



# COMMONWEALTH BANK TOO LITTLE TOO LATE

Peter Adamis 4 July 2014

"Who can you trust?' Well it's certainly not the Commonwealth Bank! The Commonwealth Bank have for many years stood as the bank you could trust. It was the bank that had the credibility to go with it.

Now that credibility is in tatters and Australians have suffered as a result. Does this mean that we are following in the steps of our American brethren who during the Global Financial crisis brought about a crisis that affected everyone worldwide. The Commonwealth Bank is now but a joke and all other financial institutions are probably rechecking their own financial records to ensure that they did not get seduced by greed and avarice.

I am not sure how the Commonwealth Bank can recover its credibility in a world that is now watching its every move. In my opinion the Commonwealth Bank chief Ian Narev should step down and allow an independent auditor to review the banks records and not allow Commonwealth Banking officials to be involved in the process. This will ensure transparency and allow credibility to return to a bank that was revered as a leader in banking by an Australian public.

The following articles follow and report in details additional information in regards to the dishonest procedures by the Commonwealth Bank. It's a great pity but the Commonwealth can only blame its top management team and not those who follow the leader.



## COMMONWEALTH BANK: A CASE STUDY IN FAILURE

July 4, 2014 Michael Pascoe is a Business Day contributing editor. Feeling the heat: Commonwealth Bank chief Ian Narev. In the occasional way of these things, the Commonwealth Bank's response to scandal has become a greater scandal.

Just as corporate cover-ups time and again cause more damage than the original mistakes, it's not the rogue traders who have shown the CBA leadership to be incompetent. In years to come, business schools will study the CBA financial planning story as a case study of how not to handle a scandal, of how a fabulously wealthy and important corporation can suffer such a monumental attack of hubris over the damage that a gross failure of governance principles can do to a bank, and what a waste of money it is to pay people many millions of dollars and expect them to be able to operate without close supervision and constant challenging.

Let's be very clear about this: the current CBA chief executive, Ian Narev, wasn't just missing for a week until he fronted media yesterday, doing a passable impression of a rabbit caught in the headlights. He's been missing for a year. That's how long it's been since Fairfax Media reporters broke the story of the brave whistle-blowers, and CBA's culture of cover-up and customer squeezing. Ditto the CBA board and especially the chairman, David Turner.

Narev is paid the better part of \$8 million – or he has been paid that. It's hard to imagine he could justify such money for the latest year. The same goes for the near \$900,000 Turner collects as chairman and the \$300,000-plus the other directors have pocketed while sitting around the board table and failing to sniff the scandal enveloping the bank, failing to exert the intellectual curiosity shareholders might expect of their board.

The same goes for Narev's predecessor, Ralph Norris, on whose watch the fraud and forgery, churn and burn, occurred. Don't forget Norris was paid \$16 million in 2010. He received \$9.6 million for just his final five months at the bank in 2011. What's \$52 million compensation for 1100 victims of dishonesty when a board throws that sort of money around on a couple of executives? And it's not as if the wealth management scandal was unprecedented – there was form in the CBA stable over the loans that shouldn't have been given to Storm Financial victims. Norris played hard ball on that too until the reputational damage became overwhelming.

The present crop of board and executive failures let the damage escalate into a full-blown Senate inquiry and still didn't have the basic sense to have a response and apology prepared for immediate action. I'm not sure I've ever met a PR type who did not know better. It has been an unbelievably amateurish performance. As an exercise in crisis management, it is a definite worry, a reason to question the basic competence of those at the top.

**Best interests.** Or maybe the CBA leadership really does know what it's doing and is acting in the bank's best financial interests. You see, there is a bigger issue here than the rogue planners who ripped off customers. It is the structure of the wealth management industry in Australia – a structure in which our big banks and AMP have invested billions of dollars that they will fight to the death to protect. We don't really do trust busting in Australia. Oh, the ACCC occasionally gets active in preventing a merger, or putting conditions on one, but once the horse has bolted, it's all too hard for regulators and politicians alike.

Thus we find ourselves in a situation where the key financial product manufacturers also control most of the investment platforms and about 80 per cent of the distribution network – the financial planners. Why would a bank want to own financial planners? I think everyone can work that out. The vertical integration of the wealth management industry is inherently unhealthy. It is structurally unsound – like pretending product salespeople operating on conflicted commission were "financial advisers".

The efforts by the Financial Planning Association and others to professionalise planners is taking care of the commission problem, but the present system of platforms and ticket clipping imposes unconscionable costs on clients. A genuinely independent review of the financial system would tackle that problem and recommend its busting. David Murray, the man running the government's review of the financial system, is Ralph Norris' predecessor at the CBA. He's the one who did most to build the bank's vertically integrated wealth management business. What are the odds that he'd want to see it broken apart? And the government itself has already shown it has no interest in offending its generous backers in the finance industry.

And then there's the sound of silence coming from Macquarie Group, the millionaires' factory no doubt hoping the CBA continues to cop all the media and political attention. Macquarie is not alone. You might think Macquarie Group would have something to say after the Senate inquiry named its Macquarie Private Wealth division as requiring "intensive surveillance" by the regulator, but, no, nothing was released to the ASX about that and the government certainly isn't pursuing it. Macquarie can be expected to stay very quiet indeed and, as part of the richest industry in town, just keep watching the money roll in – hundreds of billions of dollars of it.

<http://www.theage.com.au/business/comment-and-analysis/commonwealth-bank-a-case-study-in-failure-20140704-zsw83.html>

## **CBA'S NAREV LEAVES KEY QUESTIONS UNANSWERED**

Friday, 4 July 2014 Laura Millan In Financial Planning

Commonwealth Bank (CBA) chief executive Ian Narev's main message during yesterday's address to the media was that the bank has switched to "a spirit of openness," but he left a number of key questions unanswered. "Over the past few weeks perhaps the most important thing we have done is replace that attitude of increasing defensiveness over the years with a spirit of openness; we've listened," Narev declared yesterday in the bank's first media conference following the Senate Economics Committee release of a report largely critical of CBA's management of its financial planning businesses.

But Narev refused to answer when asked about how many people have been made redundant as a consequence of the scandals involving the bank's Commonwealth Financial Planning (CFPL) and Financial Wisdom. "We went through a process of making sure that the involvement of everybody was looked at, but we are not going to make public comment on how many people were sacked as a consequence of this," he said.

He did confirm that as many as nine financial advisers labelled as "high risk" by the bank and by the Australian Securities and Investments Commission (ASIC) were still working at CBA. "The people still working here are not giving bad advice," he noted, and added that they are "in constant supervision and monitoring to make sure that they are delivering good advice to clients.

"Narev avoided saying how many customers could potentially apply for a review of their advice processes, or how much CBA estimates it will have to pay for compensation. "We're confident that it won't be material from a shareholder perspective," he said. He also avoided to answer if there will be any caps or limits to the amount of compensation that the bank is prepared to pay. Other questions, such as how the independent panel to review consumer complaints will be set up and who will be a part of it, are expected to be answered in the coming days.

<http://www.financialstandard.com.au/news/view/41469687>



### **COMMONWEALTH BANK BOSS IAN NAREV BACKS ABBOTT GOVERNMENT'S WIND DOWN OF FINANCIAL ADVICE REFORMS**

Photo: James Alcock. **July 4, 2014** Lisa Cox National political reporter

Commonwealth Bank apologises to victims, launch inquiry. After a week long absence, Commonwealth Bank CEO, Ian Narev fronted the media to announce an inquiry into the Commonwealth Bank financial planning activities. Victims of rogue planners are not convinced.

Commonwealth Bank chief executive Ian Narev has said he supports new government regulations that wind back consumer protection laws for financial advice. Mr Narev, who on Thursday announced a compensation package for victims of misconduct by CBA financial planners, said on Friday that the government's changes to financial advice laws strike the "right balance" for customers and businesses. Commonwealth Bank chief Ian Narev has backed the Abbott government's wind back of financial advice reform laws. Finance Minister Mathias Cormann pushed through new regulations this week before the tabling of a scathing report into the Commonwealth Bank financial planning scandal.

Both Senator Cormann and Treasurer Joe Hockey have since hosed down talks of a royal commission into the scandal. Senator Cormann said FoFA "went too far" and "a lot has changed" since the Commonwealth Bank scandal. The regulations annul part of the previous Labor government's Future of Financial Advice law that would have forbidden banks to reward their financial planners and tellers for steering customers into the institution's own products. The advisers would also have been forced to tell their former clients how much they are continuing to pay in ongoing fees and commissions. Mr Narev said the CBA supported the government's compromise situation because it meant financial planners could deliver affordable advice.

"I completely understand, particularly in relation to our business historically, that there are people who would be cynical, given what they've seen years ago in our business, about our motives for supporting this," he told Radio National. "But we actually think it is the right balance and achieves the right outcomes for customers." Labor and the Greens say they will move a motion to knock down the regulations, leaving their fate in the hands of cross-bench senators, including those associated with Clive Palmer's Palmer United Party.

Mr Palmer has said he did not support the wind back of the reforms and would "get rid" of the Abbott government's amendments. But Mr Narev said on Friday he did not dismiss criticism of the changes as "completely wrong". "Our view in striking the balance between responsible business and efficient and affordable advice is that the right balance has now been struck." He also defended the removal of the catch-all clause that financial planners have to always act in the best interests of their clients, saying: "For a financial planner that is a very open-ended requirement and it makes it very difficult for them to provide affordable, efficient advice because they don't really know what else they ought to be asking."

<http://www.smh.com.au/federal-politics/political-news/commonwealth-bank-boss-ian-narev-backs-abbott-governments-wind-down-of-financial-advice-reforms-20140704-3bc5m.html>

## **LOOKS TO LIMIT BRAND DAMAGE WITH AN ADVERTISING CAMPAIGN**

Steve Jones 4 July 2014

The Commonwealth Bank today kicked off a major advertising campaign as it looks to limit the damage to its brand amid the multi-million dollar financial planning scandal. But industry observers have warned that the full page ads in newspapers may be too little too late to save and restore the bank's battered reputation. The ads, the work of M&C Saatchi, feature an open letter from chief executive Ian Narev in which he apologises for the scandal which saw financial planners put customers' money into high risk investments without their permission.

Along with the apology, Narev announced the beginning of the Open Advice Review Program, pledging "an assessment of the advice received, access to an independent customer advocate and an independent panel of review". Commonwealth Bank declined to comment other than to confirm that a national marketing campaign had launched across multiple media channels. The duration of the campaign is also unclear.

Observers however suggested the campaign should have launched before now. "They should have done this and much more on day one, not waited a week before placing ads," one marketing expert told Mumbrella. "Commonwealth should have been all over social media the moment the story broke. Instead they waited a week before reverting to Stone Age advertising in newspapers." The text-heavy style of the ads don't work because "people just don't read them", he added. The bank has only appeared to apologise to those directly affected by the reckless approach of its financial planners when it should also be sending a reassuring message to others customers, one expert said.

[http://mumbrella.com.au/commbank-looks-limit-brand-damage-ad-campaign-236473?utm\\_source=feedburner&utm\\_medium=feed&utm\\_campaign=Feed%3A+AllthUmbrella+\(thUmBRELLA\)](http://mumbrella.com.au/commbank-looks-limit-brand-damage-ad-campaign-236473?utm_source=feedburner&utm_medium=feed&utm_campaign=Feed%3A+AllthUmbrella+(thUmBRELLA))