

# Second independent expert summary report

Barclays Capital Inc., Barclays Capital Asia Limited  
and Barclays Capital Securities Limited

10 April 2019

## LIMITATIONS

This Summary Report is prepared to provide a high-level summary of our work carried out as the Independent Expert as defined within paragraph 6.8 (c) of the Enforceable Undertaking between Barclays Capital Inc., Barclays Capital Asia Limited and Barclays Capital Securities Limited (or, together, the Barclays Entities) and the Australian Securities and Investments Commission (ASIC) solely for the purpose set out in section 1.2 of this Summary Report.

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If there have been any changes in the systems, processes and controls since issuing our Second Report these have not been considered in preparing this Summary Report.



# 1. Summary report

## 1.1 Introduction

Barclays Capital Inc. (BCI), Barclays Capital Asia Limited (BCAL) and Barclays Capital Securities Limited (BCSL) (or, together, the Barclays Entities) entered an Enforceable Undertaking (EU) with the Australian Securities and Investments Commission (ASIC) on 22 March 2017. Under the EU, the Barclays Entities were required to appoint an Independent Expert to conduct two independent reviews.

EY was approved by ASIC and engaged by the Barclays Entities on 19 July 2017 as the Independent Expert. This Report details our results from our Second Review for the period 18 November 2017 to 1 October 2018.

This Second Report should be read in conjunction with our First Report.

Since our First Report the Barclays Entities have focused on transitioning its response efforts from a project structure to business-as-usual, including addressing recommendations from our First Report. Investment continues to be made across the people, processes and technology infrastructure to embed and continuously improve a sustainable solution.

Our testing found the policies, procedures, practices, training and monitoring arrangements assessed for the Barclays Entities in the course of our Second Review have operated sufficiently to ensure effective and enduring compliance with the Disclosure Requirement and for BCI, the Reporting Requirement as at the point in time at which our assessment was made. Future compliance will depend on the Barclays Entities maintaining these or equivalent arrangements and ensuring they continue to be fit-for-purpose.

The Barclays Entities demonstrated characteristics of a mature risk aware organisation and a culture committed to ensuring that previous control deficiencies are sustainably addressed.

## 1.2 Our scope

Our Second Review is defined in paragraph 6.8(c) of the EU, our scope included:

- ▶ Assessing whether the remedial actions (if any) implemented following the implementation of any First Remedial Action Plan are designed sufficiently to ensure effective and enduring compliance with the Disclosure Requirement and for BCI, the Reporting Requirement
- ▶ Assessing whether each Barclays Entity operated in compliance with the Disclosure Requirement and for BCI, the Reporting Requirement following the implementation of any First Remedial Action Plan
- ▶ Testing the effectiveness of the implementation of any recommendations and actions arising from the First Report

- ▶ Identifying and considering potential remaining gaps in internal control areas as they relate to the Disclosure Requirement and for BCI, the Reporting Requirement and provide further recommendations as appropriate.

## 1.3 Our approach

In fulfilling our role as the Independent Expert, our work included:

- ▶ Conducting interviews with Senior Management, business representatives (including senior banking staff), Operations staff, Legal & Compliance, Second Line Monitoring and Testing teams and Internal Audit across Singapore, London and New York
- ▶ Testing a sample of new Australian customer accounts opened from 18 November 2017 to 1 October 2018, including challenging and reviewing completeness testing of Australian customers performed by the Barclays Entities
- ▶ Testing a sample of regulatory investigations or business changes considered, notified and not-notified to ASIC by BCI
- ▶ Reviewing any changes to key policy and procedure documentation
- ▶ Observing and testing key process and control activities undertaken by the First, Second and Third Line functions including: account opening quality checks, daily control reports, First Line control testing, Second Line monitoring and testing and Third Line reviews.

## 1.4 Results and recommendations

Since our First Report the Barclays Entities have continued to evidence their resolve in closing the in-scope matters, including recommendations from our First Report.

We found no weaknesses (Deficiencies) or instances of non-compliance as it relates to the:

- ▶ Barclays Entities' compliance with the Disclosure Requirement and for BCI, the Reporting Requirement
- ▶ Barclays Entities compliance framework
- ▶ Operating effectiveness of the policies, procedures, practices, training and monitoring arrangements put in place by the Barclays Entities.

We did not identify any remaining gaps in internal control areas as they relate to the Disclosure Requirement and for BCI, the Reporting Requirement.

Having considered our results, we have not seen the need to provide any further recommendations or potential improvement opportunities and not seeking to solicit a Second Remedial Action Plan from the Barclays Entities as contemplated within paragraphs 6.16 to 6.19 of the EU.

## 2. Summary results and recommendations

We found no weaknesses (Deficiencies) or instances of non-compliance as it relates to the:

- ▶ Barclays Entities' compliance with the Disclosure Requirement and for BCI, the Reporting Requirement
- ▶ Barclays Entities compliance framework
- ▶ Operating effectiveness of the policies, procedures, practices, training and monitoring arrangements put in place by the Barclays Entities.

### Results and recommendations table

Reference	Summary obligation	Results	Recommendations
2.1	<p><b>Disclosure Requirement</b></p> <p>Before an eligible financial service is provided in Australia to a wholesale client, the Barclays Entity must give written disclosure to the wholesale client containing prominent statements to the following effects:</p> <ul style="list-style-type: none"> <li>▶ The Barclays Entity is exempt from the requirement to hold an Australian financial services licence under the Act in respect of the eligible financial services; and</li> <li>▶ The Barclays Entity is regulated by: <ul style="list-style-type: none"> <li>▶ BCI is regulated by the SEC under US laws</li> <li>▶ BCSL is authorised by the PRA and regulated by the FCA and PRA under UK laws</li> <li>▶ BCAL is regulated by the SFC under HK laws.</li> </ul> </li> </ul> <p>Which differ from Australian laws.</p>	<p>We confirmed no changes had been made to the Disclosure Letter since our First Review.</p> <p>We found the customer on-boarding processes and controls remained consistent with documented procedures, across all Operational locations.</p> <p>All accounts tested contained evidence that the disclosure document was provided.</p> <p>We found the Barclays Entities adopted our improvement opportunity and undertook steps to design, implement and test the necessary systems, processes and / or controls.</p>	No recommendations.
2.2	<p><b>Reporting Requirement</b></p> <p>BCI must notified ASIC, as soon as practicable and in any event within 15 business days after BCI became aware or should reasonably have become aware, and in such a form (if any) as ASIC may from time to time specify in writing, of the details of:</p>	<p>We found no material changes had been made to BCI's notification policies, procedures or underlying systems used to maintain evidence of decisions made.</p> <p>All matters tested contained evidence to support the significance assessment and, where necessary,</p>	No recommendations

Reference	Summary obligation	Results	Recommendations
	<ul style="list-style-type: none"> <li>▶ Each action or investigation of the following kinds taken by the SEC or other overseas regulatory authority against BCI in a foreign jurisdiction in relation to financial services provided in the foreign jurisdiction:               <ul style="list-style-type: none"> <li>▶ Significant enforcement action</li> <li>▶ Significant disciplinary action</li> </ul> </li> </ul> <p>Significant investigation (unless, after having taken reasonable steps to enable notification to be given to ASIC, BCI is prohibited by law from giving such notification but only to the extent of the prohibition)</p>	<p>notification to ASIC within 15 days of being determined significant.</p> <p>We found the Barclays Entities adopted our improvement opportunity and undertook steps to design, implement and test the necessary systems, processes and / or controls.</p>	
2.3	<p><b>Training</b></p> <p>Assess whether each Barclays Entity has developed and implemented an effective training program that provides relevant employees with the necessary knowledge and understanding of their obligations and the relevant systems, processes and controls to manage these obligations</p>	<p>We found the Barclays Entities had updated its training material reflective of the maturity of its response to ASIC's initial concerns and the overall awareness of the control environment achieved through the initial awareness training and communications.</p> <p>No exceptions identified.</p>	No recommendations.
2.4	<p><b>Monitoring</b></p> <p>Assess whether each Barclays Entity has developed and implemented an effective monitoring program that provides relevant assurances over the systems, processes and controls to manage the Disclosure and Reporting requirements</p>	<p>We found no material changes to the Barclays Global Risk Management Framework setting out the roles and responsibilities between the First, Second and Third lines of defence.</p> <p>We found all assurance functions across the Three Lines of Defence had performed testing consistent with our expectations.</p>	No recommendations.

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