
**ENFORCEABLE UNDERTAKING TO THE CHIEF EXECUTIVE OFFICER OF THE
AUSTRALIAN TRANSACTION REPORTS AND ANALYSIS CENTRE**

FOR THE PURPOSES OF SECTION 197 OF THE

ANTI-MONEY LAUNDERING AND COUNTER-TERRORISM FINANCING ACT 2006

BY

Bank of Queensland Ltd

ACN 009 656 740

Definitions

ACIP means Applicable Customer Identification Procedures.

2023 Independent Review means the AML/CTF Independent Review of Bank of Queensland Limited's AML/CTF Program with final report dated 8 March 2023.

2023 Root Cause Analysis means the review of the root causes of identified deficiencies in the Bank of Queensland's risk culture, AML/CTF compliance, financial resilience and operational resilience, with final report dated 2 May 2023.

AML/CTF Act means the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth) (as amended).

AML/CTF Program means an anti-money laundering and counter-terrorism financing program and has the meaning given in section 83 of the AML/CTF Act.

AML/CTF Regulations means the *Anti-Money Laundering and Counter-Terrorism Financing Regulations 2008* (Cth) (as amended).

AML/CTF Rules means the *Anti-Money Laundering and Counter-Terrorism Financing Rules Instrument 2007 (No. 1)* (as amended) made under section 229 of the AML/CTF Act.

AUSTRAC means the Australian Transaction Reports and Analysis Centre continued in existence by section 209 of the AML/CTF Act.

AUSTRAC CEO means the Chief Executive Officer of AUSTRAC.

AUSTRAC's Concerns means the concerns referred to in paragraphs 5 - 15 of this Enforceable Undertaking.

Bank of Queensland means Bank of Queensland Ltd (ACN 009 656 740).

Bank of Queensland DBG means the entities identified in paragraph 2 below, including Bank of Queensland, comprising a 'designated business group' as defined in section 5 of the AML/CTF Act.

Designated Service has the meaning given by section 6 of the AML/CTF Act.

ECDD means Enhanced Customer Due Diligence.

Enforceable Undertaking means an undertaking accepted by the AUSTRAC CEO under subsection 197(1) of the AML/CTF Act.

External Auditor means an Authorised External Auditor appointed in accordance with paragraph 25 below.

KYC information means Know Your Customer information.

ML/TF Risk means money-laundering/terrorism-financing risk.

OCDD means Ongoing Customer Due Diligence.

Remedial Action Plan means a document addressing the matters set out in paragraph 19 and including the content set out in paragraph 20.

Introduction

- 1 Under section 3 of the AML/CTF Act, the objects of the AML/CTF Act include fulfilling Australia's international obligations designed to combat the laundering of money and the financing of terrorism. Under section 212 of the AML/CTF Act, the AUSTRAC CEO's functions include, amongst other matters, promoting compliance with the AML/CTF Act, AML/CTF Rules and AML/CTF Regulations.

Persons giving the Enforceable Undertaking

- 2 This Enforceable Undertaking is given to the AUSTRAC CEO by Bank of Queensland on its own behalf and on behalf of the following other reporting entities in the Bank of Queensland DBG:
 - (a) BOQ Specialist (AUST) Ltd (ACN: 071292594);
 - (b) BOQ Finance (AUST) Ltd (ACN: 065745735);
 - (c) BOQF Cashflow Finance Pty Ltd (ACN: 062762921);
 - (d) BOQ Equipment Finance Ltd (ACN: 008492582);
 - (e) BOQ Credit Pty Ltd (ACN: 080151266);
 - (f) Members Equity Bank (ME Bank) Ltd (ACN: 070887679);
 - (g) BOQ Specialist Pty Ltd (ACN: 110704464);
 - (h) BOQ Asset Finance and Leasing Pty Ltd (ACN: 074206634) and
 - (i) BOQ Finance (NZ) Ltd.

Background

- 3 The entities in the Bank of Queensland DBG provide Designated Services of the kind set out in table 1 in subsection 6(2) of the AML/CTF Act and are reporting entities for the purposes of the AML/CTF Act.
- 4 The AML/CTF Act and the AML/CTF Rules impose obligations on reporting entities to, amongst other matters, implement appropriate risk-based systems and controls to identify, mitigate and manage the ML/TF Risks that a reporting entity might reasonably face through its provision of Designated Services and to give certain reports to the AUSTRAC CEO.

AUSTRAC's Concerns

- 5 AUSTRAC has carried out various supervision activities in respect of the Bank of Queensland DBG, including conducting a compliance assessment in 2018 and a follow-up compliance inspection in June 2022. AUSTRAC acknowledges that the Bank of Queensland DBG co-operated with these activities, including answering information requests and producing documents.
- 6 As a result of AUSTRAC's supervision activities, AUSTRAC is concerned that the Bank of Queensland DBG needs to take specified actions:
 - (a) in order to comply with the AML/CTF Act and the AML/CTF Rules; and

- (b) directed towards ensuring that the Bank of Queensland DBG does not contravene the AML/CTF Act or the AML/CTF Rules, or is unlikely to contravene the AML/CTF Act or the AML/CTF Rules, in the future.
- 7 AUSTRAC's concerns were outlined in the Compliance Assessment Report issued to Bank of Queensland dated 21 December 2018 and in a letter from AUSTRAC to Bank of Queensland dated 15 November 2022.
- 8 The 2018 Compliance Assessment Report detailed five findings of potential non-compliance with the AML/CTF Act and Rules, briefly set out below:
- (a) The Joint AML/CTF Program contained or referred to various draft and/or incomplete policies and procedures which related to, or formed part of, the AML/CTF Program, including in respect of OCDD and ACIP. The Joint AML/CTF Program was incomplete and consequently Bank of Queensland and members of the Bank of Queensland DBG had failed to adopt and maintain an AML/CTF Program for the purposes of s 81(1) of the AML/CTF Act.
- (b) Part B of the Joint AML/CTF Program did not comply with Chapter 4 of the AML/CTF Rules, because it did not include risk-based systems and controls to respond to discrepancies and to determine when any other additional KYC Information would be collected and verified in respect of the customer. Consequently, Bank of Queensland and members of the Bank of Queensland DBG had failed to adopt and maintain an AML/CTF Program for the purposes of s 81(1) of the AML/CTF Act.
- (c) Multiple members of the Bank of Queensland DBG had failed to consider the ML/TF Risk posed by their customers and failed to include appropriate risk-management systems in its Joint AML/CTF Program to identify PEPs, in contravention of ss 36(1) and 81(1) of the AML/CTF Act.
- (d) Multiple members of the Bank of Queensland DBG had failed to carry out ACIP, including with respect to high risk customers, in contravention of s 32(1) of the AML/CTF Act.
- (e) Multiple members of the Bank of Queensland DBG had failed to monitor their customers with a view to identifying, mitigating, and managing the ML/TF Risk it reasonably faced, in contravention of ss 36(1) and 81(1) of the AML/CTF Act, as they did not have an appropriate TMP and ECDD program that met the relevant requirements under Chapter 15 of the AML/CTF Rules.
- 9 The letter of 15 November 2022 detailed further concerns arising from the compliance inspection conducted in June 2022. These concerns arose after having reviewed key documentation, a sample of customer files, and conducting interviews with key stakeholders. The feedback to Bank of Queensland was grouped under four key themes, being:
- (a) *ACIP*. Having reviewed a sample of customer files, AUSTRAC identified potential non-compliance with the majority of files, including, among other things, instances where Bank of Queensland mischaracterised customer types and/or failed to address discrepancies.
- (b) *ECDD*. AUSTRAC identified non-compliance in respect of BOQ's ECDD program, including a failure to undertake appropriate measures when conducting ECDD.
- (c) *ML/TF Risk Assessment*. AUSTRAC considered that Bank of Queensland's approach to customer risk assessment and its methodology for determining customer risk required strengthening to ensure that Bank of Queensland was able to effectively identify, mitigate and manage the risks posed by its customers.
- (d) *Governance and Assurance*. AUSTRAC found issues with Bank of Queensland's remediation of customer files. In particular, AUSTRAC found a significantly higher volume of ACIP errors than that found by Bank of Queensland's assurance processes. AUSTRAC was concerned that these issues, among others, suggested that Bank of Queensland's board and senior management may not have had appropriate ongoing oversight of the systemic, long-term nature of these concerns.

- 10 The findings and issues above reflect a lengthy period of non-compliance. The Bank of Queensland DBG's remediation efforts over this time in response to AUSTRAC's compliance activities have highlighted concerns in its capacity to effectively uplift its AML/CTF framework in accordance with the requirements of the AML/CTF Act and AML/CTF Rules.
- 11 A number of AUSTRAC's concerns are reflected in the findings of the 2023 Independent Review, particularly with respect to Bank of Queensland's approach to enterprise risk assessment, customer risk assessment, AML/CTF resourcing, ECDD and ACIP.
- 12 These concerns were further reflected in the findings of the 2023 Root Cause Analysis. The findings identified a number of deficiencies relating to the Bank of Queensland DBG's risk management capability and approach. This included, among other things, the effectiveness of governance and change management in relation to AML/CTF uplift. The findings also noted the need to uplift the Bank of Queensland DBG's executive engagement and communication with regulators.
- 13 While holding these concerns, AUSTRAC acknowledges that the Bank of Queensland DBG has demonstrated a commitment to focusing on strategic solutions to its AML/CTF compliance issues as part of a remediation program, referred to in an ASX release dated 14 April 2023 as the Integrated Risk Program. The Bank of Queensland DBG has maintained dialogue with AUSTRAC and has provided information to AUSTRAC when requested.
- 14 AUSTRAC considers that the findings from AUSTRAC's June 2022 compliance inspection, the recommendations outlined in the 2023 Independent Review, the findings of the 2023 Root Cause Analysis and its remediation program provide the Bank of Queensland DBG with a foundation to remediate and uplift the overall design and operational effectiveness of their AML/CTF framework.
- 15 The terms of this Enforceable Undertaking reflect and build on AUSTRAC's findings in the 2018 Compliance Assessment, the 2022 monitoring visit, as well as recommendations made in the 2023 Independent Review and 2023 Root Cause Analysis.

Acknowledgments by Bank of Queensland DBG of AUSTRAC's Concerns

- 16 The Bank of Queensland DBG acknowledges AUSTRAC's Concerns and voluntarily offers the AUSTRAC CEO an Enforceable Undertaking in the terms of paragraphs 19 to 32 below, and pursuant to section 197 of the AML/CTF Act.
- 17 The Bank of Queensland DBG confirms that it has obtained its own independent legal advice in relation to its obligations under, and the effect of, this Enforceable Undertaking, including the action which can be taken by AUSTRAC pursuant to section 198 of the AML/CTF Act should a breach be committed by the Bank of Queensland DBG.

Undertakings

- 18 The undertakings in paragraphs 19 to 32 are given pursuant to section 197 of the AML/CTF Act.

Remedial Action Plan

- 19 The Bank of Queensland DBG undertakes to prepare a Remedial Action Plan which responds to and explains how the Bank of Queensland DBG will address each of:
- (a) the findings detailed in the 2018 Compliance Assessment Report;
 - (b) the concerns detailed in AUSTRAC's letter dated 15 November 2022;
 - (c) the findings and recommendations made in the 2023 AML/CTF Independent Review; and
 - (d) the findings and recommendations of the 2023 Root Cause Analysis, insofar as each finding relates to Bank of Queensland's AML/CTF Program, framework and/or compliance.

- 20 The Remedial Action Plan must include:
- (a) a clear and measurable set of actions to address each of the items in paragraph 19 of this Enforceable Undertaking;
 - (b) a clear timeline for completion of each remedial action;
 - (c) clear accountabilities on the senior executive team, and other staff as relevant, for completing each remedial action;
 - (d) details of how the Bank of Queensland Board will maintain oversight of the implementation of the Remedial Action Plan;
 - (e) details of the funding and personnel Bank of Queensland will commit to implementing the Remedial Action Plan; and
 - (f) an acknowledgement by the Bank of Queensland DBG that a breach of the agreed Remedial Action Plan shall be regarded as a breach of this Enforceable Undertaking.
- 21 Bank of Queensland will submit the Remedial Action Plan to AUSTRAC for approval within 120 days from the commencement of this Enforceable Undertaking.
- 22 Bank of Queensland will address any deficiencies in, or concerns with, the Remedial Action Plan identified by AUSTRAC to AUSTRAC's satisfaction within 15 business days of being notified of the deficiency or concern by AUSTRAC.
- 23 The Bank of Queensland DBG will complete the actions identified in the Remedial Action Plan in accordance with the timeframes and standards set out in the Remedial Action Plan, as approved by AUSTRAC.
- 24 The Bank of Queensland DBG will advise AUSTRAC in writing of any proposed deviations to the actions or timeframes set out in the Remedial Action Plan. Prior to making any material deviation to the Remedial Action Plan, Bank of Queensland will obtain AUSTRAC's written consent to do so. Whether a proposed deviation is material will be determined by AUSTRAC.

Authorised External Auditor

- 25 The Bank of Queensland DBG undertakes to appoint an individual who is:
- (a) authorised under section 164 the AML/CTF Act; and
 - (b) agreed to by the AUSTRAC CEO in writing—
—to act as an External Auditor for the purposes of this Enforceable Undertaking by 31 July 2023.
- 26 The External Auditor engagement will require the External Auditor to complete a report every four months from the date the Remedial Action Plan is approved by AUSTRAC, and continuing until the Remedial Action Plan has been completed to the satisfaction of AUSTRAC. The Bank of Queensland DBG will provide this report to AUSTRAC within 20 Business Days of the end of each four month period.
- 27 The External Auditor engagement will require the External Auditor to report on:
- (a) whether it is necessary to amend the Remedial Action Plan to ensure that Bank of Queensland addresses the items at paragraph 19 above;
 - (b) the status of compliance with this Enforceable Undertaking;
 - (c) the status of compliance with the Remedial Action Plan; and
 - (d) whether the External Auditor considers the implementation of the Remedial Action Plan to be effective and sustainable and the reasons for the External Auditor's conclusions.
- 28 The External Auditor engagement will require the External Auditor to notify the AUSTRAC CEO in writing within seven (7) days of identifying any breach of the Remedial Action Plan including the nature of the breach.
- 29 AUSTRAC will have access to and correspond with the External Auditor at any time and in any manner which it deems appropriate for the purposes of monitoring or ensuring compliance with this Enforceable Undertaking during its currency.

Costs

- 30 The Bank of Queensland DBG undertakes that it will pay its own costs of complying with this Enforceable Undertaking including the implementation of the agreed Remedial Action Plan.

Provision of information and documents

- 31 The Bank of Queensland DBG agrees that AUSTRAC may, for the life of this Enforceable Undertaking, make a written request for any information or documents for the purpose of monitoring its compliance with this Enforceable Undertaking including the Remedial Action Plan. The Bank of Queensland DBG undertakes to provide AUSTRAC any information or documents requested from time to time for this purpose, on a confidential basis, within 10 business days of the date on which it receives a written request. The Bank of Queensland DBG is not required to provide to AUSTRAC any documents or information subject to legal professional privilege or the provision of which would result in any member of the Bank of Queensland DBG breaching a legal obligation.
- 32 Any documents or information requested will be provided to the AUSTRAC CEO:
- (a) in electronic form by email to Enforcement.mailbox@austrac.gov.au;
 - (b) in electronic form by upload to a share folder that AUSTRAC can access; or
 - (c) otherwise as agreed to by AUSTRAC in writing.

Acknowledgements – Operation of Enforceable Undertaking

- 33 The Bank of Queensland DBG acknowledges that:
- (a) the AUSTRAC CEO has accepted this Enforceable Undertaking based on (among other things) the Bank of Queensland DBG disclosures to the AUSTRAC CEO of the material facts, matters and circumstances in relation to AUSTRAC's Concerns;
 - (b) the AUSTRAC CEO's acceptance of this Enforceable Undertaking does not affect AUSTRAC's right to take any action in relation to any contraventions of the AML/CTF Act, AML/CTF Rules and/or AML/CTF Regulations;
 - (c) this Enforceable Undertaking in no way derogates from the rights and remedies available to any other person or entity arising from any conduct committed by the Bank of Queensland DBG described in AUSTRAC's Concerns or arising from future conduct;
 - (d) the AUSTRAC CEO may publish a copy of this Enforceable Undertaking on AUSTRAC's website in accordance with subsection 197(5) of the AML/CTF Act;
 - (e) AUSTRAC may from time to time publicly refer to this Enforceable Undertaking; and
 - (f) if any part of this Enforceable Undertaking is held invalid, that part shall be severed from this Enforceable Undertaking and the remainder of this Enforceable Undertaking will continue to be valid and enforceable.

Commencement and duration

- 34 The Bank of Queensland DBG acknowledges that this Enforceable Undertaking has no operative force until accepted by the AUSTRAC CEO.
- 35 Upon the commencement of this Enforceable Undertaking, Bank of Queensland undertakes to assume the obligations set out in paragraphs 19 to 32 above.
- 36 This Enforceable Undertaking ends on the date that the AUSTRAC CEO gives the Bank of Queensland DBG written notice cancelling the Enforceable Undertaking or the date on which the AUSTRAC CEO consents to the Bank of Queensland DBG withdrawing the Enforceable Undertaking, whichever is earlier.

EXECUTED BY (Bank of Queensland - signature of Directors)

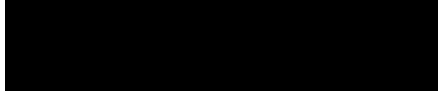
EXECUTED by **Bank of Queensland**)
ACN 009 656 740 in)
accordance with section)
127(1) of the *Corporations Act 2001*)
(Cth) by authority of its directors:)



Signature of director

Warwick Negus

.....
Name of director



Signature of director

Patrick Allaway

.....
Name of director

This 30th day of May 2023

ACCEPTED BY THE AUSTRAC CEO NICOLE ROSE PSM PURSUANT TO SUBSECTION 197(1)
OF THE AML/CTF ACT.



Signature
Nicole Rose PSM
Chief Executive Officer, AUSTRAC

This 30 day of May 2023