

EXPOSURE-DRAFT



EXPOSURE DRAFT (04/06/2013)

Australian Charities and Not-for-profits Commission Amendment Regulation 2013 (No. 4)

Select Legislative Instrument No. ,2013

(Assistant Treasurer)

These documents were used by Treasury to further develop its advice to Government, so does not reflect the views of the then Government, current Government or the Treasury.

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1 Name of regulation

This regulation is the *Australian Charities and Not-for-profits Commission Amendment Regulation 2013 (No. 4)*.

2 Commencement

This regulation commences on the later of:

- (a) the commencement day referred to in section 50-20 of the *Australian Charities and Not-for-profits Commission Act 2012*; and
- (b) 1 July 2014.

Note: Section 50-20 of the *Australian Charities and Not-for-profits Commission Act 2012* relates to Parliamentary scrutiny of a regulation made for the purposes of section 50-10 of that Act.

3 Authority

This regulation is made under the *Australian Charities and Not-for-profits Commission Act 2012*.

4 Schedule(s)

Each instrument that is specified in a Schedule to this instrument is amended or repealed as set out in the applicable items in the Schedule concerned, and any other item in a Schedule to this instrument has effect according to its terms.

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Schedule 1—Amendments***Australian Charities and Not-for-profits Commission
Regulation 2013*****1 Section 40.1, table, after item 2**

Insert:

2A	Overseas activities statement	The registered entity has given the Commissioner an overseas activities statement as required by external conduct standard 2, set out in section 50.25
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2 After Division 45

Insert:

Division 50—External conduct standards**Subdivision 50-A—Preliminary****50.1 Simplified outline—how the external conduct standards apply**

The external conduct standards support registered entities in fulfilling their objectives, by providing a minimum level of assurance that they meet community expectations in relation to the conduct of a registered entity when it undertakes activities or provides funds, or otherwise supports activities outside Australia.

Australian registered entities play an important role in providing development assistance, essential services, comfort and hope to those in need around the world. Unfortunately, there is a risk that criminal organisations may take advantage of registered entities, by misusing funds and providing a cover for, or support of, criminal activities.

The external conduct standards are intended to prevent registered entities from being misused by criminal organisations and provide greater confidence that charitable funds sent, and services provided, overseas are reaching legitimate beneficiaries and are being used for legitimate purposes.

The external conduct standards apply to registered entities in relation to matters both outside Australia and matters not outside Australia but closely related to entities, things or matters outside Australia (such as the management within Australia of overseas aid).

The external conduct standards assist in meeting Australia's international obligations including under the Financial Action Task Force Recommendations.

The steps a registered entity will need to take to comply with the standards will vary according to its particular circumstances, such as its size, the sources of its funding, the nature of its activities (including the extent and importance of its activities outside Australia and resources given to parties outside Australia) and the needs of the public (including members, donors, employees, volunteers and benefit recipients of the registered entity).

The obligations and reasonable steps specified in the external conduct standards are to be interpreted having regard to the objects of the Act and the matters the Commissioner must consider in exercising the Commissioner's powers as listed in section 15-10 of the Act (in particular, the principles of regulatory necessity, reflecting risk and proportionate regulation, as well as the unique nature and diversity of not-for-profit entities and the distinctive role that they play in Australia).

The objects of the Act are: to maintain, protect and enhance public trust and confidence in the Australian not-for-profit sector; to support and sustain a robust, vibrant, independent and innovative Australian not-for-profit sector; and to promote the reduction of unnecessary regulatory obligations on the Australian not-for-profit sector.

50.2 Definitions

- (1) In this Division:

affiliate means an entity to which the registered entity has some form of membership, formal association or alliance.

partner means an entity that collaborates with a registered entity to further the registered entity's purpose or other mutually agreed objective.

third party means a contractor, partner or affiliate.

- (2) The external conduct standards in Subdivision 50-B must be interpreted in a way that is consistent with the objects of the Act and the requirements of section 15-10 of the Act.

50.3 Application

For the purposes of section 50-10 of the Act, the external conduct standards in Subdivisions 50-B and 50-C are specified.

50.4 Application-operating outside Australia

- (1) For this Division, a registered entity, or a third party, operates outside Australia if it operates outside Australia in whole or in part.
- (2) However, a registered entity does not operate outside Australia only because it carries out activities outside Australia that are:
- (a) merely incidental to the operation and pursuit of a registered entity's purposes in Australia; and
 - (b) minor in extent and importance, when considered in relation to the operations and pursuit of the registered entity's activities within Australia, and the monies and other property utilised in the activity.

Subdivision 50-B—Standards about public accountability and financial matters

50.20 Standard 1—activities and control of resources (including funds)

Object

- (1) The object of this external conduct standard is to give the public (including members, donors, employees, volunteers and benefit recipients of a registered entity to which the standard applies) trust and confidence that a registered entity is managed in a way that:
 - (a) ensures the registered entity's ongoing operation; and
 - (b) ensures the safety of the registered entity's assets; and
 - (c) ensures that the registered entity, and its resources, are furthering the registered entity's purposes; and
 - (d) ensures that the registered entity is operating in a way that is consistent with its purpose and character as a not-for-profit entity.

Application

- (2) This standard applies to a registered entity that is:
 - (a) operating outside Australia; or
 - (b) working with third parties that are operating outside Australia.

Standard

- (3) The registered entity must:
 - (a) take reasonable steps to ensure that its activities outside Australia are carried out in a way that is consistent with its purpose and its character as a not-for-profit entity; and
 - (b) maintain reasonable internal control procedures that minimise the risk that resources (including funds) are used in a way that is inconsistent with its purpose and character as a not-for-profit entity; and
 - (c) take reasonable steps to ensure that the resources (including funds) given to third parties outside Australia (or within Australia for use outside Australia) are applied:

- (i) in accordance with the entity's purpose and character as a not-for-profit entity; and
- (ii) with proper controls and risk management processes in place.

Note: Paragraphs (a) and (b) are intended to ensure that a registered entity has procedures in place to manage the risks associated with its own operations and activities. Paragraph (c) is intended to ensure that proper controls are in place with respect to resources given to third parties.

- (4) The registered entity must have regard to Australian laws relating to:
 - (a) money laundering; or
 - (b) the financing of terrorism.

Note: While a registered entity must have regard to these Australian laws, a serious infringement of an Australian law covered by governance standard 3 may allow the Commissioner to exercise his or her enforcement powers under Part 4-2 of the Act, following consideration of the matters mentioned in subsection 35-10 (2) of the Act.

50.25 Standard 2—annual overseas activities statement

Object

- (1) The object of this external conduct standard is to ensure that a registered entity to which the standard applies is transparent and accountable to the public (including members, donors, employees, volunteers and benefit recipients of the registered entity) in relation to its activities carried out outside Australia.

Application

- (2) This standard applies to a registered entity that is:
 - (a) operating outside Australia; or
 - (b) working with third parties that are operating outside Australia.

Standard

- (3) A registered entity must prepare a statement for each financial year (an ***overseas activities statement***) that provides a summary of its

operations and activities outside Australia during the financial year if the registered entity, during the financial year:

- (a) operated outside Australia; or
- (b) carried out activities outside Australia; or
- (c) gave resources (including funds) to third parties outside Australia (or within Australia for use outside Australia), other than resources provided to another registered entity.

Note: The overseas activities statement may be a separate document or may be included in another document of the registered entity, such as a broader report produced by the entity for public release.

- (4) If the registered entity has not given the Commissioner an annual financial report under Subdivision 60-C of the Act, the overseas activities statement must include a summary of the registered entity's expenditure relating to its operations and activities outside Australia for the financial year.
- (5) A registered entity must give the overseas activities statement to the Commissioner on or before:
 - (a) 31 December in the financial year following the financial year to which the overseas activities statement relates; or
 - (b) a later date determined by the Commissioner.

- (6) Subdivisions 60-F and 60-G of the Act apply to this section in the same way that they apply to Division 60 of the Act.

Note: Subdivision 60-F of the Act deals with substituted accounting periods. Subdivision 60-G of the Act deals with collective and joint reporting.

- (7) The Commissioner may allow a registered entity to not prepare an overseas activities statement if, for a financial year:
 - (a) the registered entity makes an application in the approved form; and
 - (b) the Commissioner has had regard to:
 - (i) section 50.4; and
 - (ii) the extent to which the registered entity operates or provides funds outside Australia; and
 - (c) the Commissioner reasonably believes that allowing an overseas activities statement not to be prepared:
 - (i) is not inconsistent with the objects of this section or the objects of this Act; and

- (ii) would not prevent a recognised assessment activity from being carried out; and
- (d) the Commissioner is satisfied that the Commissioner receives sufficient information from the registered entity about its overseas activities.

Note: For paragraph (7)(d), sufficient information could be made available to the Commissioner, for example, in the annual information statement.

Subdivision 50-C—Standards about conduct outside Australia

50.30 Standard 3—anti-fraud and anti-corruption

Object

- (1) The object of this external conduct standard is to give the public (including members, donors, employees, volunteers and benefit recipients of a registered entity to which the standard applies) trust and confidence that the registered entity is managed in a way that:
 - (a) ensures the registered entity’s ongoing operation; and
 - (b) ensures the safety of the registered entity’s assets; and
 - (c) ensures that the registered entity, and its resources, are furthering the registered entity’s purposes; and
 - (d) ensures that the registered entity is operating in a way that is consistent with its purpose and character as a not-for-profit entity.

Application

- (2) This standard applies to a registered entity that is:
 - (a) operating outside Australia; or
 - (b) working with third parties that are operating outside Australia.

Standard

- (3) A registered entity must take reasonable steps:
 - (a) to minimise any risk of corruption, fraud, bribery or other financial impropriety by its responsible entities, employees, volunteers and third parties outside Australia; and

- (b) to manage any perceived or actual material conflicts of interest for their employees, volunteers and third parties outside Australia.

Note: A responsible entity of a registered entity must disclose all material conflicts of interest as one of their duties under governance standard 5—see section 40.25.

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Proposed External Conduct Standards under the ACNC Act

Background

Under the *Australian Charities and Not-for-profits Commission Act 2012* (ACNC Act), registered entities are required to meet certain minimum standards that are set out in the regulations. There are two types of standards under the ACNC Act, the Governance Standards and the External Conduct Standards.

The Governance Standards, which were made by way of a Regulation on 1 March 2013, require all registered entities, other than basic religious charities (as defined in the ACNC Act) to comply with standards that relate to the governance of the registered entity. They are to commence on 1 July 2013¹.

The External Conduct Standards are the subject of this public consultation process and are also proposed to be made by way of Regulation in the form of the exposure draft Regulation. The External Conduct Standards are a set of principles-based minimum standards that all registered entities must comply with, including basic religious charities

The purpose of the External Conduct Standards is to provide a minimum level of assurance that registered entities meet community expectations in relation to the conduct of a registered entity when it undertakes activities or provides funds, or otherwise supports activities, outside Australia.

Registered entities will need to comply with these standards to be, and remain, registered with the ACNC. The External Conduct Standards are intended to reflect a minimum set of outcomes for registered entities, rather than mandate detailed procedures and requirements necessary to minimise the risk of misuse of registered entities.

The intent of the standards is to promote transparency and greater confidence in the not-for-profit (NFP) sector across the donor community, and with the general public, that funds sent, and services provided, overseas by the registered entity are reaching legitimate beneficiaries and being used for legitimate purposes. It is also intended that the standards will limit the likelihood of Australian registered entities being misused in a way that is not consistent with their status as a registered Australian NFP entity.

Depending on the legal form of the entity and the country they are operating in, registered entities may be subject to little or no government oversight of their overseas activities. There may also be few formalities required for their creation (for example, there may be no skills or starting capital required, and no background checks necessary for employees).

¹ For further information on the Governance Standards, please see the explanatory statement at: <http://www.comlaw.gov.au/Details/F2013L00402/Explanatory%20Statement/Text>

The external conduct standards, together with the establishment of the ACNC, will assist in meeting Australia's international obligations including under the Financial Action Task Force Recommendations (FATF Recommendations).

The FATF is an inter-governmental body established in 1989 to promote measures for combatting money laundering, terrorist financing and related threats to the integrity of the international financial system. As a member of FATF, Australia has agreed to comply with the FATF Recommendations.

These standards have been developed having regard to existing codes of practice for Australian registered entities operating overseas. In particular, the standards are based on several principles contained in the Code of Conduct issued by the Australian Council for International Development (ACFID). ACFID represents a range of Australian charities operating outside Australia. Registered entities that comply with the ACFID code would already comply with the External Conduct Standards.

Compliance with the External Conduct Standards will also assist registered entities to meet other regulatory requirements, for example, it will assist with compliance with Australia's terrorism financing laws under the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006*.

Scope of the External Conduct Standards

The External Conduct Standards apply to registered entities in relation to matters both outside Australia and matters that are not outside Australia, but closely related to entities, things or matters outside Australia, for example, the management of overseas aid within Australia.

In particular, the standards apply to registered entities that are operating outside Australia (either in whole or in part), or working with third parties that are operating outside Australia (either in whole or in part).

Under the External Conduct Standards, a 'third party' means a contractor, partner or affiliate. The standards further define 'partner' and 'affiliate'. These definitions are based on existing concepts currently used in the ACFID Code of Conduct.

A registered entity or third party will not be considered to be 'operating outside Australia' where the overseas activities are merely incidental to the operation and pursuit of the entity's purposes in Australia, or the overseas activities are minor in extent and importance when considered with reference to the operations and pursuit of an entity's Australian activities.

Example 1.1:

A registered entity is set up in Australia to help Australians suffering from cancer. Part of the treatment it provides involves travel to Canada. This would be considered to be incidental when considered with reference to the entity's operations and pursuit of purposes in Australia, and the entity would not have any obligations under the External Conduct Standards.

Example 1.2:

A registered entity provides medical assistance to children in Australia with a particular disability but, to a minor extent, it also brings children from other countries to receive treatment in Australia. This would be considered incidental when considered with reference to the entity's operations and pursuit of its purposes in Australia, and the entity would not have any obligations under the External Conduct Standards.

Example 1.3

A registered entity is set up in Australia to help homeless Australians. The entity acquires supplies, such as blankets, from overseas providers by mail order. This would be considered to be incidental when considered with reference to the entity's operations and pursuit of its purposes in Australia, and the entity would not have any obligations under the External Conduct Standards.

Example 1.4

A registered entity that is church in Australia raises around \$100,000 a year, of which around \$6,000 is put towards a sister parish in El Salvador, and the remaining \$94,000 is used for activities within Australia. The church's overseas activities are minor in extent and importance when considered with reference to the operations and pursuit of the church's Australian activities, and the church would not have any obligations under the External Conduct Standards.

Example 1.5

A registered entity is set up to help sick children in Australia. The entity also conducts a program which provides medical assistance to sick children in Bali; however, this program is not the predominant focus of the entity, and it only spends around four per cent of its income on the program. The entity's activities in Bali are minor in extent and importance when considered with reference to the operations and pursuit of the entity's Australian activities, and the entity would not have any obligations under the External Conduct Standards.

Application and timing of the External Conduct Standards

Initially, the ACNC will only regulate charities, and as such, the External Conduct Standards will only apply to charities that are registered entities. Any expansion of the ACNC to cover a broader part of the NFP sector would involve detailed consultation with stakeholders.

The External Conduct Standards are proposed to apply to registered entities from 1 July 2014.

What will happen if a registered entity breaches the External Conduct Standards?

Once an entity is registered with the ACNC, it will be responsible for assessing its own compliance with the External Conduct Standards. The Commissioner will assume that registered entities are in compliance with the External Conduct Standards unless there is evidence to the contrary.

In accordance with the ACNC's proposed regulatory approach, the ACNC will emphasise education and guidance to facilitate and promote compliance with the External Conduct Standards and use its enforcement powers only to address serious cases of non-compliance, including persistent and significant non-compliance.

Under the ACNC Act, the Commissioner *must* consider a range of factors before exercising his/her powers, including the nature, significance and persistence of any contravention, and what actions the registered entity and the Commissioner could otherwise take (or have taken). The ACNC has graduated enforcement powers that allow it to take a proportionate response to non-compliance. For example, as a preliminary step the Commissioner may (after informal advice has been ignored) issue a formal warning.

The proposed External Conduct Standards

Three External Conduct Standards are proposed, which are categorised into two broad areas. These are set out below:

Standards about public accountability and financial matters

- Standard 1: activities and control of resources (including funds)
- Standard 2: annual overseas activities summaries

Standards about conduct outside Australia

- Standard 3: anti-fraud and anti-corruption.

The standards are principles-based and designed to be at a high level so that registered entities have flexibility in how they choose to comply, based on their individual circumstances.

Under the proposed standards, registered entities need only take reasonable steps in order to comply with certain standards. In deciding what steps are reasonable for the registered entity to implement to satisfy the proposed standards, the registered entity would consider its size, the extent and importance of its overseas activities and overseas funding, and the extent to which it receives donations, grants and other monies from governments or the public.

Other relevant factors to consider may include the risks inherent in the nature of the activities of the registered entity, the risk of misuse of the registered entity and the vulnerability of those benefiting from the registered entity's services.

Standards about public accountability and financial matters

Standard 1 – activities and control of resources (including funds)

The purpose of this standard is to ensure that overseas activities undertaken by the registered entity and the use of resources by the registered entity (and third parties) are consistent with the entity's purpose and character as an NFP entity.

This standard is also intended to prevent Australian registered entities from being misused in a way that is not consistent with its status as an Australian NFP entity. This will, in turn, promote transparency and confidence across the sector and the general public that the registered entity's activities, funds and services are applied for legitimate purposes.

This standard also assists in meeting Australia's obligations under FATF Recommendation 8, in particular, the Interpretive Note to the Recommendation which sets out measures that countries should adopt, including that NFPs are to have appropriate controls in place to ensure that all funds are fully accounted for and are spent in a manner that is consistent with the purpose and objectives of the organisation. Other measures provide that NFPs should make best efforts to confirm the identity, credentials and good standing of their beneficiaries and associates.

Explanation of the standard

Under this standard a registered entity will be required to:

- take reasonable steps to ensure that its activities outside Australia are carried out in a way that is consistent with its purpose and its character as an NFP entity;
- maintain reasonable internal control procedures that minimise the risk that resources (including funds) are used in a manner that is inconsistent with its purpose and character as a NFP entity;
- take reasonable steps to ensure that the resources (including funds) given to third parties outside Australia (or within Australia for use outside Australia) are applied in accordance with the entity's purpose and character as an NFP entity and with proper controls and risk management processes in place.

The use of the phrases 'consistent/inconsistent' or 'in accordance' with its purpose and character as an NFP entity is adopted in this standard so that registered entities take reasonable steps to ensure that their operations (both activities and resourcing) that occur overseas are consistent with the purpose for which the entity was created and also consistent with the character of the entity as an NFP entity. For example, this means acting consistently with the legal requirements of being a charity and not knowingly operating in a way that is inconsistent with the law or adverse to the public interest.

Steps a registered entity can take to meet this standard

In respect to undertaking activities overseas, the steps that a registered entity may take may include identifying someone in the organisation who is, as part of their role, accountable for compliance with the entity's purpose and character as an NFP entity (even if the compliance work is outsourced)

and explain the processes used to regularly check compliance. For a larger registered entity, reasonable steps may include having dedicated compliance staff, staff manuals and training, internal audit and other systems appropriate to their environment.

In respect to sending funds and providing services overseas, the steps that a registered entity may take include making inquiries to satisfy itself that resources (including funds) given to third parties will be applied lawfully, and that the activities being undertaken by the third party are consistent with the registered entity's purpose and character as an NFP entity. The registered entity may also undertake a risk assessment to determine how exposed they are to becoming involved in financing terrorist organisations or other similar activities.

A registered entity may satisfy this standard even if it fails to track funds and resources provided through multiple parties, as long as the registered entity took reasonable steps to ensure this did not occur, and had maintained reasonable internal compliance and financial control procedures to minimise the risk of this occurring.

As discussed earlier, this standard applies to a registered entity that is operating outside Australia (either in whole or in part), or working with third parties that are operating outside Australia (either in whole or in part).

Many registered entities operating overseas will have existing controls in place to meet these requirements.

Guidance on additional steps that NFPs can take to protect themselves against terrorism financing, entitled '*Safeguarding your Organisation against Terrorism Financing*' can be accessed at: <http://www.ag.gov.au/CrimeAndCorruption/AntiLaunderingCounterTerrorismFinancing/Pages/default.aspx>.

Standard 2 – annual overseas activities summaries

The purpose of this standard is to promote transparency and accountability in the NFP sector in relation to registered entities and their activities carried out outside Australia.

This standard assists in meeting Australia's obligations under FATF Recommendation 8, in particular, for NFPs to issue financial statements that provide detailed breakdowns of incomes and expenditures, and have the capacity to provide timely information on its activities, size and other relevant features.

Explanation of the standard

This standard requires an overseas activity statement to be prepared by the registered entity, which provides a summary of their overseas operations and activities during the year. The overseas activity statement is expected to include the following details:

- a brief outline of what activities were undertaken outside Australia;
- how these activities sought to achieve the entity's purpose;
- how successful those activities were in achieving that purpose;

- a breakdown of expenditure from overseas activities and funding (only if the registered entity does not prepare an annual financial report under Subdivision 60-C of the ACNC Act); and
- any other relevant details.

The ACNC Act establishes a reporting framework, and as part of this framework, medium and large sized registered entities (with annual revenue of \$250,000 or above) will generally need to prepare an annual financial report. If a registered entity does not prepare an annual financial report under Subdivision 60-C of the ACNC Act, for example, because it is a small registered entity, this standard requires the entity instead to include a breakdown of expenditure from overseas activities and funding in its overseas activity statement.

The ACFID Code of Conduct already requires signatory organisations to publish an annual report, including an audited annual financial report.

Once a registered entity has provided the Commissioner with an overseas activity statement under this standard, the Commissioner will be required to include it on the ACNC register where it will be publicly available unless the information is authorised to be withheld or removed from the Register under the ACNC Act or Regulation. This will help to promote transparency by providing the general public with information about a registered entity's overseas activities.

Requirements of the overseas activity statement

The overseas activity statement is not intended to be an onerous requirement. Many registered entities with robust internal processes may already be preparing this information for internal purposes, or may be currently subject to existing reporting requirements, for example, under the *Private Ancillary Fund (PAF) Guidelines 2009* (for example, where a PAF funds overseas deductible gift recipients).

The overseas activity statement need not be lengthy. The length and detail of the overseas activity statement should be appropriate to the registered entity's circumstances. The more significant and extensive the overseas operations and activities are, the more comprehensive the statement is expected to be.

The overseas activity statement may be presented as a separate document or may be included in, or appended to, a separate document, for example, a broader report prepared by the registered entity.

The overseas activity statement must be submitted no later than 31 December in the following financial year, or such later time as the ACNC Commissioner allows. If the registered entity has a substituted accounting period (SAP), it can apply to the ACNC Commissioner to report on the basis of the SAP, that is, to submit the statement within six months after the end of the SAP. The ACNC Commissioner can also allow a group of registered entities to provide their overseas activity statement on a joint or collective basis, based on criteria set out in Subdivision 60-G of the ACNC Act.

However, the standard also allows a registered entity to apply to the ACNC Commissioner to not prepare an overseas activity statement for a financial year where:

- the registered entity makes an application in the approved form;
- the ACNC Commissioner reasonably believes that allowing an annual statement not to be prepared:
 - is not inconsistent with the objects of external conduct standard 2, or the objects of the ACNC Act;
 - would not prevent a recognised assessment activity from being carried out; and
- the Commissioner is satisfied that the Commissioner receives sufficient information from the registered entity about its overseas activities, for example, in the annual information statement.

A 'recognised assessment activity' is defined in section 55-10 of the ACNC Act.

This is intended to reduce the compliance burden on registered entities, where its international activities represent an insignificant part of its overall operations, and where the risks associated with the misuse of funds is low.

Standards about conduct outside Australia

Standard 3: anti-fraud and anti-corruption

This standard is intended to promote trust and confidence that the resources of Australian registered entities are being used to further their NFP purposes, and not being misused for illicit or improper purposes.

This standard also assists in meeting Australia's obligations under FATF Recommendation 8, in particular, for NFPs to have appropriate controls in place to ensure that all funds are fully accounted for and are spent in a manner that is consistent with the purpose and objectives of the entity.

Steps a registered entity can take to meet this standard

The reasonable steps that need to be undertaken to satisfy this standard will depend on the entity's size and circumstances. For example, a small registered entity may have basic systems and documentation outlining its approach to legal compliance, integrity and ethical conduct. For a large registered entity, reasonable steps may include having greater documentation including a purpose and values statement, detailed operational manuals, extensive training programs, detailed monitoring and reporting systems and a robust, multi-faceted complaints and whistle-blowing system.

Further examples of reasonable steps that registered entities could take include:

- articulating their stance against any wrongdoing;
- ensuring that their operations and internal controls actively minimise the risk of operational wrongdoing; and are monitored for evidence of wrongdoing;
- maintaining internal and external processes for safe reporting of wrongdoing, or whistle blowing, that include:

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- publicised points of confidential contact (including at least one member of the responsible entity);
 - a process for investigation and escalation; and
 - prescribed timeframes for investigation and response.
- taking prompt, firm corrective action where wrongdoing was identified.

The standard does not apply to the responsible entity of a registered entity, to avoid duplication with the proposed governance standards. The proposed governance standards already require the responsible entity of a registered entity to disclose all material conflicts of interest, under Governance Standard 6 in Division 45 of the Principal Regulation.

DRAFT FOR CONSULTATION