

NOTICE OF FILING

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Details of Filing

Document Lodged:	Statement of Agreed Facts
File Number:	VID704/2021
File Title:	IN THE MATTER OF WESTPAC BANKING CORPORATION (ACN 007 457 141)
Registry:	VICTORIA REGISTRY - FEDERAL COURT OF AUSTRALIA



Dated: 29/11/2021 4:25:34 PM AEDT

A handwritten signature in blue ink, reading "Sia Lagos".

Registrar

Important Information

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STATEMENT OF AGREED FACTS AND ADMISSIONS

FEDERAL COURT OF AUSTRALIA

DISTRICT REGISTRY: VICTORIA

Division: General

No VID

of 2021

AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION

Plaintiff

WESTPAC BANKING CORPORATION (ACN 007 457 141)

Defendant

A INTRODUCTION

1. The Plaintiff, the Australian Securities and Investments Commission (**ASIC**), and the Defendant, Westpac Banking Corporation (**WBC**), agree to the facts set out below in this Statement of Agreed Facts for the purposes of s 191 of the *Evidence Act 1995* (Cth).
2. In this Statement of Agreed Facts, the **contravening period** is 13 March 2019 to 27 October 2020 (both dates inclusive).

B PARTIES

3. ASIC is a body corporate:
 - 3.1. established by s 7 of the *Australian Securities Commission Act 1989* (Cth);
 - 3.2. continued by s 261 of the *Australian Securities and Investments Commission Act 2001* (Cth) (**ASIC Act**); and
 - 3.3. entitled to sue in its corporate name, pursuant to s 8 of the ASIC Act.
4. WBC is and at all material times was:
 - 4.1. a corporation duly incorporated;
 - 4.2. liable to be sued in its corporate name;

Filed on behalf of the Plaintiff, ASIC

File ref: 21003157

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- 4.3. the holder of an Australian Financial Services Licence (**AFSL**) numbered 233714 authorising WBC to carry on a financial services business subject to certain conditions; and
- 4.4. the holder of an Australian Credit Licence numbered 233714 authorising WBC to engage in credit activities subject to certain conditions.

C WBC BUSINESS OPERATIONS

- 5. WBC is a major Australian bank and an Australian public company limited by shares.
- 6. As at the close of market on 3 November 2021, WBC was the fifth largest listed company in Australia by market capitalisation, which was approximately \$84.93 billion.
- 7. As at 30 September 2021, WBC's total assets exceeded \$935 billion, and WBC reported a net profit of \$5.46 billion (after tax) for the 2020-21 financial year.
- 8. WBC provides its products and services within distinct divisions as follows:
 - 8.1. Consumer;
 - 8.2. Business;
 - 8.3. Westpac Institutional Bank (**WIB**);
 - 8.4. Westpac Specialist Business (**SBD**);
 - 8.5. Westpac New Zealand; and
 - 8.6. Group Businesses.
- 9. The Business Division, which is also known as the Business Bank, deals with small-to-medium businesses and commercial and agribusiness customers nationally in Australia. The Business Bank has the highest volume of accounts held by companies. At all relevant times, the Business Everyday Banking team ('**EDB**') was the product team responsible for the management of transactional banking products and services, which includes business deposit products, business credit cards and "business to business" payments.
- 10. For WBC financial year ending 30 September 2021, the Business Bank reported \$1.789 billion in cash earnings.
- 11. WIB deals with corporate, institutional and government customers in Australia and New Zealand.
- 12. For WBC financial year ending 30 September 2021, WIB reported negative \$670 million in cash earnings.
- 13. WBC operates a portfolio of bank brands across these divisions including Westpac, St George, BankSA and Bank of Melbourne (**WBC Group**).

C.1 Employees and Officers within WBC

14. The WBC staff with ultimate responsibility for the Business Bank during the contravening period were:
 - 14.1. David Lindberg, Chief Executive of the Business Bank from June 2015 to April 2019.
 - 14.2. Alastair Welsh, Acting Chief Executive of the Business Bank from April to December 2019.
 - 14.3. Guilherme Lima, Chief Executive of the Business Bank, from 2 December 2019.
15. The Chief Executive of the Business Bank reported to the Chief Executive Officer (**CEO**) of the WBC Group who were relevantly:
 - 15.1. Brian Hartzler, who was CEO and Managing Director of WBC Group from 2 February 2015 to December 2019.
 - 15.2. Peter King from April 2020. Previously he was Chief Financial Officer (**CFO**) of WBC Group from April 2014 to June 2018, Acting Chief Risk Officer of WBC Group from June to September 2018, Acting CFO of WBC Group from October 2018 to November 2019, Acting CEO of WBC Group from December 2019 to March 2020.
16. The main other Business Bank staff of relevance to the conduct outlined in this Statement of Agreed Facts listed roughly in order of seniority are:
 - 16.1. Gordon Bell, Chief Financial Officer of the Business Bank from at least February 2019 to 22 March 2021 who reported to the CFO of WBC Group.
 - 16.2. Quentin Boyes, General Manager, Service, Digital & Transformation, Business Bank from March 2017 to May 2020, who reported to the Chief Executive of the Business Bank.
 - 16.3. Mike Bickerstaff, the Acting General Manager, Service, Digital & Transformation, Business Bank from January to May 2020, who reported to the Chief Executive of the Business Bank.
 - 16.4. Peter Herbert, General Manager, Service, Digital & Transformation, Business Bank from June 2020. From July 2020 Mr Herbert's position title was Chief Transformation Officer who reported to Chief Executive of Business Bank.
 - 16.5. Jim Tate, Chief Product Officer, from at least 4 April 2018 to around November 2019 who reported to the Chief Executive of the Business Bank.
 - 16.6. Joanna White, Chief Product Officer from February 2020, Managing Director, Cash Management from September 2020, who reported to the Chief Executive of the Business Bank.

- 16.7. Russell Barlin, Acting Chief Product officer from November 2019 to February 2020 who reported to the Chief Executive of the Business Bank.
- 16.8. Josh Moyes, Acting Chief Risk Officer to mid-2018 for the Business Bank, from July 2018 to November 2018, Head of Regulatory Response, from November 2018 to April 2019, Chief of Staff Consumer Bank, and from April 2019 to March 2021 Chief of Staff Business Bank, reporting in that role to the Chief Executive of the Business Bank.
- 16.9. Kirsten O'Donoghue, Chief Risk Officer of the Business Bank, reporting to the Chief Risk Officer, WBC Group, who in turn reports to the CEO of WBC Group.
- 16.10. Head of Product Transactional Banking, later Head of Cash Management Products, who reported to the Chief Product Officer (**BB Head of Product**). The BB Head of Product was responsible for Everyday Business Banking (**EDB**), Business Deposit and Business Credit Card products.
- 16.11. Head of Business Bank Risk and Compliance, who reported to the Chief Product Officer (**BB Head of R&C**). The BB Head of R&C was responsible for a first line risk management team, the Risk and Compliance team, with between 16 to 18 direct reports.
- 16.12. Executive Manager, Governance and Reporting, who was part of the BB Head of R&C's team and reported to him.

C.2 Committees within WBC

WBC committees responsible for risk

17. WBC Group was organised into various committees considering risk issues.
18. The Board Risk and Compliance Committee provided oversight of risk within the WBC Group was attended by directors who were on the WBC Board. The Committee met on a quarterly basis.
19. The WBC Group Executive Risk Committee also provided oversight of risk within the WBC Group and was attended by members of the WBC Group executive team, including the CEO of WBC Group and the Chief Executive of the Business Bank. The Committee met on a quarterly basis.
20. The Business Division Risk Committee provided oversight of risk within the Business Bank and was chaired by the Chief Executive of the Business Bank, being Mr Lindberg up to April 2019, Mr Welsh (Acting) from April to December 2019 and Mr Lima from 2 December 2019. The members of the Committee also included Mr Bell and Ms O'Donoghue and others from the Business Bank including Mr Boyes and Mr Barlin.
21. The Business Division Product Risk Committee (formerly called Business Bank Product Risk and Compliance Committee) oversaw classes of risk within the Business Product area (eg credit risk, operational risk, compliance risk, financial crime). Within the Business Bank, each of the general managers had a risk committee for their respective

business units. The Business Division Product Risk Committee was chaired by the Chief Product Officer, Business Division, being Mr Tate up to November 2019, Mr Barlin (Acting) from November 2019 to February 2020, and Ms White from February 2020, and attended by Business Bank staff including the BB Head of R&C and the BB Head of Product.

Other Business Bank committees or forums

22. The Business Bank also had a Regulatory Disclosure Forum (also known as the Breach Determination Forum) which was the body within the Business Bank that made decisions about whether to report an issue to regulators.
23. The Business Banking Transformation Core Committee (**CORE**) was a portfolio steering committee intended to oversee the delivery and investment of programs for the Business Bank chaired by Mr Boyes, General Manager, Service Digital and Transformation, Business Bank, and attended by Business Bank staff.
24. From July 2019, CORE was replaced by the Business Portfolio Governance Committee (**BPGC**). The BPGC oversaw the delivery and investment of programs for the Business Bank and was chaired by the Chief Financial Officer of the Business Bank, Mr Bell, and the Head of Transformation, Business Bank, being Mr Boyes to May 2020, Mr Bickerstaff from May to June 2020 and Mr Herbert from July 2020. It was also attended by the Chief Product Officer, Business Division, being Mr Tate to November 2019, Mr Barlin (Acting) from November 2019 to February 2020, and Ms White from March 2020, Ms O'Donoghue and others. The Chair of the BPGC had ultimate authority for deciding whether funding would be granted.
25. From October 2020, the BPGC was replaced by the Business Division Transformation Committee (**BDTC**). The BDTC oversaw the delivery and investment of programs for the Business Bank. The BDTC continued up to August 2021.
26. The Business Remediation Oversight Committee (**BROC**), formed in around late 2018, was responsible for bringing together stakeholders in the Business Bank rectification and remediation exercises. The BROC did not have funding power but was designed to be a central forum to bring various stakeholders together in relation to remediation. The Committee met on either a fortnightly or monthly basis and members included the Chief Executive of the Business Bank, the Chief Financial Officer of the Business Bank, the Chief Product Officer Business Division, as well as Ms O'Donoghue, the BB Head of R&C and the BB Head of Product. The Chief Product Officer was responsible for deciding which matters were overseen by the Committee.
27. In managing the deregistered company accounts issue, the Deregistered Companies Executive Stand Up was formed in October 2020 to manage the implementation and reporting on the progress of the ongoing control mechanism. That forum was replaced by the Deregistered Companies Executive Steering Committee and the Deregistered Companies Senior Leader's Forum in August 2021.
28. The Business Bank Product and Services Governance Committee (**PSGC**) was formed in February 2016 to facilitate and oversee compliance with the Group Product and Service Lifecycle Policy within the Business Bank and apply a customer focus

regarding value and sustainability. The Committee met quarterly or more often as required until September 2020 and the Chief Product Officer was Chair of the Committee.

D FACTS— DEREGISTERED COMPANY ACCOUNTS

D.1 Events in 2018

29. In or around February 2018, as part of a project in the Business Bank product area called “Simplification”, WBC identified just over 7,000 accounts where the Australian Company Number (**ACN**) in WBC’s customer information system did not match the ACN of a registered company in ASIC’s register of Organisation and Business Names. WBC subsequently undertook a manual review to test whether these accounts were deregistered.
30. WBC’s review of the identified accounts established that not all of the accounts initially identified were deregistered, as there were some data discrepancies that were corrected. Of the 7,000 accounts that were initially identified, approximately 4,500 were, in fact, deregistered. This initial review to identify deregistered company accounts was limited to products that were in scope for the “Simplification” project.
31. By at least 7 March 2018, the BB Head of R&C and other WBC Business Bank staff (including the Chief Compliance Officer, Business Bank, the Executive Manager, Business Product Simplification, and the Specialist, Simplification and Channel Support, Product, Business Bank) were aware that on deregistration all property of a deregistered company vests in ASIC or the Commonwealth in accordance with s 601AD of the *Corporations Act 2001* (Cth) (**Corporations Act**). They were also aware that to comply with ASIC’s guidance in relation to this section, it was necessary to freeze deregistered company accounts and to remit unclaimed monies to the ASIC Unclaimed Monies Unit.
32. At that time, ASIC provided general guidance on its website (<https://asic.gov.au/for-business/closing-your-company/effects-of-deregistration/deregistered-company-bank-accounts/>) in relation to the treatment of deregistered company accounts, including the following statement:

Any funds in a deregistered company’s bank account will ordinarily vest in ASIC. If an account registered in the name of a deregistered company is identified it should be immediately frozen (for both deposits and withdrawals).

ASIC recommends banks contact their client, advising them the company’s account is frozen, and providing them with an opportunity to reinstate the company. If the company remains deregistered the account should be closed and the funds sent to ASIC’s Unclaimed Monies Unit.
33. On becoming aware of the issue, the BB Head of R&C met with the Chief Compliance Officer, Business Bank, the Head of Compliance, and the WBC Anti-Money Laundering and Counter-Terrorism Financing Program Team. At this stage, there were no policies or procedures as to what to do if a deregistered company account was identified across the WBC Group. The BB Head of R&C was concerned about the potential for money laundering.

34. On 27 March 2018, the WIB Division produced a procedure for staff dealing with deregistered company accounts, including how to remit credit balances to ASIC. The procedure was intended to supplement an existing one page quick reference guide available to Customer Experience Managers in the WIB Division noting that directors of a deregistered company no longer have authority to act on behalf of the deregistered company and that the property of the deregistered company vests in ASIC, and instructing Customer Experience Managers that following deregistration it was a legal requirement not to process any transactions on the account. This updated procedure was not implemented.
35. In April 2018, the BB Head of R&C spoke to Relationship Managers in “all [WBC] business units” about the deregistered company accounts issue”.
36. On 23 April 2018, the BB Head of R&C brought the deregistered company accounts issue to the attention of other WBC staff, identifying the issue as a “control gap” and “AML Risk”.
37. On or around 23 April 2018, the BB Head of R&C also briefed staff responsible for looking after particular WBC divisions including frontline staff in relation to the deregistered company account issue.
38. On 26 April 2018, from the 7,049 identified accounts, 2,737 already had a post-credit only (**PCO**) block applied (so could not be blocked again), 10 had an existing post-nothing only (**PNO**) block applied, 421 accounts had been remediated or closed, and 18 were duplicates. The effect of the PCO block was that the customer was unable to withdraw money from the account or, for an account with an overdraft, was unable to withdraw funds beyond the balance of the account. The effect of the PNO block was that the customer was additionally unable to deposit money into the account. Of the 7,049 identified accounts, the BB Head of R&C and his team, Risk and Compliance, identified 3,863 accounts to which PCO blocks were to be applied
39. On 27 April 2018, the Business and Everyday Banking (**BEB**) Operations team implemented PCO blocks on these 3,863 deregistered company accounts at the direction of either the BB Head of R&C or his team. The process of identifying deregistered company accounts and implementing PCO Blocks relied on publicly available information from the website data.gov.au that includes the ACNs of companies that have been deregistered in the last 12 months (**ASIC Company Dataset**). For some accounts it was not possible to implement a bulk PCO block, and so blocks continued to be progressed after April 2018.
40. When a PCO block was placed by the BEB Operations team, an explanatory note was placed in the ‘account comments’ field for each account available to WBC’s customer-facing staff where a PCO block was applied. The explanatory note read as words to the effect of:
- A [Post Nothing Restriction (101)/ Post Credit Only (PCO) (110)] status has been applied to this account as the company entity is deregistered, or the Australian Company Number (ACN) is not current.

Under no circumstances is the block on the account to be removed by bankers, nor the credit balances released or transferred as the credit balances in the account vest with ASIC, not owned by the customer, nor owned by Westpac/St George/BOM/BSA.

For any further information, please email the Business Bank Risk Hub Team
RiskAndComplianceHub@westpac.com.au

41. On 27 April 2018, the BB Head of R&C provided an update to Business Bank staff including the BB Head of Product and the Chief Compliance Officer, Business Bank.
 - 41.1. The BB Head of R&C forwarded the email dated 26 April 2018 from his team referred to at paragraph 38 above, confirmed that “almost 4,000” PCO blocks had been applied, and in respect of the PCO blocks that were already in place, advised that these had been applied “due to notices (Liquidation, Administration, etc) or account overdrawn status”.
 - 41.2. The BB Head of R&C advised that the “next steps” were to extend the analysis across the entire WBC and St George business customer bases and to repeat the exercise as a quarterly control.
 - 41.3. The BB Head of R&C noted that he had begun exploring options with third party service providers, Equifax and Ilion, for a “more dynamic notification approach” for registration changes.
42. On 27 April 2018, the BB Head of R&C prepared a template ‘My Weekly Update’, being an internal communication uploaded to the intranet and reviewed on a weekly basis by branch managers, to inform frontline staff about the blocks. The template reflected the text that was uploaded to the intranet. The template ‘My Weekly Update’ prepared by the BB Head of R&C included the following “Guidance for Senior Leaders”:

Where a customer has not been properly identified to the relevant standards, any funds that have been accepted in relation to a designated service must remain in the relevant customer’s account(s) until the customer is fully identified or they become subject to the Federal Government’s ‘unclaimed monies’ rules, whichever comes earlier. Exceptions to this may arise where, at the discretion of the Division/Business Unit following an assessment of the individual circumstances and the associated ML/TF risk, approval may be granted to release the funds in line with the appropriate risk and compliance escalation model within the applicable Division/Business Unit. Funds may also be returned to the identified signatory on an account which has been opened in a joint name, provided that account holder/signatory has been identified and verified to the relevant standards and was the source of any funds in the account, notwithstanding another joint account holder not being appropriately identified.
43. No training was provided to frontline staff when the blocks were placed. It was also possible for staff members to remove the blocks without contacting the email address in the explanatory note referred to above at [40].
44. From at least May 2018, WBC staff removed some PCO blocks in response to requests or complaints from persons authorised to operate the account. Of the accounts blocked on 27 April 2018, 39 were unblocked subsequently. When WBC staff removed blocks at this time, they did not consistently record the basis for removing the block. One reason WBC staff gave in notation was where a company was reinstated and could resume use of the account. Other reasons staff gave in notation were to

“accommodate account closure”. WBC staff did not consistently record the basis for removing blocks until at least 2020.

45. On 7 May 2018, the BB Head of R&C created an incident (INC000060590) in JUNO, being WBC’s internal compliance system which was mainly accessible to WBC compliance staff, in relation to the identification and management of deregistered company accounts.
46. On 30 May 2018, the Business Bank Risk and Compliance team, led by the BB Head of R&C, completed a wider review to identify the extent of the issue across WBC, including products that were outside the scope of the “Simplification” project. The review identified an additional approximately 9,500 deregistered company accounts. As at 30 May 2018, WBC had identified approximately 14,000 accounts in total using extracts from the ASIC Company Dataset obtained between April 2018 and May 2018.
47. On 27 June 2018, the Breach Determination Forum considered whether or not to report a breach to ASIC about the deregistered company accounts issue. The agenda for the meeting recorded:

the BB [Business Bank] Risk and Compliance team completed the investigations and applied the Post Credit Only (PCO) blocks to the accounts identified to have been held in the name of deregistered companies in accordance with ASIC’s guidelines. In some cases the companies have been de-registered for some time so it was decided that a PCO would be more appropriate action rather than blocking all transaction[s] to allow credits to be deposited. A decision was made not to first notify the customers as it was highly likely that the customers will be “tipped-off” and the monies will be transferred out of the accounts. The risk is that there may be claims made against Westpac and/or reputation damage if Westpac does not deal with the funds in accordance with ASIC guidelines in the circumstances where there was an insolvent liquidation of companies and there were outstanding creditors.
48. On 10 July 2018, following the meeting of the Breach Determination Forum, WBC lodged a breach report under s 912D of the Corporations Act that notified ASIC of the deregistered company accounts issue. This breach report and other communications between WBC and ASIC are set out in Section F below.
49. On 17 July 2018, the BB Head of R&C, Mr Tate and Ms O’Donoghue approved an ‘operational plan’ regarding the approximately 14,000 deregistered company accounts identified as at 30 May 2018 (**Deregistered Company Plan**). The BB Head of R&C and the Executive Manager, Governance and Reporting were responsible for implementation of the Deregistered Company Plan. At this time it had not been approved by any committee within WBC. Generally, the plan proposed:
 - 49.1. WBC would freeze all 14,000 accounts progressively by 3 September 2018 as some of the blocking process was manual.
 - 49.2. All deregistered companies that do not reinstate within 90 days would have the account balance remitted to ASIC’s Unclaimed Monies Unit.
50. On 17 July 2018, Mr Lindberg provided an update on the deregistered company accounts issue to a meeting of the WBC Group Executive Risk Committee chaired by Mr King as Acting Chief Risk Officer of the WBC Group and attended by Mr Hartzer

and others. In the update, Mr Lindberg provided an overview of the deregistered company accounts issue and noted:

As part of the Business Bank (BB) Product Simplification initiative, it was identified in February 2018 that there are approximately 7,000 accounts where the Australian Company Number (ACN) in our Customer Information System (CIS) that did not match a valid registered ACN on the Australian Securities and Investments Commission (ASIC) Register of Organisation & Business Names. Post Credit Only (PCO) blocks were applied to circa 4,500 accounts (around 2,700 already had a PCO). To adhere to the 'tipping off' requirements under the Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) regime (impacted customers were not notified in advance of the PCO). This was loaded in Juno together with an action to review the broader portfolio.

This review identified a further 7000 files and a total across the portfolio of \$190m in credit funds sitting in accounts which had been deregistered.

BB remains in discussions with ASIC's company registers team to support enquiries they are receiving from customers and has notified ASIC on 10 July 2018 via a breach notification letter of the incident. This was shared with the Australian Transaction Reports and Analysis Centre (AUSTRAC) and the Australian Taxation Office (noting deregistered companies may be a typology associated with tax evasion).

Customer feedback to date has, in most instances, acknowledged the company registration had lapsed and they had not advised the Bank. BB is in the process of designing and implementing a control which enables Westpac to identify deregistered companies in its portfolio on a regular basis. This will be complemented by policies and processes which will include a process to remit funds to ASIC if a deregistered company is not reinstated within a period of time. Westpac will provide ASIC with a description of the proposal by 17 July 2018. This proposal will include a remediation plan in respect of the Deregistered Company Accounts linked to the active and inactive cohorts described above.

51. The minutes for the 17 July 2018 WBC Group Executive Risk Committee meeting record:

David Lindberg spoke to the key areas of focus outlined in the paper.

The Committee further discussed the dormant account process, the capability to wash ASIC's list of deregistered companies against the Group's data on a regular basis and that the deregistered company issues are contained to the Business Bank who own the issues for Private Wealth and Institutional Banking.

After further discussion the Committee NOTED the update.

52. From late July 2018, the BB Head of R&C and the Executive Manager, Governance and Reporting, were aware that there were discrepancies in the extracts of the ASIC Company Dataset being used for manual checks but understood these discrepancies to reflect changes to the registration status of companies at different points in time and to be an inherent limitation in the "best available" data.

53. On 1 August 2018 the Board Risk and Compliance Committee were provided with the following updates in relation to deregistered company accounts.

53.1. Mr Lindberg provided the same update referred to in paragraph 50 above.

53.2. Mr King, as Acting Chief Risk Officer, provided an update referring to the ASIC breach notification.

53.3. The Chief Compliance Officer for the Committee provided a compliance report containing the following update:

It has been determined that there are currently no established processes which enable BB to identify de-registered companies, manage balances and meet compliance obligations on these types of accounts. A block placed on transactions of an initial cohort of accounts (approximately 4,000 of a total of 14,000) in [April 2018], resulted in significant customer complaints, and a corresponding spike in inquiries from ASIC about the de-registration process. Consequently, as part of the customer complaint resolution process, certain balances were transferred to valid accounts applying a risk-based approach. This matter was escalated to the Breach Determination Forum (BDF) and has been assessed as a significant breach of the general licensing obligation to act efficiently, honestly and fairly. A report to ASIC was made on 10 July 2018 and Westpac's proposed operational plan was submitted on 17 July 2018. The appropriate notifications were made to the Australian Transaction Reports and Analysis Centre (AUSTRAC) on 11 July 2018 and the Australian Taxation Office (ATO) on 9 July 2018. Active accounts will be subject to enhanced customer due diligence and Westpac will continue to engage with ASIC to develop a solution that ensures a fair result to customers while sensibly managing any operational impact to ASIC as part of any company reinstatement process.

54. By 8 August 2018, additional deregistered company accounts were identified through further checks undertaken by the BB Head of R&C and his team using an expanded WBC account list and extracts from the ASIC Company Dataset up to July 2018, bringing the total cohort of deregistered company accounts to be managed under the Deregistered Company Plan to 16,799 accounts.
55. From at least August 2018, the data analysts undertaking manual checks were aware that the extracts from the ASIC Company Dataset contained point-in-time data for all currently de-registered companies able to be uploaded to www.data.gov.au, companies deregistered in the previous 12 months only, and historical name data for registered companies.
56. On 10 August 2018, the WIB Division updated an interim quick reference guide directing staff to follow steps to confirm accounts were held by companies that were deregistered, to place a PNO status on the relevant account and to notify the BB Head of R&C of the account's details.
57. On 24 August 2018, the BEB Operations team applied PNO blocks to approximately 17,000 accounts (approximately 5,000 active accounts and 12,000 non-active accounts).
58. In August 2018, after freezing accounts, WBC Business Bank issued letters to account holders advising that their accounts had been frozen by WBC due to the deregistered status of the relevant company account holders. The letters prompted account holders to reinstate the relevant company within 60 days or the balance of their accounts would be remitted to ASIC.
59. On 27 August 2018, information was published on the 'My Weekly Updates' page on the WBC intranet, which was made available to all staff members, setting out WBC's requirements to freeze all accounts held by deregistered companies and remit balances to ASIC. This included the following instruction "[a]ny funds in a deregistered company's bank account will ordinarily vest in ASIC. If an account registered in the

name of a deregistered company account is identified it should be immediately frozen (for both deposits and withdrawals)".

60. On 31 August 2018, the WBC Board was briefed on "Key risk issues" including the deregistered company accounts issue by Mr King, Acting Chief Risk Officer at the time. Mr King provided a memorandum to the Board for the purpose of a CEO Director's Briefing, which took place by teleconference on 4 September 2018.

60.1. The memorandum outlined that WBC had notified ASIC of the breach on 10 July 2018, "does not have processes for identifying or managing deregistered companies" and "[i]n consultation with ASIC, [WBC] has undertaken a process of placing blocks on relevant accounts and communicating with impacted customers".

60.2. The memorandum also noted that the total balances of the 16,500 deregistered company accounts identified was approximately \$60 million (reduced from \$193 million at 10 July 2018).

61. As at 14 September 2018, WBC staff had removed blocks on a total of 466 accounts which were placed under investigation as to why the block had been removed.
62. On 27 September 2018, the WBC Group Board was provided with an update for the month ending 31 August 2018 which recorded that new complaints in the Business Bank had increased in part relating to "AML account blocks for deregistered companies" and noted "[a] process was set up to deal with these complaints before the letters were sent." On 16 October 2018, the WBC Group Executive Risk Committee was provided with a memorandum from the Chief Compliance Officer, that referred to the deregistered company accounts issue and noted "we have engaged ASIC on our plan for managing the deregistered accounts, freezing impacted accounts and customer communications".
63. On 1 November 2018, the Board Risk and Compliance Committee was provided with a memorandum from the Chief Risk Officer, dated 19 October 2018 which noted that ASIC had been engaged in relation to a plan for managing the deregistered company accounts. The Committee was also provided with a memorandum from Mr Lindberg which provided as follows:

Work has continued on the Deregistered Companies issue first identified in February 2018. There are currently circa 16,800 accounts in the population (an increase of 2,800 following further de-registrations and inclusion of the accounts in Loans Management Unit) with a total of \$59 million in credit funds (a decrease of \$66 million following the rectification of some large accounts).

[...]

Further investigation is underway to establish a control for this risk moving forward, to remove the risk of further additions to the population. It is anticipated that by the end of September 2018 a manual control will be implemented with more automated solutions explored thereafter

64. In November 2018, WBC remitted approximately \$12,262,655.95 funds to ASIC in respect of 5,517 accounts.

65. In late 2018, WBC staff commenced developing a manual process (which was to be implemented pending development of an automated process). This development process continued up to July 2019. Under the process (which was formalised into the Deregistered Companies Quick Reference Guide (**Guide**), WBC operations staff were to undertake the following steps:
- 65.1. Produce a data extract showing all deposit and lending accounts with Business division products.
 - 65.2. Compare the data extract with the ASIC Company Dataset published at www.data.gov.au to identify all deregistered companies held in WBC's customer information systems first using the ACN recorded in both systems and secondly, if there was a discrepancy with the ACN, using the entity name.
 - 65.3. Exclude accounts from the results and manage separately that were: internal office accounts, credit restructuring accounts and accounts managed by the Collections teams; and accounts for WIB and Private Bank customers to be referred for further investigation by the appropriate Line 1 Risk and Compliance teams.
66. WBC staff were then to apply blocks to the list of accounts.

D.2 Events between January and March 2019

67. In January 2019, work commenced to identify accounts held by companies that had been deregistered since August 2018.
68. On 15 January 2019, the Executive Manager, Governance and Reporting and Senior Manager, Governance and Reporting Product, Risk and Compliance, Business Bank, finished the first draft of a Guide version 0.1. Each version of the Guide stated that when a company is deregistered "it no longer exists as legal entity and company property vests with ASIC or the Commonwealth. If a customer is a former officeholder or shareholder of a deregistered company, they no longer have the legal right to deal with property registered in the company name, including bank accounts". The draft Guide was attached to JUNO and distributed on an ad hoc basis.
69. On or around 12 February 2019, the WBC Group Executive Risk Committee was provided with an update on the deregistered company accounts issue prepared by the General Manager, Regulatory, Governance and Assurance, and the Chief Compliance Officer, which noted that WBC was "continuing to engage ASIC". A memorandum in the same form, dated 15 February 2019, was also provided to the Board Risk and Compliance Committee.
70. On 20 February 2019 and 25 February 2019, new drafts of the Guide were created by Business Bank staff, being version 0.2 and version 0.3 incorporating comments from the BB Head of R&C, respectively. In version 0.2 of the Guide, there was a list of categories of accounts that were to be excluded from the deregistered companies list and managed separately. This included "WIB and Private Bank/customers accounts".

71. In February 2019, WBC completed the first two steps in the manual process (described at paragraphs 65.1-65.2 above), identifying accounts linked to companies deregistered between August 2018 and February 2019. Through this exercise, by 28 February 2019 the Business Bank identified 6,570 newly deregistered company accounts. The balance of the steps in the manual process (described at paragraphs 65.3 and 66 above) was not undertaken in respect of this data.
72. By February 2019, subject to the below, remediation was largely completed for the approximately 17,000 deregistered company accounts that had been identified by 27 August 2018. However, some account balances were remitted by WBC in February and March 2019 as they involved term deposits that had not matured or further accounts identified after August 2018 manual process. By February 2019 approximately \$27 million was remitted to the ASIC Unclaimed Monies Unit in respect of this cohort of accounts.
73. In February 2019, the BB Head of R&C ran the initial scoping and development of an automated process to identify and manage deregistered company accounts on an ongoing basis. The process envisaged by the BB Head of R&C and his team at the time was to involve the following steps (**Automated Process**):
- 73.1. WBC would enter into a partnership agreement with Equifax or Illian, service providers who could provide deregistered companies data to produce consistent, near real-time reporting from ASIC's database as relevant to WBC's business customers. Equifax or Illian would be responsible for monitoring the ASIC database for deregistration of WBC customers, and match that data against the customer ACNs held by WBC.
- 73.2. PNO blocks would be applied to deregistered company accounts.
- 73.3. The relevant Relationship Manager (if appropriate) or banker would be alerted of the registration of each WBC customer and be responsible for contacting the account holder to advise of the 60 day reinstatement period.
- 73.4. If a WBC customer was not allocated to a Relationship Manager, an alert would be delivered to a back-end Operations team which would send a letter to the account holder advising of the 60 day reinstatement period.
- 73.5. After the 60 day reinstatement period had lapsed:
- 73.5.1. The PNO block would be removed if evidence had been received by WBC that the customer was reinstated, or
- 73.5.2. Any credit funds would be remitted to ASIC if the customer remained deregistered.
74. WBC did not progress the Automated Process beyond the initial scoping exercise and the Automated Process was not implemented or tested. WBC did not enter the Automated Process into JUNO.

75. In February 2019, the BB Head of R&C met with Equifax on several occasions. A small test of the Automated Process was also conducted on WBC accounts. However, the Automated Process did not proceed any further.
76. On 6 March 2019, the Chief Risk Officer provided a further memorandum to the Board Risk and Compliance Committee which again noted that ASIC had been notified about business accounts held by deregistered companies (consistently with his previous update set out at paragraph 63 above). Mr Lindberg also provided a memorandum to the Board Risk and Compliance Committee which described the issue as a “Key Risk” and included the following description:

Deregistered Companies: 8,464 accounts have been closed and funds remitted to the Australian Securities and Investments Commission (ASIC). There are 6,700 accounts with debit balances of which 2,300 have a balance of less than \$250, these are in the process of being closed and balance of \$143k will be written off, this is a manual process with completion expected by 31 March 2019. The remaining debit accounts will be managed on case by case basis with Relationship Managers contacting clients. A tactical solution to identify newly deregistered accounts will be implemented in February 2019, this will identify any accounts deregistered in the previous quarter and will operate until an automated solution can be scoped and implemented.

D.3 Events from 13 March 2019 to December 2019

77. On 13 March 2019, the report for the meeting of the Business Bank Product Risk and Compliance Committee noted that the use of manual controls to identify newly deregistered companies had highlighted data quality issues in WBC’s customer information systems, that “[w]e are currently sizing and scoping investment for FY20 to improve these manual controls” and that the incident had been recorded in JUNO (ISS_0059751).
78. On 25 March 2019, the BB Head of R&C provided an update on the deregistered company accounts issue to Ms O’Donoghue as follows:
- 78.1. The BB Head of R&C advised that \$17.6 million in deregistered company funds from positive balance accounts had been remitted to ASIC at the date of the update (in respect of around 7,650 accounts).
- 78.2. The BB Head of R&C advised that 1,317 of the approximately 17,000 accounts that were blocked had reregistered, that 4,996 had negative balances, and 1,760 had a zero balance and were also closed (1,760).
79. On 5 April 2019, the WBC Group Executive Risk Committee considered the deregistered company accounts issue. The WBC Group Executive Risk Committee was provided with a memorandum from Mr Welsh in a similar form as that provided by Mr Lindberg to the Board Risk and Compliance Committee on 6 March 2019 (as described at paragraph 76 above). The memorandum described the deregistered company accounts issue as a “Key Risk” and stated:

A tactical solution to identify newly deregistered accounts was implemented in February 2019. This identified an additional 6,570 accounts that have been deregistered in the last 6 months (versus the original population at identification of 17,426). These are deregistrations at a point in time and as per originally identified cohort of customers we are aware that companies may re-register after notice from ASIC. Consideration of

operating procedures is underway to take this into account and manage these de-registrations under a tactical solution until an automated solution can be scoped and implemented

80. On or around 18 April 2019 the Board Risk and Compliance Committee was provided with the same memorandum from Mr Welsh, noting that the paper had been supported by the WBC Group Executive Risk Committee on 5 April 2019.
81. On 15 May 2019, the meeting pack for the meeting of the BROCC (**15 May 2019 BROCC Pack**) included a progress update in relation to the deregistered company accounts issue. The pack records the scoping of the Automated Process was complete and indicates that “remediation of debit balance accounts and loans” was ongoing to be completed by 1 June 2019.
82. On 29 May 2019 and 21 June 2019, new drafts of the Guide were created, being version 0.4 and version 0.5, respectively. Version 0.5 added for the first time the requirement for the manual process to be run no less than annually.
83. On 2 July 2019, the State Operations Manager WA/SA/NT WBC Retail, sent an email to her team of retail business managers in Western Australia, South Australia and the Northern Territory through various WBC and St George group email addresses in relation to an investigation into a staff member removing a PNO block on a deregistered company account. The State Operations Manager WA/SA/NT WBC Retail reminded her team that blocks were not to be removed on deregistered company accounts and requested her the retail business managers to revisit the My Weekly Update from 27 August 2018 (referred to at paragraph 59 above) with all staff, to document these discussions, and to email signed minutes of those team meetings to regional team assistants by 12 July 2019.
84. In July 2019, some final funds from deregistered company accounts from the blocks in 2018 were remitted in a small batch to ASIC.
85. On 4 July 2019, the deregistered company accounts issue was considered at a meeting of the Business Division Risk Committee chaired by Mr Welsh as the Chief Executive of the Business Bank.
86. The meeting pack included a summary of Business Bank open issues in JUNO which noted the issue and recorded actions including “[d]evelop and implement effective controls to prevent reoccurrence of Deregistered Companies” with a due date of 31 July 2019. The meeting pack also included a paper in relation to the deregistered company accounts issue. Attached to the email was a document entitled ‘Key Regulatory Matters’ which noted the next round of “ordinary Unclaimed Monies remittance is due in July 2019”. In another attachment was an update from the WBC financial crime team listing a summary of Business Bank open issues in JUNO classifying the identification and management of deregistered companies with a ‘medium’ issue rating. The description provided six action items of which five were completed in 2018 which were marked as follows:
 - 86.1. Prepare an Operational Plan to address deregistered companies identified.
[S]ubmit to ASIC for consideration – completed 31/7/2018

- 86.2. Apply account blocks to deregistered company accounts which have been deemed as inactive – completed 30/8/2018
- 86.3. Apply account blocks to deregistered company accounts which have been deemed as Active (ASIC and WBC to agree on final timetable) – completed 30/8/2018
- 86.4. Draft customer letter advising of effects of company deregistration and next steps – completed 30/08/2018
- 86.5. Develop Unclaimed Monies procedures for deregistered companies – completed 26/10/2018
87. The final action was to *“develop and implement effective controls to prevent reoccurrence of Deregistered Companies – due date 31/7/2019”*.
88. On 9 July 2019, Ms O'Donoghue sent an email to Mr Moyes and the Business Manager to the Chief Executive of the Business Division, in relation to information to be provided to Mr Welsh and also regarding the deregistered company accounts issue with reference to the 15 May 2019 BROCC Pack (discussed at paragraph 81 above) which had indicated that loans would be repaid and debit balances would be remediated by 1 June 2019. Ms O'Donoghue stated:
- I would suggest a follow up with [the BB Head of R&C] on deregistered companies information provided based on the following:
- * A sweep of accounts in February 2019 identified an additional 6,570 accounts that have been deregistered in the last 6 months (from August to February 2019 versus the original population at identification of 17,426). - what has happened to these and have funds been remitted to ASIC and these accounts closed. (Refer April BRCC paper).
 - * BBROCC pack from 15 May stated that loans would be repaid and debit balances were remediated by 1 June - has this occurred does not appear to be the case based on the update in the paper which says they are exit in run off
 - * The lack of ownership of processes and controls suggests the tactical solution we committed to have in place in February to manage deregistered companies is not in place, this was a commitment to both Board and ASIC. What is our current "stock" of deregistered accounts?
 - * Question why if this is not on track as the information provided for Riskco suggests then why is this no longer being tracked by BBROCC and included in the papers
 - * I doubt it will come up in Fin Crime report so shouldn't be an issue as think the 360 remediation is more problematic and that is on track as I have sought and get weekly updates.
89. On 9 July 2019, in response to Ms O'Donoghue, Mr Moyes advised “The Dereg Companies check was after AI's own review of the pack on Monday...”
90. On 10 July 2019, Mr Moyes requested an update from the BB Head of R&C and others on the deregistered company accounts issue, including in relation to the status of remitting funds to ASIC. The BB Head of R&C responded by stating that they were preparing the next round of deregistered companies for implementation this quarter

and noting two other unrelated projects were prioritised over the deregistered company accounts issue last quarter.

91. On 12 July 2019 Ms O'Donoghue provided a copy of the correspondence referred to in paragraphs 88 to 89 above to the Head of Retail, Credit Decisioning, stating:

These emails refer, one from [the BB Head of R&C] on Deregistered companies, the other my comments back to Josh on the previous commitments which have been made. There should be an update tabled at the BBROC on the 23 July, we need to challenge why we have not met the commitments made to ASIC and updates provided to Board on tactical solution and the debit accounts. I am not thrilled to find they have not done what they said or then escalated this fact, just disappeared into the ether.

92. On 29 July 2019, Mr Tate provided an update on remediation of deregistered company accounts to the BROCC. The document noted that the "second annual control performance" would be conducted between August 2019 and December 2019. This is a reference to conducting the manual process.

93. In mid-2019, the Senior Manager, Analytics and Insights, ran another extract of deregistered company accounts but the data was not finalised for reasons outlined at paragraphs 153-154 and 156 below.

94. On 31 July 2019, a draft memorandum from the BB Head of R&C addressed to the Chief Product Officer, Mr Tate, and dated 30 July 2019 was uploaded to JUNO.

94.1. The memorandum recommended that a new "Key Control" (CTL000075722) be added to JUNO for certain Business Division product portfolio profiles. The control was for an annual sweep of products to identify deregistered companies, noting that a data extract was "to be performed no less than annually". The description noted "The annual Control is to review the entire Back-Book and ensure all deregistered companies identified are addressed." The Key Control CTL000075722 was uploaded to JUNO on or around this date.

94.2. The memorandum detailed the outcome of a total of 17,429 accounts identified and frozen in late August 2018.

94.2.1. Cohort 1 "Customers re-registered and unfrozen" involved 1,334 accounts and a credit balance of \$1.4 million. These accounts were unfrozen and operated normally following reinstatement of their company registration, or where incorrect data in WBC's systems was corrected.

94.2.2. Cohort 2 "Incorrect data in our customer information systems remediated and accounts unfrozen" involved 306 accounts and a credit balance of \$7.8 million. These accounts were treated in the same way as cohort 1.

94.2.3. Cohort 3 "Zero balance – accounts closed" involved 4,379 accounts and a \$0 credit balance. These accounts were closed progressively during the first quarter of 2019.

- 94.2.4. Cohort 4 “Credit balance – accounts closed and remitted to ASIC as unclaimed monies” involved 7,864 accounts and a \$17.9 million credit balance. These accounts were closed progressively from November 2018 until January 2019, with their credit balances remitted to ASIC as unclaimed monies. ASIC’s moneysmart.gov.au website had a special instructions page added to assist WBC customers understand what they needed to do to claim these funds.
- 94.2.5. Cohort 5 “Term Deposits yet to mature prior to remittance to ASIC as unclaimed monies” involved 142 accounts and a \$2.1 million credit balance. These involved accounts which were yet to mature, and these were being remitted to ASIC at maturity by the Business and Everyday Banking Operations team.
- 94.2.6. Cohort 6 “Accounts with Negative Balance (including Loan Accounts) (including LMU & Collections)” involved 3,404 accounts and a debit balance of \$33.3 million. These involved loan accounts and accounts with negative balances. These remained frozen, and were subject to normal collections and recovery processes, or where payments were still being received were deemed as “exit in run-off”.
- 94.3. The memorandum also noted that Group Audit had identified “a population of ~5,000 accounts which appear to be incorporated accounts, but do not have any details recorded in the ACN field”. The memorandum recorded “[t]his is still under investigation and validation by Group Audit, however additional Juno Issues and Actions will be raised to reflect the requirements to control and remediate these and other errors identified.”
95. In around 31 July 2019, the BB Head of R&C's team completed the Guide. On completion the Guide was uploaded to JUNO and was made accessible to all users of JUNO, being WBC compliance staff, after 30 July 2019.
96. The issued Guide stated that the entire process to manage deregistered company accounts was to be performed no less than annually with verification of ASIC registration, as the first step, conducted quarterly.
97. During 2019, the BEB Operations team provided the Guide to subsets of WBC staff in the following ways:
- 97.1. Business Division staff received draft versions of the Guide for comment and review, including to assist them to manage and resolve deregistered company accounts.
- 97.2. Frontline or operations staff received current, point-in-time versions of the Guide if they raised a query or request for assistance to the BEB Operations team/Business Risk Hub team in relation to a possible Deregistered Company Account.
98. The Guide was subsequently shared with certain WIB staff who had identified deregistered company accounts in WIB and remediation teams.

99. At this time, WBC did not have a system in place to monitor or ensure compliance with the instruction in the Guide to not lift blocks under any circumstances and to add an account comment in similar terms as that described in paragraph 40 above.
100. At around the end of July 2019, responsibility for the deregistered company accounts issue was transferred from the Risk and Compliance team overseen by the BB Head of R&C to the Everyday Banking team overseen by the BB Head of Product.
101. On 2 August 2019, the Board Remuneration Committee, which was responsible for the review of remuneration of WBC Group executives, was provided with a memorandum by the General Manager, Reward & Performance Management, recording the deregistered company accounts issue as a "relevant matter" for potential remuneration adjustment and noting that the issue had led to "customer impact, regulatory and reputational risk including about how we are managing and remediating the issue".
102. At around this time the BB Head of R&C discussed the draft memorandum dated 30 July 2019 (referred to at paragraph 94 above) with the Chief Product Officer, being Mr Tate at the time.
103. On 2 August 2019, a draft of a group audit review of its Westpac branded accounts and business deposit accounts (**Group Audit Report**) was circulated to the BB Head of R&C, the BB Head of Product, the Senior Manager Group Audit, the Senior Manager, Business Division Audit and another. The draft was based on audit work which was conducted between March and July 2019.
104. As a result of the audit work between March and July 2019 for the draft Group Audit Report, staff including the BB Head of R&C and the BB Head of Product became aware during or after that period that the previous manual processes that occurred in 2018 for deregistered company accounts had not identified all the relevant deregistered company accounts held by WBC customers at that time.
105. On 9 August 2019, the Guide was further updated to include a procedure in relation to third party access so as to provide that any third party access rights held by deregistered companies were also to be removed (version 0.6.2).
106. On 16 August 2019, a further draft of the Group Audit Report was circulated to the BB Head of R&C, the Senior Manager Group Audit the Director Business Banking Audit and others.
107. On 5 September 2019 a further draft of the Group Audit Report was circulated to WBC employees including Mr Tate, Mr Barlin, the BB Head of R&C, the Senior Manager, Business Division Audit, the Senior Manager Group Audit and the Head of Controls and Remediation, Business Bank for the purposes of a quarterly audit review meeting held on that day.
108. On 9 September 2019, Mr Lindberg emailed the Group Executive Human Resources, identifying risk issues and key steps undertaken in relation to significant matters, including deregistered company accounts. Mr Lindberg summarised the steps already taken to address deregistered company accounts and identified a mitigating circumstance: "overall challenge sourcing expertise/ resources in the market".

109. On 24 September 2019, an incident relating to matters in the Group Audit Report was recorded into JUNO (ISS_0080476) directed at weaknesses in the capture, collection, maintenance and monitoring of ACNs for Everyday Business Banking transaction accounts.
110. On 25 September 2019 the following entry was recorded in JUNO in respect of incident ISS_0080476 and assigned to the BB Head of Product: "Planning and Scoping issue raised Management have 60 days to identify action plants to address and remediate the issue".
111. On 25 September 2019, the final Group Audit Report was circulated within WBC to staff including Mr Welsh, Mr Tate, the BB Head of Product and the BB Head of R&C and relevant conclusions included:
- 111.1. The final Group Audit Report found:
- This audit identified control weaknesses which raise the potential for aspects of these products to fail community expectations through the charging of fees to deceased customers, and non-compliance with AML regulatory requirements through a lack of controls over the capture of Australian Company Numbers (ACNs).
- 111.2. The final Group Audit Report stated there "are accounts in Deregistered status with ASIC which are still active and have credit funds remaining in the account".
- 111.3. The final Group Audit Report further noted WBC's "data analysis has identified exceptions which potentially indicate a lack of operational process to adhere to [ASIC's requirement for banks to identify, freeze and remit credit balances of deregistered company accounts upon discovering that deregistration has occurred]".
- 111.4. The final Group Audit Report outlined that 5,249 individual accounts had been identified without an ACN.
- 111.5. The final Group Audit Report noted that management was finalising the action plans required to be agreed within 60 days of the report. The action was allocated to the BB Head of Product to be completed by 25 November 2019.
- 111.6. The final Group Audit Report also noted the risk of the deregistered company accounts issue causing non-compliance with s 601AD of the Corporations Act.
112. From September 2019, the BB Head of Product generally managed the ACN data issues and the deregistered company accounts issues. At times, the issues were identified together.
113. On 25 September 2019, the Guide was further updated to include a process for account blocking to require PNO blocks to be applied on identified deregistered company accounts with a credit balance and PCO blocks to be applied to accounts with a debit balance (version 0.7).
114. On 25 September 2019, the General Manager, Reward & Performance Management sent Mr Welsh and other WBC staff an email attaching a draft memorandum noting

significant matters for the Business division, including deregistered company accounts, which relevantly stated:

Matter was assigned to Line 1 Risk Team to remediate. With initial customer identification remediated and funds remitted to ASIC, there have been delays with implementation of tactical controls and remediation of 2nd cohort. No history of misconduct however delays in tactical solution was not escalated to BROCC appropriately and continues to remain outstanding (question if this should have been allocated to Line 1 Risk to resolve).

115. In around October 2019, staff in the WIB Division created a document entitled the 'GCE Procedure Guide' that contained procedures for the WIB Global Client Experience Team to identify and manage deregistered company accounts within WIB from 25 October 2019 (**GCE Procedure Guide**). The GCE Procedure Guide, which was later updated periodically, included the following steps:

115.1. On the second Wednesday of every month, the Global Transaction Services Strategy and Performance team was required to compare the ACNs from the ASIC Company Dataset against the ACNs of all WIB customers in WBC's enterprise data warehouse. From 1 August 2021, data from Equifax was used as an additional source for this check. Any companies identified as part of that process were to be included in an 'exception report' that was sent to the performance and capability team (**P&C Team**), which was part of the Global Client Experience Team.

115.2. The P&C Team was then required to add any companies identified in the exception report to the 'Deregistered Companies Tracker' that was stored in SharePoint and to send the details of the tracker to the relevant CEMs.

115.3. Within five business days of receiving the communication from the P&C Team, each CEM was required to:

115.3.1. conduct a company search to confirm whether the ACN and the customer name matched the company search and that the organisation is actually deregistered.

115.3.2. advise the Relationship Manager that a PNO will be loaded to the account(s) of the deregistered company.

115.3.3. contact the former directors of the deregistered company using the template letter at Attachment B to the GCE Procedure Guide.

115.4. If the former directors of the deregistered company contacted the CEM within 60 days and advised that they were intending to reinstate the company, the CEM was to ask for confirmation that the company was reinstated and to remove the PNO block once confirmation was received.

116. In October 2019, the WIB Division commenced undertaking monthly checks for deregistered company accounts in accordance with the GCE Procedure Guide. These checks continued until September 2021.

117. From time to time, in the course of its ordinary dealings with accounts WIB also identified deregistered company accounts.
118. From October 2019 to 24 March 2021, approximately 610 WIB customers were identified as deregistered companies, with all accounts and WIB products blocked and any credit balances periodically remitted to ASIC in accordance with the GCE Procedure Guide.
119. In December 2019, Ms O'Donoghue and Mr Lima, who commenced as Chief Executive of the Business Bank on 2 December 2019, had discussions about the risk profile of the Business Division including the deregistered company accounts issue. These discussions were in relation to a review by Mr Lima and external consultants, McKinsey & Co (**McKinsey**), of the risk profile of the Business Division and outstanding risk issues, including the deregistered company accounts issue. Mr Lima was attempting to understand and prioritise large-scale remediations within the Business Division and map outstanding issues and incidents against the Business Division risk profile.

D.4 Events from January 2020 to 27 October 2020

120. On 10 January 2020, the Executive Manager – Everyday Banking, proposed to the Senior Manager Group Audit, and the Manager, 1LoD Product Risk, Product, Business Bank, the following steps to address the JUNO incident related to the final Group Audit Report.
 - 120.1. By 30 June 2020, establish a project team with three full-time staff.
 - 120.2. By 30 June 2020, agree scope and approach to incident with Financial Crimes team.
 - 120.3. By 31 March 2021, complete the actions listed in the JUNO record (as outlined above at [109]). The reason for extending the timeline for the actions listed in the JUNO record from 25 December 2019 to 31 March 2021 was that “the actions are quite broad and define end to end processes”.
 - 120.4. By 30 June 2021, establish business as usual processes.
121. On 17 January 2020, Mr Lima, Mr Moyes, Mr Barlin and the Head of Finance, Business Division, met to discuss a “product deep dive”. At this meeting the top 5 risks were discussed including the lack of an automated process for detecting deregistered company accounts. Mr Moyes’ notes from the meeting recorded “process for checking are [sic] manual – need to build automated...”
122. On 30 January 2020, the meeting pack for the Business Division Risk Committee meeting, which was chaired by Mr Lima as Chief Executive of the Business Bank, included a memorandum by the Acting Financial Crime Officer, Business Division, of open JUNO incidents relating to financial crime risks for the Business Division. The memorandum recorded JUNO incident INC000060590 in relation to the identification and management of deregistered company accounts with the impact rating “Very High”. It also recorded JUNO incident ISS_0080476 relating to weaknesses in the

capture of ACNs for Everyday Business Bank transaction accounts with the issue rating “Medium”.

123. On 18 June 2020, the meeting pack for the Business Division Risk Committee meeting, which was chaired by Mr Lima as Chief Executive of the Business Bank, included another memorandum of open JUNO incidents relating to financial crime risks for the Business Division recording JUNO incident INC000060590 as “Very High” and JUNO incident ISS_0080476 as “Medium”.
124. On 14 September 2020, the meeting pack for the Business Division Risk Committee meeting, which was chaired by Mr Lima as Chief Executive of the Business Bank, included another memorandum of open JUNO incidents relating to financial crime risks for the Business Division recording JUNO incident INC000060590 as “Very High” and JUNO incident ISS_0080476 as “Medium”.
125. By 14 October 2020, at least Ms White was aware that the manual review and remediation of accounts in 2018 had been limited to companies deregistered in the previous 12 month, as a result of this limitation in the data extracts taken from the ASIC Company Dataset in accordance with the 2018 Deregistered Company Plan. This meant that work undertaken to date had not captured the potentially high volume of companies deregistered before the captured period in the data extracts. This position was ultimately confirmed by the project team in early November 2020. As a result, accounts that were deregistered prior to April 2017 were not identified in the processes undertaken in 2018 and approximately 10,000 accounts were not blocked or remitted to ASIC as a result.
126. On 14 October 2020, the BB Head of Product provided a memorandum by email to Mr Lima in relation to the “current plan” for the deregistered company accounts issue, noting the inclusion of “further information on the issue for your background and awareness”. The memorandum noted that there was no process to identify or manage deregistered company accounts and remit property to ASIC on a regular basis, that there were up to 1,500 new cases a month. Additionally, the BB Head of Product noted:

As a result of a process not being implemented since the situation was addressed in 2018, we estimate there is a backbook of at least 13,000 accounts. This estimate has not considered the limitations of the 2018 process which only looked back 12 months for deregistered companies, therefore there is potential for significantly higher volumes.
127. On 15 October 2020, Ms White established the Deregistered Companies Executive Stand Up, being a 15 minute daily meeting commencing 19 October 2020 to address issues relating to the management of deregistered company accounts, including resources required to implement the plan. The stated purpose of the Stand Up was “to clear any roadblocks to get an execution date within 2 weeks [of 19 October 2020] of a deregistered company process”. The regular attendees included the BB Head of Product, Ms White and the Executive Manager – Everyday Banking. During the period 17 November 2020 to 22 December 2020, the Stand Up meeting frequency changed to twice weekly.

D.5 Events from 27 October 2020 to December 2020

128. On 27 October 2020, WBC conducted a trial manual review of process and identified approximately 2000 deregistered company accounts, which had not previously been identified or blocked. WBC did not immediately apply blocks to those accounts.
129. On or around November 2020, WBC commenced testing of an ongoing control on a small sample of deregistered company accounts with the remainder of testing sought to be completed by January 2021. The trial process, which began with a small cohort of accounts identified in November 2020, involved the following steps:
 - 129.1. On a monthly basis, identifying companies in 'strike-off' status and attempting contact with account holders in writing or by phone prior to deregistration.
 - 129.2. On a quarterly basis, undertaking an identification and validation process to identify deregistered companies and manage funds appropriately, including to:
 - 129.2.1. Match WBC data against the ASIC Company Dataset published at www.data.gov.au;
 - 129.2.2. On the first day of the process, block deregistered company accounts and notify account holders in writing or by phone.
 - 129.2.3. During the 60 day notice period, if the company is reinstated and Know Your Customer (KYC) is verified, lift blocks on relevant accounts.
 - 129.2.4. If the 60 day notice period lapses and the company is not reinstated before 90 days:
 - Close the relevant accounts
 - Transfer the account closing balance to a suspense account
 - Conduct a net off process to assess the impacts on complex customers such as guarantors
 - Remit net funds to ASIC
 - If a remittance has occurred, send a notification letter to the deregistered company confirming the account closure.
130. Between November 2020 and January 2021, WBC prepared several policies, processes and procedures for identifying, managing, processing and dealing with deregistered company accounts, which related to a business as usual control and process.
131. From November 2020, WBC staff members were instructed that funds in deregistered company accounts could not be released and belonged to ASIC. The instruction was communicated through the intranet via the 'My Weekly Update' page, and policies and procedures in relation to managing deregistered company accounts were made

available on the intranet and on 'SupportPoint', being WBC's knowledge management platform accessible via the intranet. Training pack resources were also used for targeted and periodic training of frontline and operations teams, and made available on the intranet.

132. From November 2020, the WBC Business Bank Cash Management team could authorize removal of blocks on deregistered company accounts. Where a block on a deregistered company account was authorised and lifted following reinstatement of the company with ASIC, an account comment was added which recorded that the block had been removed. A comment would also be added where a blocked account was closed following the remittance of any credit balance to ASIC.
133. The wording of the comments made, respectively, was as follows:
 - 133.1. Following unblocking: *BLOCK REMOVED as Company is reinstated with ASIC. KYC at Branch/RM. Refer to OBI Deregistered Companies for process.*
 - 133.2. Following account closure: *MERCHANT FACILITY DEACTIVATED. COMPANY IS DEREGISTERED WITH ASIC. REFER TO OBI DEREGISTERED COMPANIES FOR PROCESS. CLOxxxxxxxx.*

D.6 Events from January 2021 to October 2021

134. On 20 January 2021, WBC estimated that approximately 36,000 Westpac and regional brand customers were deregistered company accounts that were outside the ambit of the manual process conducted in 2018 and were deregistered prior to October 2019.
135. From January to March 2021, WBC Business Bank commenced implementing an ongoing process across all products in the Business Bank following approval of funding in October 2020 and a satisfactory trial in November 2020. From March 2021 the ongoing process involved matching WBC data against data obtained from Equifax as an additional source to the ASIC Company Dataset).
136. On 25 August 2021, the meeting pack for the Deregistered Companies Executive Steering Committee, which was the successor for the Deregistered Companies Executive Stand up Committee that formed in August 2021, recorded in respect of the blocking of historical (or 'back book') accounts that as at 14 July 2021 4,836 accounts were blocked and that on 11 August 2021 3,753 accounts were blocked, with the next blocking process to occur on 25 August 2021.
137. As at 14 September 2021, WBC was still to complete addressing its back book of deregistered company accounts.
138. The total amount remitted to ASIC by WBC from 2018 to October 2020 in relation to deregistered company accounts has been approximately \$17.34 million.

E RESOURCING AND FUNDING OF WBC MEASURES TO ADDRESS DEREGISTERED COMPANY ACCOUNTS

E.1 Events in 2018 and early 2019

139. Resources and funding for the work to identify and remediate the August 2018 cohort were provided by WBC Business Bank.
140. On 23 July 2018, the PSGC considered a paper by the BB Head of R&C entitled "Customer Remediation Activities Update". The paper detailed a program for the remediation of package and non-package items, including deregistered companies. Attachment 1 to the paper contained a resources profile and timetable which estimated the timeframe and sizing of resources required to rectify each item. Deregistered companies was noted as having a start date of July 2018 and required 7.5 personnel to rectify. The Committee approved the paper and endorsed the resourcing and cost profile. The Committee further agreed that this was a priority and that funding would be made available to deliver in line with committed timelines. At the meeting, Ms O'Donoghue also noted that adequate controls should be embedded at product design level to mitigate future occurrence of remediation.
141. On 10 August 2018, at a Business Bank Leadership team meeting (of the staff who reported to the Chief Executive Business Banking and other key staff) attended by Mr Lindberg (Chair), Mr Welsh, Mr Boyes, Mr Tate, Ms O'Donoghue and other WBC staff, prioritisation of funding was discussed and it was noted that the bucket of remediation funding did not include pending issues such as deregistered companies. An action item agreed during the meeting was to understand remediation initiatives that were not on the list and to quantify them.
142. On 18 September 2018, a submission for funding of \$50,000 was submitted to Business Bank Project Management Office, a team within the Business Bank, on behalf of the BB Head of R&C. This request related to the blocking of accounts for the remediation of deregistered company accounts being managed under the Deregistered Company Plan.
143. On 21 September 2018, the requested amount was reduced to \$20,000. As the requested amount was within the BB Head of R&C's business as usual expense approval limit of \$50,000, this was approved by the BB Head of R&C, and no additional approvals were sought from CORE in relation to this request. The threshold amount for CORE approval at this time was an end-to-end spend of \$1 million with spend under this threshold classified as 'Business Initiative'.
144. On 30 October 2018, the meeting pack for the BROOC meeting recorded a nil entry for "FY19 Proposed Funding Allocation" and stated that \$2 million in funding would be required to complete the assessment of the Automated Process and so as a result the build would be deferred to FY20, being the WBC financial year commencing on 1 October of each year. The meeting pack also recorded that a quarterly manual control to identify newly deregistered accounts would be conducted from December 2018, and that from mid-November 2018 to March 2019 there would be "[d]evelopment of policies and procedures" and "scoping requirements for [the Automated Process], including

customer comm[unications]”. At this time, separate funding and resourcing for the manual control had not been determined.

145. On 28 November 2018, the meeting pack for the BROC meeting again recorded a nil entry for “FY19 Requested and Approved Funding to date” and that build of the Automated Process would be deferred to FY20. The meeting pack also recorded the next steps identified at paragraph 144, adding that for the “6,000 accounts” that had already been identified funds would be remitted to ASIC by the end of November 2018.
146. On 14 December 2018, the meeting pack for the BROC meeting (**14 December 2018 BROC Meeting Pack**) again recorded a nil entry for “FY19 Requested and Approved Funding to date” and that build of the Automated Process would be deferred to FY20. The meeting pack recorded the next steps identified at paragraph 145.
147. In early 2019, prioritisation of regulatory and risk projects was being considered within the Business Bank. On 17 January 2019, the Portfolio Director, Services, Digital and Transformation, provided a spreadsheet of regulatory and risk projects to the Head of Risk Transformation, the Head of Design and Delivery, Business Banking Transformation, and the BB Head of R&C for discussion at a meeting on 18 January 2019. The spreadsheet included reference to the deregistered company accounts issue an estimate that \$2 million would be required in FY19.
148. On 31 January 2019, the 14 December 2018 BROC Meeting Pack was included in the pack for the meeting of the Business Bank Product Risk and Compliance Committee.
149. In February 2019, as outlined at paragraph 71, WBC did not complete the steps in the manual process (described at [65.1]-[65.2] above), identifying accounts linked to companies deregistered between August 2018 and February 2019. By 28 February 2019, the Business Bank had identified 6,570 newly deregistered company accounts but no further steps were taken to block them or remit them due to lack of funding and resources.

E.2 Events from 13 March 2019 to December 2019

150. On 13 March 2019, the Business Bank Product Risk and Compliance Committee noted that investment required for improvement of manual controls was being scoped for FY20. The committee pack included a paper entitled “Business Bank Product Operational Risk and Compliance Report” which noted:

In August 2018, Business Bank Risk Hub froze 16,829 accounts where we had identified the company was deregistered. No policy or procedures existed to address this, and we estimate the issue dates back to 1994. By February 2019, we had remediated this cohort, with almost \$27m submitted to ASIC as unclaimed monies. We estimate almost 1,000 customers per month have newly deregistered companies, which we have a manual hindsight control to identify these and remediate. This has also highlighted data quality issues with some company, association and trust structures not being established correctly in our customer information systems. We are currently sizing and scoping investment for FY20 to improve these manual controls. Matter has been recorded in Juno (ISS_0059751).
151. On 20 March 2019, Ms O'Donoghue asked the BB Head of R&C to provide an update on the “tactical solution” for the deregistered company accounts issue, being a manual

fix to rectify the issue (as distinct from the Automated Process or “strategic solution”). On 25 March 2019, in response the BB Head of R&C advised

tactical solution is ready to implement, subject to agreement on resources to manage the customer escalated by branches, call centres, Customer Relations, etc. Installing a strategic solution of regular data feeds via Equifax has been scoped at a high level as \$2m, and this has been included on the list of initiatives for FY20”.

152. The Automated Process was not progressed at this time beyond the initial scoping exercise in February 2019.
153. In mid 2019, as referred to above at paragraph 93, a data extract was run but not finalised because the BB Head of R&C and his team were not given additional funding and resources.
154. On 19 July 2019 the Executive Manager, Governance and Reporting asked the Senior Manager, Business Banking Information & Analytics – Group Data, for a data analyst resource (and specifically for the Senior Manager, Analytics and Insights as he was familiar with the project). In response, the Senior Manager, Business Banking Information & Analytics – Group Data advised that there was a lack of capacity to undertake this task and that one data analyst, the Senior Manager, Analytics and Insights, was dealing with incidents “prioritised highly by [the BB Head of Product]”.
155. As noted previously, at around the end of July 2019, responsibility for the deregistered company accounts issue was transferred from the Risk and Compliance team overseen by the BB Head of R&C to Everyday Banking overseen by the BB Head of Product.
156. On 8 August 2019, there was a meeting between the BB Head of Product, the Senior Manager, Business Banking Information & Analytics – Group Data and other Everyday Banking staff in relation to ‘Group Data Prioritisation’. The list prepared for the meeting recorded “Deregistered Companies – ASIC Control Cycle” with a note requested by the Executive Manager, Governance and Reporting to “[r]efresh list of companies deregistered and development work on refined requirements”. The request was marked completed with a delivery date of 2 August 2019.
157. From around September 2019, the BB Head of Product sought to obtain data analysts to work on the action plan and run the necessary processes. The BB Head of Product was not successful in obtaining data analysts to work on the issue and as a result did not meet the action due date of 25 November 2019 in the final Group Audit Report Everyday Business Banking, (referred to above at paragraph 111).
158. On 20 December 2019, Mr Barlin, Acting Chief Product Officer, Business Division Product, approved in principle a request from the BB Head of Product for \$450,000 in funding to support implementation of the manual process. The request included immediate hire of a business analyst to “kick off the work”, refine the project plan and start assessing data requirements, as well as three full-time employees for 9 months across the roles of project management, business analyst, data analytics, operations and change management. However, none of the required staff were provided for the work.

E.3 Events from January 2020 to November 2020

159. In January 2020, the BB Head of Product made informal requests to the BPGC, which allocated data analysts by priority for larger projects, for resources to support implementation of the manual process for which, as noted in paragraph 158, \$450,000 in funding had already been approved in principle. The BPGC did not provide the required staff and so the BB Head of Product continued to make verbal requests to the BPGC in the course of early 2020. The BPGC did not progress the requests as funding and resources were provided to other risk issues and work across the Business Division which were prioritised over the deregistered company accounts issue.
160. Between January to June 2020, the BB Head of Product expressed concerns directly to the Chief Product Officer at the time (Mr Barlin as acting Chief Product Officer from November 2019 to February 2020 and Ms White from February 2020), and Mr Lima about the lack of momentum in receiving resource grants to implement the ongoing controls.
161. Between March 2020 and mid-2020, the Business Executive Team (**BET**), including Mr Lima, Ms O'Donoghue, conducted a process to identify risk-related remediation and other projects to be prioritised. This process was known as the "Business Division prioritisation exercise". As Chief Executive of the Business Bank, Mr Lima had overall responsibility for the prioritisation exercise and projects were identified by relevant General Managers based on guidance provided by Mr Lima.
162. On 1 March 2020, a draft copy of the Enterprise Risk Assessment (**ERA**) for Business Division Report (**ERA Report**) was provided to Mr Lima for his review and approval. The results of the ERA were used to allocate resources to the highest risk areas. On 9 March 2020, Mr Lima attended a meeting with Mr Moyes and others to review and approve the ERA Report and was subsequently provided with an updated version on 26 March 2020. The ERA Report noted a "very high risk incident on lack of process to detect deregistered companies" and referred to the findings of the Group Audit Report that "capture and monitoring of ACNs is not always conducted, leading to products and services provided to deregistered companies". Mr Lima is recorded as the "approver" of the document.
163. On 3 March 2020 and 20 March 2020, the BB Head of Product identified the deregistered company accounts issue as a high risk issue in emails to the Executive Manager – Everyday Banking, and other WBC staff.
164. On 3 March 2020, Mr Moyes sent briefing materials to Mr Lima in advance of the Board Risk and Compliance Committee meeting on 4 March 2020. The briefing materials included a document described as a "BD Risk Agenda' narrative from [McKinsey]" noting the following key theme:
- 3) High number of data quality issues require changes to current data entry practices and remediation of existing data sets over time.
 - a. System limitations, poor data entry discipline and oversight, and insufficient system controls drive incorrect or missing data entry, e.g., ~7k accounts in customer system where Australian Customer Number (ACN) does not match a valid ACN in ASIC's register (deregistered companies issues, this is not only data error but genuine deregistration of companies and a lack of monitoring to advise when this occurs)....

165. On 24 March 2020, Mr Lima and Mr Moyes met with an Associate Partner, McKinsey, and other McKinsey staff. The agenda for the meeting was sent to Mr Lima on 24 March 2020 and recorded an incident described as “Identification and management of Deregistered Companies - ~7,000 accounts where [ACN] did not match a valid ACN to ASIC’s Register”, with colour coding indicating the issue is “very high rated”. Under “open actions and closure dates”, the agenda recorded “n/a funding not approved”.
166. On 9 April 2020, Mr Lima was provided with an updated draft of the McKinsey draft risk agenda by the General Manager, COVID-19 Response, Business Division, with no material changes to the description of the issue.
167. On 14 April 2020, the BB Head of Product provided the following statement for an update to the Business Division Product Risk Committee in relation to the top three risks in her area (as she had been asked to do from 16 August 2019):
- Risk 2: Failure to close medium risk item capture ACN and manage deregistered companies due to lack of resources • Solutions for deregistered companies: Phase 1: Establish manual process through operations team, Remediate the urgent/high risk, scope for automated solution \$666k, 6months work, 5 resources. Phase 2: Full backbox and missing ACN review, IT estimates \$788k (excludes system change costs) • Support required: Funding and FTE.
168. In April 2020, the Business Division conducted ‘deep dive’ sessions into product portfolios within the Business Division as part of the prioritisation exercise for which Mr Lima was responsible described at paragraph 161 above.
- 168.1. The purpose of these sessions was to understand the origins of the program of work (eg regulatory commitment or similar) and the current state of the program to inform prioritisation decisions.
- 168.2. WBC prioritised programs with clear regulatory commitments and where the outcome involved returning funds to customers.
- 168.3. On 20 April 2020, a visual of a prioritisation hierarchy “prescribed by the Enterprise group” was circulated by the Transformation Office Director, to Ms White and other WBC staff. The criteria for the first level of the hierarchy included mandatory obligations to regulators or other legal requirements, as well as critical deadlines for customer remediation.
169. On or around 20 April 2020, the JUNO incident ISS_0080476 ‘Missing ACN and deregistered companies (for all BB products)’ directed at remediation of data issues with ACNs was added to a spreadsheet titled ‘Business Banking portfolio Status and Covid impacts’ outlining projects being overseen by the Product portfolio as part of the prioritisation exercise. The incident was included at the request of the BB Head of Product who said the initiative was “ready to go to BPGC for resource support... [and] need[ed] attention urgently”. The project was described as a “medium risk issue” and EDB emerging initiative scheduled to start in May 2020. The “regulatory committed date” for the item was “expected to be reported to ASIC by end of May”. This was the only project related to deregistered company accounts incorporated into the prioritisation exercise in April 2020. No separate project in relation to the need to

implement a control process for deregistered company accounts was listed in the 'Business Banking portfolio status' spreadsheet at this time.

170. On 21 April 2020, the BET identified four priority waves of projects. Neither JUNO incident ISS_0080476, nor the need to implement a regular control process for deregistered company accounts, were included in the groups of projects identified in these four priority waves.
171. On 22 April 2020, the Business Division Product Risk Committee was provided with an estimate prepared by the Senior Manager, Product Risk, Business Bank and sponsored by the BB Head of R&C in the same form as the BB Head of Product's update to the Committee on 14 April 2020 (see paragraph 167) for:
 - 171.1. \$666,000 and the use of five resources for six months to establish the manual process through the operations team, remediate "urgent/high risk" accounts and scope the Automated Process.
 - 171.2. \$788,000 for a second phase of work described as "[f]ull [b]ackbox and missing ACN review".
172. On 4 May 2020, the Owner, Business Solutions and Adoption Analytics, Chief Transformation Office, provided the Acting General Manager, Service, Digital & Transformation, Business Bank and, the Transformation Office Director and the Portfolio Director, Digital and Payments Innovation, with a spreadsheet entitled 'BB Prioritisation – Scenario analysis' which allocated various projects to the four waves referred to at paragraph 170. In respect of incident ISS_0080476 in relation to weaknesses in the capture of ACNs for all Business Bank products, the incident was not allocated to a priority wave and the spreadsheet recorded "No forecast available".
173. On 26 May 2020, the Business Division Product Risk Committee was provided with a memorandum from the Operational Risk team, which stated that the issue ought to be prioritised "due to the severity and compliance /regulatory impacts".
174. On 26 May 2020, the BPGC approved funding in relation to a range of projects within the priority waves identified in the initial stages of the priority exercise, as described at paragraph 170 above. At the meeting, there was also discussion of a request from Mr Lima to execute another four identified priorities (ESR/GSR, Elevate, APRA Business Lending related work, IO/PIF and NCCP remediation programs).
175. At this meeting, which was attended by Mr Bell, Ms White, Ms O'Donoghue and others (Mr Lima was an apology), the BGPC considered a request submitted by EDB for \$230,000 in business as usual funding.
 - 175.1. The purpose of the funding request was to complete discovery and finalise the business case to operationalise a process for deregistered company accounts (being the ongoing control). The funding request was also to remediate data issues with ACNs identified by the Group Audit Report in response to JUNO ISS_0080476.

175.2. The request foreshadowed that EDB would make a further funding request in or around August 2020 to seek dedicated required resources and technology solutions to operationalise the process and remediate ACN data in accordance with the agreed project plan to be established through discovery, WBC internal correspondence referred to funding requests being made over the prior three months.

175.3. The request did not fall within the four express priorities of Mr Lima identified at paragraph 174 above.

175.4. BPGC deferred consideration of this funding request.

176. On 3 June 2020, the Business Division Product Risk Committee was again provided with the estimate from the BB Head of R&C's team that was submitted in April 2020 outlined at paragraph 171.

177. On 15 June 2020, Mr Herbert, Chief Transformation Officer, Business Division, sent an email to Mr Lima, copying Mr Moyes and Mr Bell, attaching a document titled 'Business Bank Portfolio Summary – Reg & Risk – BSR'. The document records the "ACN and De-registered companies" initiative and notes "ASIC requirements – identify and remediate deregistered companies".

178. On 16 June 2020, EDB resubmitted the same request as outlined at paragraph 175 for a meeting of the BPGC that was rescheduled to 22 June 2020.

179. On 22 June 2020, the Portfolio Director, Chief Transformation Office, emailed Acting General Manager, Service, Digital & Transformation, Business Bank, copying the Transformation Office Director, regarding funding submissions to the BPGC. Mr Smith recommended that the \$230,000 in funding for the deregistered company accounts issue be approved noting:

Deregistered companies – The questions for the committee are 1) are we comfortable not proceeding given regulatory expectations and 2) would we be comfortable maintaining current levels of op risk – i.e. customers may be able to transact when their company is deregistered. The ask is only \$230k for this FY.

180. Later that day, on 22 June 2020, the deregistered company accounts issue was raised at the meeting of the BPGC. The meeting pack included a drawdown request for \$230,000 and three full-time employees and recorded a delivery milestone of commencement by September 2020. The information in the meeting pack did not refer to the existence of a regulatory commitment made to ASIC in July 2018. At the meeting, it was noted that the issue had been recorded as a "new project" (being one which fell outside the four priority waves referred to at paragraph 170 above), that resources had been diverted to other priority project, and further information was required in terms of resource planning/allocation and any regulatory commitment. The BPGC again deferred consideration of the request. The BPGC meeting minutes recorded the following reasons for the BPGC's decision to defer consideration:

The Committee discussed new projects including Deregistered Companies however it was noted that further information was required in terms of resource planning/allocation before these requests could be considered. GB [Gordon Bell, Chief Financial Officer,

Business Bank] advised that inflight Regulatory and Risk priorities must be prioritised for resource allocation ahead of new initiatives.

181. On 23 June 2020, the Transformation Office Director provided Acting General Manager, Service, Digital & Transformation, Business Bank an updated '[Business Bank] Prioritisation' spreadsheet by email. The spreadsheet recorded "Deregistered Companies (formally [sic] known as ACN)" within a group of projects marked "Recommended to Hibernate". The entry under "Impact if Slow/Stopped" recorded, among other things, that the project was "[r]eady to go to BPGC for approval".
182. On 24 June 2020, the BB Head of Product submitted a request to Ms White for a data analyst across all Business Bank products to work on deregistered company accounts to identify, report and remediate deregistered company accounts across all Business Bank product systems.
183. On 24 June 2020, Ms White sent an email to Mr Lima, Mr Bell and Mr Herbert, copying the BB Head of Product, the Executive Manager, Business Product Simplification and Mr Barlin, foreshadowing that she would send through three funding requests including in relation to "Deregistered Companies". In this email Ms White stated:
- I had been advised that BPGC was the mechanism by which these requests would get made, and over the last few months, the product team have worked with the respective project delivery teams to ensure the required templates have been completed to make these requests. Having joined the business on 3 March, we have yet to have had a single effective BPGC that appropriately considered these funding requests and in most cases there has been no discussion on many of the items put forward with decisions being deferred and/or projects being told to shut-down.
- [...]
- Given the ineffectiveness of our current funding process, I would be very happy to with each of the 3 of you and Shane to develop a new model...
- [...]
- I would appreciate the go ahead to continue with....Deregistered Companies (\$600K)...
184. On the same day, Ms White sent a further email to Mr Lima, Mr Bell and Mr Herbert, copying the BB Head of Product, the Executive Manager, Business Product Simplification and Mr Barlin, stating "[t]wo years ago a commitment was made to ASIC to implement a deregistered companies process. No work has been done on this to-date" and requesting \$230,000 in funding and three full-time employees for the discovery phase until September 2020.
185. On 24 June 2020, the BB Head of Product sent a copy of the 10 July 2018 breach notification letter, referred to above at paragraphs 225 to 227, to Mr Lima, Mr Bell, Ms White, Mr Herbert and Ms O'Donoghue, copying the Executive Manager, Business Product Simplification and Mr Barlin. The BB Head of Product noted that a commitment had been made to ASIC to design and implement a control to enable WBC to identify deregistered companies in its portfolio on a regular basis to be "complemented by policies and processes which will include a process to remit funds to ASIC if a deregistered company is not reinstated within a period of time". The BB Head of Product noted "[a] regular process and control has not been established across Business Bank for this issue". In response, Ms O'Donoghue added "[T]his wasn't just

an ASIC commitment but also one to Westpac Board...It represents a financial risk and one that the Board were very concerned about”.

186. On 25 June 2020, in response to Ms White’s emails of 25 June 2020, Mr Moyes proposed to arrange a meeting between Ms White, Mr Herbert, Mr Bell and Mr Lima to discuss the specific items raised by Ms White, including in relation to deregistered companies.
187. On 26 June 2020, in response to a request from Mr Moyes for “a crisper understanding of the deregistered issue and commitment made”, the BB Head of Product sent an email to Mr Moyes explaining that she was seeking funding in relation to the deregistered company accounts issue, noting the commitments made to ASIC in July 2018, and stating that she had “grave concerns around [Business Bank] resource support on key risks based on an inability to get funding”. Mr Moyes responded to the email by indicating the he would call her that day.
188. On 30 June 2020, in advance of the meeting on 1 July 2020, the Transformation Office Director sent Mr Lima, Mr Herbert and other WBC staff a document outlining projects in the Business Banking portfolio which described the deregistered company accounts issue as a “new project” and noted that there was a commitment to ASIC to remediate by 30 June 2021.
189. On 1 July 2020, Mr Lima, Mr Moyes, Ms White, the General Manager, Business Controls & Remediation, Mr Bell and Mr Herbert held a meeting regarding ‘Project Pipeline Priorities’ (as foreshadowed in the correspondence referred to at paragraph 186 above). The notes taken by Mr Moyes from this meeting record “we need to be aware of impacts for not going fwd (deregistered companies)”. The notes also record that Mr Lima had requested a list of all commitments, a map of what needed to be done and by when, the total spend on programs, and information on what would be delivered in June to September 2020 to enable Mr Lima to “stop, restart, revise and relaunch”.
190. On 15 July 2020, Acting General Manager, Service, Digital & Transformation, Business Bank sent Mr Lima, Mr Herbert, Mr Bell and other WBC staff a pack for a prioritisation meeting to be held the following day. The meeting pack described deregistered company accounts as a “new project – pending approval”, referred to the ASIC commitment in July 2018 which “implied a regular process was being put in place”. The pack noted that the JUNO control CTL000075722 raised on 30 July 2019 was still not in place. Under the heading “impact of not delivering” the document recorded, amongst other things, “breaking the Corporations Act”, “financial risk”, “potential AML risks relating to due financial crime processes not applied appropriately due to company status” and “there is no pathway to deal with deregistered companies accounts where remediation payments are to be made”.
191. On or around 15 July 2020, the Business Division Product Risk and Compliance Committee was provided with a memorandum by the BB Head of Product and sponsored by the BB Head of R&C, which stated that there was no ongoing process for the management of deregistered company accounts and requested 15 full time employees and initial discovery funding of \$230,000, stating:

The risk has been raised over a period of 5 months in the Business Bank Product Risk Committee. Seed funding was approved by the previous Chief Product Officer to fund from the Product Profit and Loss however we cannot attain skilled resources within the group to commence as the Business Projects Governance Committee has not approved the project to commence on several occasions. Discovery costs are estimated as \$230,000.

192. The Business Division Product Risk and Compliance Committee was also provided with a memorandum prepared by Senior Manager, Product Risk, Business Bank and sponsored by the BB Head of R&C which included the following statement in relation to an update on emerging risks:

Failure to commence activity on medium risk item to capture ACN and manage deregistered companies due to lack of funding approval:

- a. ISS_0080476 medium rated closure date 30 June 2021 at risk (amber)
- b. INC000060590 raised May 2018 rating Very High (798 days aged)
- c. ASIC letter July 2018: implied a regular process was being put in place
- d. Juno Control (CTL000075722) raised 30 July 2019 – control not in place
- e. Lack of process delaying closure of exception cohorts across Consumer and Business Bank remediations.

193. On 21 July 2020, EDB made an updated request to the BPGC to approve funding of \$250,000 (\$160,000 in FY20 and \$90,000 in FY21) and three full-time employees to operationalise a deregistered company accounts process, with a delivery milestone “expected restart date” of October 2020. The meeting was deferred and no approval was given to commence the project.

194. On 24 July 2020, Mr Herbert sent Mr Lima a project prioritisation deck for a meeting that afternoon. The project prioritisation deck described the deregistered companies issue as a new project and the latest funding forecast for FY20 was “0.2”, whilst the forecast for FY21 was to be confirmed. The number of full-time employees on deregistered companies in September 2020 was to be 2.5.

195. On 29 July 2020 Mr Herbert sent Mr Lima and Mr Bell an analysis of implications of pausing projects in “groups 2, 3 and 4”. The prioritisation analysis document showed that the deregistered companies issue was not part of groups 2, 3 or 4, and was instead described as a new or emerging project.

196. On 5 August 2020, Mr Herbert circulated a presentation in relation to prioritisation of funding to Mr Lima, Mr Bell, Mr Moyes, Ms White, Ms O’Donoghue, the General Manager, Business Controls & Remediation, Program Sponsor, the Acting General Manager, Service, Digital & Transformation, Business Bank and others. In the email, Mr Herbert advised “we have a requirement to increase our support across our Group 1 and 2 remediation programs and a significant increase in the support required to support our clients through Covid. As such we have reviewed the portfolio with a view to pausing projects in Groups 2 (non-remediation), 3 and 4 and moving permanent Westpac staff from these projects into Groups 1 and 2 and Covid”. The attached presentation included the deregistered company accounts issue as a “new/emerging” project and it was not included in any of Groups 1 to 4.

197. On 7 August 2020, Mr Lima sent a further email to the recipients of Mr Herbert's email of 5 August 2020, stating "on the back of Covid, we are having to make some tough trade-offs. I ask you all to please work with [Mr Herbert] and [the General Manager, Business Controls & Remediation] as they has [sic] the full picture".
198. On 10 August 2020, Ms White responded to Mr Lima stating "[t]he full implications of this proposal have not been satisfactorily evaluated" and attached the pack from a previous prioritisation meeting (discussed above at paragraph 190) which she described as having been prepared by the Acting General Manager, Service, Digital & Transformation, Business Bank and the Transformation Office Director in relation to the implications for each paused initiative "from a regulatory, revenue and commercial perspective".
199. On 17 August 2020, the General Manager, Business Controls & Remediation sent an email to Mr Lima, Mr Moyes, Ms White, Mr Herbert, Mr Bell, Ms O'Donoghue and others stating "We all received communication from Peter King last week requesting our attention and effort in making material progress on resolving high rated issues, noting it is one of his top priorities". The deregistered company accounts issue was included in a list of high rated issues set out in the email. In the same email, the General Manager, Business Controls & Remediation proposed that Ms White be assigned as the issue owner in place of the BB Head of Product.
200. On 19 August 2020, Mr Lima, Mr Herbert, Mr Bell, the General Manager, Business Controls & Remediation and other WBC staff held a meeting where a decision was made to defer the project to FY21. A presentation titled 'ET Expense Update – Supporting Material – Draft' was provided for the meeting which included three different investment option scenarios. The presentation included a list of "FY21" initiatives. In that list, the initiative "ACN and De-registered companies" was recorded as a "New" initiative, with a confidence score of "L" for low, and a FY21 investment projection of \$2 million.
201. On 14 September 2020, the Business Division Risk Committee meeting, which was chaired by Mr Lima as Chief Executive of the Business Bank, was provided with a memorandum by the Head of Business Controls & Monitoring – Cash Management, in relation to risk incidents as at 31 August 2018 stating:
- The Business has recently identified a de-registered companies issue which was previously thought to have been closed. An ongoing control was not implemented which has resulted in a resurgence in the number of deregistered companies. Requests for funding for this issue have not yet been approved and the issue is tracking as Red
- [...]
- Business division project prioritisation has stopped/paused or slowed a number of key risk Programs that may carry regulatory implications and risk of noncompliance. These include: ... Deregistered companies rectification – which has not commenced due to resource allocation requests not being approved.
202. On 16 September 2020, the BB Head of Product sought approval from the General Manager, Business Controls & Remediation and Ms White to re-rate the deregistered company accounts issue from medium to high. The reasons why re-rating was sought were:

A recent 1st Line of Defence (1LOD) review of open Issues across Business Division identified this issue as having the characteristics of an [sic] High-rated rather than Medium-rated risk based on the following:

- Likelihood: Almost Certain as there are no controls in place to stop deregistered companies from accessing their Business Bank accounts, this incident is certain to re-occur.
- Impact: Moderate. Given we have previously reported this incident to the regulator it is anticipated we would receive regulator scrutiny and potentially moderate level fines. The financial crimes linkage could also result in short term media attention.

RELATED INCIDENTS Juno Incident INC000060590 Identification & Management of Deregistered Companies was opened on 09-Feb-2018 and rated Very High. An initial population of ~18k accounts was remediated in 2019, however the incident remains open and in rectification stage due to prioritisation of funding for rectification activities.

203. In the same email the BB Head of Product set out key resource requirements to resolve the issue including a data analyst, a senior product manager, project management support and a product owner.
204. On 16 September 2020, Ms White supported the re-rating referred to at paragraph 202 above. The Head of Risk Cash Management, subsequently approved the re-rating on 25 September 2020.
205. On 17 September 2020, the Chief Strategy Officer, WBC Group, sent an email to Mr Lima by way of “update on the priorities discussion we had a couple of weeks back”. The Chief Strategy Officer, WBC Group advised that he had sought views from Mr King in relation to divisional priorities and that he would be working with Mr King to progress “a definitive list of priorities”.
206. On 18 September 2020, Mr Lima met with Mr King regarding the Business Division. Mr Lima’s notes for the meeting included a section relating to “[c]ompliance incident rectification and remediation”. In this section, Mr Lima identified that there were 36 “inflight high rated incidents progressed per plans”, as well as “[r]emaining 59x prioritised and credible, resourced paths (highest risk are...and de-registered companies)”.
207. On 19 September 2020, the BB Head of Product stated in an internal email to the Senior Manager, Business Bank Compliance, the Senior Manager, Business Bank Remediation, as well as the Specialist, Delivery, Product, Business Bank, and the Chief Compliance Officer, Business Bank, that she would be allocating resources to create a process so that as soon as a company was identified as being deregistered, their account would be blocked and go into a deregistration process.
208. On 25 September 2020 Mr Lima agreed verbally with Ms White to fund initiatives that had previously not been funded including deregistered company accounts.
209. On 28 September 2020, a memorandum marked Business Transformation Governance entitled ‘FY21 Business Division Prioritisation’ was provided by Mr Bell to Mr Lima and Mr Moyes. The presentation included a slide on “Cash management – Pipeline / new initiatives” which referred to the deregistered company accounts issue and noted that \$2 million of funding was estimated to be required. The commentary

stated "Start in Q1 as there an [sic] Open Juno Deadline for Jun 21. Not complying would be breaking the Corporations act and fines may apply. Potential AML risks and Financial risks also exist".

210. On 6 October 2020, a meeting invitation was sent for an 'EDB leadership team meeting' on behalf of the BB Head of Product to other Business Bank staff including the Executive Manager, Business Product Simplification and the Executive Manager – Everyday Banking, attaching a spreadsheet with staff allocation to EDB objectives and risk issues, including the deregistered company accounts issue. The attachment allocates three resources at 100% capacity to the deregistered company accounts issue. One other resource is allocated to both deregistered company accounts and another project. The BB Head of Product subsequently sent an email to the same group stating that priorities will be distilled to a list of items including the deregistered company accounts issue. The BB Head of Product also stated:

I know you are aware the ability to execute in Q1 is hampered by vacant roles/recruitment, learning a new way of working, bringing forward credible pathway work on Risks and incidents to complete by December and distraction of continued fights for funding."

211. On 9 October 2020, Ms White sent an email to Mr Lima providing as follows:

You asked for me to revert regarding any cash management incidents where rectification has not yet occurred and we are either in breach of the law or maybe in breach once investigations have been completed.

[...]

With respect to the deregistered companies issue, the Bank made representations to the regulator in 2018 that certain activities would be undertaken including freezing accounts, remitting the funds to ASIC and having controls and monitoring in place to monitor recurrence. These representations have not been implemented and ASIC has not been updated with respect to any delays since that time...there have been subsequent updates/meetings with ASIC over the two year period where this delay wasn't highlighted...

212. On 9 October 2020, Mr Lima instructed Mr Moyes to insert a comment about the deregistered companies issue into an email update to Mr King regarding "Notable items this week" and approves the email for sending.
213. On 12 October 2020, a funding request for \$405,000 was made to the BDTC for the first phase of the deregistered company accounts issue. EDB made the request for funding to resume the project paused as part of "business division prioritisation exercise", and to complete the discovery and allow for finalisation of the business case, including to operationalise a compliant process for deregistered companies. The BDTC meeting pack noted that a further funding request was anticipated to operationalise the process and remediate ACN data issues, and that approximately \$1.8 million, including the initial drawdown of \$405,000, was required for FY21.
214. On 15 October 2020, as already outlined above (at paragraph 127), Ms White established the Deregistered Companies Executive Stand Up to address issues relating to the management of deregistered companies, including resourcing requirements.

215. On 20 October 2020, there was a further meeting of the BDTC where the initial funding drawdown request was increased to \$1 million. The BDTC meeting pack again noted that a further funding request was anticipated to operationalise the process and remediate ACN data issues. It also noted that the project was to return with a 'business case' in February 2021. The request for funding of \$1 million was to come from the Enterprise Investment Pool, being a source of funding separate to business as usual spend, intended for large-scale projects such as remediation work or projects which involve multiple divisions. At the meeting, it was agreed that items requiring funding approval would be sent via e-mail for "approval offline".
216. On 20 October 2020, the Transformation Office Director provided Mr Lima with a presentation entitled 'Business Division 1Q21 Transformation Portfolio' which noted that the deregistered company accounts project was one of a list of projects that "require[d] approval in order to commence or remain in governance" and outlined the initial funding drawdown request of \$1 million.
217. On 22 October 2020, the BB Head of Product wrote in an internal email that although there was no budget for the deregistered company accounts issue, "we are just doing it anyway and will beg forgiveness later".
218. On 23 October 2020, the Senior Finance Manager, Mortgages sent an email to the Portfolio Director (acting), Everyday Banking, Cash Management, Business Division and others, attaching a spreadsheet containing provisions for projects including deregistered companies. The attachment to the email contains a provision of \$2 million for the deregistered company accounts project with \$500,000 for Q1. The funding pathway is noted as "TBC".
219. On 23 October 2020, in response to an email from the Owner Governance and Strategy, Chief Transformation Office, Business, to Mr Lima, Mr Bell and others requesting confirmation of support for certain specified projects including \$1 million in funding for the deregistered company accounts project "To recommence project, complete Discovery and return with Business Case in February", Mr Moyes advised that Mr Lima supported the requests other than one unrelated project.

E.4 Events in December 2020 to July 2021

220. On 15 December 2020, a request for a \$750,000 extension to the initial funding drawdown was made to the BDTC to complete discovery. This request was approved by Mr Lima on 21 December 2020. This brought the total approved funding to \$1.75 million (\$0.1 million in Q1 and \$1.65 million in Q2).
221. Additional funding of:
- 221.1. \$2.4 million was requested as part of the March 2021 BDTC Meeting Pack and approved by circular on 21 April 2021;
- 221.2. \$3.2 million was requested as part of the June 2021 BDTC Meeting Pack and approved by circular on 1 July 2021.

F CONTACT BETWEEN WBC AND ASIC

222. Over the course of 2018, WBC advised ASIC numerous times that it would implement systems and processes to address this issue, including controls to manage legacy and future cohorts of deregistered company accounts.
223. On 14 May 2018, following receipt of numerous complaints from WBC customers to ASIC from April 2018 to June 2018, ASIC contacted WBC to discuss with WBC the background to the customer contact with ASIC. WBC told ASIC that WBC had been freezing deregistered company accounts.
224. On 5 July 2018, WBC notified ASIC it had identified approximately 14,000 accounts held by deregistered companies and that it understood its responsibility to immediately freeze the account, contact the deregistered company to provide an opportunity to reinstate and, should the company not be reinstated, remit credit balances to ASIC.
225. On 10 July 2018, WBC lodged a breach report under s 912D of the Corporations Act that notified ASIC of the deregistered company accounts issue in writing. In the notification WBC advised that it did not have a process for identifying or managing deregistered company accounts in a manner consistent with vesting of the funds in ASIC (or the Commonwealth) or with ASIC's guidance in respect of the steps to be taken by a bank when a deregistered company account is identified.
226. In the same notification, WBC also advised it was:
- in the process of designing and implementing a control which enables Westpac [WBC] to identify deregistered company accounts in its portfolio on a regular basis. This would be complemented by policies and processes which would include a process to remit funds to ASIC if a deregistered company was not reinstated within a period of time.
227. As at 10 July 2018, WBC advised ASIC that the aggregate credit balance of the 4,500 accounts initially identified, as well as the additional 9,500 accounts identified, was approximately \$193 million. The aggregate credit balance of these 14,000 accounts was recalculated to \$125 million on 17 July 2018.
228. On 17 July 2018, WBC wrote to ASIC and attached the Deregistered Company Plan discussed at paragraph 48. Generally, the plan proposed:
- 228.1. WBC would freeze all 14,000 accounts progressively by 3 September 2018 as some of the blocking process was manual.
- 228.2. All deregistered companies that do not reinstate within 90 days would have the balance remitted to ASIC's Unclaimed Monies Unit.
229. In the letter, WBC repeated that it was:
- designing and implementing ongoing controls to prevent a repetition of this issue. These controls will be complemented by policies and processes for remittance of funds to ASIC if a deregistered company is not reinstated within a period of time.
230. In early August 2018, ASIC communicated with WBC about the timing of the blocks.

231. By letter to ASIC dated 14 August 2018, WBC advised:

We are currently exploring options to improve our control of newly deregistered companies. During September [2018], we will implement a manual hindsight control whereby we use the ASIC Company Dataset published at www.data.gov.au to identify any companies which have become deregistered, or have strike-off status, where these companies hold a bank account with Westpac Group.

232. After August 2018, WBC provided no further substantive updates to ASIC addressing progress with the processes or controls to manage deregistered company accounts other than updates about remittal of funds until the breach report submitted in November 2020 addressed in paragraph 235 below.

233. On 7 November 2018, WBC advised ASIC by email that WBC had produced the first tranche of data about deregistered company accounts requested by ASIC as a sample for ASIC to check the data integrity. Funds were transferred around this time.

234. Between January 2019 to March 2019, WBC and ASIC were in contact in relation to the logistics of the remittance of funds to ASIC's Unclaimed Monies Unit.

235. On 23 November 2020, WBC submitted an update to the s 912D breach notification to ASIC, stating that WBC had not implemented a control process to identify deregistered company accounts on an ongoing basis, or to remit funds to ASIC. In the update, WBC stated "[o]ptions were explored by Westpac at a high level, however the design and implementation of a control did not progress due to resourcing constraints".

236. WBC also stated in the update that it had prepared a three-phase rectification proposal in terms as follows:

236.1. Define the scalable, repeatable process to identify and manage deregistered company accounts in large cohorts.

236.2. Embed an ongoing control to both contact companies likely to become deregistered and proactively identify, block and notify customers if they become deregistered in large cohorts. The first proactive contact to customers in strike off target date of 31 January 2021, followed by the first monthly deregistration process target date of March 2021.

236.3. Address the backlog of deregistered company accounts, which WBC expected to commence in February 2021.

237. WBC's notice also stated that to balance "customer experience" with its obligations to ASIC, WBC was looking to implement changes in the process, by using a PCO block rather than freezing deregistered company accounts, so that customers could continue to receive payments, and to proactively call select customers to allow them to re-register the company before the block took effect.

G CONTRAVENING CONDUCT

238. On and after 13 March 2019, WBC knew that it did not have processes or controls in place:

238.1. to identify when a company holding a bank account with WBC had been deregistered under the Corporations Act; or

238.2. to manage on an ongoing basis WBC bank accounts held in the name of deregistered companies in a manner consistent with the credit balance in those accounts at the date of deregistration having vested in ASIC or the Commonwealth pursuant to s 601AD of the Corporations Act.

239. Despite its knowledge referred to in paragraph 238, for all divisions within WBC other than the WIB Division:

239.1. WBC did not commence implementation of manual processes to identify and manage deregistered company accounts until 27 October 2020;

239.2. WBC did not approve or provide adequate funding or resources to implement ongoing processes or controls to identify and manage deregistered company accounts until October 2020; and

239.3. WBC did not implement ongoing processes or controls to identify and manage deregistered company accounts until, at the earliest, 25 March 2021.

240. Despite its knowledge referred to in paragraph 238, WBC did not implement within the WIB Division ongoing processes or controls to identify and manage deregistered company accounts until October 2019.

241. Further, between 13 March 2019 and 27 October 2020:

241.1. WBC did not place any blocks on withdrawals from approximately 4200 deregistered company accounts which WBC had identified in that period.

241.2. WBC staff removed withdrawal blocks from approximately 100 deregistered company accounts which WBC had previously identified.

241.3. WBC did not have controls or adequate systems in place to prevent staff from removing blocks on withdrawals from deregistered company accounts which had been identified and blocked.

242. Further:

242.1. at all times after August 2019, WBC knew that deregistered company accounts for companies which had been deregistered before April 2017 remained open;

242.2. however, WBC did not take steps to manage or remediate those historical deregistered company accounts, which totalled approximately 11,000 accounts until, at the earliest, 25 March 2021.

243. By the above conduct described in paragraphs 238 to 242, approximately 21,000 deregistered company accounts held with WBC (both accounts identified and not identified by WBC), remained open or were reopened, and transactions could be carried out on those accounts. These transactions included funds from those accounts being withdrawn and being paid to third parties on the instructions of persons who had previously been authorised by the now deregistered company to operate the accounts, in circumstances where the credit balance on the date of deregistration in fact vested in ASIC or the Commonwealth.

244. In respect of the deregistered company accounts in paragraph 243:

244.1. WBC received payment of fees, interest, overdraft and / or loan repayments from funds held in the deregistered company accounts (both accounts identified and not identified by WBC) and made use of the funds in those accounts in the course of its business, in circumstances where the credit balance on the date of deregistration had vested in ASIC or the Commonwealth; and

244.2. WBC did not remit to ASIC or the Commonwealth funds from those accounts which had vested in ASIC or the Commonwealth. The total funds that could be, and in some instances were, withdrawn and / or paid to third parties on the instructions of persons who had previously been authorised by the now deregistered company to operate the accounts rather than remitted to ASIC or the Commonwealth, is estimated at:

244.2.1. approximately \$35.5 million in vested funds from accounts held in the name of deregistered companies, representing approximately 70% of total accounts identified in paragraph 243 (calculated at the date that the company was deregistered);

244.2.2. approximately \$44.2 million in vested funds from accounts held in the name of deregistered companies, representing approximately 28% of total accounts identified in paragraph 243 (calculated at the date that the deregistered company account was identified by WBC as deregistered).

244.3. In addition, WBC did not remit approximately \$41 million in funds (calculated at the date that the deregistered company account was identified by WBC as deregistered) from accounts held in the name of deregistered companies which WBC has described as belonging to companies which were either reinstated or in the process of reinstatement, and which ASIC asserts vested in ASIC or the Commonwealth upon deregistration, representing approximately 2% of total accounts identified in paragraph 243.

244.4. In the period in which this Statement of Agreed Facts has been prepared, WBC has not been able to:

244.4.1. calculate the total funds from the above accounts which vested in ASIC or the Commonwealth and were in fact withdrawn or paid to third parties;

244.4.2. calculate for all affected accounts, the funds in the accounts as at the date the company was deregistered. For those accounts where WBC has not identified that information, for the above calculations WBC has instead used the funds in the accounts as at the date that the deregistered company was identified by WBC as deregistered;

244.4.3. identify in relation to accounts at paragraph 244.3, the accounts that were in fact reinstated, or the time period between deregistration and any reinstatement.

245. Despite having previously told ASIC that it was implementing an ongoing control or process to deal with deregistered company accounts, at all times on and after 13 March 2019 until November 2020, WBC did not tell ASIC that it had not implemented an ongoing control or process across its divisions.

246. WBC and ASIC jointly seek the declarations and orders set out in the accompanying Originating Process. The parties jointly submit that a penalty totalling \$20 million payable by WBC is an appropriate penalty for the admitted contraventions.

Date: 26 November 2021



Jody Marshall

AGS lawyer

for and on behalf of the Australian Government Solicitor
Lawyer for the Plaintiff

Date: 26 November 2021



Chris Prestwich

Partner

Allens

Lawyer for the Defendant