

Appendix 5.4 – BBYFUNDING ledger bank statement comparison

Note 1 – We identified email correspondence dated 8 February 2013 which appears to be relevant to journal J9460 (see **Exhibit 5.12**). According to that correspondence, \$116,870.57 of “BBY Corp” funding was required by the clearing team on 8 February 2013, however from review of the bank statement data it appears that \$150,000.00 was transferred to Equity/ETO Trust 2 account ending 415 on 8 February 2013 (not \$116,870.57). Further email correspondence from the Head of Clearing to the BBY Compliance team on 13 February 2013 (**Exhibit 5.13**) explains that the Clearing team had initially advised the Finance team that a preliminary funding figure of \$150,000.00 was required, and that the resulting surplus was \$33,129.43 (J9474). Therefore, it appears that the transfer of \$150,000.00 is accounted for by two separate journals: \$116,870.57 on 8 February 2013 and a correcting journal entry of \$33,129.43 on 11 February 2013.

Note 2 - No email correspondence has been identified in relation to this journal entry, however from our review of the BBY bank movement schedules and the bank statements, we note that “BBY Corp” funding of \$52,457.43 was deposited into the Equity/ETO Client Trust account ending 541 on 18 June 2013. It therefore appears that journal J13939 was overstated by \$1,000.00 in error. We note a correcting journal on the BBYFUNDING ledger made on the same day, 18 June 2013, of \$1,000.00 (J13940).

Note 3 – We identified email correspondence dated 6 November 2014 which appears to be relevant to this journal (**Exhibit 5.14**). The first email in the chain is from the Head of Clearing to the Cashiering team and the Strategy Manager outlining the daily funding requirements for that day – the email states that the amount of funding required for the day is \$1,469,079.03, however a table included in the email specifies \$539,216.88 as the amount required from ‘BBY Corp’. The second email in the chain then provides a revised table, suggesting that \$1,469,079.03 was received from ‘BBY Corp’.

From our review of the bank statements we note the following funds movements:

- 5 November 2014:** \$1,469,079.03 was transferred from the Equity/ETO Client Trust account ending 541 to the General Trust account ending 002. The narration for this transfer on the BBY bank movement schedules is “RTGs Pymt to BBYCorp - BBYSC Oct14 Comms” suggesting this payment related to October 2014 commissions due to BBY House. This transfer is recorded on the FINREMIT ledger.
- 6 November 2014:** \$1,469,079.03 was transferred from the General Trust account ending 002 to the Equity/ETO account ending 541. The narration for this transfer on the BBY bank movement schedules is “Funds from BBY Corp”, however the description on the bank statement is “RETURN INCORRECT RECEIP” which suggests this is in fact the return of the commissions payment made the previous day. This transfer is recorded on the FINREMIT ledger.
- 7 November 2014:** \$1,469,079.03 was transferred from the Equity/ETO Client Trust account ending 541 to the Operating accounting ending 0891. The narration for this transfer on the BBY bank movement schedules is “RTGs Pymt to BBYCorp - BBYSC Oct14 Comms” suggesting this payment related to October 2014 commissions due to BBY House. This transfer is recorded on the FINREMIT ledger.

From the above three transactions, it appears that the October 2014 commissions payment may have been made to the wrong account on 5 November 2014, which would explain why the funds were returned back to Equity/ETO on 6 November 2014 and then repaid to the Operating account on 7 November 2014.

From review of the bank statements, we also note the following transfer:

- 6 November 2014:** \$929,862.15 transferred from the Equity/ETO Client Trust account ending 541 to the General account ending 576. The narration for this transfer on the BBY bank movement schedules is “Funds to GENSTG”.

The following journals were posted to the BBYFUNDING ledger:

Date	Journal ref.	Journal description	Journal value
06/11/2014	J38575	JNL38575 LOAN FROM FINANCE 06112014	-\$539,216.88
06/11/2014	J38577	JNL38577 FUNDING MOVEMENT 06112014	-\$929,862.15
07/11/2014	J38614	JNL38614 REVERSAL PYMT 05112014-RE A/C FINREMIT	\$1,469,079.03
Net effect			nil

These journals do not accurately reflect the bank movements. It appears that the initial funding requirement of \$539,216.88 was posted to the BBYFUNDING ledger, followed by a correcting journal of \$929,862.15 to reflect the actual funds movement of \$1,469,079.03. However, as this funds movement was already recorded on the FINREMIT ledger, it then appears that the balance of \$1,469,079.03 was subsequently reversed out of the BBYFUNDING ledger, bringing the balance back to nil.

As for the bank movement on the 6 November 2014 of \$929,862.15 from Equity/ETO to the General account ending 576, this does not appear to be recorded on the BBYFUNDING ledger. It appears that this transfer represents a sweep of surplus funds from Equity/ETO to General based on our understanding of the BAU funds flows in respect of the Equity/ETO business (as outlined on Appendix 53 to the CSA Report), as opposed to an Equity/ETO Funding Transaction. It appears that funding of \$539,216.88 was

required by Equity/ETO on 6 November 2014, however, following return of the October 2014 commission payment from the General Trust account ending 002, the Equity/ETO position changed to a surplus of \$929,862.15.

Note 4 - No email correspondence has been identified in relation to this journal entry, however from our review of the other journal entries on the BBYFUNDING ledger on 17 December 2014 it appears that this journal entry relates to the transaction of interest on 16 & 17 December 2014 discussed in section 7 above. The journal of \$725,999 appears to relate to two separate transfers of 'BBY Corp' funding to the Equities Trust account 2 ending 415 of \$221,199 and \$504,800 on 16 December 2014.