

# ASX Announcement

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## Statement from the Commonwealth Bank of Australia Chairman of the Board

**Wednesday, 9 August 2017 (Sydney):** At its scheduled meeting on Monday and Tuesday of this week, the Board of the Commonwealth Bank of Australia considered in detail the allegations in the statement of claim served last week on the Bank by the Australian Transaction Reports and Analysis Centre (AUSTRAC).

The Board acknowledges the significance of the allegations, recognises the high degree of public interest in this matter, and that this issue impacts the reputation not only of the Bank but of the industry more broadly. Accordingly, to accompany the release of our full year results, the Board is today providing a public update on its discussions and actions.

Commonwealth Bank takes its legal and regulatory obligations very seriously, including its role in working with AUSTRAC, other agencies and law enforcement bodies, to fight crime. It is committed to maintaining a strong, co-operative working relationship with AUSTRAC.

Significant progress has been made on a program of action focussed on strengthening its policies and processes relating to its obligations under the Anti-Money Laundering and Counter-Terrorism Financing Act. Since the second half of 2015, when the alleged issues relating to Threshold Transaction Reporting (TTRs) in the Intelligent Deposit Machines (IDMs) were brought to the Board's attention, progress on the program of action includes:

- Promptly fixing the coding error relating to the IDM TTRs.
- Changing senior leadership in the key roles overseeing financial crimes compliance, compliance more broadly, and operational risk.
- Recruiting more than 50 financial crime compliance professionals.
- Strengthening our Know Your Customer (KYC) processes with a specialist hub providing consistent and high-quality on-boarding of customers, delivered at a cost of more than \$85m.
- Upgrading the financial crime technology used to monitor accounts and transactions for suspicious activity. The new technology will be fully delivered over the next twelve months at a cost of approximately \$40m.
- Commencing the upgrade of additional fraud monitoring technology, for use by the team that provides further security assurance to customers by identifying any fraudulent activity.

The Board has established a dedicated sub-committee of four directors that will oversee the response to AUSTRAC's statement of claim and the on-going execution of the program of action.

In terms of addressing accountability for the issues raised by the statement of claim, the Board's immediate action has been to reduce to zero the Short-Term Variable Remuneration outcomes for the CEO and Group Executives for the financial year ended 30 June 2017, as well as reduce fees for non-executive directors by 20 per cent during the current 2018 financial year.

This reflects our view that the Board, CEO and Group Executives take ultimate collective responsibility for the reputation of the Bank. As the Board considers the substance of AUSTRAC's claims, it will take an active role in addressing any further management accountability for the alleged actions or omissions. The Board notes that it has no reason to believe that the allegations arose from deliberate or unethical behaviour, or any commercial motive.

The Board's actions reflect the focus we are taking on improving the trust among people, customers, businesses and communities that the Bank exists to serve.

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