



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

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

Independent Assurance Report

Opinion

We have been engaged by ASX Limited on its own behalf and on behalf of its subsidiaries ASX Operations Pty Ltd, ASX Settlement Pty Ltd and ASX Clear Pty Ltd (together collectively referred as the Client Entities) to undertake a reasonable assurance engagement in relation to ASX's compliance, in all material respects, for the year ended 30 June 2020, with:

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

In our opinion, ASX has complied, in all material respects, with the Regulatory Expectations as represented in the Compliance Framework for the year ended 30 June 2020.

Description and findings of the reasonable assurance procedures

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

Basis for Opinion

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

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

ASX's Responsibilities

ASX is responsible for:

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



Our Independence and Quality Control

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

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

Assurance Practitioner's Responsibilities

Our responsibility is to express an opinion on ASX's compliance, in all material respects, with the Regulatory Expectations as represented in the Compliance Framework for the year ended 30 June 2020. ASAE 3100 requires that we plan and perform our procedures to obtain reasonable assurance about whether ASX has complied, in all material respects, with the Regulatory Expectations as represented in the Compliance Framework, for the year ended 30 June 2020.

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

Inherent Limitations

Because of the inherent limitations of an assurance engagement, together with the inherent limitations of any internal control structure it is possible that fraud, error, or non-compliance with compliance requirements may occur and not be detected. Additionally, there is a certain level of subjectivity within the subject matter as represented in the Regulatory Expectations. A reasonable assurance engagement throughout the year ended 30 June 2020 does not provide assurance on whether compliance with the Regulatory Expectations will continue in the future.

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

This assurance report relates to the compliance of ASX with the Regulatory Expectations as represented in ASX's Compliance Framework for the year ended 30 June 2020 (compliance subject matter). The Client Entities are responsible for their website and its integrity and we do not accept responsibility for any changes that may have occurred to the compliance subject matter information or ASX's Compliance Framework since they were presented on the Client Entities' website as at the date of this report. We have not been engaged to report on the integrity of this website. The assurance report refers only to ASX's Compliance Framework applicable as at the date of this report. It does not provide an opinion on any other information which may have been hyperlinked to/from ASX's Compliance Framework or to/from the Client Entities' website.



Restricted Use

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

PricewaterhouseCoopers

PricewaterhouseCoopers
by

A handwritten signature in black ink, appearing to read 'D Chesler', with a stylized flourish underneath.

Deanna Chesler
Partner

Sydney
14 September 2020



Description and findings of the reasonable assurance procedures

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

| # | Regulatory expectation | Procedures | Detailed Findings | Management Response |
|------|---|---|--|--|
| 1(a) | ASX should make an explicit public commitment to investing promptly and efficiently in the design, operation and development of the core CS infrastructure for the Australian cash equity market, including the Clearing House Electronic Sub-register System (CHES) and any future replacement system. This commitment should be supported by governance processes that enable users to provide input on the setting of the investment strategy. Investments should ensure that, to the extent reasonably practicable, the performance, resilience, security and functionality of the core CS infrastructure meet the needs of users, recognising the diversity and differing needs of users. At a minimum, the core CS infrastructure should accommodate internationally accepted communication procedures and standards. | <p>1. Examined the Code of Practice published on ASX's website.</p> <p>2. Enquired with management about the governance process that allows Business Committee members to provide input into the strategy. Examined the minutes of ASX Clear Pty Limited and ASX Settlement Pty Limited Boards (together ASX CS Boards).</p> <p>3. Examined the Business Committee and Technical Committee minutes on a sample basis for the year ended 30 June 2020 as published on ASX's website as well as the latest Business Committee Charter dated April 2019 for evidence of opportunities for members to provide input and ask questions.</p> <p>4. Examined the Business Committee minutes to ensure that internationally accepted communication procedures and standards are being considered within the Clearing and Settlement infrastructure.</p> | <p>1. The Code of Practice includes an explicit public commitment: "ASX will invest in the ongoing operation and development of the core cash equities Clearing and Settlement infrastructure promptly and efficiently. Such investments will seek to meet the needs of users, recognising the diversity and differing needs of users". ASX has committed to replacing CHES with a "modern application that offers global standard messaging, better performance, improved security and data management, and expanded connectivity options".</p> <p>2. The governance process includes the Business Committee, the Technical Committee (who reports to the Business Committee), a number of Working Groups (Connectivity and Integration; Implementation and Transition), a number of focus groups and a number of ad hoc public consultations. Business Committee papers include summaries (including attendees) of the Technical Committee meetings, Working Group meetings and the public consultations. The ASX CS Boards receive a summary of the Business Committee meetings including recommendations made by the Business Committee members.</p> <p>3. The Business Committee Charter outlines the role of the Business Committee and the procedures for sharing agendas, supporting papers and minutes of meetings. We noted that in the minutes of the Business Committee and Technical Committee meetings sampled for testing, members were invited to provide input and ask questions.</p> | <p>Not applicable.</p> <p>Not applicable.</p> <p>Not applicable.</p> |



| # | Regulatory expectation | Procedures | Detailed Findings | Management Response |
|------|---|--|--|--|
| | | | 4. The Business Committee was updated on the ISO 20022 Financial Services Universal Financial Industry Message Scheme Technical Committee's progress in developing the new message standards, which encompassed updates on Phase 1 event ISO 20022 messages, as well as Phase 2 Corporate Action events. | Not applicable. |
| 1(b) | ASX should ensure that the membership of its user governance arrangements is representative of the user base of its CS services, and that members are able to have a strong input into the agenda and format of meetings or other user governance mechanisms and the setting of priorities. | <p>1. Examined the composition of the Business Committee on ASX's website, considered the ASX's Clearing and Settlement customer base and assessed it against the Business Committee members' composition to identify how ASX considers different users' needs.</p> <p>2. Enquired about ASX's procedure to review the Business Committee composition on a periodic basis. Obtain evidence that the Business Committee composition was reviewed in the period.</p> <p>3. Obtained and examined on a sample basis the emails sent to Business Committee members with agenda, supporting papers and minutes of Business Committee meetings.</p> <p>4. Interviewed a sample of Business Committee members and enquired about whether they had an opportunity to input into the agenda of Business Committee meetings.</p> | <p>1. The Business Committee has 30 members (excluding the ASX-appointed Chair), including 18 clearing and settlement participants, 4 other market operators (including 1 ASX member), 6 independent industry associations representing clearing and settlement participants and custodians, and 2 registry providers. Participants include large institutional brokers and smaller retail brokers.</p> <p>2. The Business Committee composition is reviewed on an annual basis to ensure it is representative of ASX's user base. The latest change was the addition of a member from ASX (Trading Services).</p> <p>3. Business Committee meeting agendas and associated papers were sent to Business Committee members, on average, 7 days before the Business Committee meeting dates which is consistent with the Business Committee Charter. Management informed us that the Business Committee members can use this notice period to provide input into the agenda. We examined a sample email that was sent to the Business Committee Chair from a member, requesting an agenda item for an upcoming meeting and noted that it was agreed to be discussed at a later date.</p> <p>The draft minutes are circulated by email to the Business Committee members for their review and comment.</p> <p>The agendas we examined included a standing item for discussion of previous meeting minutes with Business</p> | <p>Not applicable.</p> <p>Not applicable.</p> <p>Not applicable.</p> |



| # | Regulatory expectation | Procedures | Detailed Findings | Management Response |
|------|---|---|---|---|
| | | | <p>Committee members.</p> <p>Management informed us that users are able to provide input into the priorities through the Business Committee, Technical Committee, Working Groups, focus groups, and public consultations as described in point 2 under section 1a.</p> <p>We have examined 2 Business Committee papers, which included Cash Equity Clearing & Settlement Services Developments Annual Report, Corporate Action STP Phase 2 Project, and updates on the CHES replacement project, with the purpose of each paper being clearly communicated.</p> <p>4. A sample of Business Committee members were interviewed and noted they were invited to suggest additional agenda items for upcoming Business Committee meetings.</p> <p>Business Committee members noted that there were limited opportunities to provide inputs in meetings as the topics for discussion were mainly completed phases of the CHES replacement project rather than future developments. However, from our review of the Business Committee Meeting agendas throughout the period we note there is a standing agenda item "Forward Plan of Work" at every meeting for discussion of future developments.</p> | Not applicable. |
| 1(c) | ASX should demonstrate that it has had regard to the views of members in setting the terms of reference for the external audits of its governance, pricing and access arrangements carried out in accordance with the Regulatory Expectations. This may take the form of members' non-objection of the proposed terms of reference. These | <p>1. Examined the Terms of Reference and the Business Committee minutes dated July 2020.</p> <p>2. Interviewed a sample of Business Committee members and enquired about whether they had an opportunity to comment on the proposed terms of reference</p> | <p>1. The Regulatory Expectations External Audit Terms of Reference were presented to the Business Committee for their comments during the July 2020 Business Committee meeting and were included in the Business Committee papers sent to members ahead of the meeting.</p> <p>2. A sample of Business Committee members were interviewed and noted that the proposed terms of</p> | <p>Not applicable.</p> <p>Not applicable.</p> |



| # | Regulatory expectation | Procedures | Detailed Findings | Management Response |
|------|--|---|--|--|
| | terms of reference may change following any review of the Regulatory Expectations. | and service for the assurance engagement. | reference and service for the assurance engagement were presented to them during the year. The minutes of the July meeting indicated that there were no objections. | |
| 1(d) | <p>ASX should maintain accountability arrangements that provide for regular public attestations as to the effectiveness of its interactions with users. For example, the following arrangements would be appropriate:</p> <p>(i) ASX's user governance mechanisms operate on a 'comply or explain' basis; that is, the relevant Board would take actions in accordance with recommendations from the user governance mechanisms, or else explain why such actions had not been taken.</p> <p>(ii) ASX report, on at least an annual basis, the service developments and investment projects that it has progressed and how it has taken into consideration the views of users.</p> | <p>1. Examined a sample of Business Committee member recommendations from Business Committee meeting minutes and assessed if they were addressed in subsequent Business Committee meeting minutes.</p> <p>2. Interviewed a sample of Business Committee members and enquired about whether they have made any recommendations to the Business Committee and if so, if they were acted on or explained.</p> <p>3. Enquired with management on the progress of the report in relation to the service developments and investment projects and examined the 19 September 2019 Business Committee agenda and papers.</p> <p>4. Reviewed the complaints register regarding any complaints made in relation to user input to governance</p> | <p>1. There were no formal recommendations made during the period as per the Business Committee Charter. A recommendation is defined by the Charter as a recommendation to the Clearing and Settlement Boards that has a broad consensus of those members present at the relevant Business Committee meeting. There were no formal recommendations that met this definition during the period, however, this definition does not allow for the consideration of recommendations from organisations that represent more than one clearing and settlement user.</p> <p>2. A sample of Business Committee members were interviewed and noted feedback had been shared with ASX at the Business Committee meetings, and outside of the Business Committee meetings. In some cases, they believed their feedback was not acted on or explained. We note that there is not a requirement for ASX CS Boards to respond to general feedback on a "comply or explain" basis.</p> <p>3. The annual report on service developments and investment projects titled 'Cash Equity Clearing & Settlement Services Developments September 2019' was presented to the Business Committee in September 2019. This was corroborated through inspection of the</p> | <p>In determining whether there is a "broad consensus", ASX will have regard to whether the recommendation is supported by any member who is a representative organisation for clearing and settlement users, and who confirms that they are representing the views of those clearing and settlement users. This could be subject to confirmation by ASX, as appropriate, including to confirm the extent to which the recommendation is supported by a broad consensus of the organisation's members.</p> <p>Not applicable.</p> <p>Not applicable.</p> |



| # | Regulatory expectation | Procedures | Detailed Findings | Management Response |
|------|---|--|---|--|
| | | | meeting minutes. 4. There were no formal complaints recorded in the period in relation to ASX's user input to governance for clearing and settlement services. | Not applicable. |
| 1(e) | ASX should formally commit to retaining a Board structure for ASX Clear and ASX Settlement that comprises a minimum of 50 percent of non-executive directors that are also independent of ASX Limited, and where a subset of these independent directors can form a quorum. | <p>1. Examined the Code of Practice.</p> <p>2. Examined the composition and resumes of ASX Limited, ASX Clear Pty Limited and ASX Settlement Pty Limited Directors as published on ASX's website.</p> <p>3. Examined ASX's Board Charter as published on ASX's website.</p> <p>4. Examined a sample of ASX's Boards meeting minutes.</p> | <p>1. The Code of Practice includes an explicit public commitment to retain a Board structure for ASX Clear Pty Limited and ASX Settlement Pty Limited with a minimum 50% of non-executive directors that are also not Directors of ASX Limited. The Code of Practice also provides that ASX ensures non-executive directors can form a quorum to be able to consider competitively sensitive information provided by another market operator.</p> <p>2. The ASX Clear Pty Limited and ASX Settlement Pty Limited Boards comprise at least 50% Non-Executive Directors. Mr. Stephen Knight, Mr. Adrian Todd, and Ms. Carolyn Colley are Independent, Non-Executive Directors of ASX Clear Pty Limited and ASX Settlement Pty Limited, who are not on the ASX Limited Board. There are three other Directors on the ASX Clear and ASX Settlement Boards that are also on the ASX Limited Board, Mr. Ken Henry, Mr. Peter Marriott, and Mr. Dominic Stevens.</p> <p>3. The ASX Clearing and Settlement Boards Charter was updated in November 2017. The Charter states that "The ASX Clear and ASX Settlement boards have been constituted such that they comprise at least 50% of directors not also on the ASX CS Boards. These directors can form a quorum to consider competitively sensitive information acquired in the course of providing clearing and settlement services to another market operator or listing venue", which is in accordance with the Regulatory Expectations.</p> | <p>Not applicable.</p> <p>Not applicable.</p> <p>Not applicable.</p> |



| # | Regulatory expectation | Procedures | Detailed Findings | Management Response |
|------|--|---|--|---|
| | | | 4. ASX's Directors discuss at each Board meeting individual Director's interests and potential conflicts. | Not applicable. |
| 1(f) | ASX should establish governance structures and reporting lines at the management and operational levels that promote access to its CS services on commercial, transparent and non-discriminatory terms. These arrangements should ensure that the interests of users are upheld in accordance with Regulatory Expectation 3. This may be demonstrated, for example, through the key performance indicators set for relevant management. | <p>1. Enquired about ASX's governance and reporting lines for Clearing and Settlement services.</p> <p>2. Enquired with management and examined a sample of ASX's senior executives' balanced scorecards (KPIs).</p> | <p>1. Enterprise Compliance and Internal Audit are headed by General Managers, who are responsible for reporting to the Board. Enterprise Risk Management is headed by a General Manager that reports to the Chief Risk Officer, who is responsible for reporting to the Board.</p> <p>2. Employee balanced scorecards promote access to its CS services on commercial, transparent and non-discriminatory terms.</p> | <p>Not applicable.</p> <p>Not applicable.</p> |
| 2(a) | <p>ASX should ensure that all prices of individually unbundled CS services, including rebates, revenue-sharing arrangements and discounts applicable to the use of these services:</p> <p>(i) are transparent to all users of the services</p> <p>(ii) do not discriminate in favour of ASX-affiliated entities, except to the extent that the efficient cost of providing the same service to another party was higher</p> <p>(iii) are made available to stakeholders in a form such that the impact of pricing changes can be readily understood.</p> | <p>1. Examined the Clearing, Settlement and Issuer Administration Service Schedule of Fees dated July 2018 (the latest version).</p> <p>2. Selected a sample of ASX invoices issued to various users to test whether Clearing and Settlement prices charged are in accordance with prices published on ASX's website for the year ended 30 June 2020.</p> <p>3. Interviewed a sample of Business Committee members and enquired about whether the prices of individually unbundled Clearing and Settlement services, including rebates, revenue-sharing arrangements and discounts have been made available to them and are understandable.</p> <p>4. Reviewed the complaints register regarding any complaints made in relation to ASX's pricing for clearing and settlement</p> | <p>1. ASX prices are transparent as they are published on the website. The detail of the fees for ASX services is also included in the invoices sent to customers.</p> <p>2. The prices for the clearing and settlement services as included in the sample of invoices tested were consistent with the prices published on ASX's website Clearing, Settlement and Issuer Administration Service Schedule of Fees effective from 1 July 2019 to 30 June 2020 (Noted that there was no change of price during the period).</p> <p>3. A sample of Business Committee members were interviewed and noted that pricing, including rebates, revenue-sharing agreements and discounts have been made available to members and are understandable.</p> <p>4. There were no formal complaints recorded in the period in relation to ASX's pricing for clearing and settlement services.</p> | <p>Not applicable.</p> <p>Not applicable.</p> <p>Not applicable.</p> <p>Not applicable.</p> |



| # | Regulatory expectation | Procedures | Detailed Findings | Management Response |
|------|---|--|--|--|
| | | services. | | |
| 2(b) | ASX should maintain an appropriate method for determining the prices of its CS services so as to generate expected revenue that reflects the efficient costs of providing those services, including a return on investment commensurate with the commercial risks involved. | <p>1. Examined the Enterprise Wide Pricing Framework dated January 2017 to ensure that it includes documentation on the method for determining the prices of its Clearing and Settlement services.</p> <p>2. Examined the 2019 and 2020 cash market clearing and settlement management income statement audit reports to inspect whether these are unqualified.</p> <p>3. Examined the latest independent benchmarking report (2016) issued by Oxera on ASX Clearing and Settlement Services' costs.</p> | <p>1. ASX's method to determine the prices of its clearing and settlement services is documented in its Enterprise Wide Pricing Framework. There have been no changes to the EWPF during the period.</p> <p>2. ASX cash market clearing and settlement management income statement is subject to an annual external audit under Australian Auditing Standards. PwC issued unqualified audit reports for the cash market clearing and settlement management income statement for the years ended 30 June 2019 and 30 June 2020.</p> <p>The notes to these audited reports include ASX methodology for the internal cost allocation and transfer pricing policy between ASX group entities for clearing and settlement of cash equities in Australia.</p> <p>3. In 2014 ASX commissioned Oxera, an independent economics consultancy firm, to benchmark ASX clearing and settlement services' costs against the costs of using the services provided by financial market infrastructure providers in other countries. The overall conclusion was that "when taking into account the scale of trading, the costs of post-trading services in Australia are in line with the costs of similar services provided in financial centres of a comparable size." An update to this report was commissioned in 2016 and the findings were consistent with the 2014 report.</p> | <p>Not applicable.</p> <p>Not applicable.</p> <p>Not applicable.</p> |
| 2(c) | ASX should make an explicit public commitment that any changes in the prices of its CS services will not be implemented in a way that would materially shift revenue streams | <p>1. Examined the Code of Practice published on ASX's website.</p> <p>2. Examined the listing of Clearing and Settlement prices effective from July 2019 to</p> | <p>1. The Code of Practice includes an explicit public commitment that "ASX Clear and ASX Settlement will not implement price changes with the purpose of materially shifting revenue streams between other</p> | Not applicable. |



| # | Regulatory expectation | Procedures | Detailed Findings | Management Response |
|------|---|--|--|--|
| | between aspects of its trading, clearing and settlement services. | <p>June 2020.</p> <p>3. Examined the 2019 and 2020 cash market clearing and settlement management income statement audit reports to inspect whether these are unqualified.</p> | <p>trading, clearing and settlement services”.</p> <p>2. There were no changes to clearing and settlement prices during the year from 1 July 2019 to 30 June 2020.</p> <p>3. Refer to section 2.b.2) above for the results of PwC’s audit of the cash market clearing and settlement management income statement.</p> | <p>Not applicable.</p> <p>Not applicable.</p> |
| 2(d) | ASX should publish any increases in its CS fee schedules along with an attestation justifying their reasonableness. For the most material such increases, this attestation would be expected to refer to relevant metrics and other evidence, such as the calculated return on equity, benchmarked price lists, or an independent review of how ASX’s cash equity CS fees compare with those of CS facilities in other markets. | <p>1. Examined the listing of Clearing and Settlement prices effective from July 2019 to June 2020.</p> <p>2. Interviewed a sample of Business Committee members and enquired about pricing changes and whether they were supported by reasonable explanations in line with regulatory expectations.</p> <p>3. Enquired of management in relation to ASX’s future pricing methodology for the CHES replacement system.</p> | <p>1. There were no changes to clearing and settlement prices during the year from 1 July 2019 to 30 June 2020.</p> <p>2. A sample of Business Committee members were interviewed and confirmed there were no pricing changes during the year.</p> <p>Business Committee members noted difficulties in planning for their own future capital expenditure as pricing information for the CHES replacement system is not yet available.</p> <p>3. ASX does not expect to increase fees to participants for like-for-like clearing and settlement services available through the CHES replacement system. ASX noted the pricing of clearing and settlement services is subject to a process of review by Regulatory Agencies before it can be shared with Business Committee members and clearing and settlement users.</p> | <p>Not applicable.</p> <p>ASX will share its roadmap (activities and indicative timeline) of the pricing of clearing and settlement services available through the CHES replacement system with the Business Committee.</p> <p>Not applicable.</p> |
| 2(e) | ASX should maintain an appropriate model for the internal allocation of costs, including the cost of allocated capital, as well as policies to govern the transfer of prices between the relevant ASX Group entities. Compliance with | <p>1. Examined ASX’s internal cost allocation and transfer pricing policy between ASX group entities for clearing and settlement of cash equities in Australia.</p> <p>2. Examined the 2019 and 2020 cash market</p> | <p>1. ASX’s internal cost allocation and transfer pricing policy is published on ASX’s website and includes ASX’s internal cost allocation and transfer pricing policy between ASX group entities for clearing and settlement of cash equities in Australia.</p> | <p>Not applicable.</p> |



| # | Regulatory expectation | Procedures | Detailed Findings | Management Response |
|------|--|---|---|---|
| | the model and policies would be expected to be subject to internal audit review. The model and policies should be based on reasonable cost allocation principles. For example: (i) where possible, costs should be directly allocated to the service(s) which give rise to those costs (ii) shared costs should be allocated based on appropriate and transparent metrics. | clearing and settlement management income statement audit reports to inspect whether these are unqualified. | 2. Refer to section 2.b.2) above for the results of PwC's audit of the cash market clearing and settlement management income statement. | Not applicable. |
| 2(f) | ASX should negotiate commercially and in good faith with unaffiliated market operators and CS facilities regarding fees and other financial contributions charged for any extensions to its monopoly CS services, and in particular those provided under the existing Trade Acceptance Service and the Settlement Facilitation Service. | 1. Enquired with management about extensions to existing services entered into during the audited period. | 1. No new extensions of service or new services entered into during the period. | Not applicable. |
| 3(a) | ASX should have objectives for its CS services that include an explicit public overarching commitment to supporting access to its CS services on commercial, transparent and non-discriminatory terms. ASX should maintain standard user terms and conditions that are consistent with these objectives, taking into account the legitimate business interests of ASX and any parties seeking access to its CS services. | <p>1. Examined the Code of Practice as published on ASX's website.</p> <p>2. Examined ASX's Trade Acceptance Service (TAS) and Settlement Facilitation Service (SFS) terms and conditions as published on ASX's website.</p> <p>3. Examined ASX's Operating Rules as published on ASX's website as well as the internal procedure for amending Operating Rules.</p> | <p>1. The Code of Practice includes the following comment: "ASX is committed to providing access to clearing and settlement services on transparent and non-discriminatory terms, and we will respond to requests for access in a fair and timely manner".</p> <p>2. TAS and SFS agreements contain standard user terms and conditions that provide for ASX to grant non-discriminatory access to its clearing and settlement services:</p> <p>i) Of comparable quality to the services provided to ASX</p> <p>ii) In accordance with applicable laws, rules and procedures</p> | <p>Not applicable.</p> <p>Not applicable.</p> |



| # | Regulatory expectation | Procedures | Detailed Findings | Management Response |
|------|---|---|--|---|
| | | | <p>iii) Without discriminating in relation to clearing and settlement participants on the basis of where the trade was affected or reported.</p> <p>3. ASX Operating Rules incorporate the standard terms and conditions applicable to all users of ASX's clearing and settlement Services. ASX's internal procedure for amending operating Rules include a requirement to consult with ASIC prior to any change.</p> | Not applicable. |
| 3(b) | Service level agreements should commit ASX to providing access to its CS services for unaffiliated market operators and CS facilities on operational and commercial terms and service levels that are materially equivalent to those that apply to ASX as a market operator or CS facility. | <p>1. Examined ASX's TAS and SFS terms and conditions as published on ASX's website and listed in section 3a).</p> <p>2. Interviewed a sample of Business Committee members and enquired about whether the ASX had adhered to their published protocols i.e. providing access to unaffiliated market operators and CS facilities on operational and commercial terms and service levels that are materially equivalent to those that apply to ASX as a market operator or CS facility.</p> <p>3. Investigated any claims made by Business Committee members that access to clearing and settlement services was not provided on a materially equivalent basis to unaffiliated market operators.</p> | <p>1. TAS and SFS agreements contain standard user terms and conditions that provide for ASX to grant non-discriminatory access to its clearing and settlement services:</p> <p>i) Of comparable quality to the services provided to ASX</p> <p>ii) In accordance with applicable laws, rules and procedures</p> <p>iii) Without discriminating in relation to clearing and settlement participants on the basis of where the trade was affected or reported.</p> <p>2. From a sample of Business Committee members, one member noted a perception that unaffiliated market operator access to ASX clearing and settlement services is not materially equivalent to ASX access.</p> <p>3. As identified in step 2 above, a Business Committee member noted their perception that access to clearing and settlement services was not provided on a materially equivalent basis.</p> <p>We understand from management they have determined that while ASX and unaffiliated market operators access CHES in different ways, the overall</p> | <p>Not applicable.</p> <p>Not applicable.</p> <p>ASX will continue the ongoing communication with unaffiliated market operators regarding current access to clearing and settlement services.</p> |



| # | Regulatory expectation | Procedures | Detailed Findings | Management Response |
|------|---|--|--|--|
| | | | functionality is materially equivalent and ASX does not receive preferential treatment when processing trades. | |
| 3(c) | ASX should publish and adhere to protocols for dealing fairly and in a timely manner with requests for access. These protocols should include reasonable timeframes for responding to enquiries and arrangements for dealing with disputes. Nothing in the protocols should affect either party's right to refer a dispute to arbitration by the ACCC once the arbitration regime is implemented. | <ol style="list-style-type: none"> 1. Examined ASX's Operating Rules, TAS and SFS terms and conditions as published on ASX's website and listed in section 3a). 2. Examined TAS and SFS agreement as published on ASX's website to assess whether the template includes a protocol for dealing with disputes. 3. Examined AMO and ALMO access request procedures as published on ASX's website. 4. Examined ASX Cash Equities Clearing and Settlement Code of Practice - Access Protocols as published on ASX's website. 5. Interviewed a sample of Business Committee members and enquired about whether the ASX had adhered to their published protocols i.e. dealing fairly and in a timely manner in relation to requests for access to cash equity clearing and settlement services, where relevant. | <ol style="list-style-type: none"> 1. Refer to section 3a) above for review of the standard user terms and conditions that provide for ASX to grant non-discriminatory access to its clearing and settlement services. 2. Clause 43 of the Trade Acceptance Service Legal Terms and Clause 13 of the Settlement Facilitation Service Agreement sets out dispute resolution processes. 3. Individual access request procedure documents for AMOs and ALMOs set out target timeframes for ASX to respond to access requests from AMOs and ALMOs. 4. ASX Cash Equities Clearing and Settlement Code of Practice - Access Protocols include target timeframes for dealing with access requests as well as dispute resolution arrangements. 5. A sample of Business Committee members were interviewed and noted there were no new requests in relation to access to cash equity clearing and settlement services during the period. | <p>Not applicable.</p> <p>Not applicable.</p> <p>Not applicable.</p> <p>Not applicable.</p> <p>Not applicable.</p> |
| 3(d) | ASX should make an explicit commitment to ensuring that any investments in the systems and technology that support its cash equity CS services do not raise barriers to access from unaffiliated market operators or CS facilities. Announcements of any material investments in the systems and technology that support ASX's cash equity CS services should be | <ol style="list-style-type: none"> 1. Examined the Code of Practice as published on ASX's website. <p>Enquired with management about material investments in the systems and technology that support ASX's cash equity Clearing and Settlement services.</p> <ol style="list-style-type: none"> 2. Examined the consultation process on the rule amendments involving three tranches of | <ol style="list-style-type: none"> 1. The Code of Practice includes a commitment by ASX to "ensure "its investments in the systems and technology that support its cash equities clearing and settlement infrastructure are not designed in such a way as to raise barriers to access to other market operators or clearing facilities". 2. ASX has been engaging with regulators in relation to the rules and other relevant regulatory aspects that need to be addressed to support any new or changed | <p>Not applicable.</p> <p>Not applicable.</p> |



| # | Regulatory expectation | Procedures | Detailed Findings | Management Response |
|---|--|--|---|------------------------|
| | <p>accompanied by a public attestation that those investments will be designed in a way that does not raise such barriers.</p> | <p>amendment during the financial period. This is in addition to the consultation paper titled 'ASX CHESS Replacement: New Scope and Implementation Plan' published in April 2018.</p> <p>3. Enquired with management on the future access to clearing and settlement services for unaffiliated market operators in the CHESS replacement system, to understand if investments in the systems and technology that support its cash equity CS services raise barriers to access by unaffiliated market operators.</p> | <p>services and functionality for the new system, including their consultation process on the rule amendments involving three tranches of amendments:</p> <p>The first of three tranches of operating rule amendments relate to accounts, participants, securities and pre-settlement aspects for Day 1 CHESS replacement system functionality.</p> <p>The second of three tranches relate to corporate actions, mFund and RTGS payment aspects for 'Day 1' implementation of CHESS replacement system functionality. RTGS will support payments for corporate actions involving entitlement acceptances as well as payments for bilateral demand settlement instructions.</p> <p>Consultation on the tranche 3 draft rule amendments is proposed for early November 2020.</p> <p>3. Management noted that all approved market operators will be required to connect to the new Clearing and Settlement Platform using the same FIX Gateway as ASX.</p> | <p>Not applicable.</p> |



| # | Regulatory expectation | Procedures | Detailed Findings | Management Response |
|------|---|--|---|--|
| 3(e) | ASX should retain, and periodically review, its standards for the handling of sensitive or confidential information. Consistent with governance arrangements that promote access on commercial, transparent and non-discriminatory terms (see Regulatory Expectation 1(e)), these arrangements should ensure that conflict sensitive information pertaining to the strategic plans of unaffiliated market operators or CS facilities is handled sensitively and confidentially, and cannot be used to advance the interests of ASX as a market operator or CS facility. | <ol style="list-style-type: none"> 1. Reviewed the Conflict Handling Arrangements policy dated December 2018 published on ASX's website. 2. Reviewed the Information Handling Standard published on ASX's website. 3. Reviewed the complaints register regarding handling of information and determined if there were any complaints made in relation to confidentiality and sensitive information, or transparent and non-discriminatory access to ASX's clearing and settlement services. | <ol style="list-style-type: none"> 1. The Conflicts Handling Arrangements policy includes a specific paragraph on cash equity clearing and settlement services, which references Information Handling Standards in place to manage commercially sensitive information provided to ASX by other licensed listing and trading venues. 2. ASX's Information Handling Standard provides for: <ol style="list-style-type: none"> i) Protection of AMO's confidential and sensitive information ii) Access to sensitive information is restricted to appropriate ASX employees. 3. There were no formal complaints recorded during the period in relation to confidentiality and sensitive information, or transparent and non-discriminatory access to ASX's clearing and settlement services. | <p>Not applicable.</p> <p>Not applicable.</p> <p>Not applicable.</p> |



ASX's Compliance Framework and supporting documents

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

| Compliance framework supporting document | Date | Hyperlink |
|---|---|---|
| Regulatory Expectations | September 2017 | https://www.cfr.gov.au/publications/policy-statements-and-other-reports/2016/regulatory-expectations-policy-statement/pdf/policy-statement.pdf |
| Code of Practice | May 2017 | http://www.asx.com.au/cs/documents/asx-code-of-practice.pdf |
| Business Committee Meetings - agendas, papers, minutes and Business Committee reports to the ASX Boards | Various version dates as applicable as at the date of this report | http://www.asx.com.au/cs/business-committee-meetings.htm |
| ISO 20022 Technical Committee Meetings | Various version dates as applicable as at the date of this report | https://www.asx.com.au/services/iso20022-technical-committee.htm |
| Clearing and Settlement Boards Charter | November 2017 | http://www.asx.com.au/documents/asx-compliance/CS-Board-Charter.pdf |
| Business Committee Charter | April 2019 | https://www.asx.com.au/cs/documents/charter-of-the-business-committee.pdf |
| Business Committee Role and Membership details | As applicable as at the date of this report | http://www.asx.com.au/cs/business-committee.htm |



| Compliance framework supporting document | Date | Hyperlink |
|---|---|---|
| ASX Boards' members details | As applicable as at the date of this report | http://www.asx.com.au/about/asx-clearing-settlement-boards.htm |
| CHESS Replacement: Summary of Stakeholder Engagement | June 2020 | Not on ASX's website |
| CHESS Replacement Updates | Various dates | https://www.asx.com.au/services/chess-replacement.htm#ISO20022TechnicalCommittee |
| 2014 Oxera report: 'Global cost benchmarking of cash equity clearing and settlement services' | June 2014 | http://www.asx.com.au/cs/documents/Global_cost_benchmarking_of_cash_equity_clearing_settlement_services_Final_20Jun14.pdf |
| 2016 Oxera report: 'Global cost benchmarking: review of price lists' | April 2016 | Not on ASX's website |
| Audited 'Cash Market Clearing and Settlement management income statement' - 2020 | June 2020 | Not on ASX's website |
| ASX internal cost allocation and transfer pricing policy between ASX group entities for clearing and settlement of cash equities in Australia | As applicable as at the date of this report | http://www.asx.com.au/cs/documents/cost_allocation_policy.pdf |
| Audited 'Cash Market Clearing and Settlement management income statement' - 2019 | June 2019 | https://www.asx.com.au/cs/financial-statements.htm |
| Enterprise Wide Pricing Framework | January 2017 | Not on ASX's website |



| Compliance framework supporting document | Date | Hyperlink |
|---|---------------|---|
| Clearing, Settlement and Issuer Administration Services Schedule of Fees | July 2018 | https://asxonline.com/content/dam/asxonline/public/documents/schedule-of-fees/clearing-settlement-and-issuer-administration-services-schedule-of-fees.pdf |
| CHESS Replacement Tranche 1 Rule Amendments Consultation Paper | November 2019 | https://www.asx.com.au/documents/public-consultations/chess-replacement-tranche1-rule-amendment.PDF |
| CHESS Replacement Tranche 2 Rule Amendments Consultation Paper | February 2020 | https://www.asx.com.au/images/resources/Tranche2ConsultationPaperandAttachments.PDF |
| ASX Trade Acceptance Service (TAS) – Legal Terms | August 2018 | https://www.asx.com.au/cs/documents/final-trade-acceptance-service-legal-terms-20180820.pdf |
| Settlement Facilitation Service (SFS) Agreement | March 2014 | http://www.asx.com.au/documents/settlement/Settlement_Facilitation_Service_Agreement_Template.pdf |
| ASX Cash Equities Clearing and Settlement Code of Practice - Access Protocols | July 2017 | http://www.asx.com.au/cs/documents/COP-Access-Protocols-1-7-17.pdf |
| Procedures for Access Requests by Approved Market Operators (AMOs) | July 2017 | http://www.asx.com.au/cs/documents/AMO-Procedures-for-Access-Requests.pdf |
| Procedures for Access Requests by Approved Listing Market Operators (ALMOs) | July 2017 | http://www.asx.com.au/cs/documents/almo-procedures-for-access-requests.pdf |
| ASX's Conflict Handling Arrangements | December 2018 | https://www.asx.com.au/documents/about/asx_conflict_handling_arrangements.pdf |
| Information Handling Standard | May 2018 | Not on ASX's website |



| Compliance framework supporting document | Date | Hyperlink |
|---|---------------|---|
| Regulatory Expectations External Audit Terms of Reference | July 2020 | Not on ASX's website |
| Enterprise Compliance Uplift Plan | July 2020 | Not on ASX's website |
| CHESS Replacement AMO Overview | Various dates | https://asxchessreplacement.atlassian.net/wiki/spaces/CSP/pages/106660878/AMO+Overview |
| ASX Operating Rules | Various dates | https://www.asx.com.au/regulation/rules/asx-operating-rules.htm |