

## **ASIC Applies Enforceable Undertakings On NAB & CBA**

### **Summary:**

ASIC uncovers shocking abuses in the foreign exchange divisions of both CBA and NAB. The banks are slapped with enforceable undertakings. What does a crooked banker have to do to go to jail? Oh yeah .... they have to steal from the bank rather than the customers. Royal Commission must be called. We will see scandal after scandal revealed because the industry is engaged in criminal activity and more whistleblowers are coming forward every day.

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Unconscionable Conduct

**Author:** James Frost & James Eysers

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## **CBA and NAB admit impropriety in foreign exchange trading**

**Commonwealth Bank and the National Australia Bank have entered into enforceable undertakings with ASIC after foreign exchange traders were revealed to have front run orders on personal accounts and triggered client stop-loss orders.**

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The extraordinary behaviour is laid bare in separate enforceable undertakings (EUs) from the two banks and is backed up with chat room transcripts where the traders share confidential information about their clients and their positions.

Both banks have agreed to donate a combined \$5 million to financial literacy programs according to the terms of the deal.

**The Australian Financial Review understands that because the trading took place overseas jurisdictional complexities led ASIC to accept an undertaking.**

**The shocking behaviour of the traders is just the latest in a string of scandals to have plagued the banks in 2016.**

**It follows allegations of drug use in a fixed income trading room, the BBSW case which alleges that a key interbank benchmark was rigged and is set to go to trial next year and widely reported failures of bank financial planning and insurance arms that saw the CEOs of the big four bank face hearings in Canberra.**

Among the incidents revealed by ASIC's investigation into NAB's foreign exchange desk was a brazen incident of front running.

In the incident an NAB employee received information from the employee of another Australian bank about the pending London 4pm fix. The information was used "to inform their joint personal trading strategy called "papa".

In another incident, ASIC reproduced chat room logs where an NAB employee disclosed a \$100 million-plus client order to another market participant using acronyms and a code name.

In the 14-page enforceable undertaking (*attached below*) with Commonwealth Bank, ASIC found similar behaviour including examples of its traders using information from the bank about large orders to inform their own proprietary positions.

ASIC also found that on at least two occasions a CBA trader in Sydney responsible for managing a stop loss order "traded in a manner that may have been intended to cause the trigger price to trade when it may not have".

Furthermore it found that three employees in London "disclosed confidential details of pending client orders to external third parties including identification of a client through use of a code name."

According to the terms of the EU, NAB has agreed to make a \$2.5 million voluntary contribution to Financial Literacy Australia to fund financial literacy in the aged care sector and promote ethical behaviour in financial markets. (*NAB EU attached below*)

The Commonwealth Bank has also agreed to donate \$2.5 million to Financial Literacy Australia however the money will be used only to support development of financial literacy education in the aged care sector.

Both banks have agreed to engage independent experts to review procedures at their foreign exchange desks and periodic reviews of their progress.

The developments follow efforts to clean up the foreign exchange market from Reserve Bank of Australia deputy governor Guy Debelle with a new code of conduct that was circulated by the Bank of International Settlements in May. A new draft is expected in the new year.

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No excuse now Mr Turnbull. Don't worry about hurting the feelings of CEOs Narev and Thorburn. The CEOs won't turf you out of your job ..... but the people will if you keep this protection racket going.

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Mr Turnbull should check out the BRN Draft terms for a Royal Commission. It's got these activities from NAB and CBA well and truly covered - link below.

Join in with BRN today. [Create a free account](#) and you will be among the first to know when the people will come down like a ton of bricks on the banks. It's up to us. ASIC and Turnbull aren't going to do it.

| <b>File Attachments:</b> | Attachment   | Size      |
|--------------------------|--|-----------|
|                          |  <a href="#">ASIC - Enforceable undertaking with NAB 21.12.16</a> | 646.75 KB |
|                          |  <a href="#">ASIC - Enforceable undertaking with CBA 21.12.16</a> | 641.91 KB |

**Websites For More Information:** CBA and NAB admit impropriety in foreign exchange trading  
<http://www.smh.com.au/business/banking-and-finance/cba-and-nab-admit-impropriety-in-foreign-exchange-trading-20161221-gtfv3c.html>

**Related Links:** [Draft Terms Of Reference Royal Commission Banking & Finance](#)

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