

EU final compliance report by ASIC

ASIC's final report dated **30 May 2017** on compliance with the s93AA ASIC Act enforceable undertaking given by **Australian Investment Exchange Ltd** (ACN 076 515 930) and **Commonwealth Securities Ltd** (ACN 067 254 399) (collectively, 'Commonwealth Securities Group') dated **17 December 2013** (the 'EU'), and the variation to this enforcement undertaking dated **19 December 2014** (Variation of EU).

Terms used in this report have the same meaning as in the EU and the Variation of EU.

ASIC now considers all the requirements specified in the EU and the Variation of EU to be satisfied.

| Undertakings | Report on compliance |
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| Appointment of Independent Expert EU paragraphs 5.2 to 5.8 | <ol style="list-style-type: none">1. Commonwealth Securities Group engaged Ernst & Young ('EY') as its Independent Expert on 11 February 2014.2. Prior to engaging EY as its Independent Expert, Commonwealth Securities Group sought and received approval from ASIC for EY to be appointed on the basis that EY had the required expertise.3. Commonwealth Securities Group provided ASIC with a copy of the terms of engagement with EY, which were approved by ASIC. |
| Independent Expert Review EU paragraph 5.10 | <ol style="list-style-type: none">4. Commonwealth Securities Group engaged EY to carry out a review, and prepare a report, which included a validation of Commonwealth Securities Group's Trust Account Remediation Program ('TARP')¹ and assessment of Commonwealth Securities Group controls, systems and processes that relate to Client Money Requirements in place at the time. |
| Independent Expert Report EU paragraph 5.11 | <ol style="list-style-type: none">5. The Independent Expert Report was provided to ASIC on 10 June 2014. EY reported a number of findings in relation to the effectiveness of controls, systems and processes implemented under the TARP to prevent future breaches of Client Money Requirements, and made a number of recommendations. |

¹ An internal program implemented by Commonwealth Securities Group in respect of its trust accounting systems and processes as part of the steps it has taken to rectify the deficiencies in its systems and processes to address the causes of the Compliance Incidents.

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| <p>Remediation Plan</p> <p>EU paragraphs 5.12 to 5.17</p> | <p>6. The Commonwealth Securities Group implemented a remediation plan (Remediation Plan) to address the recommendations from the Independent Expert Report.</p> <p>7. As a result of subsequent discussions between Commonwealth Securities Group and ASIC, Commonwealth Securities Group entered into the Variation of EU which required it to engage the Independent Expert to undertake ongoing reviews (Further Reviews), and provide monthly progress reports (Monthly Progress Reports) to ASIC and Commonwealth Securities Group on the progress of the implementation of the Remediation Plan.</p> |
| <p>Ongoing reviews and reports from Independent Expert</p> <p>Variation of EU paragraphs 5.16.1 and 5.16.2</p> | <p>8. The Independent Expert conducted an ongoing assessment of the design and operating effectiveness of controls, systems and processes implemented by Commonwealth Securities Group under the Remediation Plan. ASIC was provided with the Monthly Progress Reports, the last being the 4 September 2015 report (Final Report).</p> <p>9. In the Final Report, the Independent Expert found that Commonwealth Securities Group's implementation of the Remediation Plan had successfully addressed the recommendations in its 10 June 2014 report, and that the controls, systems and processes implemented were assessed as effective.</p> |