

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:

Grosvenor Securities Pty Ltd (ACN 007 173 659)
505 Royal Parade
Parkville VIC 3052

1. BACKGROUND

- 1.1 Grosvenor Securities Pty Ltd (Grosvenor) is the holder of Dealers Licence number 12352 (Licence) under the Corporations Law (the Law).
- 1.2 Grosvenor's Licence is unrestricted as to the type of activities it may conduct under the Licence.
- 1.3 In July 1999, ASIC conducted a surveillance of Grosvenor. ASIC sought information from Grosvenor and also interviewed representatives of Grosvenor and reviewed some client files. ASIC then reviewed Grosvenor's compliance structure including the adequacy of its compliance systems, its training and supervision of its representatives, its record keeping practices and its compliance with other requirements of the Law and its Licence conditions.

- 1.4 Based on that review, ASIC was concerned that:
- a) Grosvenor had permitted representatives to invoice clients fees for service which were then deposited into a non dealer bank account. This procedure does not comply with Part 7.5 of the Law;
 - b) Grosvenor had not taken sufficient steps to support or encourage an appropriate compliance culture;
 - c) Grosvenor could have taken further steps to assist its compliance personnel in ensuring or seeking to ensure compliance with regulatory obligations under the Law; and
 - d) Grosvenor's internal complaints procedures did not comply with regulation 7.3.02B(5) of the Corporations Regulations.
- 1.5 Following a review of a number of client files, ASIC also had concerns about the adequacy of advice provided to clients. In some instances, representatives' asset allocation recommendations appeared to be inappropriate.
- 1.6 Grosvenor acknowledges ASIC's concerns 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 ensuring ongoing compliance with the Law and its Licence conditions.
- 1.7 Pursuant to section 786 of the Law, ASIC may, subject to a hearing, suspend or revoke a dealers licence or impose conditions and restrictions on a dealers licence in addition to those prescribed by Law, at any time when the licence is in force.
- 1.8 Grosvenor 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 1.7 above.

2. UNDERTAKINGS

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

Compliance Officer

2.1 Grosvenor will:

- A. use its best endeavours to ensure that from 1 August 2000, or such later date as is approved by ASIC, a full-time compliance officer is employed who is responsible for ensuring that Grosvenor complies with its obligations under the Law and its Licence conditions; and,
- B. ensure that:
 - (a) the compliance officer's role, functions and reporting responsibilities are defined in writing in the form of a comprehensive position description;
 - (b) the compliance officer is a person who at the time of appointment has no less than 3 years relevant experience in the financial services industry;
 - (c) any appointment of a compliance officer, during the period of 24 months after the day on which this undertaking is accepted by ASIC, is approved by ASIC; and
 - (d) the compliance officer has appropriate authority and reports directly to the board of directors at Grosvenor.
- C. Where the requirements in paragraph 2.1A are not met, and ASIC has approved such later date, Grosvenor will retain the services of an external body to meet the same obligations of a compliance officer employed on a

full time basis, that will be responsible for ensuring that Grosvenor complies with its obligations under the Law and its Licence conditions.

Compliance Program

2.2 Grosvenor will ensure that:

A. by 1 September 2000:

- a) it has implemented complaints handling procedures that comply with the Australian Standard on Complaints Handling-AS 4269 (1995) (the "Complaints Standard");
- b) it has implemented procedures that comply with the Australian Standards on Compliance, AS-3806 (1998) (the "Compliance Standards").
- c) it has developed and begun to implement a comprehensive compliance audit program (the compliance program) which identifies all compliance risks relevant to Grosvenor. The compliance program must include:
 - at least one visit each year by the Compliance Officer to the office of each representative for the purposes of conducting a compliance review including a review of a selection of client files of each representative;
 - a method to determine that a sufficient percentage of work of each representative is reviewed by the Compliance Officer for the purposes of completing the compliance audit;
 - as part of the review the Compliance Officer must maintain adequate records to substantiate issues identified and must issue the representative with a comprehensive report;
 - a monitoring process so that issues which are identified during compliance reviews are revisited to ensure that problems have been rectified
 - a risk grading system to evaluate the training and monitoring needs of its representatives;
 - a process to ensure licence breaches are reported to ASIC;

- a monitoring process to identify situations where a representative has sold a product which the representative is not authorised to recommend and to follow up these situations to ascertain whether the representative has exceeded his or her authority;
 - registers in relation to advertising, promotional material, and general stationery used by its representatives. The registers are to also incorporate advice issued to representatives following receipt of the material and steps taken to remedy any standards breach;
- d) it has implemented a policy for the use of, and ensured that all its representatives use, financial planning software, research material and asset allocation guidelines approved by Grosvenor;
- e) all stationery and promotional material used by the Licensee and its representatives complies with ASIC Policy Statement 117;
- f) it has implemented an invoicing procedure to ensure compliance with Part 7.5 of the Law;
- B. by 1 September 2000 it has produced a clear and comprehensive Procedures and Compliance Manual which accurately reflects its compliance procedures.

Review of compliance with this undertaking

- 2.3 Grosvenor will, on or before 1 September 2000, engage an external independent compliance consultant (Compliance Consultant), approved by ASIC, to review Grosvenor's compliance with the terms of the undertaking referred to in paragraphs 2.1 and 2.2.
- 2.4 The Compliance Consultant is to undertake the review and report in writing by 31 December 2000 (the Interim Report) and 31 July 2001 (the Final Report) to Grosvenor and provide a copy of each report to ASIC. Such Reports shall include an assessment of Grosvenor's compliance with the undertakings referred to in paragraph 2.1 and 2.2 and the action taken by Grosvenor to remedy any deficiencies identified.

Fees and Costs

2.5 Grosvenor will pay all fees and costs associated with the implementation of this undertaking

3. ACKNOWLEDGEMENTS

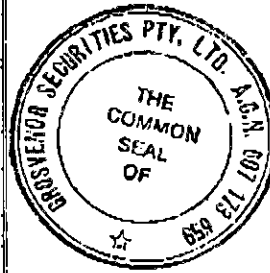
3.1 Grosvenor acknowledges ASIC's advice to seek legal advice in relation to the content and effect of this undertaking.

3.2 Grosvenor 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 Grosvenor acknowledges that nothing in this undertaking derogates from the rights and remedies available to ASIC or to any person or entity arising from any conduct described in this undertaking and also that nothing in this undertaking prevents ASIC from exercising any right or remedy or taking any investigative or enforcement action in respect of any past or future conduct by Grosvenor.

The Common Seal of Grosvenor)
Securities Pty Ltd (ACN 007 173 659))
was duly affixed to this undertaking)
on 8th AUGUST 2000 in the presence of)
and the sealing is attested by:)



W.M. M...

Director

[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: 9 AUGUST 2000

Jamie Orchard

Jamie Orchard
Director, Enforcement
Victoria

[99/17/060/FinalEU]