

Independent assurance report on ASX Settlement Pty Limited and ASX Clear Pty Limited (ASX)’s compliance with the Regulatory Expectations for Conduct in Operating Cash Equity Clearing and Settlement Services in Australia (the “Regulatory Expectations”) as represented in ASX’s Compliance Framework

27 September 2024

Dear Directors

Opinion

We have been engaged by ASX Limited on its own behalf and on behalf of its subsidiaries ASX Settlement Pty Limited and ASX Clear Pty Limited (collectively referred to as the Client Entities, or ASX) to undertake a reasonable assurance engagement in relation to ASX’s compliance, in all material respects, for the year ended 30 June 2024, with:

- The Regulatory Expectations for Conduct in Operating 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 listed in Appendix B (together the Compliance Framework).

In our opinion, ASX has complied, in all material respects, with the Regulatory Expectations as evaluated against the Compliance Framework for the year ended 30 June 2024.

Basis for opinion

We conducted our engagement 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 conclusion.

Other matter – scope of our engagement

In respect of our reasonable assurance engagement, the Regulatory Expectations provides that an “[audit] generally would not be required to form a judgement on the more subjective matters contained in the Regulatory Expectations, such as the promptness and efficiency of investments or the efficiency of prices. Rather, such an audit should develop an evidence base of relevant actions taken by ASX, and in particular provide assurance that it has policies and procedures in place aligned with the Regulatory Expectations and that it has conducted its operations in accordance with these policies and procedures.” Accordingly, we have not provided assurance on ASX’s compliance with the more subjective matters contained in the Regulatory Expectations.

Examples of these subjective matters and other regulatory expectations that are outside the scope of our opinion include, but are not limited to:

- The promptness and efficiency of ASX’s investments or prices.
- The design and operating effectiveness of ASX’s technology, governance and delivery processes associated with the CHES replacement project. The CHES replacement project has been subject to focus by the regulators, and there are ongoing investigations being performed by the regulator over possible breaches in ASX’s legal obligations. Our engagement has only considered governance processes that enable user input on the setting of investment strategy and not these broader technology, governance and delivery processes.
- Whether ASX has complied with its obligations other than the Regulatory Expectations, as published by the Council of Financial Regulators in 2017, for Conduct in Operating Cash Equity Clearing and Settlement Services in Australia.

Our opinion is not qualified in respect of these matters.

Description and Results of the reasonable assurance procedures

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

Responsibilities of the Directors and management of ASX

The ASX Board has delegated matters to management, subject to financial and other limits. Our assurance engagement has been conducted on the basis that the Directors of ASX acknowledge and understand that they have ultimate responsibility. The Directors and management of ASX are responsible for:

- a) Identification of the Regulatory Expectations and the risks that threaten the Regulatory Expectations identified above being met.
- b) The compliance activity undertaken to met the Regulatory Expectations.
- c) Identification and implementation of controls which will mitigate those risks that prevent the Regulatory Expectations being met and monitoring ongoing compliance.

Our independence and quality management

We have complied with the ethical requirements, of the Accounting Professional and Ethical Standard Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* relevant to assurance engagements, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Australian Standard on Quality Management ASQM 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements*, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our responsibility

Our responsibility is to express an opinion on ASX's compliance with the Regulatory Expectations, in all material respects, as evaluated against the Compliance Framework for the year ended 30 June 2024. 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 evaluated against the Compliance Framework for the year ended 30 June 2024.

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 the risks of material non-compliance with the Regulatory Expectations, as evaluated against the Compliance Framework.

Inherent limitations

Because of the inherent limitations of an assurance engagement, together with the 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, which we have addressed under "Other matter – scope of our engagement" in this opinion.

A reasonable assurance engagement throughout the year ended 30 June 2024 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 2024 (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.

Use of report

Anyone accessing this report is taken to have acknowledged and agreed to the following:

This report has been prepared for use by the Directors, officers and employees of the Client Entities for the purpose of assisting ASX in addressing the Regulatory Expectations.

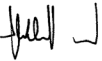
This report was prepared on the instructions of our client, ASX, in connection with certain of ASX's compliance activities. We have no knowledge or understanding of the circumstances or position of any other party. Our work was not planned or conducted having regard to the information any party may require regarding ASX's compliance activities, or the ways in which they may seek to make use of our report or the accompanying description of procedures and Results and we therefore make no representation concerning the appropriateness of this report or the accompanying description of procedures and Results for them. Except to the extent set out above, we performed our work and this report is prepared in accordance with the purpose and terms of our engagement by ASX and we accept no responsibility or liability to anyone else in connection with it. Anyone else who chooses to use or rely on our reports for their own individual purposes does so at their own risk.

This disclaimer applies:

- to the maximum extent permitted by the law and, without limitation, to liability arising in negligence or under statute
- even if we consent to anyone other than ASX receiving or using this report to the accompanying description of procedures and results.

A handwritten signature in black ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in black ink that appears to read 'Sam Hinchliffe'.

Sam Hinchliffe
Partner

Sydney
27 September 2024

Appendix A: Description and results of the reasonable assurance procedures

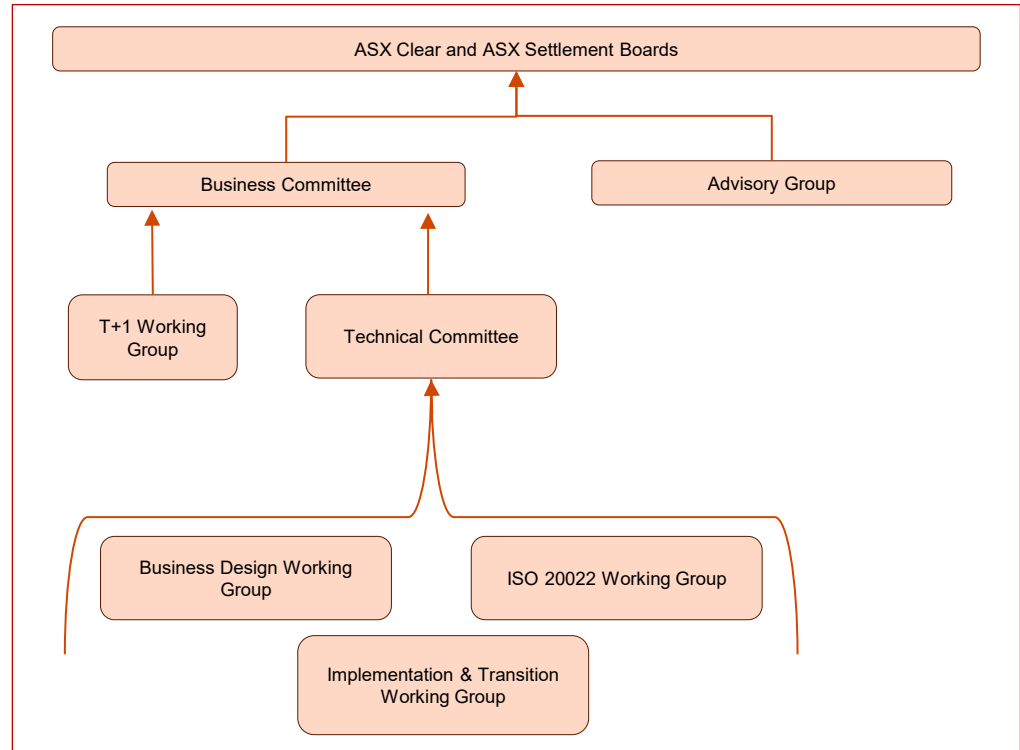
Background

The following Appendix provides further information to the users of our report regarding the nature of the procedures we performed and the results of our testing. This information is not and is not intended to form part of our overall assurance opinion and accordingly no assurance is expressed over the statements made.

The key governance forums and stakeholder input groups that form part of ASX's framework for compliance with the Regulatory Expectations, and that are referenced throughout our report are summarized to the right.

We have examined the operations of these bodies as part of our testing procedures to the extent that they form part of ASX's compliance framework and arrangements to ensure they have complied with the Regulatory Expectations.

- The Advisory Group provides input to the ASX Clear and ASX Settlement boards and is comprised of a diverse group of senior industry practitioners.
- The Business Committee provides input to the ASX Clear and ASX Settlement boards and is comprised of representatives of clearing participants, settlement participants, approved market operators, other relevant stakeholders and their associated industry organisations.
- The T+1 Working Group carries out focused analysis on settlement cycle compression in order to provide insights to the Business Committee and is comprised of volunteers from the Business Committee.
- The Technical Committee is a sub-committee of the Business Committee, and provides input to the Business Committee on a range of matters in relation to the CHES replacement project.
- There are three Working Groups that carry out focused analysis on aspects of the CHES replacement project and report to the Technical Committee on these matters.



Appendix A: Description and results of the reasonable assurance procedures

1. User input into governance

Regulatory Expectation:

- 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.
- 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.

Procedures	Results
<p>1 Examined the Code of Practice (2024) for evidence of ASX's public commitment to investing promptly and efficiently in the design, operating and development of core CS infrastructure.</p>	<p>The Code of Practice provides for the following:</p> <ul style="list-style-type: none"> • "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 recognises the importance of engagement on the design and functionality of the infrastructure to ensure it continues to meet the needs of its users and the market and is consistent with the relevant international best practice". • "ASX will consult the Advisory Group on key strategic issues in the provision of cash equity clearing and settlement services and associated infrastructure." • "ASX will consult the Business Committee on its investment decisions in relation to the design, operation and development of new cash equities clearing and settlement infrastructure and services, including the development of a transition and implementation plan for new infrastructure".
<p>2 Examined the Business Committee Charter (2024) to assess whether the Business Committee is designed to enable users to provide input on the setting of the investment strategy.</p>	<p>The Business Committee Charter sets out the role, membership, responsibilities and administrative matters for the effective functioning of the Business Committee. The Charter states the role of the Business Committee is to provide:</p> <ul style="list-style-type: none"> • "input for consideration by ASX Management and the Boards of ASX Clear and ASX Settlement on setting the ASX investment strategy for cash equities clearing and settlement infrastructure and services development, and the system design, operational arrangements and implementation plan for new cash equities clearing and settlement infrastructure and services provided by ASX" and • "a mechanism for ASX Management and the Boards of ASX Clear and ASX Settlement to consult clearing participants, settlement participants and other market operators regarding their strategic plans and investment decisions in relation to the design, operation and development of the core clearing and settlement infrastructure and services for the Australian cash equities market."

Procedures	Results
<p>3 Examined the Business Committee agendas and minutes for the year ended 30 June 2024 as published on ASX's website to assess:</p> <ul style="list-style-type: none"> • Opportunities for the Business Committee members to provide input to agendas and ask questions • Whether the Business Committee was consulted on ASX's investment decisions in relation to the new CHES Replacement, including the development of a transition and implementation plan for new infrastructure, in accordance with the Code of Practice. 	<p>We noted that Business Committee meeting agendas and minutes had been shared to Business Committee members ahead of the meetings to provide opportunity for input, and the Business Committee meeting minutes indicated that members were provided the opportunity to raise comments.</p> <p>Our testing also found that the Business Committee papers and agendas were circulated in a timely manner in advance of each meeting, in accordance with the Business Committee Charter.</p> <p>In addition, we noted that the Business Committee was consulted during the year on key investment decisions and strategic issues, including: Selection of the vendor for the New CHES replacement project, T+1 settlement, CHES e-statements, the Australian Carbon Exchange Initiative, and the CHES Replacement Partnership Program. Whilst detailed discussion of all of these issues did not take place during the Business Committee meetings, these matters were discussed in more detail at various Working Groups which report to the Technical Committee. The Technical Committee will then report on relevant matters to the Business Committee and seek the Business Committee's formal consideration of any recommendations.</p> <p>Separately to these Working Groups, the T+1 Working Group was established in the year to carry out focused analysis and to provide insights to the ASX Business Committee on settlement cycle compression. This Working Group reports directly to the Business Committee on its deliberations.</p> <p>ASX commenced consultation with industry in December 2023 on the transition and implementation plan for new CHES Replacement, in accordance with their commitment in the Code of Practice.</p>
<p>4 Examined the Technical Committee agendas and minutes on a sample basis for the year ended 30 June 2024 as published on ASX's website for evidence of opportunities for members to provide input and ask questions.</p>	<p>We have inspected a sample of Technical Committee meeting minutes which indicated that matters relating to CHES replacement were discussed, and members were able to ask questions and provide input. The agendas and associated presentation materials were shared prior to each meeting. Follow up actions from meetings are circulated and draft meeting minutes are formally signed off by members and the Technical Committee Chair at the subsequent meeting, allowing for additional member input if required.</p> <p>There are also a range of other Working Groups set up to support various aspects of CHES Replacement, which serve as key forums for ASX to engage with Stakeholders, and report up to the Technical Committee.</p>
<p>5 Examined the composition of the Business Committee and assessed ASX's processes to ensure the Business Committee is representative of ASX's CS services user base.</p>	<p>The Business Committee is made up of clearing and settlement participants, independent industry associations representing clearing and settlement participants and custodians, market operators, and registry providers, which is representative of its broad user base.</p> <p>In September 2023 ASX conducted a Business Committee membership survey including the existing Business Committee members as well as all clearing and settlement members that were not currently represented on the committee. On the basis of the survey results, all existing members of the committee retained their roles, and all other clearing and settlement participants were invited to join the committee on a voluntary basis.</p> <p>During the year, ASX also progressed the development of a new Business Committee membership policy, which was discussed with the Business Committee in the 26 June 2024 Business Committee meeting and is planned to be shared with the Business Committee in the 18 September 2024 meeting.</p>

Procedures	Results
<p>6 Performed enquiries with the Independent Chair of the Business Committee regarding the processes for:</p> <ul style="list-style-type: none"> Receiving input from members about agenda items; and Providing opportunities for input from members during the Business Committee meetings. 	<p>The Business Committee Chair noted that prior to each meeting, Business Committee members are invited via email to provide input to the agendas, [which we also observed in our inspection of the emails sent to Business Committee members.]</p> <p>The Chair noted there had been a number of items submitted by members for input into the agenda throughout the year and there was plenty of time set aside in each meeting for comments and queries from members. This was also evidenced through our inspection of the meeting agendas and minutes.</p>
<p>7 Performed enquiries with ASX regarding the processes and controls in place to compile the papers and agendas for the Business Committee meetings.</p>	<p>We noted that management draft the agenda for the Business Committee meetings following a documented process, which includes seeking input from various ASX executives and management team members, the Business Committee Chair and Business Committee members.</p> <p>We inspected the process document as well as evidence to support that the process had been followed for a sample of Business Committee meetings. This included: internal ASX emails seeking input from executives; and emails to the Business Committee as noted in procedure 1.6 above.</p>
<p>8 Performed enquiries with the Chair of the Cash Equities Clearing and Settlement Advisory Group (Advisory Group) regarding:</p> <ul style="list-style-type: none"> The confidentiality arrangements in place, in accordance with the Code of Practice and the Advisory Group Charter; The consideration of topics to be discussed by the Advisory Group; and Any recommendations or advice provided by the Advisory Group to the ASX Clear and ASX Settlement boards during the year ended 30 June 2024. 	<p>The Advisory Group Chair noted:</p> <ul style="list-style-type: none"> There are confidentiality arrangements in place regarding matters discussed by the Advisory Group, in accordance with the Code of Practice. These arrangements include: preparation of the public communiques, which only contain non-confidential information; confidentiality obligations agreed by the members and formalised through the Advisory Group Charter, and the ability for members to be removed from the Advisory Group if they are deemed to have breached their obligations relating to confidentiality; The topics brought for discussion by the Advisory Group were aligned with ASX's commitment in the Code of Practice to "consult the Advisory Group on key strategic issues in the provision of cash equity clearing and settlement services and associated infrastructure"; and The Advisory Group gave advice and made a recommendation to the ASX Clear and Settlement boards during the year ended 30 June 2024. The nature of these matters is outlined in the publicly available Communiques.
<p>9 Inspected the Advisory Group Charter to assess whether the Advisory Group's role has been appropriately defined in the Charter to support user input to governance and whether the Charter provides for appropriate confidentiality arrangements, in accordance with the Code of Practice.</p>	<p>The Charter defines the role of the Advisory Group as "a strategic stakeholder advisory group to provide input into ASX's cash equities clearing and settlement governance framework" and provides for appropriate confidentiality arrangements in accordance with ASX's commitment in the Code of Practice.</p>

Procedures	Results
<p>10 Inspected the publicly available Communiqués of the Advisory Group to assess whether ASX had consulted the Group on key strategic issues in accordance with the Code of Practice.</p>	<p>We noted that the Advisory Group was consulted during the year ended 30 June 2024 on key strategic issues relating to the CHESSE replacement project, including:</p> <ul style="list-style-type: none"> • The evaluation of four solution archetypes for CHESSE replacement; • ASX management's preferred solution option, partner and solution integrator; • The proposed implementation approach and an indicative project delivery timeline; • EY's review of ASX's evaluation processes for the selection of delivery partners; • ASX's approach to public consultations with industry on the CHESSE replacement project; • The development of the assurance program for the delivery phase of the CHESSE replacement project; • The operating model for the CHESSE replacement project; • T+1 Settlement; and • The CHESSE Replacement Partnership Program. <p>In addition to these matters, at the 29 May 2024 Advisory Group meeting, members were consulted on the development of a new policy governing the pricing for cash equities clearing and settlement services.</p>
<p>11 Examined ASX's technical documentation relating to existing CHESSE messages to assess whether the current core CS infrastructure currently accommodates internationally accepted communication procedures and standards.</p> <p>Examined papers tabled at the Technical Committee and Business Committee, as well as ASX's public consultation papers, to assess whether the proposed design for the CHESSE replacement project also contemplates equivalent procedures and standards for communication.</p>	<p>The current CHESSE interface was designed in contemplation of the requirements of generally accepted communication standards in the Finance industry, including: SWIFT, ISO 7775 and AS2805/ ISO 8583, and the current message format is aligned with the structure used in AS2805 and ISO 8583 standards.</p> <p>We noted through inspection of papers tabled at the Technical Committee in November 2023 and June 2024 that:</p> <ul style="list-style-type: none"> • ASX plans to adopt the use of an ISO 20022 XML. Adopting this widely used industry format aligns to the CHESSE Replacement project's objectives, including enabling opportunities for industry efficiencies and growth and avoiding the addition of any unnecessary project complexity. • An ISO Design Working Group was established to address the complexities associated with the migration from CHESSE EIS messaging to ISO 20022 messaging. This Working Group, which reports to the Technical Committee, has been incorporated into the Release 2 timeline ensuring ISO specifications form part of each drop. <p>We noted through inspection of the ASX public consultation papers dated 14 March 2024 and 2 August 2024, that the proposed design for CHESSE replacement includes the introduction of FIX 5.0 and ISO 20022 messaging, which is in line with internationally accepted communication procedures and standards. This is also aligned with the definition of "International Open Communication Procedures and Standards" proposed by ASIC in the Draft ASIC CS Services Rules 2024.</p>

Regulatory Expectation:

- 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 terms of reference may change following any review of the Regulatory Expectations.

Procedures	Results
1 Examined the March 2024 Business Committee meeting minutes for evidence that the draft engagement letter for the Regulatory Expectations Audit was tabled for comment.	We noted that the draft engagement letter for the FY24 annual independent review over ASX's governance, pricing and access arrangements as benchmarked against the Regulatory Expectations was shared with the Business Committee members in the March 2024 Business Committee meeting. The minutes indicated that there were no comments from members.

Regulatory Expectation:

- d) 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:
 - 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.
 - 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.

Procedures	Results
1 For any recommendations put forth by the Business Committee during the year, assessed whether the Boards of ASX Clear and ASX Settlement responded on a "comply or explain" basis through inspection of Business Committee meeting minutes.	<p>The Business Committee Charter states that "recommendations of the Business Committee to ASX Management and the Boards of ASX Clear and ASX Settlement shall be made on the basis of a broad consensus of those members present at the relevant meeting of the Business Committee".</p> <p>The Business Committee made one formal recommendation to the ASX Clear and ASX Settlement Boards during the period in relation to the inclusion of 15 CHES Replacement Scope Objectives into the detailed design evaluation and consultation of the CHES Replacement project. The Chair of the ASX Clear and ASX Settlement Boards formally responded to the Business Committee via a letter tabled at the 6 December 2023 Business Committee meeting that the recommendation was accepted.</p>

Procedures	Results
<p>2 For any recommendations put forth by the Advisory Group during the year, assessed whether the Boards of ASX Clear and ASX Settlement responded on a "comply or explain" basis through inspection of Advisory Group Communiqués.</p>	<p>The Advisory Group Charter states that the Advisory Group will "Where appropriate make recommendations to the Boards of ASX Clear and ASX Settlement on such strategic matters related to cash equities clearing and settlement services and associated infrastructure. Recommendations must represent the broad consensus of the Advisory Group members, as determined by the Chair of the Advisory Group".</p> <p>The Advisory Group made one formal recommendation during the year ended 30 June 2024, that ASX Clear and ASX Settlement Boards should "consider in their decision making and make clear statements to their stakeholders on the following:</p> <ul style="list-style-type: none"> • the industry impact of the selected solution; • the benefits to the market of the selected vendor and associated product, and how ASX has assessed its ability to deliver in a reasonable timeframe a post trade system that can manage the volume and complexity for the Australian market; • their commitment to building a system that is interoperable and can support competition in clearing and settlement in Australia, including a commitment to consult industry on the arrangements for interoperability and standard interfaces." <p>We noted that the ASX Clear and ASX Settlement boards took on the recommendations as follows:</p> <ul style="list-style-type: none"> • Reporting to the Business Committee during the year ended 30 June 2024 included information regarding the industry impact of the selected solution and the benefits to the market of the selected vendor and associated product. • ASX's announcement to the market on 20 November 2023 regarding the selection of TCS as the preferred vendor for the CHES replacement project included their commitment to building a system that is interoperable and a commitment to consult industry on the arrangements for interoperability and standard interfaces. • ASX consulted publicly on 14 March 2024 seeking feedback from industry stakeholders on a number of matters, including the proposed arrangements for standard interfaces. • ASX consulted publicly on 2 August 2024 seeking feedback from industry stakeholders on a number of matters, including the proposed approach to interoperability for CHES replacement. • Both consultation papers outlined ASX's approach to managing delivery risk and ensuring the CHES replacement project can deliver on its objectives in a reasonable timeframe.
<p>3 Inspected ASX's Annual Report on Cash Equity Clearing and Settlement Services Developments, dated October 2023.</p>	<p>The Cash Equity Clearing and Settlement Service Developments Annual Report provided an overview of the ongoing CHES replacement project, as well as other investments to the core cash equity CS services including the introduction of the electronic delivery option for CHES Holding Statements, Trade Acceptance Service enhancements, and future planned enhancements.</p> <p>ASX's update on the CHES replacement project focused on the activities undertaken since the November 2022 project pause and the plan to announce the new high level solution and approach in the quarter ending December 2023.</p> <p>ASX's report on stakeholder engagement outlined the range of stakeholder forums ASX convened to cater for different purposes and stakeholder groups. These forums included the Technical Committee, and three workshops, facilitated by ASX and moderated by industry bodies AFMA and ACSA on: Sub-Register and Issuer Sponsored enhancements and process improvements; Settlement improvements and enhancements; and Corporate Action processing efficiencies. ASX also outlined how they had taken into account the output from the workshops and the Technical Committee to continue to inform and support their internal redesign activities.</p> <p>In addition, ASX reported on their approach to capturing industry feedback through a regular survey to the Technical Committee members as well as bi-lateral meetings with members for detailed engagement on relevant issues, and regular updates within the Business Committee. ASX reported strong engagement and attendance within these forums.</p>

Regulatory Expectation:

- e) ASX should formally commit to retaining a Board structure for ASX Clear and ASX Settlement that comprises a minimum of 50 per cent of non-executive directors that are also independent of ASX Limited, and where a subset of these independent directors can form a quorum.

Procedures	Results
1 Examined the Code of Practice for ASX's commitment to retain a Board structure for ASX Clear and ASX Settlement that comprises a minimum of 50 per cent of non-executive directors that are also independent of ASX Limited, and where a subset of these independent directors can form a quorum.	The Code of Practice provides for the following: <ul style="list-style-type: none"> "ASX Clear and ASX Settlement Boards will be comprised of at least 50 per cent non-executive directors that are also not directors of ASX Limited". "ASX will ensure that a quorum for the Boards of ASX Clear and ASX Settlement can be constituted by directors that are not also directors of ASX Limited to consider competitively sensitive information by another market operator".
2 Examined the composition of ASX Limited, ASX Clear Pty Limited and ASX Settlement Pty Limited Directors as published on ASX's website to assess whether the Boards are comprised of at least 50 per cent of non-executive directors that are not also directors of ASX Limited.	The ASX Clear Pty Limited and ASX Settlement Pty Limited Boards comprise at least 50% non-executive directors. As at the date of our report, the four independent non-executive directors that are not directors of ASX Limited are Stephen Knight (Chairman), Adrian Todd, Carolyn Colley and John Buckley. The other three directors that are directors of ASX Limited are Dr Heather Smith PSM FAIIA (Independent Director), Luke Randell (Independent Director), and Helen Lofthouse (Managing Director and Chief Executive Officer).
3 Examined ASX's Clearing and Settlement Boards Charter for ASX's commitment to retaining a Board structure for ASX Clear and ASX Settlement that comprises a minimum of 50 per cent of non-executive directors that are also independent of ASX Limited, and where a subset of these independent directors can form a quorum.	Section 37 and 38 of the ASX Clearing and Settlement Boards Charter states "The Boards of each of the CS facility licensees shall comprise at least 50% non-executive directors who are not also directors of ASX (non-ASX directors). The ASX Board has determined that a non-ASX director on the CS Boards will not be considered for appointment as an ASX director, ASX Clear, ASX Settlement, ASX Clear (Futures) and Austraclear, which shall ensure that a quorum can be constituted by non-ASX directors".

Regulatory Expectation:

- 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.

Procedures	Results
1 Inspected the accountability statement for the Group Executive of Securities and Payments, and a sample of ASX management's key performance indicators (KPIs) to assess whether they include appropriate measures to ensure that the interests of users are upheld in accordance with Regulatory Expectation 3.	We have inspected the accountability statement for the Group Executive of Securities and Payments, as well as the KPIs for a sample of ASX management within the clearing and settlement reporting line, and noted that they include appropriate measures to ensure that the interests of users are upheld in accordance with Regulatory Expectation 3.

2. Transparent, non-discriminatory, and fair and reasonable pricing of CS services

Regulatory Expectation:

- a) 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:
 - i) are transparent to all users of the services
 - 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
 - iii) are made available to stakeholders in a form such that the impact of pricing changes can be readily understood.

Procedures	Results
1 Examined the Clearing and Settlement Schedule of Fees as published on the ASX website to assess whether fees have been published transparently and are made available to stakeholders.	ASX prices for CS services are published within the Clearing and Settlement Schedule of Fees on ASX's website. The fee schedule provides a product level breakdown of fees, as well as a description for any revenue-sharing arrangements and discounts. These fees apply to all customers, including ASX-affiliated entities.
2 On a sample basis, assessed whether ASX invoices issued to CS service users were charged in accordance with the Clearing and Settlement Schedule of Fees.	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 within the Clearing and Settlement Schedule of Fees, effective from 1 July 2023 to 30 June 2024.

Regulatory Expectation:

- 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.

Procedures	Results
1 Examined the Code of Practice, and the Enterprise Wide Pricing Framework for ASX's method for determining the prices of its CS services.	The Code of Practice provides that "ASX will maintain an appropriate method for determining the prices of its cash equities clearing and settlement 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". ASX's method to determine the prices of its clearing and settlement services is documented in its Enterprise Wide Pricing Framework, which has been effective since January 2017. ASX's return on capital as well as costs of providing CS services are detailed within the ASX Clear Pty Limited and ASX Settlement Pty Limited management income statements, as published on the ASX website.

Procedures	Results
<p>2 Performed inquiries with management to assess the appropriateness of the method for determining the prices of its cash equities clearing and settlement 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>	<p>In 2014, ASX commissioned Oxera, an independent economics consultancy firm, to benchmark the cost of using ASX's clearing and settlement services against the cost of using the services provided by financial market infrastructure providers in other countries. Management have historically relied on this benchmarking study, and the subsequent update in 2016, to determine that the price of its cash equities clearing and settlement services reflect the efficient costs of providing those services.</p> <p>However, given the significant time frame since the study was conducted, management are undertaking an exercise to review their pricing policy. The new Cash Equities Clearing and Settlement Services Pricing Policy will set out the methodology for how ASX prices are determined for cash equity clearing services provided by ASX Clear and cash equity settlement services provided by ASX Settlement. This policy is still in draft, and has been shared with ASIC and ACCC, as well as discussed with the Advisory Group and Business Committee in June 2024. Public consultation on the policy will occur in Q3 2024.</p>

Regulatory Expectation:

- 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 between aspects of its trading, clearing and settlement services.
- 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.

Procedures	Results
<p>1 Examined the Code of Practice published on ASX's website for ASX's 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 between aspects of its trading, clearing and settlement services.</p>	<p>The Code of Practice provides that "ASX Clear and ASX Settlement will not implement price changes with the purpose of materially shifting revenue streams between other trading, clearing and settlement services".</p>
<p>2 Examined the Clearing and Settlement Schedule of Fees to assess whether there were any changes to prices for CS services, and if so, confirm that ASX have attested to their reasonableness.</p>	<p>There have been changes to prices for clearing and settlement services during the year from 1 July 2023 to 30 June 2024. Effective 1 January 2024, there were changes to fees charged to participants for requests that result in ASX mailing paper notification to holders. The cost component of these specific fees include Australia Post charges.</p> <p>ASX have attested to the reasonableness of the pricing increases in the minutes of the December 2023 business committee meeting, along with the public notice dated 1 December 2023. These state that: "Recently, Australia Post announced an increase in the cost of a standard stamp, raising it from \$1.20 to \$1.50 effective 1 January 2024. Consequently, ASX will adjust the participant request fee from \$1.25 to \$1.50 effective 1 January 2024."</p>

Regulatory Expectation:

- 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 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.

Procedures	Results
1 Examined the ASX internal cost allocation and transfer pricing policy for ASX's internal cost allocation model and assessed for reasonableness.	<p>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>This policy states that costs may be categorized as either direct or indirect costs. In the first instance, ASX will seek to allocate costs on a direct basis, where they identify costs which can be directly linked to the provision of relevant clearing and settlement services. Costs which cannot be attributed on a direct basis will be allocated based on the most appropriate cost driver, or in proportion to the annualised direct costs for each service category.</p>
2 Examined the cash market clearing and settlement management income statement audit reports for the year ended 30 June 2024 to assess whether management accounts have been prepared in accordance with the Code of Practice and the associated ASX internal cost allocation and transfer pricing policy between ASX Group entities for clearing and settlement of cash equities in Australia.	<p>ASX's compliance with its internal cost allocation model and policies has not been subject to an internal audit review in the year, however, we have observed email correspondence between ASX and ASIC where an alternative approach was agreed in 2017. In accordance with the ASIC correspondence, ASX has engaged PwC to perform an external audit over the cash market clearing and settlement management income statements, which includes verifying that those statements have been prepared in accordance with ASX's internal cost allocation and transfer pricing policy.</p> <p>The ASX Clear Pty Limited and ASX Settlement Pty Limited management income statements are subject to an annual external audit. The basis of preparation for these accounts is the Code of Practice for Clearing and Settlement of Cash Equities in Australia and the associated ASX internal cost allocation and transfer pricing policy between ASX Group entities for clearing and settlement of cash equities in Australia.</p> <p>PwC issued unqualified audit reports for the cash market clearing and settlement management income statements for the year ended 30 June 2024.</p>

Regulatory Expectation:

- 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.

Procedures	Results
1 Enquired with management on whether there were any new fee negotiations during the year.	There have been no new fee negotiations in relation to access to CS services for unaffiliated market operators during the year from 1 July 2023 to 30 June 2024.

3. Commercial, transparent and non-discriminatory access to CS services – service levels, information handling and confidentiality

Regulatory Expectation:

- 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 nondiscriminatory 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.
- 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.

Procedures	Results
<p>1 Examined the Code of Practice for ASX's explicit public commitment to supporting access to its CS services on commercial, transparent and non-discriminatory terms.</p>	<p>The Code of Practice provides that: "ASX is committed to providing access to clearing and settlement services (including the provision of data) on transparent and non-discriminatory terms, and will respond to requests for access in a fair and timely manner".</p>
<p>2 Examined the Trade Acceptance Service (TAS) and Settlement Facilitation Service (SFS) agreements:</p> <ul style="list-style-type: none"> • to assess whether ASX's standard user terms are consistent with its objectives as set out in the Code of Practice. • to assess whether ASX's commitment to providing access to its CS services on operational and commercial terms and service levels are materially equivalent to those that apply to ASX as a market operator or CS facility. 	<p>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>The TAS and SFS terms and conditions require that ASX provide CS services that are:</p> <ul style="list-style-type: none"> • of comparable quality to the services provided to ASX Limited. • in accordance with applicable laws, operating rules and procedures. • without discriminating in relation to clearing and settlement participants on the basis of where the trade was affected or reported. <p>The TAS legal terms and SFS service agreement cannot be amended without approval from the approved market operator and/or approved listing market operator.</p>

Regulatory Expectation:

- 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.

Procedures	Results
1 Examined the TAS and SFS agreements for ASX's arrangements for dealing with disputes, and inquired with ASX about whether there had been any disputes during the year.	Clauses 43 to 51 of the TAS legal terms and clause 13 of the SFS agreement sets out the dispute resolution process. Unresolved disputes after 30 days are referred to arbitration. The arbitrator must be appointed by agreement between the parties. We have inquired with management, and have inspected the incidents register for the year from 1 July 2023 to 30 June 2024, and note that there have been no disputes during the year.
2 Examined AMO and ALMO Procedures for access requests for ASX's published protocols for dealing in a timely manner with requests for access.	The Procedures for Access Requests by Approved Market Operators (AMO), and the Procedures for Access Requests for Approved Listing Market Operators (ALMO) sets out target timeframes for responding to enquiries.
3 Examined the ASX Cash Equities Clearing and Settlement Code of Practice Access Protocols for ASX's published protocols for dealing fairly and in a timely manner with requests for access.	The ASX Cash Equities Clearing and Settlement Code of Practice Access Protocols also sets out target timeframes for dealing with access requests as well as dispute resolution arrangements. All new enquiries for access will be responded to within 3 business days and upon receipt of a complete and valid application, ASX Clear and ASX Settlement will consider the request and respond to the applicant within 15 business days. Further, unresolved disputes after 30 days are referred to arbitration, where the arbitrator must be appointed by agreement between the parties.
4 For a sample of requests for new products, assessed whether ASX adhered to its published protocols for dealing fairly and in a timely manner.	For a sample of new product requests, we inspected evidence, including email trails, that ASX adhered to its published protocols for dealing fairly and in a timely manner with requests.

Regulatory Expectation:

- 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 accompanied by a public attestation that those investments will be designed in a way that does not raise such barriers.

Procedures	Results
1 Examined the Code of Practice for ASX's explicit commitment to ensuring that investments in the systems and technology that support its CS services do not raise barriers to access.	The Code of Practice provides that: "ASX is committed to ensuring 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 and settlement facilities".

Procedures	Results
2 Examined ASX's website for announcements regarding CHES replacement to ensure that any additional investment does not raise barriers to access from unaffiliated market operators or CS facilities.	<p>On 20 November 2023, ASX announced that it had completed its reassessment of the solution design to replace CHES and would proceed with a product based solution to be delivered by global technology partner TATA Consultancy Services (TCS).</p> <p>The announcement states that the TCS product will provide important industry and customer benefits, including interoperability. Specifically, the "modular architecture will enable un-affiliated market operators and clearing and settlement facilities, and other providers, to access and interoperate with the individual clearing, settlement and sub-register services using standardised interfaces".</p>

Regulatory Expectation:

- 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.

Procedures	Results
1 Examined the Conflict Management Policy and the Conflict Management Handbook for ASX's arrangements to ensure that conflict sensitive information is identified and cannot be used to advance the interests of ASX as a market operator or CS facility.	The Conflict Management Policy and Conflict Management Handbook sets out the governance arrangements ASX has in place to identify and address actual, perceived and potential conflicts of interest. Section 5.3 of the Conflict Management Handbook addresses managing conflicts of interest arising from CS services through disclosure, confidentiality, and governance.
2 Examined the TAS and SFS Information Handling Standards for ASX's arrangements to ensure that conflict sensitive information is handled sensitively and confidentially.	<p>The TAS and SFS Information Handling standards outlines procedures to ensure that conflict sensitive information is handled sensitively and confidentially. Specifically,</p> <ul style="list-style-type: none"> • Section 4 outlines the protection of AMO's and ALMO's confidential and sensitive information • Section 6 outlines the procedures regarding the distribution and use of AMO and ALMO conflict sensitivity information. Specifically, AMO and ALMO conflict sensitivity information will be restricted to appropriate ASX employees, including the General Manager, Enterprise Compliance and other ASX employees who the AMO or ALMO has requested or approved for the information to be provided to.
3 For a sample of requests for new products, assessed whether ASX adhered to its published protocols for ensuring that conflict sensitive information is handled sensitively and confidentially.	For a sample of new product requests, we inspected evidence that ASX adhered to its published protocols for handling conflict sensitive information in a confidential manner.

Appendix B: ASX's Compliance Framework and other supporting documents

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

Compliance Framework supporting document	Date	Hyperlink
ASX Board's members details	As applicable as at the date of this report	ASX Clearing and Settlement Boards
ASX Business Committee Charter	April 2024	ASX Business Committee Charter - April 2024
ASX Business Committee Role and membership details	As applicable as at the date of this report	ASX Business Committee
ASX Cash Equities Clearing and Settlement Code of Practice – Access Protocols	October 2020	ASX Cash Equities Clearing and Settlement Code of Practice – Access Protocols
ASX Clearing and Settlement Boards Charter	February 2024	ASX Clearing and Settlement Boards Charter
ASX Clearing and Settlement Schedule of Fees	August 2024	ASX Clearing & Settlement - Schedule of Fees
ASX Code of Practice	April 2024	ASX Cash Equities Clearing and Settlement Code of Practice
ASX Conflict Management Policy	November 2023	ASX Conflicts Management Policy
ASX Enterprise Wide Pricing Framework	January 2017	Not available on ASX's website
ASX Information Handling Standard - Settlement Facilitation Service	September 2024	ASX Settlement Pty Limited - Settlement Facilitation Services - Information Handling Standard
ASX Information Handling Standard - Trade Acceptance Service	September 2024	ASX Clear Pty Limited & ASX Settlement Pty Limited - Trade Acceptance Service and Product Services - Information Handling Standard
ASX internal cost allocation and transfer pricing policy between group entities for clearing and settlement of cash equities in Australia	As applicable as at the date of this report	ASX internal cost allocation and transfer pricing policy between ASX group entities for clearing and settlement of cash equities in Australia
ASX Operating Rules	Various date	ASX rules, guidance notes and waivers
ASX Settlement Facilitation Service (SFS) Agreement	March 2014	ASX Settlement Facilitation Service Agreement
ASX Trade Acceptance Service (TAS) – Legal Terms	October 2021	ASX Trade Acceptance Service Legal Terms

Compliance Framework supporting document	Date	Hyperlink
ASX Trade Acceptance Service and related Product Services Review of Legal Terms	February 2021	ASX Trade Acceptance Service and related Product Services - Review of Legal Terms
Audited 'Cash Market Clearing and Settlement Management Income Statement' - 2024	June 2024	Not available on ASX's website at the date of this report
CHESS Replacement: Summary of stakeholder engagement	Various dates	CHESS Replacement - Stakeholder Engagement
Procedures for Access Requests by Approved Listing Market Operators (ALMOs)	October 2020	Procedures for Access Requests by Approved Listing Market Operators
Procedures for Access Requests by Approved Market Operators (AMOs)	October 2020	Procedures for Access Requests by Approved Market Operators
Other supporting documents reviewed		
ASIC CS Service Rules	July 2024	ASIC CS Service Rules
ASX Business Committee Meetings - agendas, papers, minutes and Business Committee reports to the ASX Boards	Various dates	ASX Business Committee
ASX Media Releases	Various dates	ASX Media Releases
ASX Public Consultations and Policy Submissions to Government	Various dates	ASX Public Consultations and Policy Submissions to Government
Regulator Correspondence	Various dates	Not available on ASX's website
Regulator Media Releases	Various dates	ASIC Media Releases and RBA Media Releases
Regulatory Expectations	September 2017	Regulatory Expectations for Conduct in Operating Cash Equity Clearing and Settlement Services in Australia
Regulatory Expectations External Assurance Report Terms of Reference	March 2024	ASX Business Committee Agenda and Papers March 2024