



M I N T E G R I T Y

**Societe Generale Securities
Australia Pty Ltd**

Independent Expert Report

Summary Report

March 2021



General Use Restriction

This Independent Expert Summary Report (“Summary Report”) is based on the Final Independent Expert report dated 5 March 2021 (“Final Report”) prepared by MIntegrity for the use of the Australian Securities & Investments Commission (“ASIC”) and Societe Generale Securities Australia Pty Ltd. This Summary Report follows an Independent Expert Licensee Review performed by MIntegrity and draws on the methodology as set out in the Terms of Engagement between Societe Generale Securities Australia Pty Ltd and MIntegrity.

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The Independent Expert Licensee Review undertaken by MIntegrity has been benchmarked against internationally recognised frameworks, including the Australian Standard AS/ISO 19600:2015, Compliance Management Systems - Guidelines.

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1. INTRODUCTION

- 1 The Societe Generale Group (“SG”) is a global bank founded around three complementary core businesses: French retail banking, international retail banking and financial services and global banking and investor solutions. Societe Generale Securities Australia Pty Ltd ACN 114206307, holder of AFSL number 289791 (“SGSAPL”) is a wholly owned subsidiary of SG.
- 2 SGSAPL’s Australian financial services licence (“AFSL”) authorises it to provide financial product advice, deal in financial products, make a market for financial products and provide custodial or depository services to both retail and wholesale clients. The advice and dealing in financial services are in the areas of derivatives, foreign exchange contracts, securities and debentures, stocks or bonds.
- 3 SGSAPL is an ASX24 Trading Participant and ASX Clear (Futures) Participant.
- 4 On 15 June 2020 ASIC imposed additional conditions on the AFSL of SGSAPL to ensure compliance with client money regulations after SGSAPL reported to ASIC that it had deposited client money into unauthorised bank accounts between December 2014 and September 2018. Schedule 10 (a) of the licence conditions required SGSAPL to appoint an Independent Expert to conduct a Licensee Review to:
 - (i) assess and test the adequacy and effectiveness of the Licensee's controls, systems and processes to ensure that:
 - (A) the Licensee's Client Money Accounts are with an Australian ADI or of a kind prescribed by the Regulations made for the purposes of section 981B(1) of the Act;
 - (B) where required by the Act, Client Money is paid into a Client Money Account in accordance with section 981B(1) of the Act;
 - (C) payments made out of a Client Money Account are in accordance with section 981C(1)(a) of the Act and regulation 7.8.02(1) of the Regulations,
 - (ii) test the effectiveness of the Licensee’s controls, systems and processes for identifying and reporting breaches of sections 981B(1) and 981C(1)(a) of the Act and regulation 7.8.02(1) of the Regulations (Breach Reporting Arrangements), having regard to compliance with the Licensee's obligations under sections 912A(1)(d)(e)(f) and (h) of the Act (insofar as they relate to the Breach Reporting Arrangements) and 912D of the Act; and
 - (iii) identify deficiencies (if any) in the Licensee’s controls, systems and processes referred to in subparagraphs 10(a)(i) and 10(a)(ii) (the Relevant Controls) of this licence condition.
- 5 SGSAPL undertook to appoint a person who has the necessary expertise, experience and operational capacity, and who is independent of SGSAPL and its officers, to be the Independent Expert for the purposes of the Licensee Review. MIntegrity was subsequently appointed by SGSAPL to be the Independent Expert.
- 6 MIntegrity is independent of SGSAPL, its related bodies corporate and its officers and, at all times material to matters reported in this Independent Expert Report, was capable of exercising objective and impartial judgement.
- 7 MIntegrity does not believe there are any conflicts of interest that may have impacted its ability to act as an Independent Expert for the purposes of the Licensee Review.
- 8 In forming this statement on independence and conflicts, MIntegrity has drawn on ASIC Regulatory Guide 100: Enforceable Undertakings and ASIC Regulatory Guide 112: Independence of Experts, both of which detail principles for establishing the independence of experts.



2. SCOPE OF THE LICENSEE REVIEW

- 9 MIntegrity undertook to conduct a Licensee Review which, having regard to the nature, scale and complexity of SGSAPL's financial services business, assessed and tested the adequacy and effectiveness of the arrangements SGSAPL has in place in relation to the areas specified in condition 10(a) of the AFSL.
- 10 MIntegrity believes it has made all desirable and appropriate inquiries in connection with its assessment as part of the Licensee Review.
- 11 MIntegrity acknowledges that the Licensee Review is being carried out for SGSAPL as well as ASIC, and that ASIC is relying on the work of MIntegrity.
- 12 SGSAPL and SG staff located offshore who perform work for SGSAPL have reasonably assisted MIntegrity in carrying out the Licensee Review and preparing the Independent Expert Report. MIntegrity is of the understanding that all available information that was requested by MIntegrity during the course of the Licensee Review was provided by SGSAPL; to our knowledge, SGSAPL has not withheld any material information that MIntegrity regards as relevant to our assessments. SGSAPL was not required to provide MIntegrity with any document or information subject to a valid claim of legal professional privilege by SGSAPL.
- 13 MIntegrity received documents from SGSAPL relating to the Licensee Review that were current at the time of the Licensee Review and / or indicative of the robustness of SGSAPL's current arrangements. MIntegrity also received detailed test data for various sample dates during the period 1 January 2020 to 29 January 2021.
- 14 The testing MIntegrity performed was not designed to detect all weaknesses in control procedures as tests were not performed continuously throughout the period. Testing of SGSAPL's trust account reconciliations and control procedures were performed on a random sample basis.
- 15 MIntegrity notes that the scope of the Licensee Review is focused on the current state of SGSAPL's controls, systems and processes.



3. DEFICIENCY AND MATERIALITY ASSESSMENT USED IN THE LICENSEE REVIEW

- 16 Condition 10(a)(iii) of the Licence requires MIntegrity to identify any *deficiencies* in the Licensee's controls, systems and processes referred to in condition 10(a)(i) and 10(a)(ii) of the Licence (the Relevant Controls).
- 17 Condition 10(b) of the Licence requires MIntegrity to identify, what, if any, Remedial Actions are necessary, in our independent expert opinion, to effectively address any *concerns* that we have as to the adequacy of the Relevant Controls.
- 18 MIntegrity have interpreted a *deficiency or concern* to mean whether, in our independent expert opinion, SGSAPL could not demonstrate that it has adequate and effective Relevant Controls to comply with the areas of the Act and Regulations as specified in condition 10(a) of the Licence ("Obligations"), considering the size, nature and complexity of its business (together, "Deficiency").
- 19 MIntegrity's threshold for determining whether a finding leads to a Deficiency is where, in our independent expert opinion, should SGSAPL not appropriately address the finding it would unduly compromise its ability to comply, or continue to comply, with its Obligations ("Materiality Assessment").
- 20 Subject to the Materiality Assessment and for the purposes of the Independent Expert Report, any findings that constitute a Deficiency are classified as material findings and any findings that, in our independent expert opinion, do not lead to a Deficiency are classified as non-material findings.
- 21 All references to Deficiency in the Independent Expert Report and in this Summary Report should be taken to have been subject to a Materiality Assessment.

4. OVERALL STATUS OF SGSAPL

- 22 Based on the Licensee Review, MIntegrity has not identified any Deficiencies in the adequacy and effectiveness of SGSAPL’s Relevant Controls (as set out in Table 1 “*Outcome Of The Licensee Review By Licence Condition*” below).
- 23 However, MIntegrity identified several findings we recommended that SGSAPL address as part of its normal course of business/continuous improvement arrangements in relation to the Relevant Controls (noted in the Independent Expert Report and this Summary Report as “Non-Material Findings”).
- 24 MIntegrity does not believe the Non-Material Findings – taking into consideration the Materiality Assessment - amount to Deficiencies. Therefore, the recommendations detailed in the Independent Expert Report, as they relate to each of the Non-Material Findings, do not amount to Remedial Actions.

TABLE 1: OUTCOME OF THE LICENSEE REVIEW BY LICENCE CONDITION		
Licence condition #	Licence condition description	Outcome of the Licensee Review
10(a)(i)(A)	Client Money accounts are with an Australian ADI or of a kind prescribed by the Regulations made for the purposes of section 981B(1) of the Act.	No Deficiencies were identified in this part of the Licensee Review.
10(a)(i)(B) & 10(a)(i)(C)	Client Money is paid into a Client Money Account in accordance with section 981B(1) of the Act. & Payments made from a Client Money Account are in accordance with section 981C(1) of the Act and regulation 7.8.02(1) of the Regulations.	No Deficiencies were identified in this part of the Licensee Review.
10(a)(ii)	Breach Reporting Arrangements and compliance with sections 912A(1)(d)(e)(f) and (h) of the Act and 912D of the Act.	No Deficiencies were identified in this part of the Licensee Review.

5. NECESSARY REMEDIAL ACTIONS

- 25 As no Deficiencies were identified in the Licensee Review, MIntegrity do not believe any Remedial Actions are necessary in relation to section 10(b) of the Licence conditions.



DISCLAIMER

MIntegrity notes that all potential points of non-compliance related to the business of the SGSAPL may not have been identified during the Licensee Review. This is due to the existence of limitations inherent in reviewing the compliance framework of any AFSL holder, including the extent to which all relevant material is provided by SGSAPL, the inconclusive nature of sample staff interviews or testing, which may not identify all instances of potential misconduct or other non-compliance with relevant regulatory obligations.

ABOUT MINTEGRITY

"We are a specialist firm working collaboratively with market participants, operators and regulators to raise integrity standards across the industry"

MIntegrity provides services related to all aspects of financial markets regulation, including surveillance, enforcement mitigation, governance and policy, e-Learning, bespoke in-house training and compliance consulting to public and private clients.

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