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Introduction

Overview

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

This report summarises the findings of the internal review.

Scope

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

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

- (a) ASX will conduct an annual internal review regarding the operation of the Code, including with respect to:
 - (1) the effectiveness of the Forum in meeting the objectives set out in clause 2.2;
 - (2) ASX’s compliance with the cost allocation principles described in clause 3.2;
 - (3) ASX’s compliance with the access request protocols described in clause 4.3(c) relating to requests for access to clearing and settlement services;
 - (4) ASX’s compliance with the operational standards described in clause 6(c) relating to the protection of competitively sensitive information acquired by ASX Clear and ASX Settlement in the course of providing the TAS and the settlement facilitation service; and
 - (5) ASX’s pricing to verify that there is no discrimination between ASX-affiliated entities and other users of clearing and settlement services.

The internal review will be completed and a written report based on the internal review will be published within 3 months following the end of each financial year. The report will be provided to the Boards of ASX Clear and ASX Settlement and the Forum promptly after the report’s completion. ASX will publish the report on the ASX website.”

The management income statements (beyond compliance with the cost allocation principles) and compliance with accounting standards were not in scope for this review.

Review approach

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

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

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

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

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

Conclusion

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

- 1 The requirement for the Forum Chair to be a non-executive director (section 2.3(b)) and for the Forum agenda to be published a week in advance of the meeting (section 2.4(h)).

For the first Forum meeting (held 2 October 2013) the Forum Chair was an executive director and the agenda was published less than a week in advance (it was uploaded 6 days before the meeting date). It was noted that the Forum Chair was a non-executive director for the second Forum meeting (held 2 April 2014) and the agenda was published on time.

- 2 The contact details for the Forum Chair being available on the website (sections 2.5(b) and 5(g)).

The contact details for the Forum Chair were available on the website, however the email address provided for the Forum Chair was incorrect – the correct address is forumchair@asx.com.au, however the address on the website was forum.chair@asx.com.au (additional full stop in the incorrect email address). This was corrected at the time of the review. It was noted that the website also provides the contact details (phone numbers and email addresses) for the GM Clearing Services, GM Settlement Services and Senior Policy Analyst, Regulatory & Public Policy Unit.

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



Appendix

Internal review procedures and results

Code obligation	Requirement/review procedure	Findings	Results
1 ASX's commitment			
1.1 Purpose of this Code	No review procedures to be performed. The section articulates the purpose of the Code.	Not applicable	Not applicable
1.2 Clearing and settlement for Australian cash equity market	No review procedures to be performed. The section articulates the function of clearing and settlement.	Not applicable	Not applicable
1.3 Scope of this Code (a) This Code deals with: (1) the clearing and settlement services provided by ASX Clear and ASX Settlement for the Australian cash equity market (2) the gateways and infrastructure supporting the provision of those services. (b) Clearing and settlement services for cash equities are provided pursuant to the operating rules of ASX Clear and ASX Settlement, the TAS Legal Terms and settlement facilitation service agreements between ASX Settlement and ALMOs.	No review procedures to be performed. The section articulates the scope of the Code. However, the scope of the Code is referenced when considering the extent of review coverage.	Not applicable	Not applicable
1.4 Development of this Code	No review procedures to be performed. The section articulates the development and review timetable of the Code.	Not applicable	Not applicable



Code obligation	Requirement/review procedure	Findings	Results
2 The Forum			
2.1 Establishment			
(a) ASX will establish an advisory forum (the Forum) within 3 months of the commencement of this Code.	Check the convening of the 1 st Forum to confirm it was established within 3 months of Code commencement.	The Code commenced on 9 August 2013 – noted from the Code document available on the Clearing and Settlement of Cash Equities in Australia website (www.asx.com.au/cs , "the website"). The Forum members were finalised by 18 July 2013– noted from the media release dated 18 July 2013. The first Forum meeting was held on 2 October 2013 – noted from the website.	No exceptions noted
(b) The first meeting of the Forum will be held no later than 30 November 2013.	Check the date of the 1 st Forum meeting to confirm it was held no later than 30 November 2013.	As noted above, the first Forum meeting was held on 2 October 2013.	No exceptions noted



Code obligation	Requirement/review procedure	Findings	Results
<p>2.2 Objectives</p> <p>(a) The objectives of the Forum are</p> <p>(1) to provide user input to the Boards of ASX Clear and ASX Settlement from a wide range of users in relation to ongoing investment in the design, operation and development of the core clearing and settlement infrastructure for the Australian cash equity market, including CHES</p> <p>(2) to consider any matters of common interest arising under the Code or in the principles set out in the report prepared by the Council of Financial Regulators</p> <p>(3) to provide a formal mechanism for the Boards of ASX Clear and ASX Settlement to report to users on their strategic plan and investment decisions in relation to the design, operating and development of the core clearing and settlement infrastructure for the Australian cash equity market, including CHES.</p>	<p>This section outlines the objectives of the Forum. These objectives are reviewed in later sections of the Code when considering the composition, operation and management of the Forum and reporting to and from the Clearing and Settlement Boards.</p> <p>However, section 5(a)(1) of the Code stipulates that the internal review will consider “the effectiveness of the Forum in meeting the objectives set out in clause 2.2”. The following will be considered during the review:</p> <ul style="list-style-type: none"> - interaction between the Forum and the Boards - discussions with clearing and settlement users - matters considered by the Forum. 	<p>Per section 5(c), consultation with the Forum was performed as part of the review. 3 responses were received.</p> <p>The responses on the effectiveness of the Forum were generally positive. 1 response noted that members of the business committee may be a more appropriate level for detailed discussions on the development of cash market services.</p>	<p>No exceptions noted</p>
<p>(b) Members of the Forum will not consider or discuss any competitively sensitive information in contravention of the Competition and Consumer Act 2010 (Cth)</p>	<p>No review procedures to be performed. This obligation outlines the confidentiality requirements of the Forum.</p>	<p>Not applicable</p>	<p>Not applicable</p>
<p>2.3 Membership</p>			
<p>(a) The Forum will consist of representatives of a wide range of user groups with a view to achieving a balance among the interests of the different user groups so that the Forum can function as an effective process for providing user input to the Boards of ASX Clear and ASX Settlement.</p>	<p>No review procedures required as the composition of the Forum is considered as part of 2.3(b).</p>	<p>Not applicable</p>	<p>Not applicable</p>



Code obligation	Requirement/review procedure	Findings	Results
<p>(b) The Forum will consist of:</p> <ol style="list-style-type: none"> (1) up to ten members representing clearing participants and settlement participants (2) a member representing alternative market operators (3) a member representing the Australian Financial Markets Association (4) a member representing the Stockbrokers Association of Australia (5) a member representing system vendors (6) a member representing share registries (7) a member representing payment system service providers (8) a member representing custodial service providers (9) a member representing the funds management industry (10) a member representing the superannuation industry (11) a member representing listed companies (12) a non-executive member of the Boards of ASX Clear and ASX Settlement (Forum Chair) (13) a non-executive member of the Board of ASX Limited. 	<p>Check the Forum membership records to confirm the Forum has:</p> <ol style="list-style-type: none"> (1) no more than 10 members representing clearing and settlement participants (ie excluding ASX Group company representatives) (2) an alternative market operator member (3) an AFMA member (4) an SAA member (5) a system vendor member (6) a share registry member (7) a payment system service provider member (8) a custodial service provider member (9) a funds management industry member (10) a superannuation industry member (11) a listed company member (12) a non-executive director (NED) from ASX Clear (ASXCL) and ASX Settlement (ASXS) and that the Director is the Forum Chair (13) a NED from the ASX Limited Board. 	<p>The members of the Forum as listed on the website as at 7 March 2014 include:</p> <ol style="list-style-type: none"> 1. representatives from 10 cash market clearing and settlement participants 2. a representative from an alternative market operator 3. a representative from AFMA 4. a representative from SAA 5. a representative from a system vendor 6. a representative from a share registry 7. a representative from a payment system service provider 8. a representative from a custodial service provider 9. a representative from the funds management industry 10. a representative from the superannuation industry 11. a representative from a listed company 12. a NED of the Boards of ASXCL and ASXS 13. a NED of the ASX Limited Board. <p>We note however that for the first Forum meeting held on 2 October 2013 the NED of the Boards of ASXCL and ASXS was not the Forum Chair. The ASX MD & CEO, who is an executive director on the Boards of ASXCL and ASXS, was the Forum Chair.</p> <p>The NED of the Boards of ASXCL and ASXS (who is also the Chair of ASXCL and ASXS) and the NED of ASX Limited both attended the Forum meeting on 2 October 2013. The NED of the ASX Limited Board subsequently (in November 2013) joined the Boards of ASXCL and ASXS and became the Forum Chair.</p>	<p>Exception noted – due to the resignation of the original Forum Chair shortly before the meeting, the temporary Forum Chair for the first Forum meeting was not a NED of the Boards of ASXCL and ASXS. We note however that a NED of the Boards of ASXCL and ASXS was a member of the Forum and in attendance at the first meeting, and the subsequent Forum Chair was also in attendance (as the NED of the Board of ASX Limited, he was not a member of the Boards of ASXCL and ASXS at the time).</p> <p>Also note that the same person is representing ASXCL and ASXS and also ASX Limited, but the Code does not specify that 2 different NEDs must be members to meet the requirements of section 2.3.</p>



Code obligation	Requirement/review procedure	Findings	Results
(c) ASX will invite users to nominate representatives as part of the selection process for appointment to the Forum.	<ul style="list-style-type: none"> i. Examine the process for nominating Forum members to confirm that users were invited to nominate representatives. ii. As part of the consultation process for section 5(c), request feedback on the administration of the nomination process. 	<p>ASX published a Media Release on 10 April 2013 to announce the release of the draft Code of Practice, which included a link to the consultation paper on the draft Code. Paragraph 23 of the consultation paper: "ASX is inviting users to nominate representatives for the Forum."</p> <p>ASX performed presentations in Sydney and Melbourne to brief users on the Code of Practice and the Forum. ASX also provided emails to at least one industry body with a copy of the presentation attached.</p> <p>Per section 5(c), consultation with the Forum was performed as part of the review. 3 responses were received.</p> <p>The responses were generally positive in the section on the administration of the Code. However, 1 response noted that the nomination and appointment process was not as transparent as it could have been and that not all the feedback provided to ASX was taken into account.</p>	No exceptions noted
(d) ASX will consult users on the nominees for the Forum to inform the selection process.	As per 2.3(c) above.	As per 2.3(c) above.	No exceptions noted



Code obligation	Requirement/review procedure	Findings	Results
<p>(e) ASX will appoint members to the Forum for an initial 2 year term, subject to continued employment with the organisation by whom they were nominated.</p>	<p>Confirm all Forum members have been appointed for two years and are current employees of the respective organisations.</p>	<p>It is noted on the website that "The members... have been appointed to the Forum for a two year term, effective from 9 August 2013".</p> <p>The two year term is confirmed in the appointment letters sent by ASX to Forum members. An appointment letter based on a template was sent to each member of the Forum representing a user of clearing and settlement services and a slightly different letter was sent to all other members. An example of each type of letter was obtained, the "Terms of Appointment for the Forum" ("Attachment B" to the appointment letter) starts with "Your term as member of the ASX Forum commences on 9 August 2013. Your term is for a period of two years, subject to continued employment by the organisation who nominated you."</p>	<p>No exceptions noted</p>
<p>(f) Before the expiry of a member's term, or in the event a member resigns, ASX will consult the user group represented by that retiring member regarding the appointment of a new representative member. It is expected that some members of the Forum will rotate so that the Forum will function as set out in clause 2.3(a).</p>	<ol style="list-style-type: none"> i. Identify any Forum resignations. ii. For a sample of resignations during the review period, review the process for nominating a replacement Forum member to confirm that the relevant user group was consulted regarding the appointment of a new representative member. iii. As part of the consultation process for section 5(c), request feedback on the administration of the resignation process. 	<p>Two Forum members resigned from the organisations they were representing – CommSec (representing Commonwealth Bank of Australia) and Deutsche Bank AG - during the period, thereby resigning from the Forum.</p> <p>Senior ASX management was in communication with each organisation on the subject of the replacements, including to identify their interest in participating in the Forum. Emails were viewed which supported that ASX did consult the participants for whom the resignations came (the relevant "user group") regarding the appointment of new representative members for the 2 resignations during the period.</p> <p>The 3 submissions received in response to the feedback form sent to Forum members for section 5(c) were positive in the section on the administration of the Code.</p>	<p>No exceptions noted, however it is unclear from the wording of the Code whether ASX should consult all clearing and settlement participants, or just those from which the resignation came. To date, just the participant whose employee resigned has been consulted.</p>



Code obligation	Requirement/review procedure	Findings	Results
(g) ASX will appoint members to the Forum based on their skills and experience.	<ul style="list-style-type: none"> i. As per (b) and (c) above. ii. Identify the seniority of Forum members. 	The members of the Forum are CEOs and equivalent.	No exceptions noted
(h) A member of the Forum cannot appoint a delegate or alternate without the prior approval of the Forum Chair.	<ul style="list-style-type: none"> i. Identify any appointments of delegates or alternates. ii. Review a sample of delegate and alternate appointments to confirm they had the approval of the Forum Chair. 	One Forum member appointed a delegate for the first Forum meeting. No written confirmation of the prior approval of the Forum Chair is available, however we note that the alternate was included in the list of attendees in the Forum meeting agenda and in the minutes. The agenda was circulated to all members, including the Forum Chair, on 20 September 2013 (8 business days before the meeting) and the minutes were signed by the Forum Chair on 1 November 2013.	No exceptions noted
2.4 Operation of the Forum			
(a) The Forum will be chaired by a member of the Boards of ASX Clear and ASX Settlement (Forum Chair)	Review the Forum membership and confirm the Chair for each meeting is from the Boards of ASXCL and ASXS.	Refer to 2.3(b)(12) above. It should be noted that (unlike section 2.3(b)(12)) section 2.4(a) of the Code does not require the Forum Chair to be a non-executive member of the Boards of ASXCL and ASXS. Therefore there is no exception noted for this section.	No exceptions noted
(b) The Forum will meet at least 3 times a year.	Review the Forum meeting schedule and minutes and confirm it has met and has meetings scheduled for 3 times in the year.	As noted for 2.1(a) above, the first Forum meeting was held on 2 October 2013. The Forum's 2nd meeting was held on 2 April 2014, the 3rd on 23 June 2014 and a 4th is scheduled for 1 October 2014.	No exceptions noted



Code obligation	Requirement/review procedure	Findings	Results
<p>(c) The Forum will appoint and convene a business committee to provide business and operational input on the forward work program of the Forum. Forum members, ASX Clear and ASX Settlement will nominate members of the business committee. Members of the business committee do not need to be members of the Forum. The business committee will report to the Forum. Business committee meetings will be held ahead of meetings of the Forum.</p>	<p>i. Review Forum minutes and/or other records for evidence that a business committee has been appointed. ii. Identify whether nominations for business committee members came from Forum members, ASXCL and ASXS. iii. Review the committee meeting schedule and/or minutes to confirm it meets prior to each Forum meeting. iv. Review a sample of Forum meeting minutes to confirm the business committee has provided a report to the Forum.</p>	<p>The meeting minutes confirmed the appointment of the business committee by the Forum at the first Forum meeting on 2 October 2013.</p> <p>The business committee includes representatives from each of the entities that are represented on the Forum. The GM Clearing Services (representing ASXCL) and GM Settlement Services (representing ASXS) nominated the other members of the business committee.</p> <p>The business committee met for the first time on 16 August 2013 and a paper for the first Forum meeting contained the committee's input to the forward work program.</p> <p>Further meetings of the business committee took place on 9 December 2013, 19 February 2014 and 7 May 2014. There is a "Business Committee Report to the Forum" from each meeting on the website. After the meeting on 2 October 2013, the Forum met 2 April 2014 and 23 June 2014.</p>	<p>No exceptions noted</p>
<p>(d) The Forum may appoint and convene technical committees to examine and provide advice in relation to particular issues as required. Members of the technical committees do not need to be members of the Forum. Technical committees will report to the Forum.</p>	<p>i. Review Forum minutes and/or other records for evidence that any technical committees have been appointed. ii. Identify whether the technical committee was appointed by the Forum. iii. Review a sample of Forum meeting minutes to confirm the technical committee(s) has/have provided a report to the Forum.</p>	<p>The minutes of the business committee meeting on 16 August 2013 confirmed that a technical committee has been appointed to consider global messaging standards. The Forum was advised of this in the meeting on 2 October 2013.</p> <p>Technical committee members were recommended by member organisations of the business committee. There was no formal process of appointment via a letter.</p> <p>The 2 April 2014 Forum meeting papers included agenda item 3D entitled "Introduction of ISO 20022 Standard Messaging in Conjunction with CHES Replacement" with feedback from the technical committee.</p>	<p>No exceptions noted, however the technical committee has been appointed by the business committee, not directly by the Forum, and reports to the Forum via the business committee.</p>



Code obligation	Requirement/review procedure	Findings	Results
(e) ASX will provide facilities and services for the effective administration and functioning of the Forum. The Forum Chair may invite ASX management to attend meetings of the Forum.	Review the administration and facilities available to the Forum and determine if the level of ASX support is appropriate and consistent with the requirements of the Code.	ASX provides the Boardroom and refreshments, record keeping administration (an ASX employee is the Forum Secretary and has responsibility for agendas, minutes and other administrative matters), and conference call facilities for Forum and committee meetings.	No exceptions noted
(f) Agendas will be set by the Forum Chair in consultation with Forum members. The Forum Chair will circulate a draft agenda prior to the Forum meeting to provide Forum members with the opportunity to contribute to the agenda setting process.	<ul style="list-style-type: none"> i. Review the agenda setting process and determine how agenda items are agreed for each meeting. ii. Confirm the draft agendas were circulated appropriately. 	<p>The agenda is set around the forward work program. The Forum has input to the forward work program and receives the draft agenda in advance of the meeting.</p> <p>The draft agendas for both the 2 October 2013 and the 2 April 2014 Forum meetings were sent to all current Forum members.</p>	No exceptions noted
(g) Minutes of meetings of the Forum will be kept and approved by the Forum Chair. The Forum Chair will circulate draft meeting minutes following Forum meetings to provide Forum members with the opportunity to comment on the meeting minutes	<ul style="list-style-type: none"> i. Review a sample of finalised minutes from Forum meetings and confirm they were signed. ii. For a sample of draft minutes from Forum meetings, confirm they were distributed and feedback has been considered. 	<p>The finalised minutes on the website for the Forum meeting on 2 October 2013 were signed by the acting Chair.</p> <p>The draft minutes (and Forum report - relevant for 2.4(j)) from the 2 October 2013 meeting were sent to all members of the Forum on the 22 October 2013. No feedback was received.</p>	No exceptions noted



Code obligation	Requirement/review procedure	Findings	Results
<p>(h) ASX will publish all agendas and minutes of the Forum on the ASX website. Agendas will be published 1 week prior to the relevant Forum meeting and minutes of the Forum will be published as soon as practicable after they have been provided to the Boards of ASX Clear and ASX Settlement.</p>	<p>i. Review the ASX website for agendas and meeting minutes of every meeting. ii. Confirm that the agendas were published at least a week prior to each meeting. iii. Confirm minutes were published shortly after being provided to the Boards of ASXCL and ASXS.</p>	<p>The meeting agenda and minutes for the 2 October 2013 meeting and the agenda for the 2 April 2014 meeting are on the website.</p> <p>The agenda for the 2 October 2013 Forum meeting was uploaded to the website on 26 September 2013 at 4.37pm (less than a week prior to the meeting).</p> <p>The agenda for the meeting on 2 April 2014 was published on 26 March 2014 (one week prior to the meeting).</p> <p>The minutes for the 2 October 2013 Forum meeting were published on the website on 13 November 2013, which was the same day that they were provided to the Boards of ASXCL and ASXS (the date of the ASXCL and ASXS Boards meeting).</p>	<p>Exception noted – the agenda for the Forum meeting on 2 October 2013 was uploaded 6 days before the meeting date so it was not published on the website a full week prior to the meeting.</p>
<p>(i) The Forum Chair will prepare a written report on the key issues discussed and any recommendations made by the Forum for inclusion in the Board papers for the next meetings of the Boards of ASX Clear and ASX Settlement. These reports will be published on the ASX website as soon as practicable after they have been provided to the Boards of ASX Clear and ASX Settlement.</p>	<p>i. Review a sample of written reports to confirm that they contain the key issues discussed and any recommendations made by the Forum. ii. Review the agenda items for a sample of meetings of the Boards of ASXCL and ASXS to confirm that the Forum Chair provided reports. iii. Confirm the reports from the Forum Chair were published on the ASX website shortly after being provided to the Boards.</p>	<p>The written report from the 2 October 2013 Forum meeting is available on the website. It contains a brief summary of the key matters documented in the minutes as having been discussed at the 2 October 2013 Forum meeting – (1) adoption of Charter, (2) management accounts, (3) performance of clearing and settlement services, (4) forward work program, (5) appointment of business committee, (6) benchmarking report and (7) regulatory developments. The report is consistent with the information in the last section of the minutes summarised for inclusion in the report.</p> <p>The report from the 2 October 2013 Forum meeting was included in the meeting papers for the ASXCL & ASXS Boards meeting on 13 November 2013 and it was uploaded to the website on the same day.</p>	<p>No exceptions noted</p>



Code obligation	Requirement/review procedure	Findings	Results
(j) The Forum Chair will circulate a draft of the report to Forum members.	For a sample of reports, review correspondence to confirm the draft report was circulated.	The draft Forum report (and minutes, as noted in 2.4(g)) from the 2 October 2013 meeting were sent to all members of the Forum on the 22 October 2013. No feedback was received.	No exceptions noted
(k) The Boards of ASX Clear and ASX Settlement will give due consideration to any material matters raised by, or recommendations of, the Forum and liaise with the Forum as appropriate.	<ul style="list-style-type: none"> i. Identify any material matters or recommendations in the report from the Forum. ii. Review a sample of the reports from the Boards of ASXCL and ASXS to the Forum and ASXCL and ASXS meeting minutes to confirm they gave due consideration to any material matters or recommendations raised in the Forum reports. 	<p>Refer to 2.4(i) above for the 7 key matters covered in the Forum report; no "recommendations" were specifically made.</p> <p>The letter/report from the Chair of the Boards of ASXCL and ASXS in response to the report from the 2 October 2013 Forum meeting contains comments on the forward work program, the benchmarking report, business committee and regulatory developments.</p> <p>The covering Board paper for the meeting of the Boards of ASXCL and ASXS on 13 November 2013 notes that "The Boards must give due consideration to any material matters raised by, or recommendations of, the Forum and liaise with the Forum as appropriate". The attachments to the Board paper included the Forum report, full meeting papers for and minutes of the 2 October 2013 Forum meeting, hence all directors of the Boards of ASXCL and ASXS received the details of all matters discussed by the Forum.</p> <p>The minutes of the ASXCL & ASXS Boards meeting record that the MD & CEO (who Chaired the Forum meeting) reported to the Boards that "other than the Forum's forward work program... no other material matters or recommendations requiring a response from the Boards were raised". The resolution at the end of the agenda item in the minutes "NOTED the minutes and report from the 2 October 2013 Forum meeting".</p>	No exceptions noted



Code obligation	Requirement/review procedure	Findings	Results
<p>(l) The Forum Chair will report to the next Forum meeting on the outcome of discussions of the Boards of ASX Clear and ASX Settlement relevant to any recommendations made by the Forum. The Forum Chair may also report on other issues of interest to the Forum.</p>	<p>Review a sample of the Forum minutes for evidence of discussion of the Boards responses to Forum reporting.</p>	<p>The meeting papers for the Forum meeting on 2 April 2014 included a letter from the Chair of the Boards of ASXCL and ASXS that provided a response to the report from the 2 October 2013 Forum meeting. The minutes of the Forum meeting on 2 April 2014 note that the Chairman of the Boards of ASXCL and ASXS was at the Forum meeting and addressed the Forum. The Forum Chair invited questions and comments (none were received).</p>	<p>No exceptions noted</p>
<p>(m) The Boards of ASX Clear and ASX Settlement will jointly provide a written response to the report prepared by the Forum Chair to be provided to the Forum which articulates:</p> <ol style="list-style-type: none"> (1) the response to any material matters raised by the Forum (2) the recommendations that are being followed (3) the recommendations that are not being followed (4) the reasons for these decisions. 	<p>For the material matters and recommendations identified for (k) above, review a sample of the reports from the Boards of ASXCL and ASXS to the Forum to confirm they responded to any material matters raised in the Forum reports, along with the decisions relating to any recommendations and reasons behind the decisions.</p>	<p>As noted for 2.4(k) above, the letter from the Chair of the Boards of ASXCL and ASXS in response to the report from the 2 October 2013 Forum meeting contains comments on the forward work program, the benchmarking report, business committee and regulatory developments; no "recommendations" were specifically made.</p>	<p>No exceptions noted</p>
<p>Written responses from ASX Clear and ASX Settlement to the Forum will be published on the ASX website as soon as practicable after they have been provided to the Forum.</p>	<ol style="list-style-type: none"> i. Confirm that the Boards response to Forum reports is available on the ASX website. ii. Confirm timing was appropriate. 	<p>The response from ASXCL and ASXS to the report from the 2 October 2013 Forum meeting was uploaded to the website on 13 November 2013. This was the same day as the letter was signed.</p>	<p>No exceptions noted</p>



Code obligation	Requirement/review procedure	Findings	Results
2.5 Commitment to broad user consultation			
<p>(a) In addition to the Forum, ASX Clear and ASX Settlement will continue to provide other mechanisms for user engagement and consultation.</p>	<p>i. Determine what other mechanisms exist and, for the internal review only, whether they are effective.</p> <p>ii. As part of the consultation process for section 5(c), request feedback on ASX's mechanisms for user engagement and consultation.</p>	<p>Mechanisms for user engagement and consultation provided by ASXCL and ASXS include consultation papers, working committees and meetings between users and management from ASXCL and ASXS (including BD and Risk).</p> <p>Per section 5(c), consultation with the Forum was performed as part of the review. 3 responses were received.</p> <p>The responses were generally positive in the section on ASX's mechanisms for user engagement and consultation. 1 response noted that user engagement and consultation has been improving since the arrival of the current CEO, but they felt that not enough time was provided to respond in some instances and that there was a lack of clarity in some ASX responses.</p>	<p>No exceptions noted</p>



Code obligation	Requirement/review procedure	Findings	Results
<p>(b) Any interested party may provide information to ASX Clear and ASX Settlement in respect of the development of clearing and settlement services and infrastructure at any time (on a collective or confidential basis). This information may be provided by sending a written submission to ASX Clear and ASX Settlement addressed to the attention of the Forum Chair. Relevant contact details will be placed on the ASX website.</p>	<p>Confirm current contact details for the Forum Chair are on the website.</p>	<p>The website includes a "Contact the Forum Chair" page with a link to the Forum Chair's email address. At the time of the internal review testing, the page stated "Communications to the Forum Chair can be emailed to: forum_chair@asx.com.au." An error message stating "The recipient's e-mail address was not found in the recipient's e-mail system" was received in response to an email sent to the Forum Chair email address.</p> <p>It was established that the email address was incorrect. The correct address is forumchair@asx.com.au (without the dot between words). When Internal Audit viewed the website on 10 April 2014 the email address had been updated.</p> <p>The original email was forwarded to the correct address and the Senior Manager Regulatory and Public Policy responded that she was the recipient. She had already advised for section 5(f) below that she would first discuss any matters received by email with the Group General Counsel and Company Secretary, then escalate to the appropriate person with a recommended course of action.</p>	<p>Exception noted – at the date of testing (9 April 2014), the email address for the Forum Chair provided on the website was inaccurate. This was subsequently corrected. It should be noted that the website also provides the contact details (phone numbers and email addresses) for the GM Clearing Services, GM Settlement Services and Senior Policy Analyst, Regulatory & Public Policy Unit.</p>
<p>(c) The Forum Chair will consider submissions provided by interested parties when preparing reports to be provided to the Boards of ASX Clear and ASX Settlement.</p>	<p>i. Identify any submissions received during the period ii. Review a sample of the submissions and check for inclusion in reports from the Forum Chair where appropriate.</p>	<p>No submissions were identified as having been received during the period.</p>	<p>No exceptions noted</p>



Code obligation	Requirement/review procedure	Findings	Results
3 Pricing			
3.1 Transparent pricing			
(a) ASX will publish fee schedules, in a clear and accessible form, for all clearing and settlement services covered by this Code. The published schedules will include a brief description of each service.	<ul style="list-style-type: none"> i. Review the website to confirm that fee schedules for clearing and settlement services covered by the Code have been published. ii. Identify the fees, terms, conditions and eligibility criteria, rebates, revenue-sharing arrangements and discounts applicable to each service. iii. Review the published fee schedules to confirm they contain a brief description of each service and, for part (b), applicable terms, conditions and eligibility criteria, of any rebates, revenue-sharing arrangements and discounts applicable to each service. 	<p>The following were identified on the website:</p> <ul style="list-style-type: none"> - Cash Market Clearing Fees Schedule of Fees - Cash Market Settlement Fees Schedule of Fees - TAS pricing and service term options - (TAS = Trade Acceptance Service) fees for AMOs (Approved Market Operators) - Settlement Facilitation Service Agreement - fees for ALMOs (Approved Listing Market Operators) are in schedule 4 starting on p20. <p>All fees, terms, conditions and eligibility criteria, rebates, revenue-sharing arrangements and discounts applicable to each service are within the above 4 fee schedules, with a brief description of each service.</p>	No exceptions noted
(b) The published fee schedules will include details, including applicable terms, conditions and eligibility criteria, of any rebates, revenue-sharing arrangements and discounts applicable to each service.	Refer to 3.1(a) above.	Refer to 3.1(a) above.	No exceptions noted



Code obligation	Requirement/review procedure	Findings	Results
<p>(c) ASX will make available worked examples, tools and other information as appropriate which will assist users to anticipate the price they will have to pay for use of the services. The worked examples, tools and other information will enable users to be able to assess:</p> <ol style="list-style-type: none"> (1) the expected cost impacts of any pricing changes; (2) the expected cost impacts associated with new products and initiatives; and (3) the impact of discounts, rebates and revenue-sharing arrangements for different user groups and different activity profiles. 	<ol style="list-style-type: none"> i. Identify any pricing changes, new products and initiatives and/or discounts, rebates and revenue-sharing arrangements during the period. ii. For a sample of different user groups and different activity profiles, review the website for worked examples, tools and other information relating to pricing changes, new products and initiatives and/or discounts, rebates and revenue-sharing arrangements. iii. Using a test case confirm that the output of the tool(s) is the same as the updated fee schedule. 	<p>There have not been any pricing changes, new products and initiatives and/or discounts, rebates and revenue-sharing arrangements relating to cash market clearing or settlement services for participants during the period. Refer below for TAS and SFS fees.</p> <p>Worked examples for the headline fees for clearing and settlement are on the website with the statement that "If ASX changes cash market clearing and/or settlement fees, participants will be provided with information to assist in their analysis of the impact of clearing and settlement price changes on their total service costs. In the event that fees are changed, participants will be notified individually of the pricing changes and the implications for their businesses."</p> <p>In addition, ASX has started providing reports detailing activity levels and fees to individual participants on a quarterly basis. A sample report was provided to the business committee in the meeting papers for the 19 February 2014 meeting. The minutes show that the format of the reports was discussed by the business committee and "Members expressed support for the proposed new reporting". The first reports, for the quarter ended 31 March 2014, were sent to clearing and full settlement participants (ie not to account participants) in May 2014.</p>	<p>No exceptions noted</p>



Code obligation	Requirement/review procedure	Findings	Results
		<p>The TAS contractual terms of service were updated effective 1 July 2014. The section on pricing notes that annual fees will be waived so long as the Code and the current market structure are in effect. This has been backdated to the start of the Code, hence it is relevant to the period under review.</p> <p>The only fee payable by an AMO is an initial application fee. This is a simple fixed fee so no worked examples are deemed necessary.</p> <p>The standard form SFS agreement was updated in March 2014. No changes were made to the fees payable by the ALMO, but there were changes to the issuer fees. The fees for new and additional securities were removed, the annual CHESS operating charge was reduced by 10% for ALMOs with less than 200 issuers, the fee for DvP settlement was reduced in line with the fees for ASX participants and the fees for the corporate actions service were added.</p> <p>Settlement Services met with ALMOs to explain the changes, they provided marked up copies of the revised SFS agreement and sent each ALMO a letter.</p>	
(d) ASX will publish all information on the ASX website.	Confirm that relevant fee information is published on the website.	As noted for 3.1(a), (b) and (c) above, the relevant fee schedules with all fees, rebates, terms and conditions, and the worked examples are on the website.	No exceptions noted



Code obligation	Requirement/review procedure	Findings	Results
3.2 Published management accounts for cash equities			
<p>(a) ASX will publish management accounts in respect of the clearing and settlement of cash equities in Australia. ASX will publish these accounts on an annual basis, together with ASX's full year financial results, and make them available on the ASX website.</p>	<p>Review the website to confirm the annual clearing and settlement management accounts ("Cash Market Clearing Management Income Statement" and "Cash Market Settlement Management Income Statement") were published with the ASX's full year financial results.</p>	<p>As stated on the website, the intention is to publish the management accounts for the year ended 30 June 2014 on 21 August 2014, together with ASX's full results.</p> <p>As this report is being published on the website on the same date, it is not possible to validate in this report that the management accounts for the year ended 30 June 2014 will be (1) published together with ASX's full year financial results or (2) made available on the ASX website.</p> <p>The management accounts for the year ended 30 June 2013 and the Independent auditors' report, both dated 22 August 2013, are on the website.</p> <p>We also note that management accounts for the half year ended 31 December 2014 were also published on the website.</p>	<p>No exceptions noted</p>



Code obligation	Requirement/review procedure	Findings	Results
<p>(b) In the management accounts, ASX will allocate directly attributable and common shared costs for cash equity clearing and settlement as between ASX Clear and ASX Settlement. ASX will allocate costs for the clearing and settlement functions on the following basis:</p> <p>(1) the directly attributable expenditure undertaken in respect of relevant clearing and settlement functions will be the increase in total expenditure which results from that function</p> <p>(2) the expenditure on shared assets and indirect costs will be allocated on the basis of identified and appropriate drivers of the expenditure related to the respective clearing and settlement functions.</p>	<p>i. Obtain from the website the management accounts for the current financial year and the “ASX internal cost allocation and transfer pricing policy between ASX group entities for clearing and settlement of cash equities in Australia” used to prepare the accounts.</p> <p>ii. Perform the following in order to report on compliance with the cost allocation principles:</p> <p>a. understand the process to identify the total relevant operating and capital costs to allocate to cash market clearing, cash market settlement and ‘other’ services (cost allocation policy paragraphs 6-9 & 15 and Notes to the Management Statement)</p> <p>b. understand the process to identify which costs are directly attributable to cash market clearing and/or cash market settlement (cost allocation policy paragraphs 10-13 & 16 and Notes to the Management Statement)</p> <p>c. understand the process to allocate indirect costs to cash market clearing and/or cash market settlement (cost allocation policy paragraphs 14 & 16 and Notes to the Management Statement)</p> <p>d. identify, document and test the controls in place to confirm that the cost identification and allocation processes resulted in complete, accurate and valid expenses in the management accounts</p> <p>e. obtain evidence that items were treated consistently from one period to the next (cost allocation policy paragraph 17).</p>	<p>PwC has been engaged to audit the management accounts of ASX Clear and ASX Settlement to give an opinion on whether or not they have been prepared in accordance with the Code and the ASX internal cost allocation and transfer pricing policy between ASX group entities for clearing and settlement of cash equities in Australia. Internal Audit has placed reliance on the PwC audit work performed.</p> <p>In their report for the external review of compliance with the Code, PwC noted:</p> <p>1. They are engaged by ASX to provide an audit opinion over the management accounts prepared for clearing and settlement of cash equities.</p> <p>2. The management accounts include an accounting policy note which outlines the cost allocation methodology used for the allocation of both directly attributable and indirect expenses. As required by the Code, indirect costs are allocated to the activities of clearing and settlement for cash equities based on appropriate drivers for each major expense category.</p>	<p>No exceptions noted</p>



Code obligation	Requirement/review procedure	Findings	Results
(c) ASX will establish a policy which describes the methodology used for apportioning directly attributable and indirect or common shared costs. This policy will be reflected in the published management accounts.	Refer to 3.2(b) above for procedures relating to the "ASX internal cost allocation and transfer pricing policy between ASX group entities for clearing and settlement of cash equities in Australia".	As noted for section 3.2(b) above, PwC has been engaged to audit the management accounts of ASX Clear and ASX Settlement to give an opinion on whether or not they have been prepared in accordance with the Code and the ASX internal cost allocation and transfer pricing policy between ASX group entities for clearing and settlement of cash equities in Australia. Internal Audit has placed reliance on the PwC audit work performed.	No exceptions noted
(d) The published management accounts will be subject to review by an external auditor.	Confirm the external auditors have performed and are engaged to perform annual reviews of the management accounts.	<p>As noted for section 3.2(b) above, PwC has been engaged to audit the management accounts of ASX Clear and ASX Settlement to give an opinion on whether or not they have been prepared in accordance with the Code and the ASX internal cost allocation and transfer pricing policy between ASX group entities for clearing and settlement of cash equities in Australia.</p> <p>In their draft report for the external review of compliance with the Code, PwC confirmed that they have been engaged by ASX to complete an audit over the management accounts for the (i) cash equities clearing and (ii) cash equities settlement operations in Australia for the year ended 30 June 2014.</p>	No exceptions noted



Code obligation	Requirement/review procedure	Findings	Results
3.3 Non-discriminatory and transfer pricing			
<p>(a) Non-discriminatory pricing: ASX is committed to providing non-discriminatory pricing to all customers and potential users. The prices for clearing and settlement services provided by ASX Clear and ASX Settlement, including rebates, revenue-sharing arrangements and discounts applicable to the use of these services, will not discriminate between ASX-affiliated and other customers or potential users of clearing and settlement services.</p>	<p>i. Identify the current clearing and settlement customers, including ASX-affiliated customers.</p>	<p>The current list of ASXCL and ASXS participants was obtained from the main ASX website - a notice with the revised list of participants was released on 12 March 2014. The list includes 36 entities that are participants of both ASXCL and ASXS, 46 participants of ASXS only and one entity which is a participant of ASXS and also an ALMO.</p> <p>ASX has 1 AMO customer and 3 ALMOs as customers.</p> <p>The only ASX-affiliated user of cash market clearing and settlement services identified is ASX Limited, as the holder of the market licence to operate the cash market.</p>	<p>No exceptions noted</p>
	<p>ii. Obtain a list of all monthly cash market clearing and settlement billing for one month and ensure that all users have been billed consistently and/or differences can be justified.</p>	<p>A list of billing via CHES in February 2014 was obtained and filtered for the product codes included in the Cash Market Clearing Fees Schedule of Fees and the Cash Market Settlement Fees Schedule of Fees (refer to 3.1(a)).</p> <p>All ASXCL and ASXS participants that were in the CHES billing file for any of the cash market clearing and settlement product codes were billed the same rate per unit, which agreed to the fee schedules.</p> <p>The billing file was agreed to invoices for a sample of 10 participants and no issues were noted.</p> <p>No monthly or ad hoc billing for the AMO, ALMOs or ASX Limited was identified.</p> <p>No active participants who were not billed were identified.</p>	<p>No exceptions noted</p>



Code obligation	Requirement/review procedure	Findings	Results
	<p>iii. Obtain a list of all annual cash market clearing and settlement billing for the 2013-14 financial year and ensure that all users have been billed consistently and/or differences can be justified.</p>	<p>There are no annual fees relevant for ASXCL and ASXS cash market participants, however there is a revenue sharing scheme for ASXCL and another for ASXS. Allocation of the revenue share pools has been calculated in accordance with the details of the schemes as disclosed in the fee schedules.</p> <p>Due to a change in the TAS agreement (refer to section 3.1(c) for details), there are no longer any annual fees relevant for the AMO.</p> <p>The ALMOs were all billed consistently with the fee schedule in the SFS agreement.</p> <p>Consistent with the external AMO, there are no longer any annual fees relevant for ASX Limited.</p>	<p>No exceptions noted</p>
<p>(b) Transfer pricing: ASX Clear and ASX Settlement will charge all users, including ASX-affiliated entities, non-discriminatory prices for materially equivalent services.</p>	<p>Refer to 3.3(a) above.</p>	<p>Refer to 3.3(a) above.</p>	<p>No exceptions noted</p>
<p>3.4 Pricing comparison</p>			
<p>(a) ASX Clear and ASX Settlement will annually commission from an independent consulting firm benchmarking of the scope of the clearing and settlement services that ASX Clear and ASX Settlement provide and the pricing and fees for those services compared to the clearing and settlement services and the pricing and fees for those services provided by facilities in other cash equity markets.</p>	<p>Confirm that the annual benchmarking study has been planned or performed by an independent consulting firm on an annual basis.</p>	<p>The engagement letter between Oxera Consulting Limited and the ASX for 'Global cost benchmarking of clearing and settlement services' is dated 9 January 2014 and signed by an Associate Director of Oxera and the CFO of ASX.</p> <p>Oxera is a consulting firm based in the UK with offices in Oxford, Berlin, Brussels and London. No connection to the ASX noted.</p> <p>Subsequent to testing the benchmarking study was completed and a report issued by Oxera.</p>	<p>No exceptions noted</p>



Code obligation	Requirement/review procedure	Findings	Results
(b) ASX Clear and ASX Settlement will consult the Forum on the scope and methodology of the international price benchmarking prior to it being commissioned in accordance with clause 3.4(a).	Review the minutes of the Forum meetings or correspondence to confirm that the Forum has been consulted on the scope of the benchmarking.	The minutes of the Forum meeting on 2 October 2013 (agenda item 5) note discussion on the scope and methodology of the international benchmarking report and an action item for the business committee to discuss the matter further with the aim of the report being available by 1 July 2014.	No exceptions noted
(c) ASX Clear and ASX Settlement will provide a report containing the results of the comparison to the Forum and the Agencies, and will publish the report on the ASX website.	<ul style="list-style-type: none"> i. Review the Forum meeting minutes for reference to the content of the benchmarking report. ii. Obtain correspondence to confirm the report was also provided to the ACCC, ASIC, RBA and Treasury. iii. Confirm the report has been published on the ASX website. 	<p>The benchmarking report was sent to Forum members on 20 June 2014, prior to a presentation of the results to the Forum on 23 June 2014. As the minutes of the 23 June meeting are not expected to be signed until the next C&S Board meeting on 12 August (which is after the review testing will have been completed), the meeting papers have been reviewed. Agenda item 3(a) in the meeting papers refers to Oxera's presentation of the findings of the benchmarking study.</p> <p>ASX provided a "near final" copy of the benchmarking report to the CFR-nominated contact at the RBA on 13 June 2014 in advance of a briefing by Oxera to representatives of the RBA, ASIC, Treasury and ASX on 20 June 2014. The final version of the report was provided to the RBA per standard procedure for documentation to the CFR secretariat and published on the website on 23 June 2014.</p>	No exceptions noted



Code obligation	Requirement/review procedure	Findings	Results
4 Access to clearing and settlement services			
4.1 Standard access to clearing and settlement services			
<p>(a) ASX Clear and ASX Settlement will continue to publish on the ASX website transparent standard terms and conditions:</p> <ul style="list-style-type: none"> (1) to become an ASX Clear or ASX Settlement participant pursuant to the ASX Clear and ASX Settlement operating rules (2) for AMOs seeking access to TAS in order to facilitate the clearing and settlement for transactions effected through that AMO pursuant to the TAS Legal Terms (3) for ALMOs to apply for the provision of settlement facilitation services, pursuant to the Settlement Facilitation Service Agreement. 	<p>Access the ASX website and confirm that ASXCL and ASXS have published standard terms and conditions:</p> <ul style="list-style-type: none"> (1) to become an ASX Clear or ASX Settlement participant pursuant to the ASXCL and ASXS operating rules (2) for AMOs seeking access to TAS in order to facilitate the clearing and settlement for transactions effected through that AMO pursuant to the TAS Legal Terms (3) for ALMOs to apply for the provision of settlement facilitation services, pursuant to the Settlement Facilitation Service Agreement. 	<p>The website includes a "Customer Access" section which has:</p> <ul style="list-style-type: none"> 1. a sub-section called "Equity Market Participants" with links to the document "A Guide to Becoming an ASX Participant" which contains information on all the types of participation available, the application process and relevant rules and requirements 2. a sub-section called "Services for Approved Market Operators" with information about the TAS and a link to the "Legal terms for the provision of a trade acceptance service to Australian financial market licensees in respect of CHESS-eligible ASX-quoted financial products" 3. a sub-section called "Services for Approved Listing Market Operators" with information on the SFS and a link to the template "Settlement Facilitation Service Agreement". <p>The first SFS agreement obtained from the website for testing was not the current version. The current version (dated March 2014) was subsequently provided by the Manager Settlement Services who advised that the "ALMOs have now executed this latest version. NSX/SIM VSE execution effective 5 March 2014, APX execution effective 2 April 2014". The PDF version on the website as at 10 April 2014 is also dated March 2014.</p>	<p>No exceptions noted, however, as noted for section 3.1(c), the SFS agreement on the website as at 12 March 2014 was not the current version. The updated version was executed by NSX/SIM VSE effective 5 March 2014 and by APX effective 2 April 2014. The website had been updated by 10 April 2014.</p>



Code obligation	Requirement/review procedure	Findings	Results
<p>(b) Access to clearing and settlement services will be provided on a non-discriminatory basis. ASX Clear and ASX Settlement will not unreasonably prohibit, condition or limit, directly or indirectly, access by a person or company to clearing and settlement services.</p>	<p>i. Identify if any applications for access to clearing and settlement services has been prohibited, given with conditions or limited. ii. For a sample of such applications identified, review the reason for the decision and confirm whether it is in accordance with the relevant rules.</p>	<p>All cash market clearing and settlement participant applications for access to clearing and settlement services received during the period have been approved without any prohibitions, conditions or limitations.</p> <p>No applications for AMO or ALMO access to clearing and settlement services have been received during the period.</p>	<p>No exceptions noted</p>
<p>4.2 Service level agreements</p>			
<p>(a) ASX Clear and ASX Settlement will consult AMOs and ALMOs on their respective service level agreements under the TAS and the Settlement Facilitation Service with the objective of making those service level agreements consistent with the outcomes of a competitive market and ASX Clear and ASX Settlement's licence obligations.</p>	<p>i. Identify all AMOs and ALMOs. ii. Obtain correspondence to confirm that AMOs and ALMOs have been consulted on their respective service level agreements under the TAS and the Settlement Facilitation Service.</p>	<p>The AMO and 3 ALMOs were sent a copy of the ASX consultation paper "Clearing and Settlement Services for Approved Market Operators and Approved Listing Market Operators: enhanced service levels and information handling standards" on 23 January 2014. The consultation paper is also on the main ASX website with the note that "Written submissions in response to this consultation paper are due by 14 March 2014".</p> <p>The consultation process has been finalised and the outcomes have been published on the ASX website. One of the outcomes from the consultation is the waiver of the annual TAS fee from the commencement of the Code on 9 August 2013. This means that Chi-X and any other AMO will have free access to clearing and settlement arrangements through the TAS for so long as the current market structure and the Code remain in place.</p> <p>The GM Settlement Services meets with each of the ALMOs quarterly to discuss any relationship matters, which would include service levels, and the GM Clearing Services holds similar meetings with the AMO.</p>	<p>No exceptions noted</p>



Code obligation	Requirement/review procedure	Findings	Results
4.3 Responsiveness to requests			
<p>(a) ASX Clear and ASX Settlement will consider any request for clearing and settlement services by AMOs and ALMOs, including requests for changes to clearing and settlement services, in a timely manner.</p>	<p>i. Identify any request for clearing and settlement services by AMOs and ALMOs and ensure they were considered within the published target timeframes (refer to (c) below).</p>	<p>Due to the confidential nature of the requests correspondence was not obtained or viewed by Internal Audit; testing was performed via discussion with the GM Regulatory Assurance.</p> <p>AMOs The AMO contacted ASX about 3 matters relating to potential changes from 9 August 2013 to 30 April 2014 (when testing was performed). The timeframes for responding to AMO requests are documented in the Procedures for Access Requests by Approved Market Operators. The timeframes require ASX to (1) respond to a request for a change and provide a change request form within 3 business days, (2) contact the requestor within 5 days of receiving the completed change request form to arrange a meeting and (3) provide an initial response within 10 days of the meeting.</p> <p><u>AMO matter 1</u> The initial email to request consultation with ASX was received on 20 September 2013 and the initial response was sent the same day. A change request form was not provided at that point because the request was for consultation, not for the change to be implemented. Following further communication, a change request form was provided to the AMO on 4 October 2013 (for matters 1 & 2). A completed change request form relating to this matter was not received by ASX therefore no further correspondence required per the access requests procedures document. No exceptions noted.</p>	<p>No exceptions noted, however we note that ASX took longer than the timeframes outlined in the Procedures for Access Requests by Approved Market Operators to send an initial response to 2 AMO re-requests.</p>



Code obligation	Requirement/review procedure	Findings	Results
		<p><u>AMO matter 2</u> The initial email to request consultation with ASX was received on 26 September 2013 and the initial response was sent the same day. A change request form was not provided at that point because the request was for consultation, not for the change to be implemented. Following further communication, a change request form was provided to the AMO on 4 October 2013 (for matters 1 & 2). A completed change request form relating to this matter was not received by ASX therefore no further correspondence required per the access requests procedures document. No exceptions noted.</p>	



Code obligation	Requirement/review procedure	Findings	Results
		<p><u>AMO matter 3</u></p> <p>The initial email to request consultation with ASX was received on 13 November 2013 and an initial response was given by phone on 15 November 2013 (2 business days after the initial request). A change request form was not provided at that point because the request was for consultation, not for the change to be implemented. A letter was sent to the AMO on 25 November (7 business days after the initial request) to advise that ASX deemed the request to be out of the scope of the TAS agreement.</p> <p>The AMO contacted ASX on 2 December 2013 to request ASX to reconsider the decision. On 13 December 2013 (9 business days after the second request) ASX advised the AMO that their original decision still stood.</p> <p>The AMO contacted ASX on 20 December 2013 to request ASX to reconsider the decision again. On 6 January 2014 (6 business days after the third request) ASX advised the AMO that their original decision still stood.</p> <p>Anna advised that no further correspondence was received relating to this matter therefore no further correspondence required per the access requests procedures document. We note that the period taken to respond to the second and third request for this matter was longer than the timeframes outlined by the procedures, however as the request was deemed to fall out of the scope of the TAS agreement and therefore outside the scope of the Code of Practice, no significant issue noted.</p>	



Code obligation	Requirement/review procedure	Findings	Results
		<p>ALMOs One ALMO made a request during the period. The timeframes for responding to ALMO requests are documented in the Procedures for Access Requests by Approved Listing Market Operators. Similar to those for AMOs, the timeframes require ASX to (1) respond to a request for a change and provide a change request form within 3 business days, (2) contact the requestor to arrange a workshop within 20 days of receiving the completed change request form and (3) provide a decision within 20 days of the workshop.</p> <p>The initial email to request consultation with ASX was received on 13 August 2013 and the initial response was sent on 16 August 2013 (3 business days later). A change request form was not provided at that point because the request was for consultation, not for the change to be implemented. Following further communication, a change request form was provided to the ALMO on 4 December 2013. A completed change request form relating to this matter was not received by ASX therefore no further correspondence required per the access requests procedures document. No exceptions noted.</p> <p>We note that the change request forms are available on the website (the links are in the Customer Access section) so the AMO or an ALMO could submit a change request form even if ASX has not emailed them the form.</p>	No exceptions noted
	ii. As part of the consultation process for section 5(c), request feedback on ASX's responsiveness to requests.	<p>Per section 5(c), consultation with the Forum was performed as part of the review. 3 responses were received.</p> <p>None of the responses received were from an AMO or ALMO. The 3 responses received were generally positive in the section on ASX's responsiveness to requests.</p>	No exceptions noted



Code obligation	Requirement/review procedure	Findings	Results
<p>(b) Where a request for change to clearing and/or settlement services under the TAS or Settlement Facilitation Service by an AMO or ALMO has been agreed by ASX Clear and/or ASX Settlement, ASX Clear and/or ASX Settlement will advise the requesting customer in writing the scope of any technical development required and any changes to ASX operating rules and procedures, together with the priority, indicative timeline and cost of implementing the change.</p>	<p>For a sample of any changes identified for (a) above, obtain correspondence to confirm that the scope of any technical development required and any changes to ASX operating rules and procedures, together with the priority, indicative timeline and cost of implementing the change were advised to the requesting customer.</p>	<p>As noted above for 4.3(a), no requests that led to technical development and/or any changes to ASX operating rules and procedures were received during the period 9 August 2013 to 30 June 2014.</p>	<p>No exceptions noted</p>



Code obligation	Requirement/review procedure	Findings	Results
<p>(c) ASX Clear and ASX Settlement will publish protocols on the ASX website which set out target timeframes for responding to requests for services and dispute resolution processes for AMOs and ALMOs.</p>	<p>Review the ASX website for the protocols on:</p> <ul style="list-style-type: none"> i. responding to AMO and ALMO service requests ii. dispute resolution processes (including pre-access and post-access disputes). 	<p>In the "Customer Access" section of the website:</p> <ol style="list-style-type: none"> 1. the "Services for Approved Market Operators" sub-section has a link to the "Procedures for Access Requests by Approved Market Operators" document which has a table with the timeframes for new customer enquiries and requests for the enhancement or expansion of the TAS 2. the "Services for Approved Listing Market Operators" sub-section has a link to the "Procedures for Access Requests by Approved Listing Market Operators" document which has a table with the timeframes for new customer enquiries, new service enquiries, enquiries regarding potential enhancement to the Settlement Facilitation Service and operational matters. <p>The dispute resolution processes are detailed in:</p> <ol style="list-style-type: none"> 1. "Code of Practice for Clearing and Settlement of Cash Equities in Australia Access Protocols" document (pre-access disputes) - available via a link at http://www.asx.com.au/cs/code-practice.htm 2. the "Legal terms for the provision of a trade acceptance service to Australian financial market licensees in respect of CHES-eligible ASX-quoted financial products" (in the "Services for Approved Market Operators" sub-section) 3. the template "Settlement Facilitation Service Agreement" (in the "Services for Approved Listed Market Operators" sub-section). 	<p>No exceptions noted</p>
<p>4.4 Dispute resolution</p>			
<p>(a) Any dispute in relation to an application to become an ASX Clear or ASX Settlement participant, or, in relation to services provided to an ASX Clear or ASX Settlement participant, is governed by the ASX Clear and ASX Settlement operating rules as appropriate.</p>	<ul style="list-style-type: none"> i. Identify any disputes in relation to applications for access to clearing and settlement services. ii. For a sample of disputes, confirm they have been dealt with in accordance with the ASXCL and ASXS operating rules as appropriate. 	<p>No disputes in relation to applications for access to clearing and settlement services were received during the period.</p>	<p>No exceptions noted</p>



Code obligation	Requirement/review procedure	Findings	Results
(b) Dispute resolution processes will apply to disputes: (1) with AMOs and ALMOs which are seeking standard access to clearing and settlement services as governed by this Code (pre-access disputes) (2) with AMOs and ALMOs which are being provided with the clearing and settlement services governed by this Code (post-access disputes).	Refer to 4.3(c) above for the documented dispute processes and to 4.4(a) for the treatment of any disputes.	As noted for 4.3(c) above, pre-access and post-access dispute resolution processes are available on the website. As noted for 4.4(a) above, no disputes in relation to applications for access to clearing and settlement services were received during the period.	No exceptions noted
(c) The dispute resolution processes applying to pre-access disputes will be incorporated into the protocols described in clause 4.3(c).	Confirm that the dispute resolution processes applying to pre-access disputes have been incorporated into the protocols described in clause 4.3(c).	As noted for 4.3(c) above, pre-access dispute resolution processes are available on the website.	No exceptions noted
(d) The dispute resolution processes applying to pre-access disputes which will be incorporated into the protocols described in clause 4.3(c) will contain the following features: (1) a procedure for parties to provide a written notice to ASX Clear and ASX Settlement which identifies the nature of the dispute (2) an obligation on all parties to negotiate in good faith to resolve disputes within a specified timeframe (3) a procedure to escalate any disputes which have not been resolved by negotiation to an independent arbitrator for a final binding decision.	Confirm that the dispute resolution processes applying to pre-access disputes in the protocols described in clause 4.3(c) contain: (1) a procedure for parties to provide a written notice to ASX Clear and ASX Settlement which identifies the nature of the dispute (2) an obligation on all parties to negotiate in good faith to resolve disputes within a specified timeframe (3) a procedure to escalate any disputes which have not been resolved by negotiation to an independent arbitrator for a final binding decision.	The pre-access dispute resolution processes detailed in the "Code of Practice for Clearing and Settlement of Cash Equities in Australia Access Protocols" document include: (1) a procedure for parties to provide a written notice to ASX Clear and ASX Settlement which identifies the nature of the dispute - page 1 sections 6 and 7 (2) an obligation on all parties to negotiate in good faith to resolve disputes within a specified timeframe - page 2 sections 8 and 9 (3) a procedure to escalate any disputes which have not been resolved by negotiation to an independent arbitrator for a final binding decision - page 2 sections 9 and 10.	No exceptions noted
(e) The dispute resolution processes applying to post-access disputes will be incorporated into the TAS Legal Terms and the Settlement Facilitation Service Agreement as appropriate.	Review the TAS Legal Terms and SFS Agreement and determine if the post-access dispute resolution procedures have been incorporated as appropriate.	As noted for 4.3(c) above, post-access dispute resolution processes are in the "Legal terms for the provision of a trade acceptance service to Australian financial market licensees in respect of CHESS-eligible ASX-quoted financial products" and the template "Settlement Facilitation Service Agreement".	No exceptions noted



Code obligation	Requirement/review procedure	Findings	Results
5 Review			
<p>(a) ASX will conduct an annual internal review regarding the operation of the Code, including with respect to:</p> <ol style="list-style-type: none"> (1) the effectiveness of the Forum in meeting the objectives set out in clause 2.2 (2) ASX's compliance with the cost allocation principles described in clause 3.2 (3) ASX's compliance with the access request protocols described in clause 4.3(c) relating to requests for access to clearing and settlement services (4) ASX's compliance with the operational standards described in clause 6(c) relating to the protection of competitively sensitive information acquired by ASX Clear and ASX Settlement in the course of providing the TAS and the settlement facilitation service (5) ASX's pricing to verify that there is no discrimination between ASX-affiliated entities and other users of clearing and settlement services. <p>The internal review will be completed and a written report based on the internal review will be published within 3 months following the end of each financial year. The report will be provided to the Boards of ASX Clear and ASX Settlement and the Forum promptly after the report's completion. ASX will publish the report on the ASX website.</p>	<p>Execution of this review plan and publication of the report within the timeframes stipulated.</p>	<p>Refer to the findings and results throughout this report.</p> <p>It is not possible to confirm in this report that it has been (1) published within 3 months of the year end or (2) made available on the ASX website. All procedures for the internal review were completed by 5 August 2014.</p> <p>The draft report was provided to the Boards of ASX Clear and ASX Settlement for their meeting on 12 August 2014.</p> <p>The final report will be provided to the Forum Secretariat for publication on the website and distribution to the Forum.</p>	<p>No exceptions noted</p>



Code obligation	Requirement/review procedure	Findings	Results
<p>(b) Additionally, ASX will engage an independent external auditor to conduct an annual review and prepare a written report regarding the operation of the Code, including with respect to:</p> <ul style="list-style-type: none"> (1) ASX's compliance with the cost allocation principles described in clause 3.2 (2) ASX's compliance with the access request protocols described in clause 4.3(c) relating to requests for access to clearing and settlement services; (3) ASX's compliance with the operational standards described in clause 6(c) relating to the protection of competitively sensitive information acquired by ASX Clear and ASX Settlement in the course of providing the TAS and the settlement facilitation service; (4) ASX's pricing to verify that there is no discrimination between ASX-affiliated entities and other users of clearing and settlement services. <p>The external review will be completed and the external auditor's report will be published within 3 months following the end of each financial year. The external auditor's report will be provided to the Boards of ASX Clear and ASX Settlement and the Forum promptly after the report's completion. ASX will publish the report on the ASX website.</p>	<p>Determine whether the external auditors have been engaged. Review the scope of their engagement ensuring adequate coverage. Confirm publication timing is appropriate.</p>	<p>PwC has been engaged as the independent external auditor to review the operation of the Code.</p> <p>In their draft report for the external review of compliance with the Code, PwC confirmed they have been engaged by ASX to complete a review of the operation of the Code for the period ended 30 June 2014.</p> <p>As both the internal and external reports are being published on the website on the same date, it is not possible to confirm in this report that the external review report for the period ended 30 June 2014 has been (1) published within 3 months of the year end, (2) provided to the Forum or (3) made available on the ASX website.</p> <p>PwC provided their draft report to the Boards of ASX Clear and ASX Settlement for the meeting held on 12 August 2014.</p>	<p>No exceptions noted</p>



Code obligation	Requirement/review procedure	Findings	Results
(c) Users of clearing and settlement services will be consulted as part of the reviews.	Prepare a document to send to Forum members (as the group representing users of cash market clearing and settlement services) to obtain feedback on relevant sections of the Code.	<p>A feedback form was developed by PwC and Internal Audit and sent by to all Forum members from PwC. The form requested feedback on the effectiveness of the Code (for sections 5(a) and 2.2), mechanisms for user engagement and consultation (for section 2.5(a)), responsiveness to requests (for section 4.3(a)) and administration of the Code (for sections 2.3(c)&(f)).</p> <p>3 responses were received. 1 response was provided on a confidential basis. The non-confidential responses were from JP Morgan and Link Market Services and are attached to the external review report. Refer to the relevant sections of this report for a summary of the feedback received.</p> <p>We also note that the views of some users of clearing and settlement services are available on the website in their submissions responding to the ASX Consultation Paper 'Draft Code of Practice for Clearing and Settlement of Cash Equities in Australia'.</p>	No exceptions noted
(d) ASX Clear and ASX Settlement will provide the Agencies with such information as is reasonably requested by the Agencies to monitor ASX Clear and ASX Settlement's ongoing compliance with the Code.	<p>i. Identify any requests from the ACCC, ASIC, RBA or Treasury (the 'Agencies' as defined in the glossary to the Code) relating to compliance with the Code.</p> <p>ii. For a sample of requests confirm that the information requested was provided.</p>	No requests were received from the ACCC, ASIC, RBA or Treasury relating to compliance with the Code.	No exceptions noted
(e) ASX will maintain procedures for users to provide any comments or complaints in respect of the operation of this Code. ASX will publish protocols on the ASX website for responding to any comments or complaints.	Access the ASX website to confirm that procedures and protocols for comments or complaints relating to the Code have been published.	The Code of Practice section of the website includes a link to the "Comments and Complaints Protocol for the Code of Practice" which details the options for making a comment or complaint and the response time.	No exceptions noted



Code obligation	Requirement/review procedure	Findings	Results
<p>(f) Comments or complaints should be addressed to the attention of the office of the Chief Executive Officer.</p>	<p>Review the procedures and protocols for comments or complaints relating to the Code on the ASX website and confirm they advise that comments or complaints should be addressed to the attention of the office of the Chief Executive Officer.</p>	<p>The "Comments and Complaints Protocol for the Code of Practice" states that "You can provide comments or make a complaint by sending an email or letter to the Chief Executive Officer" and provides contact details – ASX's mailing address and info@asx.com.au.</p> <p>Customer Service receives all emails sent to info@asx.com.au. Any comments or complaints relating to the Code of Practice are forwarded to the Forum Secretary, who discusses them with the Group General Counsel and Company Secretary) before referring the comment/complaint to the CEO with a recommended course of action.</p>	<p>No exceptions noted</p>



Code obligation	Requirement/review procedure	Findings	Results
<p>(g) If a party is not satisfied with the response from the ASX Chief Executive Officer, the party may ask for the comment or complaint to be directed to the Forum Chair and the Boards of ASX Clear and ASX Settlement for their consideration.</p>	<p>Review the procedures and protocols for comments or complaints relating to the Code on the ASX website and confirm they advise that anyone dissatisfied with the response they received may ask for the comment or complaint to be directed to the Forum Chair and the Boards of ASXCL and ASXS for their consideration.</p>	<p>The "Comments and Complaints Protocol for the Code of Practice" states that "If you are not satisfied with the response, you can ask for the Forum Chair and the Boards of ASX Clear and ASX Settlement to review how your comment or complaint was dealt with" and provides contact details for the Forum Chair – ASX's mailing address and an email address for the Forum Chair.</p> <p>As noted for 2.5(b) above, an error message "The recipient's e-mail address was not found in the recipient's e-mail system" was received in response to an email sent to the Forum Chair email address. It was established that the incorrect address was included. When Internal Audit viewed the website on 10 April 2014 the email address had been updated.</p> <p>The original email was forwarded to the correct address and the Senior Manager Regulatory and Public Policy responded that she was the recipient. She had already advised for section 5(f) above that she would first discuss any matters received by email with the Group General Counsel and Company Secretary, then escalate to the appropriate person with a recommended course of action.</p>	<p>Exception noted – at the date of testing (9 April 2014), the email address for the Forum Chair provided on the website was inaccurate. This was subsequently corrected. In addition, the website also provides the contact details (phone numbers and email addresses) for the GM Clearing Services, GM Settlement Services and Senior Policy Analyst, Regulatory & Public Policy Unit.</p>



Code obligation	Requirement/review procedure	Findings	Results
6 Protection of confidential information			
<p>(a) ASX Clear and ASX Settlement will comply with ASX's published Conflict Handling Arrangements policy. Any confidential or competitively sensitive information that is acquired in the course of providing clearing and settlement services will only be used for the purpose for which it was provided.</p>	<p>i. Obtain details of any confidential or competitively sensitive information that is acquired in the course of providing clearing and settlement services.</p>	<p>Trade data that ASX receives from AMOs and ALMOs is considered confidential and that information received in relation to changes under the TAS or SFS (also refer to 4.3(a)) is considered, where relevant, as competitively sensitive. In addition, Operations may receive other information from AMOs and/or ALMOs which would be considered confidential.</p> <p>The regulatory feed received from the AMO by ASX Compliance is for monitoring of ASX-listed entities. It is not related to the clearing and settlement services provided under the TAS therefore it is out of the scope of this review.</p>	<p>No exceptions noted</p>
	<p>ii. Review processes in place to ensure that any such information is only used for the purpose for which it was provided.</p>	<p>Competitively sensitive data is sent to one person within the organisation and is only shared with a limited number of other people if required and if permission to share the information has been obtained from the AMO/ALMO. "Hush mail" accounts have been set up by ASX to use should the AMO/ALMO require.</p> <p>The Key Obligation Self Assessments (KOSAs) received for the six months ended 31 December 2013 from the GE Operations, GM Clearing Risk Strategy and Policy, Chief Compliance Officer and GE ASX Compliance recorded no issues relating to compliance with Conflict Handling obligations and, for Operations and Clearing Risk Policy and Strategy, no issues relating to TAS obligations. In addition, no issues were noted during Regulatory Assurance's quarterly reviews of Conflict Handling arrangements.</p>	<p>No exceptions noted</p>



Code obligation	Requirement/review procedure	Findings	Results
(b) ASX Clear and ASX Settlement will not use any confidential or competitively sensitive information acquired in the course of providing clearing and settlement services to provide an advantage to an affiliated entity of ASX Clear or ASX Settlement.	Refer to 6(a) above.	Refer to 6(a) above.	No exceptions noted
(c) ASX Clear and ASX Settlement will put in place operational standards for the protection of AMO and ALMO competitively sensitive information acquired by ASX Clear and ASX Settlement in the course of providing the TAS or the Settlement Facilitation Service. ASX will consult with AMOs and ALMOs on the development of Information Handling Standards to implement information barriers within ASX to safeguard AMO and ALMO competitively sensitive information.	<ul style="list-style-type: none"> i. Confirm that ASXCL and ASXS have put in place operational standards for the protection of AMO and ALMO competitively sensitive information acquired by ASXCL and ASXS. ii. Obtain correspondence to confirm that ASX has consulted with AMOs and ALMOs (as identified for 4.2(a) above) on the development of Information Handling Standards to implement information barriers within ASX to safeguard AMO and ALMO competitively sensitive information. 	<p>As noted for 6(a) above, various internal processes have been established to ensure AMO and ALMO competitively sensitive information acquired by ASXCL and ASXS is handled appropriately.</p> <p>As noted for 4.2(a) above, the AMO and 3 ALMOs were sent a copy of the ASX consultation paper "Clearing and Settlement Services for Approved Market Operators and Approved Listing Market Operators: enhanced service levels and information handling standards" on 23 January 2014. The consultation paper includes proposed procedures to limit information being shared unnecessarily.</p>	No exceptions noted
7 Operation of the Code			
(a) This Code commences operation on 9 August 2013.	No review procedures required. We note that the effective date of the first Code is 9 August 2013.	Not applicable	Not applicable
(b) Changes to the Code will not be made without prior consultation with the Forum, other users and the Agencies.	<ul style="list-style-type: none"> i. Identify any changes to the Code. ii. For a sample of changes, review the minutes of the Forum and correspondence with other agencies to confirm they were consulted. 	No changes have been made to the Code since it was implemented.	No exceptions noted



Code obligation	Requirement/review procedure	Findings	Results
(c) This Code will be interpreted consistently with: (1) ASX Clear and ASX Settlement's license obligations under the Corporations Act; (2) ASX's legal or regulatory obligations; (3) the ASX Clear and ASX Settlement operating rules; or (4) any agreements entered into between ASX, and customers and other stakeholders.	No review procedures required.	Not applicable	Not applicable