

# Conflict Management Policy

October 2020 | Version 3.0

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## 1. Introduction

ASX's VSE recognises that maintaining a high level of trust and a reputation for integrity with regulators and other stakeholders is critically important to ASX's 'licence to operate' and to ASX having a successful and sustainable business. To achieve this ASX must have transparent and effective processes for managing conflicts of interest.

More generally, as the operator of the primary listing market in Australia and convenor of the ASX Corporate Governance Council, ASX has a leadership role in articulating and promoting high standards of corporate governance in Australia. Good corporate governance requires transparent and effective processes to manage conflicts of interest.

## 2. The purpose of this Policy

The purpose of this Policy is:

- to outline the governance arrangements that ASX has in place to manage conflicts of interest; and
- to explain the role of ASX staff in those arrangements.

This Policy forms part of ASX's risk management framework, which is overseen by the ASX Audit and Risk Committee (**ARC**).

## 3. The application of this Policy

This policy applies to all ASX directors, employees, contractors, consultants and secondees (**ASX staff**).

## 4. What is a conflict of interest?

A conflict of interest exists where someone has an interest that is or could be incompatible (that is, in conflict) with the proper performance of either: (a) their regulatory obligations; or (b) obligations they owe to another party to act in that party's interests.

A conflict of interest may be:

- *organisational* - where an ASX group company has an interest that is or could be incompatible with the proper performance of its regulatory obligations or obligations it owes to a party outside the ASX group to act in that party's interests; or
- *personal* - where an ASX staff member has an interest that is or could be incompatible with the proper performance of their obligation to act in the interests of ASX.

For example, the fact that ASX is in competition with various approved market operators (**AMOs**) may create a commercial incentive for ASX to charge discriminatory or unfair prices to those AMOs for the provision of clearing and settlement services, and therefore an organisational conflict with ASX's regulatory obligations not to do that.<sup>1</sup> Similarly, the fact that an ASX staff member involved in choosing a supplier of goods or services to

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<sup>1</sup> As per the "Regulatory Expectations for the Conduct of Cash Equity Clearing and Settlement Services in Australia" issued by the Council of Financial Regulators and revised in September 2017.

ASX has a personal connection with a potential supplier may create an incentive for them to favour the interests of the supplier over the interests of ASX and therefore give rise to a personal conflict of interest.

A conflict of interest may also be:

- *actual* - where a conflict in fact exists;
- *perceived* - where a conflict might reasonably be seen to exist (for example, by a regulator); or
- *potential* - where a conflict could arise in the future.

ASX seeks to ensure that all of these different types of conflicts are appropriately managed.

## 5. Regulatory obligations to manage conflicts of interest

Each ASX group company that holds a licence under the Corporations Act 2001 (Cth)<sup>2</sup> is required under that Act to have adequate arrangements:

- if the licence is to operate a market,<sup>3</sup> to handle conflicts between its commercial interests and its regulatory obligation to ensure that the market is fair, orderly and transparent;<sup>4</sup>
- if the licence is to operate a CS facility,<sup>5</sup> to handle conflicts between its commercial interests and its regulatory obligation to ensure that the facility's services are provided in a fair and effective way;<sup>6</sup>
- if the licence is to carry on a financial services business,<sup>7</sup> to manage conflicts of interest that may arise in relation to activities undertaken by the licensee or a representative of the licensee under that licence;<sup>8</sup> or
- if the licence is to administer a significant financial benchmark,<sup>9</sup> to ensure that conflicts of interest do not adversely affect the integrity, reliability or credibility of the financial benchmark.<sup>10</sup>

Under Financial Stability Standard 2.9,<sup>11</sup> a CS licensee that is part of a group of companies is also expected to have measures in place so that decisions taken in accordance with its obligations as a CS licensee cannot be compromised by the group structure or by board members also being members of the board of other entities in the same group and to consider specific procedures for preventing and managing conflicts of interest, including with respect to intra-group outsourcing arrangements.

## 6. How conflicts are generally managed

Conflicts of interest are generally managed by one or more of the following mechanisms:

- controlling them;
- avoiding them; or

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<sup>2</sup> Referred to in this Policy as the "Corporations Act". References in the notes below to sections are to sections of that Act.

<sup>3</sup> ASX Limited (the operator of the ASX market) and Australian Securities Exchange Limited (the operator of the ASX 24 market) each hold an Australian market licence.

<sup>4</sup> Section 792A(c)(i).

<sup>5</sup> ASX Clear Pty Limited, ASX Clear (Futures) Pty Limited, ASX Settlement Pty Limited and Austraclear Ltd each hold a CS facility licence.

<sup>6</sup> Section 821A(c)(i).

<sup>7</sup> ASX Collateral Management Services Pty Limited and Chess Depository Nominees Pty Limited each hold an Australian financial services licence.

<sup>8</sup> Section 912A(1)(aa). See also ASIC Regulatory Guide 181 *Licensing: Managing conflicts of interest*.

<sup>9</sup> ASX Benchmarks Pty Limited has an Australian benchmark administrator licence to administer the Australian bank bill swap rate (BBSW).

<sup>10</sup> Rule 2.1.4 of the ASIC Financial Benchmark (Administration) Rules 2018.

<sup>11</sup> Financial Stability Standards are determined by the Reserve Bank of Australia under section 827D.

- disclosing them.

## 7. ASX's controls for managing conflicts of interest

ASX has various measures in place to ensure that conflicts of interest are appropriately managed. These measures include:

- **Segregation of regulatory responsibilities from commercial responsibilities:** via the establishment of ASX Compliance,<sup>12</sup> as a separate and distinct function within the ASX group with discrete reporting lines,<sup>13</sup> to fulfil ASX's regulatory obligation to have adequate arrangements to monitor and enforce compliance with its operating rules.
- **ASIC's supervision of ASX as a listed entity:** under the Corporations Act and the ASX listing rules,<sup>14</sup> ASIC is responsible for monitoring and enforcing compliance with the listing rules by ASX as a listed entity. This is to avoid the clear conflict of interest that would exist if ASX were to supervise its own compliance with the listing rules.
- **ASX's Code of Conduct:** which requires ASX staff to disclose or avoid situations in which there is a real or perceived conflict between their personal interests and their duties to ASX. Disclosure of conflicts is required upon joining ASX and as new conflicts arise, using the [Staff Notification Form](#) on the intranet. Proper disclosure then allows ASX to control the conflict by excluding the staff member from any decisions on matters where they may have a conflict.
- **ASX's Anti-Bribery and Corruption Policy:** which requires ASX staff not to give or accept gifts or benefits that could give rise to a conflict of interest or that could otherwise compromise the integrity and objectivity of the staff member in performing their duties to ASX, and to disclose any gifts or benefits given or received with a value above a nominal threshold.
- **ASX's External Directorships and Company Secretary Policy:** which requires ASX staff to obtain approval for any external directorship or company secretary role before they accept the position.
- **Divisional conflict handling policies and procedures:** adopted to manage potential conflicts of interest within or between particular business units. These include:
  - *Admission Procedures for New Listings*
  - *Warrant and AQUA Product Admission Procedures*
  - *Admission Procedures for Participants*
  - *BBSW conflict handling arrangements*
- **ASX group directors:** under the Corporations Act and the constitution of the relevant ASX group entities, ASX group directors are required to disclose to the board on which they serve any material personal interest and to remove themselves from any discussion or decision related to a matter on which they have a conflict. ASX's Company Secretariat keeps records of these disclosures.
- **ASX Clear and ASX Settlement board arrangements:** have been structured to manage the potential conflict that may arise in relation to the provision of the Trade Acceptance Service (**TAS**) or Settlement Facilitation Service (**SFS**) to AMOs. Each board consists of 6 directors, at least 50% of whom must be non-executive directors who are not also directors of ASX Limited. In the event the ASX Clear or ASX Settlement boards are required to consider confidential or competitively sensitive matters involving an AMO, directors who are

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<sup>12</sup> See section 8 below.

<sup>13</sup> Listings Compliance reports to the Chief Compliance Officer, who has dual reporting lines to the ASX MD and CEO and to ARC. Participants Compliance reports to the Chief Risk Officer, who also has dual reporting lines to the ASX MD and CEO and to ARC.

<sup>14</sup> Section 798C and chapter 20 of the ASX listing rules provide that ASIC is responsible for monitoring and enforcing ASX's compliance as a listed entity with the listing rules.

also directors of ASX Limited are required to absent themselves from the meeting and do not receive any documentation or minutes for that part of the meeting.

- **AMO Information Handling Standards:** have been adopted to protect confidential or competitively sensitive information of unaffiliated AMOs acquired in connection with the provision of the TAS or SFS. Under those standards the responsibility for receiving, determining sensitivity and managing appropriate distribution of the AMO information resides with the GM, Enterprise Compliance.
- **Review parties:** ASX has processes in place to identify parties who have a material connection with, or are in competition to, ASX where there is the potential for a conflict between the ASX's commercial interests and its regulatory obligations. Decisions by ASX involving these parties are subject to regular reviews by ASX Enterprise Compliance to confirm that they have been made properly and in accordance with ASX's regulatory obligations.<sup>15</sup>
- **Goals and remuneration:** the goals for ASX Compliance do not include commercial goals, while the goals for other ASX teams performing a control or oversight function do not include goals based on the performance of the business they oversee. Remuneration policies also ensure that such staff are not incentivised to act in a manner that is incompatible with their responsibilities.
- **Employee training:** Enterprise Compliance provides regular training to ASX staff on how to identify and handle conflicts of interest.

## 8. The role of ASX Compliance

The Office of the ASX Chief Compliance Officer (**CCO**) - Listings Compliance and Office of the Chief Risk Officer (CRO) - Participants Compliance (together **ASX Compliance**) all play a central role in ASX's conflict handling arrangements.

These functions exist to meet the ASX group licensees' obligations under the Corporations Act to have adequate arrangements:

- in the case of a market licensee, to monitor and enforce compliance with its operating rules (including, in the case of the ASX market, the ASX listing rules);<sup>16</sup> and
- in the case of a CS facility licensee, to enforce compliance with its operating rules.<sup>17</sup>

The board of each ASX group licensee has delegated to the CCO and to the management teams in Listings Compliance and Participants Compliance the authority to make various compliance and enforcement decisions (including admission decisions) under the applicable operating rules.<sup>18</sup>

It is critically important to the proper performance by ASX Compliance of the functions delegated to it by the boards of the ASX group licensees that no ASX staff seek to improperly interfere with, or improperly influence, any decision by ASX Compliance under the operating rules.

## 9. What must ASX staff do under this Policy?

Under this Policy, all ASX staff must:

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<sup>15</sup> The current list of "Review Parties" is available [here](#).

<sup>16</sup> Section 792A(c)(ii).

<sup>17</sup> Section 821A(c)(ii).

<sup>18</sup> Listings Compliance is responsible for monitoring and enforcing compliance with the ASX listings rules and the rules dealing with the admission and quotation of warrants and AQUA products in schedules 10 and 10A of the ASX operating rules. Participants Compliance is responsible for monitoring and enforcing compliance with the remainder of the operating rules governing participation in ASX's markets and CS facilities. The CCO has delegated authority from the ASX group licensees to impose penalties for breaches of the operating rules in accordance with the ASX Enforcement and Appeals Rulebook.

- comply with this Policy and with any applicable divisional policies or procedures for handling conflicts of interest;
- not seek to improperly interfere with, or improperly influence, any decision by ASX Compliance under the operating rules; and
- report any suspected breach of this Policy to their manager, to the GM, Enterprise Compliance, or otherwise in accordance with ASX's *Whistleblower Protection Policy*.

## 10. Consequence of non-compliance

Compliance with this policy is a requirement of the employment or service contract of all ASX staff.

A failure to comply with this Policy may lead to disciplinary action, up to and including dismissal.

## 11. Document control

### 10.1 Summary of changes

Version	Date	Author	Summary of Change
1.0	23/05/2018	Regulatory Assurance	General review and minor updates
2.0	03/12/2018	Regulatory Assurance & HR	General review and minor updates
3.0	11/09/2020	Special Counsel, Regulatory Affairs	Consolidation of conflicts policies and general revision

### 10.2 Approval and review history

Version	Date	Approval and Review
1.0	23/05/2018	Management (GM Regulatory Assurance)
2.0	03/12/2018	Management (GM Regulatory Assurance & GM Human Resources) Risk Committee Audit and Risk Committee
3.0	12/11/2020	Management (GM, Enterprise Compliance & Chief Risk Officer) Risk Committee Audit and Risk Committee