

NOTICE OF FILING

Details of Filing

Document Lodged:	Statement of Agreed Facts
Court of Filing	FEDERAL COURT OF AUSTRALIA (FCA)
Date of Lodgment:	12/09/2025 5:39:23 PM AEST
Date Accepted for Filing:	12/09/2025 5:43:05 PM AEST
File Number:	VID1212/2025
File Title:	AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION v AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED (ACN 005 357 522)
Registry:	VICTORIA REGISTRY - FEDERAL COURT OF AUSTRALIA



Sia Lagos

Registrar

Important Information

This Notice has been inserted as the first page of the document which has been accepted for electronic filing. It is now taken to be part of that document for the purposes of the proceeding in the Court and contains important information for all parties to that proceeding. It must be included in the document served on each of those parties.

The date of the filing of the document is determined pursuant to the Court's Rules.



IN THE MATTER OF AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED ACN: 005 357 522

No. of 20

Federal Court of Australia

District Registry: Victoria

Division: General

Australian Securities and Investments Commission

Plaintiff

Australia and New Zealand Banking Group Limited

ACN: 005 357 522

Defendant

STATEMENT OF AGREED FACTS

A. INTERPRETATION

1. In this document, the following definitions apply:
 - a. **10 year Australian bond futures** means the interest rate derivative contract traded on the ASX24 under commodity code XT.
 - b. **AGS** means Australian Government Securities, including Treasury bonds.
 - c. **ANZ** means Australia and New Zealand Banking Group Limited ACN 005 357 522.
 - d. **AOFM** means the Australian Office of Financial Management, a department of Commonwealth Treasury.
 - e. **ASIC Act** means the *Australian Securities and Investments Commission Act 2001* (Cth).
 - f. **Corporations Act** means the *Corporations Act 2001* (Cth).
 - g. **December 2034 Treasury Bonds** means the Treasury bonds issued by the AOFM with a maturity date of December 2034 and which were priced on 19 April 2023.

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[Form approved 01/08/2011]

- h. **EFP** means Exchange for Physical, which describes a transaction where one party buys the physical assets and sells Treasury bond futures contracts while the opposite party sells the physical assets and buys Treasury bond futures contracts.
- i. **Pricing** means the time at which the price or level of the fixed interest rate or yield that will be payable by the AOFM on Treasury bonds for a new bond issuance is set. Pricing is determined by reference to the bid-side spread of the 10 year Australian bond futures contract at that specific time and expressed as yield to maturity, adjusted for the EFP spread for the issuance.
- j. **Secondary market bond turnover** means the buying and selling of Treasury bonds and other AGS to and from intermediaries (market makers) to clients, such as investment funds, asset managers, central banks, and other financial institutions.
- k. **Treasury bonds** are medium- to long-term debt securities which provide a fixed rate of interest, paid semi-annually to the investor. Treasury bonds are also referred to as Australian Government bonds or Australian Commonwealth Government bonds (ACGBs). Treasury bonds are financial products under s12BAA of the ASIC Act and s764A of the Corporations Act.
- l. **Yield** means the rate of interest per annum, or the expected return (per annum) from buying a debt security such as a bond and holding it to maturity.

B. INTRODUCTION

- 2. For the purpose of this proceeding only, this Statement of Agreed Facts (**SOAF**) is made jointly by the Plaintiff (ASIC) and the Defendant (ANZ) pursuant to s191 of the *Evidence Act 1995* (Cth).
- 3. This SOAF relates to a proceeding commenced by ASIC against ANZ on 12 September 2025 (**Proceeding**) and is made jointly by ASIC and ANZ in support of proposed consent orders setting out the relief and other orders agreed between the parties and which they agree, if made, will resolve this Proceeding.
- 4. By this Proceeding, ASIC has sought declarations that ANZ contravened particular provisions of the ASIC Act and the Corporations Act and orders that it pay pecuniary penalties to the Commonwealth as well as other ancillary orders.
- 5. This document identifies the facts relevant to each of the contraventions alleged by ASIC and admitted by ANZ for the purpose of the Proceeding. The facts agreed to, and the admissions made, are agreed to and made solely for the purpose of this Proceeding and do not constitute any admission outside the Proceeding.
- 6. The job titles for individuals referred to in this document are the job titles as at the time of the event being described.

C. THE PARTIES

ASIC

7. At all material times, ASIC is and was a body corporate established under s7 of the *Australian Securities Commission Act 1989* (Cth), continued by s261 of the ASIC Act, and able to sue in its corporate name by reason of s8 of the ASIC Act.

ANZ

8. Australia and New Zealand Banking Group Limited (ACN 005 357 522) is a duly incorporated corporation and was at all material times an Australian Financial Services Licensee (Licence number 234527).

D. BACKGROUND

AOFM and Treasury bonds

9. The Australian Office of Financial Management (**AOFM**) issues Australian Government bonds (also known as Treasury bonds or ACGBs) to borrow money on behalf of the Commonwealth government. This is to ensure the Australian Government can meet its spending, investment and debt payment obligations.
10. Treasury bonds are medium-to long-term debt securities which provide a fixed rate of interest, paid semi-annually to the investor. Treasury bonds are financial products under s12BAA of the ASIC Act and s764A of the Corporations Act.
11. The AOFM regularly issues Treasury bonds through periodic auctions conducted by competitive tender, in which registered bidders submit bids.
12. From time to time, the AOFM conducts syndicated issuances of Treasury bonds, typically for a new maturity and for larger volumes than can be obtained through the tender process. A syndication involves the AOFM appointing financial institutions as joint lead managers to support and promote the transaction, with the bonds being placed directly with investors, and appointing one of the joint lead managers as the duration manager to manage the interest rate risks associated with the issuance as referred to at paragraph [28] below. The duration manager assumes and manages the risk as principal, and not as agent for the AOFM.
13. In transferring the management of the interest rate risks associated with the issuance to the duration manager, the AOFM is relying on the skills and expertise of the financial institution as a sophisticated market participant. While the AOFM is a sophisticated market participant, it does not have the skillset nor expertise to manage this interest rate risk itself, and as such, the duration management service is a significant benefit to the AOFM and Commonwealth. The duration manager is not paid a separate fee for this role, beyond the allocated joint lead manager fee. The duration manager has an opportunity to earn a profit if there is positive spread between the average price at which it sells its futures hedge and the price at which it acquires the bond futures from

investors in the bond issuance. If there is a negative spread, the risk manager may incur a financial loss.

14. It is understood that in providing the duration management, the duration manager may take on significant market risk and deploys its own capital in the management of such risk.
15. This gives rise to an inherent conflict between the financial institution which seeks to manage its risk and make a profit from the provision of the service and the AOFM which will be disadvantaged by any downward price pressure on the reference price. Accordingly, whilst the AOFM receives a significant benefit from the services provided by the duration manager, and the AOFM expects that the duration manager will seek to make some profit, it is an expected part of that role that the financial institution will conduct its hedging in such a way as to minimise market disruption, price volatility and price impact.
16. The AOFM is aware that giving investors the opportunity to invest on an exchange for physical basis (as described in paragraph [27] below) gives rise to a risk which needs to be managed. It is also aware that the duration manager manages this risk by selling the reference bond futures in the market during the transaction which can place downward pressure on the reference price, but expects that selling to be conducted in such a way as to minimise market disruption, price volatility and price impact (as described in paragraph [15] above).
17. The AOFM is the largest issuer of bonds in the Australian market. Some of its personnel are sophisticated participants in the Australian fixed income market. Notwithstanding this, on 19 April 2023, the AOFM was in a position of situational vulnerability, as referred to at paragraphs [109] to [114] below.

ANZ's bond business

18. At all relevant times, ANZ was a registered bidder participating in tenders conducted by the AOFM. As part of this role, ANZ provided information to the AOFM about its monthly turnover in trading Australian Government securities (including Treasury bonds) in the secondary market.
19. At all relevant times, ANZ promoted itself to the AOFM for the role of joint lead manager and duration manager on syndicated issuances.
20. At all relevant times,
 - a. ANZ provided a service which was supplied in relation to Treasury Bonds, dealt in and made a market in Treasury bonds for the purposes of s12BAB of the ASIC Act and s766D of the Corporations Act, and was permitted by the terms of its Australian financial services licence (No. 234527) to do so.
 - b. ANZ, in trade or commerce, engaged in conduct, in connection with the supply of financial services for the purposes of ss 12CB and 12DB of the ASIC Act.

- c. ANZ engaged in conduct in this jurisdiction in relation to a financial product for the purposes of s1041H of the Corporations Act.

Strategy to enhance ANZ's bond business

21. In 2022, ANZ's markets leadership team introduced a number of initiatives directed towards securing mandates from the AOFM for ANZ to act as joint lead manager and/or duration manager on syndicated bond issuances. This was to be achieved through improving ANZ's rankings in both the primary market (through active participation in tenders conducted by the AOFM) and in secondary market turnover for Australian government bonds.
22. Since at least February 2022, members of ANZ's markets leadership team from time to time reviewed ANZ's ranking on various trading platforms for its secondary market activities in Treasury bonds.
23. By April 2022, under one of these new initiatives (a subsidy structure), any losses incurred by the trading business from more active participation in the AOFM's primary market tenders was to be offset by the fees generated from joint lead manager appointments and the potential "material upside" in profits from undertaking the duration management role.
24. By October 2022, ANZ had established the AUD/NZD Distribution Initiative and identified key results areas which were regularly tracked by senior personnel across ANZ's Markets divisions of sales, trading, and debt capital markets. These key results areas included both financial and non-financial targets, including (amongst others) revenue growth, league table rankings among public sector issuers including the AOFM, and turnover in secondary market trading in bonds.
25. Towards the end of 2022 and by early 2023, ANZ expected that the AOFM would be conducting a new syndicated bond issuance by April 2023. ANZ had a strong desire to be awarded the duration manager mandate on this transaction because:
 - a. the last time ANZ was awarded the duration manager mandate was in 2020 (although it had acted as a joint lead manager since this time);
 - b. the anticipated profits from the mandate presented an opportunity to, at the very least, recoup and offset the costs which ANZ had incurred to date on its loss-leading subsidy strategy referred to at paragraph [23] above, and, on ANZ's projections, result in a net profit to the business; and
 - c. such a role is considered prestigious and was seen as essential to ANZ being a market leader in the Australian bonds business, which leads to opportunities for securing additional mandates from semi-government issuers and attract broader client business.

ANZ'S ROLE ON THE DECEMBER 2034 TREASURY BOND ISSUANCE BY THE AOFM

26. In April 2023, ANZ was appointed by the AOFM as a joint lead manager and as the duration manager for a \$14 billion syndicated Treasury bond issuance by the AOFM.

27. Investors participating in the AOFM's syndicated bond issuance could do so on either:
- a. an outright basis – i.e. the investor purchases the bonds; or
 - b. an exchange-for-physical (**EFP**) basis – i.e. the investor purchases the bonds combined with a sale of 10-year Australian bond futures. This arrangement allows the investor to hedge the interest rate risk arising from their purchase of the bonds.
28. The role of the duration manager involves, among other things, accepting the risk associated with the 10-year Australian bond futures which form part of the EFP orders from investors, which may be significant.
29. As part of the duration manager role, ANZ knew that:
- a. it would acquire a significant number of 10-year Australian bond futures from investors who were allocated bonds on an EFP basis. This volume was expected to significantly exceed average daily traded volume in 10-year Australian bond futures;
 - b. it was ANZ's role, as duration manager, to manage the risk it expected to acquire associated with these bond futures. In doing so, it was permitted by the AOFM to trade before, during, and after pricing. The AOFM disclosed to the market that ANZ could do so;
 - c. ANZ would be selling 10-year Australian bond futures to pre-hedge the anticipated risk. In doing so, it could also acquire positions in other Australian bond futures, US Treasury futures and foreign exchange positions to offset the risk to ANZ of its pre-hedging position (described as **correlated hedges**). This trading would be conducted in a segregated portfolio and ANZ would measure the risk of its trading positions in DV01 (described in paragraph [47a]), which is a common approach to managing and measuring risk;
 - d. the AOFM expected, including as a result of ANZ's representations to the AOFM about how it would undertake the role of duration manager (as set out below), that ANZ would manage the risk in an orderly manner to minimise market disruption, price volatility and price impact, and in a manner which promoted the fair treatment of the AOFM, and in compliance with ANZ's policies and industry guidance;
 - e. the price at which ANZ would acquire these bond futures from investors would be set, during the pricing call which commences at a time nominated by ANZ, by ANZ's nominated trader spotting the prevailing bid-side of the futures price, which is then agreed to by the AOFM and the other joint lead managers;
 - f. the yield of the bond issued by the AOFM on behalf of the Commonwealth is determined by adding a spread (predetermined by the AOFM) to the yield implied by the futures bid price agreed on the pricing call. This determined

the amount that the Commonwealth would receive from investors who purchased the bonds issued;

- g. it would receive no fee or spread for accepting the risk of acquiring the significant number of 10-year Australian bond futures. Instead, it would make a profit or loss from the difference between the price at which it acquired the 10-year Australian bond futures from investors and the price at which it sold an equivalent volume of those contracts in the market during its hedging; and
 - h. each basis point reduction in the price of the 10-year Australian bond futures at pricing, and the consequential change in the yield of the bonds, would:
 - i. disadvantage the Commonwealth because it would reduce the proceeds received by the Commonwealth from the bond issuance; and
 - ii. benefit ANZ because it would pay a lower price to acquire the significant number of 10-year Australian bond futures to be acquired by ANZ from investors in the bond issuance, thereby increasing ANZ's revenue or reducing its loss associated with managing the EFP risk.
30. ANZ also knew that, in managing the risk and to minimise the price impact of its trading activity, a duration manager was expected to liaise with the AOFM on any issues that arose in the course of the trading day which might impact upon its risk management or the timing of the pricing. ANZ also knew that it could:
- a. withhold some of its hedging activity (and that it was common to do so) until after the time of the bond issuance pricing; and/or
 - b. adjust the time of the pricing call to occur later in the day to allow itself more time to trade.
31. Withholding some of the hedging activity would cause the duration manager to hold the risk of an unhedged position for a longer period of time. Adjusting the time of the pricing call carries the risk that the reference price may rise in that period.
32. The duration manager nominates the time of the pricing call and the AOFM relies on the judgement of the duration manager to select the pricing call time.

ANZ's response to AOFM's request for information

33. On 6 December 2022, the AOFM sought information from institutions that might be considered as a joint lead manager on future syndicated issuances. The request for information included the following question:

"2. If your institution wishes to be considered for a duration risk manager/billing and delivery agent role on an AOFM syndicated issue, provide details of:

- *the broad strategies that would typically be employed to manage duration risk;*
- *the approval processes required within the institution to accept this role;*

- how information would be managed as a duration manager, including:
 - information barriers (as above);
 - the information held by trader/s before, during and after the book build process;
 - how the conflict of interest between the issuers best interests and the financial incentives of the trader /s are managed;
 - whether the trader/s are able to be involved in any other trading activity during the syndication; and
 - who has access to (or any knowledge of) the tickets after each deal."

34. On 20 January 2023, ANZ responded to the request for information from the AOFM regarding ANZ's participation in the AOFM's syndication process. The document stated:

"1.7 EXTERNAL GUIDELINES, LAWS AND REGULATIONS

...

ANZ is a member of the Australian Financial Markets Association (AFMA), the FICC Markets Standards Board (FMSB) and participates in International Capital Markets Association (ICMA) working groups. ANZ regularly incorporates regulatory requirements, industry guidelines and better practice into existing policies, procedures and controls.

...

2.1 ANZ'S DURATION RISK MANAGEMENT STRATEGIES

As a duration risk manager, ANZ's key objectives are smooth and efficient pricing and execution underpinned by trust and transparency throughout the syndication process.

ANZ would manage the deal risk by deploying trading strategies across a broad spectrum of mandated products, including, but not restricted to ACGB Bond futures, US Treasuries, and physical currencies.

In respect of the above, ANZ are able to, depending on market conditions and valuations, begin risk management of the deal from public announcement of the deal through to time of pricing. We would be happy and willing to communicate our activities and position throughout the process with AOFM as required.

...

3.3 COMPLIANCE WITH RELEVANT LAWS AS DURATION RISK MANAGER

The internal policies, processes and controls used by ANZ when acting as a duration risk manager for syndicated bond issues have been designed to ensure compliance with relevant industry guidelines, laws and regulations. As noted in section 1.7 of this document, ANZ regularly incorporates regulatory requirements and industry better practices into our policies, procedures and controls"

35. On 29 March 2023, Mr Darren SLOANE (Director, Debt Syndicate) of ANZ emailed the AOFM with market observations relevant to the possible issue of a new December 2034 bond by the AOFM. The email stated:

"ANZ would like to highlight our desire and ability to assist AOFM with the billing and delivery and hedge management role for any transaction undertaken. [...] Demonstration of risk management capability in the Primary process plays an integral part of our brand [...] We have experienced varying levels of liquidity in the bond futures market, and the depth of the market can become limited, as such it requires a measured approach in managing the risk of the trade, potentially involving the use of other products in addition to Government bond futures so as to ensure as smooth and limited impact to the pricing of the proposed transaction."

36. The attached presentation, titled 'AOFM – ANZ as Duration Manager (March 2023)' stated:

"OBJECTIVES OF THE AOFM, INVESTORS AND THE DURATION MANAGER

Key Objectives:

1. Smooth Execution

- Smooth execution, minimal market movement around time of pricing*

...

3. Transparency

- Transparent process throughout*

...

KEY INTERNAL DOCUMENTS AND GUIDELINES FOR PRIMARY & SECONDARY

- ANZ is committed to ensuring potential or actual conflicts of interest are appropriately managed or avoided. ANZ places great importance on honesty, integrity, quality and trust. Acting honestly and with integrity also means managing conflicts of interest that could arise between ANZ and its clients.*

...

ANZ TRADING ADOPTS A NUMBER OF LIMITS IN THE MANAGEMENT OF RISK, THESE LIMITS ACROSS GLOBAL MARKETS ALLOW ANZ TO MANAGE AN ORDERLY MARKET BACKDROP AROUND THE PRICING OF A TRANSACTION"

ANZ's appointment as joint lead manager and duration manager on December 2034 bond issuance

37. On Friday 14 April 2023, the AOFM announced that it planned to issue a new 21 December 2034 Treasury Bond via syndication in the week beginning 17 April 2023, subject to market conditions.
38. Later on the same day, the AOFM appointed ANZ, Commonwealth Bank of Australia, Deutsche Bank and National Australia Bank Limited as joint lead managers. The AOFM also appointed ANZ to be the duration manager.

39. In accepting the appointment as joint lead manager, ANZ agreed to the Syndication Common Terms which required ANZ to:
- a. *"act efficiently, honestly and fairly in the interests of the Commonwealth during the Bond issuance process"* (Clause 7.2(a)); and
 - b. comply, and ensure its employees comply, with *"all Australian laws applicable to the performance of its obligations under the Relevant Agreements"* (Clause 17.1).
40. The Terms also record that *"The Commonwealth acknowledges that in connection with any offering of Bonds....the Joint Lead Managers ... owe no fiduciary duties to, the Commonwealth or any other person."*(Clause 12.2).
41. In accepting the role of duration manager, Mr SLOANE on behalf of ANZ informed the AOFM during a telephone call that Mr Christopher CORBETT (Head of Rates Trading Australia, Markets) would be the nominated trader and that ANZ would:
- "certainly try and maintain and manage the risk in a way that is of the least impact to the market and we keep an open and consistent dialogue both with yourselves and myself and the trader who will be looking after the risk."*
42. ANZ also agreed to the terms of a document provided by the AOFM titled 'procedural aspects of risk management'. The document noted that the bond would price off the bid side of the 10-year Australian bond futures contract.
43. As a financial services licensee, ANZ was also subject to a statutory obligation to ensure that it did all things necessary to act efficiently, honestly, and fairly when providing duration manager services to the Commonwealth.
44. At 2:15pm on 14 April 2023, Mr SLOANE informed Mr Rakesh JAMPALA (Co-Head of Fixed Income, Markets) in a Bloomberg chat that ANZ had been appointed as joint lead manager and duration manager.
45. At 4:25pm on 14 April 2023, a senior member of Market Surveillance (**Surveillance Senior Manager 1**) emailed Mr Daniel TARRARAN (Group General Manager, Markets Risk) stating: *"Just a heads up, we got the risk for the AOFM Duration Management next week. ... Best guess is around 10-15yds of 10yr at this stage; i.e. 5-7.5mm risk. I've dusted off the agreed principles and will fwd back to RJ [Mr JAMPALA] on Mon. Looks like he will get Corb's [Mr CORBETT] to manage this one."*
46. At 4:29pm on 14 April 2023, Mr JAMPALA sent Mr CORBETT an email attaching a document titled *"Duration Management of Australian Physical Bond Issuance"* which was a memo prepared by Mr JAMPALA in 2020 addressing considerations in acting as a duration manager. The document included the following passage:
- "Conflicting interests as Duration Manager*
- Duration management execution effectively operates as a reference price transaction, where there is no margin other than being set on the bid side of the futures. There are a number of ways of going about executing this, with important*

(and often conflicting) considerations. Clearly the least risky approach for ANZ is sell all the risk in as small as possible a window just around time of pricing. However, this course of action will certainly disturb orderly functioning of the market, likely create jump discontinuity in price, and reflect poorly on the overall market, let alone the impact to AOFM in respect of price. The converse would be ANZ selling the risk over a period of days leading into pricing. This would enable a smooth execution with very little impact to the market, but would expose ANZ to very material market risk. Risk which is not priced given we are only getting set off the bid side of futures. The correct approach therefore lies somewhere in the middle, with strategy on any particular occasion subject to market conditions and liquidity at that prevailing time."

47. At 4:31pm on 14 April 2023, Surveillance Senior Manager 1 sent an email to his direct report (**Surveillance Manager 2**) which forwarded an email chain commencing on 28 August 2020 discussing a potential approach to intra-day risk limits applicable to the role of duration manager for AOFM transactions. The first email in the forwarded chain was sent by Surveillance Senior Manager 1 on 28 August 2020. In that email, Surveillance Senior Manager 1 stated that he had assumed that ANZ would maintain the "same basic hedging strategy" it had used on recent AOFM transactions to develop appropriate duration manager limits. Those assumptions included:
 - a. The risk which ANZ assumes at the time of pricing the transaction is the total size of the deal multiplied by the proportion of investor orders that are on an EFP basis. (The risk is referred to in terms of 'DV01', which measures the change in value of a position per each 1 basis point change in yield of the futures contract).
 - b. Most of ANZ's pre-hedging will take place in the 90 minutes prior to pricing time. At the time of pricing, ANZ can typically expect to have pre-hedged up to two thirds of its risk by selling and thereby building a short position in Australian bond futures.
 - c. ANZ may also acquire partially offsetting positions in other products such as US Treasury futures and AUD/JPY currency trades to mitigate the risk to ANZ as it builds the short pre-hedging position (described as **correlated hedges**).
 - d. The aim is to ensure that ANZ's peak exposure at the time of pricing is kept below 50% of the total deal risk.

ANZ's Material Size Transaction Guidelines, applicable ANZ policies, and industry guidance

48. By 17 April 2023, as required by its Material Size Transaction (**MST**) Guidelines, ANZ had assessed the likely risk it would acquire from the bond issuance transaction. It expected the transaction size to be approximately \$10-15 billion, with an indicative risk size of \$8-10 million per basis point (referred to in terms of 'DV01'). It assessed the transaction as being material and having a market impact.
49. ANZ established a deal team for the transaction which included Mr JAMPALA as "Senior Trading Manager" and Mr CORBETT as "Senior Trading Manager & MST Trader".

50. In a call commencing at 2:09pm on 17 April 2023, Mr JAMPALA described to members of the Desk Risk Management and Compliance teams that:
- a. ANZ's advice to the AOFM will be to launch the transaction the next day (Tuesday), *"which means pricing on Wednesday"*; and
 - b. Mr CORBETT will be the trader managing the risk of the transaction. Mr JAMPALA will *"be with him pretty closely working – basically, doing it with him and just providing counsel right throughout which is why I'm on the deal team."*
51. ANZ's MST Guidelines and Trading Practice Guidelines in place as at April 2023 required that:
- a. Traders *"should use reasonable endeavours to execute the MST in a manner that: is not disadvantageous to the client" and "is minimally disruptive to the market. You should manage the execution of the MST in a way that promotes the fair treatment of the Client" and pre-hedging "must be carried out insofar as possible in a way that is not detrimental to the Client"*.
 - b. Hedging should be aligned with *"any applicable ANZ Policy/Procedure/internal guidance and relevant market standard"* and in compliance with the following general principles:
 - i. *"When hedging, it should be conducted in a manner that has little influence on market pricing, at a pace consistent with the normal market volumes at that time of day in the relevant instrument, and does not result in undue pressure on pricing around the fixing window/ reference time/ pricing call"*;
 - ii. *"Trader[s] should ensure that the sole purpose behind hedging is risk mitigation [and] should not be performed for the purpose of influencing or manipulating the fixing rate / reference price / reference rate / reoffer yield"*; and
 - iii. *"Traders should comply with FMSB's Risk Management Transactions for New Issuance Standard" and "FMSB's Reference Price Transactions Standard"*.
 - c. There must be no over-hedging, i.e. related hedging should never be more than 100% of ANZ's risk exposure.
 - d. Pre-hedging must only be executed by the MST Trader and that *"[t]he Deal Team can include the Senior Trading Manager (if approved by Desk Risk Manager and Compliance). The Deal Team should not include the MST Trader"*.
52. ANZ's Information Flow Guidelines outline principles governing communications from ANZ employees to clients. Relevantly, 'Principle 3 – Communications' notes that:
- "You must communicate in a manner that is clear, accurate, professional, and not misleading."*

Sub-principle i) ... to support the accuracy and integrity of information, you should: ... not communicate false information".

53. At all relevant times, the FICC Markets Standards Board (**FMSB**) was a UK-based industry body that promotes best practice standards for wholesale markets globally including by developing standards and good practice statements.
54. In November 2016, the FMSB issued the Reference Price Transaction Standard, which relevantly provided:
 - a. A market participant should *"balance the objectives of its hedging strategy against the possibility of putting undue pressure on the reference price, recognising that some price pressure is to be expected as risk is passed, particularly for large transactions or transactions in less liquid markets"*.
 - b. Hedging should generally be *"at a pace consistent with normal market volumes at that time of day in the relevant instrument (adjusted as necessary for the volume implicit in the RPT itself, and recognising that this may not be possible for illiquid instruments)"* and *"Although volatility can be due to many factors, a reasonable hedging strategy would not be expected to induce materially higher volatility of the reference price around the reference time, taking into account the size of the risk being transferred"*.
 - c. Hedging should be designed to neutralize the risk and should not be undertaken for the purpose of creating a new significant open risk position. *"Intentional over-hedging (i.e. hedging more than required to cover the firm's risk) should not take place other than where that is a necessary consequence of appropriate hedging activity, such as where the relevant hedging instrument is only available in a size greater than that required to hedge the RPT"*.
55. At all relevant times, the Australian Financial Markets Association (**AFMA**) was a financial markets industry association which maintained codes, policies and procedures for the purpose of regulating its members' conduct in certain financial markets.
56. The AFMA Code of Conduct set out ethical principles for acceptable standards of behaviour in Australian financial markets which members were required to observe and expected to adopt. The Code of Conduct includes:
 - a. Ethical principle 4, which provides that members were expected to: *"Act fairly and honestly when dealing with clients and counterparties"*; and
 - b. Ethical principle 9, which provides that members were expected to: *"Observe market standards and conventions, good practice and conduct expected or required of participants in markets when engaging in any form of market dealing"*.

57. AFMA's Guidance on Pre-Hedging and Debt Capital Primary Market Guidelines (which included a section entitled 'Reference Price Transactions') relevantly set out the following:
- a. The key characteristic of Reference Price Transactions is the *"possibility of market pressure arising from Syndicate Manager risk management activity, and the related potential conflict of interest between the Issuer and the Syndicate Manager"*.
 - b. Dealers should conduct hedging *"in a manner that is not intended to disadvantage the Client"* and communicate *"their hedging practices to the Issuer in a clear manner meant to enable clients to understand their intentions and actions in the market"*.
 - c. The sole intention behind hedging should be *"risk mitigation"*.
 - d. In relation to acceptable hedging practices, the AFMA Guidance included the same matters as set out in the FMSB's Reference Price Transaction Standard set out above.

18 April 2023: December 2034 Treasury bond launched

58. At 9:00am on 18 April 2023, the AOFM announced the launch of a new Treasury bond maturing on 21 December 2034, which would be priced on 19 April 2023. The announcement noted that the duration manager *"may be involved in hedging activities before, during or after pricing"*.
59. To execute the duration manager role, ANZ set up a segregated room on the trading floor. From the time that the deal was launched at 9am on 18 April 2023 until the deal was priced, Mr CORBETT, as the nominated trader, and Mr JAMPALA, as his supervisor, were removed from normal trading activities as required by the MST Guidelines. Mr CORBETT traded in the segregated room. Mr JAMPALA was also in the room for most of that period, sitting next to Mr CORBETT to provide guidance and supervision. All trades executed in connection with the transaction were recorded in a segregated trading book *"R BOND AU"*. The trades and offers set out below are those conducted by ANZ, and made in connection with the risk borne by ANZ, in connection with its duration manager role on this transaction.
60. ANZ did not have a documented pre-hedging plan or a formal written hedging strategy for this transaction. ANZ informed the AOFM about its proposed approach to conducting the hedging as referred to at paragraphs [34] to [36] above.
61. Throughout the course of the transaction, Mr SLOANE had a live Bloomberg chat with the AOFM, and Mr SLOANE had a further Bloomberg chat with Mr CORBETT and Mr JAMPALA.
62. At about 4:44pm on 18 April 2023, Mr SLOANE informed Mr CORBETT through Bloomberg chat messages that the size of the bond issuance was likely to be \$13-15 billion, of which approximately \$11 billion would be EFP orders (i.e. the risk that ANZ would need to manage as duration manager):

*"Still will look to be approx 13-15bln I would expect
approx

*...
At the moment as the book stands I would say approx 11bln efp in a 15 bln print".*

63. At about 4:55pm on 18 April 2023, Mr JAMPALA sought confirmation from Mr SLOANE through Bloomberg chat messages that the deal size was not expected to exceed \$15 billion and that about 72 percent of the deal would be EFP orders:

Mr JAMPALA: 72 odd pc efp about what we would t expect ... do you place much chance on a greater than 15?

Mr SLOANE: Nope ... And yes not far off that number

64. Mr CORBETT had commenced pre-hedging a small volume of the anticipated risk for the transaction on Monday 17 April 2023. By the evening of 18 April 2023, he had accumulated a short position of 13,934 contracts of 10-year Australian bond futures in the R BOND AU portfolio to pre-hedge the anticipated risk. This short position was equivalent to about \$1.35 million of DV01 risk (i.e. about 13.5-16.8% of an anticipated total risk of \$8-10 million in DV01 terms). He also accumulated a long position of 23,066 contracts of 3-year Australian bond futures, 4,588 contracts of 10-year US Treasury note futures, and 500 contracts of 90-day Australian bank bill futures. His net DV01 position in AU products was equivalent to a short position of about \$610,584.

19 April 2023: December 2034 bond pricing date

65. Between 4:46am and 6:10am on 19 April 2023, before market open, Mr CORBETT purchased 1,000 contracts of 10-year Australian bond futures. By buying 10-year Australian bond futures, Mr CORBETT reduced his pre-hedging position. This had the effect of increasing the amount of outstanding 10-year bond futures contracts Mr Corbett needed to sell in order to hedge the anticipated number of contracts ANZ would acquire from investors in the bond issuance. Around the same time, he sold 1,000 contracts of 10-year US Treasury note futures. These trades were part of ANZ using correlated hedge products as described above. His net risk position in DV01 terms was largely unchanged as the combined result of these trades.
66. At the end of the SYCOM session on the morning of 19 April 2023, 10-year Australian bond futures were trading at 96.495.
67. ANZ knew, and AOFM reasonably would have expected, that, on this day, in connection with ANZ's need to hedge its risk associated with a transaction of this kind, ANZ intended to sell a substantial volume of 10-year Australian bond futures between market open at 8:32am and the pricing call time nominated by ANZ which would have, or would be likely to have, the effect of placing downward pressure on the price of the bond futures. The potential for the substantial volume to have downward pressure on the price of 10-year Australian bond futures may be consistent with the need to hedge these types of transactions and risk. However, on 19 April 2023, the AOFM did not know, and could not know, without ANZ informing it, that ANZ would trade a significant volume of bond futures:

- a. in a compressed time period ahead of and during the pricing call, as described in paragraphs [92] to [105] below; and
- b. in a manner that placed undue downward pressure on the reference price at the time of pricing, as described in paragraphs [108] to [114] below,

which was inconsistent with the manner of trading expected by reason of the matters set out in paragraphs [15] and [29d] above.

68. A summary of ANZ's trades in 10-year Australian bond futures relating to the AOFM transaction executed between market open and pricing on 19 April 2023, compared to market volumes over the same period, is set out below:

Time period	Market price range	Total market volume	Volume traded by ANZ	ANZ's cumulative XM position / as % of final EFP contracts
Market Open	-	-	-	-13,144 (15.6%)
08:32:00-08:44:59	96.475-485	6,515	0	-13,144 (15.6%)
08:45:00-08:59:59	96.475-485	1,800	0	-13,144 (15.6%)
09:00:00-09:14:59	96.475-485	1,672	0	-13,144 (15.6%)
09:15:00-09:29:59	96.48-495	1,961	0	-13,144 (15.6%)
09:30:00-09:44:59	96.475-49	2,971	0	-13,144 (15.6%)
09:45:00-09:59:59	96.465-48	5,349	-500	-13,644 (16.2%)
10:00:00-10:14:59	96.47-485	2,850	0	-13,644 (16.2%)
10:15:00-10:29:59	96.475-485	3,209	0	-13,644 (16.2%)
10:30:00-10:44:59	96.475-485	2,245	-80	-13,724 (16.3%)
10:45:00-10:59:59	96.475-485	1,354	-300	-14,024 (16.6%)
11:00:00-11:14:59	96.475-485	1,990	0	-14,024 (16.6%)
11:15:00-11:29:59	96.465-485	5,882	-3,462	-17,486 (20.7%)
11:30:00-11:44:59	96.465-475	5,329	-38	-17,524 (20.8%)
11:45:00-11:59:59	96.465-475	5,284	-900	-18,424 (21.8%)
12:00:00-12:14:59	96.47-485	4,615	-200	-18,624 (22.1%)
12:15:00-12:29:59	96.475-485	3,589	-500	-19,124 (22.7%)
12:30:00-12:44:59	96.475-485	4,599	-1,291	-20,415 (24.2%)
12:45:01-12:59:59	96.475-49	1,294	-109	-20,524 (24.3%)
13:00:00-13:14:59	96.475-49	5,229	-2,500	-23,024 (27.3%)
13:15:00-13:29:59	96.47-485	12,170	-6,540	-29,564 (35.0%)
13:30:00-13:44:59	96.475-485	23,631	-16,000	-45,564 (54.0%)
13:45:00-13:49:59	96.465-48	30,963	-27,070	-72,634 (86.1%)
13:50:00-13:54:11	96.46-47	13,909	-11,839	-84,473 (100.1%)

69. A list of the instructions provided by Mr CORBETT and Mr JAMPALA in 10-year Australian bond futures between market open and 1:54:11pm are set out in **Annexure A**.

70. Further details of the trading activity and conduct of ANZ throughout the course of 19 April 2023 is set out below.

8:30am to 12pm

71. At 8:32am on 19 April 2023, Mr CORBETT was advised by his broker that 10-year Australian bond futures opened at 96.48/485. This was 4 basis points below market close, and 1.5 basis points below the SYCOM session closing price.
72. At about 8:55am on 19 April 2023, the AOFM provided a market update on the syndicated transaction stating: *"Firm orderbook in excess of A\$61.5bn (including \$4.25bn JLM interest)"* and *"Books to close at 9:20am Sydney | 7.20am HK/Sing | 8.20am Tokyo"*.
73. At about 9:14am on 19 April 2023, Mr SLOANE informed Mr CORBETT and Mr JAMPALA through Bloomberg chat messages that he expected the deal size to be about \$14 to \$15 billion and that assumptions about the proportion of EFP orders remain unchanged:

Mr SLOANE: *Still looking like approx 14-15blnn print*

Mr CORBETT: *EFP comp?*

Mr SLOANE: *Current assumptions re risk remain, we are finalising now ... Book to close at 9:20
Will have better idea then
Post rec*

74. At about 9:20am on 19 April 2023, the book closed.
75. At about 9:30am on 19 April 2023, in a Bloomberg chat message Mr SLOANE informed Mr CORBETT and Mr JAMPALA that *"[d]eal size will be 14b"*.
76. At about 11:20am, Mr SLOANE informed Mr CORBETT and Mr JAMPALA that on a first cut of numbers, EFP orders comprised about \$8.455 billion of the bond issuance such that ANZ would receive approximately 84,544 contracts of 10-year Australian bond futures. In response, Mr CORBETT suggested a pricing time of 1:50pm. Mr SLOANE replied that *"[w]e don't need to advise time of pricing till much closer"*.
77. At about 11:37am, the AOFM asked Mr SLOANE through Bloomberg chat messages: *"what is thinking on timing for pricing Darren?"*. Mr SLOANE replied: *"At the moment we were thinking closer to 2pm. Im just about to run upstairs and have another chat with them Will revert with an update"*.
78. At about 11:45am, Mr SLOANE informed Mr CORBETT and Mr JAMPALA of the final risk figure, namely that ANZ will receive 84,374 contracts of 10-year Australian bond futures.
79. Between market open at 8:32am and 11:59:59am:
- 48,411 contracts of 10-year Australian bond futures traded in the market at prices between 96.465-495. Of this, Mr CORBETT sold 5,280 contracts;

- b. Mr CORBETT did not submit any offers to sell 10-year Australian bond futures from market open until 9:36am;
 - c. At 9:36am, Mr CORBETT provided an instruction to the broker to sell 250 contracts at a price of 96.485. This order was not filled. Mr CORBETT cancelled this order;
 - d. At 9:39:15am, Mr CORBETT instructed his broker to sell 500 contracts at 96.485 "if goes bid". Such an "if goes bid" order would only be placed on, and be visible to, the market if 96.485 became the best bid. His broker submitted a partial volume of this order to be visible in the market even though the best bid had not yet reached 96.485. At 10:19:47am, Mr CORBETT cancelled this order. At 10:21:45am, he replaced it with a new instruction to sell 500 contracts at 96.485 "if goes bid". Again, the broker submitted a partial volume of this order to be visible in the market. At 11:06:26am, the broker advised that the order had reached priority on the offer: "Facing xm". Around a minute later, at 11:07:56am, Mr CORBETT cancelled the order. Another minute later, at 11:08:55am, Mr CORBETT provided the same instructions again to "Sell 500 if bid there".
80. By 11:59:59am, Mr CORBETT's cumulative position in 10-year Australian bond futures was short 18,424 contracts, equivalent to about \$1.73 million of DV01 risk or 21.8% of the contracts ANZ would acquire from investors in the bond issuance. Mr CORBETT had also accumulated a long position of 29,374 contracts of 3-year Australian bond futures, 488 contracts of 10-year US Treasury note futures, 1,050 contracts of 2-year US Treasury note futures and 2,592 contracts of 90-day Australian bank bill futures. Taking into account his position in these products, his net position in AU products in DV01 terms was short about \$787,484, i.e. 10.0% of the final deal risk.
81. By this time, Mr CORBETT and Mr JAMPALA were aware that they would be seeking to sell about 65,950 contracts of 10-year Australian bond futures in less than two hours until the nominated pricing call time of 1:50pm to fully hedge the contracts ANZ would acquire from investors in the bond issuance. They were also aware that selling this volume within that time period would, or was likely to have, a downward impact on the price of 10-year Australian bond futures.

12pm-1pm

82. At about 12:01pm on 19 April 2023, Mr SLOANE informed the AOFM through Bloomberg chat messages that ANZ was: "*currently aiming flr closer to 2pm if suits. Will update over the next hour or so*".
83. Between 12:00:00 and 12:59:59pm, 10-year Australian bond futures traded at prices between 96.47-49 for a total of 14,113 contracts. During this period, Mr CORBETT sold 2,100 contracts. Over the same period, Mr CORBETT also acquired 1,280 contracts of 3-year Australian bond futures, 300 contracts of 10-year US Treasury note futures and 100 contracts of 2-year US Treasury note futures.
84. In Bloomberg chat messages commencing at 12:57:54pm, Mr SLOANE asked Mr CORBETT and Mr JAMPALA through Bloomberg chat messages: "*Let me know if any*

change to the proposed pricing time of 1:50pm I will have the AOFM send around a dial in about 10 mins before hand". Mr CORBETT replied "1.50 good for us". This was despite the matters outlined in paragraphs [81] above and [86] below.

85. By this time, Mr CORBETT and Mr JAMPALA intended to be fully hedged at pricing, if they could do so at an acceptable price, and were aware that they would seek to sell about 63,850 contracts of 10-year Australian bond futures in the next 50 minutes (until the nominated pricing call time of 1:50pm) to fully hedge the contracts ANZ would acquire from investors in the bond issuance. They were also aware that selling this volume within that time period would have, or was likely to have, a downward impact on the price of 10-year Australian bond futures.
86. ANZ knew that its intended selling of significant volumes of 10-year Australian bond futures within such a short time frame would, or was highly likely to, have a downward impact on the price of 10-year Australian bond futures and thereby increase the yield at which the AOFM would issue the December 2034 Treasury bonds. ANZ knew that that downward impact on price (and increase in yield) would be in its favour and to the detriment of the AOFM and the Commonwealth.
87. By 12:59:59pm, Mr CORBETT's cumulative position in 10-year Australian bond futures was short 20,524 contracts, equivalent to about \$1.92 million of DV01 risk or 24.3% of the contracts ANZ would acquire from investors in the bond issuance. Taking into account his position in the correlated hedge products, his net position in AU products in DV01 terms was short about \$947,851, i.e. 12.0% of the final deal risk.

1pm to 1:54:11pm (pricing time)

88. Mr CORBETT did not place any orders for 10-year Australian bond futures between 12:44:43 and 1:10pm.
89. ANZ sold a low volume of 10-year Australian bond futures in the period between 8:32am and 1:10pm, despite opportunities being available for it to sell more contracts.
90. At about 1:27pm, Mr SLOANE informed the AOFM in Bloomberg chat messages that ANZ proposed pricing occur at 1.50pm.
91. The AOFM did not know, and could not know without ANZ informing it, that at around this time:
 - a. ANZ had only sold about 29,564 contracts of the 84,374 contracts of 10-year Australian bond futures which ANZ anticipated acquiring from EFP orders in the bond issuance; and
 - b. ANZ intended to be fully hedged at pricing, if it could do so at an acceptable price, meaning that ANZ would seek to sell significant volumes of 10-year Australian bond futures in a compressed timeframe up to, and during the course of, the pricing call.

92. Between 1:00:00 and 1:29:59pm, 10-year Australian bond futures traded at prices between 96.47-49 for a total of 17,399 contracts. Of this, Mr CORBETT sold 9,040 contracts of 10-year Australian bond futures at prices of 96.475-48:
- a. Between 1:10pm and 1:21pm, Mr CORBETT sold 3,040 contracts at a price of 96.48 in four orders, three of which crossed the spread (i.e. sold at the bid price, rather than the offer price).
 - b. Between 1:24pm and 1:29pm, Mr CORBETT sold 6000 contracts at a price of 96.475 in two orders, both of which crossed the spread.
93. Between 1:00pm and 1:29:59pm, Mr CORBETT also acquired 2,330 contracts of 10-year US Treasury note futures and 150 contracts of 2-year US Treasury note futures.
94. By 1:29:59pm, Mr CORBETT's cumulative position in 10-year Australian bond futures was short 29,564 contracts, equivalent to about \$2.77 million of DV01 risk or 35.0% of the contracts ANZ would acquire from investors in the bond issuance. Taking into account his position in correlated products, his net position in AU products in DV01 terms was short about \$1.79 million, i.e. 22.7% of the final deal risk.
95. A further 54,810 contracts of 10-year Australian bond futures remained to be sold by ANZ to fully hedge the EFP risk from the transaction, within the next 20 minutes.
96. At about 1:31pm, Mr SLOANE informed Mr CORBETT and Mr JAMPALA through Bloomberg chat messages that: "[t]he AOFM will be sending a dial in around the the JLM group a few minutes before 1.50pm".
97. Between 1:32pm and 1:34pm, Mr CORBETT sold 1,000 contracts of 10-year Australian bond futures at a price of 96.48 in two orders. One of these orders had been placed at 1:21:07pm. The other order, placed at 1:33:19pm crossed the spread.
98. At 1:34pm, around two minutes after instructing his broker to cancel an offer to sell at 96.485, Mr CORBETT instructed his broker to sell 500 contracts at 96.485.
99. Around a minute later, from 1:35pm to 1:43pm, Mr CORBETT placed 12 orders to sell a total of 9,000 contracts at a price of 96.480. Eleven of these 12 orders crossed the spread and cleared the available volume at the prevailing bid of 96.480, with the residual balance of the 9,000 contracts remaining on offer in the market at 96.480.
100. From 1:44pm to 1:47pm, Mr CORBETT placed 11 orders to sell a total of 22,000 contracts at a price of 96.475. Ten of those orders crossed the spread and cleared the available volume at the prevailing bid of 96.475, with the residual balance of the 22,000 contracts remaining on offer in the market at 96.475.
101. At 1:47pm, Mr SLOANE followed up the AOFM in Bloomberg chat messages for dial in details of the pricing call. The AOFM responded "We'll send it when you are ready", in response to which Mr SLOANE stated "Ready now thanks".
102. From 1:47pm to 1:50pm, Mr CORBETT placed 7 orders to sell a total of 18,000 contracts at a price of 96.47. Five of those orders crossed the spread and cleared the available

volume at the prevailing bid of 96.470, with the residual balance of the 18,000 contracts remaining on offer in the market at 96.470.

103. At about 1:50pm, the AOFM circulated an email with dial in details for the pricing call to all joint lead managers.
104. By about 1:51pm Mr CORBETT was attempting to join the pricing call on a recorded line. Mr JAMPALA used Mr CORBETT's computer and commenced submitting instructions to the broker while still logged in as Mr CORBETT. He submitted an order to sell 3,000 contracts at a price of 96.47, which was not immediately filled and added to the volume on offer at the prevailing offer of 96.47.
105. From 13:51:56 to pricing, Mr JAMPALA placed 6 orders to sell a total of 16,000 contracts at a price of 96.465. Three of those orders crossed the spread and cleared the available volume at the prevailing bid of 96.465, with the residual balance of the 16,000 contracts remaining in the market on offer at 96.465. These three trades caused the prevailing bid to fall to 96.46. A further instruction to sell 3,000 contracts at 96.465 was given to the broker by Mr JAMPALA at 1:54:05pm, but was not entered into the market until after pricing.
106. At 1:52:38pm, Mr CORBETT confirmed that he had joined the pricing call with the AOFM and the joint lead managers.
107. As a result of the orders set out at paragraphs [98] to [100], [102], [104], and [105] above, during the time that Mr CORBETT was on the pricing call, ANZ had outstanding offers in the market to sell 10-year Australian bond futures at each of the five price levels from 96.465-96.485.
108. ANZ's trading in the lead up to and during the pricing call applied undue downward pressure on the price of 10-year Australian bond futures at the time of pricing.
109. Shortly prior to and while on the pricing call, the AOFM was observing the market for 10-year Australian bond futures on a Bloomberg screen. The AOFM observed the prevailing price of 10-year Australian bond futures decreasing. Due to the anonymous nature of the futures market, the AOFM did not, and could not without ANZ informing it of its trading activity, know whether, and to what extent, ANZ was responsible for the trading activity in the market. Further, significant selling which was likely to place downward pressure on the price of the reference product by ANZ in close proximity to and at the pricing time would be inconsistent with: (i) the AOFM's expectations which were understood by ANZ (as set out at paragraph [29d] above); (ii) ANZ's statements to AOFM about how it would manage duration management roles including this role (as set out at paragraphs [34] to [36], and [41] above); and (iii) industry guidance including from AFMA and the FMSB (as set out at paragraphs [53] to [57] above).
110. The AOFM had a reasonable expectation that it would be informed if ANZ's pre-hedging was not sufficiently advanced or if ANZ otherwise encountered difficulties in its pre-hedging prior to the indicative pricing call time, and/or that ANZ would seek to adjust the pricing call to a later time if ANZ was unable to manage its risk in accordance with its policies and industry guidance. The AOFM also relied upon ANZ to nominate the pricing call time.

111. ANZ did not disclose to the AOFM: its intention to seek to be fully hedged by the time of pricing if it could do so at an acceptable price; that its pre-hedging was not sufficiently advanced to achieve that intention without trading a significant volume of 10-year Australian bond futures before and leading into the nominated pricing call time of 1:50pm; and, therefore, it intended to engage in such trading which would have, or was highly likely to have, a downward impact on the price of 10-year Australian bond futures as at the time of pricing.
112. ANZ did not provide the AOFM with an opportunity to consult with ANZ about rescheduling the time of the pricing call in light of the progress by ANZ in its hedging. ANZ did not adjust the pricing call time to a later time to allow itself more time to pre-hedge. ANZ did not withhold some of its hedging activity until after the time of pricing.
113. To the contrary, when ANZ had substantial volume of risk still to trade, ANZ's traders confirmed a pricing call time of 1:50pm and proceeded to sell significant volumes of 10-year Australian bond futures within a compressed time window shortly prior to and during the pricing call time nominated by it, between 1:10pm and 1:54pm.
114. Without knowing ANZ's specific intentions and trading, and having relied upon ANZ to manage the inherent conflict in accordance with the expected behaviour of a duration manager set out in paragraphs [15] and [29d] above, at the time of the pricing call, the AOFM was unable to counteract or to protect itself against ANZ's conduct. To finalise the bond issuance, the AOFM needed to ensure that the issue of \$14 billion Treasury bonds would be priced. The AOFM therefore had no alternative but to agree the price which was the bid-side of the 10-year Australian bond futures at the time of pricing on the pricing call. At the time of pricing, the AOFM had no knowledge, and no means of acquiring knowledge without ANZ providing it to the AOFM, of the matters in paragraphs [94] to [95], [97] to [100], [102], [104], [105], [107], or [113] above. As a result and to ANZ's knowledge, at the time of pricing, the AOFM was in a position of informational and situational disadvantage and vulnerability.
115. Having regard to the matters in paragraphs [108] to [114] above, ANZ knew, or ought reasonably to have known, that its manner of trading and the undue downward pressure of that trading on the bond futures price was contrary to the AOFM's reasonable expectations about the pricing of the bond issuance and that ANZ's conduct exposed the AOFM and the Commonwealth to significant risk of detriment.
116. At about 1:54:11pm on 19 April 2023, Mr CORBETT spotted the bid-side of the 10-year Australian bond futures at 96.46. This was agreed by the AOFM and the other joint lead managers.
117. Between 1:30:00 and 1:54:11pm, 10-year Australian bond futures traded at prices between 96.46-485 for a total of 68,503 contracts. Of this, Mr CORBETT and Mr JAMPALA sold 54,909 contracts, between 96.465-48:
- a. Between 1:30:00 and 1:34:59pm, Mr CORBETT sold 1,000 of the 5,401 contracts traded in the market (18.5% of the volume).
 - b. Between 1:35:00 and 1:40:00pm, Mr CORBETT sold 5,500 of the 7214 contracts

- traded in the market (76.2% of the volume).
- c. Between 1:40:01 and 1:45:00pm, Mr CORBETT sold 9,500 contracts of the 11,016 contracts traded in the market (86.2% of the volume).
 - d. Between 1:45:00 and 1:49:59pm, Mr CORBETT sold 27,070 of the 30,963 contracts traded in the market (87.4% of the volume).
 - e. Between 1:50:00 and 1:54:11pm, Mr CORBETT and Mr JAMPALA sold 11,839 of the 13,909 contracts traded in the market (85.1% of the volume).
118. Over the same period, Mr CORBETT also acquired 1,000 contracts of 3-year Australian bond futures and 3,207 contracts of 10-year US Treasury note futures.
119. At 1:54:11pm, when Mr CORBETT spotted the price:
- a. He and Mr JAMPALA had outstanding orders in the market to sell a total of 14,591 contracts of 10-year Australian bond futures. This comprised 4,881 contracts at 96.465, 5,152 contracts at 96.47, 3,058 contracts at 96.475, 1,000 contracts at 96.48 and 500 contracts at 96.485, which were visible to other market participants. There was a further instruction to sell 3,000 contracts at 96.465 which had been given to the broker at 1:54:05pm, and which was entered into the market at 1:54:14pm.
 - b. ANZ had sold 84,473 contracts of 10-year Australian bond futures, which slightly exceeded the 84,374 contracts that it required for hedging the anticipated number of bond futures it would acquire from investors in the bond issuance. This cumulative position in 10-year Australian bond futures was equivalent to about \$7.96 million of DV01 risk. As a result of ANZ's long position in the correlated products, ANZ's net position was short about \$6.3 million in DV01 terms including AU and US products, i.e. 80.0% of the final deal risk.
120. Some of the outstanding orders which Mr CORBETT and Mr JAMPALA had in the market at the time of pricing did execute. By 2:02pm on 19 April 2023, ANZ was obliged to acquire 84,374 contracts from EFP investors in the bond issuance and had sold a total of 93,318 contracts of 10-year Australian bond futures.
121. ANZ's trading in connection with its duration manager role had a downward impact on the price of 10-year Australian bond futures at pricing.
122. The spotted bid price of 96.46, which resulted from ANZ's trading at 96.465 although ANZ did not trade at 96.46, was the lowest price that the 10-year Australian bond futures traded that day, with only 30 of a total of 224,713 contracts trading at that price. Neither the AOFM nor ANZ knew this at the time of pricing. At 1:56pm on 19 April 2023, the AOFM announced that the new December 2034 Treasury bond had priced at a yield of 3.635 per cent. (This yield incorporated a 9.5bp spread over the yield implied by the observed futures bid price of 96.46.)
123. Shortly after pricing, the broker was asked "Am I up to date?" and, in response, provided an update on the orders he had in the market.

124. At 1:57:02pm, Mr CORBETT instructed the broker to cancel his and Mr JAMPALA's outstanding orders in the market.
125. By 2:00:25pm, the price of 10-year Australian bond futures had increased to 96.505 (i.e. 4.5 basis points above the spotted price).

ANZ internal compliance and surveillance of bond issuance

126. In its response to a s912C Direction from ASIC, ANZ wrote:

"ANZ's surveillance and compliance activities conducted in connection with ANZ's role as Joint Lead Manager and Risk Manager comprised:

- a) Trade surveillance and communication surveillance controls*
- b) Application of the controls outlined in ANZ's [MST Guidelines], including carrying out a post-execution review for compliance with the MST Guidelines by Surveillance*
- c) Independent assessment of the Duration Management Reports by Surveillance*
- d) Physical supervision by Front Office Supervisors, Surveillance and Risk of the discharge by ANZ of its role as Risk Manager.*

...

d) Physical supervision

Supervision is a key component of ANZ's Conduct Risk management strategy. Supervisors play a key role in preventing, detecting and responding to inappropriate behaviour. Physical supervision of the execution by ANZ of its role as Risk Manager included:

- Physical supervision by the Front Office Supervisor who oversees and monitors Markets employees in their performance of assigned/delegated tasks. Mr Rakesh Jampala was appointed Senior Trading Manager during the period ANZ carried out its role as Risk Manager. During this period, he was responsible for physical supervision of and providing direction to Mr. Corbett.*
- 2nd Line Compliance forms part of ANZ's 'eyes and ears' monitoring by having a physical presence in the dealing room to monitor for potential misconduct. 2nd Line Compliance, Risk and Surveillance representatives provided physical supervision during execution by ANZ of its role as Risk Manager. Members of Surveillance, Market Risk and/or Compliance team were physically present in the segregated/isolated room on 19 April 2023 to provide independent supervision of the MST Trader, in addition to the control framework requirements of the MST Guidelines.*

...

Conclusion

ANZ has not identified any misconduct through the surveillance and compliance activities undertaken in connection with ANZ's role as Risk Manager."

127. Various members of ANZ's compliance, surveillance and risk teams, including Surveillance Senior Manager 1 and Surveillance Manager 2 attended the segregated room at various times over the course of 19 April 2023.
128. None of the compliance or surveillance representatives raised concerns about Mr CORBETT or Mr JAMPALA's conduct. Nor was any record made at the time about the fact that Mr JAMPALA had submitted trade instructions on Mr CORBETT's terminal instead of Mr CORBETT, in contravention of ANZ's policies.
129. Between 24 and 27 April 2023, following queries from the AOFM and a request from Mr Shayne COLLINS (Managing Director, Markets) as referred to below, Surveillance Senior Manager 1 conducted a review of the transaction and the documents prepared by Mr JAMPALA and Mr CORBETT for the AOFM.
130. The review stated:

"In summary, Markets Surveillance did not observe any behaviour of concern, nor principally disagree with any of the contents of the review documents (save one point on the price movement post-pricing), nor with any aspect of the execution of the deal by the duration manager.

...

Further notes:

MST (either Head of Surveillance and/or Senior Manager Markets Surveillance) were physically present in the segregated/isolated room throughout the day used by the duration manager, and also observed by the Co-Head of Fixed Income [Mr JAMPALA] in same.

The Co-Head of Fixed Income did not trade in any instrument on the 18-Apr-2023, and did not perform any trading until after the deal had priced."

131. Between 3 and 12 May 2023, the Market Surveillance team, including Surveillance Manager 2, conducted a post-trade review of the AOFM transaction as required by ANZ policies relating to material size transactions. The memorandum prepared by Market Surveillance stated that "No evidence of misuse of the pricing information was found, especially CC who was the MST Trader. No unusual pattern was detected in his trading activities around pricing period". The memorandum also noted that the inclusion of Mr CORBETT in the Deal Team was approved by the Market Risk Team.
132. The outcome of Market Surveillance's review was reviewed by ANZ's Compliance team.
133. The reviews conducted by Surveillance Senior Manager 1 and Market Surveillance did not identify:

- a. any concern as to the concentrated selling of 10-year Australian bond futures shortly prior to and during the pricing window;
- b. that at the time of pricing ANZ had outstanding orders in the market to sell a total of 14,591 contracts of 10-year Australian bond futures; or
- c. the misleading statements and omissions in the explanations provided to the AOFM as set out at paragraphs [150] and [151] below.

ANZ's P&L

134. ANZ earned revenue of \$9,979,687 as duration manager and a fee of \$2.8 million as joint lead manager.

Impact on the Commonwealth

135. Based on an issuance size of \$14 billion, each basis point fall in the futures price, and thereby increase to the yield of the bonds, would detrimentally impact the Commonwealth by reducing the amount received from investors who purchased the bonds issued by about \$13.16 million.

Other Issuances

136. Based on data collected by ASIC, between January 2017 and July 2024, the AOFM conducted a total of 21 syndicated bond issuances (11 of which had 10-year Australian bond futures as the reference product and an EFP risk of at least \$4.2m on a DV01 basis, being approximately 50% of the April 2023 issuance). Having regard only to notional positions in the reference product (i.e. not assessed on a DV01 basis), and not including correlated hedging, ANZ's trading on this transaction when compared to the other 20 issuance transactions, displays the following features:
- a. Except for one transaction in 2018 for which ANZ was also the duration manager, this is the only transaction in which the duration manager had sold reference products equal to the EFP quantity of the reference product at the time of pricing. In all other issuances, the duration manager withheld a portion of the amount of reference product to be sold until after pricing, for purposes including minimising market disruption, protecting the interests of the AOFM, and/or profiting from the anticipated rise in the price of the futures contracts. Of the other 19 transactions (including another two previous transactions in which ANZ was the duration manager), the highest proportion that a duration manager sold of the EFP quantity of the reference product by the time of pricing was approximately 85%. ANZ traded a materially higher proportion of its anticipated risk in the 45 minutes prior to pricing.
 - b. On this transaction, noting ANZ sold a low volume of the reference product between market open and 1:10pm and a significant volume of the reference product between 1:10pm and pricing:
 - i. the spotted bid price was 2 basis points lower than the best bid price at market open. Across the 10 other issuances where the reference product was 10-year Australian bond futures and where the EFP risk

was greater than \$4.2 million in DV01 terms, the median bid price movement was a 2.3 basis point drop and the mean (or average) was a 2.6 basis point drop; and

- ii. the price of the reference product moved by the widest margin (a decrease of 2 basis points) in the 45 minutes leading to pricing in all 21 issuances.

137. Further, in at least some other transactions, where unanticipated market conditions arose or the duration manager's pre-hedging was not sufficiently advanced, this was transparently disclosed to the AOFM and a discussion occurred about the timing of the pricing call, the duration manager's ability to retain a portion of the risk to hedge post pricing, and/or the potential impact on price of each course of action.

ANZ's conduct was unconscionable

138. By reason of the matters above taken together and in all of the circumstances, ANZ's conduct of its role as duration manager and its manner of trading as set out at paragraphs [89], [92], [97] to [100], [102], [104] to [108], [111] to [115], [119] and [121] above and paragraphs [150] and [151] below were:

- a. contrary to the requirements of its own policies and industry guidance issued by the AFMA and by the FMSB as set out at paragraphs [51] to [57]; and
- b. inconsistent with ordinary trading behaviour of duration managers appointed by the AOFM in respect of syndicated bond issuances described at paragraphs [136] and [137] above.

139. Instead, a trader in the position of ANZ, with the knowledge of ANZ, acting within the range of ordinary trading behaviour of duration managers described at paragraphs [136] and [137] above, in all of the circumstances, would have taken one or more of the following steps:

- a. sold a greater volume of 10-year Australian bond futures in the period between 8:32am and 1:10pm on 19 April 2023;
- b. informed the AOFM prior to the nominated time of the pricing call of some or all of the matters in paragraph [111] above;
- c. revised the chosen hedging strategy to seek to be fully hedged at the time of pricing;
- d. adjusted or nominated a different time for the pricing call to allow itself more time to pre-hedge;
- e. withheld some of its hedging activity until after the time of pricing;
- f. traded in a manner that did not result in:

- i. the sale of significant volumes of 10-year Australian bond futures in a compressed time window shortly prior to and during the pricing call; and
- ii. applying undue downward pressure on the price of 10-year Australian bond futures at the time of pricing.

140. ASIC does not allege that ANZ's conduct of its role as duration manager and its manner of trading constituted over-hedging or market manipulation.

Events subsequent to issuance of December 2034 Treasury bond

Concerns raised and explanations provided to AOFM about ANZ's trading

141. At about 3:07pm on 19 April 2023, the AOFM queried ANZ over the spotted price of 96.46. In a phone call, the AOFM stated to Mr SLOANE: *"we've priced off the low point of the day at 46. ... There's been 30 contracts go through at that – 30 lots go through at that level ... So, it's a slightly bitter taste to come off, you know, there's – there's clearly not a liquidity point at 46"*. Mr SLOANE said he will raise this with the traders and respond.
142. On 20 April 2023, ANZ provided a report of its activities as duration manager signed by Mr CORBETT and Mr JAMPALA (**Duration Management report**) to the AOFM.
143. On 21 April 2023, after reviewing the Duration Management report, the AOFM requested further explanation from ANZ. In a phone call, the AOFM stated to Mr SLOANE:

"Thank you for sending the report through. Um, so I think it's important to note that I wouldn't have even called you if, if we'd priced at 46.5. The reason being that was a clear liquidity point um you know in the futures on the day, at that time. My annoyance is the fact that we priced off a point which wasn't a pricing point at all. Yeah. 30 – 30 lots are going through at – at forty-six and we're there for about ten seconds or something. Or, you know, what – whatever the duration of our call was. ... That – that, I think, should have been avoidable, from ANZ's side. ... And, I wouldn't mind explanation for – 'cause that – that's not contained in the report, why – why were we at forty-six and not at forty-six five. ... look, it's half a basis point, and you know, okay, it shouldn't be – it's not that big of a deal, but – but, you know, I get asked the question, and I've got to – ... - say publicly, you know, what was the cost of that. Well, you know, it's – it's in the millions of dollars ...having re And, that's – yeah. That's from a taxpayer's perspective, we need to, you know, we need to be better, I think."

144. Having regard to:
- a. the 2 basis point movement in the bid price from market open until pricing being less than the mean and median of prior transactions of a comparable size;
 - b. ANZ's non-disclosure of its intended trading activity in the lead up to and

during pricing;

- c. the decrease in the price of the reference product by 2 basis points in the 45 minutes prior to pricing, which on ASIC's view, the potential impact of ANZ's trading on the Commonwealth would be approximately \$26 million; and
- d. the AOFM's concern, expressed without knowing the matters at paragraph [151], that the bond priced at half a basis point lower than it expected, which would have an impact of approximately \$6.5 million to the Commonwealth;

although ANZ does not agree that a loss was caused to the Commonwealth from ANZ's trading, ANZ has offered, and continues to offer, to pay to the Commonwealth as a goodwill gesture, a sum equal to the revenue ANZ earned as duration manager referred to in paragraph [134] above (\$9,979,687).

- 145. Mr CORBETT and Mr JAMPALA prepared a further response to the AOFM. Following the review conducted by Surveillance Senior Manager 1 referred to at paragraph [129] and [130], ANZ's additional response to AOFM was reviewed by Mr COLLINS and Mr TARRARAN. Mr COLLINS approved the response being provided to the AOFM.
- 146. At 8:34am on 28 April 2023, Mr SLOANE sent the AOFM an email attaching "a response to your query regarding pricing" of the recent AOFM transaction. ANZ stated in the attached report that "[o]ur selling in conjunction with that of other market participants resulted in the print of 96.46".
- 147. At about 9:15am on 28 April 2023, after receiving the additional response from ANZ, the AOFM stated to Mr SLOANE in a Bloomberg chat:

"These lines stuck out to me:

- *As bond pricing approached – ANZ still had a substantial amount of risk to clear.*
- *The weakness in prices across the short end, coupled with the inability to shed risk at higher levels in XM and finally the offers above market, led us to move our selling down to 96.465.*

...

So on those two lines - seems to me that this perhaps should have sponsored a call with the issuer and a discussion around strategy and timing for pricing - if for no other reasons than to inform and manage AOFM expectations. Given we priced before 2pm, was consideration given to delaying pricing for say 20-30 min to enable that selling that you needed to do to be spread a little better?"

- 148. At 10:55am on 28 April 2023, Mr CORBETT responded to the AOFM's questions in an internal email sent to Mr SLOANE, Mr JAMPALA, Mr Jimmy CHOI (Head of Capital Markets) and Mr Matthew MORRIS (Head of Australia Franchise, Markets). His email included that:

"I wasn't given any guidance on what communications were necessary / expected with the AOFM during the deal process. I would have been more than happy to jump on a call / several calls to discuss progress and market dynamics. I agree that if this had taken place they would have been better informed on a real time basis and it would have resulted in less questions after the fact."

149. At 3:06pm on 3 May 2023, Mr SLOANE sent an email to the AOFM which adopted some of the explanations provided by Mr CORBETT, including the following:

"Yes in hindsight it would have been a good idea to institute a call with AOFM, allowing you to be better informed on a real time basis.

...

Would a 20-30min delay in pricing have helped? In our eyes the answer to this is not likely. It is clear to us that would be liquidity providers were only keen to engage at / or just after deal pricing was confirmed. This speaks to our challenges in finding depth prior to deal pricing and the abundance of liquidity that was found shortly after.

The obscure time of 1350 was picked for a specific reason. A lot of morning notes from the broker / dealer community had expectations of pricing between 1400 and 1430. We wanted to avoid this publicised window. We also wished to avoid pricing late in the day given UK CPI.

...

The market environment on the day in question was difficult - Optics pointed to AUD fixed income buying on a cross market basis, but the street was clearly only willing to provide this liquidity at / after deal pricing and certainly not before. Was this a function off [sic] the transparency / predictability of the issuance? Almost certainly"

Errors in the explanations provided to AOFM

150. The reports provided to the AOFM, and which were verified by Surveillance Senior Manager 1, contained various inaccuracies that were misleading or deceptive by describing:
- a. the market for 10-year Australian bond futures as having traded at lower price levels than was in fact the case:
 - i. The market for 10-year Australian bond futures opened at 96.48/485, and not 96.47 as stated in the Duration Management report.
 - ii. At book close (9:20am), the market for 10-year Australian bond futures was trading at 96.49, not 96.475 as stated in the Duration Management report.
 - iii. The first trade at 96.47 occurred at 9:52:28am. It was inaccurate for the Duration Management report to state that "XM were given immediately down on the open to 96.47".
 - iv. 10-year Australian bond futures traded as high as 96.495 on 19 April 2023 prior to pricing time, with 10 contracts trading at that level (and 312 contracts traded at 96.49), and traded up to 96.505 for 657 contracts at 2:00pm and a high of 96.515 after 2:44pm. It was incorrect to suggest, as ANZ stated in the Duration Management report, that the set price of 96.46 was "only 2bps lower than the real high on the day". It was similarly incorrect for ANZ to suggest, as stated in the additional response on 28 April 2023, that a set of 96.465 would have been "only

1.5bp from the real high on the day."

- b. ANZ as being more active in seeking to sell 10-year Australian bond futures from market open to shortly before deal pricing than was in fact the case. Mr CORBETT did not have "loaded orders" or offers at 96.48-96.49 in the market for 10-year Australian bond futures over the morning. He submitted his first order at 9:36am, which was cancelled almost immediately. For most of the morning, he had only one resting sell order at 96.485 (which was on the basis of 'if goes bid' and would not be visible to the market), which was placed, cancelled and re-submitted at various times over the morning.

It is therefore inaccurate for the Duration Management report and the additional response provided on 28 April 2023 to state:

- *"Market Open ... We loaded orders in AUD XM above the market ranging from 96.48-96.49 looking to provide liquidity into any bounce towards SYCOM closing levels"*
- *[Before 11.30am] "ANZ instead sought to work offers in XM above the market (48, 48.5 and 49), looking to engage in liquidity provision on any bounce"*
- *"11.30am Our offers at 48, 48.5 and 49 were not attracting any material volume ... We made the decision to move our XM offers lower in an attempt to generate some more meaningful liquidity"*
- *"By 11:30am ... Our XM offers had barely been touched" and "We made the decision to move our XM offers lower in an attempt to generate some more substantial liquidity"*

- c. market conditions as more difficult than was in fact the case:

- i. The liquidity for 10-year Australian bond futures was not "extremely thin", contrary to ANZ's statement in the Duration Management report. As Mr CORBETT was advised by his broker, by 10:52am, about "29k" had traded which is consistent with normal market volumes.
- ii. Between market open and 1:00pm, the market traded 29,954 contracts at prices of 96.48 and above, contrary to ANZ's statement in the additional response provided on 28 April 2023 that: *"Price action was abysmal across all parts of the curve and despite our best endeavours – we were unable to acquire large parcels of risk at better levels early in the day."*
- iii. ANZ sold a significant volume of 10-year Australian bond futures in the minutes leading up to and during pricing. It was incorrect for ANZ to state in its further email response on 3 May 2023, a 20-30 minute delay in pricing would not have helped, that *"would be liquidity providers were only keen to engage at / or just after deal pricing was confirmed. This speaks to our challenges in finding depth prior to deal pricing"* and

that “the street was clearly only willing to provide this liquidity at / after deal pricing and certainly not before”.

151. ANZ did not disclose to the AOFM in the Duration Management report, the additional response provided on 28 April 2023, or the email response provided on 3 May 2023, that:
- a. ANZ traded significant volumes of 10-year Australian bond futures in a compressed period shortly before and during the pricing call, which placed downward pressure on the price on 10-year Australian bond futures.
 - b. At the time of pricing, ANZ had outstanding orders in the market to sell a total of 14,591 contracts of 10-year Australian bond futures.
 - c. Shortly after pricing, ANZ cancelled those large sell orders.
 - d. At the time of pricing, ANZ had sold 84,473 contracts of 10-year Australian bond futures, which slightly exceeded the 84,374 contracts that it would be acquiring from EFP orders in the bond issuance.

Risk register

152. The concerns raised by the AOFM were not recorded in ANZ's risk event register.

Obligations of an Australian financial services licensee

153. Between 19 April 2023 and 3 May 2023, ANZ did not do all things necessary to ensure that the financial services covered by its Australian financial services licence were provided efficiently, honestly and fairly by reason of:
- a. engaging in the conduct in connection with the supply of financial services to the AOFM (representing the Commonwealth of Australia) relating to the issuance of December 2034 Treasury bonds, that was, in all the circumstances, unconscionable, as set out in paragraphs [37] to [152] above;
 - b. providing reports to the AOFM between 20 April 2023 and 3 May 2023 which were misleading or deceptive in describing, or were misleading or deceptive by omission in respect of, ANZ's trading activities as duration manager for the December 2034 Treasury bond issuance, as set out in paragraphs [150] and [151] above;
 - c. failing to adequately prevent, supervise, monitor, review, or identify the conduct set out in paragraphs [138], [150], and [151] above and despite the matters set out in paragraphs [127] and [133]; and
 - d. failing to adequately implement or enforce its policies and procedures regarding material size transactions, reference price transactions and communications with clients.

154. By reason of the matters in paragraphs [153.a] to [153.c], between 19 April 2023 and 3 May 2023, ANZ also failed to:
- a. take reasonable steps to ensure that its representatives complied with the financial services laws in connection with ANZ's conduct as duration manager for the issuance of December 2034 Treasury bonds.
 - b. ensure that its representatives were adequately trained, and were competent, to provide financial services to the AOFM in connection with ANZ's role as duration manager for the issuance of December 2034 Treasury bonds.

E. ANZ'S REPORTING OF SECONDARY MARKET TURNOVER DATA TO THE AOFM

Background

155. Since about 2017, ANZ has reported on a monthly basis its secondary market bond turnover data to the AOFM. On an annual basis, it is required to review and confirm the accuracy of the data it has provided to the AOFM for the previous financial year. This is a requirement of being a registered bidder to participate in the AOFM's primary market transactions, which is a pre-condition to being considered for appointment as a joint lead manager or duration manager.
156. ANZ was, under the conditions of operation of being a registered bidder:
- a. required to provide such information as the AOFM considered appropriate regarding sale, purchase and other transactions carried out by ANZ in respect of Treasury bonds;
 - b. taken to represent and warrant to the AOFM that any information provided under such a request was complete and accurate; and
 - c. required to provide confirmation as may be required by the AOFM as to the accuracy and completeness of the information provided from ANZ's compliance team, auditors or equivalent.
157. The AOFM uses the secondary market turnover data it receives from market intermediaries to assess trends in secondary market activity, market makers' ability to distribute bonds to end investors, and to assist the AOFM with its investor engagement activities. The AOFM publishes aggregated secondary market turnover data of all market intermediaries quarterly on its website. The data is published with a note that, if revisions are required to the data (for example, because a survey respondent revised their response), those revisions will be made at the time of the relevant subsequent quarterly update. The AOFM also provides to each market intermediary, on an annual basis, that market intermediary's annual volume of secondary turnover, as a percentage of the aggregate secondary turnover and in the form of a ranking.
158. Prior to collecting this information from market intermediaries, the AOFM did not have reliable data on secondary market activity.

159. ANZ was aware that the AOFM's criteria for appointing joint lead managers and duration managers largely comprised: the level of support provided by a bank to the AOFM in primary tenders; a bank's distribution capacity as measured by its secondary market turnover; and a qualitative assessment by the AOFM of the bank's capabilities in areas such as investor relations and research. By 2022, while ANZ believed that the level of support provided by a bank to the AOFM in primary tenders was the most important criteria for the AOFM's selection of banks for syndicated issuances, some individuals within ANZ also believed that secondary turnover data was growing in importance for the AOFM.

Procedure for reporting

160. At all relevant times, the AOFM provided market intermediaries who report secondary market bond turnover data with a reporting template. Since 29 July 2021, when the AOFM moved to a new template, the AOFM's instructions for data reporting required that:
- a. A template provided by the AOFM be completed on a monthly basis and submitted to the AOFM by the 10th business day of the following month;
 - b. Data be reported by instrument type and trades categorised into the relevant categories listed in the template; and
 - c. Primary market transactions (i.e. transactions with the AOFM, such as bonds won at tenders) be excluded.
161. The template provided to ANZ by the AOFM from time to time contained certain instructions for populating the template and providing the data (referred to as the "AOFM Turnover Survey Instructions"). An extract of the relevant instructions provided by the AOFM in August 2022 stated:

"AOFM Turnover Survey Instructions

Please complete the three survey worksheets contained in this spreadsheet and return to the AOFM on a monthly basis, by the 10th day of the following month. Send the spreadsheet to turnover@aofm.gov.au.

Do not include transactions with the AOFM, such as bonds won at tenders

For each security, please include the following:

Purchases

(\$m) The AUD face value of purchases (in millions) by the survey respondent from counterparties in the relevant category.

(#) The number of purchase trades.

Sales

(\$m) The AUD face value of sales (in millions) by the survey respondent to counterparties in the relevant category.

(#) The number of sale trades.

Note:

The region refers to the location of the office you dealt with."

162. Between at least 1 July 2021 and 23 July 2023, ANZ's process for compiling and verifying the data it reported to the AOFM, as recorded in its procedures, was broadly as follows:
- a. Data in respect of ANZ's trading in Australian government bonds was not stored in ANZ's systems by reference to the categories requested by the AOFM.
 - b. Each month, the Front Office Support team located in Bangalore, India (**FOS India**) extracted raw data for ANZ's trading in Treasury bonds from ANZ's systems (using a data repository tool called Qlikview). This data was filtered and categorised in a Microsoft excel document by running a macro, which was then mapped to the template provided by the AOFM containing the categorisations in which the AOFM wished to see the data. The raw data was attributed to the categories required by the AOFM by reference to details such as the relevant trader, trading book and counterparty.
 - c. FOS India sent the resulting excel document to members of the Rates Trading team, who reviewed it, provided relevant comments and otherwise approved it.
 - d. Once the spreadsheet was approved by the relevant trading representative, FOS India sent the sheets corresponding to the AOFM's template to the AOFM, copying ANZ's Rates Trading representatives.
163. During the relevant period, this process was documented in an internal procedure document referred to variously as 'AOFM Report' or 'AOFM Report – Procedure'.
164. From at least 2021 onwards, in August each year the AOFM requested that ANZ review and confirm the accuracy of the monthly data submissions provided for the previous (1 July to 30 June) financial year.

Concerns about the accuracy of ANZ's data being reported

Initial concerns with accuracy of turnover data

165. Since at least 2020, in the course of reviewing draft data for submission to the AOFM, members of the Rates Trading team with responsibility for reviewing the data periodically raised concerns with FOS India about the accuracy of the draft data prepared by FOS India and the timeliness of the data being reported to the AOFM. As part of this process, members of the Rates Trading team directed FOS India to make amendments to the categorisation in the draft data.

Change to include certain internal trades and counterparties in reported data

166. On 23 July 2021, Mr Ian RAVENSCROFT (Director, Rates Trading) received a query from the AOFM about the volume of ANZ's aggregate reported secondary market bond turnover data for the financial year ending 30 June 2021 (**FY21**). The AOFM observed that ANZ's reported turnover was "down about 50%" from its prior year submissions, whereas total turnover across all banks was slightly higher.
167. On Mr RAVENSCROFT's instructions, an associate Rates Trader reporting to Mr RAVENSCROFT (**Associate Rates Trader 1**) analysed ANZ's submitted data for FY21 compared to the financial year ending 30 June 2020. Mr RAVENSCROFT's instructions stated:

I need you to work on something for me. AOFM are reporting a material reduction in net turnover over the period of FY21. See chat below.

What I would like you to do is ask for the data set for FY19, FY 20 and FY21, and run a comparison on turnover. largest clients, etc etc. I suspect somewhere there has been a change in reporting that has impacted this. Potentially related to ... synth repo flow. But let's try and investigate.

168. Following Associate Rates Trader 1's analysis, Mr RAVENSCROFT, Mr SLOANE, Mr Paul WHITE (Head of Capital Markets) and a fixed income sales team member (**FI Sales Member 1**) had a detailed discussion by email about whether to include certain 'internal trades'. The treatment of these trades was not expressly addressed in the AOFM instructions referred to in paragraphs [160] and [161] above. It was determined, with Mr WHITE's approval, that internal trades recorded in certain ANZ trading books should be included in the secondary market turnover reported to the AOFM as interbank flow (while other trades, related to options flow, were determined to be excluded). The inclusion of internal trades was on the basis that those internal trades reflected genuine price making by the Rates Trading desk traders for other ANZ books. However, in the course of considering the appropriate approach, there was an issue raised that those same trading books also included offsetting 'back to back' internal trades (and as a result, whether only half of the trades should be counted). This issue was not resolved with the effect that at least some 'back to back' internal trades were included in the majority of the monthly turnover submitted to the AOFM until June 2023.
169. Following Mr WHITE's approval, Associate Rates Trader 1 instructed FOS India to include the relevant ANZ trading books in the turnover reported to the AOFM for the month of July 2021 and onwards.
170. In implementing Associate Rates Trader 1's instruction, FOS India also began to include primary market transactions with the AOFM (which were explicitly excluded in the AOFM's instructions), and the internal ANZ trades referred to in paragraph [168] above, in the turnover reported to the AOFM.

Review of reporting process and accuracy of turnover data

171. In 2022, inconsistencies in the reporting and compilation of survey data submitted to the AOFM were identified by ANZ's eFICC team in the course of developing

dashboards for the Sales team to track ANZ's performance in secondary market turnover for Commonwealth and semi-government bonds.

172. In particular, in an email to Mr RAVENSCROFT on 25 May 2022, a data analyst in ANZ's eFICC team (the **eFICC Analyst**) identified that the report prepared by FOS India for ANZ's secondary market turnover in March 2022 appeared to include trades marked as "do not use" which were primarily internal trades, and if included, would involve double counting traded volume.
173. Towards the end of May 2022, the eFICC Analyst circulated a list of 'Secondary Activity Action Items' to various ANZ staff members including Mr MORRIS, Mr CHOI and FI Sales Member 1 relating to the work eFICC was conducting to develop the dashboards. An 'action item' was listed against FI Sales Member 1's name "to setup a call with AOFM" and an 'action item' was listed against a senior member of fixed income sales (**Senior FI Sales Member 2**), Mr MORRIS and Mr CHOI "to liaise with relevant parties to confirm how internal trades should be treated; included or excluded".
174. On 16 June 2022, during a call between FI Sales Member 1 and Mr SLOANE, in connection with or on the instructions of Mr CHOI and Senior FI Sales Member 2, FI Sales Member 1 asked Mr SLOANE to contact the AOFM to "get the methodology piece" in relation to AOFM's collection of secondary market turnover data.
175. On 16 June 2022, Mr SLOANE called the AOFM and requested the AOFM send any data classification or specification that applies to the reporting of secondary market turnover. During this conversation they stated:

Mr SLOANE: *We're working through, we've got a number of the businesses, Markets in general has got a new sort of data system they're putting together and I'm looking through some of the detail and I have for a number of issuers, say a methodology around recording turnover data, secondary data. I can't find one for the AOFM. [...] I was wondering if you have a doc that actually has any sort of data classification or specification that you could provide?*

AOFM: *"So basically what if I was to send you the template? So we – we do the secondary market survey, as you know. Um that template provides the instructions, if you like. ... and that's probably the best we can do. It's not ... it's not too prescriptive. ... basically we want to see buys and sells ... um we just ask the template be filled out. We do it by bond line and that's really all there is to it. I'll get that sent to you. It does go to Ian and I think Ian in turn farms that out to someone else in his team but that's the way it works. [...] Not too sophisticated. It's buys and sells, we break it down by investor type and region and that's as far as it goes. "*

...

Mr SLOANE: *"Yeah. ... I've seen the breakdowns. I've seen the report and ... I just was interested if you did have something ah that would be handy ... just in terms of the wording. Like it goes through, you know, deals for primary issues um or repos not to be included."*

176. On 17 June 2022, the AOFM sent Mr SLOANE an email containing an extract of instructions from the AOFM's template consistent with the requirements set out at paragraph [160] above.
177. On 17 June 2022, Mr CHOI had a phone call with Mr WHITE in which they discussed, amongst other things, secondary market turnover reporting to the AOFM. During this conversation, they stated:

MR CHOI: ... the methodology that when we send our turnover stats, you know, from the back office ... to AOFM, - - - no one knows what the methodology is and apparently you signed off on it, and so they want cap markets to call AOFM and ask, but – so for – the first question I have for you, - - -

MR WHITE: Yep.

MR CHOI: - - - did – did you – did – ah, and Sloaney said he never done it, so I don't think cap markets ever would've called AOFM to go through the methodology on – you know.

MR WHITE: In secondary turnover?

MR CHOI: Yeah.

MR WHITE: Ah, no. That would've been, um – there was a discussion on it, so, I remember ... Ian Ravenscroft, ran with it. I did discuss with him, 'cause we – we changed – I think we were ...sort of double – it was – there was a bit of double counting that was going on...

MR CHOI: Yeah. Yeah. From balance sheet, I think, or something like that.

MR WHITE: Yeah. Yep. ... So we cleaned it all up. I mean, I – I might've ... opined, but it was really Ian that was sort of driving all the - - -

MR CHOI: Yeah. That's what I thought. Trading would've ... driven it.

...

MR CHOI: Yeah, so, the – the question then is – no one in the bank ... which is a fair point – now we're putting so much money into it by subsidy, ... you know, no one in the bank really knows exactly what the methodology for AOFM – 'cause we could be setting it wrong and there's nothing written down...

...

MR WHITE: Yeah. I – I would just give them a call, to be honest.

MR CHOI: Yeah. Yeah. No. That's what we're thinking.

178. On 20 June 2022, Mr MORRIS stated in an email:

"As we have looked at this process over the past few weeks, we have come to realise that given the recipients are Government/Semi-Government bodies the accuracy and independence of the data transfer needs to paramount"

179. On 20 June 2022, Mr SLOANE was given responsibility for gathering from the AOFM (and certain other issuers) their reporting criteria, and reconciling that with ANZ's process and methodology for reporting secondary market turnover data to the AOFM. As part of this work, ANZ also explored whether responsibility for the reporting of secondary market turnover data to the AOFM could be transferred to a specialist "Regulatory Reporting" team.

180. During the course of Mr SLOANE's work, Mr SLOANE and Mr RAVENSCROFT had an email and Bloomberg chat exchange in which Mr RAVENSCROFT expressed a different understanding of the Rates Trading team's role in reviewing the data to be provided to the AOFM, compared to that recorded in ANZ's procedures, as set out in the following paragraphs.

181. At 9:43am on 26 July 2022, Mr SLOANE emailed Mr RAVENSCROFT, as well as a junior rates trader that reported to Mr RAVENSCROFT (**Associate Rates Trader 2**) and two members of the Sales team, requesting templates and instructions provided by the AOFM and semi-government issuers for the reporting of secondary market turnover data. In the email Mr SLOANE stated:

"We are doing a reconciliation of the turnover data required by the AOFM and Semi Governments and the data provided by us to ensure its accuracy.

The responsibility for the gathering of the data currently sits with FO Support – Rates & Credit in India and is signed off by Trading."

182. At 9:52am on 26 July 2022, Mr RAVENSCROFT stated in an email to Mr SLOANE that:

"Just for clarity on this process. Trading do not compile the data. The ownership of this process sits entirely with FO Support. Each month FO Support will send their original compiled data to Trading and Sales. Trading and Sales then provide a best endeavours reconciliation of the data. Typically this involves ensuring clients are correctly coded (this is a common error). To be clear we do not do a line by line verification process."

183. On 2 August 2022, in a Bloomberg chat between Mr SLOANE and Mr RAVENSCROFT, they stated:

Mr RAVENSCROFT: we dont write the template, we just eyeball the data, bnig flows, client types, new cvlients etc
...
but you need to direct your frustration to the team driving it, we spend 10s of hours a month correcting stuff time and time again
...
It is not a trading process
Mr SLOANE: You are responsible for the final sign off of the data
Mr RAVENSCROFT: incorrect
again
a misunderstanding of the process
Mr SLOANE: Does the data foer acgb not come to you to be signed off before being sent to the AOFM?
Mr RAVENSCROFT: trading and sales are responsible to sanity check the data sent in the sheet [Associate Rates Trader 2] sent to you
thats not the aofm sheet, thats an anz sheet
Mr SLOANE: And that data goes into the aofm sheet doesn't it?
...

Mr SLOANE: *As per the process guidelines set up internally, the rates trading desk is responsible for advising any new counterpart, category mapping and validation of output*

Mr RAVENSCROFT: *which we do
we dont approve the data
we dont populate it
we dont own the sheet
and we don't send it
responsible for advising any new counterpart, category mapping and validation of output
is what we do*

Mr SLOANE: *Im not suggesting you do anything else. Validating the data middle office has put together is in effect ok'ing it to be sent by middle office to the aofm.*

...

Mr SLOANE: *Are you aware there is a 14 page process doc just on the AOFM monthly turnover reporting
Pretty hard to get it wrong with that much detail*

Mr RAVENSCROFT: *I cant make this any more clear, you are asking the wrong person.*

184. On 2 August 2022, Mr SLOANE was taken, by the eFICC Analyst, through various inaccuracies between the March 2022 secondary market turnover spreadsheets produced by FOS India and similar data prepared using a different system by the eFICC team. During that call, Mr SLOANE and the eFICC Analyst had the following exchange:

eFICC Analyst: *Obviously, it's in the raw data. And, they're saying, "Do not use," but they ended up using it anyway. So, I can't quite get my head around why that is.*

Mr SLOANE: *Yeah. So, yeah. I mean from – from – as – as far as I'm aware in how – how this should work in terms of the reporting of this as well, I mean, they should – yeah. The middle office, they obviously follow the – the sort of – the rules around how the – the – the data is collected and then put it forward. And, that goes to the trading desk who then needs to sort of verify it or sign it off. So, if there is a few of these that do sort of get included, they – the traders should be saying, "No. That's – that's – that's not supposed to be in there.... And so, the final data that hits the – the issuer is correct.*

eFICC Analyst: *I think that's why the way they do it is a good process, because there's all those checks and balances, but it seems that maybe that they should be better flagged for whatever reason, because it seems to be getting missed. The other thing which I, having spoken to different people, they have different opinions, right. So [Mr RAVENSCROFT] on the govie desk thinks that arguably you should be including these [certain internal*

trades], but sometimes you shouldn't. So it's a bit of a black or white. Whereas other people it shouldn't be.

Mr SLOANE: *Yeah I think we've gone through quite the process around what should and shouldn't be included. The only thing that came through as to be included on the govie side was that for instance they – it was the semi-government book actually buying or selling govies as a hedge to a client position of which they could either go and do that via the street or they could use an internal or they could ask for a price from the govie book. [...] That was the only internal flow that they – that had been decided was acceptable. Outside of that nothing else should be.*

185. On 9 August 2022, in a Microsoft Teams call with Mr CHOI and others, Mr SLOANE provided an update on his review of the AOFM reporting requirements and outlined issues with the process for collecting and providing data to the AOFM. Mr SLOANE stated:

Mr SLOANE: *In terms of the ... the process, there's nothing necessarily wrong with it. It's just a data refinement thing. So the process ... we follow is as it should be. But it's just, I think where it sits is not the appropriate team. And there is delays in getting the data together. There is delays in in in getting it across to the AOFM.*

Mr CHOI requested that Mr SLOANE provide further information about the data collection and provision process and endorsed efforts to hand over the process to ANZ's 'Reg Reporting' team.

186. On 12 August 2022, Senior FI Sales Member 2 sent an email to various ANZ recipients including Mr MORRIS, Mr CHOI and Mr SLOANE stating:

"Thanks for your time yesterday.

Objective: Clarify some questions over methodology and reporting framework for AOFM volume reports (and by extension, semi government reports).

Discussion:

- Darren noted that he had spoken to AOFM about inclusion of internal hedging trades by semi-book and that the AOFM was happy for these trades to be included.*
- Darren also noted that the AOFM pays little attention to interbank volumes, instead being more focussed on client volumes.*
- Darren also noted ongoing problems regarding the timeliness of our reports (to the issuers).*

Next Steps:

- FI sales will set up a call with [Regulatory Reporting team member] and [Associate Director, Front Office Support] to determine where the report compilation should sit and refine any necessary changes for sign off.*
- This call will also try and identify root cause of report delays."*

187. Mr MORRIS replied to Senior FI Sales Member 2's email, stating: *"Agreed .. thanks for noting , I am happy to attend with you when we meet with [Regulatory Reporting]"*.
188. A meeting was arranged for 8 September 2022, and then rescheduled to 13 September 2022, with representatives from across ANZ's Fixed Income Sales, Syndicate, Rates Trading, Regulatory Reporting and FOS to:

*"1. Determine the appropriate home for AOFM reporting going forward – Reg Reporting or FOS.
2. Understand the current issues around timeliness of our reporting to AOFM.
3 Determine if any process changes are required to support #1 or 2."*

189. Ultimately representatives from ANZ's Fixed Income Sales, Syndicate, and Regulatory Reporting teams attended this meeting. These individuals were not directly involved in the preparation or submission of secondary market bond turnover data to the AOFM. The purpose of the meeting was to discuss the practicalities of transferring responsibility for preparing secondary market bond turnover data for the AOFM (and semi-government issuers) to the Regulatory Reporting team. The discussion highlighted the lack of governance and controls over the process for the collation and verification of the data reported to the AOFM:

Regulatory Reporting: Yeah. Because I think – and, I don't know, because it'd be interesting to even look at this. I mean, if this is a key process or whatever, there should be some controls which should have been – actually gone through assurance testing. So, does that ever – does ever – has this ever been even tested more from [Operational Risk & Compliance – Markets] team?

Sales: Yeah. That's a good point. I doubt it.

...
Sales: So, I don't know – it's – there's sort of no real information on when the methodology – when the methodology – as and when the methodology has changed, it doesn't appear that that's been documented.

...
Sales: But, you know, we have – obviously, we have a – as a – given our position in the Australian government – semi-government bond market, we have an obligation to report our volumes back to the issuers in a timely and accurate manner.

190. No changes were made to ANZ's process for reporting secondary market turnover data to the AOFM and semi-government issuers following these discussions until May 2023 for semi-government issuers and July 2023 for the AOFM, as referred to below.
191. On 25 October 2022, ASIC released Report 741 *Conduct risk in wholesale fixed income markets*. The report identified a key conduct risk arising in fixed income markets as the risk of misleading or deceptive conduct involving *"misstating secondary turnover statistics to issuers in order to gain syndication fees and ancillary business"*.

192. Senior FI Sales Member 2 continued to review issues relating to data reporting to semi-government issuers. Data reported to semi-government issuers was signed off by his Fixed Income Sales team, rather than by the Rates Trading team, before being provided to semi-government issuers. On 12 April 2023 and 21 April 2023, Senior FI Sales Member 2 drew to the attention of various ANZ staff, including Mr MORRIS, Mr Mark CARMODY (Head of Front Office Support and Governance, Markets), Mr CHOI, Mr VAIL (Co-Head of Fixed Income, Markets), Mr JAMPALA and Mr SLOANE, the main errors affecting the accuracy of draft data for semi-government issuers that was prepared for review by the Fixed Income Sales team. These errors were similar to errors reported by ANZ to the AOFM in August 2023 when correcting and restating the FY2023 secondary market bond turnover data in ACGBs (although the magnitude of the errors affecting data for semi-government issuers was much smaller).
193. On 21 April 2023, Senior FI Sales Member 2 replied to an email chain containing a Microsoft Teams meeting invitation and papers for a meeting of the AUD/NZD Distribution Initiative Governance Pod (a subgroup of senior staff across trading, sales, and debt capital markets responsible for driving the initiative referred to at paragraphs [23] and [24] above), which was held on 20 April 2023. Recipients included Mr SLOANE, Mr CHOI and Mr MORRIS. Senior FI Sales Member 2 stated:
- "As discussed last night, I have attached the review of our process for reporting of our secondary flows back to Issuers. We will need to find resources to resolve. [eFICC team member], we can perhaps discuss resourcing with Matt [MORRIS], Jimmy [CHOI] and Shayne [COLLINS]."*
194. The attached presentation titled "Overview of Semi-Issuer Secondary Turnover Reporting Process" identified the following issues and common errors:
- a. *"QlikView Dashboard has no owner, is not maintained and there is no documentation from when it was created >5 yrs ago";*
 - b. *"Macros used within FOS spreadsheets are not maintained (SMEs have left the Bank), resulting in manual overrides and inconsistent use of macros. In turn this leads to mapping error";*
 - c. *"Tendency to double count trades dealt with US Securities (client trade + BTB [back to back])"; and*
 - d. *"For electronically dealt trades, if a Bank, no automated way of distinguishing between Client and Interbank trade (only Trader portfolio is captured from Qlikview). This has resulted in creation of an adhoc and inaccurate mapping table over time".*
195. In about May 2023, the eFICC team began assisting the Fixed Income Sales team to address issues relating to the reporting of secondary market turnover data to semi-government issuers. In July 2023, the Fixed Income Sales team communicated with the member of the Rates Trading team with responsibility at that time for reviewing secondary market turnover data prior to submission to the AOFM (**Syd Rates Trader 3**), and Mr SLOANE to determine whether the updated process for semi-government

issuers could be applied to AOFM reporting. No changes were made to the process for reporting to the AOFM until this time, as referred to below.

Rates Trading desk approval of data submitted to AOFM

196. Between 14 September 2021 and 22 June 2023, ANZ provided to the AOFM 23 monthly reports about ANZ's secondary market bond turnover for the period from July 2021 to May 2023. Each monthly report contained a representation by ANZ that ANZ's total monthly secondary market turnover in Treasury bonds was a certain amount for that month and that the turnover attributable to certain counterparties and geographic locations was a certain amount for that month. This includes the figures set out in the table at paragraph [198] below. Further, on 19 August 2022, ANZ provided to the AOFM the annual verification for ANZ's secondary market bond turnover in FY2021-22, and in doing so, represented to the AOFM that the monthly survey data for the 2021-22 financial year it had previously provided was accurate. These instances are set out at **Annexure B**.
197. Each of ANZ's representations to the AOFM referred to in paragraph [196] above were made in trade or commerce, in this jurisdiction and made in connection with the supply of financial services, namely ANZ's conduct in making a market in Treasury bonds. Each was a representation to the effect that the services (as that term is defined in section 12BA of the ASIC Act) performed by ANZ were "of a particular standard, quality, value or grade".
198. The following tables set out the total monthly turnover data for July 2021 to May 2023 submitted by ANZ to the AOFM and the variance of that data from what should have been accurately reported to the AOFM. The table also shows the proportion of that variance which comprised primary market transactions involving the purchase of Treasury bonds by ANZ from the AOFM which were explicitly excluded by the AOFM's instructions, and associated internal trades related to the transfer of those Treasury bonds between ANZ trading books. These primary market transactions and associated internal trades were incorrectly reported as secondary market turnover, largely as turnover with clients in the "other domestic" category and a small amount in the "interbank" category.

Secondary Market Turnover Data for Month	Total turnover as submitted to AOFM (\$m)	Accurate total turnover (\$m)	Variance between Submission to AOFM and Accurate total turnover (\$m)	Variance as proportion of Accurate total turnover (%)	Primary market Purchases from AOFM (\$m) + associated internal trades (\$m)	Primary Purchases + associated internal trades / Variance (%)
Jul-21	\$6,508.52	\$5,203.35	\$1,305.17	25.08%	\$573.00	43.90%
Aug-21	\$4,028.71	\$3,758.43	\$270.28	7.19%	\$270.00	99.90%
Sep-21	\$4,105.89	\$3,667.76	\$438.13	11.95%	\$351.00	80.11%
Oct-21	\$5,113.95	\$6,684.42	-\$1,570.47	-23.49%	-	-

Secondary Market Turnover Data for Month	Total turnover as submitted to AOFM (\$m)	Accurate total turnover (\$m)	Variance between Submission to AOFM and Accurate total turnover (\$m)	Variance as proportion of Accurate total turnover (%)	Primary market Purchases from AOFM (\$m) + associated internal trades (\$m)	Primary Purchases + associated internal trades / Variance (%)
Nov-21	\$14,441.17	\$9,509.68	\$4,931.49	51.86%	\$2,515.00	51.00%
Dec-21	\$18,137.28	\$12,010.65	\$6,126.63	51.01%	\$5,711.00	93.22%
Jan-22	\$6,043.28	\$4,655.54	\$1,387.74	29.81%	\$1,053.00	75.88%
Feb-22	\$7,819.15	\$4,476.75	\$3,342.40	74.66%	\$3,213.00	96.13%
Mar-22	\$12,641.25	\$7,573.79	\$5,067.46	66.91%	\$4,539.00	89.57%
Apr-22	\$8,997.89	\$7,393.94	\$1,603.96	21.69%	\$1,173.00	73.13%
May-22	\$9,902.60	\$5,843.05	\$4,059.55	69.48%	\$3,879.00	95.55%
Jun-22	\$13,820.12	\$8,297.55	\$5,522.57	66.56%	\$5,373.00	97.29%
FY22 Total	\$111,559.81	\$79,074.91	\$32,484.91	41.08%	\$28,650.00	88.19%

Secondary Market Turnover Data for Month	Total turnover as submitted to AOFM (\$m)	Accurate total turnover (\$m)	Variance between Submission to AOFM and accurate total turnover (\$m)	Variance as proportion of accurate total turnover (%)	Primary Purchases from AOFM + associated internal trades (\$m)	Primary Purchases + associated internal trades / Variance (%)
Jul-22	\$4,763.70	\$3,406.82	\$1,356.88	39.83%	\$1,329.00	97.95%
Aug-22	\$9,163.42	\$6,381.28	\$2,782.14	43.60%	\$2,868.00	103.09%
Sep-22	\$10,396.43	\$7,483.86	\$2,912.57	38.92%	\$2,148.00	73.75%
Oct-22	\$12,191.26	\$7,701.69	\$4,489.57	58.29%	\$2,583.00	57.53%
Nov-22	\$17,509.15	\$14,349.70	\$3,159.44	22.02%	\$1,542.00	48.81%
Dec-22	\$12,883.88	\$8,659.47	\$4,224.41	48.78%	\$2,400.00	56.81%
Jan-23	\$8,646.68	\$7,794.27	\$852.40	10.94%	-	-
Feb-23	\$14,783.55	\$14,131.95	\$651.60	4.61%	-	-
Mar-23	\$19,863.88	\$15,178.79	\$4,685.09	30.87%	\$2,676.00	57.12%

Secondary Market Turnover Data for Month	Total turnover as submitted to AOFM (\$m)	Accurate total turnover (\$m)	Variance between Submission to AOFM and accurate total turnover (\$m)	Variance as proportion of accurate total turnover (%)	Primary Purchases from AOFM + associated internal trades (\$m)	Primary Purchases + associated internal trades/ Variance (%)
Apr-23	\$13,218.71	\$10,956.14	\$2,262.58	20.65%	\$765.00	33.81%
May-23	\$19,067.97	\$17,460.89	\$1,607.09	9.20%	\$936.00	58.24%
FY23 Total¹	\$142,488.63	\$113,504.86	\$ 28,983.77	25.54%	\$17,247.00	59.51%

199. Each of ANZ's representations to the AOFM referred to in the documents in **Annexure B**, and the turnover reported (as indicated in the columns entitled 'Total turnover as submitted to AOFM (\$m)') in paragraph [198] above, thereby materially misstated the value of ANZ's secondary turnover, including the counterparties and geographic locations for such trading, and were false or misleading.
200. The inaccuracies in the statements about secondary market bond turnover provided by ANZ to the AOFM as set out above were not intentional.
201. The monthly data for July 2021 was sent to the AOFM by FOS India after receiving approval from Associate Rates Trader 1.
202. The monthly data for August 2021 to December 2021, and also February 2022, were sent to the AOFM by FOS India after receiving approval from Mr RAVENSCROFT.
203. The monthly data for January 2022, and March 2022 to May 2023 were sent to the AOFM by FOS India after receiving approval from Associate Rates Trader 2 (who initially reported to Mr RAVENSCROFT and then after he left ANZ, reported to Mr JAMPALA and subsequently, to Mr CORBETT).
204. The primary market transactions and associated internal trades did not represent secondary market bond turnover and should not have been reported to the AOFM as secondary market turnover.
205. In the course of reviewing the draft monthly data and approving it, Associate Rates Trader 2 raised a number of queries from at least October 2022 with FOS India (although not in relation to the inclusion of any primary market transactions with the AOFM). These included:

October 2022 data

206. In an email on 14 November 2022, Associate Rates Trader 2 asked: "Also why on the Treasury Bonds tab does it only show I have done around 200mil of Interbank bonds but

¹ The FY23 table does not include data for June 2023 or the results of the FY23 annual verification (neither of which were inaccurate).

when you go to interbank trades show over 2 yards of turnover which is about the volume I would expect for last month."

207. FOS India responded to Associate Rates Trader 2 on the same day, stating that: "As we investigated the volume of 2 yards of turnover is already in the report however as per mapping it has been included on the other regions. Below are the list of traders whose volume will be under interbank in the report" and provided a list of five traders.
208. Associate Rates Trader 2 did not query the response from FOS India. This was despite the fact that, as at 14 November 2022, of the list of five traders provided by FOS India, two of the traders no longer worked on the Rates Trading desk; two other traders no longer worked at ANZ; the remaining trader traded predominantly semi-government bonds, rather than Treasury bonds; and Associate Rates Trader 2 himself, who was the trader primarily responsible for trading Treasury bonds, did not appear in that list of names.
209. On 5 December 2022, Associate Rates Trader 2 approved the October 2022 data.

February 2023 data

210. In an email on 8 March 2023, Associate Rates Trader 2 asked: "How is the interbank total on treasury bond calculated because if you go through the data it shows I have done over 5 yards of turnover but on the treasury bond overall tab it says I have only done 12 transactions for a total of around 400mil which is definitely not right. Can we please investigate this as it is crucial to report our correct turnover stats."
211. On 20 March 2023, FOS India responded to Associate Rates Trader 2's query, stating that: "As we investigated the volume of 5 yards of turnover is already in the report however as per mapping it has been included on the other regions" and provided the same list of traders as it did on 14 November 2022, set out above at paragraph [208].
212. On 29 March 2023, a different FOS India staff member responded to the same email chain, stating "We have included your volume under interbank, attached the revised file please review and approve." Associate Rates Trader 2 then approved the February 2023 data.

FY21-22 annual verification

213. On 12 August 2022, the AOFG requested that ANZ "have a senior sales or trading personnel, or a compliance staff member" review and confirm the accuracy of the FY21-22 data by close of business on Friday 19 August 2022.
214. At 9:32am on 19 August 2022, Associate Rates Trader 2 sent an email to Mr SLOANE, another member of the Syndicate team and a member of the Sales team asking if they could "please help to verify the accuracy as I don't receive the official monthly stats that get sent to the AOFG."
215. At 10:21am and 10:22am on 19 August 2022, Mr SLOANE replied to Associate Rates Trader 2's email noting the request was for sales or trading to confirm the data.

216. At 2:06pm on 19 August 2022, Associate Rates Trader 2 sent an email to FOS India asking *"Could you please urgently send me 2021-22 monthly turnover stats you send to aofm each month, the official copy so I can reconcile with the annual turnover version they have sent me. I need this asap."*
217. At 3:26pm on 19 August 2022, without having received a reply to his request to FOS India, Associate Rates Trader 2 responded to the AOFM that ANZ *"confirm the accuracy of this data"*. By submitting this response, ANZ represented to the AOFM that the secondary market bond turnover data for FY2021-22 that ANZ had previously provided was accurate. No senior sales or trading personnel, or compliance staff member, were involved in the review to confirm the accuracy of the data. By reason of the matters set out at paragraphs [198] and [199] above, the representation thereby materially misstated the value of ANZ's secondary turnover for FY2021-22 and was false or misleading.
218. At 11:48am on 6 September 2022, the AOFM sent an email attaching ANZ's FY2021-22 AGS turnover ranking report.
219. At 1:36pm on the same day, Associate Rates Trader 2 sent an email to Mr CHOI, Mr JAMPALA, Mr VAIL, Mr MORRIS and Mr Anshul SIDHER (Global Head of Trading and Asia Markets, Markets) attaching the report of ANZ's turnover ranking received from the AOFM. His email stated:
- "Annual AOFM turnover stats have just been released and we have produced a great result as a team. Some of the key highlights are below:*
- Rank 1st in Other Domestic flow which is all flow outside of balance Sheets and Interbank activity*
- Rank 1st in Japan flow with 20% of market Share*
- Rank 3rd in Primary takedown with 14%"*
220. On 23 September 2022, ANZ's markets leadership team were advised of the AOFM's turnover ranking for FY2021-22 as part of the regular tracking against the key results areas relevant to the AUD/NZD Distribution Initiative, and in particular the non-financial targets as referred to in paragraph [24] above.

Identification of inaccurate reporting

221. On 14 July 2023, FOS India sent the data for June 2023 to Associate Rates Trader 2 and other ANZ representatives for review.
222. The June 2023 data was reviewed by Syd Rates Trader 3, who had taken over responsibility for reviewing secondary market bond turnover data prior to its submission to the AOFM. On 20 July 2023, Syd Rates Trader 3 responded to FOS India attaching a spreadsheet with corrected figures.
223. On or about 20 July 2023, in a meeting between representatives of the AOFM and ANZ which discussed ANZ's distribution capabilities in the United Kingdom, a representative of the AOFM suggested that ANZ check the accuracy of the secondary market bond turnover data it had reported to the AOFM. Among the ANZ attendees were FI Sales

Member 1, an AU/NZ Rates trader based in London (**London Rates Trader**) and Syd Rates Trader 3.

224. On 24 July 2023, Syd Rates Trader 3 emailed FOS India requesting a copy of submissions sent by ANZ to the AOFM for the previous 12 months back to June 2022.
225. In a call commencing at 5:30pm on 25 July 2023, the London Rates Trader informed Mr CORBETT about the concerns raised by the AOFM, that Syd Rates Trader 3 was undertaking a review and that it appeared from Syd Rates Trader 3's review to date that there were issues with the accuracy of the data that had been submitted to the AOFM.
226. At 10:48pm on 25 July 2023, Syd Rates Trader 3 sent an email to Mr CORBETT in which he stated:

"Essentially back story is for a number of years ANZ have been classified by AOFM end of year summary statistics which it releases every financial year as #1 for domestic RM [real money] ACGB accounts. ... This ranking has seen us as being the key partner for domestic RM clients with the AOFM based on incorrect secondary data which compliments primary tender/auction takedown and ultimately helps ANZ to be selected on primary syndications.

Initial findings largely relate to past submissions grossly overstating total secondary market turnover with clients/franchise and incorrectly over contributing a huge share to Domestic RM accounts."

227. In a call commencing at 5:13pm on 31 July 2023, Syd Rates Trader 3 and the London Rates Trader discussed the findings of his review. The Syd Rates Trader 3 noted the significant size of the overestimate of client flows and the understatement of reported interbank flow as compared to the volume that was traded over the previous 12 month period.
228. At 10:30pm on 31 July 2023, Syd Rates Trader 3 sent an email to Mr CORBETT in which he stated:

"Following discussions with the AOFM recently and our presented geographical coverage strength, advice was given from the AOFM to review our submitted ACGB secondary turnover statistics.

For background, the AOFM requests all bond market intermediaries to detail their secondary market ACGB turnover in ACGB to collate the data and present quarterly on the AOFM Data Hub website (<https://www.aofm.gov.au/data-hub>). The data is used by the AOFM to determine dealer secondary market support and also focus areas of turnover activity globally for the AOFM issuance. Furthermore, the data each FY is collated to present a ranking of each dealer against its peers per region broken down as Interbank, Bank Balance Sheet (domestic B/S), Other domestic (Australia RM), Japan, Asia (Ex-Japan), Europe (ex UK), North America, South America and Other International (NZ, Middle East etc).

On review, the secondary market turnover data that ANZ has submitted to the AOFM highlights the following:

- * In summary, ANZ has overestimated total ANZ executed client traded secondary turnover by ~A\$55bn for FY22-23 for submitted reports (A\$137bn submitted vs A\$83bn actual) and the number of trades by ~1,700 (8,500 submitted vs 6,800 actual)
- * ANZ has counted over A\$30bn of Interbank turnover as client secondary market turnover under "Other Domestic" and "Domestic Balance Sheet" client classification
- * This is verified by independent Yieldbroker and ICAP turnover statistics and reports
- * This is due to incorrectly mapping interbank codes while also counting interbank activity under domestic B/S codes
- * Despite the AOFM specifically stating "Secondary market turnover does not include AOFM issuance or buybacks" ANZ has included AOFM issuance/purchases as "Other Domestic" secondary market turnover totalling ~A\$7bn for FY22-23
- * Overcounting including process trades (US and NZ), AOFM (as noted above), option/repo trades have overattributed A\$23bn of total flow over FY22-23

Further to the absolute overestimations, geographical assignments to accurately classify data highlighted that:

- * "Other Domestic" has overestimated data A\$62bn (A\$81bn submitted vs A\$19bn actual) over 4.3x actual client volumes
- * "Asia (ex-Japan)" has been underestimated A\$5bn with Japan underestimated A\$4bn

...

Variation of FY22-23 geographical areas shown below

	FY22-23 Submitted	FY 22-23 Actual
Interbank	19,291.72	50,666.45
ICAP Confirmation		26,572.00
Yieldbroker Confirmation		20,021.31
GFI		1,998.40
Interbank underestimated (A\$bn)	(31,374.74)	2.6x

Overcounting (incl Ardea, US/NZ, AOFM)	23,098.64
AOFM (overestimation)	6,895.00

Bank Balance Sheet	400.28	1.0x
Other Domestic	62,495.52	4.3x
Japan	(3,828.23)	0.6x
Asia (excluding Japan)	(5,020.50)	0.7x
UK	2,140.76	1.5x
Europe (excluding UK)	2,237.31	1.2x
North America	6,259.57	1.9x
South America	(2,150.27)	0.4x
Other International	2,745.37	15.3x
Client overestimated TOTAL (A\$bn)	54,473.38	1.7x

*Positive = overestimation, negative = underestimation"

229. On 2 August 2023, the AOFM sent an email requesting that ANZ confirm the accuracy of the monthly data ANZ had reported to the AOFM over financial year 2022-23.
230. On 2 August 2023, Mr VAIL and Mr CORBETT had a phone call in which they discussed inaccuracies with the turnover data being provided to the AOFM. During the discussion, they stated:

Mr CORBETT: We've - we've effectively been - ANZ has, for a long time now been misrepresenting our numbers to the AOFM, which I'm clearly very worried about and - and kind of makes me feel quite sick. Most noted - most notably, what we're doing is we're counting - so, they only care about client turnover. They don't want to - they don't really - yeah. So, we are counting a large proportion of interbank trades as client trades, which is - which is obviously a problem in and of itself.

...

But we're not talking small amounts. We're talking in some cases up to 40 percent of overstatement. We also - we also have in many cases misclassified where the flow comes from.

...

VAIL: We need to, number one, look at our internal processes, ensure that that's corrected immediately.

CORBETT: Yep. Yep.

VAIL: We need to, you know, elevate this to DCM [Debt Capital Markets, i.e. Syndicate team] and properly up to Anshul [SIDHER, Managing Director, Markets] from a head of markets perspective so that he's aware that this has been going on. You know, I think probably DRM [Desk Risk Management] because of the process and they can decide whether it's a core event or whatever it is. And then, at some point there needs to be a conversation with AOFM, and what that conversation is, is, you know, where we've been going.

...

CORBETT: - - - you know, when you eventually read the stuff, and I'll - I'll share it with you once I've - once I've, you know, given it all to Rakesh and everything else, when you read it, it's - this isn't, like, rounding errors. This is - this is gross misstatement of things.

231. On 8 August 2023, the Head of Markets and Trading Europe and America, London, sent an email to Mr MORRIS and Mr SIDHER regarding a review of client opportunities in UK/Europe for ACGF flows. In the email, the Head of Markets and Trading Europe and America, London, wrote: "On a related note – it also seems we have been misreporting volume data to AOFM – double counting some volume and also mapping the UK volumes to Australia. I assume you are across this and its being corrected?". In response, Mr MORRIS stated "I will look into the AOFM secondary numbers". Mr SIDHER forwarded the email chain to a colleague.
232. On 10 August 2023, Mr MORRIS called Mr CARMODY and outlined issues relating to the inaccurate reporting of secondary market bond turnover data to the AOFM. They agreed for a Sydney-based member of the Front Office Support team (**FOS Sydney**

team member) to assist with validating the correct numbers to submit to the AOFM as a priority.

233. On 11 August 2023, the FOS Sydney team member confirmed that he had validated Syd Rates Trader 3's calculations.
234. Following that confirmation, Mr MORRIS discussed ANZ's approach to communicating the inaccurate reporting of secondary market turnover data to AOFM with various senior ANZ representatives, including Mr SLOANE (Executive Director, Debt Syndicate), Mr CHOI, Mr CORBETT and Mr JAMPALA. It was subsequently decided that the FOS Sydney team member would resubmit the data to the AOFM on behalf of ANZ and that Mr SLOANE would give the AOFM a call.
235. On 14 August 2023, Mr MORRIS and Mr CARMODY exchanged emails containing a draft email to the AOFM about the inaccurate reporting of secondary market turnover data. The version from Mr CARMODY stated: *"This event has been loaded into ANZ's Operational Risk Management system and the necessary actions to address the underlying issues will be tracked through to closure."*
236. On 15 August 2023, Mr SLOANE called a representative of the AOFM. During this call, Mr SLOANE apologised to the AOFM and stated that it had just come to his attention that ANZ's middle office (i.e. FOS) had miscategorised certain things in the data previously reported to the AOFM.
237. At 1:07pm on 15 August 2023, the FOS Sydney team member sent an email to the AOFM attaching the corrected turnover data for FY2022-23.
238. The corrected turnover data for FY2022-23 that ANZ provided to the AOFM for the purposes of the annual confirmation process for FY2022-23 was not inaccurate.
239. In September 2023, the AOFM sent an email attaching ANZ's FY2022-23 AGS turnover ranking report. The attached report showed ANZ's overall ranking for secondary market turnover was 6th (up from 8th in FY21-22) while its ranking for the "Other domestic" category was 3rd with 9% market share (down from 1st with 20% market share in FY21-22).

Reporting of breach of obligations to ASIC

240. On 11 August 2023, the same day that the FOS Sydney team member validated Syd Rates Trader 3's calculations (see paragraph [233] above), the FOS Sydney team member raised an 'event' in relation to the incorrect reporting of secondary market bond turnover data to the AOFM, which led to an entry in ANZ's COR risk register. This event was assigned identifier "EVT118463".
241. On 14 August 2023, EVT118463 was assigned a Desk Risk Manager as case manager. As the case manager, the Desk Risk Manager was responsible for assessing the event in accordance with ANZ's Event Management Lifecycle, Roles & Responsibilities policy (**Event Management Policy**).
242. Relevantly, the Event Management Policy required the following:

- a. The relevant case manager was required to assess the relevant event against certain "reportable event" thresholds. In August 2023, the relevant thresholds were:
 - i. all actual or suspected internal fraud, bribery or corruption;
 - ii. potential or actual gross losses or gains greater than or equal to AUD\$10,000;
 - iii. potential or actual 'Reputation' rating of Medium, High or Extreme. This threshold involved an assessment of customer impact, the volume of complaints received, and impact on brand; or
 - iv. potential or actual 'Compliance' rating of Medium, High or Extreme. This threshold involved an assessment of whether the event involved an internal policy or process breach, or a regulatory breach.
 - b. The relevant case manager was required to assess whether an event was to be rated Low, Medium, High or Extreme by reference to the criteria set out in the Group Operational Risk Impact Ratings table within the Events Management Policy.
 - c. The assessment was to be made within specified timeframes (for example, in relation to the thresholds referred to in sub-paragraphs (a)(iii) and (iv) above, "as soon as possible, or within 5 business days from detection").
 - d. If any of the reportable event thresholds were met or potentially met, the relevant case manager was required to mark the event as a "reportable event". This would result in the event being escalated for assessment by a different team within ANZ to determine whether the event was in fact required to be reported to ASIC.
 - e. If the relevant event did not meet any of the relevant thresholds, the relevant case manager was to 'close' the event on ANZ's systems.
243. On 14 August 2023, another desk risk manager sent an email to the Desk Risk Manager which stated *"This event Evt118463 sounds like it should be escalated to reportable event given the reputational risk, but what do you think?"* The Desk Risk Manager replied: *"I will wait for feedback from Matt [MORRIS] after he has spoken to AOFM to ascertain what the impact from there end is, if they officially complain then definitely an RE [reportable event]"*.
244. At 10:02am on 15 August 2023, the Desk Risk Manager stated in an email to his manager that: *"Matt M is speaking to AOFM if they don't make any complaint and just want ANZ to resubmit files then it can stay as a COR Event but if a complaint then that's when I would need to move it to RE as impact to reputation which could impact us in future new tenders with AOFM"*.

245. At 12:05pm on 15 August 2023, Mr MORRIS forwarded to Mr CARMODY and the Desk Risk Manager an email chain in which Mr SLOANE confirmed he had spoken to the AOFM.
246. The Desk Risk Manager did not mark EVT118463 as a “reportable event” because he mistakenly, incorrectly assessed the event as not meeting the relevant Reputation rating threshold. As such, the event was not assessed for reporting to ASIC under ANZ’s relevant policies.
247. By no later than 15 August 2023, by reason of the matters set out in paragraphs [241] to [246] above, there were reasonable grounds for ANZ to believe that the reportable situation event had arisen from the inaccurate reporting of monthly secondary market turnover data to the AOFM.
248. On 9 October 2023, event EVT118463 was marked “Closed – Below Threshold”.
249. In about late April 2024, a Senior Desk Risk Manager commenced reviewing ANZ’s response to the misreporting of secondary market turnover data to the AOFM after the matter was brought to their attention by Syd Rates Trader 3.
250. On 30 April 2024, the Senior Desk Risk Manager sent an email to Syd Rates Trader 3 which stated that they were now investigating the handling of the matter, including *“whether a breach report was lodged to ASIC for misleading or deceptive conduct.”*
251. On 2 May 2024, a new event with ID ‘IRE0085475’ was created in ANZ’s systems relating to the inaccurate reporting of secondary market turnover data to the AOFM.
252. On 6 June 2024, ANZ notified ASIC of a reportable situation event arising from its overstatement of monthly secondary market turnover data to the AOFM.

ANZ’s root cause analysis

253. ANZ has conducted a review to identify the root causes of its misreporting of secondary market turnover to the AOFM.
254. The review identified, and it was the fact, that:
- a. The primary root cause was an absence of a formal framework for the preparation, oversight and submission of secondary market turnover data to the AOFM.
 - b. There was a lack of accountability at both management and execution levels. Roles and responsibilities were not clearly defined, employees lacked sufficient understanding of their roles and responsibilities and there was miscommunication between employees.
 - c. Insufficient training was provided to staff and staff lacked capability to adequately perform assigned tasks relating to the preparation and validation of the data.

- d. There were process design and governance failures. There was inadequate senior ownership of formal framework and government arrangements, ineffective methodology and inadequate maintenance of procedures and the absence of a proper change management process.
- e. There was a lack of data definition and understanding, poor data quality and a poor understanding of how the data would be used.

Obligations as an Australian financial services licensee

255. Between 14 September 2021 and 15 August 2023, ANZ did not do all things necessary to ensure that the financial services covered by its Australian financial services licence were provided efficiently, honestly and fairly, by reason of:
- a. making the representations to the AOFM about its secondary market bond turnover that were false or misleading, as set out in paragraphs [196] to [199] above;
 - b. engaging in misleading or deceptive conduct, as set out in paragraphs [196] to [199] above;
 - c. failing to have adequate processes and procedures in place to prepare, review and verify the secondary market bond turnover data being submitted to the AOFM to ensure that it was accurate, consistent with paragraph [254] above, and despite the matters set out in paragraphs [22], [158], [159], and [171] to [195] above;
 - d. failing to adequately monitor and supervise staff, to ensure that the secondary market bond turnover data was submitted to the AOFM accurately;
 - e. failing to ensure that staff who were responsible for the review and submission of the data were adequately trained or competent;
 - f. failing to conduct risk or assurance reviews of the processes and procedures to ensure that misleading information was not provided to the AOFM in connection with ANZ's secondary market bond turnover data; and
 - g. failing to take adequate steps to identify and to address the root causes of the misreporting and failing to escalate the issue for further risk assessment and compliance review, even when the scale of the inaccuracies in the secondary market bond turnover data submitted by ANZ to the AOFM for FY23 was identified and the AOFM was provided updated data for that financial year on 15 August 2023, as set out at paragraphs [221] to [237] above.
256. By reason of the matters in paragraph [255.a] to [255.g], between 14 September 2021 and 15 August 2023, ANZ also failed to:
- a. take reasonable steps to ensure that its representatives complied with the financial services laws in connection with ANZ's reporting of secondary market bond turnover data to the AOFM.

- b. ensure that its representatives were adequately trained, and were competent, to provide financial services to the AOFM in connection with ANZ's reporting of secondary market bond turnover data to the AOFM.

F. MATTERS RELEVANT TO PENALTY

257. ANZ is a major Australian bank. As at 5 September 2025, its parent company, ANZ Group Holdings Limited, was the eighth largest company listed on the Australian Securities Exchange by market capitalisation. As at 30 September 2024, ANZ Group Holdings Limited's market capitalisation was approximately \$90.8 billion, and its total assets were approximately \$1,229 billion. In the financial year ending 30 September 2024, ANZ reported a statutory profit of \$6.595 billion (after tax).

258. ANZ's revenue, profit before income tax and net profit for each year ended 30 September 2021 to 30 September 2024 was as follows:

Year	Net Interest Income (\$m)	Other Income (\$m)	Profit before income tax (\$m)	Net Profit for the year (\$m)
2021	\$14,161	\$3,259	\$8,936	\$6,162
2022	\$14,874	\$4,552	\$10,079	\$7,119
2023	\$16,575	\$3,891	\$10,134	\$7,165
2024	\$16,037	\$4,484	\$9,446	\$6,595

259. ANZ's annual turnover (within the meaning of s9 of the Corporations Act) in each 12-month period since September 2021 has been sufficiently high that 10% of that figure is greater than an amount equal to 2.5 million penalty units.

260. ANZ has previously been found by the Court to have:

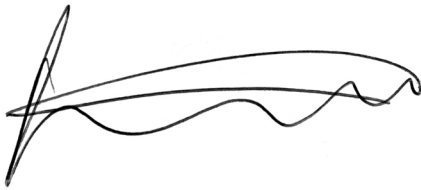
- a. attempted to contravene sections 12CB(1) and 12CC(1) of the ASIC Act and contravened sections 912A(1)(a) and 912A(1)(f) of the Corporations Act (penalty \$10m for sections 12CB(1) and 12CC(1) attempted contraventions; declarations of attempted contraventions of sections 12CB(1) and 12CC(1), and contraventions of sections 912A(1)(a) and 912A(1)(f)): ASIC v ANZ (2017) 123 ACSR 341; [2017] FCA 1338;
- b. contravened sections 128(a) and (d) and 130(1)(c) of the *National Consumer Credit Protection Act 2009* (Cth) (**NCCPA**) (penalty \$5m for section 130(1)(c) contraventions; declarations of contraventions of sections 128(a), 128(d) and 130(1)(c)): ASIC v ANZ [2018] FCA 155;
- c. contravened section 12CB(1) of the ASIC Act and sections 912A(1)(a) and 912A(1)(c) of the Corporations Act (penalty \$10m for section 12CB(1) contraventions; declarations of contraventions of sections 12CB(1), 912A(1)(a) and 912A(1)(c)): ASIC v ANZ (No 3) [2020] FCA 1421;

- d. contravened sections 12DA(1), 12DB(1)(e) of the ASIC Act, sections 912A(1)(a) and 912A(1)(c) of the Corporations Act and sections 47(1)(a) and 47(1)(d) of the NCCPA (penalty \$25m for section 12DB(1)(e) contraventions; declarations of contraventions of sections 12DA(1), 12DB(1)(e), 912A(1)(a), 912A(1)(c), 47(1)(a) and 47(1)(d)): ASIC v ANZ (2022) 164 ACSR 428; [2022] FCA 1251;
 - e. contravened sections 29, 31(1) and 47(1)(e) of the NCCPA (penalty \$10m for section 31(1) contraventions; declaration of contraventions of sections 29, 31(1) and 47(1)(e)): ASIC v ANZ [2023] FCA 256;
 - f. contravened section 12DB(1)(g) of the ASIC Act and section 47(1)(a) of the NCCPA (penalty \$15m for section 12DB(1)(g) contraventions; declarations of contraventions of sections 12DB(1)(g) and 47(1)(a)): ASIC v ANZ [2023] FCA 1150; and
 - g. contravened section 674(2) of the Corporations Act (penalty \$900,000 for 1 contravention of 674(2) (in circumstances where the maximum available penalty was \$1m); declaration of contravention of 674(2) of the Corporations Act): ASIC v ANZ [2023] FCA 1565.
261. ANZ has engaged constructively with ASIC and provided useful voluntary assistance during the investigation and in the settlement process, including by making admissions in relation to its conduct at the earliest available opportunity; acknowledging liability in respect of the admitted contraventions prior to the filing of an originating process; and engaging with ASIC on the preparation of this Statement of Agreed Facts. By its conduct, ANZ has avoided the need for a contested proceeding on liability and relief.
262. Since the 19 April 2023 bond issuance, ANZ has not been invited by the AOFM to participate in any further syndicated bond issuance.
263. Since the time of these contraventions, ANZ has taken a range of corrective measures and enhancements relevant to compliance within its Markets division, including:
- a. As part of a broader program of work across multiple divisions, including the Markets division:
 - i. ANZ has been responding to the Australian Prudential Regulation Authority (**APRA**) in relation to its ongoing concern about weaknesses in ANZ's non-financial risk management practices and risk culture, and to enhance its management of non-financial risk. On 2 April 2025, ANZ voluntarily entered into a court-enforceable undertaking with APRA regarding non-financial risk management. ANZ acknowledged APRA's concerns, the need to address these sustainably and as a priority, and will continue to engage with APRA in an open, constructive and co-operative way.

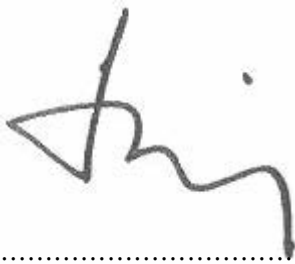
- ii. In 2025, ANZ created a new role of Executive Lead, Enforceable Undertaking/Non-Financial Risk Program that reports directly to the Chief Executive Officer who will be responsible for delivering the programme of work related to non-financial risk across the bank.
 - b. From October 2024 to March 2025, ANZ engaged consulting firm Oliver Wyman to conduct an independent review into ANZ's Global Markets culture and risk governance, in consultation with APRA. On 3 April 2025, ANZ announced that it had accepted the findings from the Oliver Wyman report, and was taking steps to give effect to each of the recommendations made by Oliver Wyman in its review.
 - c. Since 2024, ANZ has been engaged in a process to determine accountability for the relevant conduct and any disciplinary consequence and has refreshed its senior leadership and management within Markets business in Australia, including the appointment of a new Head of Markets Australia, Deputy Head of Markets Australia, Head of Markets Risk, Senior Business Partner, Talent & Culture, and Head of Corporate and Commercial Sales.
 - d. In 2024, ANZ created a set of deliverables to address some of the issues that contributed to the relevant conduct, with input and oversight from an independent consultant. One of these deliverables included improvements to ANZ's pre-hedging policies. The programme of work to deliver those improvements has commenced and is ongoing.
264. Since the identification of inaccuracies in the secondary market turnover data reported to the AOFM, ANZ has taken the following steps:
- a. ANZ has engaged with the AOFM regarding its reporting requirements, including receiving updated guidance from the AOFM which clarified aspects of its reporting requirements; stated that there was no requirement to amend historical data; recognised that categorisation may be complex; and requested that data be submitted on a best endeavours basis.
 - b. ANZ has uplifted the reporting tools and governance to correct for the errors identified.
 - c. ANZ has developed a secondary reporting tool for validation purposes and enhanced the governance of the data sign-off process, which now requires sign-off from the Markets Chief Operating Officer.
 - d. ANZ has undertaken an internal review of the data submitted to the AOFM using the uplifted reporting tools and engaged an external consultant to validate the findings of its internal review.

- e. ANZ's Internal Audit team has been engaged to review the design and operational effectiveness of ANZ's enhanced AOFM data governance and control framework.

Date: 12 September 2025



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Andrew John Christopher, Webb Henderson
Lawyer for the Plaintiff



.....
Luke Hastings, Herbert Smith Freehills Kramer
Lawyer for the Defendant

Annexure A

Instructions placed by Mr CORBETT and Mr JAMPALA on behalf of ANZ for 10-year Australian bond futures on 19 April 2023 between market open and pricing:

Time	Instruction	Type	XM Price	XM vol ordered	Crosses spread? (Y/N)	Final status
09:36:25	-250 xm	Outright	96.485	250	Y (at time of instruction)	Cancelled at 09:37:00
09:39:15	Sell 500 total xm 48.5 if goes bid pls	Outright	96.485	500	N	Cancelled at 10:19:56
09:57:52	+50u curve	Curve	96.470	500	N/A	Filled at 9:57:59
10:21:45	Sell xm 500 if goes bid 48.5	Outright	96.485	500	N	Cancelled at 11:08:05
10:36:56	39.5 buy 25u	Curve	96.485	250	N/A	80 contracts filled at 10:37:05, balance cancelled at 10:37:28
10:51:00	+20u curve	Curve	96.475	200	N/A	Filled at 10:51:05
10:54:53	+10u	Curve	96.485	100	N/A	Filled at 10:54:57
11:08:55	Sell 500 if bid there	Outright	96.485	500	N	Last fill at 12:28:36
11:16:11	-1k xm	Outright	96.480	1000	Y	Filled at 11:16:17
11:26:33	-500 xm 47.5 .. If goes bid	Outright	96.475	500	N	Cancelled at 11:34:29
11:29:17	-2500 xm 47	Outright	96.470	2500	Y	Last fill at 11:30:04
11:51:48	-900 xm	Outright	96.470	900	Y	Filled at 11:51:54
12:05:20 – 12:05:43	-150 xm ... -200 make it And with tick ok	Outright	96.475	200	N	Filled at 12:06:57
12:29:54	-400 xm 48.5 and 49 ... Don't show unless thns out	Outright	96.485	400	N	Cancelled at 13:32:31
		Outright	96.490	400	N	Cancelled at 13:32:31
12:30:19	+40u curve	Curve	96.485	400	N/A	Last fill at 12:44:48
12:44:43	-1k xm	Outright	96.480	1000	Y	Last fill at 12:52:27
13:10:07	-1500 xm	Outright	96.480	1500	Y	Filled at 13:10:12
13:13:58	1k xm	Outright	96.480	1000	Y	Filled at 13:14:04

13:15:36	-200 xm	Outright	96.480	200	Y	Filled at 13:15:41
13:17:25	-500 xm 48 if bid	Outright	96.480	500	N	340 contracts filled by 13:21:07; balance cancelled at 13:21:08.
13:21:07	-500 48 if there [at 13:32:26] Work the -500 48	Outright	96.480	500	N	Last fill at 13:32:48
13:24:14	-3500 xm	Outright	96.475	3500	Y	Last fill at 13:24:21
13:29:41	-2500 xm	Outright	96.475	2500	Y	Filled at 13:29:45
13:33:19 – 13:33:23	-500 ty ... XM ... Not ty	Outright	96.480	500	Y	Filled at 13:33:26
13:34:32	-500 48.5	Outright	96.485	500	N	Filled at 13:57:51 (broker error by not cancelling at 13:57:02)
13:35:19	-2k xm	Outright	96.480	2000	Y	Filled at 13:35:26
13:35:48	Sell another 1k if goes bid	Outright	96.480	1000	Y	Last fill at 13:36:15
13:37:18	-1k 48	Outright	96.480	1000	Y	Last fill at 13:37:29
13:37:55	-500 48	Outright	96.480	500	Y	Filled at 13:38:01
13:38:23	-500 xm	Outright	96.480	500	Y	Last fill at 13:38:28
13:39:44	-500 aus	Outright	96.480	500	Y	Filled at 13:39:47
13:40:06	-500 au	Outright	96.480	500	Y	Last fill at 13:40:13
13:40:29	-500 xm	Outright	96.480	500	Y	Filled at 13:40:35
13:41:03 – 13:41:07	-500 ... aud	Outright	96.480	500	Y	Filled at 13:41:11
13:41:36	-500 au	Outright	96.480	500	Y	Last fill at 13:41:44
13:42:06	-500 au	Outright	96.480	500	Y	Last fill at 13:44:22
13:43:34	-1000 48	Outright	96.480	1000	N	Cancelled at 13:57:15
13:44:21	-6000 au	Outright	96.475	6000	Y	Filled at 13:44:27
13:44:43	-1k aud	Outright	96.475	1000	Y	Filled at 13:44:50
13:45:00	1k au	Outright	96.475	1000	Y	Filled at 13:45:07
13:45:15	-1k more	Outright	96.475	1000	Y	Filled at 13:45:20
13:45:32	-1k	Outright	96.475	1000	Y	Filled by 13:45:39
13:45:48	-2k 47.5	Outright	96.475	2000	Y	Last fill at 13:45:53
13:46:04	-2k 47.5	Outright	96.475	2000	Y	Last fill at 13:46:15
13:46:23	-2k xm	Outright	96.475	2000	Y	Filled at 13:46:29

13:46:39	-2k xm	Outright	96.475	2000	Y	Last fill at 13:46:47
13:47:05	-2k xm	Outright	96.475	2000	Y	942 filled at 13:47:55; balance cancelled at 13:57:08
13:47:31	-2000 47.5	Outright	96.475	2000	N	Cancelled at 13:57:13
13:47:47	-8k xm	Outright	96.470	8000	Y	Filled at 13:47:55
13:48:14	-2k xm	Outright	96.470	2000	Y	Filled at 13:48:20
13:48:29	-2k xm	Outright	96.470	2000	Y	Filled at 13:48:36
13:48:50	-2k xm	Outright	96.470	2000	Y	Last fill at 13:48:58
13:49:29 – 13:49:31	-1k ... 47	Outright	96.470	1000	Y	Last fill at 13:49:47
13:49:46 – 13:49:49	-1k ... 47	Outright	96.470	1000	N (at time of instruction)	886 filled by 1:56:59; balance cancelled at 13:57:08
13:50:58	-2k 47	Outright	96.470	2000	N	Cancelled at 13:57:08
13:51:44	Sell 3k 47	Outright	96.470	3000	N	Cancelled at 13:57:08
13:51:56 – 13:51:59	Sell 26 46+ ... 2k	Outright	96.465	2000	Y	Filled at 13:52:05
13:52:13	Sell 2k 46+	Outright	96.465	2000	Y	Filled at 13:52:20
13:52:25	Sell 3k 46+	Outright	96.465	3000	Y	Last fill at 13:52:40
13:52:37	SELL 3K 46+	Outright	96.465	3000	N	Last fill at 13:53:16
13:52:47	SELL 3K 46+	Outright	96.465	3000	N	Last fill at 13:55:57
13:53:10	SELL 3K 36+ IF BID	Outright	96.465	3000	N	Last fill at 13:56:49
13:54:05	Sell 3k xm 46+	Outright	96.465	3000	N	Filled at 13:56:49

Annexure B

Below are 24 instances where ANZ misreported its secondary market turnover data (including the FY22 annual submission) to the AOFM.

Note that submissions in *italics* are not impugned but added for context.

	Date of misrepresentation	Description
1.	14 September 2021 <i>Resubmission of same data on 25 November 2021</i>	July 2021 data
2.	29 October 2021	August 2021 data
3.	26 November 2021	September 2021 data
4.	5 January 2022	October 2021 data
5.	28 January 2022	November 2021 data
6.	18 February 2022	December 2021 data
7.	24 March 2022	January 2022 data
8.	13 May 2022	February 2022 data
9.	16 May 2022	March 2022 data
10.	22 June 2022 <i>21 June 2022 is the date of the initial submission which is recalled 2 hours later</i>	April 2022 data
11.	8 August 2022	May 2022 data
12.	10 August 2022	June 2022 data
13.	19 August 2022	Confirmation of FY21-22 data
14.	19 August 2022	July 2022 data
15.	13 September 2022	August 2022 data
16.	24 October 2022	September 2022 data
17.	7 December 2022	October 2022 data
18.	9 January 2023	November 2022 data
19.	19 January 2023	December 2022 data
20.	20 February 2023 <i>Resubmission of same data on 26 April 2023</i>	January 2023 data
21.	30 March 2023	February 2023 data
22.	26 April 2023	March 2023 data
23.	19 May 2023	April 2023 data
24.	<i>Original submission on 19 June 2023 but missing bond line</i> Resubmission on 22 June 2023 with complete numbers	May 2023 data