



The Directors
ASX Limited
Exchange Centre, 20 Bridge Street
SYDNEY NSW 2000

Reasonable assurance report on compliance with the Regulatory Expectations as represented in ASX Settlement Pty Limited and ASX Clear Pty Limited's (ASX) Compliance Framework

Independent Assurance Report

Opinion

We have been engaged by ASX Limited on its own behalf and on behalf of its subsidiaries ASX Operations Pty Ltd, ASX Settlement Pty Ltd and ASX Clear Pty Ltd (together collectively referred as the Client Entities) to undertake a reasonable assurance engagement in relation to ASX's compliance, in all material respects, for the year ended 30 June 2021, with:

- the Regulatory Expectations for the Conduct of Cash Equity Clearing and Settlement Services in Australia issued by the Council of Financial Regulators (CFR) in October 2016 and revised in September 2017 (the Regulatory Expectations) as represented in ASX's Compliance Framework which comprises the ASX Code of Practice and related policies and procedures listed in Appendix B (together the Compliance Framework).

In our opinion, ASX has complied, in all material respects, with the Regulatory Expectations as represented in the Compliance Framework for the year ended 30 June 2021.

Description and findings of the reasonable assurance procedures

Appendix A to this report includes description of the reasonable assurance procedures performed, detailed findings and recommendations from those procedures. Appendix B contains ASX's Compliance Framework and supporting documents.

Basis for Opinion

We conducted our engagement in accordance with Standard on Assurance Engagements ASAE 3100 *Compliance Engagements* issued by the Auditing and Assurance Standards Board.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

ASX's Responsibilities

ASX is responsible for:

- a) The compliance activity undertaken to meet the Regulatory Expectations; and
- b) Identification of risks that threaten the compliance with the Regulatory Expectations identified above being met and controls which will mitigate those risks and monitor ongoing compliance.

PricewaterhouseCoopers, ABN 52 780 433 757

*One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au*

*Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124
T: +61 2 9659 2476, F: +61 2 8266 9999, www.pwc.com.au*

Liability limited by a scheme approved under Professional Standards Legislation.



Our Independence and Quality Control

We have complied with the relevant ethical requirements relating to assurance engagements, which include independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

In accordance with Auditing Standard ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, Other Assurance Engagements and Related Services Engagements*, the firm maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Assurance Practitioner's Responsibilities

Our responsibility is to express an opinion on ASX's compliance, in all material respects, with the Regulatory Expectations as represented in the Compliance Framework for the year ended 30 June 2021. ASAE 3100 requires that we plan and perform our procedures to obtain reasonable assurance about whether ASX has complied, in all material respects, with the Regulatory Expectations as represented in the Compliance Framework, for the year ended 30 June 2021.

An assurance engagement to report on ASX's compliance with the Regulatory Expectations involves performing procedures to obtain evidence about the compliance activity and controls implemented to meet the Regulatory Expectations. The procedures selected depend on our judgement, including the identification and assessment of risks of material non-compliance with the Regulatory Expectations as represented in the Compliance Framework.

Inherent Limitations

Because of the inherent limitations of an assurance engagement, together with the inherent limitations of any internal control structure it is possible that fraud, error, or non-compliance with compliance requirements may occur and not be detected. Additionally, there is a certain level of subjectivity within the subject matter as represented in the Regulatory Expectations. A reasonable assurance engagement throughout the year ended 30 June 2021 does not provide assurance on whether compliance with the Regulatory Expectations will continue in the future.

Matters relating to the electronic presentation of ASX's Compliance Framework

This assurance report relates to the compliance of ASX with the Regulatory Expectations as represented in ASX's Compliance Framework for the year ended 30 June 2021 (compliance subject matter). The Client Entities are responsible for their website and its integrity and we do not accept responsibility for any changes that may have occurred to the compliance subject matter information or ASX's Compliance Framework since they were presented on the Client Entities' website as at the date of this report. We have not been engaged to report on the integrity of this website. The assurance report refers only to ASX's Compliance Framework applicable as at the date of this report. It does not provide an opinion on any other information which may have been hyperlinked to/from ASX's Compliance Framework or to/from the Client Entities' website.



Restricted Use

This report was prepared for use by the Directors, officers and employees of the Client Entities to assist ASX in addressing the Regulatory Expectations. We disclaim any assumption of responsibility for any reliance on this report by any other person, or for any purpose other than that for which it was prepared.

PricewaterhouseCoopers

PricewaterhouseCoopers

by

Deanna Chesler

Deanna Chesler
Partner

Sydney
27 September 2021



Description and findings of the reasonable assurance procedures

The table below includes a description of the reasonable assurance procedures performed, detailed findings and agreed actions from those procedures.

#	Regulatory expectation	Procedures	Detailed Findings	Agreed Action
1(a)	ASX should make an explicit public commitment to investing promptly and efficiently in the design, operation and development of the core CS infrastructure for the Australian cash equity market, including the Clearing House Electronic Sub-register System (CHES) and any future replacement system. This commitment should be supported by governance processes that enable users to provide input on the setting of the investment strategy. Investments should ensure that, to the extent reasonably practicable, the performance, resilience, security and functionality of the core CS infrastructure meet the needs of users, recognising the diversity and differing needs of users. At a minimum, the core CS infrastructure should accommodate internationally accepted communication procedures and standards.	1. Examined the Code of Practice published on ASX's website.	1. The Code of Practice includes an explicit public commitment: "ASX will invest in the ongoing operation and development of the core cash equities Clearing and Settlement (CS) infrastructure promptly and efficiently. Such investments will seek to meet the needs of users, recognising the diversity and differing needs of users". ASX has committed to replacing CHES with a "modern application that offers global standard messaging, better performance, improved security and data management, and expanded connectivity options".	N/A.
		2. Enquired with management about the governance process that allows Business Committee members to provide input into the strategy. Examined the minutes of ASX Clear Pty Limited and ASX Settlement Pty Limited Boards (together ASX Clearing and Settlement Boards).	2. The governance process includes the Business Committee, a number of Working Groups (Connectivity and Integration; Implementation and Transition), focus groups and ad hoc public consultations. Business Committee papers include summaries (including attendees) of Working Group meetings and the public consultations. The ASX CS Boards receive a summary of the Business Committee meetings including recommendations made by the Business Committee members.	N/A.
		3. Examined the Business Committee minutes on a sample basis for the year ended 30 June 2021 as published on ASX's website as well as the latest Business Committee Charter dated April 2019 for evidence of opportunities for members to provide input and ask questions.	3. The Business Committee Charter outlines the role of the Business Committee and the procedures for sharing agendas, supporting papers and minutes of meetings. We noted that in the minutes of the Business Committee sampled for testing, members were invited to provide input and ask questions.	N/A.
1(b)	ASX should ensure that the membership of its user governance arrangements is representative of the user base of its CS services, and that members are able to have a strong input into	1. Examined the composition of the Business Committee on ASX's website, considered the ASX's Clearing and Settlement customer base and assessed it against the Business Committee members' composition to identify how	1. The Business Committee has 30 members (excluding the ASX-appointed Chair), including 18 clearing and settlement participants, 4 market operators (including 1 ASX member), 6 independent industry associations representing clearing and settlement participants and custodians, and 2 registry providers. Participants include large institutional brokers and smaller retail	N/A.



#	Regulatory expectation	Procedures	Detailed Findings	Agreed Action
	the agenda and format of meetings or other user governance mechanisms and the setting of priorities.	ASX considers different users' needs.	brokers.	
		2. Enquired about ASX's procedure to review the Business Committee composition on a periodic basis. Obtained evidence that the Business Committee composition was reviewed in the period.	<p>2. The Business Committee composition is reviewed on an annual basis to ensure it is representative of ASX's user base. The latest changes include the removal of one member following resignation as a clearing and settlement participant, the addition of one member as a clearing and settlement participant, and the rotation of two registry providers for two new registry providers.</p> <p>We noted the annual review of Business Committee Membership took place during the period. The membership recommendation was made and reviewed by the Business Committee Chair. The final updates to the Business Committee composition were approved verbally by the Business Committee Chair. The membership change was also discussed in the Business Committee meeting on 14 July 2021.</p> <p>A sample of Business Committee members were interviewed and noted that the basis for membership rotation was not clear. We understand from ASX that the tenure of members, size of the committee and previous expressions of interest are considered when assessing membership rotation, however this process is not formalised.</p>	<p>ASX will formalise the annual review sign-off of the Business Committee composition.</p> <p>ASX will formalise the annual process for reviewing Business Committee membership and communicate the process and results to Business Committee members.</p>
		3. Obtained and examined on a sample basis the emails sent to Business Committee members with agenda, supporting papers and minutes of Business Committee meetings.	<p>3. Business Committee meeting agendas and associated papers were sent to Business Committee members, on average, 7 days before the Business Committee meeting dates which is consistent with the Business Committee Charter. Management informed us that the Business Committee members can use this notice period to provide input into the agenda. We examined a sample email that was sent to the Business Committee Chair from a member, requesting to add an agenda item for an upcoming meeting and noted that it was actioned and reflected in the upcoming meeting. The draft minutes are circulated by email to the Business Committee members for their review and comment.</p> <p>The agendas we examined included a standing item for discussion of previous meeting minutes with Business Committee members.</p> <p>Management informed us that users are able to provide input into the priorities through the Business Committee, Working Groups, focus groups, and public consultations.</p>	N/A.



#	Regulatory expectation	Procedures	Detailed Findings	Agreed Action
			We have examined a sample of 2 Business Committee papers, which included the Corporate Action STP Phase 2 Project, updates on the CHES replacement project, and other agenda items, including the Cash Equity Clearing & Settlement Services Developments Annual Report, with the purpose of each paper being clearly communicated.	
		4. Interviewed a sample of Business Committee members and enquired about whether they had an opportunity to input into the agenda of Business Committee meetings.	4. A sample of Business Committee members were interviewed and noted they were invited to suggest additional agenda items for upcoming Business Committee meetings. From our review of the Business Committee Meeting agendas throughout the period we note there is a standing agenda item "Forward Plan of Work" at every meeting for discussion of future developments.	Information shared with Business Committee members prior to meetings will be discussed on an exceptions basis.
			A sample of Business Committee members also noted that large amounts of information are presented at Business Committee meetings and the size of the committee can sometimes deter members from asking questions that are not necessarily relevant to all those present at the meeting.	ASX will implement processes to encourage questions by Business Committee members during meetings.
1(c)	ASX should demonstrate that it has had regard to the views of members in setting the terms of reference for the external audits of its governance, pricing and access arrangements carried out in accordance with the Regulatory Expectations. This may take the form of members' non-objection of the proposed terms of reference. These terms of reference may change following any review of the Regulatory Expectations.	1. Examined the Terms of Reference and the Business Committee minutes dated July 2021.	1. The Regulatory Expectations External Audit Terms of Reference were presented to the Business Committee for their comments during the July 2021 Business Committee meeting and were included in the Business Committee papers sent to members ahead of the meeting.	N/A.
		2. Interviewed a sample of Business Committee members and enquired about whether they had an opportunity to comment on the proposed terms of reference and service for the assurance engagement.	2. A sample of Business Committee members were interviewed and noted that the proposed terms of reference and service for the assurance engagement were presented to them during the year. The minutes of the July meeting indicated that there were no objections to the terms of reference.	N/A.
1(d)	ASX should maintain accountability arrangements that provide for regular public attestations as to the effectiveness of its interactions with users. For example, the following	1. Examined a sample of Business Committee member recommendations from Business Committee meeting minutes and assessed if they were addressed in subsequent Business Committee meeting minutes.	1. A recommendation is defined by the Charter as a recommendation to the Clearing and Settlement Boards that has a broad consensus of those members present at the relevant Business Committee meeting. There were no formal recommendations that met this definition during the period.	N/A.



#	Regulatory expectation	Procedures	Detailed Findings	Agreed Action
	arrangements would be appropriate: (i) ASX's user governance mechanisms operate on a 'comply or explain' basis; that is, the relevant Board would take actions in accordance with recommendations from the user governance mechanisms, or else explain why such actions had not been taken (ii) ASX report, on at least an annual basis, the service developments and investment projects that it has progressed and how it has taken into consideration the views of users.	2. Interviewed a sample of Business Committee members and enquired about whether they have made any recommendations to the Business Committee and if so, if they were acted on or explained.	2. A sample of Business Committee members were interviewed and noted feedback had been shared with ASX at the Business Committee meetings, and outside of the Business Committee meetings. One Business Committee member noted that ASX did not provide a response to feedback that was made in relation to an operational matter. PwC subsequently obtained evidence from ASX that indicated a response had been provided in a timely manner.	N/A.
		3. Enquired with management on the progress of the report in relation to the service developments and investment projects and examined the October 2020 Business Committee agenda and papers.	3. The annual report on service developments and investment projects titled "Cash Equity Clearing & Settlement Services Developments" was presented to the Business Committee in October 2020. This was corroborated through inspection of the meeting minutes.	N/A.
		4. Reviewed the complaints register regarding any complaints made in relation to user input to governance.	4. There were no formal complaints recorded in the period in relation to ASX's user input to governance for clearing and settlement services.	N/A.
1(e)	ASX should formally commit to retaining a Board structure for ASX Clear and ASX Settlement that comprises a minimum of 50 percent of non-executive directors that are also independent of ASX Limited, and where a subset of these independent directors can form a quorum.	1. Examined the Code of Practice.	1. The Code of Practice includes an explicit public commitment to retain a Board structure for ASX Clear Pty Limited and ASX Settlement Pty Limited with a minimum 50% of non-executive directors that are also not Directors of ASX Limited. The Code of Practice also provides that ASX ensures non-executive directors can form a quorum to be able to consider competitively sensitive information provided by another market operator.	N/A.
		2. Examined the composition and resumes of ASX Limited, ASX Clear Pty Limited and ASX Settlement Pty Limited Directors as published on ASX's website.	2. The ASX Clear Pty Limited and ASX Settlement Pty Limited Boards comprise at least 50% Non-Executive Directors. As at the date of the audit, the three independent non-executive directors that are not directors of ASX Limited are Stephen Knight (Chairman), Adrian Todd, and Carolyn Colley. The other three directors that are directors of ASX Limited are Ken Henry (independent non-executive director), Peter Marriott (independent non-executive director), and Dominic Stevens (Managing Director and CEO).	N/A.
		3. Examined ASX's Board Charter as published on ASX's website.	3. The ASX Clearing and Settlement Boards Charter was updated in March 2021. The Charter states that "The ASX Clear and ASX Settlement Boards shall comprise at least 50% non-executive	N/A.



#	Regulatory expectation	Procedures	Detailed Findings	Agreed Action
			directors who are not also directors of ASX Limited. ASX Clear and ASX Settlement shall also ensure that a quorum can be constituted by directors who are not also directors of ASX Limited, " which is in accordance with the Regulatory Expectations.	
		4. Examined a sample of ASX's Boards' meeting minutes.	4. We noted that in the minutes of the ASX Board meetings that were sampled for testing, ASX's Directors discussed each individual Director's interests and potential conflicts.	N/A.
1(f)	ASX should establish governance structures and reporting lines at the management and operational levels that promote access to its CS services on commercial, transparent and non-discriminatory terms. These arrangements should ensure that the interests of users are upheld in accordance with Regulatory Expectation 3. This may be demonstrated, for example, through the key performance indicators set for relevant management.	1. Enquired about ASX's governance and reporting lines for Clearing and Settlement services.	1. Enterprise Compliance and Internal Audit are headed by General Managers, who are responsible for reporting to the Board. Enterprise Risk Management is headed by a General Manager that reports to the Chief Risk Officer, who is responsible for reporting to the Board.	N/A.
		2. Enquired with management and examined a sample of ASX's senior executives' balanced scorecards (KPIs).	2. We noted that employee balanced scorecards that were sampled for testing promoted access to ASX's CS services on commercial, transparent, and non-discriminatory terms.	N/A.
2(a)	ASX should ensure that all prices of individually unbundled CS services, including rebates, revenue-sharing arrangements and discounts applicable to the use of these services:	1. Examined the Clearing, Settlement and Issuer Administration Service Schedule of Fees dated May 2021.	1. ASX prices are transparent as they are published on the website. The detail of the fees for ASX services is also included in the invoices sent to customers.	N/A.
	(i) are transparent to all users of the services	2. Selected a sample of ASX invoices issued to various users to test whether Clearing and Settlement prices charged are in accordance with prices published on ASX's website for the year ended 30 June 2021.	2. The prices for the clearing and settlement services as included in the sample of invoices tested were consistent with the prices published on ASX's website Clearing, Settlement and Issuer Administration Service Schedule of Fees effective from 1 July 2020 to 30 June 2021. There were no changes in price during the period.	N/A.
	(ii) do not discriminate in favour of ASX-affiliated entities, except to the extent that the efficient cost of providing the same service to another party was higher	3. Interviewed a sample of Business Committee members and enquired about whether the prices of individually unbundled Clearing and Settlement services, including rebates, revenue-sharing arrangements and discounts	3. A sample of Business Committee members were interviewed and noted that pricing, including revenue-sharing agreements and discounts, have been made available to members and understandable. Some Business Committee members however noted that the	ASX will provide further detail to members on the calculation of revenue sharing rebates.



#	Regulatory expectation	Procedures	Detailed Findings	Agreed Action
	(iii) are made available to stakeholders in a form such that the impact of pricing changes can be readily understood.	have been made available to them and are understandable.	<p>understandability of rebates is a challenge, and that the monthly billing does not include transactional level information that is required to pass costs on to their customers.</p> <p>On further investigation, the schedule of fees states that the revenue sharing rebate is calculated based on an annual growth threshold, and each individual customer's revenue contribution. We have obtained an example of an email that was sent to a participant with the details of their revenue share rebates. The amount of the rebate was provided in the email however a detailed calculation including customer revenue contribution and annual growth threshold was not reflected.</p> <p>We understand that the level of detail contained in ASX billing statements has changed over time to accommodate ASX's client requests. In the current CHESS environment, clients are able to raise specific requests for a reconciliation of their billing. Ongoing work is being undertaken to determine the level of detail to be provided by the CHESS replacement system.</p>	
		4. Reviewed the complaints register regarding any complaints made in relation to ASX's pricing for clearing and settlement services.	4. There were no formal complaints recorded in the period in relation to ASX's pricing for clearing and settlement services.	N/A.
2(b)	ASX should maintain an appropriate method for determining the prices of its CS services so as to generate expected revenue that reflects the efficient costs of providing those services, including a return on investment commensurate with the commercial risks involved.	<p>1. Examined the Enterprise Wide Pricing Framework dated January 2017 to ensure that it includes documentation on the method for determining the prices of its Clearing and Settlement services.</p> <p>2. Examined the 2020 and 2021 cash market clearing and settlement management income statement audit reports to inspect whether these are unqualified.</p>	<p>1. ASX's method to determine the prices of its clearing and settlement services is documented in its Enterprise Wide Pricing Framework (EWPF). There have been no changes to the EWPF during the period.</p> <p>2. ASX cash market clearing and settlement management income statement is subject to an annual external audit under Australian Auditing Standards. PwC issued unqualified audit reports for the cash market clearing and settlement management income statement for the years ended 30 June 2020 and 30 June 2021.</p> <p>The notes to these audited reports include ASX methodology for the internal cost allocation and transfer pricing policy between ASX group entities for clearing and settlement of cash equities in Australia.</p>	N/A.
				N/A.



#	Regulatory expectation	Procedures	Detailed Findings	Agreed Action
		3. Examined the latest independent benchmarking report (2016) issued by Oxera on ASX Clearing and Settlement Services' costs.	3. In 2014 ASX commissioned Oxera, an independent economics consultancy firm, to benchmark ASX clearing and settlement services' costs against the costs of using the services provided by financial market infrastructure providers in other countries. The overall conclusion was that "when taking into account the scale of trading, the costs of post-trading services in Australia are in line with the costs of similar services provided in financial centres of a comparable size". An update to this report was commissioned in 2016 and the findings were consistent with the 2014 report. Pricing for the CHES replacement system is not yet available.	ASX acknowledges the need for greater transparency on the pricing of CS services for the new CHES replacement system.
2(c)	ASX should make an explicit public commitment that any changes in the prices of its CS services will not be implemented in a way that would materially shift revenue streams between aspects of its trading, clearing and settlement services.	1. Examined the Code of Practice published on ASX's website.	1. The Code of Practice includes an explicit public commitment that "ASX Clear and ASX Settlement will not implement price changes with the purpose of materially shifting revenue streams between other trading, clearing and settlement services".	N/A.
		2. Examined the listing of Clearing and Settlement prices effective from July 2020 to June 2021.	2. There were no changes to clearing and settlement prices during the year from 1 July 2020 to 30 June 2021.	N/A.
		3. Examined the 2020 and 2021 cash market clearing and settlement management income statement audit reports to inspect whether these are unqualified.	3. Refer to section 2(b)(2) above for the results of PwC's audit of the cash market clearing and settlement management income statement.	N/A.
2(d)	ASX should publish any increases in its CS fee schedules along with an attestation justifying their reasonableness. For the most material such increases, this attestation would be expected to refer to relevant metrics and other evidence, such as the calculated return on equity, benchmarked price lists, or an independent review of how ASX's cash equity CS fees compare with those of CS facilities in other markets.	1. Examined the listing of clearing and settlement prices effective from July 2020 to June 2021.	1. There were no changes to clearing and settlement prices during the year from 1 July 2020 to 30 June 2021.	N/A.
		2. Interviewed a sample of Business Committee members and enquired about pricing changes and whether they were supported by reasonable explanations in line with regulatory expectations.	2. A sample of Business Committee members were interviewed and confirmed there were no pricing changes during the year. Business Committee members noted difficulties in planning for their own future capital expenditure as pricing information for the CHES replacement system is not yet available.	Refer to section 2(b).
		3. Enquired of management in relation to ASX's future pricing methodology for the CHES replacement system.	3. ASX does not expect to increase fees to participants for like-for-like clearing and settlement services available through the CHES replacement system. ASX noted the pricing of clearing and settlement services is subject to a process of review by	N/A.



#	Regulatory expectation	Procedures	Detailed Findings	Agreed Action
			Regulatory Agencies before it can be shared with Business Committee members and clearing and settlement users. Pricing is expected to be published for CHES replacement 12 months before go-live.	
2(e)	ASX should maintain an appropriate model for the internal allocation of costs, including the cost of allocated capital, as well as policies to govern the transfer of prices between the relevant ASX Group entities. Compliance with the model and policies would be expected to be subject to internal audit review. The model and policies should be based on reasonable cost allocation principles. For example: (i) where possible, costs should be directly allocated to the service(s) which give rise to those costs (ii) shared costs should be allocated based on appropriate and transparent metrics.	1. Examined ASX's internal cost allocation and transfer pricing policy between ASX group entities for clearing and settlement of cash equities in Australia.	1. ASX's internal cost allocation and transfer pricing policy is published on ASX's website and includes ASX's internal cost allocation and transfer pricing policy between ASX group entities for clearing and settlement of cash equities in Australia.	N/A.
		2. Examined the 2020 and 2021 cash market clearing and settlement management income statement audit reports to inspect whether these are unqualified.	2. Refer to section 2(b)(2) above for the results of PwC's audit of the cash market clearing and settlement management income statement.	N/A.
2(f)	ASX should negotiate commercially and in good faith with unaffiliated market operators and CS facilities regarding fees and other financial contributions charged for any extensions to its monopoly CS services, and in particular those provided under the existing Trade Acceptance Service and the Settlement Facilitation Service.	1. Enquired with management about extensions to existing services entered into during the audited period.	1. There have been new negotiations in relation to AMO TAS access in the period.	N/A.
		2. Examined correspondence with Approved Market Operators (AMO) who requested Trade Acceptance Service (TAS) or Settlement Facilitation Service (SFS) access during the period.	2. Fees and other financial contributions charged for TAS access have been clearly communicated to AMOs.	N/A.
		3. Interviewed a sample of Business Committee members and enquired about the TAS and SFS onboarding process.	3. No concerns were raised with respect to fee negotiations for TAS access. Fee negotiations have been performed on commercial terms and in good faith.	N/A.
	ASX should have objectives for its CS services that include an explicit	1. Examined the Code of Practice as	1. The Code of Practice includes the following comment: "ASX is committed to providing access to clearing and settlement	N/A.



#	Regulatory expectation	Procedures	Detailed Findings	Agreed Action
3(a)	public overarching commitment to supporting access to its CS services on commercial, transparent and non-discriminatory terms. ASX should maintain standard user terms and conditions that are consistent with these objectives, taking into account the legitimate business interests of ASX and any parties seeking access to its CS services.	published on ASX's website.	services on transparent and non-discriminatory terms, and we will respond to requests for access in a fair and timely manner".	
		2. Examined ASX's TAS and SFS terms and conditions as published on ASX's website.	2. TAS and SFS agreements contain standard user terms and conditions that provide for ASX to grant non-discriminatory access to its clearing and settlement services. From examining the TAS and SFS terms and conditions, we noted that it is: i) Of comparable quality to the services provided to ASX ii) In accordance with applicable laws, rules and procedures iii) Without discriminating in relation to clearing and settlement participants on the basis of where the trade was affected or reported.	N/A.
		3. Examined ASX's Operating Rules as published on ASX's website as well as the internal procedure for amending Operating Rules.	3. ASX Operating Rules incorporate the standard terms and conditions applicable to all users of ASX's clearing and settlement Services. ASX's internal procedure for amending Operating Rules include a requirement to consult with Australian Securities and Investments Commission (ASIC) prior to any change.	N/A.
		4. Examined the ASX Trade Acceptance Service and related Product Services Review of Legal Term dated February 2021.	4. The objective of the review is to confirm that the legal terms for the Trade Acceptance Service remain appropriate for the service. The extension of the TAS to a second AMO since November 2020 on the basis of the legal terms and associated standards indicate that the legal terms operate appropriately and provide a basis for responding to customer needs. We noted that ASX sought feedback and input from AMOs when completing the TAS review.	N/A.
3(b)	Service level agreements should commit ASX to providing access to its CS services for unaffiliated market operators and CS facilities on operational and commercial terms and service levels that are materially equivalent to those that apply to ASX as a market operator or CS facility.	1. Examined ASX's TAS and SFS terms and conditions as published on ASX's website and listed in section 3(a).	1. Refer to section 3(a)(2).	N/A.
		2. Interviewed a sample of Business Committee members and enquired about whether the ASX had adhered to their published protocols i.e. providing access to unaffiliated market operators and CS facilities on operational and commercial terms and service levels that are materially equivalent to those that apply to ASX as a market operator or CS	2. A sample of Business Committee members were interviewed and noted that access to CS services had been provided on operational and commercial terms, that were materially equivalent to those that apply to ASX.	N/A.



#	Regulatory expectation	Procedures	Detailed Findings	Agreed Action
		facility.		
		3. Examined the ASX Trade Acceptance Service and related Product Services Review of Legal Term dated February 2021.	3. Refer to section 3(a)(4).	N/A.
3(c)	ASX should publish and adhere to protocols for dealing fairly and in a timely manner with requests for access. These protocols should include reasonable timeframes for responding to enquiries and arrangements for dealing with disputes. Nothing in the protocols should affect either party's right to refer a dispute to arbitration by the ACCC once the arbitration regime is implemented.	1. Examined ASX's Operating Rules, TAS and SFS terms and conditions as published on ASX's website and listed in section 3(a).	1. Refer to section 3(a) above for review of the standard user terms and conditions that provide for ASX to grant non-discriminatory access to its clearing and settlement services.	N/A.
		2. Examined TAS and SFS agreement as published on ASX's website to assess whether the template includes a protocol for dealing with disputes.	2. Clause 43 of the Trade Acceptance Service Legal Terms and Clause 13 of the Settlement Facilitation Service Agreement sets out dispute resolution processes.	N/A.
		3. Examined AMO and ALMO access request procedures as published on ASX's website.	3. Individual access request procedure documents for AMOs and ALMOs set out target timeframes for ASX to respond to access requests from AMOs and ALMOs.	N/A.
		4. Examined ASX Cash Equities Clearing and Settlement Code of Practice - Access Protocols as published on ASX's website.	4. ASX Cash Equities Clearing and Settlement Code of Practice - Access Protocols include target timeframes for dealing with access requests as well as dispute resolution arrangements.	N/A.
		5. Interviewed a sample of Business Committee members and enquired about whether the ASX had adhered to their published protocols i.e. dealing fairly and in a timely manner in relation to requests for access to cash equity clearing and settlement services, where relevant.	5. A sample of Business Committee members were interviewed. We noted that there were new requests in relation to AMOs access to cash equity clearing and settlement services during the audit period. One Business Committee member noted that TAS access was not provided in a timely manner. On further investigation and review of correspondence, access was delayed due to on-going discussions between ASX and the AMO, and wait-times with regulators ASIC and the Reserve Bank of Australia (RBA) to approve the onboarding. It was concluded that ASX had performed reasonable steps to provide timely access.	N/A.
		6. Examined the ASX Trade Acceptance Service and related Product Services Review of Legal Term dated February 2021	6. Refer to section 3(a)(4).	N/A.



#	Regulatory expectation	Procedures	Detailed Findings	Agreed Action
3(d)	ASX should make an explicit commitment to ensuring that any investments in the systems and technology that support its cash equity CS services do not raise barriers to access from unaffiliated market operators or CS facilities. Announcements of any material investments in the systems and technology that support ASX's cash equity CS services should be accompanied by a public attestation that those investments will be designed in a way that does not raise such barriers.	1. Examined the Code of Practice as published on ASX's website.	1. The Code of Practice includes a commitment by ASX to ensure "its investments in the systems and technology that support its cash equities clearing and settlement infrastructure are not designed in such a way as to raise barriers to access to other market operators or clearing facilities".	N/A.
		2. Examined the consultation paper ASX released in February 2021 on the proposed changes to netting and settlement workflow, and the response to consultation feedback in June 2021.	2. On 18 February 2021, ASX released a consultation paper on the proposed netting and settlement workflow changes. The key objective of the proposed changes is to allow the CHES replacement system to provide for significant additional capacity on Day 1 implementation and avoid any post-trade processing constraints on trading activity and a subsequent capacity-related change after go-live. In response to consultation feedback from stakeholders on proposed changes to netting and settlement workflow from the CHES replacement system, which included a number of bilateral engagements to test the proposed modifications, ASX made some changes to the original solution design.	N/A.
		3. Enquired with management on the future access to clearing and settlement services for unaffiliated market operators in the CHES replacement system, to understand if investments in the systems and technology that support its cash equity CS services raise barriers to access by unaffiliated market operators.	3. Management noted that all approved market operators will be required to connect to the new Clearing and Settlement Platform in the same way as ASX.	N/A.
3(e)	ASX should retain, and periodically review, its standards for the handling of sensitive or confidential information. Consistent with governance arrangements that promote access on commercial, transparent and non-discriminatory terms (see Regulatory Expectation 1(e)), these arrangements should ensure that conflict sensitive information pertaining to the strategic plans of	1. Reviewed the Conflict Handling Arrangements policy dated October 2020 published on ASX's website.	1. The Conflicts Handling Arrangements policy includes a specific paragraph on cash equity clearing and settlement services, which references Information Handling Standards in place to manage commercially sensitive information provided to ASX by other licensed listing and trading venues.	N/A.
		2. Reviewed the Information Handling Standard published on ASX's website.	2. ASX's Information Handling Standard provides for: i) Protection of AMO's confidential and sensitive information ii) Access to sensitive information is restricted to appropriate ASX employees.	N/A.



#	Regulatory expectation	Procedures	Detailed Findings	Agreed Action
	unaffiliated market operators or CS facilities is handled sensitively and confidentially, and cannot be used to advance the interests of ASX as a market operator or CS facility.	3. Reviewed the complaints register regarding handling of information and determined if there were any complaints made in relation to confidentiality and sensitive information, or transparent and non-discriminatory access to ASX's clearing and settlement services.	3. There were no formal complaints recorded during the period in relation to confidentiality and sensitive information, or transparent and non-discriminatory access to ASX's clearing and settlement services.	N/A.



ASX's Compliance Framework and supporting documents

The table below includes the policies, procedures and other documents which we referred to within our report that form part of the Compliance Framework.

Compliance framework supporting document	Date	Hyperlink
Regulatory Expectations	September 2017	https://www.cfr.gov.au/publications/policy-statements-and-other-reports/2016/regulatory-expectations-policy-statement/pdf/policy-statement.pdf
Code of Practice	May 2017	http://www.asx.com.au/cs/documents/asx-code-of-practice.pdf
Business Committee Meetings - agendas, papers, minutes and Business Committee reports to the ASX Boards	Various version dates as applicable as at the date of this report	https://www2.asx.com.au/about/regulation/clearing-and-settlement-of-cash-equities-in-australia/stakeholder-engagement/business-committee
Clearing and Settlement Boards Charter	March 2021	http://www.asx.com.au/documents/asx-compliance/CS-Board-Charter.pdf
Business Committee Charter	April 2019	https://www.asx.com.au/cs/documents/charter-of-the-business-committee.pdf
Business Committee Role and Membership details	As applicable as at the date of this report	https://www2.asx.com.au/about/regulation/clearing-and-settlement-of-cash-equities-in-australia/stakeholder-engagement/business-committee
ASX Boards' members details	As applicable as at the date of this report	https://www2.asx.com.au/about/our-board-and-management/asx-clearing-and-settlement-boards



Compliance framework supporting document	Date	Hyperlink
CHESS Replacement: Summary of Stakeholder Engagement	As applicable as at the date of this report	https://www2.asx.com.au/markets/clearing-and-settlement-services/chess-replacement/stakeholder-engagement
CHESS Replacement Updates	Various dates	https://www2.asx.com.au/markets/clearing-and-settlement-services/chess-replacement
2014 Oxera report: 'Global cost benchmarking of cash equity clearing and settlement services'	June 2014	http://www.asx.com.au/cs/documents/Global_cost_benchmarking_of_cash_equity_clearing_settlement_services_Final_20Jun14.pdf
2016 Oxera report: 'Global cost benchmarking: review of price lists'	April 2016	Not on ASX's website
Audited 'Cash Market Clearing and Settlement management income statement' - 2021	June 2021	Not on ASX's website
ASX internal cost allocation and transfer pricing policy between ASX group entities for clearing and settlement of cash equities in Australia	As applicable as at the date of this report	http://www.asx.com.au/cs/documents/cost_allocation_policy.pdf
Audited 'Cash Market Clearing and Settlement management income statement' - 2020	June 2020	https://www.asx.com.au/cs/financial-statements.htm
Enterprise Wide Pricing Framework	January 2017	Not on ASX's website



Compliance framework supporting document	Date	Hyperlink
Clearing, Settlement and Issuer Administration Services Schedule of Fees	May 2021	https://asxonline.com/content/dam/asxonline/public/documents/schedule-of-fees/clearing-settlement-and-issuer-administration-services-schedule-of-fees.pdf
CHES Replacement: Proposed changes to netting and settlement workflow Consultation Paper	February 2021	https://www2.asx.com.au/content/dam/asx/participants/clearing-and-settlement/ches-replacement/stakeholder-communications/asx-ches-replacement-project-consultation-paper-proposed-changes-to-netting-and-settlement-workflow.pdf
CHES Replacement: Confirmed changes to netting and settlement workflow	June 2021	https://www2.asx.com.au/content/dam/asx/markets/clearing-and-settlement-services/ches-replacement-response-to-consultation-feedback-confirmed-changes-to-netting-and-settlement-workflow.pdf
ASX Trade Acceptance Service (TAS) – Legal Terms	August 2018	https://www2.asx.com.au/content/dam/asx/about/final-trade-acceptance-service-legal-terms-20180820.pdf
ASX Trade Acceptance Service and related Product Services Review of Legal Term	February 2021	https://www2.asx.com.au/about/regulation/public-consultations
Settlement Facilitation Service (SFS) Agreement	March 2014	http://www.asx.com.au/documents/settlement/Settlement_Facilitation_Service_Agreement_Template.pdf
ASX Cash Equities Clearing and Settlement Code of Practice - Access Protocols	October 2020	https://www2.asx.com.au/content/dam/asx/about/cop-access-protocols.pdf
Procedures for Access Requests by Approved Market Operators (AMOs)	October 2020	https://www2.asx.com.au/content/dam/asx/about/amo-procedures-for-access-requests-2020.pdf
Procedures for Access Requests by Approved Listing Market Operators (ALMOs)	October 2020	https://www2.asx.com.au/content/dam/asx/about/almo-procedures-for-access-requests.pdf



Compliance framework supporting document	Date	Hyperlink
ASX's Conflict Handling Arrangements	October 2020	https://www2.asx.com.au/content/dam/asx/about/policies/asx-conflict-handling-arrangements.pdf
Information Handling Standard - TAS	September 2020	https://www2.asx.com.au/content/dam/asx/about/tas-information-handling-standard.pdf
Information Handling Standard - SFS	September 2020	https://www2.asx.com.au/content/dam/asx/about/sfs-information-handling-procedure.pdf
Regulatory Expectations External Audit Terms of Reference	July 2021	Not on ASX's website
CHESS Replacement AMO Overview	Various dates	https://asxchessreplacement.atlassian.net/wiki/spaces/CSP/pages/106660878/AMO+Overview
ASX Operating Rules	Various dates	https://www2.asx.com.au/about/regulation/rules-guidance-notes-and-waivers