



Clearing and Settlement Boards Charter

Introduction

1. This Charter sets out the role, responsibilities, composition and operation of the Clearing and Settlement (CS) Boards.
2. The CS Boards are the governing bodies of the following ASX Group companies (together, the **CS Subsidiaries**):
 - a. ASX Clear Pty Limited (**ASX Clear**), a CS facility licensee and central counterparty (**CCP**) for the ASX market and other approved Australian equity markets
 - b. ASX Clear (Futures) Pty Limited (**ASX Clear (Futures)**), a CS facility licensee and CCP for the ASX24 market and for AUD and NZD-denominated OTC interest rate derivatives
 - c. ASX Clearing Corporation Limited, the intermediate holding company for ASX Clear and ASX Clear (Futures), which holds on trust the financial resources the CCPs may use in the event of a participant default
 - d. ASX Settlement Pty Limited (**ASX Settlement**), a CS facility licensee and securities settlement facility (**SSF**) for the ASX market and other approved Australian equity markets
 - e. Austraclear Limited, a CS facility licensee and SSF for Australia's wholesale debt market
 - f. ASX Settlement Corporation Limited, the intermediate holding company for ASX Settlement and Austraclear Limited.

Role and responsibilities of the CS Boards

3. The role of the CS Boards is to provide leadership, guidance and oversight of the clearing and settlement operations of the CS Subsidiaries.
4. The key responsibilities of the CS Boards (or relevant CS Board, as applicable) are to:
 - a. set the operational risk tolerances for the CS facility licensees. In doing so, the CS Boards have regard to the legitimate business interests of ASX Limited as a provider of capital to the CCPs
 - b. review and approve the risk management framework and oversee the adequacy of internal controls, systems and processes for the management of clearing and settlement risks of the CS facility licensees
 - c. oversee management systems and processes for the purpose of:
 - i. ongoing compliance with the Financial Stability Standards (**FSS**) determined by the Reserve Bank of Australia and consistency with international PFMI standards for financial markets infrastructure
 - ii. ongoing compliance with the CS facility licensees' statutory obligations
 - iii. management of the CS Subsidiaries within the ASX risk appetite and the operational risk tolerances set by the CS Boards.

In discharging these responsibilities, the CS Boards shall have regard to the stability of the broader financial system, other relevant public interest considerations and the objectives of relevant stakeholders.
5. The CS facility licensees' statutory obligations include, but are not limited to:
 - a. to the extent that it is reasonably practicable to do so, complying with the FSS and doing all other things necessary to reduce systemic risk
 - b. to the extent that it is reasonably practicable to do so, doing all things necessary to ensure that the CS facility licensee's services are provided in a fair and effective way

- c. having adequate arrangements for:
- i. handling conflicts between the commercial interests of the CS facility licensee and the need for the CS facility licensee to ensure that its services are provided in a fair and effective way
 - ii. enforcing compliance with its operating rules.
6. In addition to the matters that are specified in their constitutions or by law to be fulfilled by the CS Boards, the CS Boards are responsible for:

Financial Reporting	Reviewing and approving their respective financial reports.
Investment Mandates	As applicable, reviewing and approving the investment mandates (including the risk management framework for the investment of clearing participant margins deposited with the CS facility licensees and other pre-funded default resources).
Default Management and Recovery	<ul style="list-style-type: none"> • Reviewing default management policies, systems and processes applicable to counterparty failure and default • Reviewing the recovery plan, recovery tools and processes required to enable the CS facilities licensees to continue to provide critical services during situations of extreme financial stress which threaten the provision of those critical services.
Remuneration and Performance Arrangements	<p>Reviewing and providing input to the ASX Group's remuneration arrangements and processes as they apply to the CS facility licensees with regard to:</p> <ul style="list-style-type: none"> • The incentives created • The FSS and other applicable regulatory requirements, and satisfy itself that the remuneration policies comply with the FSS and other applicable regulatory requirements. <p>Providing input to the Remuneration Committee on the remuneration arrangements and performance of the Chief Risk Officer and Chief Operations Officer.</p> <p>The CS Boards may, in their discretion, provide inputs to the Remuneration Committee on the remuneration arrangements and performance of other ASX executives insofar as it relates to matters relevant to the CS Subsidiaries.</p>
Policy Development	<p>Assessing and approving new product categories for clearing and settlement having regard to the clearability policy for admittance of new products and potential counterparty or systemic risk issues.</p> <p>Periodic review of the ASX Group's <i>Information Handling Standards</i> so they remain effective.</p>
Assurance	<ul style="list-style-type: none"> • Reviewing and approving the annual external audit review plans, annual internal audit work plans and annual enterprise compliance work plans as they relate to the CS Subsidiaries • Receiving reviews and reports from the external auditor regarding the financial statements of the CS Subsidiaries • Receiving reviews and reports from the external auditor regarding the Management Income Statements for Cash Market Clearing and Settlement; and compliance with the Regulatory Expectations for Conduct in Operating Cash Equity Clearing and Settlement Services in Australia • Receiving reports from the internal auditor regarding the outcome of internal audits as they relate to the CS Subsidiaries

	<ul style="list-style-type: none"> • Overseeing and satisfying itself that there is adequate governance surrounding the adoption and use of models (such as margining models) • Receiving reports regarding the enforcement of compliance with the operating rules of the CS facility licensees.
Customer and Stakeholder Engagement	<p>In relation to ASX Clear and ASX Settlement:</p> <ul style="list-style-type: none"> • Having oversight of adherence to their commitments under the <i>ASX Cash Equities Clearing and Settlement Code of Practice</i> (the Code of Practice) • Giving due consideration and providing written responses to the recommendations of the Business Committee convened under the <i>Code of Practice</i>. <p>Note: The role of the Business Committee and its charter are available on the ASX website.</p> <p>In relation to ASX Clear and ASX Clear (Futures), giving due consideration and providing written responses to proposals and recommendations made by the Consultative Committees established under the ASX Clear Operating Rules and ASX Clear (Futures) Operating Rules.</p>

- The ASX Group Customer Charter sets out how the ASX Group seeks to balance the interests of its customers, shareholders and other stakeholders. The CS Boards may establish forums to consult with participants on matters which may impact operational or risk management aspects of participants' businesses.
- The ASX Group is committed to conducting its business in an open and transparent manner. The ASX Group's Conflict Management Policy and Information Handling Standards are part of its governance framework and encompass customers, competitors, supplier arrangements and governance arrangements.

Note: *This in accordance with the provisions of the Code of Practice adopted by ASX Clear and ASX Settlement and which sets out their commitment to comply with the Regulatory Expectations for the Conduct of Cash Equity Clearing and Settlement Services in Australia released by the Council of Financial Regulators.*
- The CS Boards have delegated certain matters to the ASX Board Committees and these are outlined in Articles 20 - 22 below. The CS Boards have also delegated certain matters to management and these are outlined in Articles 10 - 15 below.

Role and responsibilities of Management

Managing Director and CEO

- The CS Boards have delegated the management of the CS Subsidiaries to the Managing Director and CEO of ASX Limited. Except for those matters reserved by the CS Boards or delegated by the CS Boards to ASX Board Committees, the Managing Director and CEO may make all decisions and take all action required to manage the CS Subsidiaries.
- The responsibilities of the Managing Director and CEO include but are not limited to:
 - implementing the strategy and achieving the business objectives for the CS Boards
 - day-to-day management and operation of the CS Boards in accordance with applicable policies and procedures adopted by the CS Boards and ASX Board
 - timely presentation of information to the CS Boards to enable them to fulfil their responsibilities.

12. The authority delegated in Article 11 includes authority to make decisions on the commercial arrangements, fees for access arrangements and clearing and settlement fees. The Code of Practice sets out commitments by ASX Clear and ASX Settlement regarding the provision of access to cash equities clearing and settlement services on transparent and non-discriminatory terms.

Note: *This in accordance with the provisions of the ASX Cash Equities Clearing and Settlement Code of Practice.*

13. The Managing Director and CEO is accountable to the CS Boards for the exercise of authority delegated in Article 10.

Senior Management – appointment, responsibilities, reporting lines

Responsibilities

14. The Chief Risk Officer (**CRO**) and Chief Operating Officer (**COO**) of ASX have responsibility for the overall clearing and settlement risk management of the CS facility licensees. The CS Boards shall receive reports from the CRO and COO in relation to their respective functions at each meeting.
15. Compliance and enforcement functions of the CS facility licensees are performed under delegations from the CS Boards to the Chief Compliance Officer (**CCO**).

Note: Refer to Article 20(d) (Audit and Risk Committee to receive reports from the CCO on the performance and resourcing of the ASX Group Compliance function as it relates to the CS Subsidiaries).

Appointment

16. The CRO and COO are appointed and terminated by the Managing Director and CEO. The CS Boards shall be consulted on the appointment and termination of the CRO and COO.
17. The CRO and COO may not have a material commercial association with a participant in an ASX licensed market or CS facility licensee without prior consent of the CS Boards.

Management Reporting Lines

18. The CRO and COO report to the CEO. The CRO and COO are entitled to appear and be heard at all CS Board meetings.
19. The General Manager, Internal Audit and General Manager, Enterprise Compliance:
 - a. report to the CRO for administrative purposes
 - b. are entitled to appear and be heard at all CS Board meetings
 - c. each have a direct reporting line to the Chair of the Audit and Risk Committee of the ASX Limited Board.

Note: The Audit and Risk Committee of the ASX Limited Board is also appointed as the Audit and Risk Committee of the CS Boards (refer Article 20).

Role and responsibilities of Committees

20. The CS Boards have appointed the Audit and Risk Committee of the ASX Limited Board to:
 - a. oversee risk matters outside of the areas reviewed by the CS Boards and which are ASX Group enterprise-wide in nature, including for example, cyber resilience
 - b. oversee compliance and conflict management arrangements for the CS facility licensees

- c. oversee and review:
 - i. the methodology and process for preparing the Cash Market Clearing and Cash Market Settlement Management Income Statements which are prepared in accordance with the *Code of Practice* and the external auditor's report in relation to those statements
 - ii. the ASX internal cost allocation and transfer policy between the ASX Group entities for clearing and settlement of cash equities in Australia.
 - d. receive reports in relation to the arrangements for enforcing compliance with the operating rules of the CS facility licensees and monitor the adequacy of those arrangements.
21. The CS Boards have appointed the Nomination Committee of the ASX Limited Board to consider nomination matters relevant to the CS Boards.
22. The CS Boards have appointed the Remuneration Committee of the ASX Limited Board to consider remuneration matters relevant to the CS Boards.
23. The CS Boards will receive from the Audit and Risk Committee, Nomination Committee and Remuneration Committee:
- a. reports on matters considered by the committees and which are relevant to the CS Subsidiaries. These reports may be verbal
 - b. an annual report on their respective activities relevant to the CS Subsidiaries.

CS Board Composition

Board size and composition

24. Subject to the respective constitutions of the CS Subsidiaries and Article 27, the CS Boards may determine their size and composition. In addition (and as specified in the CS Board constitutions) the ASX Board may appoint or remove directors on the CS Boards.
25. Collectively, the CS Boards shall comprise directors with the skills and expertise necessary to discharge their responsibilities, including skills and expertise in clearing and settlement operational and risk management matters.
26. Appointment of CS Board directors will be made with input from the Nomination Committee.
27. The ASX Clear and ASX Settlement Boards shall comprise at least 50% non-executive directors who are not also directors of ASX Limited. ASX Clear and ASX Settlement shall also ensure that a quorum can be constituted by directors who are not also directors of ASX Limited to consider matters referred to in Article 45.

Note: *These composition requirements are in accordance with the provisions of the ASX Cash Equities Clearing and Settlement Code of Practice.*

Director independence

28. It is the CS Boards' policy that a majority of their respective non-executive directors be independent.
29. The CS Boards value the skills, experience and perspectives brought to the CS Boards by directors who are involved with stakeholders of the ASX Group including listed entities and participants.
30. The CS Boards shall review the independence of each director by:
- a. assessing the interests of individual directors (as notified by each director) and presented at each Board meeting

- b. undertaking an annual, formal assessment having regard to the *ASX Board Policy and Guidelines affecting Independent Status* as adopted by the ASX Limited Board and as amended from time to time.

Board renewal and tenure

- 31. The CS Boards have not adopted a tenure policy.
- 32. The CS Boards, in consultation with the Nomination Committee, will review the skills represented by directors on the CS Boards and determine whether the composition and mix of those skills remain appropriate.

CS Board Chair

- 33. The Chair of each CS Board is to be an independent non-executive director.
- 34. The Chair of ASX Clear and ASX Settlement may not also be an ASX Limited director.
- 35. The Chair of each CS Board is appointed by the relevant CS Board with input from the Nomination Committee.
- 36. A CS Board Chair's primary responsibility is leading their CS Board and overseeing the process for that board fulfilling its responsibilities under this Charter.
- 37. A CS Board Chair is also responsible for:
 - a. (subject to Article 41), chairing Board meetings and facilitating open and effective discussions (including with management) at CS Board meetings
 - b. maintaining communications with the Managing Director and CEO including in relation to the CS Boards' information requirements from management
 - c. serving as the primary link between the relevant CS Board and management.

Company Secretary

- 38. The Company Secretary is appointed by the CS Boards and reports directly to the CS Boards, through the respective Chairs, on all matters to do with the proper functioning of the CS Boards.
- 39. The Company Secretary's role includes:
 - a. providing advice on governance matters
 - b. co-ordinating CS Board meetings
 - c. drafting agendas, governance-related agenda papers and minutes of meetings
 - d. monitoring that Board policies and procedures are followed.

CS Boards meetings

Frequency and conduct

- 40. The CS Boards shall meet as often as is necessary to fulfil their responsibilities.
- 41. The CS Boards may meet concurrently. Where the CS Boards meet concurrently, the concurrent meetings shall be chaired by the Chair of ASX Clear and ASX Clear (Futures) on an alternating basis unless otherwise agreed by the CS Boards.

42. The ASX Board may meet concurrently with the CS Boards. ASX Limited directors do not attend or receive copies of papers or minutes of meetings of ASX Clear or ASX Settlement referred to in Article 45.

Declaration of material personal interests

43. Directors must disclose all material personal interests which may conflict with their duties. If there is a change to a director's material personal interests, the director must notify that change at or prior to the next CS Board meeting.
44. Directors are expected to take reasonable steps to avoid actual or perceived conflicts of interest.

Meetings of non-ASX directors of ASX Clear and ASX Settlement

45. The non-ASX directors on the ASX Clear and ASX Settlement Boards shall meet separately from the other CS Boards to:
- a. consider and, where appropriate, determine matters that require the consideration of competitively sensitive information acquired in the course of providing clearing and settlement services to another market operator or listing venue
 - b. oversee management's handling of confidential and competitively sensitive information acquired in the course of providing clearing and settlement services to another market operator or listing venue
 - c. oversee the provision of clearing and settlement services to another market operator or listing venue.

Access and advisers

46. Each CS Board has unrestricted access to all staff and relevant records of the ASX Group it considers necessary to fulfil its obligations (including internal audit and the external auditor without management present) and has the right to seek explanations and additional information from management and auditors.
47. As necessary or desirable, the CS Boards may invite members of management, internal audit, representatives of the external auditor or other external advisers to be present at meetings of the CS Boards.
48. The CS Boards may, with their Chair's prior consent, seek independent professional advice (at the CS Boards' expense) that they consider necessary to fulfil their responsibilities.

CS Boards performance reviews

49. The CS Boards shall assess their performance (including performance against the terms of this Charter) and the performance of individual directors annually.
50. The CS Boards, in consultation with the Nomination Committee, may determine to engage an external consultant to conduct the performance assessment.

CS Boards charter review

51. The CS Boards shall review this Charter at least every two years to keep it up to date and consistent with their objectives. Amendments to the Charter other than for branding or position titles are to be approved by the CS Boards.

Approval date

Charter approved: March 2021 (effective 17 March 2021)