



ENFORCEABLE UNDERTAKING
AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION
SECTION 93AA

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

RetireInvest Pty Ltd (ACN 001 774 125)
Level 13
347 Kent Street
SYDNEY NSW 2000

1. BACKGROUND

1.1 RetireInvest Pty Ltd ("RetireInvest") is the holder of Dealers Licence no. 11169 ("the Licence") under the Corporations Act as amended ("the Act").

1.2 On 26 and 27 June 2002, ASIC conducted a surveillance of RetireInvest's practices and procedures. RetireInvest co-operated with ASIC during this surveillance. During the course of that surveillance ASIC analysed, amongst other things, 27 internal audits files in respect of 280 authorised representatives. An analysis of such files revealed that:

- (a) all showed that audit officers had made recommendations for authorised representatives to correct their practices or procedures;
- (b) in 25 files the internal audit team identified conduct by authorised representatives which constitutes either a contravention of the Act or was contrary to ASIC Policy Statements, including:
 - (i) in some cases a failure to disclose commissions and other benefits (in breach of section 849 of the Act);
 - (ii) in some cases omitting to obtain all necessary information to ensure clients were not placed into investments inconsistent with the client's needs, objectives, circumstances or risk profile (contrary to the requirements of section 851 of the Act);
 - (iii) lack of warnings where giving limited advice (ASIC Policy Statement 121 particularly part 5); and
 - (iv) failure to meet record keeping standards (ASIC Policy Statement 122 particularly part 5).
- (c) based on the material in the files (and an interview of the RetireInvest compliance manager) in some cases ineffective, little or no remedial action was taken on the recommendations of the internal audit staff;

1.3 ASIC undertook a detailed assessment of the complaints handling process, including documented procedures, having regard to the requirements of the Australian Standard AS 4269. ASIC also conducted a review of 40 RetireInvest internal complaint files. The assessment and review revealed that:

- (a) RetireInvest's documented system for complaints handling complies with the Australian Standard as required by Regulation 7.3.02B(5) of the Corporations Regulations;

however

- (b) complaints were not handled in accordance with the documented system;
- (c) complaints were not dealt with in a timely or efficient manner (being outside the period set out in the Australian Standard); and
- (d) implementation of the complaints resolution procedures was inadequate.

1.4 The review of the complaints files by ASIC also revealed that:

- (a) as with the internal audit reports, in some cases RetireInvest's authorised representatives omitted to obtain all necessary information to ensure clients were not placed into investments inconsistent with the client's needs, objectives, circumstances or risk profile (contrary to the requirements of section 851 of the Act); and
- (b) some of the complaints related to non-disclosure of commissions or other benefits.

1.5 As a consequence of the surveillance, ASIC commenced an investigation into RetireInvest pursuant to section 13 of the ASIC Act for suspected breaches of section 787 of the Act and regulations 7.3.02 and 7.3.02B of the Corporations Regulations.

1.6 As a result of the surveillance and the investigation conducted to date, ASIC has the following concerns, namely that RetireInvest's:

- (a) supervision of its authorised representatives was contrary to the requirements of Regulation 7.3.02 of the Corporations Regulations, in that, its authorised representatives:
 - (i) failed in some cases to fully disclose fees, commissions and benefits as required by section 849 of the Act.

As a consequence, ASIC is concerned that investors were not fully aware of the incentives, which could influence advisers' recommendations to them; and

- (ii) in some cases omitted to obtain all necessary information to ensure clients were not placed into investments inconsistent with the client's needs, objectives, circumstances or risk profile (contrary to the requirements of section 851 of the Act).
- (b) implementation of its compliance procedures may not properly identify, monitor and report non-compliance with provisions of the Act, the Corporations Regulations and the Licence conditions as required by section 787 of the Act.
- (c) internal complaints handling system was not always followed by the relevant officers or employees, consequently:
 - (i) implementation of the complaints handling system did not meet the Australian Standard as required by Regulation 7.3.02B(5) of the Corporations Regulations; and
 - (ii) clients did not receive a timely and efficient resolution of their complaint.

1.7 RetireInvest acknowledges ASIC's concerns as set out in this undertaking.

1.8 ASIC is required by section 837 of the Act to provide RetireInvest with the opportunity of a hearing before ASIC decides what, if any, action should be taken against RetireInvest as a

result of RetireInvest's conduct. If findings were made against RetireInvest at such a hearing, ASIC could take the following action:

- (a) revoke RetireInvest's licence under section 826(1) of the Act;
- (b) suspend RetireInvest's licence under section 827(1)(c) of the Act;
- (c) prohibit RetireInvest, either permanently or for a specified period, from doing specified acts, being acts of a licensee under section 827(1)(d) of the Act;
- (d) impose further conditions on RetireInvest's licence under section 786(1)(b) of the Act; and
- (e) vary conditions of RetireInvest's licence under section 786(7) of the Act.

1.9 RetireInvest has offered and ASIC has agreed to accept an enforceable undertaking in the terms set out below as an alternative to determining whether or not ASIC should exercise the powers set out in paragraph 1.8 above.

1.10 ASIC has taken into account RetireInvest's cooperation and acknowledges that RetireInvest has put in place, and will continue to implement, a programme to ensure that it complies with the Act, Corporations Regulations, ASIC Act and the conditions attached to its Licence or any future Australian Financial Services Licence and is working with ASIC to achieve this aim.

2. UNDERTAKING

RetireInvest undertakes to ASIC the following for the purpose of section 93AA of the ASIC Act.

2.1 RetireInvest will by 31 March 2003 post a notice in its client newsletter, in the form attached and marked "A".

2.2 RetireInvest will within 7 business days of the execution of this Enforceable Undertaking by ASIC post on its web site for a period of 3 months a notice, in the form attached and marked "A".

2.3 RetireInvest will refer all complaints received from the date that this Enforceable Undertaking is signed by ASIC to the Compliance Consultant that is engaged in accordance with paragraph 2.4 below.

2.4 RetireInvest will within 20 business days of the execution of this Enforceable Undertaking by ASIC, engage an external independent compliance consultant ("**the Compliance Consultant**"), whose appointment and terms of reference are to be approved by ASIC, to review, assess, make recommendations and report ("**the Initial Report**") in writing by 30 April 2003 ("**the Reporting Date**") to the General Manager of RetireInvest and the Director, Enforcement North / East of ASIC.

2.5 The Compliance Consultant will:

- (a) conduct a random review of 10% of RetireInvest's internal audit reports for the years 2001 and 2002 to identify any retail clients of RetireInvest who have received a securities recommendation from RetireInvest in circumstances where the authorised representative may have engaged in conduct of the kind referred to at paragraph 1.2 (b)(i), (ii), (iii) and (iv) above ("**the Internal Audit Review**");
- (b) where any authorised representative, the subject of the Internal Audit Review, is shown to have on repeated occasions engaged in conduct of the kind referred to at paragraph 1.2 (b)(i), (ii), (iii) and (iv) above a full audit of all that authorised representative's client files

for the years 2001 and 2002 will be carried out by the Compliance Consultant ("the Client Audit Review")

2.6

The Initial Report will include, but not be limited to, the identification of concerns and the making of recommendations for changes to ensure compliance with the requirements of the Act, Corporations Regulations, ASIC Act and the licence conditions attached to Licence 11169 or any future Australian Financial Services Licence that may be issued to RetireInvest, including such issues as:

- (a) measures taken or to be taken by RetireInvest to address ASIC's concerns as set out in paragraph 1.6 above, particularly:
 - (i) supervision of authorised representatives by RetireInvest;
 - (ii) disclosure of commissions and other benefits by any natural person who provides securities recommendations to retail clients on behalf of RetireInvest;
 - (iii) procedures to ensure that authorised representatives' have a reasonable basis for recommendations made;
 - (iv) compliance with section 787; and
 - (v) internal complaints handling system.
- (b) results and measures taken or to be taken by RetireInvest to address complaints received by RetireInvest from clients as a result of the notices in paragraphs 2.1 and 2.2 above;
- (c) results and measures taken or to be taken by RetireInvest to address any conduct identified in the Internal Audit Review;
- (d) results and measures taken or to be taken by RetireInvest to address any conduct identified in the Internal Client Audit Review;
- (e) the structure, status, autonomy, independence and reporting lines of the compliance function;
- (f) implementation of recommendations made by the internal audit compliance teams;
- (g) the internal complaints handling system as required by Regulation 7.3.02B(5) of the Corporations Regulations 2001 (or section 912A(2)(a)(i) of the Act and Regulation 7.6.02 of the Corporations Regulations where an Australian Financial Services licence has been issued to RetireInvest);
- (h) induction and training programmes for authorised representatives, relevant officers and employees of RetireInvest in relation to the internal complaints systems practices and procedures;
- (i) assessment of authorised representatives understanding of their obligations with respect to the Act, Corporations Regulations and the ASIC Act; and the Licence conditions attached to Licence 11169 or any future Australian Financial Services licence which may be issued to RetireInvest;
- (j) remedial training in the event that an authorised representative is found not to understand his or her obligations in sub-paragraph (i) above;
- (k) agreements, contracts or documents setting out the roles responsibilities and service standards of any compliance, training or supervision duties, obligations or services outsourced by RetireInvest; and

- (l) monitoring by RetireInvest of any compliance, training or supervision duties, obligations or services outsourced by RetireInvest.
- 2.7 RetireInvest's General Manager will within 7 days of the Reporting Date, provide a copy of the Initial Report to the Board of RetireInvest.
- 2.8 RetireInvest will implement the recommendations made by the Compliance Consultant in the Initial Report by 30 June 2003, unless otherwise agreed with ASIC.
- 2.9 RetireInvest will ensure that any natural person who provides securities recommendations to retail clients on behalf of RetireInvest:
- (a) has completed training courses at an appropriate level that are or have been listed on the ASIC Training Register and that are relevant to those functions and tasks; or
 - (b) has been individually assessed as competent by an assessor that is or has been listed on the ASIC Training Register; and
 - (c) is provided with remedial training in the event that an authorised representative is found not to understand his or her obligations.
- 2.10 RetireInvest will create and maintain a record of the assessments and training undertaken in accordance with sub-paragraphs 2.9(a), (b) and (c) above.
- 2.11 Without derogating from any other obligation upon RetireInvest to report to ASIC, RetireInvest will, notify ASIC in writing within 1 business day of RetireInvest forming the view that either it, its authorised representatives or agents have contravened a provision contained in the Act, Corporations Regulations and ASIC Act.
- 2.12 RetireInvest will ensure that it, its authorised representatives and agents deal with complaints in accordance with an internal complaints handling system that complies with Australian Standard AS-4269, as required by Regulation 7.3.02B(5) of the Corporations Regulations 2001 (or section 912A(2)(a)(i) of the Act and Regulation 7.6.02 of the Corporations Regulations where an Australian Financial Services licence has been issued to RetireInvest).
- 2.13 RetireInvest will ensure that all relevant RetireInvest employees, officers and authorised representatives have completed by 30 May 2003 training in the operation, practice and procedures of the internal complaints handling system referred to in paragraph 2.12 above.
- 2.14 RetireInvest will ensure that any determination of an external complaints resolution scheme as required by Regulation 7.3.02B(4) of the Corporations Regulations 2001 (or Part 7.6 particularly section 912A(g) of the Act where an Australian Financial Services licence has been issued to RetireInvest) is implemented in a timely manner.
- 2.15 The Compliance Consultant will on 30 September 2003 and 31 March 2004 ("**the Compliance Reporting Dates**") provide in writing to the General Manager of RetireInvest and the New South Wales Director, Regulatory Operations of ASIC further reports ("**the Compliance Reports**") in relation to the matters set out in paragraph 2.16 below.
- 2.16 Each Compliance Report by the Compliance Consultant will include (along with the matters in paragraphs 2.3, 2.5 and 2.6 above), but be not limited to, a report in relation to:
- (a) RetireInvest's compliance with this enforceable undertaking;
 - (b) the action taken by RetireInvest to implement recommendations made in the Initial Report or the Compliance Reports;
 - (c) RetireInvest's compliance with the licence conditions attached to Licence 11169 or any future Australian Financial Services Licence that may be issued to RetireInvest;

- (d) any additional recommendations to ensure RetireInvest complies with:
 - (i) the requirements of this Enforceable Undertaking;
 - (ii) the requirements of the Act;
 - (iii) the requirements of the Corporations Regulations;
 - (iv) the requirements of the ASIC Act;
 - (v) the matters in paragraph 2.13 above;
 - (vi) the licence conditions attached to Licence 11169 or any future Australian Financial Services Licence that may be issued to RetireInvest.
- (e) measures taken or to be taken by RetireInvest to address complaints received by RetireInvest from its clients since the date of execution of this Enforceable Undertaking by ASIC that have not been dealt with in the Initial Report;
- (f) RetireInvest's observance of the practices and procedures of the internal complaints handling system; and
- (g) whether the internal and external resolution of complaints have been carried out in a timely manner.

2.17 RetireInvest's General Manager will:

- (a) within 7 days of the Compliance Reporting Dates, provide a copy of the Compliance Report to the Board of RetireInvest;
- (b) within 14 days of the Compliance Reporting Dates, provide the Manager, Regulatory Operations North / East-NSW of ASIC with a report detailing the steps taken or to be taken (including a time table) by RetireInvest to implement the recommendations made or to remedy any deficiency identified by the Compliance Consultant in each Compliance Report.

2.18 RetireInvest will pay ASIC, within 10 days of the acceptance of this undertaking, the sum of \$11,500.00 representing certain costs and disbursements associated with the ASIC surveillance and investigation.

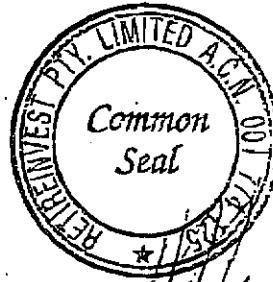
3. ACKNOWLEDGMENTS

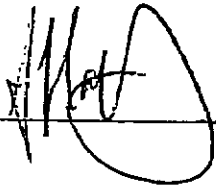
3.1 RetireInvest acknowledges that:

- (a) ASIC may issue a media release on execution of this Enforceable Undertaking referring to its terms and to the concerns of ASIC which led to its execution;
- (b) ASIC may from time to time refer publicly to this Enforceable Undertaking;
- (c) ASIC will make a copy of the Enforceable Undertaking available for public inspection;
- (d) ASIC's acceptance of an enforceable undertaking does not affect its power to investigate, conduct surveillance or pursue a criminal prosecution or its power to lay charges or seek a pecuniary penalty order;
- (e) this undertaking in no way derogates from the rights and remedies available to ASIC or any other person or entity arising from any conduct described in this undertaking; and

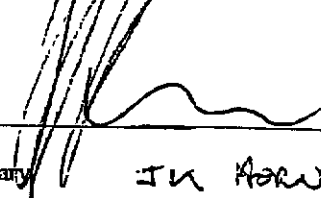
(f) that this undertaking has no operative force until accepted by ASIC.

The Common Seal of RetireInvest Pty Ltd
ACN 001 774 125 was affixed to this undertaking
on February 2003 in the presence of:



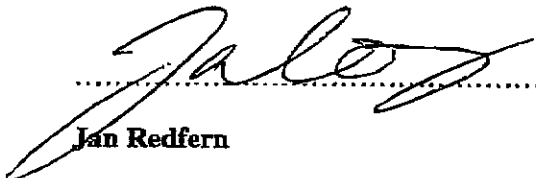



Director

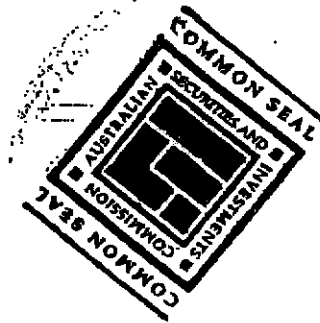


Secretary *JN AORW*

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


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Jan Redfern
Deputy Executive Director Enforcement

Dated  February 2003



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IMPORTANT NOTICE FOR CLIENTS OF RETIREINVEST PTY LTD (ACN:001 774 125)

On 26 and 27 June 2002, the Australian Securities and Investments Commission ("ASIC") conducted a surveillance of RetireInvest Pty Ltd ("RetireInvest") practices and procedures. RetireInvest co-operated with ASIC during the surveillance. As a result of the surveillance and the investigation conducted to date, ASIC has, amongst others, the following concerns:

1. Due to deficiencies in RetireInvest's supervision of its authorised representatives, its authorised representatives have in some cases:
 - (a) not disclosed all fees, commissions and benefits as required by section 849 of the Corporations Act, for example commissions, trailing commissions, commission splits and soft dollar arrangements.

As a consequence, ASIC is concerned that investors were not fully aware of the incentives, which could influence an advisers' recommendations to them. Attached for your information is an extract of part 3 of ASIC Policy Statement 122, which explains the various types of commissions;
 - (b) omitted to obtain all necessary information from clients to ensure clients were not placed into investments inconsistent with the client's needs, objectives, circumstances or risk profile (contrary to the requirements of section 851 of the Corporations Act); and
 - (c) contrary to ASIC Policy Statement 121 (particularly part 5) failed to give appropriate warnings where personal securities recommendations are provided to a retail client who refuses to supply any personal information. The warning enables the client to clearly understand that the representative has not undertaken a full needs analysis, there are limits on how appropriate the recommendation is and thus the client should carefully assess the recommendation in light of their individual financial objectives, financial situation or particular needs. Attached for your information is an extract of part 5 of ASIC Policy Statement 121.
2. The implementation by RetireInvest of its internal complaints handling system did not in all cases meet the Australian Standard as required by Regulation 7.3.02B(5) of the Corporations Regulations; and as a consequence clients who complained did not receive a timely and efficient resolution of their complaint.

RetireInvest has agreed to put in place a number of measures for the purpose of ensuring ongoing compliance with the Corporations Act, Corporations Regulations, ASIC Act and the conditions attached to its licence. These measures have been formalised in an enforceable undertaking a copy of which may be viewed at:

www.retireinvest.com.au or telephone 1800 633 080 to obtain a copy free of charge.

If you consider you have been affected by the issues referred to in points 1(a), (b) and (c) above, you may write (including all relevant details) to:

General Manager
RetireInvest Pty Ltd
Level 1, 347 Kent Street,
SYDNEY NSW 2000

This notice was posted at the request of the Australian Securities and Investments Commission.