



ASX Announcement

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Update on AMP Financial Planning Enforceable Undertaking with ASIC

AMP Financial Planning (AMPFP) is today providing an update on the Enforceable Undertaking (EU) agreed with ASIC in July 2006, which relates primarily to the provision of superannuation switching advice between November 2004 and July 2006.

AMP Limited Chief Executive Officer Andrew Mohl said progress had been made on most undertakings, particularly in planner training and the strengthening of procedures and disclosures.

However, he said that implementation of the undertaking on client rectification had proved to be far more complex than anticipated. This has resulted in an increase in the number of customers that AMPFP plans to contact to offer a review of their superannuation advice.

AMPFP originally estimated that around 7,000 customers out of a total 720,000 retail super customers would be contacted. AMPFP now plans to contact around 35,000 customers in total¹.

¹There are now seven categories of AMPFP retail superannuation customers who will be contacted:

- industry fund customers switching to a new AMP retail fund;
- non-AMP retail fund customers switching to a new AMP retail fund;
- industry fund customers switching to an existing AMP retail fund;
- non-AMP retail fund customers switching to an existing AMP retail fund;
- existing AMP fund customers switching to a new AMP retail fund;
- existing AMP fund customers switching to an existing AMP retail fund; and
- former AMPFP customers (ie no longer with AMPFP).

The number has changed as a result of AMPFP's own verification processes, as well as discussions with ASIC and the external expert, Deloitte, which has resulted in the inclusion of existing AMPFP retail superannuation clients as well as new retail superannuation clients.

Overall, around one-third of these 35,000 customers were new AMPFP retail superannuation customers in the time periods covered by the EU. The two-thirds balance were existing customers at the time the advice was provided. Some of the 35,000 customers are no longer AMPFP customers.

"While it is disappointing that it has taken longer than anticipated to finalise the customer numbers, our key concern has been to ensure we identify and verify every customer who is eligible for a review," Mr Mohl said.

"We will continue to work closely with ASIC and the external expert, Deloitte, to ensure the full terms of the EU are met and to inform them of all developments.

"The EU is acting as a catalyst for change at AMP - we are using this experience to ensure that this doesn't happen again."

All customers contacted are being offered the opportunity to have their advice reviewed. To date, around 5 per cent of the 5,900 customers already mailed have requested a review.

AMP Financial Services Managing Director Craig Dunn said it was important to remember that in the majority of cases, AMPFP believes its customers are better off as a result of the advice that they received.

However if the review shows that there was not a reasonable basis for advice - or that the basis was not adequately documented - AMPFP will offer to move the customer's superannuation back to their original fund or funds, refund advice and associated fees and ensure their insurance arrangements are not affected.

"Our customers trust us with their money because they know that we always have, and we always will, stand behind the advice and product recommendations from their AMP planner," Mr Dunn said.

"This instance will be no different."

In terms of AMPFP's response to the other undertakings contained in the EU, progress has been made in a number of areas including:

- The introduction of a new management structure with a much sharper focus on compliance and improving processes and procedures.
- The development of new Statements of Advice (SOA) and Financial Services Guides, with further enhancements to SOAs planned in 2007.
- The amendment of AMPFP's Professional Standards Manual to include clearer disclosure guidance.
- New training, auditing and compliance procedures for planners, including new vetting procedures for advice relating to superannuation switching.

- Clearer disclosure of the range of products offered to customers, with a list of the approved products and services list on the website and available to any customer on request.

Improvements have also been made to the management of potential conflicts of interest, to ensure AMPFP complies with new Financial Planning Association requirements. These involve changes to Buyer of Last Resort and Net Business Flow measures to remove any remaining preference towards AMP products.

“We believe that what will give our customers confidence is complete transparency about the advice process – including the benefits and the cost of advice – and we are committed to delivering on this,” Mr Dunn said.

“Overall, we now have a clearer offer, our procedures and processes are better, and the professionalism and quality of advice of our planners is higher. This all adds up to a better offer for our customers.

“Ultimately, we believe our customers will judge us on how we continue to address these issues and we remain committed to making the necessary improvements.”

The next step in the process is to mail all eligible customers to offer them a review of their advice. AMPFP will still contact all existing retail customers by 28 February 2007. Former customers will be contacted when the form of rectification they will be offered has been agreed with ASIC.

The assessment criteria to be used for the review of advice also need to be finalised, with discussions now underway with both ASIC and the external expert. Once agreed, the review process will commence immediately for those customers who have requested a review.

There continues to be no material financial impact on AMP Limited from the Enforceable Undertaking.

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