



The Directors  
ASX Settlement Pty Limited and ASX Clear Pty Limited  
Exchange Centre, 20 Bridge Street  
SYDNEY NSW 2000

Dear Directors,

## 1. Background

ASX Settlement Pty Limited and ASX Clear Pty Limited (together hereinafter referred to collectively as 'the ASX' or 'ASX') operate the sole licensed clearing and settlement facilities in Australia providing clearing and settlement systems and services for the Australian cash equity market. Clearing and settlement services are critical to the operation of Australia's financial markets, providing investors efficiency in equity transactions and reducing counterparty and systemic risk.

Through its commitment to the ongoing development of clearing and settlement services to ensure that the needs of users are met and that services provided are aligned with global standards, the ASX in consultation with industry stakeholders and Australian regulators developed a Code of Practice for the Clearing and Settlement of Cash Equities in Australia ("the Code").

This Code came into effect on 9 August 2013 with the aim of formalising the ASX's commitment of working with clearing and settlement users to ensure their needs are met and they are engaged in a timely and transparent manner in relation to the ongoing development of clearing and settlement services and infrastructure.

## 2. Purpose of our report

The Code requires that, on an annual basis, the ASX conducts both an internal review of the operation of the Code, as well as engaging an independent external auditor to perform its own review.

PwC has been engaged by the ASX as the independent external auditor to review the operation of the Code for the period 9 August 2013 to 30 June 2014. As required by the Code, we have prepared this report to outline the procedures performed by PwC in relation to our review of the operation of the Code and the results of those procedures.

## 3. Scope of work

The scope of our procedures in relation to our review of the operation of the Code is in accordance with the requirements of section 5 of the Code, as reproduced in the extract below:

*"(b) Additionally, ASX will engage an independent external auditor to conduct an annual review and prepare a written report regarding the operation of the Code, including with respect to:*

- (1) ASX's compliance with the cost allocation principles described in clause 3.2;*
- (2) ASX's compliance with the access request protocols described in clause 4.3(c) relating to requests for access to clearing and settlement services;*



- (3) *ASX's compliance with the operational standards described in clause 6(c) relating to the protection of competitively sensitive information acquired by ASX Clear and ASX Settlement in the course of providing the TAS and the settlement facilitation service; and*
- (4) *ASX's pricing to verify that there is no discrimination between ASX-affiliated entities and other users of clearing and settlement services.*

*The external review will be completed and the external auditor's report will be published within 3 months following the end of each financial year. The external auditor's report will be provided to the Boards of ASX Clear and ASX Settlement and the Forum promptly after the report's completion. ASX will publish the report on the ASX website."*

#### **4. Use of the work of ASX Limited Internal Audit department (Internal Audit)**

As noted above, the ASX is required to conduct an annual internal review regarding the operation of the Code. This review has been assigned to Internal Audit. Given the concurrent timing and consistent nature of the procedures to be performed in relation to the operation of the Code, PwC and Internal Audit have worked collaboratively to meet their respective obligations under section 5 of the Code.

Specifically, in performing our procedures, we have relied in part on the procedures performed by Internal Audit in relation to assessing the ASX's compliance with certain obligations outlined in the Code. Such reliance has been used to supplement our own procedures, and in certain cases in place of performing separate procedures.

In determining whether reliance can be placed on the procedures by Internal Audit we have given due consideration to the guidance in Auditing Standard ASA 610 – *Using the Work of Internal Auditors*. ASA 610 requires that, in determining whether the work of an internal audit function can be used, the external auditor shall evaluate:

- (a) The extent to which the internal audit function's organisational status and relevant policies and procedures support the objectivity of the internal auditors;
- (b) The level of competence of the internal audit function; and
- (c) Whether the internal audit function applies a systematic and disciplined approach, including quality control.

Having performed the evaluation required under (a) to (c) above we determined it was appropriate and reasonable to place partial reliance on the work performed by Internal Audit.

To determine the extent to which reliance could be placed, we:

- 1) Performed an assessment to determine the inherent complexity of each Code obligation. For those Code obligations we deemed to be less complex and subjective in nature, we have place reliance on the work performed by Internal Audit. For the more complex and subjective Code obligations we performed our own independent procedures.



- 2) For those Code obligations where we have placed reliance on Internal Audit, we have re-performed a sample of Internal Audit's procedures to evaluate the adequacy of their work.

Those obligations where Internal Audit's procedures have been utilised to supplement or replace our procedures have been outlined in Appendix A. In addition to the reliance referred to above, we have also considered the results of the work performed Internal Audit in totality.

## **5. Procedures & Results**

To meet our obligations under section 5 of the Code, we designed procedures in relation to each obligation under the code to assess the extent to which the obligations were being met. The procedures were determined based on our professional judgement.

The specific procedures, together with the results from performing those procedures, are detailed in Appendix A of this report.

In performing our procedures we noted a number of observations and potential non-compliance with certain obligations of the Code. These observations and findings have been documented in Appendix A in the results sections of the respective procedures to which they relate.

We believe the observations and findings, individually and in aggregate are administrative and minor in nature and do not impact on ASX's overall compliance of the Code obligations.

## **6. Disclaimer**

This report is intended solely for the use of ASX Settlement Pty Limited and ASX Clear Pty Limited for purposes set out above. As the specified user of our report, it is for you to assess both the procedures and our factual findings to determine whether they provide, in combination with any other information you have obtained, a reasonable basis for any conclusions which you wish to draw on the subject matter. Accordingly, we expressly disclaim and do not accept any responsibility or liability to any party other than the specified users for any consequences of reliance on this report for any purpose.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'Matthew Lunn', written over a faint horizontal line.

Matthew Lunn  
Authorised Representative



Code Obligation	Scope	Procedure	Findings
<b>1. ASX's Commitment</b>			
<b>1.1 Purpose of the Code</b>			
(a) ASX has put this Code in place to increase transparency and accessibility in the provision of clearing and settlement services for cash equities in Australia and to formalise avenues for regular and meaningful user engagement.	Statement	No procedures performed as this section articulates the purpose of the Code.	Not Applicable.
(b) This Code builds on the principles contained in the Customer Charter of ASX in which ASX commits to: <ol style="list-style-type: none"> <li>1) work with customers to deliver products and services that meet their needs and that provide them with choice;</li> <li>2) support Australia's aspiration to be globally competitive and become one of the leading financial centres in the Asia Pacific region;</li> <li>3) make its products and services available on a non-discriminatory basis and on reasonable commercial terms;</li> <li>4) manage its businesses and operations on a commercial basis to benefit its customers and provide appropriate returns to ASX shareholders;</li> <li>5) recognise its role as a provider of critical financial infrastructure to the Australian financial markets, and make the necessary investments to ensure it can fulfil this role and provide confidence to market participants, investors and regulators;</li> <li>6) run its operations in compliance with all legal and regulatory obligations; and</li> </ol>	Statement	No procedures performed as this section articulates the purpose of the Code.	Not Applicable.



Code Obligation	Scope	Procedure	Findings
7) maintain conflict handling arrangements that provide assurance and transparency about the way ASX conducts its business.			
<b>1.2 Clearing and settlement for Australian cash equity market</b>			
(a) ASX Clear and ASX Settlement operate the sole licensed clearing and settlement facilities providing clearing and settlement systems and services for the Australian cash equity market. ASX Clear provides central counterparty clearing services for a range of financial products including cash equities and equity options. ASX Settlement provides services for the settlement of equities and other deliverable products. Clearing and settlement of cash equities is conducted through a shared operating system CHES.	Statement	No procedures performed as this section articulates the purpose the function of clearing and settlement.	Not Applicable.
(b) ASX is committed to sharing with users of its services benefits and efficiencies arising out of the ASX group structure.	Statement	No procedures performed as this section articulates commitment to users.	Not Applicable.
<b>1.3 Scope of this Code</b>			
(a) This Code deals with: 1) the clearing and settlement services provided by ASX Clear and ASX Settlement for the Australian cash equity market; and 2) the gateways and infrastructure supporting the provision of those services.	Statement	No procedures performed as these sections articulate the scope of the Code.  The scope of the Code is referenced and considered for the coverage of our procedures over the obligations outlined in the remaining Code.	Not Applicable.



Code Obligation	Scope	Procedure	Findings
(b) Clearing and settlement services for cash equities are provided pursuant to the operating rules of ASX Clear and ASX Settlement, the TAS Legal Terms and settlement facilitation service agreements between ASX Settlement and ALMOs.	Statement	Refer to section 1.3 (a) above.	Not Applicable.
(c) This Code does not deal with clearing and settlement services supporting either exchange-traded or OTC derivatives markets or OTC debt markets.	Statement	Refer to section 1.3 (a) above.	Not Applicable.
<b>1.4 Development of the Code</b>			
(a) This Code has been developed following consultation with users and in response to a report prepared by the Council of Financial Regulators and accepted by the Deputy Prime Minister and Treasurer on 11 February 2013.	Statement	No procedures performed as this section articulates the development process for the Code.	Not Applicable.
(b) The Council of Financial Regulators will carry out a public review of the Code's implementation and effectiveness, and ASX's adherence to it by early 2015.	Statement	No procedures performed as this section articulates the review timetable for the Code.	Not Applicable.
<b>2. The Forum</b>			
<b>2.1 Establishment</b>			



Code Obligation	Scope	Procedure	Findings
(a) ASX will establish an advisory forum ( <b>the Forum</b> ) within 3 months of the commencement of this Code.	Reliance on IA	Check the convening of the first Forum meeting was established within 3 months of Code commencement.	<p>The Code commenced on 9 August 2013 as noted from the Code document available on the Clearing and Settlement of Cash Equities in Australia website (<a href="http://www.asx.com.au/cs">www.asx.com.au/cs</a>, "the website").</p> <p>The Forum members were finalised by 18 July 2013 as noted from a media release dated 18 July 2013.</p> <p>The first Forum meeting was held on 2 October 2013 as noted from minutes posted on the website.</p>
(b) The first meeting of the Forum will be held no later than 30 November 2013.	Reliance on IA	Check the date of the first Forum meeting was held no later than 30 November 2013.	The first Forum meeting was held on 2 October 2013 as noted from minutes posted on the website.
<b>2.2 Objectives</b>			
(a) The objectives of the Forum are: <ul style="list-style-type: none"> <li>1) to provide user input to the Boards of ASX Clear and ASX Settlement from a wide range of users in relation to ongoing investment in the design, operation and development of the core clearing and settlement infrastructure for the Australian cash equity market, including CHES;</li> <li>2) to consider any matters of common interest arising under the Code or in the principles set out in the report prepared by the Council of Financial Regulators; and</li> <li>3) to provide a formal mechanism for the Boards of ASX Clear and ASX Settlement to report to users</li> </ul>	Statement	This section outlines the objectives of the Forum. These objectives are reviewed in later sections of the Code when considering the composition, operation and management of the Forum and reporting to and from the Clearing and Settlement Boards.	Not Applicable.



Code Obligation	Scope	Procedure	Findings
on their strategic plan and investment decisions in relation to the design, operating and development of the core clearing and settlement infrastructure for the Australian cash equity market, including CHES.			
(b) Members of the Forum will not consider or discuss any competitively sensitive information in contravention of the Competition and Consumer Act 2010 (Cth).	Statement	No procedures performed as this section articulates that competitively sensitive information will not be discussed as part of the Forum, which is not an obligation on the ASX.	Not Applicable.
<b>2.3 Membership</b>			
(a) The Forum will consist of representatives of a wide range of user groups with a view to achieving a balance among the interests of the different user groups so that the Forum can function as an effective process for providing user input to the Boards of ASX Clear and ASX Settlement.	Statement	No procedures performed as the composition of the Forum is considered as part of 2.3(b).	Not Applicable.
(b) The Forum will consist of: <ol style="list-style-type: none"> <li>1) up to ten members representing clearing participants and settlement participants;</li> <li>2) a member representing alternative market operators;</li> <li>3) a member representing the Australian Financial Markets Association;</li> <li>4) a member representing the Stockbrokers Association of Australia;</li> </ol>	Reliance on IA	Based on the Forum membership records check the Forum has: <ol style="list-style-type: none"> <li>1) no more than 10 members representing clearing and settlement participants (excluding ASX Group company representatives);</li> <li>2) an alternative market operator member;</li> <li>3) an Australian Financial Markets</li> </ol>	The members of the Forum as listed on the website as at 7 March 2014 include: <ol style="list-style-type: none"> <li>1) representatives from 10 cash market clearing and settlement participants;</li> <li>2) a representative from an alternative market operator;</li> <li>3) a representative from AFMA</li> <li>4) a representative from SAA</li> <li>5) a representative from a system vendor</li> <li>6) a representative from a share registry</li> <li>7) a representative from a payment system service provider</li> <li>8) a representative from a custodial service provider</li> </ol>



Code Obligation	Scope	Procedure	Findings
5) a member representing system vendors; 6) a member representing share registries; 7) a member representing payment system service providers; 8) a member representing custodial service providers; 9) a member representing the funds management industry; 10) a member representing the superannuation industry; 11) a member representing listed companies; 12) a non-executive member of the Boards of ASX Clear and ASX Settlement (Forum Chair); and a non-executive member of the Board of ASX Limited.		Association (AFMA) member; 4) an Stockbrokers Association of Australia (SAA) member; 5) a system vendor member; 6) a share registry member; 7) a payment system service provider member; 8) a custodial service provider member; 9) a funds management industry member; 10) a superannuation industry member; 11) a listed company member; 12) a non-executive director (NED) from ASX Clear (ASXCL) and ASX Settlement (ASXS) and that the Director is the Forum Chair; and 13) a NED from the ASX Limited Board.	9) a representative from the funds management industry 10) a representative from the superannuation industry 11) a representative from a listed company 12) a NED of the Boards of ASXCL and ASXS 13) a NED of the ASX Limited Board.  It is noted that for the first Forum meeting held on 2 October 2013 the NED of the Boards of ASXCL and ASXS was not the Forum Chair. The ASX Limited MD & CEO, who is an executive director on the Boards of ASXCL and ASXS, was the Forum Chair.  The NED of the Boards of ASXCL and ASXS (who is also the Chair of ASXCL and ASXS) and the NED of ASX Limited both attended the Forum meeting on 2 October 2013. The NED of the ASX Limited Board subsequently (in November 2013) joined the Boards of ASXCL and ASXS and became the Forum Chair.
(c) ASX will invite users to nominate representatives as part of the selection process for appointment to the Forum.	Performed by PwC	Examine the process for nominating Forum members to check that users were invited to nominate representatives.	The ASX Limited published a Media Release on 10 April 2013 to announce the release of the draft Code. This Media Release is available on the ASX Limited website ( <a href="http://www.asx.com.au/about/media-releases.htm">http://www.asx.com.au/about/media-releases.htm</a> ).  This Media Release included a link to the consultation paper on the draft Code. Paragraph 23 of the consultation paper: "ASX is inviting users to nominate representatives for the Forum."  In addition, users of clearing & settlement services were invited to attend presentations held in Sydney and Melbourne to brief users on the Code of Practice and Forum. We obtained copies of the presentation, emails inviting users to attend, and a list of attendees to the presentations.



Code Obligation	Scope	Procedure	Findings
(d) ASX will consult users on the nominees for the Forum to inform the selection process.	Performed by PwC	As per section 2.3(c) above.	As per section 2.3(c) above.
(e) ASX will appoint members to the Forum for an initial 2 year term, subject to continued employment with the organisation by which they were nominated.	Reliance on IA	Check that all Forum members have been appointed for two years and are current employees of the respective organisations.	<p>It is noted on the Forum website (section – The Forum / Forum Membership) – <i>“The members listed below have been appointed to the Forum for a two year term, effective from 9 August 2013.”</i></p> <p>The two year term is noted in appointment letters sent by the ASX to Forum members. An appointment letter based on specific template was sent to each member of the Forum representing a user of clearing and settlement services (a slightly different letter was sent to all other members). An example of each type of letter was obtained, the "Terms of Appointment for the Forum" ("Attachment B" to the appointment letter) stated – <i>“Your term as member of the ASX Forum commences on 9 August 2013. Your term is for a period of two years, subject to continued employment by the organisation who nominated you.”</i></p>
(f) Before the expiry of a member’s term or in the event a member resigns, ASX will consult the user group represented by that retiring member regarding the appointment of a new representative member. It is expected that some members of the Forum will rotate so that the Forum will function as set out in clause 2.3(a).	Performed by PwC	<ol style="list-style-type: none"> <li>i. Identify any Forum resignations during the period.</li> <li>ii. For resignations which occurred during the period, examine the process for nominating a replacement Forum member to confirm that the relevant user group was consulted regarding the appointment of a new representative member.</li> </ol>	<p>‘Members’ of the forum are considered be to the individual organisations, not the representatives. During the period no member organisation resigned from the Forum and no terms have expired.</p> <p>Through inquiry with management it is noted that three Forum representatives resigned from their member organisations – CommSec (representing Commonwealth Bank of Australia), Deutsche Bank AG, and Association of Superannuation Funds of Australia (ASFA) – thereby requiring replacement representatives to be appointed to the Forum.</p>



Code Obligation	Scope	Procedure	Findings
(g) ASX will appoint members to the Forum based on their skills and experience.	Reliance on IA	<ul style="list-style-type: none"> <li>i. As per (b) and (c) above.</li> <li>ii. Identify the seniority of Forum members.</li> </ul>	It is noted from procedures performed for section 2.3 (b) and (c) that Forum members are CEOs or equivalent.
(h) A member of the Forum cannot appoint a delegate or alternate without the prior approval of the Forum Chair.	Performed by PwC	<ul style="list-style-type: none"> <li>i. Identify if there was any appointments of delegates or alternates during the period.</li> <li>ii. For delegate and alternate appointments check these had the prior approval of the Forum Chair.</li> </ul>	<p>During the period there were 3 requests to appoint delegate for Forum meetings – 2 requests for the 2 October 2013 meeting, and 1 request for the 2 April 2014 meeting.</p> <p>For one of the requests relating to the 2 October 2013 meeting, the Forum member actually ended up attending by phone rather than sending a delegate.</p> <p>For the other request relating to the 2 October 2013 meeting, no written confirmation of the prior approval from the Forum Chair was available. It is noted the alternate was included in the list of attendees in the Forum meeting agenda and in the minutes. The agenda was circulated to all members, including the Forum Chair, on 20 September 2013 (8 business days before the meeting) and the minutes were signed by the Forum Chair on 1 November 2013.</p> <p>For the request relating to the 2 April 2014 meeting, no written confirmation of the prior approval from the Forum Chair was available.</p> <p>Through inquiries with management it is noted that a meeting took place between the Forum Chair and Forum Secretary approximately 1 week prior to the Forum meeting agenda being circulated. This meeting was held to discuss the upcoming Forum meeting, agenda and papers, and other administrative matters (including proposed delegates or alternates).</p>



Code Obligation	Scope	Procedure	Findings
			It is further noted the alternate was included in the list of attendees in the Forum meeting agenda and in the minutes. The agenda was circulated to all members, including the Forum Chair, on 20 March 2014 (9 business days before the meeting) and the minutes were signed by the Forum Chair on 13 May 2014.
<b>2.4 Operation of the Forum</b>			
(a) The Forum will be chaired by a member of the Boards of ASX Clear and ASX Settlement ( <b>Forum Chair</b> ).	Reliance on IA	Examine the Forum membership and check the Chair for each meeting is from the Boards of ASXCL and ASXS	Refer to the results outlined for section 2.3(b)(12).  It should be noted that section 2.4(a) of the Code only requires the Forum Chair to be a <b>member</b> of the Boards of ASXCL and ASXS.  A member of the Boards of ASXCL and ASXS was the Forum chair for all meetings held during the period.
(b) The Forum will meet at least 3 times a year.	Performed by PwC	Examine the Forum meeting schedule and minutes to check the Forum has met and meetings are scheduled for 3 times in the year.	As noted for section 2.1(a) above, the first Forum meeting was held on 2 October 2013. Minutes of this meeting were sighted.  The Forum's second and third meetings were held on 2 April 2014 and 23 June 2014 respectively. Minutes of these meetings were sighted.



Code Obligation	Scope	Procedure	Findings
<p>(c) The Forum will appoint and convene a business committee to provide business and operational input on the forward work program of the Forum. Forum members, ASX Clear and ASX Settlement will nominate members of the business committee. Members of the business committee do not need to be members of the Forum. The business committee will report to the Forum. Business committee meetings will be held ahead of meetings of the Forum.</p>	<p>Reliance on IA</p>	<p>i. Examine Forum minutes and / or other records for evidence that a Business Committee has been appointed.            ii. Identify whether nominations for Business Committee members came from Forum members, ASXCL and ASXS.            iii. Examine the committee meeting schedule and / or minutes to confirm it meets prior to each Forum meeting.            iv. Review a sample of Forum meeting minutes to check the Business Committee provided a report to the Forum.</p>	<p>i. Through inspection of the first Forum meeting signed minutes (Agenda Item 4A) noted that a Business Committee had been appointed. The Chair asked members to confirm appointment of the Business Committee, and invited any comments or objections. No comments or objections were raised by Forum members.            ii. Through inquiry with management it was noted that the Forum members representing users of clearing and settlement services were invited to nominate members of the business committee. Appropriate representatives of ASXCL and ASXS nominated the other members for the business committee.            iii. As noted through inspection of meeting minutes, the Business Committee met for the first time on 16 August 2013, ahead of the Forum's first meeting on 2 October 2013. Subsequently the Business Committee met on 19 February 2014 (ahead of the Forum meeting on 2 April 2014) and 7 May 2014 (ahead of the Forum meeting on 23 June 2014), as noted through inspection of meeting minutes. As such, the Business Committee has met before each Forum meeting during the period.            iv. For a sample of 1 Forum meeting (the 2 October 2013 meeting) through inspection of the Forum agenda papers it was noted that the Business Committee had provided a report to the Forum (Agenda Item 4a – Appendix B).</p>



Code Obligation	Scope	Procedure	Findings
<p>(d) The Forum may appoint and convene technical committees to examine and provide advice in relation to particular issues as required. Members of the technical committees do not need to be members of the Forum. Technical committees will report to the Forum.</p>	<p>Re-performance of IA</p>	<ol style="list-style-type: none"> <li>i. Examine Forum minutes and / or other records for evidence that any technical committees have been appointed.</li> <li>ii. Identify whether the technical committee was appointed by the Forum.</li> <li>iii. Examine a sample of Forum meeting minutes to check if technical committee(s) has/have provided a report to the Forum.</li> </ol>	<p>We have re-performed the work performed by ASX Internal Audit and noted the findings below:</p> <ol style="list-style-type: none"> <li>i. As noted through inspection of the 16 August 2013 Business Committee meeting minutes, a technical committee was appointed to consider global messaging standards (Agenda Item 3B and 4). Through inspection of the 2 October 2013 Forum meeting minutes it was noted that the Forum was advised at this meeting of the appointment of the technical committee (Agenda Item 4A).</li> <li>ii. Through inquiry with ASX management the technical committee was actually recommended by the member organisations of the Business Committee. There was no formal process of appointment via letters.</li> <li>iii. Through inquiry with ASX management it is noted that reporting from the technical committee is reported to the Forum via the Business Committee. Through inspection of the 19 February 2014 Business Committee meeting minutes it is noted the ASX GM of Clearing and Settlement Technology updated the Business Committee on <i>"the key matters discussed at the 7 February 2014 Technical Committee meeting"</i>.</li> </ol> <p>It is further noted through inspection of the April 2014 Forum meeting agenda pack (Agenda Item 3D) a paper was provided to Forum members. Through inspection of the signed Forum meeting minutes for the 2 April 2014 it is noted that the ASX Group Executive of Operations presented to this paper in his capacity as co-chair of the technical committee.</p>



Code Obligation	Scope	Procedure	Findings
<p>(e) ASX will provide facilities and services for the effective administration and functioning of the Forum. The Forum Chair may invite ASX management to attend meetings of the Forum.</p>	<p>Performed by PwC</p>	<p>i. Inquire with management in regards to the administration and facilities available to the Forum.            ii. Examine if the Forum Chair invited ASX management to attend meetings of the Forum.</p>	<p>i. Through inspection of the Forum website it is noted that all Forum and Business Committee meetings are held at ASX Limited, 20 Bridge Street, Sydney NSW 2000. It is further noted through examination of the Forum meeting minutes Forum and Business Committee meetings were held on level 1 at 20 Bridge Street, ASX's client meeting room floor.</p> <p>Through inquiry with ASX management it is noted that an ASX employee is the Forum Secretary, who has the responsibility for agendas, minutes and other administrative matters in regards to the Forum.</p> <p>ii. Through examination of the Forum meeting minutes (2 October 2013, 2 April 2014, and 23 June 2014) it is noted that ASX management were in attendance for either all and select agenda items for these meetings.</p> <p>There is no formal invitation process for ASX management to attend the Forum. There is standing invite for ASX management to attend the Forum; however they can address the Forum meeting when invited by the Forum Chair.</p>
<p>(f) Agendas will be set by the Forum Chair in consultation with Forum members. The Forum Chair will circulate a draft agenda prior to the Forum meeting to provide Forum members with the opportunity to contribute to the agenda setting process.</p>	<p>Reliance on IA</p>	<p>i. Inquire in regards to the agenda setting process and examine how agenda items were agreed for each meeting (e.g. correspondence from / to Forum members).            ii. Check the draft agendas were circulated.</p>	<p>i. Through inquiry with ASX management it is noted that each Forum agenda is set around the forward work program. The Forum has input to the forward work program.</p> <p>A draft meeting agenda is circulated to Forum members in advance of each meeting to provide opportunity to provide comments.</p> <p>ii. For the Forum meetings held on the 2 October 2013 and 2</p>



Code Obligation	Scope	Procedure	Findings
			April 2014 evidence (in the form of sent emails) was obtained supporting the distribution of draft agendas to Forum members prior to the meetings.
(g) Minutes of meetings of the Forum will be kept and approved by the Forum Chair. The Forum Chair will circulate draft meeting minutes following Forum meetings to provide Forum members with the opportunity to comment on the meeting minutes.	Reliance on IA	<ul style="list-style-type: none"> <li>i. For a sample of finalised minutes from Forum meetings and check they were signed.</li> <li>ii. For a sample of draft minutes from Forum meetings, check they were distributed and feedback was considered.</li> </ul>	<ul style="list-style-type: none"> <li>i. For the 2 October 2013 Forum meeting, it noted that the finalised minutes on the Forum website were signed by the acting Chair.</li> <li>ii. The draft minutes (and Forum Report –relevant for section 2.4(j)) from the 2 October 2013 meeting were sent to all members of the Forum on 22 October 2013. No feedback was received.</li> </ul>
(h) ASX will publish all agendas and minutes of the Forum on the ASX website. Agendas will be published 1 week prior to the relevant Forum meeting and minutes of the Forum will be published as soon as practicable after they have been provided to the Boards of ASX Clear and ASX Settlement.	Reliance on IA	<ul style="list-style-type: none"> <li>i. Check the ASX website for agendas and meeting minutes of every meeting.</li> <li>ii. Check that the agendas were published at least a week prior to each meeting.</li> <li>iii. Check minutes were published shortly after being provided to the Boards of ASXCL and ASXS.</li> </ul>	<ul style="list-style-type: none"> <li>i. The meeting agenda and signed minutes for 2 October 2013 and 2 April 2014 Forum meetings are included on the Forum website. The meeting agenda for 23 June 2013 is also included on the website, with its meeting minutes expected to be signed on 12 August 2014.</li> <li>ii. The agenda for 2 October 2013 Forum meeting was uploaded to the Forum website on 26 September 2013 (6 days prior to the meeting, rather than the required 7 days).  The agenda for the Forum meeting on the 2 April 2014 was published on 26 March 2014 (one week prior to the meeting).</li> <li>iii. The minutes for the 2 October 2013 Forum meeting were published on the Forum website on 13 November 2013, which was the same day that they were provided to the Boards of ASXCL and ASXS (the date of the ASXCL and ASXS Boards meeting).</li> </ul>



Code Obligation	Scope	Procedure	Findings
<p>(i) The Forum Chair will prepare a written report on the key issues discussed and any recommendations made by the Forum for inclusion in the Board papers for the next meetings of the Boards of ASX Clear and ASX Settlement. These reports will be published on the ASX website as soon as practicable after they have been provided to the Boards of ASX Clear and ASX Settlement.</p>	<p>Reliance on IA</p>	<p>i. Check a sample of written reports to test that they contain the key issues discussed and any recommendations made by the Forum.</p> <p>ii. Check the agenda items for a sample of meetings of the Boards of ASXCL and ASXS to confirm that the Forum Chair provided such reports.</p> <p>iii. Check the reports from the Forum Chair were published on the ASX website shortly after being provided to the Boards.</p>	<p>The written report issued from the 2 October 2013 Forum meeting was selected for the sample.</p> <p>i. It is noted that a written report from the 2 October 2013 Forum meeting is available on the Forum website. It contains a brief summary of the key matters documented in the minutes as having been discussed at the 2 October 2013 Forum meeting – (1) adoption of Charter, (2) management accounts, (3) performance of clearing and settlement services, (4) forward work program, (5) appointment of business committee, (6) benchmarking report, and (7) regulatory developments.</p> <p>The report is consistent with the information in the last section of the minutes summarised for inclusion in the report.</p> <p>ii. Through inspection of the ASXCL &amp; ASXS Boards meeting agenda it was noted that the report from the 2 October 2013 Forum meeting was included.</p> <p>iii. The report to the 2 October 2013 Forum meeting was uploaded to the Forum website on the same day as the ASXCL &amp; ASXS Boards meeting on 13 November 2013.</p>
<p>(j) The Forum Chair will circulate a draft of the report to Forum members.</p>	<p>Reliance on IA</p>	<p>For a sample of reports, examine the correspondence to check the draft report was circulated.</p>	<p>The draft Forum report (and minutes, as noted in section 2.4(g)) from the 2 October 2013 meeting were sent to all members of the Forum on 22 October 2013. No feedback was received.</p>



Code Obligation	Scope	Procedure	Findings
<p>(k) The Boards of ASX Clear and ASX Settlement will give due consideration to any material matters raised by, or recommendations of, the Forum and liaise with the Forum as appropriate.</p>	<p>Reliance on IA</p>	<p>i. Identify any material matters or recommendations in the report from the Forum.</p> <p>ii. For a sample of the reports from the Boards of ASXCL and ASXS to the Forum and ASXCL and ASXS meeting minutes, check they gave due consideration to any material matters or recommendations raised in the Forum reports.</p>	<p>Refer to section 2.4(i) above for the 7 key matters covered in the Forum report; no "recommendations" were specifically made.</p> <p>The letter/report from the Chair of the Boards of ASXCL and ASXS in response to the report from the 2 October 2013 Forum meeting contains comments on the forward work program, the benchmarking report, business committee and regulatory developments.</p> <p>The covering Board paper for the meeting of the Boards of ASXCL and ASXS on 13 November 2013 notes that "The Boards must give due consideration to any material matters raised by, or recommendations of, the Forum and liaise with the Forum as appropriate". The attachments to the Board paper included the Forum report, full meeting papers for and minutes of the 2 October 2013 Forum meeting, hence all directors of the Boards of ASXCL and ASXS received the details of all matters discussed by the Forum.</p> <p>The minutes of the ASXCL &amp; ASXS Boards meeting record that the MD &amp; CEO (who Chaired the Forum meeting) reported to the Boards that "other than the Forum's forward work program... no other material matters or recommendations requiring a response from the Boards were raised". The resolution at the end of the agenda item in the minutes "NOTED the minutes and report from the 2 October 2013 Forum meeting".</p>
<p>(l) The Forum Chair will report to the next Forum meeting on the outcome of discussions of the Boards of ASX Clear and ASX Settlement relevant to any recommendations made by the Forum. The Forum Chair</p>	<p>Performed by PwC</p>	<p>Examine a sample of the Forum minutes for evidence of discussion of the Boards responses to Forum reporting.</p>	<p>From inspection of the agenda for the 2 April 2014 Forum meeting it is noted that Agenda Item 7a covered the "Forum Chair report on the Boards of ASX Clear and ASX Settlement's consideration of initiatives prioritised by the Forum".</p>



Code Obligation	Scope	Procedure	Findings
<p>may also report on other issues of interest to the Forum.</p>			<p>It is further noted the agenda papers for the 2 April 2014 Forum meeting included a letter from the Chair of the Boards of ASXCL and ASXS (dated 13 November 2013) responding to the report from the 2 October 2013 Forum meeting.</p> <p>From inspection of the 2 April 2014 Forum meeting minutes it is noted the Forum Chair addressed the meeting on the matter and invited the Chairman of the Boards of ASXCL and ASXS to speak to the agenda papers. The Forum Chair invited questions and comments, but none were received.</p> <p>Noted from the minutes of the 2 April 2014 Forum meeting minutes no material matters or recommendations were noted to be raised with the Boards of ASXCL and ASXS. From examination of the 23 June 2014 Forum meeting agenda, no Agenda Item was noted covering the Boards of ASXCL and ASXS consideration of initiatives prioritised by the Forum.</p>
<p>(m) The Boards of ASX Clear and ASX Settlement will jointly provide a written response to the report prepared by the Forum Chair to be provided to the Forum which articulates:</p> <ol style="list-style-type: none"> <li>1) the response to any material matters raised by the Forum</li> <li>2) the recommendations that are being followed</li> <li>3) the recommendations that are not being followed</li> <li>4) the reasons for these decisions.</li> </ol>	<p>Reliance on IA</p>	<p>For the material matters and recommendations identified from section 2 (k), examine a sample of the reports from the Boards of ASXCL and ASXS to the Forum to check they responded to any material matters raised in the Forum reports, along with the decisions relating to any recommendations and reasons behind the decisions.</p>	<p>As noted for section 2.4(k) above, the letter from the Chair of the Boards of ASXCL and ASXS in response to the report from the 2 October 2013 Forum meeting contains comments on the forward work program, the benchmarking report, business committee and regulatory developments.</p> <p>It is noted that the Forum did not make any recommendations at the 2 October 2013 meeting which required the Boards of ASX Clear and ASX Settlement to provide a response.</p>



Code Obligation	Scope	Procedure	Findings
Written responses from ASX Clear and ASX Settlement to the Forum will be published on the ASX website as soon as practicable after they have been provided to the Forum.	Reliance on IA	i. Check the Boards response to Forum reports is available on the ASX website. ii. Check timing was appropriate.	The response from ASXCL and ASXS to the report from the 2 October 2013 Forum meeting was uploaded to the website on 13 November 2013, which was the same day as the letter was signed by the Chairman of ASXCL and ASXS.
<b>2.5 Commitment to Broad User Consultation</b>			
(a) In addition to the Forum, ASX Clear and ASX Settlement will continue to provide other mechanisms for user engagement and consultation.	Performed by PwC	Determine what other mechanisms exist for user engagement and consultation.	Mechanisms for user engagement and consultation provided by ASXCL and ASXS include consultation papers, working committees and regular meetings between users and management from ASXCL and ASXS (including BD and Risk).
(b) Any interested party may provide information to ASX Clear and ASX Settlement in respect of the development of clearing and settlement services and infrastructure at any time (on a collective or confidential basis). This information may be provided by sending a written submission to ASX Clear and ASX Settlement addressed to the attention of the Forum Chair. Relevant contact details will be placed on the ASX website.	Re-performance of IA	Check current contact details for the Forum Chair are on the website.	<p>From our review of ASX Internal Audit's work it was noted based on their testing performed on 9 April 2014 the Forum website included a "Contact the Forum Chair" page with a link to the Forum Chair's email address: "<i>Communications to the Forum Chair can be emailed to: <a href="mailto:forum.chair@asx.com.au">forum.chair@asx.com.au</a></i>."</p> <p>On an attempt to send an email to the Forum Chair email address outlined above an error message "<i>The recipient's e-mail address was not found in the recipient's e-mail system</i>" was received.</p> <p>It was established by that the correct address was <a href="mailto:forumchair@asx.com.au">forumchair@asx.com.au</a> (without the dot between words). When Internal Audit viewed the website on 10 April 2014 the email address had been updated.</p> <p>Internal Audit forwarded the original test email to the correct address and confirmed the receipt of the email.</p>



Code Obligation	Scope	Procedure	Findings
			<p>At our date of re-performance of ASX Internal Audit's work on 15 July 2014, it was noted that the "Contact the Forum Chair" page included the corrected email address to the Forum Chair – <a href="mailto:forumchair@asx.com.au">forumchair@asx.com.au</a>.</p> <p>We sent a test email to the email address outlined above and obtained a confirmation email from management (from the email address outlined above) that our email had been received.</p>
(c) The Forum Chair will consider submissions provided by interested parties when preparing reports to be provided to the Boards of ASX Clear and ASX Settlement.	Performed by PwC	<ol style="list-style-type: none"> <li>i. Identify any submissions received during the period.</li> <li>ii. Read a sample of the submissions and check for inclusion in reports from the Forum Chair where appropriate.</li> </ol>	Through inquiry with management it is noted that no submissions were received by the Forum Chair at the date of our procedures on 30 July 2014.
<b>3. Pricing</b>			
<b>3.1 Transparent Pricing</b>			
(a) ASX will publish fee schedules, in a clear and accessible form, for all clearing and settlement services covered by this Code. The published schedules will include a brief description of each service.	Re-performance of IA	<ol style="list-style-type: none"> <li>i. Examine the website to confirm that fee schedules for clearing and settlement services covered by the code have been published.</li> <li>ii. Identify the fees, terms, conditions and eligibility criteria, rebates, revenue-sharing arrangements and discounts applicable to each service.</li> <li>iii. Examine the published fee schedules to check they contain a brief description of each service and, for part (b), applicable terms, conditions and eligibility criteria, of</li> </ol>	<p>We have re-performed the work performed by Internal Audit on the 22 July 2014 and noted the findings outlined below:</p> <ol style="list-style-type: none"> <li>i. Through inspection of the ASX website (<a href="http://www.asx.com.au/about/asx-fees.htm">http://www.asx.com.au/about/asx-fees.htm</a>) the following fee schedules applicable to Cash Market clearing and settlement services were noted: <ul style="list-style-type: none"> <li>• Cash Market Clearing Fees Schedule of Fees</li> <li>• Cash Market Settlement Fees Schedule of Fees</li> <li>• Trade Acceptance Service (TAS) pricing and service term options – fees for Approved Market Operators (AMOs)</li> <li>• Settlement Facilitation Service Agreement – fees for</li> </ul> </li> </ol>



Code Obligation	Scope	Procedure	Findings
		<p>any rebates, revenue-sharing arrangements and discounts applicable to each service.</p>	<p>Approved Listing Market Operators (ALMOs) (page 20 – Schedule 4)</p> <p>Further, through inquiry with management we confirmed that the fee schedules listed above are the only fees which are relevant to the Code.</p> <p>ii. Inquired and confirmed with management that all cash market fees, terms, conditions and eligibility criteria, rebates, revenue-sharing arrangements and discounts applicable to:</p> <ul style="list-style-type: none"> <li>• <u>Clearing Services</u>: Are included in the Cash Market Clearing Fees Schedule of Fees or the TAS pricing and service term options, and</li> <li>• <u>Settlement Services</u>: Are included in the Cash Market Settlement Fees Schedule of Fees or the fee schedule in the Settlement Facilitation Service Agreement.</li> </ul> <p>It is noted through those inquiries that no rebates or discounts are applicable for Cash Market Clearing Services, only an annual revenue-sharing scheme.</p> <p>iii. Through inspection of the four fee schedules outlined above, it is noted that they include a brief description of each service provided.</p> <p>Each fee schedule also includes details of terms, conditions and eligibility criteria, rebates, revenue-sharing arrangements and discounts applicable to each service.</p> <p>The findings outlined above are consistent with the work performed by ASX Internal Audit.</p>



Code Obligation	Scope	Procedure	Findings
<p>(b) The published fee schedules will include details, including applicable terms, conditions and eligibility criteria, of any rebates, revenue-sharing arrangements and discounts applicable to each service.</p>	<p>Re-performance of IA</p>	<p>Refer to section 3.1(a) above.</p>	<p>Refer to section 3.1(a) above.</p>
<p>(c) ASX will make available worked examples, tools and other information as appropriate which will assist users to anticipate the price they will have to pay for use of the services. The worked examples, tools and other information will enable users to be able to assess:</p> <ol style="list-style-type: none"> <li>1) the expected cost impacts of any pricing changes;</li> <li>2) the expected cost impacts associated with new products and initiatives; and</li> <li>3) the impact of discounts, rebates and revenue-sharing arrangements for different user groups and different activity profiles</li> </ol>	<p>Performed by PwC</p>	<ol style="list-style-type: none"> <li>i. For user groups and different activity profiles, check the website for worked examples, tools and other information relating to pricing changes, new products and initiatives and / or discounts, rebates and revenue-sharing arrangements.</li> <li>ii. Identify any pricing changes, new products and initiatives and / or discounts, rebates and revenue-sharing arrangements during the period.</li> </ol>	<ol style="list-style-type: none"> <li>i. Through inspection of the ASX website it is noted that worked examples for fees for clearing and settlement services are included on the website at: <ul style="list-style-type: none"> <li>• Clearing: <a href="http://www.asx.com.au/cs/clearing-pricing.htm">http://www.asx.com.au/cs/clearing-pricing.htm</a>, and</li> <li>• Settlement: <a href="http://www.asx.com.au/cs/settlement-pricing.htm">http://www.asx.com.au/cs/settlement-pricing.htm</a></li> </ul> <p>It was also noted that the website outlined the statement that <i>"If ASX changes cash market clearing and/or settlement fees, participants will be provided with information to assist in their analysis of the impact of clearing and settlement price changes on their total service costs. In the event that fees are changed, participants will be notified individually of the pricing changes and the implications for their businesses."</i></p> </li> <li>ii. Through inquiry with management noted there have been no pricing changes, new products and initiatives and/or discounts, rebates and revenue-sharing arrangements relating to cash market clearing and settlement services during the period.</li> </ol> <p>This is consistent with the fact that the current Cash Market Clearing and Settlement Fees Schedule of Fees dates pre-9 August 2013 (commencement of the Code).</p>



Code Obligation	Scope	Procedure	Findings
			<p>As such no new worked examples have been included on the ASX website. Through inquiry with management it was noted that it is management's intention of add to the worked examples on the website when a price change or new product/initiative are introduced.</p>
(d) ASX will publish all information on the ASX website.	Re-performance of IA	Check that relevant fee information is published on the website.	<p>As noted in sections 3.1(a), (b) and (c), the relevant fee schedules with all fees, rebates, terms and conditions, and the worked examples are on the ASX website.</p> <p>(Main ASX website: <a href="http://www.asx.com.au/about/asx-fees.htm">http://www.asx.com.au/about/asx-fees.htm</a>).            (Forum website: Clearing: <a href="http://www.asx.com.au/cs/clearing-pricing.htm">http://www.asx.com.au/cs/clearing-pricing.htm</a>).            (Forum website: Settlement: <a href="http://www.asx.com.au/cs/settlement-pricing.htm">http://www.asx.com.au/cs/settlement-pricing.htm</a>).</p>
<b>3.2 Published Management Accounts for Cash Equities</b>			
(a) ASX will publish management accounts in respect of the clearing and settlement of cash equities in Australia. ASX will publish these accounts on an annual basis, together with ASX's full year financial results, and make them available on the ASX website.	Performed by PwC	Check that the annual clearing and settlement cash equities management accounts are published on the ASX website, together with the ASX's full year financial results.	<p>Although the Code only commenced operation on 9 August 2013, it is noted that the ASX prepared and published clearing and settlement cash equities management accounts for the year ended 30 June 2013.</p> <p>From review of the Forum website it is also noted that management accounts for the half-year ended 31 December 2013 have also been prepared and published.</p> <p>These management accounts are included on the Forum website (<a href="http://www.asx.com.au/cs/financial-statements.htm">http://www.asx.com.au/cs/financial-statements.htm</a>).</p>



Code Obligation	Scope	Procedure	Findings
			<p>For the current year management accounts, given our final report is issued to the Boards of ASX Clear and ASX Settlement on 12 August 2014, we are unable to validate if the FY2014 management accounts will be (1) published together with ASX's full year financial results, and (2) make available on the ASX website.</p> <p>However through inquiry with management it is noted it is their intention to publish the management accounts together with ASX's full year financial results and include them on the ASX website.</p>
<p>(b) In the management accounts, ASX will allocate directly attributable and common shared costs for cash equity clearing and settlement as between ASX Clear and ASX Settlement. ASX will allocate costs for the clearing and settlement functions on the following basis:</p> <ol style="list-style-type: none"> <li>1) the directly attributable expenditure undertaken in respect of relevant clearing and settlement functions will be the increase in total expenditure which results from that function</li> <li>2) the expenditure on shared assets and indirect costs will be allocated on the basis of identified and appropriate drivers of the expenditure related to the respective clearing and settlement functions.</li> </ol>	<p>Performed by PwC</p>	<p>Obtain the management accounts for clearing and settlement of cash equities and check the accounting policies for cost allocation are consistent with the Code.</p>	<p>We noted that we are separately engaged by the ASX to provide an audit opinion over the management accounts prepared for clearing and settlement of cash equities.</p> <p>It is noted that the management accounts include an accounting policy note which outlines the cost allocation methodology used for the allocation of both directly attributable and indirect expenses. As required by the Code, indirect costs are allocated to the activities of clearing and settlement for cash equities based on appropriate drivers for each major expense category.</p>
<p>(c) ASX will establish a policy which describes the methodology used for apportioning directly attributable and indirect or common shared costs. This policy will be reflected in the published management accounts.</p>	<p>Performed by PwC</p>	<p>Refer to section 3.2(b).</p>	<p>Refer to section 3.2(b).</p>



Code Obligation	Scope	Procedure	Findings
(d) The published management accounts will be subject to review by an external auditor.	Performed by PwC	Check an external auditor has been engaged to perform a review over the management accounts.	We confirm that we have been engaged by the ASX to complete an audit over the management accounts for the (i) cash equities clearing, and (ii) cash equities settlement operations in Australia for the year ended 30 June 2014.
<b>3.3 Non-discriminatory and Transfer Pricing</b>			
(a) Non-discriminatory pricing: ASX is committed to providing non-discriminatory pricing to all customers and potential users. The prices for clearing and settlement services provided by ASX Clear and ASX Settlement, including rebates, revenue-sharing arrangements and discounts applicable to the use of these services, will not discriminate between ASX-affiliated and other customers or potential users of clearing and settlement services.	Performed by PwC	i. Identify the current clearing and settlement customers, including ASX-affiliated customers.	<p>The list of ASXCL and ASXS participants was obtained from the ASX website (<a href="https://www.asxonline.com/index.html">https://www.asxonline.com/index.html</a>). It was noted that a revised list of participants was released on 12 March 2014.</p> <p>There are –</p> <ul style="list-style-type: none"> <li>• 36 entities that are participants of both ASXCL and ASXS;</li> <li>• 46 participants who are participants solely of ASXS; and</li> <li>• 1 participant of ASXS which is also a ALMOs.</li> </ul> <p>ASX currently has 1 AMO and 3 ALMOs as customers. There is one ASX-affiliated user of cash market clearing and settlement services – ASX Limited as the holder of the market licence to operate the cash market.</p>
		ii. Obtain a list of all cash market clearing and settlement billing for 2 months and ensure that all users have been billed consistently and / or differences can be justified.	<p><b>Participants:</b></p> <p>A random sample of 2 months of billing data from CHESS was selected from the period 9 August 2013 to 30 June 2014.</p> <p>For the sampled months, for each product code applicable to cash market clearing and settlement fees we checked that each ASXCL and ASXS participant was billed based on the same rate per unit,</p>



Code Obligation	Scope	Procedure	Findings
		<p>iii. Obtain a list of all annual cash market clearing and settlement billing for the current period and check that all users have been billed consistently and / or differences can be justified.</p>	<p>as per the Cash Market Clearing and Settlement Schedule of Fees. All participants were charged a consistent rate per unit.</p> <p>In addition, for the 2 months selected the CHESSE fee data for 5 participants was reconciled to the invoices issued. No exceptions noted.</p> <p><b>AMOs:</b> The TAS agreement only includes annual and ad hoc fees to be charged to AMOs (no monthly fees). No ad hoc fees were identified during the period for the AMO.</p> <p><b>ALMOs:</b> The Settlement Facilitation Service Agreement includes one-off/ad hoc fees and annual fees for ALMOs. Ad-hoc fees for 1 ALMO were identified for the period. The fees charged were checked to the fees listed in the Settlement Facilitation Service Agreement (Schedule 4 - Fee). The fees charged were consistent with the fees listed in the SFS agreement fee schedule.</p> <p><b>ASX-affiliated user:</b> No monthly or ad hoc billing identified during the period for the ASX-affiliated user.</p> <p><b>Participants:</b> It is noted that no annual fees are charged to participants for clearing and settlement services (as per the Cash Market Clearing and Settlement Schedule of Fees).</p> <p>Through inquiry with management it is noted that the revenue-sharing schemes with participants is annual. There are 2 schemes</p>



Code Obligation	Scope	Procedure	Findings
			<p>(one each for clearing and settlement), with the payment of revenue-sharing dependent on the ASX achieving a predetermined revenue growth rate each year. If the revenue growth rate is achieved for a particular year, 50% of the revenue above the predetermined revenue growth rate is returned to participants. The amount each participant receives is proportional to the fees they have paid during the year.</p> <p><b>AMOs &amp; ASX-affiliated user:</b> It is noted that the TAS (Legal Terms – pricing section) outlines that an annual service fee can be billed to users under the TAS.</p> <p>It is noted that ASX released a consultation paper on: "Clearing and Settlement Services for Approved Market Operators and Approved Listing Market Operators: Enhanced service levels and information handling standards" on the 23 January 2014. Through inspection of the ASX response to submissions obtained, it is noted that the ASX waived the annual fee charged for the TAS (website – <a href="http://www.asx.com.au/regulation/public-consultations.htm">http://www.asx.com.au/regulation/public-consultations.htm</a>)</p> <p>As such, no annual fees noted.</p> <p><b>ALMOs:</b> Through inspection of the Settlement Facilitation Service Agreement annual fees are charged to ALMOs. For each ALMO we obtained the annual invoices issued and checked the basis on the fee to the Settlement Facilitation Service Agreement (Schedule 4 – Fees). All ALMOs were charged annual fees on a consistent basis.</p>



Code Obligation	Scope	Procedure	Findings
(b) Transfer pricing: ASX Clear and ASX Settlement will charge all users, including ASX-affiliated entities, non-discriminatory prices for materially equivalent services.	Performed by PwC	Refer to section 3.3(a) above.	Refer to section 3.3(a) above.
<b>3.4 Pricing Comparison</b>			
(a) ASX Clear and ASX Settlement will annually commission from an independent consulting firm benchmarking of the scope of the clearing and settlement services that ASX Clear and ASX Settlement provide and the pricing and fees for those services compared to the clearing and settlement services and the pricing and fees for those services provided by facilities in other cash equity markets.	Performed by PwC	Check that the annual benchmarking study has been planned or performed by an independent consulting firm on an annual basis.	<p>It is noted that ASX engaged Oxera Consulting Limited to perform a 'Global cost benchmarking of clearing and settlement services' for the current period. Oxera is not a party related to the ASX Group.</p> <p>We sighted the signed engagement letter between Oxera Consulting Limited and the ASX for this benchmarking review.</p> <p>It is further noted the completed report was issued to the market (via a media release) on 23 June 2014.</p>
(b) ASX Clear and ASX Settlement will consult the Forum on the scope and methodology of the international price benchmarking prior to it being commissioned in accordance with clause 3.4(a).	Performed by PwC	Examine the minutes of the Forum meetings or correspondence to confirm that the Forum has been consulted on the scope of the benchmarking.	<p>Through inspection of the Forum's 2 October 2013 signed meeting minutes (Agenda Item 5) it is noted that the scope and methodology of the international benchmarking report was discussed with Forum members. Further, it was noted that an item was raised for the Business Committee to discuss the proposed scope of the report.</p> <p>Through inspection of the Business Committee signed 9 December 2013 meeting minutes (Agenda Item 3a) it was noted that discussion was held on the proposed scope and methodology for the international cost benchmarking to be commissioned.</p>



Code Obligation	Scope	Procedure	Findings
<p>(c) ASX Clear and ASX Settlement will provide a report containing the results of the comparison to the Forum and the Agencies, and will publish the report on the ASX website.</p>	<p>Performed by PwC</p>	<p>i. Check the Forum meeting minutes for reference to the content of the benchmarking report.            ii. Obtain correspondence to check the report was also provided to the ACCC, ASIC, RBA and Treasury.            iii. Check the report has been published on the ASX website.</p>	<p>i. Through inspection of the Forum meeting minutes on 23 June 2014 the result of the Oxera benchmarking report was presented to the Forum members.</p> <p>ii. It is noted that a copy of the final benchmarking report was sent (via email) to the Council of Financial Regulators (CFR) on 23 June 2014. It is noted that the CFR nominated a representative of the RBA to be ASX's contact point for matters relating to the Code.</p> <p>Through inquiries with management it is noted that the RBA secretariat will send all Code related documents to all relevant Agencies.</p> <p>iii. It is noted that that a copy of the final the Oxera benchmarking report is included on the ASX website (<a href="http://www.asx.com.au/cs/international-cost-comparisons.htm">http://www.asx.com.au/cs/international-cost-comparisons.htm</a>). The final report was released by a media announcement on 23 June 2014.</p>
<p><b>4. Access to clearing and settlement services</b></p>			
<p><b>4.1 Standard Access to Clearing and Settlement Services</b></p>			
<p>(a) ASX Clear and ASX Settlement will continue to publish on the ASX website transparent standard terms and conditions:            1) to become an ASX Clear or ASX Settlement participant pursuant to the ASX Clear and ASX Settlement operating rules</p>	<p>Performed by PwC</p>	<p>Examine the ASX website to check that ASXCL and ASXS have published standard terms and conditions:            1) to become an ASX Clear or ASX Settlement participant pursuant to</p>	<p>From inspection of the ASX website the following published documents have been noted:            1) <b>Becoming a participant:</b> "A Guide to Becoming an ASX Participant" (Forum website: <a href="http://www.asx.com.au/cs/equity-market-participants.htm">http://www.asx.com.au/cs/equity-market-participants.htm</a>)</p>



Code Obligation	Scope	Procedure	Findings
2) for AMOs seeking access to TAS in order to facilitate the clearing and settlement for transactions effected through that AMO pursuant to the TAS Legal Terms 3) for ALMOs to apply for the provision of settlement facilitation services, pursuant to the Settlement Facilitation Service Agreement.		the ASXCL and ASXS operating rules 2) for AMOs seeking access to TAS in order to facilitate the clearing and settlement for transactions effected through that AMO pursuant to the TAS Legal Terms 3) for ALMOs to apply for the provision of settlement facilitation services, pursuant to the Settlement Facilitation Service Agreement.	(ASX main website: <a href="http://www.asx.com.au/regulation/compliance/participants.htm">http://www.asx.com.au/regulation/compliance/participants.htm</a> ) 2) <b>AMOs seeking access to TAS:</b> "Legal terms for the provision of a trade acceptance service to Australian financial market licensees in respect of CHESSE-eligible ASX-quoted financial products" (Forum website: <a href="http://www.asx.com.au/cs/services-for-approved-market-operators.htm">http://www.asx.com.au/cs/services-for-approved-market-operators.htm</a> ) 3) <b>ALMOs to apply for the provision of settlement facilitation services:</b> "Settlement Facilitation Service Agreement" template (Forum website: <a href="http://www.asx.com.au/cs/services-for-approved-listing-market-operators.htm">http://www.asx.com.au/cs/services-for-approved-listing-market-operators.htm</a> )
(b) Access to clearing and settlement services will be provided on a non-discriminatory basis. ASX Clear and ASX Settlement will not unreasonably prohibit, condition or limit, directly or indirectly, access by a person or company to clearing and settlement services.	Performed by PwC	i. Identify if any applications for access to clearing and settlement services has been prohibited, given with conditions or limited. ii. For a sample of such applications identified, examine the reason for the decision and check whether it is in accordance with the relevant rules.	Through inquiries with management it was noted that: <ul style="list-style-type: none"> <li>No applications for AMO or ALMO access to clearing and settlement services have been received during the period.</li> <li>All participant applications for access to clearing and settlement services during the period had been approved without any prohibitions, conditions or limitations.</li> </ul>
<b>4.2 Service Level Agreements</b>			
(a) ASX Clear and ASX Settlement will consult AMOs and ALMOs on their respective service level agreements under the TAS and the Settlement Facilitation Service with the objective of making those service level agreements consistent with the outcomes of a	Performed by PwC	i. Identify all AMOs and ALMOs. ii. Obtain correspondence to check that AMOs and ALMOs have been consulted on their respective service level agreements under the TAS and the Settlement Facilitation Service.	i. The following have been identified as AMOs and ALMOs: <ul style="list-style-type: none"> <li>AMOs: Through inquiry with management it is noted there is currently only 1 AMO – Chi-X.</li> </ul>



Code Obligation	Scope	Procedure	Findings
<p>competitive market and ASX Clear and ASX Settlement's licence obligations.</p>			<ul style="list-style-type: none"> <li>• ALMOs: Through inspection of the ASX website (<a href="http://www.asx.com.au/cs/services-for-approved-listing-market-operators.htm">http://www.asx.com.au/cs/services-for-approved-listing-market-operators.htm</a>) the following ALMOs have been identified:               <ol style="list-style-type: none"> <li>1) Asia Pacific Exchange Limited (APX)</li> <li>2) National Stock Exchange of Australia Limited (NSX)</li> <li>3) SIM Venture Securities Exchange Limited (SIM).</li> </ol> </li> </ul> <p>ii. It is noted that the ASX sent (via email on 23 January 2013) to AMO or ALMOs the ASX consultation paper on – Clearing and Settlement Services for Approved Market Operators and Approved Listing Market Operators: Enhanced service levels and information handling standards.</p> <p>This consultation paper is also included on the ASX website (<a href="http://www.asx.com.au/regulation/public-consultations.htm">http://www.asx.com.au/regulation/public-consultations.htm</a>)</p> <p>It is noted that the consultation paper includes proposals to enhance the protection of confidential information received from AMOs and ALMOs. Through inquiries with management it is noted that proposed amendments from the consultation process have been completed and can into effect on the 1 July 2014.</p> <p>It is noted that submissions from Chi-X and APX to the consultation paper have been included on the ASX website (refer to link listed above). ASX's responses to these submissions have also been published on the website.</p>



Code Obligation	Scope	Procedure	Findings
<b>4.3 Responsiveness to Requests</b>			
<p>(a) ASX Clear and ASX Settlement will consider any request for clearing and settlement services by AMOs and ALMOs, including requests for changes to clearing and settlement services, in a timely manner.</p>	<p>Performed by PwC</p>	<p>Identify any request for clearing and settlement services by AMOs and ALMOs and check they were considered within the published target timeframes.</p>	<p>Through inquiries with management it was noted that during the period:</p> <ul style="list-style-type: none"> <li>• 3 AMO requests had been received, and</li> <li>• 1 ALMO request had been received</li> </ul> <p><b>AMO:</b> Timeframes for the ASX to response to AMO requests are:</p> <ol style="list-style-type: none"> <li>1) Respond to a request for a change and provide a change request form within 3 business days,</li> <li>2) Contact the requestor within 5 business days of receiving the completed change request form to arrange a meeting, and</li> <li>3) Provide an initial response within 10 business days of the meeting.</li> </ol> <p>For the 3 AMO requests received during the period, the ASX provided an initial response within the required 3 business day. It is noted that no change request form was provided to the AMO as their request was for consultation with the ASX.</p> <p>For 2 of the requests, change request forms were subsequently provided by the ASX after their consultation with the AMO. No completed change request forms were subsequently received.</p> <p>For the third request, the ASX subsequently advised the AMO (via a letter) that the request was deemed to be out of the scope of the TAS agreement. This letter was sent 7 business days after receipt of the initial request.</p>



Code Obligation	Scope	Procedure	Findings
			<p><b>ALMO:</b> Timeframes for the ASX to response to ALMO requests are:</p> <ol style="list-style-type: none"> <li>1) Respond to a request for a change and provide a change request form within 3 business days,</li> <li>2) Contact the requestor to arrange a workshop within 20 business days of receiving the completed change request form,</li> <li>3) Provide a decision within 20 business days of the workshop.</li> </ol> <p>For the 1 ALMO request received during the period, the ASX provided an initial response with 3 business days. It is noted that no change request form was provided to the ALMO as their request was for consultation with the ASX. On provision of the change request form by the ASX post consultation, no completed change request form was subsequently received.</p>
<p>(b) Where a request for change to clearing and / or settlement services under the TAS or Settlement Facilitation Service by an AMO or ALMO has been agreed by ASX Clear and/or ASX Settlement, ASX Clear and/or ASX Settlement will advise the requesting customer in writing the scope of any technical development required and any changes to ASX operating rules and procedures, together with the priority, indicative timeline and cost of implementing the change.</p>	<p>Performed by PwC</p>	<p>For a sample of any changes identified for (a) above, obtain correspondence to check that the scope of any technical development required and any changes to ASX operating rules and procedures, together with the priority, indicative timeline and cost of implementing the change were advised to the requesting customer.</p>	<p>Through inquiries with management it is noted that none of the requests received from AMOs or ALMOs during the period led to technical development or any changes to ASX’s operating rules.</p>



Code Obligation	Scope	Procedure	Findings
<p>(c) ASX Clear and ASX Settlement will publish protocols on the ASX website which set out target timeframes for responding to requests for services and dispute resolution processes for AMOs and ALMOs.</p>	<p>Performed by PwC</p>	<p>Check the ASX website for the protocols on:</p> <ol style="list-style-type: none"> <li>i. responding to AMO and ALMO service requests, and</li> <li>ii. dispute resolution processes (including pre-access and post-access disputes).</li> </ol>	<p>From inspection of the ASX website (<a href="http://www.asx.com.au/cs/services-for-approved-market-operators.htm">http://www.asx.com.au/cs/services-for-approved-market-operators.htm</a>, <a href="http://www.asx.com.au/cs/services-for-approved-listing-market-operators.htm">http://www.asx.com.au/cs/services-for-approved-listing-market-operators.htm</a>) it is noted that the following documents are included:</p> <ul style="list-style-type: none"> <li>• "Procedures for Access Requests by Approved Market Operators" document.</li> <li>• "Procedures for Access Requests by Approved Listing Market Operators" document.</li> </ul> <p>These documents outline timeframes for the ASX's response in relation to:</p> <ul style="list-style-type: none"> <li>• AMO: New customer enquiries and requests for the enhancement or expansion of the TAS.</li> <li>• AMLO: New customer enquiries, new service enquiries, enquiries regarding potential enhancement to the Settlement Facilitation Service and operational matters.</li> </ul> <p>It is noted dispute resolution processes are also detailed in the "Code of Practice for Clearing and Settlement of Cash Equities in Australia Access Protocols" document (<a href="http://www.asx.com.au/cs/code-practice.htm">http://www.asx.com.au/cs/code-practice.htm</a>).</p>
<p><b>4.4 Dispute Resolution</b></p>			
<p>(a) Any dispute in relation to an application to become an ASX Clear or ASX Settlement participant, or, in relation to services provided to an ASX Clear or ASX Settlement participant, is governed by the ASX Clear and ASX Settlement operating rules as appropriate.</p>	<p>Performed by PwC</p>	<ol style="list-style-type: none"> <li>i. Identify any disputes in relation to applications for access to clearing and settlement services.</li> <li>ii. For a sample of disputes, check they have been dealt with in accordance with the ASXCL and ASXS operating rules as appropriate.</li> </ol>	<p>Through inquiries with management no formal disputes were received by the ASX during the year in relation to applications for access to clearing and settlement services or services provided.</p>



Code Obligation	Scope	Procedure	Findings
(b) Dispute resolution processes will apply to disputes: <ol style="list-style-type: none"> <li>1) with AMOs and ALMOs which are seeking standard access to clearing and settlement services as governed by this Code (<b>pre-access disputes</b>)</li> <li>2) with AMOs and ALMOs which are being provided with the clearing and settlement services governed by this Code (<b>post-access disputes</b>).</li> </ol>	Performed by PwC	<ol style="list-style-type: none"> <li>i. Identify any disputes with AMOs and ALMOs seeking either standard access to clearing and settlement services, or in relation to current clearing and settlement services.</li> <li>ii. For a sample of disputes, check they have been dealt with in accordance with the ASXCL and ASXS operating rules as appropriate.</li> </ol>	Through inquiries with management no formal disputes were received by the ASX during the period in relation to AMOs and ALMOs seeking either standard access to clearing and settlement services, or in relation to current clearing and settlement services.  It is noted that the ASX has included on its website ( <a href="http://www.asx.com.au/cs/code-practice.htm">http://www.asx.com.au/cs/code-practice.htm</a> ) pre-access and post-access dispute resolution handling protocols.
(c) The dispute resolution processes applying to pre-access disputes will be incorporated into the protocols described in clause 4.3(c).	Performed by PwC	Check that the dispute resolution processes applying to pre-access disputes have been incorporated into the protocols described in clause 4.3(c).	As noted for section 4.3(c) above, pre-access dispute resolution processes are available on the ASX website.
(d) The dispute resolution processes applying to pre-access disputes which will be incorporated into the protocols described in clause 4.3(c) will contain the following features: <ol style="list-style-type: none"> <li>1) a procedure for parties to provide a written notice to ASX Clear and ASX Settlement which identifies the nature of the dispute</li> <li>2) an obligation on all parties to negotiate in good faith to resolve disputes within a specified timeframe</li> <li>3) a procedure to escalate any disputes which have not been resolved by negotiation to an independent arbitrator for a final binding decision.</li> </ol>	Performed by PwC	Check that the dispute resolution processes applying to pre-access disputes in the protocols described in clause 4.3(c) contain: <ol style="list-style-type: none"> <li>1) a procedure for parties to provide a written notice to ASX Clear and ASX Settlement which identifies the nature of the dispute</li> <li>2) an obligation on all parties to negotiate in good faith to resolve disputes within a specified timeframe</li> <li>3) a procedure to escalate any disputes which have not been resolved by negotiation to an independent arbitrator for a final binding decision.</li> </ol>	Through inspection of the pre-access dispute resolution protocols included within the "Code of Practice for Clearing and Settlement of Cash Equities in Australia Access Protocols" document, the features required by the Code have been included on the following pages: <ol style="list-style-type: none"> <li>1) Page 1 (section 6 &amp; 7)</li> <li>2) Page 2 (section 8 &amp; 9)</li> <li>3) Page 2 (section 9 &amp; 10)</li> </ol>
(e) The dispute resolution processes applying to post-access disputes will be incorporated into the TAS Legal Terms and the Settlement Facilitation Service Agreement as appropriate.	Performed by PwC	Check the TAS Legal Terms and SFS Agreement and determine if the post-access dispute resolution procedures have been incorporated as appropriate.	Through inspection of the TAS Legal Terms and SFS Agreement it is noted that post-access dispute resolution processes are included within these documents.



Code Obligation	Scope	Procedure	Findings
<p><b>5. Review</b></p> <p>(a) ASX will conduct an annual internal review regarding the operation of the Code, including with respect to:</p> <ol style="list-style-type: none"> <li>1) the effectiveness of the Forum in meeting the objectives set out in clause 2.2</li> <li>2) ASX's compliance with the cost allocation principles described in clause 3.2</li> <li>3) ASX's compliance with the access request protocols described in clause 4.3(c) relating to requests for access to clearing and settlement services</li> <li>4) ASX's compliance with the operational standards described in clause 6(c) relating to the protection of competitively sensitive information acquired by ASX Clear and ASX Settlement in the course of providing the TAS and the settlement facilitation service</li> <li>5) ASX's pricing to verify that there is no discrimination between ASX-affiliated entities and other users of clearing and settlement services.</li> </ol> <p>The internal review will be completed and a written report based on the internal review will be published within 3 months following the end of each financial year. The report will be provided to the Boards of ASX Clear and ASX Settlement and the Forum promptly after the report's completion. ASX will publish the report on the ASX website.</p>	<p>Reliance on IA</p>	<p>Inspect the working papers of ASX Internal Audit and re-perform a sample of their work performed.</p>	<p>As outlined earlier in our report, due to the concurrent nature of the internal and independent external review we have placed reliance on a specific portion of Internal Audit's work performed.</p> <p>To evaluate whether the work of Internal Audit can be utilised for the purpose of our review we have re-performed a sample of the work performed by Internal Audit.</p> <p>The obligations of the Code which we have either placed reliance on Internal Audit or re-performed their work is clearly outlined within this report.</p> <p>Given our final report is to be issued to the Boards of ASX Clear and ASX Settlement on 12 August 2014, we are unable to validate at the time of this that a completed written report from ASX Internal Audit has been published on the ASX website within 3 months of the financial year end. Through inquiry with management it is noted their intention is to publish the completed Internal Audit report on the ASX website on the 21 August 2014.</p>



Code Obligation	Scope	Procedure	Findings
<p>(b) Additionally, ASX will engage an independent external auditor to conduct an annual review and prepare a written report regarding the operation of the Code, including with respect to:</p> <ol style="list-style-type: none"> <li>1) ASX's compliance with the cost allocation principles described in clause 3.2</li> <li>2) ASX's compliance with the access request protocols described in clause 4.3(c) relating to requests for access to clearing and settlement services;</li> <li>3) ASX's compliance with the operational standards described in clause 6(c) relating to the protection of competitively sensitive information acquired by ASX Clear and ASX Settlement in the course of providing the TAS and the settlement facilitation service;</li> <li>4) ASX's pricing to verify that there is no discrimination between ASX-affiliated entities and other users of clearing and settlement services.</li> </ol> <p>The external review will be completed and the external auditor's report will be published within 3 months following the end of each financial year. The external auditor's report will be provided to the Boards of ASX Clear and ASX Settlement and the Forum promptly after the report's completion. ASX will publish the report on the ASX website.</p>	<p>Performed by PwC</p>	<p>The procedures performed over each obligation in the Code are outlined within this report.</p>	<p>We confirm that we have been engaged by the ASX to complete a review of the regarding the operation of the Code for the period ended 30 June 2014.</p> <p>This report outlines the results of the procedures performed over each applicable obligation with the Code.</p> <p>Given our final report is issued to the Boards of ASX Clear and ASX Settlement on 12 August 2014, we are unable to validate if our completed written report has been published on the ASX website within 3 months of the financial year end. Through inquiry with management it is noted their intention is to publish our completed report on the ASX website on the 21 August 2014.</p>



Code Obligation	Scope	Procedure	Findings
<p>(c) Users of clearing and settlement services will be consulted as part of the reviews.</p>	<p>Performed by PwC</p>	<p>Request feedback from members of the Forum on the operation of the Code by the ASX. This includes feedback on –</p> <ul style="list-style-type: none"> <li>i. Effectiveness of the Forum,</li> <li>ii. ASX's mechanisms for user engagement and consultation,</li> <li>iii. ASX's responsiveness to requests, and</li> <li>iv. Administration of the Code.</li> </ul>	<p>Members of the Forum were requested to provide feedback on the operation of the Code by the ASX through a 'feedback form'. This feedback form was emailed to Forum members by PwC on 15 July 2014. The request for feedback was performed in conjunction with ASX Internal Audit as part of their review.</p> <p>The form requested Forum members provide feedback on:</p> <ul style="list-style-type: none"> <li>i. Effectiveness of the Forum,</li> <li>ii. ASX's mechanisms for user engagement and consultation,</li> <li>iii. ASX's responsiveness to requests, and</li> <li>iv. Administration of the Code.</li> </ul> <p>Feedback obtained from Forum members is attached in Appendix B of this report.</p>
<p>(d) ASX Clear and ASX Settlement will provide the Agencies with such information as is reasonably requested by the Agencies to monitor ASX Clear and ASX Settlement's ongoing compliance with the Code.</p>	<p>Performed by PwC</p>	<ul style="list-style-type: none"> <li>i. Identify any requests from the ACCC, ASIC, RBA or Treasury (the 'Agencies' as defined in the glossary to the Code) relating to compliance with the Code.</li> <li>ii. For a sample of requests check that the information requested was provided.</li> </ul>	<p>Through inquiry with management it is noted that no requests have been received from ACCC, ASIC, RBA or Treasury in relation to compliance with the Code.</p> <p>Further, we examined the communication log with regulatory agencies that is maintained by the ASX and noted no communications from ACCC, ASIC, RBA or Treasury in relation to compliance with the Code.</p>
<p>(e) ASX will maintain procedures for users to provide any comments or complaints in respect of the operation of this Code. ASX will publish protocols on the ASX website for responding to any comments or complaints.</p>	<p>Reliance on IA</p>	<p>Examine the ASX website to check that procedures and protocols for comments or complaints relating to the Code have been published.</p>	<p>From examination of the Forum website ("Code of Practice" section) it is noted a link to the "Comments and Complaints Protocol for the Code of Practice" is included.</p> <p>These protocols set out the how users may provide comments or complaints in respect of the Code, and timeframes in which the responses will be provided.</p>



Code Obligation	Scope	Procedure	Findings
(f) Comments or complaints should be addressed to the attention of the office of the Chief Executive Officer.	Reliance on IA	Examine the procedures and protocols for comments or complaints relating to the Code on the ASX website and check it advises that comments or complaints should be addressed to the attention of the office of the Chief Executive Officer.	<p>From examination of the "Comments and Complaints Protocol for the Code of Practice" document the following is stated – <i>"You can provide comments or make a complaint by sending an email or letter to the Chief Executive Officer"</i>.</p> <p>Contact details are outlined in the document for comments or complaints provided by mail or email. The ASX email address included in the document is <a href="mailto:info@asx.com.au">info@asx.com.au</a>.</p> <p>It is noted that ASX Customer Service receives all emails sent to <a href="mailto:info@asx.com.au">info@asx.com.au</a>. A test email was sent to the email address requesting confirmation who had received the message. A response was received from ASX Customer Service who advised that all complaints are logged and assigned to the appropriate person.</p> <p>Through inquiry with management it was noted that any comments or complaints relating to the Code of Practice are assigned and forwarded to the Forum Secretary, with ultimate referral to the Chief Executive Officer.</p>
(g) If a party is not satisfied with the response from the ASX Chief Executive Officer, the party may ask for the comment or complaint to be directed to the Forum Chair and the Boards of ASX Clear and ASX Settlement for their consideration.	Performed by PwC	Examine the procedures and protocols for comments or complaints relating to the Code on the ASX website and check they advise that anyone dissatisfied with the response they received may ask for the comment or complaint to be directed to the Forum Chair and the Boards of ASXCL and ASXS for their consideration.	<p>From examination of the "Comments and Complaints Protocol for the Code of Practice" document the following is stated – <i>"If you are not satisfied with the response, you can ask for the Forum Chair and the Boards of ASX Clear and ASX Settlement to review how your comment or complaint was dealt with"</i>.</p> <p>Contact details (mail and email) are outlined in the document for the Forum Chair. The email address included in the document is – <a href="mailto:forumchair@asx.com.au">forumchair@asx.com.au</a>.</p>



Code Obligation	Scope	Procedure	Findings
			<p>We sent a test email to the email address outlined above and sighted its receipt by management.</p> <p>Through inquiry with management it was noted that any matters received via the above email address are reviewed by the Forum Secretary and then then escalate to the appropriate person (in this case either the Forum Chair and the Boards of ASXCL and ASXS) for consideration.</p> <p>It is further noted through inquiry with management, no comment or complaint requested to be directed to the Forum Chair and the Boards of ASXCL and ASXS were received during the period.</p>
<b>6. Protection of Confidential Information</b>			
<p>(a) ASX Clear and ASX Settlement will comply with ASX's published Conflict Handling Arrangements policy. Any confidential or competitively sensitive information that is acquired in the course of providing clearing and settlement services will only be used for the purpose for which it was provided.</p>	<p>Performed by PwC</p>	<p>i. Obtain details of the types of confidential or competitively sensitive information that is acquired in the course of providing clearing &amp; settlement services.</p> <p>ii. Inquire on the processes in place to ensure that any such information is only used for the purpose for which it was provided.</p>	<p>i. Noted through inquiries with management that data received from the AMOs and ALMOs under the TAS or SFS respectively is considered confidential and competitively sensitive information.</p> <p>ii. It is noted that confidential and competitively sensitive information for AMOs or ALMOs was previously sent to 1 central contact within the ASX. "Hush mail" accounts for communication between the ASX, AMO, and ALMOs have been established should the parties wish to utilise these.</p> <p>It is the responsibility of the respective AMOs or ALMOs to advise the ASX which data they wish to be treated as competitively sensitive. This request is reviewed by the central ASX contact to agree if such data is competitively sensitive.</p>



Code Obligation	Scope	Procedure	Findings
			<p>For information provided to the ASX which is deemed competitively sensitive this would only be provided to other people within the organisation if required and post permission from the AMO or ALMO.</p> <p>This process was altered during the period for TAS related confidential and competitively sensitive information. It was agreed between the ASX and AMO that a group of 4 people at the ASX would be established for which confidential and competitively sensitive information could be provided.</p> <p>It was confirmed with management that information received by the ASX had been handled in-line with their published Conflict Handling Arrangements policy.</p> <p>We sighted 'Key Obligation Self Assessments' for key personnel at the ASX involved in the clearing &amp; settlement activities for the period and noted no issued with compliance with the Conflict Handling obligations.</p>
<p>(b) ASX Clear and ASX Settlement will not use any confidential or competitively sensitive information acquired in the course of providing clearing and settlement services to provide an advantage to an affiliated entity of ASX Clear or ASX Settlement.</p>	<p>Performed by PwC</p>	<p>Inquire with management if confidential or competitively sensitive information acquired was not utilised to provide an advantage to an affiliated entity of ASX Clear or ASX Settlement.</p>	<p>We inquired with management and noted that no competitively sensitive information acquired was utilised to provide an advantage to an affiliated entity of ASX Clear or ASX Settlement.</p> <p>As noted above, we sighted 'Key Obligation Self Assessments' statements for key ASX personnel involved in the clearing &amp; settlement activities and noted no issued with compliance with the Conflict Handling obligations.</p>



Code Obligation	Scope	Procedure	Findings
<p>(c) ASX Clear and ASX Settlement will put in place operational standards for the protection of AMO and ALMO competitively sensitive information acquired by ASX Clear and ASX Settlement in the course of providing the TAS or the Settlement Facilitation Service. ASX will consult with AMOs and ALMOs on the development of Information Handling Standards to implement information barriers within ASX to safeguard AMO and ALMO competitively sensitive information.</p>	<p>Performed by PwC</p>	<p>i. Check that ASXCL and ASXS have put in place operational standards for the protection of AMO and ALMO competitively sensitive information acquired by ASXCL and ASXS.</p> <p>ii. Obtain correspondence to confirm that ASX has consulted with AMOs and ALMOs (as identified for 4.2(a) above) on the development of Information Handling Standards to implement information barriers within ASX to safeguard AMO and ALMO competitively sensitive information.</p>	<p>i. The procedures and protocols established internally at the ASX have been outlined in section 6(a) above.</p> <p>ii. It is noted that the ASX sent (via email on the 23 January 2013) to AMO or ALMOs the ASX consultation paper on – Clearing and Settlement Services for Approved Market Operators and Approved Listing Market Operators: Enhanced service levels and information handling standards.</p> <p>This consultation paper is also included on the ASX website (<a href="http://www.asx.com.au/regulation/public-consultations.htm">http://www.asx.com.au/regulation/public-consultations.htm</a>)</p> <p>It is noted that the consultation paper includes proposals to enhance the protection of confidential information received from AMOs and ALMOs. Through inquiries with management it is noted that proposed amendments from the consultation process have been completed and can into effect on the 1 July 2014.</p> <p>It is noted that submissions from Chi-X and APX to the consultation paper have been included on the ASX website (refer to link listed above). ASX's responses to these submissions have also been published on the website.</p>
<p><b>7. Operation of the Code</b></p>			
<p>(a) This Code commences operation on 9 August 2013.</p>	<p>Statement</p>	<p>No procedures performed as this section outlines the effective date of this Code as 9 August 2013.</p>	<p>Not Applicable.</p>



Code Obligation	Scope	Procedure	Findings
(b) Changes to the Code will not be made without prior consultation with the Forum, other users and the Agencies.	Reliance on IA	i. Identify any changes to the Code. ii. For a sample of changes, examine the minutes of the Forum and correspondence with other agencies and Forum members to confirm they were consulted.	Through inquiries with management, no changes to the Code have been undertaken since its implementation.
(c) This Code will be interpreted consistently with: <ol style="list-style-type: none"> <li>1) ASX Clear and ASX Settlement's license obligations under the Corporations Act;</li> <li>2) ASX's legal or regulatory obligations;</li> <li>3) the ASX Clear and ASX Settlement operating rules;</li> <li>or</li> <li>4) any agreements entered into between ASX, and customers and other stakeholders.</li> </ol>	Statement	No procedures performed as this section articulates which documents the Code will be interpreted with.	Not Applicable.



## J.P. Morgan:

### 1. Effectiveness of the Forum

Consider: Has the Forum has achieved its objectives, in particular, providing a mechanism for customers and industry stakeholders to provide input to ASX on the ongoing development of cash market clearing and settlement services? Is an equal opportunity to express views and opinions provided to all Forum members? Is the communication between the Clearing and Settlement Boards and the Forum appropriate? If not, please specify why not.

To some extent the Forum has achieved its objectives regarding cash market and settlement services. To date, the Forum has been designed as an engagement mechanism for the most senior representative of the stakeholders. However, a number of market participants offer more broad-based financial services, and the cash market and associated clearing and settlement services form part of their overall market offering.

To ensure the Forum meets its objectives, the Business Committee is potentially a more appropriate group forum for discussions regarding cash market and settlement services as the Committee is attended by the Market Participants' Equities COO's and Heads of Operations. This type of membership profile will ensure more granular input.

In addition, in properly assessing the effectiveness and efficiency of the Forum, it should be noted that it is still very important for the ASX to maintain other effective Industry engagement mechanisms including consultation papers, bulletins and particularly the Business Committee.

### 2. ASX's mechanisms for user engagement and consultation

Consider: Do ASX's mechanisms for user engagement and consultation (e.g. Forum, consultation papers, industry briefings) offer ample opportunity to provide feedback on the development of the market? If not, please specify why not.

Yes

### 3. ASX's responsiveness to requests

Consider: Does ASX respond to requests relating to cash market clearing and settlement services in a timely manner? If not, please provide relevant details.

Yes

### 4. Administration of the Code

Consider: Was the nomination and appointment process for members of the Forum appropriate? Is the process for resignation and replacement appropriate? If not, please provide specific comments.

The Forum is currently designed as an engagement mechanism for the location CEOs / Senior Country Officers. As such the nomination and appointment process for members seems appropriate.



## LINK Group:

### 1. Effectiveness of the Forum

Consider: Has the Forum has achieved its objectives, in particular, providing a mechanism for customers and industry stakeholders to provide input to ASX on the ongoing development of cash market clearing and settlement services? Is an equal opportunity to express views and opinions provided to all Forum members? Is the communication between the Clearing and Settlement Boards and the Forum appropriate? If not, please specify why not.

The forum has achieved in it's objective of providing a channel for customer and industry stakeholders to provide their individual and combined input into the future of the cash market clearing and settlement services. The forum provides an open and encouraging opportunity for all members to express their opinions.

In addition the communication between the clearing and settlements boards and the forum members appears appropriate.

### 2. ASX's mechanisms for user engagement and consultation

Consider: Do ASX's mechanisms for user engagement and consultation (e.g. Forum, consultation papers, industry briefings) offer ample opportunity to provide feedback on the development of the market? If not, please specify why not.

Yes, I believe that the user engagement and consultation mechanism is appropriate and effective.

### 3. ASX's responsiveness to requests

Consider: Does ASX respond to requests relating to cash market clearing and settlement services in a timely manner? If not, please provide relevant details.

Yes, I believe the ASX does respond in a timely manner.

### 4. Administration of the Code

Consider: Was the nomination and appointment process for members of the Forum appropriate? Is the process for resignation and replacement appropriate? If not, please provide specific comments.

Yes, I believe this is appropriate.