

ENFORCEABLE UNDERTAKING

AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION ACT

SECTION 93AA

The commitments in this undertaking are offered to the Australian Securities and Investments Commission (ASIC) by:

Suncorp Financial Planning Pty Ltd (ACN 010 844621)
Level 11, Metway Centre
36 Wickham Terrace
Brisbane, QLD 4000

1. BACKGROUND

- 1.1 Suncorp Financial Planning Pty Ltd (SFP) is the holder of a Security Dealers Licence (number 10973) (the Licence) under the Corporations Law (the Law);
- 1.2 SFP is a wholly owned subsidiary of Suncorp Life and Superannuation Limited (SLS) which in turn is a wholly owned subsidiary of Suncorp-Metway Ltd. Suncorp Asset Management Limited (SAML) is another wholly owned subsidiary of SLS.
- 1.3 SFP's Security Dealers Licence is unrestricted as to product advice and SFP is able to provide unlimited securities advice.
- 1.4 ASIC conducted a surveillance of proper authority holders (Representatives) operating under SFP's Licence commencing in March 1999 (the Surveillance). ASIC sought information from SFP using its powers under the Law and the Australian Securities and Investments Commission Act. In the course of the Surveillance, ASIC interviewed Representatives of SFP and reviewed client files.
- 1.5 ASIC has also conducted similar surveillance over the operation of SAML Representatives and ASIC will enter into a separate enforceable undertaking with SAML contemporaneously with this undertaking (the SAML undertaking).
- 1.6 SFP cooperated with ASIC during the Surveillance
- 1.7 As a result of the Surveillance, ASIC has concerns with respect to the adequacy of SFP's compliance systems, training and supervision of its Representatives,

compliance with documentary requirements, and SFP's compliance with the Corporations Law and Regulations and its Licence Conditions. In particular, ASIC was concerned that:-

- (a) certain client files contained insufficient information to show that clients investment objectives and particular needs had been properly considered by Representatives when making recommendations;
- (b) Representatives stated that clients had sought and were given limited investment advice on the basis that clients requested them to limit the product or objectives when in fact that may not have been the case and full investment advice had been sought;
- (c) in certain cases, paraplanners made recommendations where there was insufficient information to justify making those recommendations.
- (d) SFP's procedures were not sufficient to ensure that Representatives and paraplanners were adequately trained and supervised in relation to their duties as required by Regulation 7.3 of the Corporations Law and the conditions of its licence.

1.8 Whilst SFP does not agree with all aspects of ASIC's concerns set out below, it acknowledges that ASIC has the concerns set out in paragraph 1.7 above and has agreed to implement a number of compliance measures (including the specific requirements set out below) for the purposes of adopting best practice and ongoing compliance with the Law, Regulations, ASIC Act and its Licence conditions .

1.9 SFP acknowledges that the Suncorp-Metway Ltd Group Internal Auditor, Mr Peter Clarke is currently fulfilling the role of compliance officer referred to in subparagraph 2.1 and will continue to fulfill that role until the compliance officer is appointed.

1.10 Pursuant to section 786 of the Law, ASIC may, subject to a hearing, impose conditions and restrictions on a dealers licence in addition to those prescribed by Law, at any time when the licence is in force.

1.11 SFP offers and ASIC has agreed to accept the commitments in this enforceable undertaking as an alternative to the exercise of the power referred to in paragraph 1.10 above.

2. UNDERTAKINGS

Pursuant to section 93AA of the Australian Securities and Investments Commission Act, SFP undertakes as follows:

Compliance Officer

- 2.1 SFP will use its best endeavours to appoint a compliance officer by 1 March 2000. SFP will ensure that:
- (a) the compliance officer is in a designated compliance role full-time and will be responsible for ensuring that SFP complies with its obligations under the Law and Regulations and its Licence Conditions;
 - (b) the compliance officer will be a person who has not less than 3 years relevant experience in the securities, financial planning or managed investments industries;
 - (c) any current or subsequent appointment of a compliance officer during the period of 24 months after the day on which this undertaking is accepted by ASIC, is advised to ASIC; and
 - (d) the compliance officer has appropriate authority and reports directly to the SFP Board.

Compliance Program

- 2.2 It will, on or before 15 February 2000, engage an external independent compliance consultant (the "Compliance Consultant"), approved by ASIC, to review, assess and report in writing by 31 March 2000 to SFP and ASIC on SFP's internal controls, compliance systems, procedures and supervision and training of its Representatives (the "Initial Report").
- 2.3 The compliance assessment will include, but not be limited to, the identification and the making of recommendations for remedying non-compliance with the Law, the Corporations Regulations, industry standards and the licence conditions attached to Licence Number 10973 in particular relating to:-
- (a) supervision and training of Representatives and Paraplanners;
 - (b) content and disclosures in the Advisory Services Guides (ASG's) given to clients;
 - (c) procedures to ensure provision of the ASGs to clients;
 - (d) disclosure of relevant disclosable interests to clients, including remuneration of representatives and commission rebates to third parties;
 - (e) processes for documenting recommendations and warnings to clients; and

- (f) procedures to ensure Representatives' compliance with "Know Your Client" and "Know Your Product" provisions of Section 851 of the Law.
- (g) procedures to ensure that the appropriate level of advice sought by clients is given ;
- (h) induction and training programs for new Representatives and paraplanners employed by SFP;

2.4 It will instruct the Compliance Consultant to select and review a sample of 200 SFP files where limited advice was provided between 1 June 1998 and 1 June 1999 (including certain files to be agreed between ASIC and SFP), to determine whether there is reasonable evidence to conclude that both:

- (a) the client required the provision of comprehensive financial advice rather than the limited advice given, and
- (b) the fact that comprehensive financial advice was not being given was not communicated to the client.

Where the Compliance Consultant finds reasonable evidence to conclude on any files that both conditions (a) and (b) are satisfied it is to recommend what action (if any) needs to be taken to remedy any breach of the Law, Regulations and Licence conditions in respect thereto.

2.5 It will instruct the Compliance Consultant to further review, assess and report in writing to both SFP and ASIC on SFP's internal controls, compliance systems procedures and supervision and training of its Representatives and will provide a copy of those reports to ASIC on or before the 31 October 2000 (the Interim Report) and 30 June 2001 (the Final Report) Such Reports shall include an assessment of:

- (a) the matters referred to in clauses 2.3 and 2.4; and
- (b) the action taken by SFP to remedy any deficiencies identified in the Initial Report or in any of the Reports referred to in this clause.

2.6 That within 30 days of the receipt of the Initial report, Interim report and Final report respectively, it will provide ASIC with a report from the Board (or a subcommittee of the Board with appropriate delegation) detailing the steps taken or to be taken by SFP to comply with the recommendations of the Compliance Consultant in each of the reports and will provide a full explanation where any of the recommendations are not followed.

Fees and Costs

- 2.7 It will pay all fees and costs associated with the engagement of the Compliance Consultant referred to in this undertaking.

3. ACKNOWLEDGEMENTS

- 3.1 SFP acknowledges that it has obtained legal advice in relation to the content and effect of this undertaking.
- 3.2 SFP acknowledges that ASIC:
- (a) may issue a media release from the date this undertaking is executed by ASIC referring to the terms of this undertaking and the concerns of ASIC as expressed in this undertaking which led to its execution;
 - (b) may from time to time publicly refer to this undertaking;
 - (c) will make this undertaking available for public inspection.
- 3.3 SFP acknowledges that this undertaking in no way derogates from the rights and remedies available to ASIC (subject to subparagraph 1.11), or to any person or entity arising from any conduct described in this undertaking. Further, SFP acknowledges that nothing in this undertaking prevents ASIC from enforcing any right or remedy to which it is entitled whatsoever arising from the receipt of any Report referred to herein, or from the receipt of any information in relation to the conduct of the business of SFP not known to it, or its officers, employees or agents as at the date of this undertaking including a hearing which may result in the imposition of licence conditions.

The Common Seal of Suncorp
Financial Planning Pty Ltd (ACN 010844621)
was duly affixed to
this undertaking on 24 December 1999
in the presence of



and the sealing is attested by:

[Handwritten signature]

Director

[Handwritten signature]

Director/Secretary

ACCEPTED BY THE AUSTRALIAN SECURITIES AND INVESTMENTS
COMMISSION PURSUANT TO SECTION 93AA OF THE AUSTRALIAN
SECURITIES AND INVESTMENTS COMMISSION ACT BY ITS DULY
AUTHORISED DELEGATE

Date: 24 December 1999

[Handwritten signature]

Barrie Adams
Regional Commissioner, Queensland