



ASIC
Australian Securities &
Investments Commission

CEU interim compliance report by ASIC

ASIC's interim report dated **3 December 2018** on compliance with the s93AA ASIC Act court enforceable undertaking given by **Financial Index Australia Pty Ltd** (ACN 094 287 037) (**FIA**) dated 28 July 2017.

Terms used in this report have the same meaning as in the 28 July 2017 court enforceable undertaking (**CEU**).

Undertakings	Report on compliance
<p>Engagement Independent Expert</p> <p>CEU paragraphs 5.2 to 5.9</p>	<ol style="list-style-type: none"> 1. FIA obtained written approval from ASIC for a 5-business day extension for nominating an Independent Expert (IE). FIA nominated an IE for ASIC's approval within the extended timeframe under paragraph 5.2 of the CEU. 2. ASIC requested additional information from FIA regarding the nominated IE. ASIC approved the IE's appointment and the draft terms of the engagement on 11 September 2017. 3. FIA appointed the approved IE within the timeframe specified in paragraph 5.3 of the CEU.
<p>Policy and Procedure Review</p> <p>CEU paragraphs 5.13 to 5.18</p>	<ol style="list-style-type: none"> 4. FIA engaged the IE to conduct and complete a review as specified by paragraph 5.13 of the CEU. 5. The IE delivered the Policy and Procedure Report within the extended timeframe agreed with ASIC under paragraph 5.14 of the CEU. 6. FIA provided the Remedial Action Plan – Policy and Procedure to ASIC and the IE within the timeframe specified by paragraph 5.15 the CEU. 7. Neither ASIC or the IE requested any modifications to the Remedial Action Plan – Policy and Procedure. 8. On 20 August 2018, FIA provided the IE the final updated policy and procedure document. 9. The Remedial Action Plan – Policy and Procedure has been implemented except for the SOA template. This action did not have a specific timeframe as it is expected that further

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	<p>enhancements will be made to the SOA template as the Advice Review and Remediation Program progresses. As such, FIA has not yet notified ASIC of full implementation as per paragraph 5.18 of the CEU.</p>
<p>Advice Review and Remediation</p> <p>CEU paragraphs 5.19 to 5.28</p>	<p>10. FIA provided the IE and ASIC with the methodology and processes to be used by FIA to review the Financial Product Advice provided to selected Clients and to remediate Affected Clients, for ASIC’s approval. This was provided within the extended timeframe agreed with ASIC under paragraph 5.19 of the CEU.</p> <p>11. On 15 November 2017, the IE provided comments regarding the effectiveness of the proposed Review and Remediation Program within the timeframe required by paragraph 5.20 the CEU.</p> <p>12. FIA made the necessary modifications to the Review and Remediation Program within the timeframe specified by paragraph 5.22 of the CEU. The Review and Remediation Program contained the terms required in paragraph 5.21 of the CEU.</p> <p>First Review and Remediation Update Report</p> <p>13. The IE provided the first Review and Remediation Update Report for the period 14 December 2017 to 13 April 2018 on 4 May 2018, within the timeframe required by paragraph 5.23.3(a) of the CEU.</p> <p>14. The first Review and Remediation Update Report confirmed that FIA had reviewed 51 Client files, with 47 of these Client files being assessed as not complying with one or more of the Corporations Act sections referred to in paragraph 5.21.22 of the CEU.</p> <p>15. As a result of the first Review and Remediation Update Report, FIA agreed that it would review all Client files for all 37 FIA Representatives as per paragraph 5.21.5 of the CEU.</p>

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	<p>16. FIA did not prepare a Remedial Action Plan – Review and Remediation report under subparagraph 5.24 of the CEU, as FIA immediately implemented the IE’s sole recommendation as to the form of the template letter to clients, as such, the IE considered the report unnecessary, and ASIC agreed.</p> <p>Second Review and Remediation Update Report</p> <p>17. The IE provided the second Review and Remediation Update Report for the period 10 April 2018 to 8 August 2018 on 30 August 2018, within the timeframe required by paragraph 5.23.3(a) of the CEU.</p> <p>18. The second Review and Remediation Update Report confirmed that FIA had reviewed a further 545 Client files, with all these Client files being assessed as not complying with one or more of the Corporations Act sections referred to in paragraph 5.21.22 of the CEU.</p> <p>19. The majority of the compliance failures identified by FIA related to instances where FIA had failed to provide their clients with adequate disclosure or record adequate explanations about the recommendation to switch to the in-house product where it was more expensive.</p> <p>20. At the date of the second Review and Remediation Update Report, the IE had reviewed 11% of the Client files reviewed by FIA as per paragraph 5.21.6 of the CEU.</p> <p>21. FIA did not prepare a Remedial Action Plan – Review and Remediation reports under paragraph 5.24 of the CEU, as FIA immediately implemented the IE’s sole recommendation as to the form of the template letter to clients. As such, the IE considered the report unnecessary, and ASIC agreed.</p> <p>22. FIA has indicated that the remaining Client file reviews are expected to be completed by the end of 2018. FIA also considers that it is on track to complete the Review and Remediation Program by 30 June 2019.</p>