

10 - Opes Prime - What ANZ Must Do!

ANZ must announce prior to its AGM that it will “turn back time”. For ANZ to survive it must announce it will provide full restitution to those people impacted by its involvement in Securities Lending and the Opes Prime Group.

ANZ must recognize the fundamental damaging reputational impact that flows from such a debacle. This event will forever damage ANZ’s ability to operate and grow as a mainstream bank in the region. The Securities Lending fiasco goes to the ANZ getting its core business wrong.

Quite apart from the reputational impacts, the investors and their families who have been emotionally and financially devastated must be considered. For some, life goes on with platitudes such as they are “somewhat pissed off”.

For others, I have it on good authority; life does not go on at all.

What must be done now? ANZ must

- admit *mea culpa* – and announce it will make full restitution.
- advise clearly it will not take a legal settlement approach but an ethical and moral one – this will involve telling the lawyers on both sides to “piss off” as they are undoubtedly fee gouging,
- strike a base date when values in Opes and other related organisations were operating as “normal” and to highlight your good faith in wanting to rebuild ANZ’s reputation, allow investors to obtain restitution of their Opes Prime investment based on the highest value of their investment since the base date.
- pay investors interest since the base date at a commercial rate on the average net investment value, to compensate investors for the loss of access to their assets,
- reimburse the full costs, including all legal fees of those that have incurred them due to wanting to recover their funds, and finally,
- provide a reasonable ex-gratia payment to investors to cover the anguish investors have suffered.

Now the first to scream at these suggestions will be the lawyers followed shortly after by the shareholders.

The lawyers are easily dismissed as having a self interest to prolong the “legal” games being played so they should be treated accordingly. “Ethics” are not legally enforceable so there is no money in them.

The shareholders should scream but they must realize that they either have an ongoing lame bank in the form of the ANZ where many people who are not only investors but customers and shareholders, have chosen to move away from the ANZ, or they accept ANZ wiping the slate relatively clean and demonstrably move on. Yes this approach will put a dent in the bottom line – in the short term. But what positive press and the ANZ may just survive.

Oh and let's not forget the chiefs – they have already sacked those held "accountable" – but the key Directors need moving on. Pissed off Mike should stay as most of this happened prior to his watch – but he should be on notice to clean the place up.

Morschel should go as Chair of the Risk Committee.

Macfarlane should go as Chair of the Governance Committee.

Meiklejohn should go as Chair of the Audit Committee.

All these people were asleep at their respective wheels.

And why should they go? They were warned and dismissed the issue. In the lead up to and at the December 2007 AGM I advised the ANZ that there was a difference between their legal obligations and their ethical obligations with respect to the application of ANZ Values and Codes of Conduct. The ANZ Whistleblower Protection policy was the key example used.

I warned that ANZ had a Corrupt Culture where dishonesty at all levels was tolerated. For details see my website anzvalues.com.au

In September 2008 ANZ announced in its Corporate Responsibility Report a major overhaul of the substance and application of the Code of Conduct & Ethics for all ANZ Employees – not just those near to the Securities Lending action. Read the full Securities Lending Review Report to gain an understanding of the serial failure of ANZ people.

Too little too late I am afraid.

ANZ act now and recover what semblance of reputation you have and look to the future.

Robert Reeves

ANZ Director Candidate 2008 - 8th December 2008

ANZ Press Release

Securities Lending and Opes Prime Review

Monday 14 April 2008

Today I've announced that I'll be leading a full review of ANZ's involvement in Securities Lending and the Opes Prime Group.

Many of you would be aware of the impact that the collapse of Opes Prime in Australia has had on ANZ's reputation and indeed, on the many Opes Prime clients who are now dealing with the fall-out of this difficult situation.

A number of issues have emerged which are deeply concerning to me and it's essential, as a responsible business, to now get to the bottom of what has gone on in Securities Lending at ANZ and in our dealings with Opes Prime.

I've gathered together a small group of senior people - internal and external - to provide a full account of what has transpired, examine the accountability ANZ and individual staff members might have for what has occurred, and develop a remedial program to swiftly address all the issues we identify.

Assisting me are two of our most senior executives who will be seconded to the review – David Hisco, Managing Director Esanda and Chris Page, Head of Risk Asia Pacific who has recently joined us from HSBC. I have also asked David Crawford, one of Australia 's most experienced company directors with an extensive background in financial services and insolvency administration, to provide an external perspective and to ensure the rigour of the review.

The review has the endorsement and full support of our Board and will examine:

- The oversight and control of ANZ's involvement in Securities Lending and the development and management of ANZ's client relationships including with the Opes Prime Group;
- Whether any employee has breached ANZ's internal policies, procedures and ethical standards in Securities Lending and in dealings associated with clients including the Opes Prime Group;
- Compliance with Australian law and regulation in Securities Lending; and
- All necessary remedial actions to address the issues which are identified.

I have taken this step of establishing a review not only to provide a fresh perspective on this serious issue but to ensure the rest of our leadership team can focus on managing our ongoing business. I said in our trading update last week that the world economy is weakening and there is a change taking place in the credit cycle. In that environment, I want a very clear focus on the day-to-day development of our business.

As you know, we are also continuing to work with regulators to resolve some of the complex issues which have emerged in the past two weeks. I also intend to report publicly on the key conclusions of the review and any resulting remedial actions.

The only acceptable bottom line for me in this is that all of our processes and the way in which we conduct ourselves every day must meet the highest ethical, risk management and regulatory compliance standards which our shareholders and the community expect of ANZ.

Our future success depends on this and I can assure you there is no place at ANZ for anyone or anything that does not meet those standards.

In the meantime, I will keep you up to date with key milestones in the review as they occur.

Many thanks.