



**LAZORNE GROUP PTY LTD**  
ATF COMPLIANCE CONSULTING UNIT TRUST  
ABN 73 770 087 635  
PO Box 2185  
BONDI JUNCTION NSW 1355  
(02) 9369 2224

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## **BBY LIMITED**

### **REPORT ON REVIEW OF GOVERNANCE AND RISK FRAMEWORK**

#### **1. INTRODUCTION**

- 1.1 BBY Limited (“BBY”) is the holder of an Australian Financial Services Licence (“AFS Licence”), number 238095 and is a participant of ASX Limited, ASX Clear Pty Limited and ASX Settlement Pty Ltd (collectively referred to as ASX).
- 1.2 BBY has the ongoing responsibility for ensuring that its representatives carry on the business in an efficient, honest and fair manner. Accordingly, it is essential that BBY maintains the appropriate corporate and compliance culture and has adequate internal procedures within the organisation to meet these responsibilities.
- 1.3 Lazorne Group Pty Limited ATF Compliance Consulting Unit Trust (“Lazorne”) conducted a review of the governance and risk framework (“the Review”) implemented within BBY. The Review commenced in mid-October 2014.
- 1.4 The objective of this Review was to conduct a review of the design, implementation and functioning of BBY’s governance and risk framework to form an opinion as to whether it is adequate and effective.

This included conducting the following work:

- (a) conduct a review of *some of* BBY’s existing Policy and Procedure documents, internal controls and practices to evaluate the appropriateness and effectiveness of such compliance and risk measures focussing on governance, risk and compliance generally;
  - (b) sample testing and discussions with representatives of BBY to confirm procedures set out in documented Policy and Procedure documents have been implemented;
  - (c) seek to identify any weaknesses and provide recommendations for enhancements.
- 1.5 As a result of BBY executing a large trade on 11 June 2014, the ASX (pursuant to ASX Operating Rule [5020], ASX Clear Operating Rule 19.2.2 and ASX Settlement Operating Rule 12.1.5) has broadly set out the work required to be undertaken by BBY in its letter dated 2 September 2014 and in particular, point (1) in Appendix A to that letter namely to:



*Provide to ASX a report expressing an opinion (and its reason for that opinion) as to whether the design, implementation and functioning of BBY's governance and risk framework is adequate and effective to manage on a continual basis, the risks of its business as an ASX, ASX Clear and ASX Settlement participant including, but not limited to its risk exposure to its counterparties and the sufficiency of its own financial capacity to meet the minimum financial requirements as a participant.*

- 1.6 We note that there are inherent limitations in any internal control structure within any organisation. We also note that the Review was limited in scope and that sample testing is not necessarily conclusive and may not identify all instances of non-compliance. On this basis, we note that all deficiencies from a compliance perspective may not necessarily have been identified.
- 1.7 Furthermore, as this was a “high level” Review, for many items forming part of the Review, Lazorne relied upon discussions with management and staff and the representations made by management and staff.
- 1.8 We note that a separate independent review was conducted by Agility Applications (“Agility”) as required by ASX with the scope of the review as follows:
  - (i) assessing the effectiveness of BBY’s internal “pre-execution” procedures, processes and tools that are capable of ensuring that at the time of receiving an order from a client BBY is aware of the client’s current positions, unexecuted orders and the impact on BBY’s margin requirements that would result if all the orders were executed and that it has controls to prevent the execution of orders deemed to adversely impact its margin requirements;
  - (ii) assessing the effectiveness of BBY’s internal systems processes, procedures and tools capable of ensuring at all times BBY can adequately monitor and control its risk exposure (including forecasted risk exposure) to its counterparties in accordance with its own financial capacity as well as fulfil its obligations to ASX;
  - (iii) identify deficiencies (if any) in the controls and make recommendations on how to rectify those deficiencies; and
  - (iv) provides a detailed work plan for any deficiencies identified.
- 1.9 We have been provided with the Report prepared by Agility dated 17 November 2014 and note the findings and recommendations therein (and note some of which are replicated in this Report).



## **2. GENERAL**

- 2.1 As a general observation, the representatives of BBY with whom we dealt in performing the Review were co-operative and displayed a commitment to compliance. They generally demonstrated understanding and a willingness to implement procedures to enhance compliance where necessary.
- 2.2 Attached as Annexure A is a list of representatives with whom we held discussions as part of the Review.
- 2.3 This Report identifies both strengths and weaknesses in existing processes and procedures. The Report also contains recommendations for enhancements to improve and strengthen the existing procedures.

## **3. EXECUTIVE SUMMARY OF FINDINGS**

- 3.1 Following the Review which included a review of the design, implementation and functioning of BBY's governance and risk framework, we are of the opinion that the existing framework is not adequate or necessarily effective and we recommend improvements and enhancements be implemented to strengthen the governance and risk framework. These recommendations are set out in the body of this Report.
- 3.2 The most significant recommendations are as follows:
  - (i) Conduct an internal review to determine what it considers to be an appropriate corporate governance (and risk) structure considering the size, nature and complexity of its business and then formally implement the preferred structure (refer Section 5.4 of this Report).
  - (ii) Consider revision to current constitution of the Board by the appointment of an independent member (refer Section 5.5 of this Report).
  - (iii) Review responsibilities of the Board and ensure Board has specific responsibility for risk management strategy issues and also compliance (refer Section 5.6 of this Report).
  - (iv) Increase frequency and regularity of Board meetings (refer Section 5.6 of this Report).
  - (v) Consider revision to current constitution of the Audit, Risk and Compliance Committee ("ARCC") (refer Section 5.7 of this Report).
  - (vi) Implement a specific approval process for large orders over a certain value to separate "Approvers" based on limits in value (refer Section 5.9 of this Report).
  - (vii) Increase frequency and regularity of ARCC meetings (refer Section 5.10 of this Report).
  - (viii) Review scope and responsibilities of ARCC and document in a Committee Charter (refer Section 5.11 of this Report).



- (ix) Review adequacy of human resources within the Compliance and Risk Department (refer Section 5.13 of this Report).
- (x) Ensure Head of Risk is a full time role (currently 3 days per week) (refer Section 5.14 of this Report).
- (xi) The risk management framework should be enhanced to focus on all risks the business faces. Currently, the resources within the Compliance and Risk department focus on ASX business (and in particular Exchange Traded Options (“ETOs”) with little attention to other products (such as those traded on the Saxo Bank (OTC products), IB (international equity products) and CQG (futures products) platforms (refer Section 5.15 and of this Report).
- (xii) Implement automated processes to more effectively monitor risk (this was also a finding by Agility) and also include **all** risks in the business (refer Section 5.16 of this Report).
- (xiii) Consideration be given to revising the management structure, implementing regular management meetings and regular reporting structures (refer Section 5.18 of this Report).
- (xiv) Conduct a complete and thorough review of all existing Policy and Procedure documents with a view to updating, streamlining and consolidating. Furthermore, BBY should ensure that the revised documented Policy and Procedure documents are, in fact, the procedures which have been implemented and are followed in the business (refer Section 6 of this Report).
- (xv) Implement a structured, regular proactive compliance monitoring program covering all compliance obligations within the business (refer Section 7 of this Report).
- (xvi) BBY conduct a detailed risk assessment to identify all sources of risk to which BBY may be exposed (refer Section 7.7 of this Report).
- (xvii) Consider the adequacy of human resources at various levels (refer Section 8 of this Report).

3.3 We acknowledge that the implementation of the recommendations contained in this Report will take time and thus, will need to be carried out in phases that reflect the priority in which they should be undertaken. In discussions with management, we have been advised that a planning session will be held in mid-December 2014 to set priorities, target dates for completion and allocation of resources.



#### 4. FORMAT OF THIS REPORT

##### 4.1 This Report sets out:

- (a) a description of the Review undertaken by Lazorne;
- (b) the findings; and
- (c) specific and general recommendations.

##### 4.2 This Report is set out as follows:

#### Issue

5. Corporate Governance and Risk Management

6. Review of Compliance and Risk Arrangements - Policies and Procedures

7. General Compliance Obligations - Compliance Monitoring Program

8. Human Resourcing

9. Other Observations and Recommendations

#### 5. CORPORATE GOVERNANCE AND RISK MANAGEMENT

5.1 As the holder of an AFS Licence, BBY has an obligation (pursuant to Section 912A(1)(h) of the Corporations Act) to have adequate risk management systems. In this regard, we refer to AS/NZS ISO 31000:2009 Risk Management - Principles and Guidelines issued by the Australian Standards.

5.2 As part of the Review, Lazorne requested an overview of the current governance and risk framework structure. We were provided with a Policy Document entitled "BBY Ltd Management Plan Overview" (dated 14 October 2011) which describes the corporate governance structure as follows (refer section 5 of this Policy Document):

- (i) Board
- (ii) Audit, Risk and Compliance Committee ("ARCC")
- (iii) Incident Committee
- (iv) Executive Committee
- (v) Management Committee
- (vi) Research Recommendation Committee
- (vii) Risk Management Committee

There have been significant staff changes since the date of this Policy Document and thus, the document is out of date and of little relevance to the current structure.



5.3 From discussions, it was noted that BBY's existing governance and risk structure includes the following:

- Board – comprising:
  - (i) Glenn Rosewall – Executive Chairman
  - (ii) Ken Rosewall - Non-Executive Director
  - (iii) David Perkins - Non-Executive Director
- ARCC - comprised of internal staff and an external representative (being the Non-Executive Director)
- Incident Committee and Research Recommendation Committee (we were advised these Committees meet on as needed basis and the members are all internal staff)
- Compliance and Risk Department – comprising:
  - (i) Peter Clavin - Head of Compliance
  - (ii) Glenn Weinert - Head of Risk
  - (iii) Hitesh Gupta - Compliance & Risk Manager
  - (iv) Teener Nguyen - Compliance Officer

We were advised that:

- (i) Executive Committee – has been discontinued
- (ii) Management Committee – has been discontinued
- (iii) Risk Management Committee – has been discontinued as ARCC able to perform the role.

We were advised that a further Committee has replaced the Executive and Management Committee. This is primarily made up of the Regional Heads, Responsible Executives and Responsible Managers. This Committee does not have a governing charter and meets informally as needed.

### **Observations regarding the documented Corporate Governance Structure**

5.4 The documented corporate governance structure is not what is occurring in practice. In our observations, the corporate governance structure is not formalised or structured and thus, is not considered to be adequate or necessarily effective. There is little documentary evidence of issues being considered and documented.

It is **recommended** that:

- (a) BBY conduct an internal review to determine what it considers to be an appropriate corporate governance (and risk) structure considering the size, nature and complexity of its business and then formally implement the preferred structure.



- (b) Following this review, it is further **recommended** that BBY then update section 5 of the Policy Document entitled “BBY Ltd Management Plan and Overview” (or prepare a separate document) to clearly reflect the actual corporate governance (and risk) structure.
- (c) BBY formalise processes for the Committee which has replaced the Executive and Management Committee, including the preparation of a Committee Charter and, for each meeting, the preparation of minutes.

<b>Management Comment</b>
(a) Acknowledged.
(b) Acknowledged.
(c) Acknowledged.

### **Observations regarding the Board**

- 5.5 We understand BBY is majority owned by Glenn and Ken Rosewall via corporate structures (circa 80%) and thus, the Board is controlled by the owners.

David Perkins is a Non-Executive Director, but we do not consider he can be regarded as “independent”. Although Mr Perkins is not employed in the capacity of an employee, he does provide ongoing legal services to BBY as a service provider and operates his legal business from an office in the premises of BBY.

In our view, the constitution of the Board should be enhanced by the appointment of an independent person to provide additional accountability and a level of transparency. It would appear that only Mr Glenn Rosewall has strong practical stockbroking experience. Accordingly, we **recommend** BBY consider revision to the current constitution of the Board by the appointment of an independent member, specifically someone that has practical and hands on experience and will add value to consideration of the trading and operational activities conducted by BBY.

<b>Management Comment</b>
The Board acknowledges the lack of independence. However, the Board considers that it is configured correctly to implement the recommendations in this paper. At the conclusion of this process the Board will reconsider this issue.





- 5.6 Generally, a Board is charged with the role of reviewing strategic direction and being responsible for oversight of risk management and compliance structures.

The Board is responsible for ensuring that there is an active risk management and compliance program in place and commitment to compliance throughout the organisation. More specifically, the Board is ultimately responsible for ensuring that BBY complies with its legislative obligations including the Corporations Act, the ASX Operating, Clearing and Settlement Rules and Procedures and the conditions imposed on its AFS Licence.

We reviewed the Board minutes for the meetings held since February 2013 being:

- (i) 28 February 2013
- (ii) 8 May 2013
- (iii) 22 August 2013
- (iv) 6 September 2013
- (v) 27 September 2013
- (vi) 21 February 2014
- (vii) 5 June 2014

Although a Risk Report and a Compliance Report was tabled at each meeting (same report as is tabled at the ARCC meeting), there was no evidence that the Board conducts any strategic review of risk management strategy and frameworks or compliance measures to confirm they are appropriate and adequate.

Furthermore, there was no evidence that the Board is involved in any approval process, such as where unusual or large risks are identified. For example, there was no evidence that any analysis of the impact on BBY's counterparty exposure arising from the proposed large trade which was executed by BBY on 11 June 2014 was considered by the Board (or the ARCC).

In fact, we were advised by Mr Perkins that he (as both a director and Chairman of the ARCC) was not aware of the specific issue until approximately mid-September 2014 and (as of 17 October 2014) was waiting on the Chairman's availability to discuss the matter. We were advised that Mr Perkins (and also the other non-executive director) was advised at the time the incident occurred that BBY was managing a large exposure issue which had capital implications, but the specifics of the matter were not discussed.

A critical component of any organisation's risk management framework is the structured and disciplined oversight of that organisation's operations at both Board level and management level. The Board is the centre of corporate governance and it is responsible for sound and prudent risk management. It is the Board's responsibility to:

- (i) Review and approve business strategies and policies;
- (ii) Determine BBY's risk tolerance such as approve limits;
- (iii) Approve the risk management strategy; and
- (iv) Ensure that management implements effective controls.

The delegation to ARCC or management does not relieve the Board from its responsibilities.





It is **recommended** that:

- (a) BBY review the responsibilities of the Board and ensure the Board has specific responsibility for risk management strategy issues and also compliance measures;
- (b) BBY consider increasing the frequency and regularity of Board meetings;
- (c) BBY consider reviewing and adopting a standard agenda dealing with high level operational, risk and compliance issues to demonstrate such matters have been formally considered;
- (d) BBY conduct an annual (or other regular time period deemed appropriate by BBY) review to assess the design, implementation and functioning of BBY's governance and risk framework to confirm it continues to be adequate and effective i.e. re-evaluate the risk management policies, procedures, systems and the risk tolerances.

<b>Management Comment</b>
(a) Acknowledged and agree.
(b) Agree.
(c) The BBY Board has a standard agenda but we will review this for content.
(d) Acknowledged and agree.

### **Observations regarding the ARCC**

5.7 The members of the ARCC are currently:

- (i) David Perkins (Chairman) – Non-Executive Director
- (ii) Billy Macris – Regional Head of Melbourne
- (iii) Fiona Bilton – Head of Operations
- (iv) Peter Clavin – Head of Compliance
- (v) Glen Weinert – Head of Risk (although Mr Weinert left BBY on 12 November 14)

In our view, a Committee with oversight of the risk and compliance issues should not include the staff who are responsible for performing these roles at an operational level (in this case, the Head of Compliance and the Head of Risk) due to the inherent conflicts of interest. Such a Committee should have a high degree of independence from the operational level. The Head of Compliance and the Head of Risk should provide reports to this Committee for an independent review and to enable the Committee to monitor the adequacy and the effectiveness of the risk and compliance functions.



We **recommend** BBY consider revision to the current constitution of the ARCC to provide the ARCC with a higher level of independence for the risk and compliance functions.

<b>Management Comment</b>
Acknowledged.

5.8 The various Policy documents state that meetings of the ARCC are held on a quarterly basis. We requested copies of papers supporting the meetings held in the past 12 months and it was identified meetings of the ARCC were held on:

- (i) 2 July 2014; and
- (ii) 17 December 2013.

We were provided with the papers supporting the meetings and these comprised a Compliance Report (from the Head of Compliance) and a Risk Report (from the Head of Risk). We were advised that there were no papers prepared supporting the other agenda items.

The establishment of Committees provide an effective way of ensuring that procedures regularly occur, that they are monitored, reported on and considered by the various Committee and senior management.

A Committee creates a formal structure and provides an effective means for staff to raise any specific matters or concerns which they may have in a timely manner and in an appropriate forum. It also provides the regulators with a demonstration that the organisation is committed to meeting its ongoing obligations.

It is **recommended** the structure of the ARCC be reviewed and formalised and that all agenda items be supported by papers setting out the issues. This process will document and demonstrate the issue that was the subject of consideration by the ARCC. There must be regular and clear reporting.

<b>Management Comment</b>
Acknowledged.



- 5.9 It was noted that the minutes of the meeting held on 17 December 2013 included the following:

*“BBY does not appear to have a specific policy requiring the pre-approval from, or disclosure to, Compliance of any large equity or warrant trade which is likely to cause a spike in the daily Cash Market Margining (CMM) calculation for the day.”*

*Recommendation*

*Consider an applicable process, limits and audience (including Broker Dealer clients) for a Policy amendment and implement and communicate this as soon as possible.*

We note that if this recommendation had been actioned and implemented (together with analysing the CMM calculation for T1 through to settlement day and not just the CMM calculation for the trade date) then the events which occurred with respect to the large trade on 11 June 2014 may have been avoided as the transaction may not have been approved.

We **recommend** BBY implement the recommendation considered by the ARCC at its meeting on 17 December 2013 and also incorporate the following into the approval process:

- (i) a specific approval process be implemented for large orders over a certain value (to be determined by BBY) to separate “Approvers” based on limits in value;
- (ii) an analysis of the exposures and risks be documented (via the adoption of a formal checklist) including a calculation of the impact on BBY’s margin requirements that would result if the order (and any other pending orders) was executed;
- (iii) the documented analysis cover the period from date of trade to proposed settlement (i.e. forecasted risk exposure to counterparties) and include varying scenarios such as adverse movements to the current price (i.e. stress testing the position arising from the order if executed);
- (iv) the approval process be formalised and documented (signed off) such as approval by various “Approvers” e.g. approval by the Chief Executive Officer (“CEO”) and Chairman (over a certain specified value), approval by the ARCC (over a certain specified value) and approval by the Board (over a certain specified value);
- (v) the approval process include escalation procedures, for example, if not approved by the ARCC then consideration by the Board with any decision to approve fully documented to demonstrate the reasons the decision of the ARCC has been over ridden.

<b>Management Comment</b>
Acknowledged.



- 5.10 The effectiveness of any Committee is subject to that Committee meeting on a regular basis and being kept up to date with the issues impacting the business. In our view, a Committee responsible for oversight of risk and compliance issues should meet more often than each 6 months (as was the case in the last 12 months).

We **recommend** that BBY increase the frequency and regularity of ARCC meetings.

<b>Management Comment</b>
Acknowledged.

- 5.11 We requested a copy of the Committee Charter to fully understand the role and functions of the ARCC and were advised that the Charter was in the process of being revised.

A Committee should have a clear Charter prepared identifying its duties, functions, responsibilities and reporting obligations.

**It is recommended** BBY review the scope and responsibilities of the ARCC and document in a formalised Committee Charter. The same is applicable to other Committees established by BBY.

<b>Management Comment</b>
Acknowledged.

- 5.12 We also noted the following:

- (i) although the ARCC met on 2 July 2014, from a review of the minutes it would appear that the ARCC was not informed of the ASX incident arising from the large trade on 11 June 2014.

We are of the view that this matter should have been escalated at the time it occurred to both the ARCC and the Board due to the significant potential impact on BBY (i.e. potential default).

- (ii) At the meeting held on 17 December 2013, the minutes referred to the response to the ASX Thematic Review which had resulted in a revised ETO Client Order Acceptance Policy.

We are of the view that the ARCC should have received copies of the ASX report and BBY's response to the ASX report to enable it to be fully informed where a regulatory conducts a review of compliance measures.



**It is recommended** when BBY review the scope and responsibilities of the ARCC (refer Section 5.11 above), it also fully consider the nature of the reporting to the ARCC to enable the ARCC to perform its role effectively.

<b>Management Comment</b>
Acknowledged.

### **Observations regarding the Compliance and Risk Department**

- 5.13 There have been some staff changes within the Compliance and Risk Department which has resulted in a loss of experience.

We note that the Head of Compliance is experienced and the newly appointed Compliance & Risk Manager has a high level of risk experience (but does not appear to have compliance experience). The newly appointed Compliance Officer has no experience in compliance in financial services.

Accordingly, in our view, based on the nature of the business and the various separate business lines, the risk and compliance resources may not be sufficient to adequately perform the required risk functions and compliance monitoring functions. We acknowledge this may be temporary as the newly appointed staff develop their skill base but we **recommend** the issue be considered by BBY management to determine whether it is necessary to add resources (refer also to recommendation in Section 6 of this Report regarding a complete and thorough review of all existing Policy and Procedure documents be conducted with a view to updating, streamlining and consolidating).

<b>Management Comment</b>
Acknowledged – Hitesh Gupta has been hired full time.

- 5.14 The Head of Risk only worked 3 days per week. We are of the view this should be a full time role. From discussions, it was noted that an issue was identified with respect to a particular client account on a Wednesday. The Head of Risk raised the matter with the adviser. However, there was no further follow up until the Head of Risk returned to work on the following Monday.

Management advised that as the Head of Risk has left the Compliance & Risk Manager will fill that role (which is a full time role) and that additional compliance resources are being employed, initially via a consultant in regulatory compliance (being Pajeska Group Pty Ltd). Ms Pajeska has been engaged to assist BBY with its compliance arrangements including implementing some of the recommendations made in this Report. She currently spends one day per week on site, with additional work performed offsite and her time involvement will be subject to workload as instructed by BBY.



It is **recommended** the Head of Risk be a full time role (which BBY has already implemented) and procedures be implemented to ensure adequate back up.

<b>Management Comment</b>
Acknowledged – Hitesh Gupta has been hired full time.

- 5.15 The Head of Risk appeared to focus on the risks associated with ETOs and little attention appears to be given to other products and in particular, products traded on the Saxo Bank, IB or CQG platforms. The Head of Risk explained, by way of example, that provided the margin utilisation with Saxo Bank is within tolerable levels the risk is not substantial. We acknowledge this will generally be the case at a high level but from a risk perspective, we are of the view that additional monitoring procedures should be implemented in relation to the OTC products and futures business.

We note that the newly appointed Compliance & Risk Manager has started to make efforts to implement some procedures in this regard. However, at this point such procedures are manual and may not necessarily be complete. In this regard, we **recommend** a project be commenced to prepare a detailed specification of needs and how the needs can be achieved in conjunction with Agility including a budget allocation.

Thus, it is **recommended** the Compliance and Risk Department implement formal procedures to monitor and review all risks in the business and that such procedures be automated where possible.

<b>Management Comment</b>
Acknowledged.

- 5.16 In discussions, a common comment received was that BBY's current procedures could be enhanced and would be more efficient if more automated processes and reports were developed and implemented to more effectively monitor risk.

We acknowledge this requires additional resources both financial and human but **recommend** BBY consider developing and implementing additional automated processes and reports.

<b>Management Comment</b>
Acknowledged.



- 5.17 The Compliance Officer prepares a “Daily Risk Dashboard” (using an excel spreadsheet) which is circulated to the Chairman, CEO, Manager Strategy and Financial Controller. This is a “traffic light” report (green being comfort, orange alert and red danger) that identifies the status of various risk categories including CBPL.

The CBPL usage (ratio) is calculated by dividing the CPBL Initial Margin (including CMM) divided by the Liquid Capital. A review of the spreadsheet identified that the Liquid Capital amount is static and only changes on a monthly basis. The Liquid Capital amount is only updated each month after BBY has lodged its monthly return with ASX.

We acknowledge that ASX calculates BBY’s CBPL usage based on the reported Liquid Capital (as this is the most recent information available to ASX). To enable an early warning process within BBY in the event Liquid Capital is lower than that reported to ASX for the previous month, we **recommend** an additional calculation be performed i.e. CBPL usage based on the updated daily Liquid Capital.

It was also noted that the preparation of the Daily Risk Dashboard requires manual input.

It is **recommended** BBY:

- (i) perform an additional calculation of the CBPL usage by using the daily Liquid Capital amount; and
- (ii) develop and implement additional automated processes in the preparation of the Daily Risk Dashboard (also recommended by Agility in its Report).

<b>Management Comment</b>
Acknowledged.

### **Observations regarding the Management Structure**

- 5.18 A review of the Organisational Chart identified BBY has a flat management structure with approximately 20 managers’ directly report to the CEO.

In discussions with some of these managers the following general comments were provided:

- (i) There are no regular or formal reporting procedures in place;
- (ii) Reporting is unstructured and generally only occurs if an issue arises;
- (iii) The CEO is very difficult to access (but does ultimately respond if there is a significant issue which needs resolution); and





- (iv) There is little feedback or transparency as to the direction of the business (from either the CEO or the Chairman) including operations in other branch offices. Although this was a comment received from a number of managers, we were subsequently advised by management that a comprehensive “BBY Staff Update” was held on 15 August 2014 which clearly contradicts this. We were provided with a copy of the Power Point Presentation demonstrating that this actually occurred and the topics discussed. We were also advised that an attendance record was maintained.

It is **recommended** consideration be given to:

- (i) Revising the management structure;
- (ii) Implementing regular management meetings; and
- (iii) Implement regular reporting structures.

<b>Management Comment</b>
Acknowledged.

## **6. REVIEW OF COMPLIANCE AND RISK ARRANGEMENTS - POLICIES AND PROCEDURES**

- 6.1 As part of the Review Lazorne requested various Policy and Procedure documents. Attached as Annexure B is a list of the most relevant documents reviewed (the list is not exhaustive and other internal documents were obtained and reviewed to identify various issues). Furthermore, the comments and recommendations included in Annexure B are by way of example and are not all inclusive.

Documentation of compliance arrangements (including risk management) and compliance monitoring procedures performed is particularly important as it demonstrates an awareness, understanding and compliance with the requirements. BBY has comprehensive compliance Policies and Procedures documents. However, we note that it is not sufficient to have comprehensive compliance Policies and Procedures documents if the policies and procedures have not been implemented into the business processes.

- 6.2 A review of the various Policy and Procedure documents identified:

- (i) Many of the Policy and Procedure documents do not, in all cases, reflect the current activities and procedures within the business.
- (ii) Many of the Policy and Procedure documents are out of date and have not been updated in some time e.g. refer to old ASX Guidance Notes.
- (iii) The Policy and Procedure documents should be updated to accurately reflect the current names of representatives (or alternatively use titles) e.g. some of the staff named in Policy and Procedure documents are no longer employed by BBY.



- (iv) BBY should implement procedures to ensure that all Policy and Procedure documents are reviewed and updated on a regular basis (such as annual) to reflect any changes to the law or other sources of the compliance obligations (such as ASIC Regulatory Guides). This could be performed on a rotational basis (rather than all at once each year).
  - (v) Many of the Policy and Procedure documents contain duplicated information from other documents.
  - (vi) In some cases, the procedures set out in the Policy and Procedure documents do not occur.
- 6.3 Policy and Procedure documents should contain the procedures which are actually conducted. Alternatively, if the documented procedures are what BBY consider to be appropriate, then operational procedures should be implemented to perform the procedures as documented.

For example, the current version of the governance and risk framework structure (Policy Document entitled “BBY Ltd Management Plan Overview” (dated 14 October 2011, refer section 5)) includes:

- role and responsibilities of the Board (some of which do not occur);
- frequency of meetings (which does not appear to be followed);
- a Committee structure which is not up to date.

A further example is the Capital Stress Testing Policy. This is a very detailed policy that if followed would provide strong risk management process and procedures. This Policy document refers to conducting regular stress testing and summarising the results in a “Stress Testing Paper” and reporting to ARCC and the Chairman.

We requested the most recent Stress Testing Paper and were advised that this procedure does not occur.

6.4 On the basis of the above, it is **recommended**:

- (i) a complete and thorough review of all existing Policy and Procedure documents and manuals be undertaken with a view to updating, streamlining and consolidating;
- (ii) update the Policy and Procedure documents to reflect the actual procedures implemented by or alternatively, if BBY consider the procedures set out in the Policy and Procedure documents are appropriate for its business, then implement the procedures into the operations.

<b>Management Comment</b>
Acknowledged.



## 7. GENERAL COMPLIANCE OBLIGATIONS - COMPLIANCE MONITORING PROGRAM

- 7.1 All AFS Licences include a condition which states the Licensee must establish and maintain compliance measures that ensure, as far as is reasonably practicable, that the Licensee complies with the provisions of the financial services laws. The definition of “financial services laws” is in Section 761A of the Act and is far reaching. Accordingly, the compliance obligations for all AFS Licensees are extensive and appropriately documented procedures are essential.

It is important to distinguish between “compliance” procedures and “supervisory” procedures.

- Written compliance procedures generally cover the applicable rules and policies and describe prohibited practices (such as Policy and Procedure documents).
- Written supervisory procedures set out and document the supervisory and monitoring systems that have been established to *ensure that the compliance procedures are being followed* and to assist in the detection of prohibited practices or failures to adhere to rules and policies.

In other words, BBY should be able to evidence both its Policies and Procedures and the ongoing monitoring of compliance with those Policies and Procedures.

It was confirmed during the Review that BBY has comprehensive compliance Policies and Procedures documents (although some deficiencies were identified which are set out in Section 6 of this Report).

### Compliance Monitoring Conducted

- 7.2 Compliance monitoring is the responsibility of the Compliance and Risk Department.

We requested evidence of monitoring conducted and were provided with various ad-hoc monitoring such as review conducted of research report disclaimers and as checking training register to ensure staff are up to date with meeting the training requirements. However, such monitoring was not necessarily documented with the results of the monitoring and thus, there was no evidence to document that the monitoring had been conducted.

Where compliance measures and procedures had been implemented there was little evidence to confirm these compliance measures were being adequately monitored via a documented process. In this regard, we note that recent staffing turnover has occurred in the Compliance and Risk Department putting additional time pressure on the remaining staff members which has meant the focus on conducting routine monitoring has not a high priority.



## Findings

- 7.3 There did not appear to be a structured, regular proactive compliance monitoring program in place. The monitoring activity and testing as required by the Compliance Calendar does not appear to have been followed or if followed has not been documented.

We were provided with a copy of the “BBY Ltd Compliance Monitoring and Testing Programme (Capital Markets, Cash Equities, Derivatives Trading, Research and Operations)” dated December 2013.

This programme has been established “to enable Compliance to independently verify the effectiveness of BBY’s internal controls and ensure any weaknesses in the control framework have been identified promptly” (as stated in point 1.1 of the Compliance Monitoring and Testing Programme) which we agree is an appropriate approach.

The “Compliance Calendar” sets out:

- (i) Category (i.e. area of compliance obligation);
- (ii) Sub Category;
- (iii) Regulatory Obligation;
- (iv) Risk;
- (v) Monitoring Activity (i.e. the procedure to test compliance with the obligation);
- (vi) Report Facility (used to conduct the monitoring activity; and
- (vii) Frequency.

The Programme requires Compliance to “submit a summary of findings from all monitoring and testing to the ARCC” (as stated in point 4.1 of the Compliance Monitoring and Testing Programme).

We reviewed the following Compliance Reports provided to the ARCC:

- (i) December to May 2014; and
- (ii) August to November 2013.

These reports provide the ARCC:

- (i) Report 1 - An executive summary/points to note
- (ii) Report 2 - Investigations and Incidents
- (iii) Report 3 - Breaches; Disciplinary Action Taken against Representatives
- (iv) Report 4 - Summary of Complaints
- (v) Report 5 - Regulatory Updates
- (vi) Report 6 - Supervision and Training Progress

There was no report submitting a summary of findings from all monitoring and testing conducted in the period. We were advised by the Head of Compliance that the Compliance Calendar had not been followed in recent times and is subject to review.



- 7.4 The current Compliance Calendar is comprehensive (although it does not appear to cover the OTC or futures businesses). However, it is not sufficient to have comprehensive monitoring procedures if they are not followed.
- 7.5 The Compliance Monitoring and Testing Programme also provides that:
- (i) Compliance conducts adhoc Desk Reviews at random (refer point 3.2 of the Compliance Monitoring and Testing Programme) – the Head of Compliance advised that these reviews have not been conducted due to other time pressures; and
  - (ii) The Responsible Executives (“RE”) perform reviews which are “evidenced in a monthly RE report which is prepared each month by all RE’s and submitted to Compliance who report key findings to the ARCC on a quarterly basis. The REs also report findings monthly to the BBY Management Committee” (refer point 3.3 of the Compliance Monitoring and Testing Programme) – we requested a copy of the previous 3 months RE reports. We were provided with RE reports but each was for the period January to June 2014. This demonstrates the reports are not routinely provided to Compliance on a monthly basis as required by the procedures.
- 7.6 The Compliance Monitoring and Testing Programme of relevant compliance obligations should be enhanced (including completion of checklists or other documentation to demonstrate the monitoring activity conducted). We **recommend** the Compliance Monitoring and Testing Programme be reviewed and updated and then be fully implemented i.e. the monitoring activity (testing procedures) be followed to pro-actively perform sample testing with the results documented and reported to the ARCC.

Checklists or other documentation should be signed off by the person conducting the monitoring activity to demonstrate the compliance monitoring function has, in fact, been performed.

Furthermore, a Memorandum or Report should be prepared setting out the details of the work done, the results, the conclusions and any recommendations. Sufficient detail should be included of the work conducted (e.g. copies of relevant reports or results of sample testing to support the sign off). This Memorandum or Report should be provided to the ARCC.

### **Recommendation**

It is **recommended** that:

- (a) Regular and proactive monitoring be conducted with respect to all of the compliance obligations within the business.
- (b) The results of the monitoring procedures conducted should be reported to ARCC. This will also ensure appropriate escalation procedures are followed.



- (c) As an alternative to a manual process as described above, it is also **recommended** BBY consider implementing Governance, Risk and Compliance (“GRC”) software to enhance the monitoring and reporting functions performed. Technology has advanced significantly to enable BBY to improve processes. GRC software provides an audit trail within the software to demonstrate the compliance monitoring which is conducted.

<b>Management Comment</b>
(a) Acknowledged
(b) Acknowledged
(c) Acknowledged

## 7.7 Risk Register

As part of the Review we requested a copy of the Risk Register. We were provided with:

- (i) ASX Risk Matrix (dated 10 January 2011 per file name) - identifies various ASX Operating Rules and MIRs.
- (ii) Chi-X Risk Matrix (dated 25 July 2011 per file name) - identifies various CHI-X Operating Rules and MIRs.
- (iii) Clearing and Settlement Risk Register – identifies various ASX Clear Rules.

The Risk Registers list:

- (i) The risk identified
- (ii) What can happen
- (iii) The relevant regulatory obligation i.e. rule reference
- (iv) Consequences
- (v) Analysis (consequence, likelihood and risk rating)
- (vi) Existing controls
- (vii) Residual risk rating (Clearing and Settlement Risk Register only)
- (viii) RE
- (ix) Delegation (other than RE)
- (x) Supervisory Activities
- (xi) Control Effectiveness (ASX Risk Matrix and Chi-X Risk Matrix only)
- (xii) Frequency (D, M, W, Y)
- (xiii) Independent Review (in effect, compliance monitoring procedures)
- (xiv) Frequency

## Findings

- (i) There was no evidence to demonstrate that the independent reviews identified in the Risk Registers had been conducted. For example, from enquiry it was determined that a “monthly check by Risk” of the Rule S1 calculation is not performed.
- (ii) The Risk Registers are specific to ASX, ASX Clear and Chi-X. The Risk Register should identify **all sources of risk** to which BBY may be exposed. This should be done at high level such as:
  - Risk of Poor Advice
  - Execution Risk
  - Operational Risk
  - Compliance Risk
  - Market Risk
  - Financial Risk
  - Credit Risk (including Counterparty and Settlement Risk)
  - Systems Risk
  - Client Risk
  - Liquidity Risk
  - Keyman Risk
  - Foreign Exchange Risk
  - Outsourcing Risk
  - Legal Risk
  - Regulatory Risk
  - Reputational Risk

Following the identification of **all sources of risk**, BBY should assess the likelihood of those risks arising, determining the controls in place to minimise the risks and the adequacy of those controls and document the risk management procedures to control and monitor risk. In establishing appropriate procedures BBY should consider AS/NZS ISO 31000:2009 Risk Management - Principles and Guidelines issued by the Australian Standards.

## Recommendation

It is **recommended** that:

- (a) Regular and proactive monitoring be conducted with respect to all of the controls to manage risk; and
- (b) BBY conduct a detailed assessment to identify **all sources of risk** to which BBY may be exposed.

Management Comment
(a) Acknowledged.
(b) Acknowledged.





## 8. HUMAN RESOURCES

During the course of performing the Review, we sought to assess the appropriateness of the current human resourcing as an inadequate level of human resourcing poses risks in itself.

### Observations

We noted the following:

- (i) As noted in Section 5.13 of this Report in our view, based on the nature of the business and the various separate business lines, the risk and compliance resources may not be sufficient to adequately perform the required risk functions and compliance monitoring functions.
- (ii) An appropriate level of resources will need to be allocated to conduct a complete and thorough review of all existing Policy and Procedure documents with a view to updating, streamlining and consolidating (refer Section 6 of this Report).
- (iii) We were advised there was a high turnover in staff within BBY. This can be an indicator that there are insufficient resources as people are not prepared to continue working under pressure. Management advised that the change in staff primarily related to front office staff as opposed to operations and administrative staff and was primarily on the basis that these staff members were not meeting their sales objectives or income expectations.

It is **recommended** that BBY consider the adequacy of human resources at various levels.

Management Comment
Noted.



## 9. OTHER OBSERVATIONS AND RECOMMENDATIONS

### 9.1 Manual Procedures

In discussions with various representatives, we were advised that many of the procedures are manual and a way to reduce risk would be to automate these processes. Some examples included:

- (i) Corporate Actions;
- (ii) International equities;
- (iii) Reconciliations in relation to OTC products;
- (iv) Many of the Agility reports are static and risk management would benefit from being able to access data in real time;
- (v) The “CBPL Estimate Report” (recently developed by the Compliance & Risk Manager) is a manual process.

If reconciliation processes could be automated it is likely they could be completed by end of day rather than next day. This would improve efficiencies.

It is **recommended** a project be initiated to identify what manual processes could be automated and prioritise the implementation of such automated processes.

Management Comment
Acknowledged.

### 9.2 Post-trade analysis

BBY has implemented post trade analysis software (SMARTS Broker) to generate alerts for further investigation. Various trading indicators have been programed into SMARTS Broker and this is software commonly used by Participants of ASX. This tool enables BBY to monitor and identify any potential market misconduct by clients and provides an effective tool to monitor trading activity.

We noted that the status of the alerts always remain as “new”. It is possible within SMARTS Broker to change the status to, for example, “investigating” or “closed”.

We requested evidence to support that alerts are investigated and were advised all email correspondence in relation to an investigation are manually saved to the “T Drive” by someone in the Compliance team and a review of these emails will provide the evidence of which alerts were investigated.

It is **recommended** that the status of all alerts be able to be readily identified to demonstrate the action taken and whether an issue was identified or not and whether the matter remains open or has been closed.

Management Comment
Noted – Compliance has implemented.



### 9.3 Conflicts of Interest

We understand:

- (i) The Chairman acts in the capacity as Head of Institutional Sales, Head of Research and also Head of Corporate;
- (ii) Mr Alvin Blumenthal works on the Private Client Desk and his son Adam, works in Corporate.

Both of these situations represent inherent conflicts of interest. There was no evidence to demonstrate how these conflicts are managed. We were advised that with respect to point (ii) above, a meeting was held to discuss the arrangement and BBY formed the view that it has existing systems to manage the possible conflicts whereby the systems are designed to identify and capture any misconduct which may arise from confidential information being disclosed. Similarly, such systems will manage the conflict identified with respect to point (i) above.

#### Management Comment

- (i) Heads of smaller companies inherently have conflicts of the nature identified. The conflict is recognised and the Chairman is subject to relevant Staff Trading and Chinese Wall policies.
- (ii) It is a similar conflict for any two closely connected individuals. BBY consider that its Staff Trading and Chinese Walls Policies address the situation.

### 9.4 Rule S1 Procedures Manual

We conducted a “high level” review of the Rule S1 calculation and were provided with a copy of the “Rule S1 Procedures Manual” (dated 5 March 2014). This document was not reviewed as we were advised that the procedures set out in the document have been approved by ASX.

We wish to highlight that on page 6 of the Rule S1 Procedures Manual it states:

“BBY is required to notify ASX when the following arises in the future:

- BBY has indicated that its only foreign currency exposure are those arising from its foreign currency bank accounts. ***BBY must inform ASX Clear if it has other types of foreign currency exposures***”



BBY makes a market in foreign exchange contracts (through BBY Online Trader and these are over the counter derivative contracts but deemed for licensing purposes as foreign exchange contracts). Accordingly, BBY has counterparty risk to its clients as it is the issuer of the product. We acknowledge that BBY hedges its counterparty risk to its clients with the provider of the platform (Saxo Bank). Accordingly, BBY also has counterparty risk to Saxo Bank. On the basis that BBY fully hedge its counterparty risk to its clients it does not have any foreign currency exposure and thus, ASX does not require to be notified.

We have raised this issue as an observation in case BBY amend its hedging policy.

Management Comment
Noted.



## STATEMENT OF RESPONSIBILITY / YOUR USE OF THIS REPORT

This Report and its contents are **PRIVATE and CONFIDENTIAL to BBY**.

The Report has been produced by Lazorne for providing an objective view of its findings and making recommendations to BBY. BBY may not provide any person with a copy of this Report, other than regulatory bodies, without the prior consent of Lazorne.

No comments made in this Report are to be taken as endorsing or approving any of the procedures and practices adopted by BBY to discharge its legislative obligations.

Furthermore, Lazorne does not accept any responsibility for any errors, omissions or conclusions drawn based upon erroneous or incomplete information provided to it by the BBY representatives when conducting this Review.

The Report is not to be taken as an indication that risk management or compliance failures have not occurred or will not occur within BBY. This Report is also not to be interpreted as satisfaction of the requirements of the Corporations Act, AFS Licence, ASX Rules and Procedures or ASIC policies.

Because of the inherent limitations in any internal control structure, it is possible that errors and irregularities may occur and may not have been detected. Further, the internal controls form part of, and operate within, an overall internal control structure within BBY. We have not reviewed all aspects of the internal control structure and the Report is not to be interpreted as an expression as to its effectiveness (unless stated otherwise).

An on-site Review is also not designed to detect all weaknesses in internal controls and/or practices of non-compliance. Limited tests have been performed on a sample basis and findings made based upon discussions with representatives of BBY.

The Board of BBY is ultimately responsible for risk management and compliance. The Board is also responsible for establishing and monitoring an effective internal control structure.

A handwritten signature in black ink that reads "Deborah Horne".

**DEBORAH HORNE**  
**DIRECTOR**

**28 NOVEMBER 2014**



## ANNEXURE A

### Representatives with whom we spoke as part of the Review

Name	Title
Glenn Rosewall	Executive Chairman
David Perkins	Non-Executive Director
Arun Maharaj	Chief Executive Officer
April Yeun	Manager, Strategy
Peter Clavin	Head of Compliance
Glenn Weinert	Head of Risk
Hitesh Gupta	Compliance & Risk Manager
Teener Nguyen	Compliance Officer
Trent Mackie	Head of Execution
Simon Parker	Head of Insto Futures
Billy Macris	Regional Head of Melbourne
Gavin Long	Head of Sydney, Private Clients
Jason Battistessa	Head of FX & Retail Futures
Jonathan Maxted	Regional Head of Adelaide
Alistair Warren	Head of Broker Dealer Services
James Dillon	Manager, Client Sales & Services
Fiona Bilton	Head of Operations



## ANNEXURE B

### Documents Reviewed

As part of the review, Lazorne requested various Policy and Procedure documents and various other documents. Following is a list of the most relevant documents reviewed (the list is not exhaustive and other internal documents were obtained and reviewed to identify various issues). Furthermore, the comments and recommendations are by way of example and are not all inclusive and do not include **all** changes which should be incorporated into the Policy and Procedure documents.

The purpose of the following list is to demonstrate the need for BBY to conduct a complete and thorough review of all existing Policy and Procedure documents with a view to updating, streamlining and consolidating and ensuring that the documented procedures are, in fact, the procedures which have been implemented and are followed in the business.

Title	Date and Version	Next Review (per document)	Comments	Recommendation
Organisational Chart	Undated	Not Applicable	We were only provided with Organisational Chart identifying management.	Date the Organisational Chart (although we acknowledge this is probably available in soft copy as “the last date modified” would be recorded).
BBY Group Risk Management Policy/ Framework	August 2011, V10	Not Applicable	Version 1 implemented January 2007 with annual reviews conducted up to January 2011.  Latest review conducted August 2011 in relation to application to Chi-X.	Requires update e.g: <ul style="list-style-type: none"> <li>• Chi-X admission</li> <li>• APX – admission</li> <li>• ASX Clear admission</li> <li>• Staff changes</li> </ul>





Title	Date and Version	Next Review (per document)	Comments	Recommendation
			<p>Contains stated procedures which have not been implemented into the business.</p> <p>Recommend complete and thorough review and take into consideration AS/NZS ISO 31000:2009 Risk Management - Principles and Guidelines issued by the Australian Standards.</p>	
BBY Ltd Management Plan Overview	14 October 2011, V11	Not Applicable	<p>No evidence of Version control and dates the document has been reviewed.</p> <p>Prepared in anticipation of ASX Clear (i.e. in future tense).</p> <p>Recommend complete and thorough review and take into consideration AS/NZS ISO 31000:2009 Risk Management - Principles and Guidelines issued by the Australian Standards.</p>	<p>Requires update e.g:</p> <ul style="list-style-type: none"> <li>• Chi-X admission</li> <li>• APX – admission</li> <li>• MIRs</li> <li>• ASX Clear admission</li> <li>• Staff changes and titles (RMs and REs)</li> <li>• Refers to old ASX Guidance Notes</li> <li>• Include OTC business and other changes to business since 2011</li> <li>• Reflect accurate members of Committees</li> <li>• Identify actual Committees</li> </ul>



Title	Date and Version	Next Review (per document)	Comments	Recommendation
BBY Ltd The RE/RM Compliance and Supervision Plan	October 2011, V17	Not Applicable	<p>No evidence of Version control and dates the document has been reviewed.</p> <p>Prepared in anticipation of ASX Clear (i.e. in future tense).</p> <p>Appears to only address stockbroking business.</p> <p>Identifies risks but not controls implemented to manage or mitigate the risks.</p>	<p>Requires update e.g:</p> <ul style="list-style-type: none"> <li>• APX – admission</li> <li>• ASX Clear admission</li> <li>• Staff changes and titles</li> <li>• (RMs and REs)</li> <li>• Include OTC business and other changes to business since 2011</li> <li>• Reflect accurate members of Committees</li> <li>• Refers to old clearer</li> </ul>
Regional Head Supervision Policy BBY Group	1 January 2014, V1	1 January 2015	Contains stated procedures which have not been implemented into the business.	Update to reflect actual procedures or alternatively, if BBY consider the procedures set out in the Policy are appropriate for its business, then implement the procedures.



Title	Date and Version	Next Review (per document)	Comments	Recommendation
BBY Ltd Compliance Monitoring and Testing Programme (Capital Markets, Cash Equities, Derivatives Trading, Research and Operations)	December 2013, V12	Not Applicable	No evidence of Version control and dates the document has been reviewed.	Requires update e.g: <ul style="list-style-type: none"> <li>• APX Rules (and MIRs)</li> <li>• Monitoring procedures for OTC business</li> </ul>
BBY Group Conflicts Procedure	January 2012, V5	June 2013	No evidence of Version control and dates the document has been reviewed.  Document focussed in Insider Trading and Chinese Walls.	Requires update e.g: <ul style="list-style-type: none"> <li>• Identification of all conflicts and procedures implemented to manage the conflicts</li> </ul>
BBY Complaints Handling Procedure	January 2012	June 2012	No evidence of Version control and dates the document has been reviewed.	Requires update e.g: <ul style="list-style-type: none"> <li>• Staff changes and titles</li> </ul>



Title	Date and Version	Next Review (per document)	Comments	Recommendation
BBY Group Breach and Escalation Procedure	May 2013	May 2014, V7	No evidence of Version control and dates the document has been reviewed.	Requires update e.g: <ul style="list-style-type: none"> <li>• Include all 912A obligations (p2)</li> <li>• APX Rules (and MIRs)</li> <li>• Refers to Brach Committee (but this Committee not included in BBY Ltd Management Plan Overview)</li> <li>• Staff changes and titles</li> </ul>
BBY Capital Stress Testing Policy	October 2011	October 2012	No evidence of Version control and dates the document has been reviewed.  Contains stated procedures which have not been implemented into the business.	Requires update or alternatively, if BBY consider the procedures set out in the Policy are appropriate for its business, then implement the procedures.  Refer section 6.3 of this Report, this Policy document is a good example of stated Policy not actually implemented.



Title	Date and Version	Next Review (per document)	Comments	Recommendation
BBY Limited Automated Order Client Processing – Procedures	January 2014, V10	January 2015	No evidence of Version control and dates the document has been reviewed.  Policy only applicable to ASX related products.	
BBY Provision of Credit to Clients, Margin Call and Close Out Policy	7 September 2012	August 2013	No evidence of Version control and dates the document has been reviewed.	
Futures and FX Client Order Acceptance Policy	August 2012, V2	August 2013	No evidence of Version control and dates the document has been reviewed.  Version provided was in “mark up” (by primarily Thomas Cameron in May and June 2011) indicating the document had not been finalised.	
ETO Client Order Acceptance Policy	September 2013, V1.1	August 2014	No evidence of Version control and dates the document has been reviewed.	



Title	Date and Version	Next Review (per document)	Comments	Recommendation
Derivatives Monitoring Framework	January 2012, V1	January 2013	Policy only applicable to ASX related products.	Requires update: <ul style="list-style-type: none"> <li>• to reflect actual procedures e.g. refers to stress testing of the FX book (no evidence this occurs)</li> <li>• to incorporate OTC business</li> <li>• update counterparties</li> </ul>
Compliance Manual	March 2014	Not applicable	This is a generic document produced by Ashurst for a Stockbroker. It is referred to as an “Australian Securities Industry Handbook”.  The document: <ul style="list-style-type: none"> <li>• is meant to be tailored to individual forms by inserting “Firm Policy” – this has not occurred.</li> <li>• Contains information which is totally irrelevant to BBY e.g. how to apply to be an ASX participant.</li> </ul>	BBY needs to determine how it wishes to use this document such as a reference Handbook or tailor to have a detailed Compliance Manual.