



**Banking Executive
Accountability Regime**

Reform in the fast lane

September 2017

BEAR on a page

1 WHAT ORGANISATIONS ARE COVERED BY BEAR?

- Authorised Deposit-taking Institutions (ADIs)
- Subsidiaries of ADIs

ADI = Domestic banks, foreign subsidiary banks, branches of foreign banks, credit unions, building societies

3 WHAT INDIVIDUALS ARE COVERED BY BEAR?

- Individuals who are “accountable persons” will be covered by BEAR (see **page 5**)
- Do you either:
 - Have responsibility relating to the ADI of a kind listed as one of the Prescribed Responsibilities? or
 - Meet the General Principle test?

2 WHAT REQUIREMENTS APPLY TO ADIs?

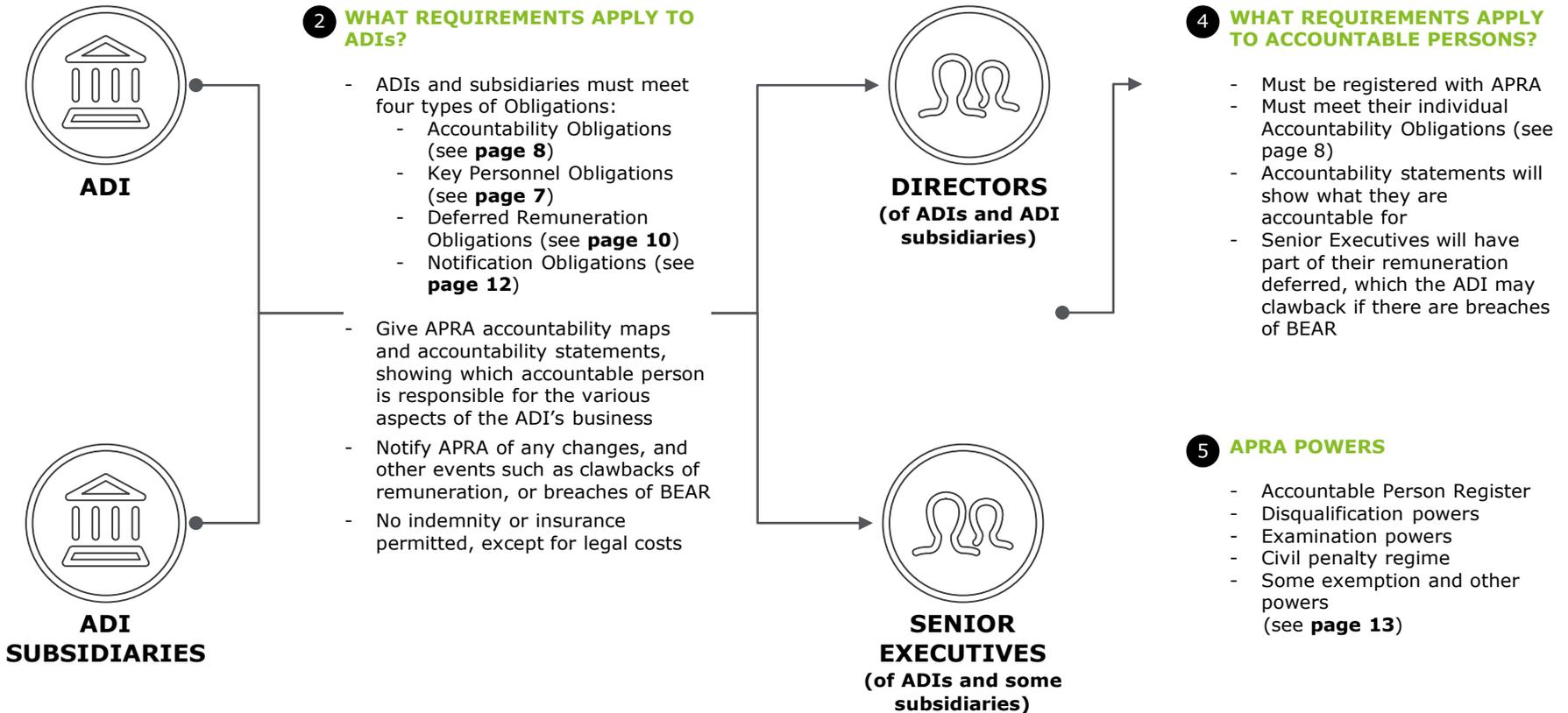
- ADIs and subsidiaries must meet four types of Obligations:
 - Accountability Obligations (see **page 8**)
 - Key Personnel Obligations (see **page 7**)
 - Deferred Remuneration Obligations (see **page 10**)
 - Notification Obligations (see **page 12**)
- Give APRA accountability maps and accountability statements, showing which accountable person is responsible for the various aspects of the ADI’s business
- Notify APRA of any changes, and other events such as clawbacks of remuneration, or breaches of BEAR
- No indemnity or insurance permitted, except for legal costs

4 WHAT REQUIREMENTS APPLY TO ACCOUNTABLE PERSONS?

- Must be registered with APRA
- Must meet their individual Accountability Obligations (see **page 8**)
- Accountability statements will show what they are accountable for
- Senior Executives will have part of their remuneration deferred, which the ADI may clawback if there are breaches of BEAR

5 APRA POWERS

- Accountable Person Register
- Disqualification powers
- Examination powers
- Civil penalty regime
- Some exemption and other powers (see **page 13**)



Reform in the fast lane

Banking Executive Accountability Regime

In September 2017, Treasury released:

- the Exposure Draft of the *Treasury Laws Amendment (Banking Executive Accountability and Related Measures) Bill 2017*, and
- the supporting Explanatory Memorandum.

The purpose of the Bill is to implement a strengthened responsibility and accountability framework for directors and the most senior and influential executives in banks and other ADI groups. BEAR is intended to complement the existing regulatory framework.

Get ready: it's going to start soon.



A number of important issues have emerged from the Exposure Drafts, including some significant changes to the proposed accountability obligations for Accountable Persons.



More information

IT'S ONLY GOING TO APPLY TO ADIs AND THEIR SUBSIDIARIES...FOR NOW

Despite submissions calling for a level playing field for insurers and superannuation trustees, BEAR only covers ADIs and their subsidiaries.

However, APRA has said that it's considering whether "some of the concepts" of BEAR have broader application. Watch this space.

PRUDENTIAL STANDARDS

We expect that APRA will need to provide guidance, and update and issue new Prudential Standards, to underpin the BEAR regime. Hopefully these will be available without delay, given the compressed transition period.

THE EXPOSURE DRAFT OF THE BILL AND THE EXPLANATORY MEMORANDUM DON'T ALIGN

Whilst these documents were released together, there are a number of important discrepancies between them about what is in the regime.

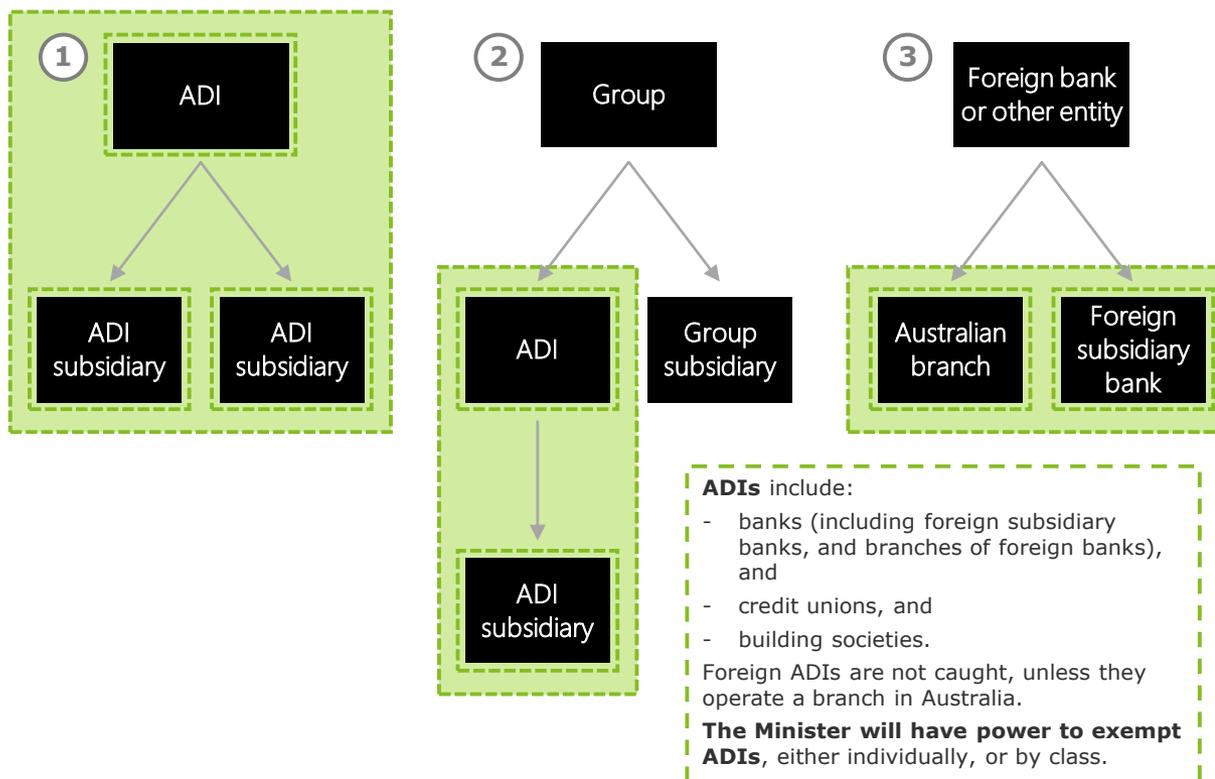
In preparing this document, we have generally used the draft Bill as the primary source material.

Captured by the BEAR Institutions



ADIs and their subsidiaries are going to be covered by BEAR.

The rationale is that they play a critical role in the economy, and there is community concern regarding recent poor behaviour



? More information

APPLICATION TO SUBSIDIARIES OF AN ADI

The term “subsidiaries” will have the same meaning as under the *Corporations Act* – so the tests will centre on control of the board or shareholder voting, and shareholdings.

The mechanics for how BEAR will apply to overseas subsidiaries of Australian ADIs, or what standards will apply, is not yet clear.

TRUSTEES

What implications could there be for already highly regulated subsidiaries, such as Trustees?

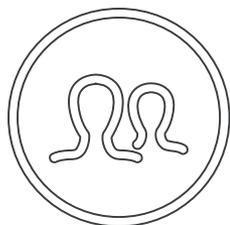
Could some of the accountability obligations, focused on protecting the prudential standing and reputation of the ADI, conflict with a Trustee’s duties to members?

UPSTREAM EXECUTIVES

Where the ADI is not the parent entity in a Group, Accountable Persons could include executives of parent or other upstream entities.

Captured by the BEAR

Individuals who are Accountable Persons



Directors and Executives of ADIs will be Accountable Persons if their role within the ADI means they either:

- **have responsibility relating to the ADI of the kind listed as one of the Prescribed Responsibilities, or**
- **meet the General Principle test.**

PRESCRIBED RESPONSIBILITIES

A person is an Accountable Person of an ADI if they hold a position in or relating to the ADI, and because of that position, have any of the following categories of responsibility relating to the ADI:

Oversight of the ADI as a member of the ADI Board, or a subsidiary of the ADI	Carrying out management of all or a significant part of the business activities of the ADI and subs (CEO or BU Group Executives)	Management of ADI's financial resources (CFO)
Overall risks and controls and/or overall risk management arrangements (CRO)	Management of the human resources function (CHRO)	Management of the operations (COO or BU Group Executives)
Information Management, including IT systems (CIO)	Management of the internal audit function (Head of Internal Audit)	Management of the compliance function (CCO)
Management of the Anti-Money Laundering function	Conduct of all the activities of an Australian branch of foreign ADI	Any other responsibilities determined by APRA

GENERAL PRINCIPLE

A person is an Accountable Person of an ADI, or a subsidiary, if they:

(i) hold a position in, or relating to, the ADI or the subsidiary

and

(ii) because of that position, they have actual or effective responsibility for management or control of:

- the ADI or the subsidiary, or
- a significant or substantial part or aspect of the ADI's or the subsidiary's operations.

Captured by the BEAR

Taking a look at Accountable Persons

Whilst BEAR is a significant reform, the focus should be on the fact that ADI Groups should already be doing much of what will be required.

It will be important to understand some of BEAR's nuances, whether intended or unintended.



More information

APPLICATION TO ALL DIRECTORS

Unlike the UK, it is proposed that all Directors of an ADI will be accountable persons.

The Explanatory Memorandum indicates their BEAR obligations will apply to their performance of an oversight function, rather than day-to-day executive and management functions.

Executive Directors will need to meet the BEAR obligations of both the director role, and their management role.

DIRECTORS OF ADI SUBSIDIARIES

The Explanatory Memorandum indicates it is only Directors of the ADI that are caught, but the draft Bill indicates subsidiary Directors are also going to be accountable persons.

The wording in the draft Bill is unclear, as it refers to a Director of an ADI's subsidiary having "oversight of the ADI".

IDENTIFYING ACCOUNTABLE PERSONS FROM SUBSIDIARIES

In practice, identifying Accountable Persons of subsidiaries may be challenging given the way the Bill is worded. It appears that the prescribed responsibilities only affect directors of subsidiaries, and not management, so only the general principle would apply to accountable persons in ADI subsidiaries.

The Explanatory Memorandum indicates that "where the activities of a subsidiary are significant, then an Accountable Person should have responsibility for that subsidiary" (para 1.29). This wording is not reflected in the Exposure Draft, and it's unclear if this only applies to senior executives in a commercial function, or if all the gatekeeper or support roles such as risk, HR, compliance and IT also need to be reflected.

SHARED ACCOUNTABILITIES

Accountable Persons will be able to share accountabilities, but obligations in these cases will be jointly held.

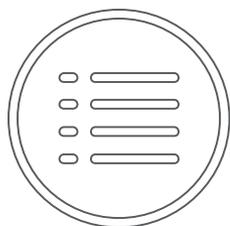
APRA POWERS

APRA can add to the responsibilities, or exclude specific responsibilities that would cause someone to be an accountable person (either in a specific ADI or subsidiary, or in a class of ADIs or subsidiaries).

It can also direct an ADI to reallocate responsibilities of accountable persons if it believes there is likely to be a prudential risk.

Obligations of the BEAR

ADI obligations



ADIs will have four types of obligations under BEAR.

ACCOUNTABILITY OBLIGATIONS

ADI will have to meet its accountability obligations, including by conducting its business with honesty and integrity, dealing openly with APRA, and ensuring that it takes reasonable steps to prevent matters impacting negatively the prudential standing or reputation of the ADI.

(See page 7)

KEY PERSONNEL OBLIGATIONS

- Ensuring the responsibilities of the ADI's accountable persons cover:
 - (i) each significant or substantial part of the ADI's operations, and
 - (ii) each of the prescribed responsibilities;
- Ensuring none of the Accountable Persons are prohibited (that is, they must be registered, and not have been disqualified);
- Complying with any directions from APRA to reallocate responsibilities from an Accountable Person to another person
- Taking reasonable steps to ensure each of the ADI's subsidiaries that is not an ADI complies with the above.

DEFERRED REMUNERATION OBLIGATIONS

Implement remuneration policies that:

- defer the remuneration of Accountable Persons for up to four years, and
- allow for a reduction in remuneration in proportion to any failure to meet the BEAR obligations.

(See pages 9 and 10)

NOTIFICATION OBLIGATIONS

Give APRA accountability maps and statements, that explain who is responsible for all parts and aspects of the ADI's and its subsidiaries' business.

Notify APRA of any changes, and other events such as clawbacks of remuneration, or breaches of BEAR, within the specified timeframes.

(See page 12)

Obligations of the BEAR

Accountability obligations

ADIs and accountable persons must meet specified accountability obligations.

Accountable persons have to do so in relation to each of the responsibilities that cause them to be an accountable person of an ADI or its subsidiary.

Obligation	Level of obligation	ADIs	Accountable Persons (of ADI or subsidiary of an ADI)
Honesty, integrity, due skill care and diligence	Must...	<ul style="list-style-type: none"> Conduct its business with honesty and integrity, and with due skill, care and diligence 	<ul style="list-style-type: none"> Conduct the responsibilities of his or her position as an accountable person with honesty and integrity, and with due skill, care and diligence
Co-operation with APRA	Must	<ul style="list-style-type: none"> Deal with APRA in an open, constructive and cooperative way 	<ul style="list-style-type: none"> Deal with APRA in an open, constructive and co-operative way
Prevent matters that adversely affect prudential standing or reputation	Take reasonable steps...	<ul style="list-style-type: none"> In conducting its business to prevent matters from arising that would adversely affect the ADI's prudential standing or reputation 	<ul style="list-style-type: none"> In conducting those responsibilities to prevent matters from arising that would adversely affect the prudential standing or reputation of the ADI
Ensuring compliance with BEAR	Take reasonable steps...	<ul style="list-style-type: none"> To ensure that each of its accountable persons meets his or her accountability obligations 	N/A
Ensuring subsidiaries comply with BEAR	Take reasonable steps...	<ul style="list-style-type: none"> To ensure that each of its subsidiaries that is not an ADI complies with the above as if it were an ADI 	N/A

More information

SIGNIFICANT CHANGES

The Accountability Obligations have changed significantly since the Consultation Paper (see red).

Concepts of honesty, prudential standing, and reputation are new, whilst references to culture and compliance with other standards and laws have been removed.

PRINCIPLES-BASED OBLIGATIONS

Treasury expects obligations will be interpreted based on "well understood" common usage, and some existing case law.

REASONABLE STEPS

Without limiting what will amount to reasonable steps in relation to a matter, minimum standards include ensuring that:

- There is appropriate governance, control and risk management in relation to that matter;
- Any delegations of responsibility in relation to that matter are appropriate; and
- There are appropriate procedures for identifying and remediating problems that arise or may arise in relation to that matter.

Obligations of the BEAR

Accountability obligations: Protecting Prudential Standing and Reputation

Obligation

Prevent matters that would adversely affect the ADI's prudential standing or reputation

▶ **Significant new components of the ADI and each Accountable Person's obligations have been introduced in these Exposure Drafts. Although the Government indicates these terms should be well understood, currently, their meaning is significant but uncertain.**

It is essential that APRA clarify what is meant by these obligations.



More information

"ADVERSELY AFFECT THE ADI'S REPUTATION"

ADIs are operating in a volatile environment where many events can become a reputation issue.

It is unclear, and needs to be questioned, how this will be interpreted in the current environment. How will this be judged / what is the test for this? The current system of controls, governance and assurances relating to reputation also needs to be questioned.

Will Public Relations teams will become part of the control framework?

WHAT IS "PRUDENTIAL STANDING"?

That's a great question.

There are currently a number of measures which *could* relate to "prudential standing" (PAIRS / SOARS or capital adequacy). These existing measures do not seem to contextually align to the obligation, especially when linked directly to reputation.

Hopefully APRA will clarify this, as it could potentially mean any adverse impact on the ADI's financial position.

PRUDENTIAL STANDING v. PROTECTING REPUTATION

There is potential tension between the requirement to take reasonable steps to protect the prudential standing of an ADI, and to take reasonable steps to protect the ADI's reputation.

For example, an ADI may make a pricing decision to increase interest rates in order to avoid an adverse reputation event. However, by reducing its earnings on that business, the ADI is impacting its profitability, and potentially its "prudential standing".

APRA GUIDANCE

APRA may issue further guidance on what factors it would consider to be reasonable steps, the meaning of the terms in the accountability obligations, and the behaviour and conduct it expects will meet the obligations.

SHARED ACCOUNTABILITIES

If more than one accountable person of an ADI or a subsidiary of an ADI have the same prescribed responsibility in relation to the ADI or subsidiary, they all jointly have the accountability obligations in respect of that responsibility.

Obligations of the BEAR

Deferred Remuneration obligations

Deferring Remuneration for Accountable Persons

What's the obligation? The ADI must ensure that the payment of a portion of each Accountable Person's variable remuneration is deferred for a minimum period.

What's "variable remuneration"? The portion of the Accountable Person's total remuneration that is conditional on the achievement of objectives, or is a retention bonus. It's calculated based on when the decision was made to grant the remuneration.

How much needs to be deferred? The amount deferred depends on a combination of the Accountable Person's role, the size of the ADI, and the amount of their variable and annual remuneration for the relevant financial year. This obligation won't apply to small ADIs if the deferrable amount of the variable remuneration is under \$50,000.

How long is the deferral for? The deferral period is at least 4 years from the date after which the decision was made to give the variable remuneration, but APRA can allow a shorter period in some cases.

HOW MUCH TO DEFER?

ADI size (3-year average of total resident assets)	The accountable person is	The deferral amount is the lesser of
Large	The CEO	(a) 60% of the CEO's variable remuneration for the relevant financial year, or (b) 40% of the CEO's total remuneration for the relevant financial year.
Large (\$100b or more)	Someone other than the CEO	(a) 40% of their variable remuneration for the relevant financial year, or (b) 20% of their total remuneration for the relevant financial year.
Medium (\$10b-100b)	Any Accountable Person	(a) 40% of their variable remuneration for the relevant financial year, or (b) 20% of their total remuneration for the relevant financial year.
Small (\$10b or less)	Any Accountable Person	(a) 40% of their variable remuneration for the relevant financial year, or (b) 10% of their total remuneration for the relevant financial year.

Obligations of the BEAR

Deferred Remuneration obligations

Remuneration Policy

An ADI must have a Remuneration Policy that requires the ADI to make a proportional reduction in the amount of an Accountable Person's variable remuneration if:

- they have failed to comply with their accountability obligations, or
- they are likely to have failed to comply.

The deferred remuneration can be reduced to zero, and does not need to relate to the period in which the failure or likely failure occurred.

Applies to non-ADI subsidiaries

The ADI has to take reasonable steps to ensure that, if variable remuneration may become payable to an Accountable Person of a subsidiary of the ADI, and the subsidiary isn't an ADI, the subsidiary complies with above as if it's an ADI.

APRA DETERMINATION

APRA can determine whether remuneration of a particular kind is variable remuneration or not, either for a specific ADI or subsidiary, or generally.

SHORTER DEFERRAL PERIOD

The ADI can apply to APRA for a shorter deferral period, which APRA can approve if it is satisfied that

- (i) the person is no longer an Accountable Person, and death or serious incapacity applies (or such other reason that APRA determines), or
- (ii) the ADI has taken all reasonable steps to satisfy itself that the Accountable Person has complied with their accountability obligations, and it's unlikely additional information will become known before the end of the deferral period.

REVIEW PROCESSES

ADIs will need to establish processes to review whether each accountable person met their obligations if something goes wrong, to determine if some of their deferred remuneration should be clawed back, and whether to make a report to APRA.

DEFERRAL IN PRACTICE

In practice, an executive with several years' tenure with the ADI may have a large amount of remuneration deferred. They may lose remuneration that was accumulated over several years, and more than the mandatory deferral amounts. It will be the ADI that makes these decisions about whether to clawback some of their remuneration, not APRA.

Obligations of the BEAR

Notification obligations

Accountable Person Registration with APRA

Each Accountable Person will have to be registered with APRA.

- A person must be registered before becoming an Accountable Person unless urgent (this gives a week in practice to lodge an application)

The ADI must attest that it is satisfied the person is suitable to be an accountable person, and provide such information as APRA requests.

APRA will maintain a register of Accountable Persons, and has to register the person as an Accountable Person if the application meets the specified requirements.

Accountability Maps and Statements

ADIs will have to prepare:

- Accountability Maps identifying the roles and responsibilities across their business, and
- an Accountability Statement for each Accountable Person showing their span of accountability under the map.

ADI has to notify APRA of changes to Accountability Statements and Accountability Maps within 14 days, or such other period as APRA determines. In practice, ongoing maintenance of these can require dedicated resourcing.

Changes to Accountable Persons

The ADI has to notify APRA if a person ceases to be an Accountable Person, on the dismissal or suspension of a person, or the reduction of a person's remuneration due to BEAR requirements.

Don't poke the BEAR

New powers for APRA and the Minister



The BEAR gives APRA new and stronger enforcement powers, including powers to conduct examinations, and to disqualify individuals.

If an ADI breaches its BEAR obligations, significant civil penalties may be imposed.

EXAMINATION POWERS

APRA has additional examination powers to assist it in conducting investigations.

Examination powers allow APRA to require a person to provide all reasonable assistance in connection with an investigation, or to be examined under oath or affirmation.

These powers extend to all of APRA's supervisory and enforcement functions under the *Banking Act*, not just BEAR.

DISQUALIFICATION POWERS

APRA will be able to remove and disqualify a person from being or acting as an Accountable Person, for a period it considers appropriate. To do this, APRA needs to be satisfied that the person has not complied with his or her accountability obligations, and the disqualification is justified.

APRA has to give the ADI and the Accountable Person opportunity to make submissions before it disqualifies a person, and give at least 7 days' written notice to the person and the ADI. APRA can vary or revoke disqualifications.

APRA decisions will be subject to judicial review.

There is no current indication that this power will extend to other APRA-regulated entities, as was indicated in the Consultation Paper.

EXEMPTIONS AND RELIEF

The Minister has power to exempt an ADI (or classes of ADIs) from the application of the BEAR.

The Exposure Draft provides little meaningful indication of the circumstances in which this power would be used.

If the Minister exempts an ADI, this also exempts any people who would be accountable persons of that ADI or its subsidiaries.

Don't poke the BEAR

Other changes under BEAR



CIVIL PENALTY REGIME

Civil penalties will only apply to the ADI, not Accountable Persons.

Serious penalties can apply where an ADI contravenes its obligations under the BEAR provisions, and the contravention relates to prudential matters.

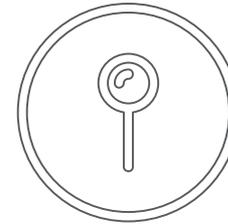
Whilst the penalties are expressed in penalty units, the current maximum penalties are:

- \$210m for large ADIs;
- \$52.5m for medium ADIs; and
- \$10.5m for small ADIs.

The Minister determines the kinds of ADIs in each size range (see page 9).

When imposing these penalties, the Court must have regard to the impact the penalty would have on the viability of the ADI.

Certain less serious penalties apply to an ADI or a subsidiary if they allow a disqualified person to be or act as an accountable person.



INDEMNIFYING ADIs AND ACCOUNTABLE PERSONS

Apart from legal costs, in general terms, ADIs and Accountable Persons can't be indemnified or obtain insurance to cover consequences of breaching the BEAR provisions.

Responding to the BEAR

Actions for the ADI

ADIs seem likely to have less than 9 months to implement BEAR; by contrast, SMR had a 12-month timeframe in the UK.

What should you start to do now?

GETTING THE HOUSE IN ORDER

What should you be doing or considering now to enable a timely and effective implementation?

- ✓ Set up a project with robust project governance and the right executive sponsor:
 - Develop a detailed project plan and develop the scoping document which sets out initial in-scope roles.
 - Focus on the spirit, not just the letter of the law.
- ✓ Inform key people within the organisation about the short implementation period, and ensure plans to implement BEAR are accelerated and prioritised.
- ✓ Allocate clear responsibility to the right people in your organisation to analyse and respond to BEAR, including being ready to review and make submissions on any draft Prudential Standards that are circulated for consultation.
- ✓ Start thinking about how accountability mapping and statements might work for your business:
 - Review current role descriptions and update them
 - Undertake a responsibilities gap analysis
 - Commence drafting an initial accountability map and statement of responsibilities
- ✓ Start talking to Boards and Senior Executives likely to be impacted, to assure them about what the organisation is doing.

Responding to the BEAR

Actions for the ADI (cont.)

Once your house is in order, what comes next?

EXECUTING ON YOUR PLAN

In carrying out the implementation project there are some critical steps, based on our UK SMR experience, that firms should be undertaking.

BUSINESS AS USUAL

Organisations can take practical steps now to ensure ongoing compliance with the new regime

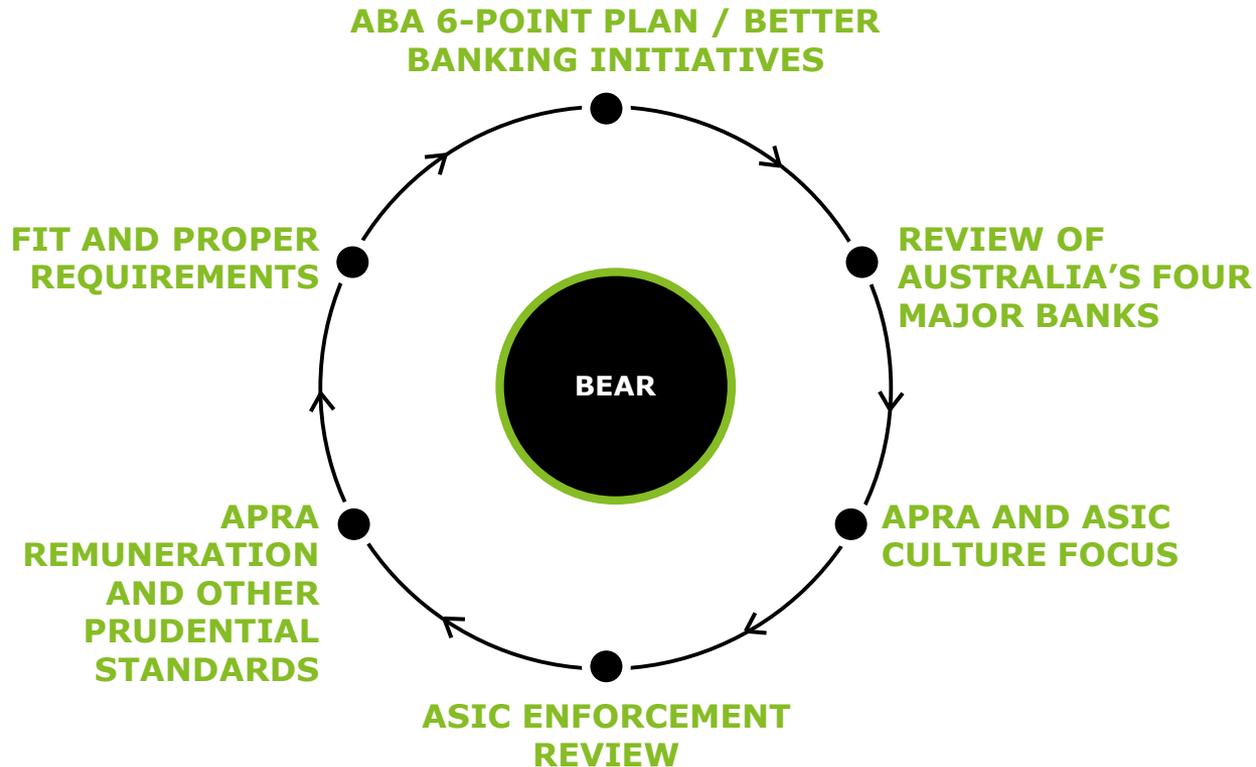
- ✓ Start putting BEAR into context, for you and for your stakeholders:
 - Consider what the accountability obligations mean, and whether the current controls and arrangements within the business will meet these tests.
 - Use real life examples of emerging or known issues:
 - How might BEAR apply to them?
 - Are accountabilities for parts of the business clear?
 - Do current processes and controls meet the tests foreshadowed by BEAR?
- ✓ Training materials and training plans should be developed and delivered for all Accountable Persons
- ✓ Ongoing engagement with key internal and external stakeholders.
- ✓ Even though “handover” may not be mandated under BEAR, ensure that a person becoming an accountable person or whose responsibilities are changing, has prior to taking the responsibilities, all information and material that a person could reasonably expect to have to perform those responsibilities effectively and in accordance with the requirements of BEAR
- ✓ Test embeddedness through internal and external reviews to determine whether any newly created processes have been adopted and are working as expected.

Further considerations

BEAR and the current regulatory agenda

Managing priorities and regulator expectations by creating an integrated approach.

The details of the BEAR are linked to many other objectives and aims of current regulation and guidance. There are efficiencies to be made by approaching the implementation of BEAR and its expectations as part of a holistic response to both ASIC and APRA requirements, and industry-led initiatives.



Appendix A. How we can help

Setting up for BEAR

In establishing your BEAR program we recommend a workshop or series of workshops to set the project up for success. The purpose of the workshop(s) is take what you are already doing and make sure you can demonstrate that you are doing it.

The workshops should focus on:

PROJECT SET UP

- Create detailed project plan
- Identify the work streams required and the owners
- Identify the initial set of artefacts that need to be looked at, including for example:
 - Org charts
 - Job descriptions
 - Governance structure
 - Board and committee Terms of reference
 - Reporting packs for meetings
 - Minutes

ACCOUNTABLE PERSONS

- Identify the population of accountable persons that currently may be in the organisation
- Agree the communication strategy to engage potential accountable persons

RESPONSIBILITIES

- Interview senior executives and directors to understand current responsibilities .
- Conduct scenario testing of real-life situations to identify gaps or problems in the mapping.
- Consider design-based approach to ensuring support and framework exists to ensure responsibilities are met

We can support you in implementing BEAR successfully through:

- ▶ Reviewing roles descriptions;
- ▶ Supporting development of responsibility map and statements;
- ▶ Supporting executing the gap analysis
- ▶ Testing and challenging responsibility map, responsibility statements and gap analysis of processes and controls
- ▶ Developing and conducting training
- ▶ Project management support

Leveraging experience

Deloitte's BEAR team is made up of Australian experts, as well as members of our UK team with expertise from supporting over 40 banking clients to prepare for and implement the Senior Managers' Regime. Our Australian BEAR team includes experts in regulation, conduct, human capital, culture, and risk management, as well as people who have worked in senior industry roles.

Some of the capabilities we bring include:

Pre-Implementation Preparation	Implementation Support	Training Support
<p>Deloitte UK supported multiple organisations with pre-implementation preparation. This included activities such as reviewing current job descriptions and organisational charts, undertaking a gap analysis of current state against the new regulatory requirements, and devising project plans to address identified gaps and transition to the new regime.</p> <p>We assisted:</p> <ul style="list-style-type: none">- UK retail banks- UK subsidiary of a large international banking group- Mid-tier UK retail banks	<p>Deloitte supported multiple organisations with progressing implementation of the SMR. This included activities such as development of Statements of Responsibilities and Responsibilities Maps, governance arrangements in relation to senior management, development of a framework for the operation of the SMR, and project management.</p> <p>We assisted:</p> <ul style="list-style-type: none">- UK subsidiary of a large international banking group- UK Branch of an European Economic Area banking institution- UK retail bank- Large Retail Bank- UK based branch of an international bank	<p>Deloitte UK supported multiple organisations with the design and delivery of training material to educate key personnel on the new regime, and the impact on the bank in general, and their role in particular.</p> <p>We assisted:</p> <ul style="list-style-type: none">- Board and Senior Management of a UK Retail Bank;- Compliance function of a UK subsidiary of a global bank;- Global banking group with a non-European Economic Area branch and an European Economic Area branch based in the UK- UK subsidiary and UK branch of a Non-European Economic Area wholesale banking- UK subsidiary of a large international banking group- Mid-tier UK retail bank- UK branches of a global bank

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Appendix B. Reasonable steps and the UK response

Reasonable steps

How reasonable steps are embedded and demonstrated in the UK

KNOWLEDGE AND UNDERSTANDING

- **Handover** – on starting or leaving a Senior Manager role, take responsibility for understanding all aspects of the business, including key risks in areas where you have individual and collective responsibility.
- **Regulatory** – maintain an awareness of relevant requirements and standards of the regulatory system.
- **Technical** – maintain your technical skills, through continuing professional development.
- **Market knowledge** – understand the broader markets in which the firm operates.
- **Your firm** – receive and review regular updates and reports from your team and maintain a wider understanding of the activity of the bank.

RESOLVE AND LEARN

- **Take action** – where potential issues occur, take responsibility for ensuring they are resolved.
- **Support** – seek and obtain appropriate expert advice or assurance, whether internal or external.
- **Escalate** – raise issues and follow them up with relevant staff, committees, and boards.
- **Action plans** – document action owners and timeframes and follow through to completion.
- **Lessons learned** – use resolved issues to inform and improve your control frameworks.



ORGANISE AND CONTROL

- **Reporting lines** – establish and articulate clear lines of control in your area.
- **Delegation** – ensure any delegations are clearly documented and understood, and continue to oversee and review the performance of delegated responsibilities.
- **Resource** – maintain appropriate resource levels and skillsets, and take steps to manage any resource constraints.
- **Succession planning** – be proactive in identifying talent and planning for the future.
- **Governance** – establish relevant committees, ensure attendees are appropriate and attend.

REVIEW AND IMPROVE

- **Reporting** – interrogate the information you receive and produce to identify potential improvements.
- **People** – continually assess the competence and capability of your team, identify training needs and deal with poor performance.
- **Controls** – implement, police, review and update appropriate policies, procedures and controls.
- **Challenge and discussion** – encourage a culture of challenge within your team and contribute personally to collective decision-making within the bank.
- **Be proactive** – prioritise key risk areas and take pre-emptive actions to prevent breaches occurring.



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