



SOLOMON
FINANCE PTY LTD

"wisdom creating wealth"

Compliance Programme

Version	1.6
Update	09 July 2019
Prepared by	Pree Gupta
Approved by	Elias Missailidis

Compliance Programme

1. What is compliance?	3
2. Why is compliance important?	3
3. Who is responsible for compliance?	3
4. Compliance roles.....	3
4.1 The role of the Business Director.....	3
5. Our compliance framework	4
5.1. Strategic objectives of compliance programme	4
5.2. Compliance system	4
6. Our compliance operations.....	4
6.1. Promotion of Compliance Culture	4
6.2. Allocation of resources	5
6.2.1. Staff	5
6.2.2. Products	5
6.2.3. New Products for 2020	6
6.2.4. Resourcing.....	6
6.3. Identification and documentation of key compliance obligations	6
6.3.1. Laws and regulations	6
6.3.2. Implementation process	6
6.4. Assignment of compliance tasks.....	7
6.5. Monitoring and testing of compliance performance.....	7
6.5.1. Testing through compliance review programme.....	7
6.5.2. Complaints and breaches root cause analysis	7
6.6. Reporting on compliance performance	8
6.6.1. Reporting to the Business	8
6.7. Analysing data.....	8
6.8. Registering and reporting compliance breaches	8
6.8.1. Breach reporting	8
6.8.2. Reporting to ASIC.....	9
6.9. Rectifying problems	9
6.10. Continuous improvement	9
6.11. Communicating with key regulators.....	9
Appendix A – Annual compliance checklist	10
Appendix B – Compliance testing worksheet sample.....	11

1. What is compliance?

All businesses have obligations that they must meet. These obligations arise from a variety of sources including:

- laws and regulations
- internal policies and procedures
- contractual arrangements
- risk treatment (continuous improvement) initiatives.

Compliance is a management discipline that aims to ensure we comply with our obligations. Our Compliance Programme lays the foundations of our Business identity and success in a fashion that complies with both the letter and spirit of the law. The programme is aligned with AS 3806-2006.

2. Why is compliance important?

As well as being a negative expression of who we are as a Business, failure to meet our compliance obligations can have a range of consequences from customer complaints and loss of customers to fines and legal sanctions.

Complying with our obligations means we are doing the right thing and most importantly allows us to focus on our core Business without distraction. Compliance leads to increased productivity, increased profitability and ultimately increased Business value.

An effective compliance programme helps to understand our obligations and reduce the risk of breaching them.

3. Who is responsible for compliance?

Compliance is the responsibility of everyone in our Business and these obligations operate at a number of different levels throughout the organisation. The Business Director is committed to the maintenance of a well-structured and well-managed compliance programme. It is ultimately his role to ensure that the commitment to compliance is fully realised.

Hands-on compliance monitoring is performed by the Business Director.

The Business Director performs quarterly testing in accordance with our Compliance Programme and creates reporting for filing and records of any corrective actions in the event of a breach of obligations.

4. Compliance roles

4.1 *The role of the Business Director*

The Business Director is directly responsible for:

- Demonstrating a strong culture of compliance, putting compliant behaviour at the fore of all decision making;
- Integrating compliance obligations into Business strategies and plans;
- Ensuring compliance capabilities and performance are factored into contracts with external suppliers;

- Ensuring the compliance programme is reviewed on a regular basis.
- Maintaining a compliance reporting and documenting system;
- Maintaining systems for sourcing information such as complaints, feedback and other mechanisms;
- Monitoring overall compliance performance;
- Analysing performance to identify the need for corrective action.
- Performing their duties in an ethical, lawful and safe manner; and
- Undertaking training in accordance with the compliance programme.

5. Our compliance framework

5.1. *Strategic objectives of compliance programme*

The strategic objectives of our Compliance Programme are to:

- promote a culture of compliance;
- identify and document key compliance obligations;
- assign responsibility for key compliance tasks;
- monitor the extent to which these obligations are being effectively carried out;
- maintain records of compliance activities;
- record our compliance performance (including breaches);
- analyse compliance data to identify systemic and recurring problems;
- continuously improve our systems and procedures; and
- communicate with key stakeholders, including regulators.

5.2. *Compliance system*

The Business uses a document-based system for the documentation of compliance monitoring.

Each compliance obligation is listed, along with corresponding controls that are expected to prevent breaches of the obligations. A test is devised to ensure the controls are functioning and all compliance obligations are risk-rated to determine the frequency of the testing. All obligations are tested at least annually.

Business contracted an external agency QED Risk Services “Complifast”, to conduct quarterly audits of the Business to ensure that we are fully compliant to ASIC and NCCP Act.

Document-based templates are produced, corresponding to each test. The results are collated and compiled in a document, in turn, drives compliance reporting. Any corrective action plans are also reported by exception and tracked by the Business Director.

6. Our compliance operations

We have developed our Compliance Programme based on the Australian Standard for Compliance Programmes AS 3806-2006. The operational elements of our Compliance Programme are as follows:

6.1. *Promotion of Compliance Culture*

The importance of compliance within the Business cannot be understated. Our Compliance Programme allows us to effectively monitor individual and business-wide performance, to identify problem areas and to continuously improve the way that we do business.

6.2. Allocation of resources

We are committed to ensuring that appropriate resources are allocated to the Compliance Programme in order that our compliance objectives can be met. Resources allocated include:

- At least one full day allocated per quarter to monitoring and testing process by the Business Director; and
- compliance training and personal development.
- Contract consultant who specialise in compliance

Resources are allocated against the context of the nature, size and complexity of our Business.

6.2.1. STAFF

As at 23 June 2016, the Business has one Director, the Responsible Manager, overseeing operations with one PAYG employee and one finance compliance consultant, who does admin and filing. Business Director himself does all the loans. Business may outsource or hire contractor/consultant from time to time as per the business requirements. The Business is planning to hire a loan writer in the next six months. The Business does not foresee any other additional staff requirements in the foreseeable future.

6.2.2. PRODUCTS

The current product offering is limited to the following:

Product	Description	Australian regulatory impact	%
Residential home loans	Vanilla home mortgage product aimed at owner-occupiers.	Product regulated by the <i>National Consumer Credit Protection Act 2009</i> . No specific regulatory complexities associated with this product.	10% of total revenue
Residential investment loans	Vanilla home mortgage products aimed at consumers wishing to purchase investment property. Can be interest-only or principal and interest.	Product regulated by the <i>National Consumer Credit Protection Act 2009</i> . No specific regulatory complexities associated with this product.	30% of total revenue
Refinance deals	A mortgage loan where the borrower is refinancing an existing loan, either to get a better deal, or to unlock equity to use for other real estate investments.	Particular ramifications under Chapter 3 of the <i>National Consumer Credit Protection Act 2009</i> on responsible lending. The exit costs of the existing finance should be carefully scrutinised. See s3.4 of our Responsible Lending policy	40% of total revenue

Debt consolidation	Client is seeking to transfer expensive consumer debt such as credit cards over to more price-effective debt such as debt secured against real property under a mortgage.	Particular consideration with respect to Chapter 3 of the <i>National Consumer Credit Protection Act 2009</i> . In particular, will we be putting the client in a better position than where they are currently. See s3.4 of our Responsible Lending policy	20% of total revenue
--------------------	---	---	----------------------

6.2.3. *NEW PRODUCTS FOR 2020*

Last year in 2019, Business started doing Car/Motor Vehicle loans. This year in 2020, Business is planning to introduce Reverse – Mortgage as a new product and approach old clients to refinance with better rates.

6.2.4. *RESOURCING*

Since June 2014, an external contractor has been doing all the compliance for the Business under the guidance of QED Risk Services. With the size of the business and a relatively homogenous products set, this continues to be an appropriate strategy.

The Business continues to subscribe QED Risk Services “Complifast” an online compliance tool that covers all of a Licensee’s obligations under the NCCP Act. They provide expert advice and also conduct the actual compliance testing for the Business on a quarterly basis.

At this time and based on all factors in this part 6.2, the Business’ compliance resource allocation is considered adequate.

6.3. *Identification and documentation of key compliance obligations*

As compliance obligations arise from a variety of sources, the process of identification and documentation of these obligations requires input from a range of sources acting in co-ordination with the Business Director.

6.3.1. *LAWS AND REGULATIONS*

The primary responsibility for identification of legal and regulatory obligations lies with the Business Director as they become aware of legal or industry changes that affect the Business.

Key sources of information available for the purpose of identification of legal and regulatory obligations include:

- professional memberships
- Product and compliance updates from lenders
- Information, events and notifications from aggregator

6.3.2. *IMPLEMENTATION PROCESS*

All external obligations are recorded on the Compliance Matrix, identifying the source and the details of the obligation. The Matrix is reviewed semi-annually to ensure currency.

As new items are added to the Compliance Matrix, it is the Business Director's task to ensure the implementation through the Business. This takes place through the following process:

- Assessment of new obligation – translate legal obligations into plain English and identify affected areas of the Business
- Consider extra resources that the Business may require
- Identify, analyse, evaluate and treat risks – identify how the Business is going to deal with the new obligation, what control points will be put in place and how those controls will be monitored
- Monitor and review – at a time interval identified in the risk analysis, review compliance with the new obligation

6.4. Assignment of compliance tasks

The key to effective compliance management is to be able to:

- capture the main compliance obligations
- translate them into plain English tasks
- propagate throughout business processes

Within any law, regulation, policy document, contract or planning document there is likely to be a vast array of obligations. The Business Director will identify the main obligations and translate these obligations into plain English tasks relevant to the business. The severity of risk arising from non-compliance is taken into consideration as compliance obligations are either added or removed from the Compliance Programme.

Depending on the nature and urgency of the new obligations, the Business Director will implement the requirements immediately.

6.5. Monitoring and testing of compliance performance

Monitoring of Compliance Performance is managed through a number of different processes:

6.5.1. TESTING THROUGH COMPLIANCE REVIEW PROGRAMME

The scope of testing includes key a) local regulations and laws, b) Business policies and c) risk management-related processes. The schedule and scope of such horizontal reviews is determined using a risk-based approach but at a minimum must include:

- Provision of credit services: Responsible lending, internal policies and external risk factors
- Outsourcing: assessment of any key service providers' performance and compliance

Issues arising from testing will be recorded by the Business Director.

6.5.2. COMPLAINTS AND BREACHES ROOT CAUSE ANALYSIS

Analysis of complaints is an essential compliance tool that gives an insight to the Business that other monitoring and testing does not provide. In a sense, this activity utilises the Business' customers as a

provider of external review of our operations. See the Complaints Handling policy and procedure for further information.

6.6. Reporting on compliance performance

It is critical that the Business Director regularly reviews the Business' compliance performance. As described in section 5.2 of this programme, data obtained from compliance monitoring is communicated within Business and stakeholders, highlighting on the Business' state of compliance.

6.6.1. REPORTING TO THE BUSINESS

The Business Director generates reports on a quarterly basis highlighting:

- Any matters which were required to be notified to any regulatory authority
- Significant changes to compliance obligations
- Details and analysis of compliance breaches
- Details of corrective action undertaken

6.7. Analysing data

Systemic and recurring compliance failures are likely to carry significant risks for the Business. They are often difficult to identify and can easily escalate over time if not picked up early and rectified.

It is the role of the Business Director to carefully analyse all data that is received through the compliance monitoring processes and to identify any systemic and recurring compliance failures that may be occurring. Such failures are often considered immaterial in isolation, however, when viewed in light of multiple occurrences, are often indicative of either a failure in procedure or failure by an individual.

6.8. Registering and reporting compliance breaches

It is critical that compliance failures not be allowed to remain unreported as even a small failure if not reported can lead to such a failure becoming a systemic problem.

6.8.1. BREACH REPORTING

A breach includes, but is not limited to, a known or suspected infringement by the Business of:

- a. applicable laws;
- b. its compliance plan or other governing document;
- c. internal policies and standards;
- d. relevant industry codes of conduct;
- e. the Business' Australian Credit Licence;
- f. a credit disclosure document; or
- g. material contracts.

The Business Director is responsible for facilitating the investigation and management of breaches through to resolution and closure by the relevant business unit.

Once an incident has been detected, the Business Director will note the exact nature of the breach in the register. This determination must also consider if any further reporting actions are necessary.

6.8.2. *REPORTING TO ASIC*

The Business has an obligation to lodge a compliance certificate with ASIC within 45 days of the anniversary of having obtained its Australian Credit Licence. At this time, the form and content of the certificate does not include breach reporting, however the Business should consider that this may change in the future. Under the Act, there are no other breach reporting requirements at this time.

6.9. *Rectifying problems*

Issues of non-compliance *will* arise and it is the central objective of this Compliance Programme to ensure that these incidents are:

- Captured
- Analysed
- Reported; and
- Rectified.

How a problem is rectified depends on the nature of the problem. Rectification measures can vary from minor corrective action for an isolated breach to substantial re-engineering of processes and procedures to minimise the risk of a breach reoccurring.

By rectifying problems as they occur we are in effect continually improving our operations and minimising future adverse risk events.

The Business must ensure corrective actions identified through the breaches and complaints processes are followed through using the appropriate complaints or breaches process.

6.10. *Continuous improvement*

The Business is committed to continuous improvement in all its operations including compliance. It is the responsibility of the Director to regularly review the Compliance Programme and related material to ensure that it is in line with local compliance practices. This Compliance Programme is reviewed at least once a year.

6.11. *Communicating with key regulators*

The Business Director has responsibility for liaising with regulators with respect to day-to-day compliance issues.

The Business may be subject to visits by representatives of regulators from time to time. Appropriate cooperation will be afforded to regulators.

Appendix A – Annual compliance checklist

The following items are to be performed or checked off once per year. This checklist to be printed and kept filed as documentation.

Task	Completed	Name	Date
Ensure all insurances reviewed and up-to-date	<input checked="" type="checkbox"/>	Pree Gupta Compliance Consultant	July 2019
Review of Business Continuity Plan	<input checked="" type="checkbox"/>	Pree Gupta Compliance Consultant	July 2019
Review for outsourced functions	<input checked="" type="checkbox"/>	Pree Gupta Compliance Consultant	26 July 2019
Review of credit activities versus authorisations on Licence	<input checked="" type="checkbox"/>	Pree Gupta Compliance Consultant	July 2019
Review of all Compliance policies	<input checked="" type="checkbox"/>	Pree Gupta Compliance Consultant	July 2019
Annual Compliance Certificate lodged with ASIC	<input checked="" type="checkbox"/>	Pree Gupta Compliance Consultant	31 July 2019
Check no client monies handled	<input checked="" type="checkbox"/>	Pree Gupta Compliance Consultant	July 2019
Review all client documents for currency: <ul style="list-style-type: none"> • Credit guide • Credit quote • Preliminary assessment • Credit proposal disclosure 	<input checked="" type="checkbox"/>	Pree Gupta Compliance Consultant	July 2019
Review sales staff and Responsible Managers skills, training and conduct	<input checked="" type="checkbox"/>	Pree Gupta Compliance Consultant	July 2019
Document strategy review for coming 12 months considering resources required for: <ul style="list-style-type: none"> • Finances • People • IT 	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	Pree Gupta Compliance Consultant	July 2019
Industry body accreditation Current/Renewal	<input checked="" type="checkbox"/>	Pree Gupta Compliance Consultant	August 2019

Appendix B – Compliance testing worksheet sample

Compliance Programme Control test template

Ref No 1	Obligation type Credit Regulations	Obligation Description Update changing regulations	Control Description Adapt changes to industrial regulations & practices
2	Business Policies & Practice	Follow procedures Good business practise	Adequate Business Policies in place; regular review & testing
3	Training & Compliance	Staff training & Business Compliance	Ongoing staff training, adhere to business processes
Risk Rating LOW		Test period July – August 2019	Test performed by Pree Gupta
Test steps Ensure review has been performed, documented and signed off by Business Director			
Results Business has all the policies updated regularly; Business follows good credit practises; Keep update of changes to industry & legislation regularly; Ongoing professional training for staff throughout the year. Preventative measures are in place for good business & credit practise i.e. quarterly audits performed by QED Risk Services (External Independent Auditors of Mortgage & Finance Industry)			

Control rating



Satisfactory



Unsatisfactory



Poor

Corrective action plan (where control rating less than satisfactory)

N/A

Milestone	Responsible person	Target date
NA	NA	NA

Sign-off

Pree Gupta

Tester

Pree Gupta

Signature

31/07/2019

Date

Elias Missailidis

Business Director

Elias Missailidis

Signature

31/07/2019

Date