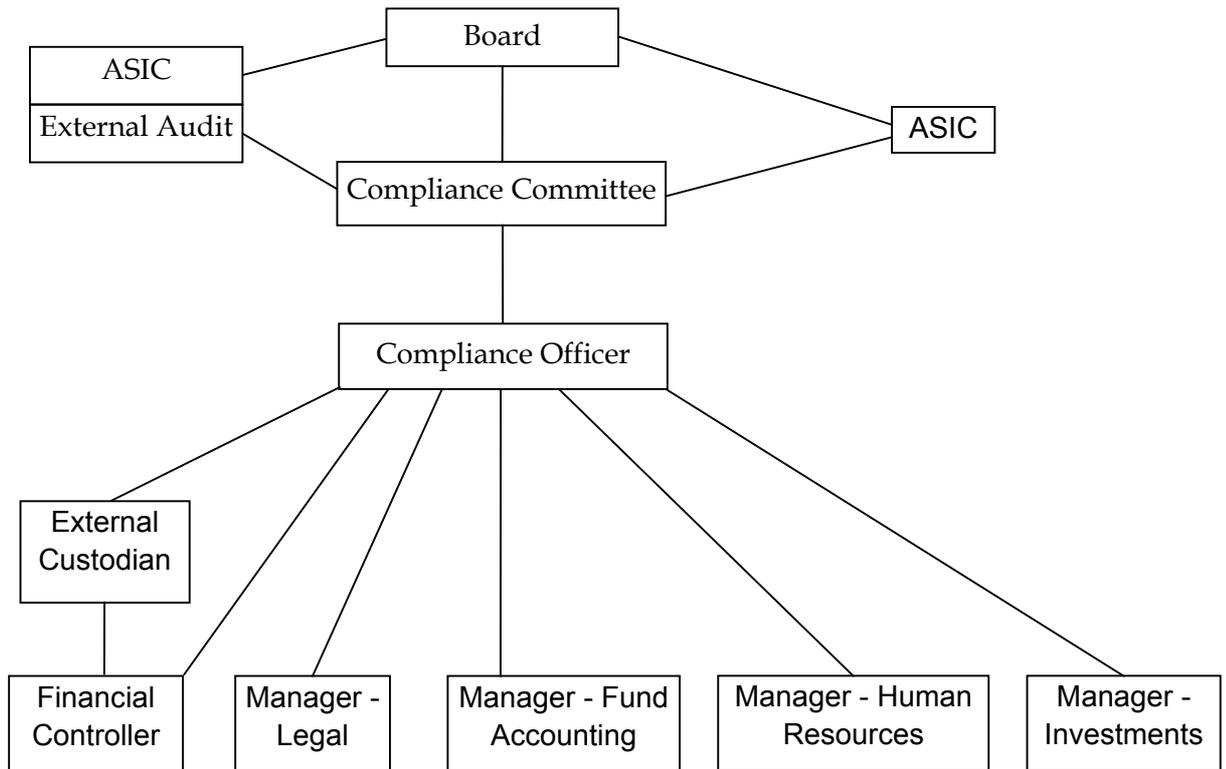
When a Compliance Committee is not required per the Corporations Act, any reference to the Compliance Committee in this document applies equally to the Board of Directors. Refer to section 1 for details of the role of the Compliance Committee.

A2 Organisational structure chart

Some plans contained more than one organisational chart, eg one for compliance reporting, business reporting as well as a wider chart illustrating outsourced activities.

Example

A2 Organisation compliance reporting chart



A3 Compliance committee charter

A number of compliance plans included Compliance Committee Charters. Developing a Compliance Committee Charter that sets out the goals of the Committee may aid in providing clarity of roles and increasing level of commitment in organisation, as well as makes the Committee more accountable.

Many Charters aimed to be a practical document, describing the rules and guidelines that should be followed by the Committee to fulfil their obligations.

The Compliance Officer's role was sometimes expanded to periodically assess if the Committee is complying with the Charter and whether the Charter reflects any changes to the scheme or the RE's procedures.

In ASIC's view, a Charter can assist the RE to ensure the compliance committee will achieve the role legislation has given it. Assistance to the committee on how the Entity perceives the committee's role is helpful. Indeed, the difficult question of the line between compliance monitoring and business management could be addressed in the charter.

It would also be helpful if the Charter addressed the importance of "minutes" of meetings. ASIC will review minutes on its surveillance visits. Some minutes reviewed during surveillance failed to reflect the committee as pro-active and asking the hard questions, particularly about the cause of breaches and whether this indicates any potential causes of further breaches or indicates other problems within the organisation. For example, some technical breaches may in fact indicate poor training, accounts backlog, poor record keeping or fraud.

A4 Pro forma compliance committee meeting agenda

A standard agenda for Committee meetings is seen as useful by some entities, for the Compliance Officer as a guide to what is required to be prepared for each meeting and as a reminder to Committee members of the issues that need to be addressed at each meeting.

To ensure the Committee focuses on the most important issues, some entities prioritise points on the agenda.

Example

A4 Pro forma compliance committee meeting agenda

- (c) Compliance Officer's summary;
- (d) Breach reports;
- (e) Complaints and other correspondence with investors;
- (f) Minutes from previous meeting;
- (g) Proposed amendments to the compliance plan, procedures or agreements
- (h) Any matters requiring reporting to ASIC;
- (i) Proposed amendments to Corporations Act, industry or internal standards; and
- (j) Other matters.

A5 Pro forma compliance report by responsible officer

Very few plans reviewed addressed the issue of the format of reporting by responsible officers. Compilation of responsible officer compliance reports for reporting to the compliance committee can be simplified if standard format reports are used. Use of a standardised format also ensures that all the areas considered essential by the Compliance Officer are reported on by all responsible officers.

Example

A5 Pro forma compliance report by responsible officer

Name

Position

Compliance Plan Section Reference

Period

I confirm that the requirements of the above compliance plan section have been complied with throughout the period. In particular:

- (a) all procedures stated in the compliance plan section have been complied with;
- (b) all licence conditions have been complied with;
- (c) all breaches of procedures have been reported to the Compliance Officer;
- (d) I am not aware of any potential breaches of procedures that have not already been reported to the Compliance Officer;
- (e) all changes to procedures have been reported to the Compliance Officer and approved by the Compliance Committee;
- (f) I am not aware of any matter that may need to be disclosed to investors or which may cause investors to be disadvantaged; and
- (g) records exist to demonstrate compliance with the above.

[Signature]

[Date]

Evidence to support any exceptions to the above statements should be attached to this report.

A6 Pro forma breach report

Example

A6 Pro forma breach report

Compliance Plan Breach Report No: X/x

Reference number is the compliance plan section number followed by the sequential number for breaches reported relating to that section, eg for the second breach reported for valuations (compliance plan section 1) the Breach Report Number would be 1/2

Report Date:

Name of Responsible Officer:

Position:

Date breach was detected:

Compliance plan section relevant to breach:

Licence condition relevant to breach:

Significance of breach:

Rate breach as very significant, significant or minor

Is the breach considered an isolated event or systematic?

Details of circumstances giving rise to the breach:

Attach supporting documentation, if required, to fully explain effects of the breach and why the breach occurred.

Details of remedial action taken or recommendations to minimise effects of the breach:

Recommendation to report to ASIC

Timing of rectification

Potential cost

How it will be actioned/Why it will not be actioned

[Signature of Responsible Officer]

Comments by Compliance Committee:

Action required:

Officer responsible for ensuring action is carried out:

Date for completing implementation of the Committee's recommendations:

[Signature of the Chairman of the Compliance Committee]

To be signed by the Chairman when satisfied all issues raised have been resolved.