



## Message from Mike

### Securities Lending and Opes Prime Review - 22 August 2008

Dear colleagues,

This morning I released the findings of the Review Committee which examined ANZ's involvement in Securities Lending and its relationship with Broker clients including the Opes Prime group.

My intention is that this report and the action we are taking will help draw a line in the sand on these issues within ANZ.

We have 44,000 staff. 99.9 percent of you do an amazing job day in, day out looking after our customers and working to the highest standard. I believe we owed it to all of you, along with our shareholders, to fully investigate how we got caught up in Securities Lending and Brokers such as Opes Prime.

Let me give you the key points from the Review Committee's findings:

- Securities Lending and Equities Finance was a business we never should have entered into in the first place. It was in a business environment where the risks weren't understood and managed.
- These problems were compounded because there was little in the way of controls or governance procedures that could have flagged the issues. When management did follow up, the actions were too slow to address the issues, and follow up on decisions was poor.
- The Review Committee has recommended a 13 point remediation plan which we will implement in full.
- The issues identified by the Review Committee are not systemic problems and there were no Group-wide issues. There are some wider implications for ANZ's management of other non-traditional businesses, particularly in our Institutional Division.

As a result, I'm sad to say we've had no choice but to take action involving a number of employees, including formal notes placed on employment records, cuts to remuneration and the departure from ANZ of eight managers and executives.

This includes two members of Management Board - Peter Hodgson, Group Managing Director Institutional and previously Chief Risk Officer, and David Stephen, Chief Risk Officer and formerly Head of Institutional Risk.

Chris Page, Head of Risk for Asia Pacific, has been appointed Chief Risk Officer effective immediately. Alex Thursby will take on leadership of the Institutional Division in an acting capacity in addition to his current role as Group Managing Director, Asia Pacific, while we undertake a search for Peter's replacement.

I want to make two other important points:

- The issues examined in the report are not those which caused the collapse of Brokers including Opes. The failure of these Brokers was caused by their own mismanagement, not ANZ.
- The report does not address broader legal issues, particularly those associated with the losses incurred by the clients of Opes. Those issues are the subject of several legal actions and commercial mediation involving the Opes administrators, the Australian Securities and Investments Commission and other financiers. ANZ continues to believe it has a strong legal position in relation to these claims.

This is not ANZ's finest hour. However, thanks to you, our business is performing well. We will make a cash profit of \$3 billion this year and we are only one of eighteen banks in the world with a AA credit rating.

I believe as a result of this review and the remedial action we are taking, ANZ will be a more effective business, with stronger governance and controls, and a much clearer view of management accountability as a result.

This is an essential part of restoring our reputation, our financial performance and our share price.

Thank you all for your hard work and support during this challenging period. It's time now to put this issue behind us and to move ahead, give our customers great service and grow our business.

**More information:** [Securities Lending Review](#)