

Section 38



APRA

22 August 2024

Sydney

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Australia and New Zealand Banking Group Limited

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1 Martin Place (Level 12), NSW 2000
GPO Box 9836, Sydney NSW 2001
Australian Prudential Regulation Authority

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Dear S.22

Australia and New Zealand Banking Group Limited (ANZ) Prudential Concerns and Supervisory Requirements

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Section 38 APRA has had long-standing concerns with ANZ's non-financial risk management and risk culture. To date, ANZ has not been able to satisfy APRA that it has made sufficient progress in addressing weaknesses in non-financial risk management to justify a reduction or removal of the \$500 million operational risk capital add-on that APRA imposed in 2019. Section 38

A number of recent issues have heightened our concerns. ANZ's misreporting of data to the Australian Office of Financial Management (AOFM), conduct and behaviour issues in the Markets business Section 38 indicate that risk governance weaknesses are persisting.

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Supervisory decisions and requirements

APRA has decided to make the following requirements of ANZ. Section 38

1. commission an external independent review of the root causes of the recent issues and risk governance in ANZ's Markets business, and assess if identified weaknesses are present across the broader bank;
2. develop and implement a remediation plan to address the findings from the independent review;
3. hold an additional \$250 million to the operational risk capital charge;

Section 38

Please be advised that if APRA's concerns are not promptly or effectively addressed, Section 38 additional actions will be considered. Section 38

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Attachment - Supervisory requirements

Markets Business Issues

Section 38 In APRA's view, the totality of these issues points to potential deficiencies in controls, risk culture, governance, and accountability.

These issues include:

- Misreporting of bond trading data by ANZ to the AOFM in 2022-2023. Section 38
- Conduct and behavioural issues in ANZ's Markets business; and
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Section 38

Section 38

1. Independent review of root causes and risk governance

APRA **requires** ANZ to commission an external independent party to undertake a review of the root causes of recent issues and risk governance in ANZ's Markets business (Markets Business Review). Section 38

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2. Remediation plan

APRA **requires** ANZ to develop and implement a robust remediation plan to promptly address any findings from the Markets Business Review. **Section 38**

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3. Additional capital requirement

APRA is **applying** an additional \$250 million to the operational risk capital charge on ANZ **Section 38**

Section 38 Depending on the outcomes of the Markets Business Review, APRA may consider further actions. **Section 38**

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