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Deep Dive Review - Master Scope List Aggregator Group – Industry Assurance Review Program

The Scope of this Review applies to all brokers within the Aggregator Group network i.e. ACL Holders and Credit Representatives

Subject	Risk	ID	Objective
1. Broker Onboarding and Accreditation processes (upfront)	Inadequate broker onboarding processes by Aggregator Groups increases the risk that broker accreditation is provided by Lenders to inappropriate individuals.	A	There is a documented broker onboarding and accreditation policy in place, which applies to all brokers within the Aggregator Group network (regardless of ACL or CR status) with a framework that clearly sets out the process for when a broker does not satisfy the criteria (i.e. how exceptions are handled).
		B	The Aggregator Group has a documented set of standards / criteria (e.g. competency and qualifications expected) for brokers seeking accreditation, in line with Lender and Industry Standards (including MFAA and FBAA requirements (if relevant)).
		C	Due diligence assessments are carried out for all new individual brokers seeking accreditation, to confirm the brokers meet the Aggregator Group's stated accreditation policy and requirements. In addition to confirming the appropriate licensing requirements, this process should include the following checks: <ul style="list-style-type: none"> - Identification check - Police (criminal history) check - ASIC banned persons check - Bankruptcy (credit) check - World check (or similar comprehensive screening) - Sanctions and PEP screening - Employment and reference checks (i.e. confirmation of clean release letter from previous aggregator where applicable).
		d	There is effective due diligence conducted on the broker businesses onboarded by the Aggregator Group (i.e. sub-aggregators, broker offices), to ensure the Directors and associated Responsible Managers/Officers are fit and proper.
2. Broker Accreditation Processes (ongoing)	A lack of ongoing due diligence by Aggregator Groups increases the risk that broker accreditation is maintained by Lenders for inappropriate individuals.	A	Where a broker leaves the Aggregator Group, confirm the Aggregator Group has a process in place to offboard the broker, which includes issuing a "letter of separation" (for adverse and non-adverse situations). There should also be an expectation that future Aggregator Groups and Lenders could place reliance on the integrity of the document.
		B	Ongoing due diligence assessments are carried out for the broker population to confirm the brokers continue to meet the Aggregator Group's stated accreditation policy and requirements. In addition to confirming the appropriate licensing requirements, this process should include the following checks: <ul style="list-style-type: none"> - Police (criminal history) check - ASIC banned persons check Bankruptcy (credit) check - World check (or similar comprehensive screening) - Sanctions and PEP screening
		c	There is effective ongoing due diligence conducted on the broker businesses operating under the Aggregator Group (i.e. sub-aggregators, broker offices), to ensure the Directors and associated Responsible Managers/Officers are fit and proper.
3. Broker Licensing and Industry Memberships	Unlicensed or unauthorised individuals provide credit assistance to customers and/or Credit Licensees do not comply with their requirements.	A	<ul style="list-style-type: none"> • The Aggregator Group holds records, for their accredited brokers (regardless of ACL or CR status), that all applicable licenses required and other applicable legislative requirements (i.e. NCCP) are held and current. • The credit licenses of the Aggregator Group and associated brokers within the Aggregator Group network (with individual credit licenses) are maintained and current.
		B	The Aggregator Group can demonstrate knowledge and oversight on the structure of the different broker businesses operating under their entity (i.e. sub-aggregators, broker offices, ACL businesses), including the Responsible Managers of each Entity.
		C	The Aggregator Group and their accredited brokers comply with all licensing requirements, including but not limited to*: <ul style="list-style-type: none"> • External Dispute Resolution (EDR) requirements, maintaining membership of ASIC approved EDR (AFCA) and notifying ASIC of any changes within the stipulated timeframes.

			<ul style="list-style-type: none"> • Maintaining a professional indemnity insurance policy that is adequate in terms of its amount and other T&C (RG 210) • Ensuring that each representative and Responsible Managers meet training requirements (successfully completed a Certificate IV in Finance and Mortgage Broking or Diploma where required). • RG 205, RG 206, RG 207 and RG 209 compliance needs to be included in scope. • Keeping a record of all materials that forms the basis of a product suitability assessment. • Having adequate Internal Dispute Resolution (IDR) mechanisms in place. • ASIC Breach Reporting requirements. • Maintaining memberships with applicable industry bodies (MFAA, FBAA) <p>*These requirements equally apply to all brokers regardless of their ACL positions (i.e. credit reps and non-credit reps). There is ongoing monitoring of the Aggregator Group and associated broker compliance with all applicable requirements</p>
<p>4. Broker development and ongoing training</p>	<p>Mortgage brokers do not have the required skills and training to ensure good customer outcomes.</p>	A	There is a broker training and development policy and/or strategy to ensure that all accredited brokers within the Aggregator Group remain competent and fit to provide credit assistance.
		B	There is a mentoring program in place to ensure new to industry brokers are trained in line with industry and lender panel requirements.
		C	Broker compliance with training and Continuing Professional Development (CPD) requirements is tracked and kept in a register.
		D	Initial onboarding and ongoing training is provided to brokers around all relevant industry developments, regulatory requirements and applicable laws (i.e. AML/CTF, CCR, BCOP, including vulnerable customers, Privacy).
		E	Remedial training activities are performed with a clear process in place to identify training gaps and provide broker support to those members who have not submitted a loan (to any Lender) for a period greater than 6 months.
<p>5. Regulations</p>	<p>Responsible Lending Mortgage brokers are not compliant with their obligations under the applicable Legislative Framework for Responsible Lending.</p>	A	The Aggregator Group holds their own Responsible Lending policy, which covers the requirements that all credit assistance providers within their Group must meet under the applicable Legislative Framework for Responsible Lending and sets out how compliance is ensured across the Group.
		B	Aggregator Group processes ensure brokers within their Group have a clear understanding of their Responsible Lending obligations, being: <ul style="list-style-type: none"> • Mortgage brokers make reasonable inquiries of the applicant's financial situation, requirements and objectives including taking reasonable steps to verify the applicant's financial situation. • Mortgage brokers make a preliminary assessment of the mortgage loan application based on the applicant's financial situation, requirements and objectives. • Mortgage brokers keep a record of materials that form the basis of the preliminary assessment to enable them to give the applicant a written copy of the assessment if requested.
		C	There is clear guidance provided by the Aggregator Group on the required compliance documents that are to be used by brokers within their Group (including but not limited to Broker interview guide, Preliminary Assessment Form, Fact find and any future requirement under change of legislation), which demonstrates how the collection of the required customer information is to be performed and that the right assessment is conducted for each application.
		D	There is adequate evidence on how the Aggregator Group captures: <ul style="list-style-type: none"> - in-flight changes to a loan contract; and - maintaining/varying their current loan. Responsible lending obligations are met and applied to any transaction that happens during the life of a loan.
		E	The Aggregator Group has appropriate controls to ensure that records of customer files, records supporting discussions around material changes to the application, including Responsible Lending assessments, are maintained centrally by the Aggregator Group and can be accessed independently of the broker for required timeframes
		f	The Aggregator Group has appropriate controls to ensure regulatory compliance with AML & CTF / KYC obligations, including oversight on the broker "Method of interview" and "Identification used" (i.e. the method of identification (KYC) used in face to face and non-face to face situations).

<p>Best Interest Duty Aggregator Group does not have sufficient training, system and ongoing monitoring controls in place to ensure their brokers meet BID obligations which can result in breach of regulation and poor customer outcome.</p>	G	Aggregator Group confirms that their brokers have a clear understanding of their BID obligations and complies with the relevant obligations.	
<p>DDO Aggregator Group does not provide support and oversight over mortgage broker compliance with DDO which. Can result in a breach of regulation and poor customer outcomes</p>	h	The Aggregator Group supports brokers compliance with DDO obligations (including communicating the Lenders' TMDs to brokers and ensuring the communication occurred in a timely manner). In addition, the communication includes details on how brokers can access the Lenders' TMDs.	
	i	The Aggregator Group has introduced controls or "reasonable steps" to ensure that brokers are selling the Lender's products within the relevant Lender's TMD .	
	j	The Aggregator Group has a process in place for ensuring that complaints relating to a Lender's products are escalated to the relevant Lender within the prescribed timeframes.	
	K	The Aggregator Group has a process in place to identify significant dealings and notify the relevant Lender of any such occurrence.	
<p>Breach Reporting Aggregator Group is not compliant with their obligations under the applicable legislative framework for Breach Reporting. This can result in regulatory and reputational impact to the lender.</p>	L	The Aggregator Group has a process in place for reporting significant breaches to the regulator (whether they be breaches by the Aggregator Group, individual brokers or brokers under an independent ACL). The Aggregator Group should also have a process in place to notify the relevant Lender of any breaches that need to be reported to a regulator.	
<p>Reference Checking Aggregator Group is not compliant with their obligations under the applicable legislative framework for reference checking. This can result in regulatory and reputational impact to the lender.</p>	M	As part of broker onboarding, the Aggregator Group undertake a reference check on individuals seeking to be employed or authorised as a mortgage broker per the legislative and regulatory requirements.	
<p>Conflicts of Interest</p>	n	The Aggregator Group has adequate controls in place for brokers to identify, report and manage any potential Conflicts of Interests.	
<p>Licensing Requirements</p>	o	The Aggregator Group has adequate controls in place to monitor and confirm that brokers are not providing financial product advice outside the licensing requirements (i.e. AFSL).	
<p>6. Broker Oversight and Consequence Management</p>	<p>There is ineffective governance and oversight by the Aggregator Group of mortgage broker practices, conduct and compliance with their obligations (regardless if they are Credit Representatives or ACL holders).</p>	A	There is an adequate risk management framework in place, which sets out the Aggregator Group's risk appetite and strategy, with regular reviews and assessment completed on all key risks for the business.
		B	There are regular controls in place to monitor their broker conduct and practices to ensure compliance with their responsibilities and requirements (including but not limited to file reviews and assurance activities), with the process applying equally to all accredited brokers regardless of their ACL positions (i.e. for both credit reps and non-credit reps).
		C	<p>There is a defined consequence management framework in place, which covers all brokers accredited under the Aggregator Group, and ensures that:</p> <ul style="list-style-type: none"> • Results from monitoring activities are regularly reported to Senior Management and relevant governance forums. • There is a defined process for notifying relevant stakeholders (i.e. lenders, industry bodies) about material broker issues and consequences in a timely manner, including where a broker has been suspended (by the Aggregator Group and/or by a Lender), pending an investigation. • There is a process in place to review, assess and determine the action plan at the back of the data and reports that Aggregator Group receives from the lenders; • There are defined processes and requirements in place to ensure relevant regulatory bodies (i.e. ASIC, APRA) and Industry Bodies (i.e. MFAA, FBAA) are informed of material issues, breaches and/or events (i.e. to the same effect as Section 912D of Corporations Act).

		<ul style="list-style-type: none"> Where there is sufficient information to suggest that a broker has engaged in misconduct, there are defined standards and processes to inform impacted clients and remediate clients where necessary (including a review of all brokers portfolio). Non-compliance by mortgage brokers with any of their requirements and/or misconduct is promptly identified, actioned, and communicated to affected parties. <p>D Aggregator Groups have adequate policies and procedures to appropriately investigate and resolve Complaints in a timely manner and meets legislative requirements (including maintenance of registers, analysis of complaints trends, remediation requirements if required, and communication to external parties as appropriate, i.e. Lenders).</p> <p>E The Aggregator Group has a Quality Assurance and Compliance program (including both <i>reactive</i> and <i>proactive monitoring processes</i>) that covers all associated brokers and ensures:</p> <ul style="list-style-type: none"> Data analytics is conducted to identify high risk brokers Brokers are risk rated File sampling methodology is clearly defined and appears reasonable The scope of file reviews covers in-progress and settled loans Key indicators (i.e. complaints and breaches) will activate an independent review File reviews includes forming an independent assessment on loan suitability <p>f</p> <ul style="list-style-type: none"> There is effective oversight on Referral Sources used within the Aggregator Group – with best practice including centralised registers, independent accreditations, clear policies outlining preferred or non-preferred Referral Sources. Furthermore, there is capability to identify loans introduced via a Referral Source and to include these files in monitoring operations. The Aggregator Group does not support Referrals from brokers (or known associates) who have previously had accreditation removed in adverse circumstances.
<p>7. IT and System access Controls</p>	<p>Loan application data provided by the applicant to the broker is not passed through accurately to the Lender, due to a failure in the IT systems of the Aggregator Group, allowing unauthorised or unintended changes.</p>	<p>A Confirm the Aggregator Group holds relevant IT Policies and Procedures related to their key systems and platforms.</p> <p>Information flows between the Aggregator Group’s loan application system and the gateway (i.e. ApplyOnline / Simpology) are mapped and consistent. The completeness and accuracy of applicant financial information is reconciled or checked between the Aggregator Group’s loan application system and Lender platforms.</p> <p>B Delegated hierarchy and system access levels to the Aggregator Group’s platforms, programs, master data, transaction data, customer personal information and parameters are defined, implemented and enforced by logical security controls for job roles, in accordance with legislative requirements (e.g. Privacy Act, NCCP Act), to prevent inappropriate access to the Aggregator Group’s systems and data including customer personal information</p> <p>c Confirm the Aggregator Group has an IT Change Management Framework to ensure that the implementation and changes of new applications and software, and modifications to data, are authorised, tested, approved, implemented and documented to guard against inappropriate changes being deployed.</p> <p>D Data migration or modification is authorised, tested and once performed, reconciled back to the source data.</p>
<p>8. Data Security and Privacy</p>	<p>Customer information maintained by the Aggregator Group and their associated mortgage brokers is not appropriately secure and/or is not managed in compliance with all applicable privacy laws and regulations.</p>	<p>A The Aggregator Group has an established Privacy Policy, including a defined process in relation to notifiable data breach Reporting, which is reviewed regularly to ensure it matches industry requirements & Australian Privacy Principles and includes escalation processes to relevant lender(s)</p> <p>b Customer and broker information maintained is secure (including physical records), only used for the purpose for which it was collected and is retained, disclosed and disposed of, in accordance with applicable laws and privacy regulations.</p> <p>C</p> <ul style="list-style-type: none"> All processes conducted by the Aggregator Group or associated brokers are compliant with the relevant privacy laws and regulations, with controls in place to assess the transfer of customer information/data from the Aggregator Group’s internal systems to external parties and/or between brokers. The Aggregator Group is able to demonstrate an understanding of how their customer data is sourced (i.e. approved communication channels) and where their customer data is stored (i.e. which country / jurisdiction), and how any implications of that jurisdiction are addressed.

		D	Where the “broker of record” changes on a loan, the Aggregator Group has a process in place to advise the relevant Lender with the details of the new broker, and to ensure the customer has been informed of the change and has provided their consent to the new broker having access to their customer information (where required).
		E	Appropriate security measures, including firewalls and anti-virus software, are implemented, and regularly tested to address the threat of malicious electronic attacks.
		F	Physical IT equipment (e.g. hardware) is maintained in a controlled environment.
		G	<ul style="list-style-type: none"> Data and systems are backed up regularly, retained securely offsite and regularly tested for recoverability. The Aggregator Group has an appropriate Business Continuity Plan (BCP) and Disaster Recovery Plan (DRP), which is appropriately tested.
9. Outsourcing and Third Parties	Process or control gaps arise due to inadequate upfront and/or ongoing governance and oversight on outsourced or offshored functions.	A	Third party organisations providing offshoring and/or outsourced services to the Aggregator Group (and/or the broker businesses within the Group) are onboarded and approved in accordance with industry standards, including appropriate due diligence (covering but not limited to Privacy, AML/CTF and World Checks (as applicable)) and have documented contractual agreements in place.
		B	All offshored and/or outsourced functions are monitored regularly in line with Service Level Agreements and against all relevant obligations stipulated in the Agreement, ensuring third party performance is in accordance with the established controls and that those controls operate effectively (including but not limited to those related with data security).

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