



**ASIC**  
Australian Securities &  
Investments Commission

## CEU interim compliance report by ASIC

ASIC's interim report dated **5 May 2021** on compliance with the s93AA ASIC Act court enforceable undertaking (CEU) given by the **Commonwealth Bank of Australia (CBA)** on 21 December 2016.

Terms used in this report have the same meaning as in the CEU dated 21 December 2016 and the CEU Variation dated 16 October 2020.

<b>Undertakings</b>	<b>Report on compliance</b>
<b>Independent Expert</b>  CEU paragraphs and 3.2 and 3.3	1. CBA agreed to the appointment by ASIC of Oliver Wyman as the Independent Expert ( <b>IE</b> ) on the terms of engagement specified in the CEU. ASIC appointed the IE as the Independent Expert on 14 July 2017.
<b>FX Program</b>  CEU paragraph 3.6	2. On 12 September 2017, CBA submitted its FX Program to ASIC and the IE in accordance with the requirements and timeframe specified in the CEU.
<b>Assessment of FX Program</b>  CEU paragraph 3.7.1	3. The IE conducted its assessment of the effectiveness of the FX Program to prevent, detect and respond to conduct of concern outlined in the the CEU, in accordance with the requirements and timeframe specified in the CEU.
<b>Expert Report</b>  CEU paragraph 3.7.2	4. On 6 December 2017, the IE submitted its Expert Report to ASIC and CBA in accordance with the requirements and timeframe specified in the CEU.  5. The Expert Report set out the IE's findings from the Assessment of the FX Program under paragraph 3.7.1. In summary, the Expert Report: <ul style="list-style-type: none"><li>a. identified deficiencies in the FX Program;and</li><li>b. made recommendations for actions, that in the opinion of the IE, would be necessary for CBA to</li></ul>

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	implement to rectify the deficiencies identified in the Expert Report.
<b>Final FX Program</b> CEU paragraph 3.8	6. On 23 January 2018, CBA submitted its revised Final FX Program to ASIC and the IE in accordance with the requirements and extended timeframe as agreed upon by ASIC. 7. The IE indicated that it required additional detail to complete its assessment. Consequently, ASIC granted CBA an extension to 15 March 2018 to provide a more robust Final FX Program for the IE to review.
<b>Further Expert Report</b> CEU paragraph 3.9	8. On 18 April 2018, the IE submitted its Further Expert Report to ASIC and CBA in accordance with the requirements and extended timeframe as agreed upon by ASIC. 9. The Further Expert Report set out the IE’s findings from the assessment of the Final FX Program including the IE’s opinion on whether CBA’s Final FX Program rectified deficiencies in the FX Program that were identified in the Expert Report.
<b>Terms of Final FX Program</b> CEU paragraph 3.10	10. On 29 October 2018, ASIC and CBA agreed on the terms of the Final FX Program.
<b>Implementation of Final FX Program</b> CEU paragraph 3.11.4	11. On 11 March 2019, in accordance with the timeframe specified in the CEU, CBA notified ASIC and the IE that the Final FX Program had been fully implemented on 28 February 2019.
<b>Final Expert Report</b> CEU paragraph 3.12	12. On 31 May 2019, the IE submitted its Final Expert Report to ASIC and CBA in accordance with the requirements as specified in the CEU following its assessment of CBA’s implementation of the Final FX Program.

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	<p>13. However the expert assessed that four aspects of the consolidated Final FX Program provided by CBA to ASIC and the Independent Expert on 28 February 2019 to be “unsatisfactory” (including in relation to physical segregation of traders executing fix orders) and three were “unable to be assessed” (including in relation to implementation of automated trade surveillance).</p>
<p><b>Attestation</b> CEU paragraph 3.13</p>	<p>14. Although CBA provided notification on 11 March 2019 that it had fully implemented the Final FX Program on 28 February 2019 it did not provide the attestation required to be given under paragraph 3.13 of the CEU until 30 September 2019. On 30 September 2019, the Group Executive, Institutional Banking &amp; Markets, provided ASIC with an attestation that he had personal knowledge of CBA’s compliance with paragraph 3.11, that he had taken reasonable steps to satisfy himself that CBA’s systems and controls in its Spot FX business are appropriate and adequate to effectively manage conduct risks relating to:</p> <ul style="list-style-type: none"> <li>3.13.1 management of fix orders;</li> <li>3.13.2 management of stop loss orders; and</li> <li>3.13.3 external communications containing specific confidential information.</li> </ul>
<p><b>CEU Variation</b> 16 October 2020</p>	<p>15. CBA and ASIC agreed to a variation, which was executed on 16 October 2020 (CEU Variation). The CEU Variation imposes additional undertakings on CBA. The Independent Expert is to undertake a further assessment of CBA's Final FX Program and report whether the issues identified as 'unsatisfactory' or 'satisfactory, subject to further actions being actioned' or 'cannot be properly assessed at this time' in the Final Expert Report have been addressed. This variation will also allow for the annual review by CBA and the</p>

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	<p>Independent Expert as to the ongoing operation of the Final FX Program for a further three-year period.</p>
<p><b>CEU Variation</b></p> <p>Variation paragraph 3.12A</p>	<p>16. On 5 November 2020, CBA:</p> <p>(a) notified ASIC and the IE in writing that it had addressed the deficiencies identified in the Final Expert Report as ‘Unsatisfactory’, ‘Satisfactory, subject to further actions being actioned’ or ‘Cannot be properly assessed at this time’ (<b>Outstanding Deficiencies</b>); and</p> <p>(b) provided to ASIC and the IE a written summary of the steps it has taken to address the Outstanding Deficiencies and supporting information to permit ASIC and the IE to assess those steps.</p>
<p><b>CEU Variation</b></p> <p>Variation paragraph 3.12B</p>	<p>17. On 16 December 2020, the IE submitted its Addendum to the Final Expert Report to ASIC and CBA in accordance with the requirements as specified in the CEU variation following its assessment of whether CBA addressed the Outstanding Deficiencies.</p>
<p><b>Community Benefit Payment</b></p> <p>CEU paragraph 3.14</p>	<p>18. On 4 January 2017, CBA made a community benefit payment to the total amount of A\$2.5 million to Ecstra Foundation Limited (ACN 625 525 162) Australia within the requirements and timeframe specified in the CEU.</p> <p>19. The payment will be used towards advancing financial literacy education related to the aged care sector.</p>