



ASIC
Australian Securities &
Investments Commission

CEU interim compliance report by ASIC

ASIC's interim report dated **8 April 2020** on compliance with the s93AA ASIC Act court enforceable undertaking given by the **Commonwealth Bank of Australia** ACN 123 123 124 (**CBA**) dated 9 July 2018.

Terms used in this report have the same meaning as in the 9 July 2018 court enforceable undertaking (**CEU**).

Undertakings	Report on compliance
Engagement of Independent Expert CEU paragraphs 3.2 – 3.5	1. Ernst & Young (EY) was appointed on 5 October 2018, with ASIC's approval, as the Independent Expert (IE) in accordance with the terms of engagement and extended timeframe as agreed upon with ASIC.
BBSW Program CEU paragraphs 3.8 and 3.9	2. On 21 December 2018, CBA submitted its BBSW Program to ASIC and the IE within the timeframe specified in the CEU.
Assessment of the BBSW Program CEU paragraphs 3.10 and 3.10(a)	3. The IE conducted its assessment of the effectiveness of the BBSW Program to prevent, detect and respond to matters set out in the CEU, in accordance with the requirements and extended timeframe as agreed upon with ASIC and CBA.
Expert Report CEU paragraph 3.10(b)	4. On 23 April 2019, the IE submitted its Expert Report to ASIC and CBA in accordance with the requirements and extended timeframe as agreed upon with ASIC and CBA. 5. The Expert Report set out the IE's findings from the assessment of the BBSW Program under paragraph 3.10(a). In summary, the Expert Report: (a) identified deficiencies in the BBSW Program; and

Undertakings	Report on compliance
	<p>(b) made recommendations for actions, that in the opinion of the IE, would be necessary for CBA to implement to rectify the deficiencies identified in the Expert Report.</p>
<p>Final BBSW Program</p> <p>CEU paragraph 3.11</p>	<p>6. On 23 July 2019, CBA submitted its Final BBSW Program to ASIC and the IE within the requirements and timeframe specified in the CEU.</p>
<p>Further Expert Report</p> <p>CEU paragraph 3.12</p>	<p>7. On 30 August 2019, the IE submitted its Further Expert Report to ASIC and CBA in accordance with the requirements and extended timeframe specified in the CEU.</p> <p>8. The Further Expert Report set out the IE’s findings from the assessment of the Final BBSW Program including the IE’s opinion on whether the Final BBSW Program addresses the bases for the recommendations in the Expert Report.</p>
<p>Compulsory compliance training for current and former Relevant Employees</p> <p>CEU paragraph 3.21*</p>	<p>9. In accordance with the requirements and timeframe specified in the CEU, CBA has confirmed it has:</p> <p>(a) arranged for each Relevant Employee to participate in a program of compliance training conducted by an appropriately qualified training provider (endorsed by an external industry expert) focused on compliance with the Corporations Legislation in respect of trading on markets for fixed income products and the trading of Prime Bank Bills;</p> <p>(b) undertook a review of the Relevant Employee’s remuneration arrangements including the appropriateness of their base salary and bonus settings (including as to deferral of bonus payments) and CBA’s entitlement to clawback and withhold bonuses in the event of misconduct;</p> <p>(c) considered, taking into account the Relevant Employee’s historical work performance, conduct and training results in paragraph 3.21(a), the Relevant Employee’s suitability for</p>

Undertakings	Report on compliance
	<p>their existing role, including whether it might be appropriate to redeploy them different roles; and</p> <p>(d) designed and implemented a specific program to monitor the activities of the Relevant Employee including:</p> <ul style="list-style-type: none"> (i) ongoing spot auditing, at least fortnightly in frequency, by the compliance team of the Relevant Employee to identify any inappropriate behaviour in respect of the trading of Prime Bank Bills; and (ii) regular reporting to ASIC of the monitoring and spot auditing of the Relevant Employee; and (iii) clear consequences (including consequences to remuneration), for any inappropriate behaviour in respect of the issuance or trading of Prime Bank Bills; and (iv) the deferral of bonuses in respect of periods commencing after 1 July 2018 until a period of 12 months has elapsed during which the ongoing spot audits in paragraph 3.21(d)(i) do not identify any inappropriate trading activity.
<p>Community Benefit Payment</p> <p>CEU paragraph 3.22</p>	<p>10. On 18 July 2018, CBA made payment to the total amount of A\$15 million to Ecstra Foundation Limited (ACN 625 525 162) to promote confident and informed participation of investors and consumers in the financial system. The payment was made in accordance with the requirements of the CEU and extended timeframe as agreed upon with ASIC.</p>

*Ongoing compliance is required in respect of 3.21(d)