

# Code of Practice for Clearing and Settlement of Cash Equities in Australia

2015 internal review report

SEPTEMBER 2015



**Report queries**

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## Introduction

### Overview

In accordance with the “Code of Practice for Clearing and Settlement of Cash Equities in Australia” (the Code) published on 9 August 2013, an internal review of the operation of the Code for the period 1 July 2014 to 30 June 2015 has been performed.

This report summarises the findings of the internal review.

### Scope

The internal review requirements are outlined in section 5 of the Code:

“ASX commits to undertake regular reviews in respect of the operation of the Code.

- (a) ASX will conduct an annual internal review regarding the operation of the Code, including with respect to:
- (1) the effectiveness of the Forum in meeting the objectives set out in clause 2.2;
  - (2) ASX’s compliance with the cost allocation principles described in clause 3.2;
  - (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;
  - (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; and
  - (5) ASX’s pricing to verify that there is no discrimination between ASX-affiliated entities and other users of clearing and settlement services.

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.”

The management income statements and compliance with accounting standards were not in scope for this review.



## Review approach

The review was performed in accordance with the ASX Internal Audit methodology. This methodology complies with the International Professional Practices Framework (IPPF) issued by the Institute of Internal Auditors.

As required for this type of compliance review, each section of the Code was assessed to identify the underlying obligations. There are some sections of the Code where a specific obligation does not exist. For example, section 1 articulates the purpose, scope and development of the Code. Where obligations were identified ASX Internal Audit developed a review procedure to test ASX's compliance with the obligation.

In some instances reliance was placed on the work performed by the external reviewer in the testing of compliance obligations. For example, the management accounts are externally reviewed and ASX Internal Audit did not re-perform this work.

The findings of the review were documented using a set of compliance statements that concluded one of the following for each obligation:

- No exceptions noted – ASX complies with the obligation
- Exceptions noted – there were minor instances of non-compliance
- Significant exceptions noted – there were significant instances of non-compliance.

## Postponed operational improvements to the Code

In December 2014 and following the first year of operation, a small number of operational and administrative improvements to the Code were identified and subject to a public consultation.

Overall, there was broad support for the majority of the proposed changes. The Forum and business committee were also consulted in their respective October 2014 and November 2014 meetings. Both the Forum and the business committee supported the proposed operational and administrative changes.

The proposed operational and administrative changes to the Code have been postponed pending a decision by the Federal Government on the market structure for clearing of cash equities in Australia. The Government is expected to make this decision following its consideration of the review of competition in clearing cash equities in Australia which was undertaken by the Council of Financial Regulators in 2015.



## Conclusion

No significant instances of non-compliance with the requirements of the Code were identified during the internal review. Minor exceptions were noted for the following sections of the Code:

1 The requirement for the Forum to meet three times a year (section 2.4(b)).

The Forum met once during the year, on 1 October 2014. A second meeting was scheduled for 15 April 2015, but was cancelled in light of the review of competition in clearing cash equities in Australia being undertaken by the Council of Financial Regulators in 2015. This was communicated to members in advance of the meeting and no objections were raised.

2 The requirement for the for the minutes (section 2.4(h)) and the Forum Chair report to the Boards of ASX Clear and ASX Settlement (section 2.4(i)) to be published as soon as practicable after they have been provided to the Boards of ASX Clear and ASX Settlement.

The minutes and the Forum Chair report from the meeting were provided to Forum members eight days after the meeting; they were published over four months after being provided to the Boards.

3 The requirement to commission on an annual basis an independent consulting firm to benchmark the scope of the clearing and settlement services ASX Clear and ASX Settlement provide, 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 (section 3.4(a)).

The last benchmarking study was completed in June 2014.

Refer to the Appendix to this report for the detailed review procedures performed, including the findings and results for each section of the Code.

## Appendix

### Internal review procedures and results

Code obligation	Requirement/internal review procedure	Findings	Results
<b>1 ASX's commitment</b>			
1.1 Purpose of this Code	No review procedures to be performed. The section articulates the purpose of the Code.	Not applicable	Not applicable
1.2 Clearing and settlement for Australian cash equity market	No review procedures to be performed. The section articulates the function of clearing and settlement.	Not applicable	Not applicable
1.3 Scope of this Code			
(a) This Code deals with: (1) the clearing and settlement services provided by ASX Clear and ASX Settlement for the Australian cash equity market (2) the gateways and infrastructure supporting the provision of those services. (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.	No review procedures to be performed. The section articulates the scope of the Code. However, the scope of the Code is referenced when considering the extent of review coverage.	Not applicable	Not applicable

Code obligation	Requirement/internal review procedure	Findings	Results
1.4 Development of this Code	No review procedures to be performed. The section articulates the development and review timetable of the Code.	Not applicable	Not applicable
<b>2 The Forum</b>			
2.1 Establishment			
(a) ASX will establish an advisory forum (the Forum) within 3 months of the commencement of this Code.	No review procedures to be performed. The establishment of the Forum occurred in the prior year and was confirmed in the FY 2014 internal review.	Not applicable	Not applicable
(b) The first meeting of the Forum will be held no later than 30 November 2013.	No review procedures to be performed. The establishment of the Forum, including the first meeting, occurred in the prior year and was confirmed in the FY 2014 internal review.	Not applicable	Not applicable

Code obligation	Requirement/internal review procedure	Findings	Results
2.2 Objectives			
<p>(a) The objectives of the Forum are:</p> <p>(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</p> <p>(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</p> <p>(3) to provide a formal mechanism for the Boards of ASX Clear and ASX Settlement to report to users 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.</p>	<p>This section outlines the objectives of the Forum. The 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.</p> <p>However, section 5(a)(1) of the Code stipulates that the internal review will consider “the effectiveness of the Forum in meeting the objectives set out in clause 2.2”. The following will be considered during the review:</p> <ul style="list-style-type: none"> <li>- interaction between the Forum and the Boards</li> <li>- discussions with clearing and settlement users</li> <li>- matters considered by the Forum.</li> </ul>	<p>Per section 5(c), consultation with the Forum was performed as part of the review. Three responses were received.</p> <p>One response on the effectiveness of the Forum was generally positive. The second response noted that the Forum had only met once during the year so there was limited opportunity to form a conclusion on the effectiveness.</p> <p>The other response was provided on a confidential basis.</p>	<p>No exceptions noted</p>
<p>(b) Members of the Forum will not consider or discuss any competitively sensitive information in contravention of the Competition and Consumer Act 2010 (Cth).</p>	<p>No review procedures to be performed. This obligation outlines the confidentiality requirements of the Forum.</p>	<p>Not applicable</p>	<p>Not applicable</p>



Code obligation	Requirement/internal review procedure	Findings	Results
2.3 Membership			
(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.	No review procedures required as the composition of the Forum is considered as part of 2.3(b).	Not applicable	Not applicable

Code obligation	Requirement/internal review procedure	Findings	Results
<p>(b) The Forum will consist of:</p> <ul 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> <li>(5) a member representing system vendors</li> <li>(6) a member representing share registries</li> <li>(7) a member representing payment system service providers</li> <li>(8) a member representing custodial service providers</li> <li>(9) a member representing the funds management industry</li> <li>(10) a member representing the superannuation industry</li> <li>(11) a member representing listed companies</li> <li>(12) a non-executive member of the Boards of ASX Clear and ASX Settlement (Forum Chair)</li> <li>(13) a non-executive member of the Board of ASX Limited.</li> </ul>	<p>Check the Forum membership records to confirm the Forum has:</p> <ul style="list-style-type: none"> <li>(1) no more than ten members representing clearing and settlement participants (ie excluding ASX Group company representatives)</li> <li>(2) an alternative market operator member</li> <li>(3) an AFMA member</li> <li>(4) an SAA member</li> <li>(5) a system vendor member</li> <li>(6) a share registry member</li> <li>(7) a payment system service provider member</li> <li>(8) a custodial service provider member</li> <li>(9) a funds management industry member</li> <li>(10) a superannuation industry member</li> <li>(11) a listed company member</li> <li>(12) a non-executive director (NED) from ASX Clear (ASXCL) and ASX Settlement (ASXS) and that the Director is the Forum Chair</li> <li>(13) a NED from the ASX Limited Board.</li> </ul>	<p>The members of the Forum as listed on the website as at 16 July 2015 include:</p> <ul style="list-style-type: none"> <li>(1) representatives from ten 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> <li>(9) a representative from the funds management industry</li> <li>(10) a representative from the superannuation industry</li> <li>(11) a representative from a listed company</li> <li>(12) a NED of the Boards of ASXCL and ASXS who is the Forum Chair</li> <li>(13) a NED of the ASX Limited Board.</li> </ul> <p>The NED of the Boards of ASXCL and ASXS, who is the Forum Chair, is also the NED of ASX Limited. A second NED of the Boards of ASXCL and ASXS is a Forum member.</p>	<p>No exceptions noted</p>

Code obligation	Requirement/internal review procedure	Findings	Results
		The list of members is consistent with the attendees and apologies listed in the minutes of the Forum meeting on 1 October 2014 (the only Forum meeting during the financial year).	
(c) ASX will invite users to nominate representatives as part of the selection process for appointment to the Forum.	No review procedures to be performed. The invitation to nominate Forum representatives occurred in the prior year and was confirmed in the FY 2014 internal review.	Not applicable	Not applicable
(d) ASX will consult users on the nominees for the Forum to inform the selection process.	No review procedures to be performed. The selection process occurred in the prior year and was confirmed in the FY 2014 internal compliance review.	Not applicable	Not applicable
(e) ASX will appoint members to the Forum for an initial 2 year term, subject to continued employment with the organisation by whom they were nominated.	No review procedures to be performed. The selection process occurred in the prior year and was confirmed in the FY 2014 internal review.	Not applicable	Not applicable

Code obligation	Requirement/internal review procedure	Findings	Results
<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).</p>	<ul style="list-style-type: none"> <li>i. Identify any Forum resignations.</li> <li>ii. For a sample of resignations during the review period, review 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> <li>iii. As part of the consultation process for section 5(c), request feedback on the administration of the resignation process.</li> <li>iv. Confirm that consultation with users will occur/is occurring prior to the expiry of the first 2-year term (which started 9 August 2013).</li> </ul>	<p>Two Forum members resigned from the organisations they were representing or changed roles at their organisation during the period, thereby resigning from the Forum.</p> <p>Senior ASX management was in communication with each organisation on the subject of the replacements, including to identify their interest in participating in the Forum. Emails were viewed which supported ASX did consult the participants for whom the resignations came (the relevant "user group") regarding the appointment of new representative members for the two resignations during the period.</p> <p>The appointment of the current Forum members has been extended until the Government responds to the review of clearing market structure by the Council of Financial Regulators.</p> <p>Per section 5(c), consultation with the Forum was performed as part of the review. Three responses were received.</p> <p>The two non-confidential submissions received in response to the feedback form were positive in the section on the administration of the Code.</p> <p>The other submission was provided on a confidential basis.</p>	<p>No exceptions noted</p>
<p>(g) ASX will appoint members to the Forum based on their skills and experience.</p>	<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>	<p>The members of the Forum are CEOs or equivalent.</p>	<p>No exceptions noted</p>

Code obligation	Requirement/internal review procedure	Findings	Results
(h) A member of the Forum cannot appoint a delegate or alternate without the prior approval of the Forum Chair.	<ul style="list-style-type: none"> <li>i. Identify any appointments of delegates or alternates.</li> <li>ii. Review a sample of delegate and alternate appointments to confirm they had the approval of the Forum Chair.</li> </ul>	<p>The minutes of the Forum meeting on 1 October 2014 show that there were no delegates or alternates at the meeting.</p> <p>One Forum member who could not make the October 2014 meeting sought the Chair's approval for an alternative to attend, however, the alternate did not attend the meeting.</p>	No exceptions noted
2.4 Operation of the Forum			
(a) The Forum will be chaired by a member of the Boards of ASX Clear and ASX Settlement (Forum Chair).	Review the Forum membership and confirm the Chair for each meeting was from the Boards of ASXCL and ASXS.	Refer to 2.3(b)(12) above.	No exceptions noted

Code obligation	Requirement/internal review procedure	Findings	Results
<p>(b) The Forum will meet at least three times a year.</p>	<p>Review the Forum meeting schedule and minutes and confirm it has met and has meetings scheduled for three times in the year.</p>	<p>The Forum met once during the year on 1 October 2014. A second meeting was scheduled for 15 April 2015, but was cancelled in light of the review of competition in clearing cash equities in Australia being undertaken by the Council of Financial Regulators in H1 2015. This was communicated to members in advance of the meeting and no objections were raised.</p> <p>The next meeting is scheduled for 7 October 2015, but is to be confirmed pending the Government decision on market structure following the Council of Financials Regulators' review.</p> <p>Following discussion at the 1 October 2014 Forum meeting, ASX released a consultation paper (CP) "Code of Practice for Clearing and Settlement of Cash Equities in Australia – Proposed Operational Improvements" in December 2014. The CP includes a proposal to reduce the number of Forum meetings to two per year. A decision on the proposed operational improvements will be made following the Government's decision on market structure.</p>	<p>Exception noted - the Forum met once during the year.</p>

Code obligation	Requirement/internal review procedure	Findings	Results
<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>	<ul style="list-style-type: none"> <li>i. Review the business committee meeting schedule and/or minutes to confirm it meets prior to each Forum meeting.</li> <li>ii. Review a sample of Forum meeting minutes to confirm the business committee has provided a report to the Forum.</li> </ul>	<p>The business committee met on 27 August 2014, ahead of the Forum meeting on 1 October 2014. It also met on 27 November 2014, 4 March 2015 and 27 May 2015, hence it met four times before the only Forum meeting held during the year and before the Forum meeting scheduled for 15 April 2015 (which was cancelled).</p> <p>The next business committee meeting is scheduled for 27 August 2015, before the Forum meeting tentatively scheduled for 7 October 2015.</p> <p>The minutes from the Forum meeting on 1 October 2014 note the minutes and report from the 27 August 2015 business committee meeting.</p>	<p>No exceptions noted</p>
<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>	<ul style="list-style-type: none"> <li>i. Review Forum minutes and/or other records for evidence that any technical committees have been appointed during the year.</li> <li>ii. Identify whether any new technical committee was appointed by the Forum.</li> <li>iii. Obtain meeting minutes to evidence that the technical committee formed in FY 2014 and any formed in FY 2015 has/have convened during the year.</li> <li>iv. Review a sample of business committee meeting minutes to confirm the technical committee(s) has/have reported to the Forum.</li> </ul>	<p>No new technical committees were appointed during the year.</p> <p>The business committee meeting minutes from 27 November 2014 include a summary of the technical committee meeting held on 24 September 2014 and note further matters for the technical committee to consider.</p> <p>As noted in the report from the FY 2014 internal review, the technical committee reports through the business committee rather than reporting directly to the Forum because the material is too detailed for the Forum.</p> <p>A proposal to change the governance arrangements to ensure the technical committee(s) report to the business committee was included in the ASX CP released on 3 December 2014 - refer to section 2.4(b) above for further details.</p>	<p>No exceptions noted.</p> <p>The technical committee reports to the Forum via the business committee rather than directly.</p>

Code obligation	Requirement/internal review procedure	Findings	Results
(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.	Review the administration and facilities available to the Forum and determine if the level of ASX support is appropriate and consistent with the requirements of the Code.	ASX provides the Boardroom and refreshments, record keeping administration (an ASX employee is the Forum Secretary and has responsibility for agendas, minutes and other administrative matters), and conference call facilities for Forum and committee meetings.	No exceptions noted
(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.	<ul style="list-style-type: none"> <li>i. Review the agenda setting process and determine how agenda items are agreed for each meeting.</li> <li>ii. Confirm the draft agendas were circulated appropriately.</li> </ul>	<p>The agenda is set around the forward work program. The Forum has input to the forward work program and receives the draft agenda in advance of the meeting. In addition, the Forum Chair invited comments on the agenda and any additional items at the beginning of the 1 October 2014 meeting.</p> <p>The draft agenda for both the 1 October 2014 Forum meeting was sent to all current Forum members.</p>	No exceptions noted
(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.	<ul style="list-style-type: none"> <li>i. Review a sample of finalised minutes from Forum meetings and confirm they were signed.</li> <li>ii. For a sample of draft minutes from Forum meetings, confirm they were distributed and feedback has been considered.</li> </ul>	<p>The finalised minutes on the website for the Forum meeting on 1 October 2014 were signed by the Forum Chair.</p> <p>The draft minutes (and Forum report – relevant for section 2.4(j)) from the 1 October 2014 meeting were sent to all members of the Forum on the 9 October 2014. No feedback was received.</p>	No exceptions noted



Code obligation	Requirement/internal review procedure	Findings	Results
<p>(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.</p>	<p>i. Review the ASX website for agendas and meeting minutes of every meeting. ii. Confirm that the agendas were published at least a week prior to each meeting. iii. Confirm minutes were published shortly after being provided to the Boards of ASXCL and ASXS.</p>	<p>The meeting agenda and minutes for the 1 October 2014 meeting are on the website. The agenda for the 1 October 2014 Forum meeting was uploaded to the website on 24 September 2014 (a week prior to the meeting) and 'published' later the same day. The minutes for the 1 October 2014 Forum meeting were published on the website on 26 March 2015, over four months after they were provided to the Boards of ASXCL and ASXS (in the papers for the ASXCL and ASXS Boards November 2014 meeting).</p>	<p>Exception noted – as noted for section 2.4(g) above, the minutes were provided to Forum members on 9 October, but they were published over four months after being provided to the Boards of ASXCL &amp; ASXS (also see 2.4(i)).</p>
<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>i. Review a sample of written reports to confirm that they contain the key issues discussed and any recommendations made by the Forum. ii. Review the agenda items for a sample of meetings of the Boards of ASXCL and ASXS to confirm that the Forum Chair provided reports. iii. Confirm the reports from the Forum Chair were published on the ASX website shortly after being provided to the Boards.</p>	<p>The written report from the 1 October 2014 Forum meeting is available on the website. The report states that there were no material matters or recommendations to be raised with the Boards of ASXCL and ASXS. The report from the 1 October 2014 Forum meeting was included in the meeting papers for the ASXCL &amp; ASXS Boards meeting in November 2014. The report was uploaded to the website over four months after it was provided to the Boards of ASXCL and ASXS, on the same day as the minutes (refer to section 2.4(h)).</p>	<p>Exception noted - as noted for section 2.4(g) above, the report was provided to Forum members on 9 October, but it was published over four months after being provided to the Boards of ASXCL &amp; ASXS (also see 2.4(h)).</p>
<p>(j) The Forum Chair will circulate a draft of the report to Forum members.</p>	<p>For a sample of reports, review correspondence to confirm the draft report was circulated.</p>	<p>The draft Forum report (and minutes, as noted in section 2.4(g)) from the 1 October 2014 meeting were sent to all members of the Forum on 9 October 2014. No feedback was received.</p>	<p>No exceptions noted</p>

Code obligation	Requirement/internal review procedure	Findings	Results
<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>i. Identify any material matters or recommendations in the report from the Forum.</p> <p>ii. Review a sample of the reports from the Boards of ASXCL and ASXS to the Forum and ASXCL and ASXS meeting minutes to confirm they gave due consideration to any material matters or recommendations raised in the Forum reports.</p>	<p>As noted for section 2.4(i) above, the written report from the 1 October 2014 Forum meeting states that there were no material matters or recommendations to be raised with the Boards of ASXCL and ASXS.</p>	<p>No exceptions noted</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 may also report on other issues of interest to the Forum.</p>	<p>Review a sample of the Forum minutes for evidence of discussion of the Boards responses to Forum reporting.</p>	<p>As noted for section 2.4(i) above, the written report from the 1 October 2014 Forum meeting states that there were no material matters or recommendations to be raised with the Boards of ASXCL and ASXS.</p> <p>In addition, there has not been a Forum meeting since the Boards of ASXCL and ASXS received the report from the 1 October 2014 Forum meeting.</p>	<p>No exceptions noted</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>For the material matters and recommendations identified for section 2.4(k) above, review a sample of the reports from the Boards of ASXCL and ASXS to the Forum to confirm 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(i) above, the written report from the 1 October 2014 Forum meeting states that there were no material matters or recommendations to be raised with the Boards of ASXCL and ASXS.</p> <p>Therefore, no written response from the Boards is expected.</p>	<p>No exceptions noted</p>

Code obligation	Requirement/internal review procedure	Findings	Results
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.	<ul style="list-style-type: none"> <li>i. Confirm that the Boards response to Forum reports is available on the ASX website.</li> <li>ii. Confirm timing was appropriate.</li> </ul>	<p>As noted for 2.4(i) above, the written report from the 1 October 2014 Forum meeting states that there were no material matters or recommendations to be raised with the Boards of ASXCL and ASXS.</p> <p>Therefore, as noted for section 2.4(m) above, no written response from the Boards is expected.</p>	No exceptions noted
<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.	<ul style="list-style-type: none"> <li>i. Confirm that mechanisms for user engagement identified in the prior year – consultation papers, working committees and meetings between users and management from ASXCL and ASXS (including BD and Risk) – still exist or have been replaced by an alternative mechanism.</li> <li>ii. As part of the consultation process for section 5(c), request feedback on the mechanisms for user engagement and consultation.</li> </ul>	<p>Mechanisms for user engagement continued in FY 2015 as they were in FY 2014.</p> <p>Per section 5(c), consultation with the Forum was performed as part of the review. Three responses were received.</p> <p>One response was generally positive in the section on ASX's mechanisms for user engagement and consultation. Another was satisfied, but noted some restrictions in the time allowed to respond to consultations.</p> <p>The other response was provided on a confidential basis.</p>	No exceptions noted
(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.	Confirm current contact details for the Forum Chair are on the website.	<p>The website includes a "Contact the Forum Chair" page with a link to the Forum Chair's email address: "Communications to the Forum Chair can be emailed to: <a href="mailto:forumchair@asx.com.au">forumchair@asx.com.au</a>."</p> <p>An email was sent to the Forum Chair email address requesting confirmation that the Forum Chair would receive any relevant emails – the response confirmed that any relevant correspondence to the Forum Chair is forwarded as required.</p>	No exceptions noted

Code obligation	Requirement/internal review procedure	Findings	Results
(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.	i. Identify any submissions received during the period ii. Review a sample of the submissions and check for inclusion in reports from the Forum Chair where appropriate.	No submissions were identified as having been received during the period.	No exceptions noted
<b>3 Pricing</b>			
3.1 Transparent pricing			
(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.	i. Review the website to confirm that fee schedules for clearing and settlement services covered by the Code have been published. ii. Review the published fee schedules to confirm they contain a brief description of services and, for section 3(b), applicable terms, conditions and eligibility criteria, of any rebates, revenue-sharing arrangements and discounts applicable to each service.	The following are on the website: <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>- Legal terms for the provision of a trade acceptance service (TAS), which details fees for AMOs (Approved Market Operators)</li> <li>- Settlement Facilitation Service (SFS) Agreement, which details fees for ALMOs (Approved Listing Market Operators).</li> </ul> All fees, terms, conditions and eligibility criteria, rebates, revenue-sharing arrangements and discounts applicable to each service are within the above four fee schedules, with a brief description of each service.	No exceptions noted
(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.	Refer to section 3.1(a) above.	Refer to section 3.1(a) above.	No exceptions noted

Code obligation	Requirement/internal review procedure	Findings	Results
<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> <p>(1) the expected cost impacts of any pricing changes;</p> <p>(2) the expected cost impacts associated with new products and initiatives; and</p> <p>(3) the impact of discounts, rebates and revenue-sharing arrangements for different user groups and different activity profiles.</p>	<p>i. Identify any pricing changes, new products and initiatives and/or discounts, rebates and revenue-sharing arrangements during the period.</p> <p>ii. For a sample of different user groups and different activity profiles, review 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.</p>	<p>There have not been any pricing changes, new products and initiatives and/or new discounts, rebates and revenue-sharing arrangements relating to cash market clearing or settlement services for participants, to the TAS or the SFS during the period.</p> <p>Worked examples for the headline fees for clearing and settlement are on the website with the statement that "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."</p>	No exceptions noted
<p>(d) ASX will publish all information on the ASX website.</p>	<p>Confirm that relevant fee information is published on the website.</p>	<p>As noted for sections 3.1(a), 3.1(b) and 3.1(c) above, the relevant fee schedules with all fees, rebates, terms and conditions, and the worked examples are on the website.</p>	No exceptions noted
<p>3.2 Published management accounts for cash equities</p>			
<p>(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.</p>	<p>Review the website to confirm the annual clearing and settlement management accounts ("Cash Market Clearing Management Income Statement" and "Cash Market Settlement Management Income Statement") were published with the ASX's full year financial results.</p>	<p>The management accounts for the year ended 30 June 2015 were published on the website on 20 August 2015, at the same time as ASX reported its full-year results.</p>	No exceptions noted

Code obligation	Requirement/internal review procedure	Findings	Results
<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> <p>(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</p> <p>(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.</p>	<p>Confirm that the external reviewer has verified that the management accounts have been prepared in accordance with the published cost allocation policy.</p>	<p>The management accounts for the year ended 30 June 2015 published on the website on 20 August 2015 each include a PwC "Independent auditor's report to the directors". The opinion in both of the auditor's reports states "the management income statement presents fairly... the results... in accordance with the accounting policies described in the significant accounting policies" note. The notes to the management income statement state that the "expenses have been attributed... based on the ASX internal cost allocation and transfer policy".</p>	<p>No exceptions noted</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>Refer to section 3.2(b) above for the external review procedures relating to cost allocation and transfer pricing policy.</p>	<p>As noted for section 3.2(b) above, PwC has opined on the management accounts of ASXCL and ASXS that they have been prepared in accordance with the ASX internal cost allocation and transfer pricing policy. ASX Internal Audit has placed reliance on the PwC audit work performed.</p>	<p>No exceptions noted</p>
<p>(d) The published management accounts will be subject to review by an external auditor.</p>	<p>Confirm the external auditors have performed and are engaged to perform annual reviews of the management accounts.</p>	<p>As noted for section 3.2(b) above, the management accounts for the year ended 30 June 2015 published on the website on 20 August 2015 each include a PwC "Independent auditor's report to the directors" with an opinion on the management income statement.</p>	<p>No exceptions noted</p>

Code obligation	Requirement/internal review procedure	Findings	Results
3.3 Non-discriminatory and transfer pricing			
(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.	<ul style="list-style-type: none"> <li>i. Obtain a list of all monthly cash market clearing and settlement billing for one month and ensure that all users have been billed consistently and/or differences can be justified.</li> <li>ii. Obtain a list of all annual cash market clearing and settlement billing for FY 2015 and ensure that all users have been billed consistently and/or differences can be justified.</li> </ul>	<p>A file reporting all cash market clearing and settlement billing in October 2014 was obtained and filtered for the product codes included in the Cash Market Clearing Fees Schedule of Fees and the Cash Market Settlement Fees Schedule of Fees (refer to section 3.1(a)).</p> <p>All ASXCL and ASXS participants that were in the billing file for any of the cash market clearing and settlement product codes were billed the same rate per unit, which agreed to the fee schedules.</p> <p>No monthly or ad hoc billing for the AMO, ALMOs or ASX Limited was identified.</p> <p>There are no annual fees relevant for ASXCL and ASXS cash market participants, however there is a revenue sharing scheme for ASXCL and another for ASXS. Allocation of the revenue share pools has been calculated in accordance with the details of the schemes as disclosed in the fee schedules.</p> <p>There are no annual fees relevant for the AMO.</p> <p>The ALMOs were all billed consistently with the fee schedule in the SFS agreement.</p> <p>Consistent with the external AMO, there are no longer any annual fees relevant for ASX Limited.</p>	No exceptions noted
(b) Transfer pricing: ASX Clear and ASX Settlement will charge all users, including ASX-affiliated entities, non-discriminatory prices for materially equivalent services.	Refer to section 3.3(a) above.	Refer to section 3.3(a) above.	No exceptions noted

Code obligation	Requirement/internal review procedure	Findings	Results
3.4 Pricing comparison			
(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.	Confirm that the annual benchmarking study has been planned or performed by an independent consulting firm on an annual basis.	<p>The FY 2014 internal review confirmed Oxera Consulting Limited performed a 'Global cost benchmarking of clearing and settlement services' and issued a report based on the benchmarking study in June 2014. No further benchmarking has been commissioned by ASXCL and ASXS.</p> <p>The October 2014 Forum meeting recommended the business committee be consulted on the proposal to reduce the frequency of the benchmarking. The minutes of the following business committee meeting noted that "The Committee was comfortable and broadly supportive of the proposed change in frequency in commissioning the international cost benchmarking."</p>	Exception noted - the last benchmarking study was conducted more than a year ago (and no updating of the study is currently planned for the near future).
(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).	Review the minutes of the Forum meetings or correspondence to confirm that the Forum has been consulted on the scope of the benchmarking.	Refer to section 3.4(a) above.	n/a
(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.	<ul style="list-style-type: none"> <li>i. Review the Forum meeting minutes for reference to the content of the benchmarking report.</li> <li>ii. Obtain correspondence to confirm the report was also provided to the ACCC, ASIC, RBA and Treasury.</li> <li>iii. Confirm the report has been published on the ASX website.</li> </ul>	Refer to section 3.4(a) above.	n/a



Code obligation	Requirement/internal review procedure	Findings	Results
<b>4 Access to clearing and settlement services</b>			
4.1 Standard access to clearing and settlement services			
<p>(a) ASX Clear and ASX Settlement will continue to publish on the ASX website transparent standard terms and conditions:</p> <ol style="list-style-type: none"> <li>(1) to become an ASX Clear or ASX Settlement participant pursuant to the ASX Clear and ASX Settlement operating rules</li> <li>(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</li> <li>(3) for ALMOs to apply for the provision of settlement facilitation services, pursuant to the Settlement Facilitation Service Agreement.</li> </ol>	<p>Access the ASX website and confirm that ASXCL and ASXS have published standard terms and conditions as described.</p>	<p>The website includes a "Customer Access" section which has:</p> <ol style="list-style-type: none"> <li>(1) a sub-section called "Equity Market Participants" with links to the document "A Guide to Becoming an ASX Participant" which contains information on all the types of participation available, the application process and relevant rules and requirements</li> <li>(2) a sub-section called "Services for Approved Market Operators" with information about the TAS and a link to the "Legal terms for the provision of a trade acceptance service to Australian financial market licensees in respect of CHESSE-eligible ASX-quoted financial products"</li> <li>(3) a sub-section called "Services for Approved Listing Market Operators" with information on the SFS and a link to the template "Settlement Facilitation Service Agreement".</li> </ol>	<p>No exceptions noted</p>
<p>(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.</p>	<ol style="list-style-type: none"> <li>i. Identify if any applications for access to clearing and settlement services has been prohibited, given with conditions or limited.</li> <li>ii. For a sample of such applications identified, review the reason for the decision and confirm whether it is in accordance with the relevant rules.</li> </ol>	<p>All cash market clearing and settlement participant applications for access to clearing and settlement services received during the period have been approved without any prohibitions, conditions or limitations.</p> <p>No applications for AMO or ALMO access to clearing and settlement services have been received during the period.</p>	<p>No exceptions noted</p>

Code obligation	Requirement/internal review procedure	Findings	Results
4.2 Service level agreements			
(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 competitive market and ASX Clear and ASX Settlement's licence obligations.	<ul style="list-style-type: none"> <li>i. Identify all AMOs and ALMOs.</li> <li>ii. Obtain correspondence to confirm that AMOs and ALMOs have been consulted on their respective service level agreements under the TAS and the Settlement Facilitation Service.</li> </ul>	The FY 2014 internal review confirmed that the AMO and ALMOs were consulted on their service level agreements.	No exceptions noted
4.3 Responsiveness to requests			
(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.	<ul style="list-style-type: none"> <li>i. Identify any requests for clearing and settlement services by AMOs and ALMOs and ensure they were considered within the published target timeframes (refer to (c) below).</li> <li>ii. As part of the consultation process for section 5(c), request feedback on ASX's responsiveness to requests.</li> </ul>	<p>Due to the confidential nature of these requests correspondence was not obtained or viewed by ASX Internal Audit. Testing was performed via discussion with ASX's General Manager, Regulatory Assurance.</p> <p>Timeframes for responding to AMO/ALMO requests are in the Procedures for Access Requests documents on the website. The timeframes require ASX to (1) send an acknowledgement of a request for an enhancement or new service within three business days, (2) after receiving a completed change request form, contact the requestor within five days of receipt to arrange a meeting (AMOs) or arrange a workshop within 20 days (ALMOs), (3) provide an initial response within 10 days of the meeting (AMOs) or update within 20 days of the workshop (ALMOs), (4) provide costing etc within 45 days of the meeting (AMOs) or 20 days of the update (ALMOs).</p>	No exceptions noted

Code obligation	Requirement/internal review procedure	Findings	Results
		<p>One ALMO request was received during FY 2015. The request was outside the scope of the SFS therefore the published timeframes do not apply. The formal request was received via email on 3 November 2014 and an initial response was sent on 7 November, four business days later.</p> <p>Per section 5(c), consultation with the Forum was performed as part of the review. Three responses were received.</p> <p>Neither of the non-confidential responses received were from an AMO or ALMO. One of these responses was generally positive in the section on ASX's responsiveness to requests. The second did not provide a directly related comment.</p> <p>The other response was provided on a confidential basis.</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>For a sample of any changes identified for section 4.3(a) above, obtain correspondence to confirm 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>The request received during FY 2015 does not fall under the TAS or SFS.</p>	<p>No exceptions noted</p>

Code obligation	Requirement/internal review procedure	Findings	Results
<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>Review the ASX website for the protocols on:</p> <ul style="list-style-type: none"> <li>i. responding to AMO and ALMO service requests</li> <li>ii. dispute resolution processes (including pre-access and post-access disputes).</li> </ul>	<p>In the "Customer Access" section of the website:</p> <ul style="list-style-type: none"> <li>(1) the "Services for Approved Market Operators" sub-section has a link to the "Procedures for Access Requests by Approved Market Operators" document which has a table with the timeframes for new customer enquiries and requests for the enhancement or expansion of the TAS</li> <li>(2) the "Services for Approved Listing Market Operators" sub-section has a link to the "Procedures for Access Requests by Approved Listing Market Operators" document which has tables with the timeframes for new customer enquiries, new service enquiries, enquiries regarding potential enhancement to the Settlement Facilitation Service and operational matters.</li> </ul> <p>The dispute resolution processes are detailed in:</p> <ul style="list-style-type: none"> <li>(1) "Code of Practice for Clearing and Settlement of Cash Equities in Australia Access Protocols" document (pre-access disputes) - available via a link at <a href="http://www.asx.com.au/cs/code-practice.htm">http://www.asx.com.au/cs/code-practice.htm</a> the "Legal terms for the provision of a trade acceptance service to Australian financial market licensees in respect of CHES-eligible ASX-quoted financial products" (in the "Services for Approved Market Operators" sub-section)</li> <li>(2) the template "Settlement Facilitation Service Agreement" (in the "Dispute resolution" sub-section).</li> </ul>	<p>No exceptions noted</p>

Code obligation	Requirement/internal review procedure	Findings	Results
4.4 Dispute resolution			
(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.	<ul 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, confirm they have been dealt with in accordance with the ASXCL and ASXS operating rules as appropriate.</li> </ul>	No disputes in relation to applications for access to clearing and settlement services were received during the period.	No exceptions noted
(b) Dispute resolution processes will apply to disputes: <ul 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 (pre-access disputes)</li> <li>(2) with AMOs and ALMOs which are being provided with the clearing and settlement services governed by this Code (post-access disputes).</li> </ul>	Refer to section 4.3(c) above for the documented dispute processes and to section 4.4(a) for the treatment of any disputes.	As noted for section 4.3(c) above, pre-access and post-access dispute resolution processes are available on the website.  As noted for section 4.4(a) above, no disputes in relation to applications for access to clearing and settlement services were received during the period.	No exceptions noted
(c) The dispute resolution processes applying to pre-access disputes will be incorporated into the protocols described in clause 4.3(c).	Confirm that the dispute resolution processes applying to pre-access disputes have been incorporated into the protocols described in section 4.3(c).	As noted for section 4.3(c) above, pre-access dispute resolution processes are available on the website.	No exceptions noted

Code obligation	Requirement/internal review procedure	Findings	Results
<p>(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:</p> <ul 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> </ul>	<p>Confirm that the dispute resolution processes applying to pre-access disputes are as described.</p>	<p>The pre-access dispute resolution processes detailed in the "Code of Practice for Clearing and Settlement of Cash Equities in Australia Access Protocols" document include:</p> <ul 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 - page 1 sections 6 and 7</li> <li>(2) an obligation on all parties to negotiate in good faith to resolve disputes within a specified timeframe - page 2 sections 8 and 9</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 - page 2 sections 9 and 10.</li> </ul>	<p>No exceptions noted</p>
<p>(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.</p>	<p>Review the TAS Legal Terms and SFS Agreement and determine if the post-access dispute resolution procedures have been incorporated as appropriate.</p>	<p>As noted for section 4.3(c) above, post-access dispute resolution processes are in the "Legal terms for the provision of a trade acceptance service to Australian financial market licensees in respect of CHES-eligible ASX-quoted financial products" and the template "Settlement Facilitation Service Agreement".</p>	<p>No exceptions noted</p>

Code obligation	Requirement/internal review procedure	Findings	Results
<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> <ul 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> </ul> <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>Execution of this review plan and publication of the report within the timeframes stipulated.</p>	<p>Refer to the findings and results throughout this report.</p> <p>It is not possible to confirm in this report that it has been (1) published within three months of the year end or (2) made available on the ASX website.</p> <p>The final report is being provided to the Boards of ASX Clear and ASX Settlement for their meeting on 22 September 2015 and will be provided to the Forum Secretariat for publication on the website and distribution to the Forum.</p>	<p>No exceptions noted</p>

Code obligation	Requirement/internal review procedure	Findings	Results
<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>Determine whether the external auditors have been engaged. Review the scope of their engagement ensuring adequate coverage. Confirm publication timing is appropriate.</p>	<p>PwC has been engaged as the independent external auditor to review the operation of the Code.</p> <p>In their draft report for the external review of compliance with the Code, PwC confirmed they have been engaged by ASX to complete a review of the operation of the Code for FY 2015.</p> <p>The final report is being provided to the Boards of ASX Clear and ASX Settlement for their meeting on 22 September 2015.</p> <p>As both the internal and external reports are being published on the website on the same date, it is not possible to confirm in this report that the external review report for FY 2015 has been (1) published within three months of the year end, (2) provided to the Forum or (3) made available on the ASX website.</p>	<p>No exceptions noted</p>



Code obligation	Requirement/internal review procedure	Findings	Results
(c) Users of clearing and settlement services will be consulted as part of the reviews.	Prepare a document to send to Forum members (as the group representing users of cash market clearing and settlement services) to obtain feedback on relevant sections of the Code.	A feedback form was developed by PwC and ASX Internal Audit and sent to all Forum members from PwC. The form requested feedback on the effectiveness of the Code (for sections 5(a) and 2.2), mechanisms for user engagement and consultation (for section 2.5(a)), responsiveness to requests (for section 4.3(a)) and administration of the Code (for section 2.3(f)).  Three responses were received. One response was provided on a confidential basis. The non-confidential responses are attached to the external review report. Refer to the relevant sections of this report for a summary of the feedback received.	No exceptions noted
(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.	<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 confirm that the information requested was provided.</li> </ul>	No requests were received from the ACCC, ASIC, RBA or Treasury relating to compliance with the Code.	No exceptions noted
(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.	Access the ASX website to confirm that procedures and protocols for comments or complaints relating to the Code have been published.	The Code of Practice section of the website includes a link to the "Comments and Complaints Protocol for the Code of Practice" which details the options for making a comment or complaint and the response time.	No exceptions noted
(f) Comments or complaints should be addressed to the attention of the office of the Chief Executive Officer.	No review procedures to be performed. The section articulates the contact person for comments and complaints.	Not applicable	Not applicable

Code obligation	Requirement/internal review procedure	Findings	Results
<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.</p>	<p>i. Confirm that third parties may elevate comments and complaints to the Forum Chair and the Boards of ASX Clear and ASX Settlement.</p> <p>ii. Identify whether any comments or complaints were received via the Forum Chair email address and elevated.</p>	<p>The "Comments and Complaints Protocol for the Code of Practice" states "If you are not satisfied with the response [to a comment or complaint], 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. You can do this by sending an email or letter to the Forum Chair. The Forum Chair is a Director on the Boards of ASX Clear and ASX Settlement."</p> <p>No comments or complaints were received via the Forum Chair email address.</p>	<p>No exceptions noted</p>
<p><b>6 Protection of confidential information</b></p>			
<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>i. Obtain details of any confidential or competitively sensitive information that is acquired in the course of providing clearing and settlement services.</p> <p>ii. Review processes in place to ensure that any such information is only used for the purpose for which it was provided.</p>	<p>Trade data ASX receives from AMOs and ALMOs is considered confidential and information received in relation to changes under the TAS or SFS (also refer to section 4.3(a)) is considered, where relevant, as competitively sensitive. In addition, Operations may receive other information from AMOs and/or ALMOs which would be considered confidential.</p> <p>The regulatory feed received from the AMO by ASX Compliance is for monitoring of ASX-listed entities. It is not related to the clearing and settlement services provided under the TAS therefore it is out of the scope of this review.</p> <p>Competitively sensitive data is sent to one person within the organisation and is only shared with a limited number of other people if required and if permission to share the information has been obtained from the AMO/ALMO. "Hush mail" accounts have been set up by ASX to use should the AMO/ALMO require.</p>	<p>No exceptions noted</p>

Code obligation	Requirement/internal review procedure	Findings	Results
		<p>The Key Obligation Self Assessments (KOSAs) received for the six months ended 31 December 2014 from the Group Executive Operations, the General Manager Clearing Risk Strategy and Policy, and the Chief Compliance Officer and the Group Executive ASX Compliance recorded no issues relating to compliance with Conflict Handling obligations, and for Operations and Clearing Risk Policy and Strategy, no issues relating to TAS obligations. In addition, no issues were noted during Regulatory Assurance's quarterly reviews of Conflict Handling arrangements.</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>Refer to section 6(a) above.</p>	<p>Refer to section 6(a) above.</p>	<p>No exceptions noted</p>
<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>Confirm that ASXCL and ASXS have put in place operational standards as described.</p>	<p>As noted for section 6(a) above, various internal processes have been established to ensure AMO and ALMO competitively sensitive information acquired by ASXCL and ASXS is handled appropriately.</p>	<p>No exceptions noted</p>

Code obligation	Requirement/internal review procedure	Findings	Results
<b>7 Operation of the Code</b>			
(a) This Code commences operation on 9 August 2013.	No review procedures required. We note that the effective date of the first Code is 9 August 2013.	Not applicable	Not applicable
(b) Changes to the Code will not be made without prior consultation with the Forum, other users and the Agencies.	<ul style="list-style-type: none"> <li>i. Identify any changes to the Code.</li> <li>ii. For a sample of changes, review the minutes of the Forum and correspondence with other users and agencies to confirm they were consulted.</li> </ul>	No changes have been made to the Code since it was implemented. As noted above, operational improvements have been proposed and broadly agreed to, but postponed pending a decision by the Federal Government on the market structure for clearing of cash equities in Australia.	No exceptions noted
(c) This Code will be interpreted consistently with: <ul 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; or</li> <li>(4) any agreements entered into between ASX, and customers and other stakeholders.</li> </ul>	No review procedures required.	Not applicable	Not applicable