



The Directors
ASX Settlement Pty Limited and ASX Clear Pty Limited
Exchange Centre, 20 Bridge Street
SYDNEY NSW 2000

22 September 2015

Dear Directors,

1. Background

ASX Settlement Pty Limited and ASX Clear Pty Limited (together hereinafter referred to collectively as 'the ASX' or 'ASX') operate the sole licensed clearing and settlement facilities in Australia providing clearing and settlement systems and services for the Australian cash equity market. Clearing and settlement services are critical to the operation of Australia's financial markets, providing investors efficiency in equity transactions and reducing counterparty and systemic risk.

Through its commitment to the ongoing development of clearing and settlement services to ensure that the needs of users are met and that services provided are aligned with global standards, the ASX in consultation with industry stakeholders and Australian regulators developed a Code of Practice for the Clearing and Settlement of Cash Equities in Australia ("the Code").

This Code came into effect on 9 August 2013 with the aim of formalising the ASX's commitment of working with clearing and settlement users to ensure their needs are met and they are engaged in a timely and transparent manner in relation to the ongoing development of clearing and settlement services and infrastructure.

2. Purpose of our report

The Code requires that, on an annual basis, the ASX conducts both an internal review of the operation of the Code, as well as engaging an independent external auditor to perform its own review.

PwC has been engaged by the ASX as the independent external auditor to review the operation of the Code for the period 1 July 2014 to 30 June 2015. As required by the Code, we have prepared this report to outline the procedures performed by PwC in relation to our review of the operation of the Code and the results of those procedures.

3. Scope of work

The scope of our procedures in relation to our review of the operation of the Code is in accordance with the requirements of section 5 of the Code, as reproduced in the extract below:

"(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:

- (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; and*
- (4) *ASX's pricing to verify that there is no discrimination between ASX-affiliated entities and other users of clearing and settlement services.*

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."

4. Use of the work of ASX Limited Internal Audit department (Internal Audit)

As noted above, the ASX is required to conduct an annual internal review regarding the operation of the Code. This review has been assigned to Internal Audit. Given the concurrent timing and consistent nature of the procedures to be performed in relation to the operation of the Code, PwC and Internal Audit have worked collaboratively to meet their respective obligations under section 5 of the Code.

Specifically, in performing our procedures, we have relied in part on the procedures performed by Internal Audit in relation to assessing the ASX's compliance with certain obligations outlined in the Code. Such reliance has been used to supplement our own procedures, and in certain cases in place of performing separate procedures.

In determining whether reliance can be placed on the procedures by Internal Audit we have given due consideration to the guidance in Auditing Standard ASA 610 – *Using the Work of Internal Auditors*. ASA 610 requires that, in determining whether the work of an internal audit function can be used, the external auditor shall evaluate:

- (a) The extent to which the internal audit function's organisational status and relevant policies and procedures support the objectivity of the internal auditors;
- (b) The level of competence of the internal audit function; and
- (c) Whether the internal audit function applies a systematic and disciplined approach, including quality control.

Having performed the evaluation required under (a) to (c) above we determined it was appropriate and reasonable to place partial reliance on the work performed by Internal Audit.

To determine the extent to which reliance could be placed, we:

- 1) Performed an assessment to determine the inherent complexity of each Code obligation. For those Code obligations we deemed to be less complex and subjective in nature, we have placed reliance on

the work performed by Internal Audit. For the more complex and subjective Code obligations we performed our own independent procedures.

- 2) For those Code obligations where we have placed reliance on Internal Audit, we have re-performed a sample of Internal Audit's procedures to evaluate the adequacy of their work.

Those obligations where Internal Audit's procedures have been utilised to supplement or replace our procedures have been detailed in Appendix A. In addition to the reliance referred to above, we have also considered the results of the work performed Internal Audit in totality.

5. Procedures & Results

To meet our obligations under section 5 of the Code, we designed procedures in relation to each obligation under the code to assess the extent to which the obligations were being met. The procedures were determined based on our professional judgement.

The specific procedures, together with the results from performing those procedures, are detailed in Appendix A of this report.

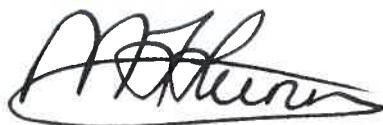
In performing our procedures we noted a number of observations and potential non-compliance with certain obligations of the Code. These observations and findings have been documented in Appendix A in the results sections of the respective procedures to which they relate.

We believe the observations and findings, individually and in aggregate are administrative and minor in nature and do not impact on ASX's overall compliance of the Code obligations.

6. Disclaimer

This report is intended solely for the use of ASX Settlement Pty Limited and ASX Clear Pty Limited for purposes set out above. As the specified user of our report, it is for you to assess both the procedures and our factual findings to determine whether they provide, in combination with any other information you have obtained, a reasonable basis for any conclusions which you wish to draw on the subject matter. Accordingly, we expressly disclaim and do not accept any responsibility or liability to any party other than the specified users for any consequences of reliance on this report for any purpose.

Yours faithfully



Matthew Lunn
Authorised Representative

Code Obligation	Scope	Procedure	Findings
1. ASX's Commitment			
1.1 Purpose of the Code			
(a) ASX has put this Code in place to increase transparency and accessibility in the provision of clearing and settlement services for cash equities in Australia and to formalise avenues for regular and meaningful user engagement.	Statement	No procedures performed as this section articulates the purpose of the Code.	Not Applicable.
(b) This Code builds on the principles contained in the Customer Charter of ASX in which ASX commits to: <ol style="list-style-type: none"> 1) work with customers to deliver products and services that meet their needs and that provide them with choice; 2) support Australia's aspiration to be globally competitive and become one of the leading financial centres in the Asia Pacific region; 3) make its products and services available on a non-discriminatory basis and on reasonable commercial terms; 4) manage its businesses and operations on a commercial basis to benefit its customers and provide appropriate returns to ASX shareholders; 5) recognise its role as a provider of critical financial infrastructure to the Australian financial markets, and make the necessary investments to ensure it can fulfil this role and provide 	Statement	No procedures performed as this section articulates the purpose of the Code.	Not Applicable.

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	<p>confidence to market participants, investors and regulators;</p> <p>6) run its operations in compliance with all legal and regulatory obligations, and</p> <p>7) maintain conflict handling arrangements that provide assurance and transparency about the way ASX conducts its business.</p>		
<p>1.2 Clearing and settlement for Australian cash equity market</p>			
(a)	<p>ASX Clear and ASX Settlement operate the sole licensed clearing and settlement facilities providing clearing and settlement systems and services for the Australian cash equity market. ASX Clear provides central counterparty clearing services for a range of financial products including cash equities and equity options. ASX Settlement provides services for the settlement of equities and other deliverable products. Clearing and settlement of cash equities is conducted through a shared operating system CHES.</p>	<p>No procedures performed as this section articulates the purpose and the function of clearing and settlement services.</p>	<p>Not Applicable.</p>
(b)	<p>ASX is committed to sharing with users of its services benefits and efficiencies arising out of the ASX group structure.</p>	<p>No procedures performed as this section articulates the commitment to users.</p>	<p>Not Applicable.</p>
<p>1.3 Scope of this Code</p>			
(a)	<p>This Code deals with:</p> <p>1) the clearing and settlement services provided by ASX Clear and ASX Settlement for the Australian cash</p>	<p>No procedures performed as these sections articulate the scope of the Code. The scope of the Code is referenced</p>	<p>Not Applicable.</p>

Code Obligation	Scope	Procedure	Findings
<p>2) the gateways and infrastructure supporting the provision of those services.</p>	<p>Statement</p>	<p>and considered in the coverage of our procedures over the remaining obligations outlined in the Code.</p>	
<p>(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.</p>	<p>Statement</p>	<p>Refer to section 1.3 (a) above.</p>	<p>Not Applicable.</p>
<p>(c) This Code does not deal with clearing and settlement services supporting either exchange-traded or OTC derivatives markets or OTC debt markets.</p>	<p>Statement</p>	<p>Refer to section 1.3 (a) above.</p>	<p>Not Applicable.</p>
<p>1.4 Development of the Code</p>			
<p>(a) This Code has been developed following consultation with users and in response to a report prepared by the Council of Financial Regulators and accepted by the Deputy Prime Minister and Treasurer on 11 February 2013.</p>	<p>Statement</p>	<p>No procedures performed as this section articulates the development process of the Code.</p>	<p>Not Applicable.</p>
<p>(b) The Council of Financial Regulators will carry out a public review of the Code's implementation and effectiveness, and ASX's adherence to it by early 2015.</p>	<p>Statement</p>	<p>No procedures performed as this section articulates the review timetable for the Code.</p>	<p>Note that at the date of this report, no findings or recommendations arising from the Council of Financial Regulator's review of the Code's implementation and effectiveness had been made publicly available.</p>
<p>2. The Forum</p>			
<p>2.1 Establishment</p>			
<p>(a) ASX will establish an advisory forum (the Forum) within 3 months of the</p>	<p>Not</p>	<p>Ensure the convening date of the first Forum meeting was within</p>	<p>No procedures performed as this section refers to the establishment of the Forum in the prior year which we confirmed in our report issued to the</p>

Code Obligation	Scope	Procedure	Findings
commencement of this Code.	Applicable	3 months of the Code's commencement.	Directors of ASX Settlement Pty Limited and ASX Clear Pty Limited on 21 August 2014.
(b) The first meeting of the Forum will be held no later than 30 November 2013.	Not Applicable	Ensure the first Forum meeting was held no later than 30 November 2013.	Refer to 2.1(a) above.
2.2 Objectives			
(a) The objectives of the Forum are:	Statement	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.	Not Applicable.
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;			
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; and			
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.			
(b) Members of the Forum will not consider or discuss any competitively sensitive	Statement	No procedures performed as this section articulates that competitively	Not Applicable.

Code Obligation	Scope	Procedure	Findings
	information in contravention of the Competition and Consumer Act 2010 (Cth).	sensitive information will not be discussed as part of the Forum, which is not an obligation of the ASX.	
2.3 Membership			
(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.	Statement	No procedures performed as the composition of the Forum is considered as part of 2.3(b).	Not Applicable.
(b) The Forum will consist of:	Re-performance of IA	Based on the Forum membership records, ensure the Forum has:	We have re-performed the work performed by Internal Audit and noted the findings outlined below: The members of the Forum listed on the website as at 16 July 2015 include:
1) up to ten members representing clearing participants and settlement participants;	1) no more than 10 members representing clearing and settlement participants (excluding ASX Group company representatives);	1) representatives from ten cash market clearing and settlement participants;	2) a representative from an alternative market operator;
2) a member representing alternative market operators;	2) an alternative market operator member;	3) a representative from AFMA;	4) a representative from SAA;
3) a member representing the Australian Financial Markets Association;	3) an Australian Financial Markets Association (AFMA) member;	5) a representative from a system vendor;	6) a representative from a share registry;
4) a member representing the Stockbrokers Association of Australia;	4) an Stockbrokers Association of Australia (SAA) member;	7) a representative from a payment system service provider;	8) a representative from a custodial service provider;
5) a member representing system vendors;	5) a system vendor member;	9) a representative from the funds management industry;	10) a representative from the superannuation industry;
6) a member representing share registries;	6) a share registry member;	11) a representative from a listed company;	12) a NED of the Boards of ASXCL and ASXS who is the Forum Chair;
7) a member representing payment system service providers;	7) a payment system service provider member;		
8) a member representing custodial service providers;	8) a custodial service provider member;		
9) a member representing the funds			

Code Obligation	Scope	Procedure	Findings
<p>management industry;</p> <p>10) a member representing the superannuation industry;</p> <p>11) a member representing listed companies;</p> <p>12) a non-executive member of the Boards of ASX Clear and ASX Settlement (Forum Chair); and</p> <p>13) a non-executive member of the Board of ASX Limited.</p>	<p>9) a funds management industry member;</p> <p>10) a superannuation industry member;</p> <p>11) a listed company member;</p> <p>12) a non-executive director (NED) from ASX Clear (ASXCL) and ASX Settlement (ASXS) and that the Director is the Forum Chair; and</p> <p>13) a NED from the ASX Limited Board.</p>	<p>and</p> <p>13) a NED of the ASX Limited Board.</p> <p>The NED of the Boards of ASXCL and ASXS, who is the Forum Chair, is also the NED of ASX Limited. A second NED of the Boards of ASXCL and ASXS is a Forum member.</p> <p>The list of members is consistent with the attendees and apologies listed in the minutes of the Forum meeting on 1 October 2014 (the only Forum meeting during the financial year).</p> <p>The findings outlined above are consistent with the work performed by ASX Internal Audit.</p>	
<p>(c) ASX will invite users to nominate representatives as part of the selection process for appointment to the Forum.</p>	<p>Performed by PwC</p>	<p>Examine the process for nominating Forum members to ensure that users were invited to nominate representatives.</p>	<p>No procedures have been performed as the obligation refers to the process in which ASX invites users to nominate representatives as part of the selection process for appointment to the Forum. We reported our findings in regards to the initial two year Forum membership in our report issued to the Directors of ASX Settlement Pty Limited and ASX Clear Pty Limited on 21 August 2014. The two year term elapsed on 8 August 2015 and the required invitation process therefore falls outside the scope of this report.</p>
<p>(d) ASX will consult users on the nominees for the Forum to inform the selection process.</p>	<p>Performed by PwC</p>	<p>As per section 2.3(c) above.</p>	<p>Consistent with the findings in relation to 2.3(c) above, this falls outside the scope of this report.</p>
<p>(e) ASX will appoint members to the Forum for an initial 2 year term, subject to continued employment with the organisation by which they were nominated.</p>	<p>Reliance on IA</p>	<p>Ensure that all Forum members have been appointed for two years and are current employees of the respective organisations.</p>	<p>Consistent with the findings in relation to 2.3(c) above, this falls outside the scope of this report. We reported our findings in regards to the initial two year Forum membership in our report issued to the Directors of ASX Settlement Pty Limited and ASX Clear Pty Limited on 21 August 2014. The two year term elapsed on 8 August 2015 and the required invitation process therefore falls outside the scope of this report.</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</p>	<p>Performed by PwC</p>	<p>i. Identify any Forum resignations. ii. For a sample of resignations</p>	<p>i. 'Members' of the Forum are the individual organisations, not the representatives. During the period, no member organisations resigned from the Forum and no terms have expired. As such we have deemed</p>

Code Obligation	Scope	Procedure	Findings
<p>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>	<p>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.</p>	<p>ii.</p> <p>We have obtained the meeting minutes for both the final meeting held in FY2014 and the only meeting held in FY2015 and compared the number of members listed for each of these meetings.</p> <p>A comparison of the Forum members between the final forum minutes in the prior reporting period dated 23 June 2014 and the only meeting held during the year dated 1 October 2014 showed that the number of member organisations did not change during the financial year but that the individuals representing Link Market Services (representing share registries) and ASFA (representing the superannuation industry) did change.</p> <p>The two year term of Forum members elapsed on 8 August 2015 and the subsequent invitation for selection therefore falls outside the scope of this report</p> <p>Senior ASX management were in communication with each organisation on the subject of the replacements, including identifying their interest in participating in the Forum. Emails were viewed which indicated that ASX consulted with the participants to which the resignations related (the relevant "user group") regarding the appointment of new representative members for the two resignations during the period. The appointment of the current Forum members has been extended until the Government responds to the review of clearing market structure by the Council of Financial Regulators.</p> <p>iii.</p> <p>Of the three submissions received in response to the feedback form sent to Forum members for section 5(c), one was confidential and the other two were received from Commonwealth Securities (CommSec) and Stockbrokers Association of Australia. The feedback received from CommSec and Stockbrokers Association of Australia included feedback on the administration of the Code which includes the appointment and resignation process.</p>	<p>that no resignations have occurred.</p> <p>We have obtained the meeting minutes for both the final meeting held in FY2014 and the only meeting held in FY2015 and compared the number of members listed for each of these meetings.</p> <p>A comparison of the Forum members between the final forum minutes in the prior reporting period dated 23 June 2014 and the only meeting held during the year dated 1 October 2014 showed that the number of member organisations did not change during the financial year but that the individuals representing Link Market Services (representing share registries) and ASFA (representing the superannuation industry) did change.</p> <p>The two year term of Forum members elapsed on 8 August 2015 and the subsequent invitation for selection therefore falls outside the scope of this report</p> <p>Senior ASX management were in communication with each organisation on the subject of the replacements, including identifying their interest in participating in the Forum. Emails were viewed which indicated that ASX consulted with the participants to which the resignations related (the relevant "user group") regarding the appointment of new representative members for the two resignations during the period. The appointment of the current Forum members has been extended until the Government responds to the review of clearing market structure by the Council of Financial Regulators.</p> <p>iii.</p> <p>Of the three submissions received in response to the feedback form sent to Forum members for section 5(c), one was confidential and the other two were received from Commonwealth Securities (CommSec) and Stockbrokers Association of Australia. The feedback received from CommSec and Stockbrokers Association of Australia included feedback on the administration of the Code which includes the appointment and resignation process.</p>
<p>(g) ASX will appoint members to the Forum based on their skills and experience.</p>	<p>Reliance on IA</p> <p>i. As per 2.3(b) above.</p> <p>ii. Identify the seniority of Forum</p>		<p>It is noted from procedures performed for section 2.3 (b) above that representative of Forum members are CEOs or equivalent.</p>

Code Obligation	Scope	Procedure	Findings
<p>(h) A member of the Forum cannot appoint a delegate or alternate without the prior approval of the Forum Chair.</p>	<p>Performed by PwC</p>	<p>members.</p> <p>i. Identify if there was any appointments of delegates or alternates during the period.</p> <p>ii. Review a sample of delegate and alternate appointments to confirm they had the approval of the Forum Chair.</p>	<p>The minutes of the Forum meeting on 1 October 2014 show that there were no delegates or alternates at the meeting. We noted that one Forum member was unavailable to attend the 1 October 2014 Forum meeting and requested approval from the Chair for an alternative to attend. From our review of the correspondence and meeting minutes, it was noted that the alternate did not attend the meeting as confirmed by the member's apology in the 1 October 2014 minutes.</p>
<p>2.4 Operation of the Forum</p>			
<p>(a) The Forum will be chaired by a member of the Boards of ASX Clear and ASX Settlement (Forum Chair).</p>	<p>Reliance on IA</p>	<p>Examine the Forum membership and ensure the Chair for each meeting was from the Boards of ASXCL and ASXS.</p>	<p>Refer to the results outlined for section 2.3(b)(12).</p> <p>A member of the Boards of ASXCL and ASXS was the Forum Chair for all meetings held during the period.</p>
<p>(b) The Forum will meet at least 3 times a year.</p>	<p>Performed by PwC</p>	<p>Examine the Forum meeting schedule and minutes to ensure the Forum has met and meetings are scheduled at least 3 times during the year.</p>	<p>One meeting of the Forum was held during the year on 1 October 2014. A second meeting was scheduled for 15 April 2015 but was subsequently cancelled due to the review of competition in clearing cash equities in Australia being undertaken by the Council of Financial Regulators. We noted that this was communicated to Forum members in advance of the meeting and no objections were raised. The next meeting has been scheduled for 7 October 2015.</p> <p>During the 1 October 2014 meeting, a proposal was raised to reduce the number of Forum meetings from three meetings to two meetings per year. Upon our review of the minutes, it was noted that there was a broad support from forum members. Furthermore, ASX released a consultation paper "Clearing and Settlement of Cash Equities in Australia Proposed Operational Improvements" in December 2014 which included a recommendation to reduce the number of Forum meetings.</p> <p>Overall there was broad support for the majority of the proposed operational and administrative changes in the Consultation Paper, including from both the Forum and the Business Committee. The proposed operational and administrative changes have been postponed pending a</p>

Code Obligation	Scope	Procedure	Findings
			<p>decision by the Federal Government on the market structure for clearing of cash equities in Australia. The Government is expected to make this decision following its consideration of the review of competition in clearing of cash equities in Australia which was undertaken by the Council of Financial Regulators in 2015.</p> <p>With only one meeting held during the year, this contravenes the obligations of the Code and is therefore noted as an exception.</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>Reliance on IA</p>	<p>i. Review the business committee meeting schedule and/or minutes to confirm it meets prior to each Forum meeting.</p> <p>ii. Review a sample of Forum meeting minutes to confirm the business committee has provided a report to the Forum.</p>	<p>i. The business committee met on 27 August 2014, ahead of the Forum meeting on 1 October 2014. It also met on 27 November 2014 and 4 March 2015 with both dates being before the Forum meeting originally scheduled for 15 April 2015 which was subsequently cancelled (refer to 2.4(b) above) and again on 27 May 2015.</p> <p>The next business committee meeting is scheduled for 27 August 2015, ahead of the Forum meeting which is tentatively scheduled for 7 October 2015.</p> <p>ii. The minutes from the Forum meeting on 1 October 2014 note the minutes and report from the 27 August 2015 business committee meeting.</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>Reliance on IA</p>	<p>i. Review Forum minutes and/or other records for evidence that any technical committees have been appointed during the year.</p> <p>ii. Identify whether any new technical committee was appointed by the Forum.</p> <p>iii. Obtain meeting minutes to evidence that the technical committee formed in FY2014 and any formed in FY2015 has/have convened during the year.</p> <p>iv. Review a sample of business</p>	<p>i. No new technical committees were appointed during the year.</p> <p>ii. N/A based on 2.4(d)i. above.</p> <p>iii. The business committee meeting minutes from 27 November 2014 include a summary of the technical committee meeting held on 24 September 2014 and note further matters for the technical committee to consider.</p> <p>As noted in the report from the FY2014 internal review, the technical committee reports through the business committee rather than reporting directly to the Forum due to the detailed nature of the material discussed.</p> <p>A proposal to change the governance arrangements to ensure the technical committee(s) report to the business committee was included in the ASX consultation paper released on 3 December 2014 - refer to</p>

Code Obligation	Scope	Procedure	Findings
		committee meeting minutes to confirm the technical committee(s) has/have reported to the Forum.	<p>section 2.4(b) above for further details.</p> <p>iv. Please refer to 2.4(d)iii. above.</p>
(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.	Performed by PwC	<p>i. Inquire with management with regards to the facilities and services available to the Forum.</p> <p>ii. Examine if the Forum Chair invited ASX management to attend meetings of the Forum.</p>	<p>i. Through inspection of the Forum website it is noted that all Forum and Business Committee meetings are held at the offices of ASX Limited, 20 Bridge Street, Sydney NSW 2000. It is further noted through examination of the Forum meeting minutes, Forum and Business Committee meetings were held on level 1 at 20 Bridge Street, ASX's client meeting room floor.</p> <p>Through inquiry with ASX management it is noted that an ASX employee is the Forum Secretary, who has the responsibility for agendas, minutes and other administrative matters in regards to the Forum.</p>
(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.	Reliance on IA	<p>i. Review the agenda setting process and determine how agenda items are agreed for each meeting.</p> <p>ii. Confirm the draft agendas were circulated appropriately.</p>	<p>ii. Through examination of the Forum meeting minutes (1 October 2014) it is noted that ASX management were in attendance for either all or select agenda items for this meetings.</p> <p>There is a standing invite for ASX management to attend the Forum. Individual ASX managers are invited to Forum meetings where appropriate in conjunction with particular agenda items. ASX management can address the Forum meeting when invited by the Forum Chair.</p>
(g) Minutes of meetings of the Forum will be kept and approved by the Forum Chair. The Forum Chair will circulate draft	Re-performance	<p>i. Review a sample of finalised minutes from Forum meetings and confirm they were signed.</p>	<p>i. 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. In addition, the Forum Chair invited comments on the agenda and any additional items at the beginning of the 1 October 2014 meeting.</p> <p>ii. The draft agenda for the 1 October 2014 Forum meeting was sent to all current Forum members.</p>

Code Obligation	Scope	Procedure	Findings
	<p>meeting minutes following Forum meetings to provide Forum members with the opportunity to comment on the meeting minutes.</p>	<p>ii. For a sample of draft minutes from Forum meetings, confirm they were distributed and feedback has been considered.</p>	<p>1 October 2014 were signed by the Forum Chair. The draft minutes (and Forum report – relevant for section 2.4(j)) from the 1 October 2014 meeting were sent to all members of the Forum on 9 October 2014. No feedback was received. The findings outlined above are consistent with the work performed by ASX Internal Audit.</p>
<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>Reliance on IA</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>i. The meeting agenda and minutes for the 1 October 2014 meeting are on the website. ii. The agenda for the 1 October 2014 Forum meeting was uploaded to the website on 24 September 2014 (a week prior to the meeting), and 'published' later the same day. iii. The minutes for the 1 October 2014 Forum meeting were circulated to all Forum members on 9 October 2014 but were not published on the website until 26 March 2015, over four months after they were provided to the Boards of ASXCL and ASXS (in the papers for the ASXCL and ASXS Boards November 2014 meeting). From the above, the following exception was noted: i. As noted for section 2.4(g) above, the minutes were provided to the Forum members on 9 October, but they were published over four months after being provided to the Boards of ASXCL & ASXS (also see 2.4(i)). The engagement team concur with the exception raised by ASX Internal Audit.</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</p>	<p>Re-performance of IA</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</p>	<p>We have re-performed the work performed by Internal Audit on the and noted the findings outlined below: i. The written report issued from the 1 October 2014 Forum meeting was selected for the sample. ii. The written report from the 1 October 2014 Forum meeting is available on the website. The report states that there were no material matters or recommendations to be raised with the Boards of ASXCL and ASXS.</p>

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Settlement.		confirm that the Forum Chair provided reports.	iii. The report from the 1 October 2014 Forum meeting was included in the meeting papers for the ASXCL & ASXS Boards meeting in November 2014.
		iii. Confirm the reports from the Forum Chair were published on the ASX website shortly after being provided to the Boards.	The report was circulated to all Forum members on 9 October 2014 but not uploaded to the website for over four months after it was provided to the Boards of ASXCL and ASXS, on the same day as the minutes (refer to section 2.4(h)).
			From the above, the following exception was noted:
			i. As noted for section 2.4(g) above, the minutes were provided to the Forum members on 9 October, but they were published over four months after being provided to the Boards of ASXCL & ASXS (also see 2.4(h) above).
			The engagement team concur with the exception raised by ASX Internal Audit and the findings outlined above are consistent with the work performed by ASX Internal Audit.
(j)	The Forum Chair will circulate a draft of the report to Forum members.	For a sample of reports, examine the correspondence to ensure the draft report was circulated.	The draft Forum report (and minutes, as noted in section 2.4(g)) from the 1 October 2014 meeting were sent to all members of the Forum on 9 October 2014. No feedback was received.
(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.	i. Identify any material matters or recommendations in the report from the Forum. ii. For a sample of the reports from the Boards of ASXCL and ASXS to the Forum and ASXCL and ASXS meeting minutes, ensure they gave due consideration to any material matters or recommendations raised in the Forum reports.	Refer to section 2.4(i); no material matters or recommendations were raised with the Boards of ASXCL and ASXS.
(l)	The Forum Chair will report to the next Forum meeting on the outcome of discussions of the Boards of ASX Clear	Examine a sample of Forum minutes for evidence of discussion of the Boards responses to	From our inspection of the agenda for the 1 October 2014 Forum meeting, it is noted that Agenda Item 7a covered the "Forum Chair report on the Boards of ASX Clear and ASX Settlement's consideration of the Forums

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	<p>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>Forum reporting.</p>	<p>recommencement on T+2 Settlement Cycle". The Chair noted that the board will target implementation of T+2 in the first quarter of calendar year 2016. They will also undertake consultation throughout the second half of the year to determine the change to the batch settlement cut-off time to support the introduction of T+2.</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; and 4) the reasons for these decisions. 	<p>Re-performance of IA</p>	<p>For the material matters and recommendations identified for section 2.4(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>We have re-performed the work performed by Internal Audit and noted the findings outlined below:</p> <p>As noted for section 2.4(i) above, the written report from the 1 October 2014 Forum meeting states that there were no material matters or recommendations to be raised with the Boards of ASXCL and ASXS. Therefore, no written response from the Boards was required.</p> <p>The findings outlined above are consistent with the work performed by ASX Internal Audit.</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>	<p>Reliance on IA</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 written report from the 1 October 2014 Forum meeting states that there were no material matters or recommendations to be raised with the Boards of ASXCL and ASXS.</p> <p>Therefore, as noted for section 2.4(m) above, no written response from the Boards was required.</p>
<p>2.5 Commitment to Broad User Consultation</p>			
<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>Performed by PwC</p>	<p>Determine what other mechanisms exist for user engagement and consultation.</p>	<p>Mechanisms for user engagement and consultation provided by ASXCL and ASXS include consultation papers, working committees and regular meetings between users and management from ASXCL and ASXS (including BD and Risk).</p>
<p>(b) Any interested party may provide information to ASX Clear and ASX Settlement in respect of the development of</p>	<p>Reliance on IA</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: "Communications to the Forum Chair can be emailed to: forumchair@asx.com.au."</p>

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	<p>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>An email was sent to the Forum Chair email address requesting confirmation that the Forum Chair would receive any relevant emails – the response confirmed that any relevant correspondence to the Forum Chair is forwarded as required.</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>Performed by PwC</p>	<p>i. Identify any submissions received during the period. ii. Read a sample of the submissions and ensure these are included in the reports from the Forum Chair where appropriate.</p>	<p>Through inquiry with management it was noted that no submissions were received by the Forum Chair for the period under review.</p>
<p>3. Pricing</p>			
<p>3.1 Transparent Pricing</p>			
<p>(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.</p>	<p>Re-performance of IA</p>	<p>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 services and, for section 3(b),</p>	<p>We have re-performed the work performed by Internal Audit on the and noted the findings outlined below: i. Through inspection of the ASX website (http://www.asx.com.au/about/asx-fees.htm) the following fee schedules applicable to Cash Market clearing and settlement services were noted: <ul style="list-style-type: none"> • Cash Market Clearing Fees Schedule of Fees • Cash Market Settlement Fees Schedule of Fees • Trade Acceptance Service (TAS) pricing and service term options – fees for Approved Market Operators (AMOs) • Settlement Facilitation Service Agreement – fees for Approved Listing Market Operators (ALMOs) (page 20 – Schedule 4) Further, through inquiry with management we confirmed that the fee</p>

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	<p>applicable terms, conditions and eligibility criteria, of any rebates, revenue-sharing arrangements and discounts applicable to each service.</p>	<p>ii. Inquired and confirmed with management that all cash market fees, terms, conditions and eligibility criteria, rebates, revenue-sharing arrangements and discounts applicable to:</p> <ul style="list-style-type: none"> • <i>Clearing Services</i>: Are included in the Cash Market Clearing Fees Schedule of Fees or the TAS pricing and service term options, and • <i>Settlement Services</i>: Are included in the Cash Market Settlement Fees Schedule of Fees or the fee schedule in the Settlement Facilitation Service Agreement. <p>It was noted through those inquiries that no rebates or discounts are applicable for Cash Market Clearing Services, only an annual revenue-sharing scheme.</p> <p>iii. Through inspection of the four fee schedules outlined above, it was noted that they include a brief description of each service provided. Each fee schedule also includes details of terms, conditions and eligibility criteria, rebates, revenue-sharing arrangements and discounts applicable to each service.</p> <p>The findings outlined above are consistent with the work performed by ASX Internal Audit.</p>	<p>schedules listed above are the only fees which are relevant to the Code.</p> <p>ii. Inquired and confirmed with management that all cash market fees, terms, conditions and eligibility criteria, rebates, revenue-sharing arrangements and discounts applicable to:</p> <ul style="list-style-type: none"> • <i>Clearing Services</i>: Are included in the Cash Market Clearing Fees Schedule of Fees or the TAS pricing and service term options, and • <i>Settlement Services</i>: Are included in the Cash Market Settlement Fees Schedule of Fees or the fee schedule in the Settlement Facilitation Service Agreement. <p>It was noted through those inquiries that no rebates or discounts are applicable for Cash Market Clearing Services, only an annual revenue-sharing scheme.</p> <p>iii. Through inspection of the four fee schedules outlined above, it was noted that they include a brief description of each service provided. Each fee schedule also includes details of terms, conditions and eligibility criteria, rebates, revenue-sharing arrangements and discounts applicable to each service.</p> <p>The findings outlined above are consistent with the work performed by ASX Internal Audit.</p>
<p>(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.</p>	<p>Reliance on IA</p>	<p>Refer to section 3.1(a) above.</p>	<p>Refer to section 3.1(a) above.</p>
<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</p>	<p>Performed by PwC</p>	<p>i. For user groups and different activity profiles, ensure the website contains worked examples, tools and other information relating to the expected cost impacts of pricing</p>	<p>Through inspection of the ASX website, it is noted that worked examples for fees for clearing and settlement services are included on the website at:</p> <ul style="list-style-type: none"> • <i>Clearing Services</i>: http://www.asx.com.au/cs/clearing-pricing.htm, and • <i>Settlement Services</i>: http://www.asx.com.au/cs/settlement-pricing.htm

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<p>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. 	<p>changes.</p> <ol style="list-style-type: none"> ii. For user groups and different activity profiles, ensure the website contains worked examples, tools and other information relating to the expected cost impacts associated with new products and initiatives. iii. For user groups and different activity profiles, ensure the website contains worked examples, tools and other information relating to the impact of discounts, rebates, and revenue-sharing arrangements during the period. 	<p>It was also noted that the website outlined 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>Through inquiry with management and through a review of the ASX website, there have been no pricing changes, new products and initiatives, and/or discounts, and rebates and revenue-sharing arrangements relating to cash market clearing and settlement services during the period.</p> <p>This is consistent with the fact that the current Cash Market Clearing and Settlement Fees Schedule of Fees dates pre-9 August 2013 (commencement of the Code).</p> <p>As such, no new worked examples have been included on the ASX website. Through inquiry with management, it was noted that it is management's intention to add to the worked examples on the website when a price change or new product or initiative is introduced.</p> <p>This is consistent with our work performed in relation to procedure 3.1(a) above.</p>	<p>As noted for sections 3.1(a), 3.1(b) and 3.1(c) above, the relevant fee schedules with all fees, rebates, terms and conditions, and the worked examples are on the website.</p> <p>(Main ASX website: http://www.asx.com.au/about/asx-fees.htm). (Forum website: Clearing: http://www.asx.com.au/cs/clearing-pricing.htm). (Forum website: Settlement: http://www.asx.com.au/cs/settlement-pricing.htm).</p>
<p>3.2 Published Management Accounts for Cash Equities</p>			
<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,</p>	<p>Performed by PwC</p>	<p>Ensure the annual clearing and settlement cash equities management accounts are published on the ASX website, together with</p>	<p>The Forum website states that the intention is to publish the management accounts for the year ended 30 June 2015 at the same time as ASX reports its full-year results.</p>

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	<p>together with ASX's full year financial results, and make them available on the ASX website.</p>	<p>the ASX's full year financial results.</p>	<p>These management accounts are to be included on the Forum website contained at the following website link: (http://www.asx.com.au/cs/financial-statements.htm).</p> <p>The FY2015 management accounts were (1) published together with ASX's full year financial results, and (2) made available on the ASX website on 20 August 2015.</p>
<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> <ol style="list-style-type: none"> 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; and 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>Performed by PwC</p>	<p>Obtain the management accounts for clearing and settlement of cash equities and ensure the accounting policies for cost allocation are consistent with the Code.</p>	<p>We note that we are separately engaged by the ASX to provide an audit opinion over the management accounts prepared for clearing and settlement of cash equities.</p> <p>It is noted that 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. This methodology has remained unchanged from the prior year.</p>
<p>(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.</p>	<p>Performed by PwC</p>	<p>Refer to section 3.2(b) above.</p>	<p>Refer to section 3.2(b) above.</p>
<p>(d) The published management accounts will be subject to review by an external auditor.</p>	<p>Performed by PwC</p>	<p>Ensure an external auditor has been engaged to perform a review over the management accounts.</p>	<p>We confirm that PricewaterhouseCoopers has been engaged by the ASX to complete an audit over the management accounts for the (i) cash equities clearing, and (ii) cash equities settlement operations in Australia</p>

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for the year ended 30 June 2015.			
3.3 Non-discriminatory and Transfer Pricing			
(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.	Performed by PwC	<p>i. Identify the current clearing and settlement customers, including ASX-affiliated customers.</p> <p>ii. Obtain a list of all cash market clearing and settlement billing for 2 months and ensure that all users have been billed consistently and/or differences can be justified.</p> <p>iii. Obtain a list of all annual cash market clearing and settlement billing for the period under review and ensure that all users have been billed consistently and/or differences can be justified.</p>	<p>i. The list of ASXCL and ASXS participants was obtained from the ASX website (https://www.asxonline.com/CIS/Participants/Reports/ParticipantsDirectory). It was noted that a revised list of participants was released in January 2015.</p> <p>There are:</p> <ul style="list-style-type: none"> • 38 entities that are participants of both ASXCL and ASXS; • 33 participants who are participants solely of ASXS; and • 3 participants of ASXS which are also Approved Listing Market Operators (ALMOs). <p>ASX currently has 1 Approved Market Operator (AMO) and 3 ALMOs as customers (please refer to our work performed in 4.2(a) above). There is one ASX-affiliated user of cash market clearing and settlement services – ASX Limited as the holder of the market licence to operate the cash market.</p> <p>ii. A sample of 2 months of billing data was selected from the period 1 July 2014 to 30 June 2015.</p> <p>For the sampled months, for each product code applicable to cash market clearing and settlement fees, we ensured that each ASXCL and ASXS participant was billed based on the same rate per unit, as per the Cash Market Clearing and Settlement Schedule of Fees. All participants were charged a consistent rate per unit.</p> <p>In addition, for the 2 months selected the CHESSE fee data for 5 participants was reconciled to the invoices issued. No exceptions were noted.</p> <p>AMOs</p> <p>The Trade Acceptance Service (TAS) agreement only includes annual</p>

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			<p>and ad hoc fees to be charged to AMOs (no monthly fees). No ad hoc fees were identified during the period for the AMO.</p> <p>ALMOs</p> <p>The Settlement Facilitation Service Agreement includes one-off/ad hoc fees and annual fees for ALMOs. Ad-hoc fees for ALMOs were not identified for the period under review based on our review of the CHESs billings file.</p> <p>ASX-affiliated user</p> <p>No monthly or ad hoc billing was identified during the period under review of the ASX-affiliated user.</p> <p>iii. It is noted that no annual fees are charged to participants for clearing and settlement services (as per the Cash Market Clearing and Settlement Schedule of Fees).</p> <p>Through inquiry with management, it is noted that the revenue-sharing schemes with participants is annual. There are 2 schemes (one each for clearing and settlement), with the payment of revenue-sharing dependent on the ASX achieving a predetermined revenue growth rate each year. If the revenue growth rate is achieved for a particular year, 50% of the revenue above the predetermined revenue growth rate is returned to participants. The amount each participant receives is proportional to the fees they have paid during the year.</p> <p>We noted the following:</p> <p>AMOs & ASX-affiliated user</p> <p>It is noted that the TAS (Legal Terms – pricing section) outlines that an annual service fee can be billed to users.</p> <p>ASX released a consultation paper on: "Clearing and Settlement Services for Approved Market Operators and Approved Listing Market Operators: Enhanced service levels and information handling standards" on 23 January 2014. Through inspection of the ASX response to submissions obtained, it is noted that the ASX permanently waived the annual fee charged under the TAS.</p>

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			<p>As such, no annual fees were noted.</p> <p>ALMOs</p> <p>Through inspection of the Settlement Facilitation Service Agreement annual fees are charged to ALMOs. For each ALMO we obtained the annual invoices issued and checked the basis on the fee to the Settlement Facilitation Service Agreement (Schedule 4 – Fees). All ALMOs were charged annual fees on a consistent basis.</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>Performed by PwC</p>	<p>Refer to section 3.3(a) above.</p>	<p>Refer to section 3.3(a) above.</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>Performed by PwC</p>	<p>Ensure that the annual benchmarking study has been planned or performed by an independent consulting firm on an annual basis.</p>	<p>No benchmarking survey was performed in the year. The latest benchmarking report was published being by Oxera Consulting Ltd in June 2014. The minutes from the Forum meeting on 1 October 2014 record that ASX proposed to change the frequency of the annual benchmarking review to every 2 years and that there was "agreement from members that the proposed change in frequency in updating the international cost benchmarking".</p> <p>PwC has reviewed the "Clearing and Settlement of Cash Equities in Australia Proposed Operational Improvements" consultation paper. This was prepared by ASX in December 2014. From our review we noted that a proposal has been listed with regards to changing the requirement for the benchmarking study to be performed every 2 years. As discussed in 2.4(b) above, overall there was broad support for the majority of the proposed operational and administrative changes in the Consultation Paper, including from both the Forum and the Business Committee. The proposed operational and administrative changes have been postponed pending a decision by the Federal Government on the market structure for clearing of cash equities in Australia. The Government is expected to make this decision following its consideration of the review of competition in clearing of cash equities in Australia which was undertaken by the Council of</p>

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			<p>Financial Regulators in 2015.</p> <p>Despite this, the current obligation of the Code is that the benchmarking analysis is to be performed once per year. Given there has been no formal change to the Code to incorporate this change, we therefore deem the non-performance of a benchmarking study as an exception.</p>
(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).	Performed by PwC	Examine the minutes of the Forum meetings or correspondence to confirm that the Forum has been consulted on the scope of the benchmarking.	Refer to 3.4(a) above. As noted in 3.4(a) above, this is an exception.
(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.	Performed by PwC	<ol style="list-style-type: none"> i. Ensure the Forum meeting minutes reference the content of the benchmarking report. ii. Obtain correspondence to ensure the report was also provided to the ACCC, ASIC, RBA and Treasury. iii. Ensure the report has been published on the ASX website. 	Refer to 3.4(a) above. As noted in 3.4(a) above, this is an exception.
4. Access to clearing and settlement services			
4.1 Standard Access to Clearing and Settlement Services			
(a) ASX Clear and ASX Settlement will continue to publish on the ASX website transparent standard terms and conditions:	Performed by PwC	Examine the ASX website to ensure that ASXCL and ASXS have published standard terms and conditions:	From our inspection of the ASX website, the following published documents have been noted:
1) to become an ASX Clear or ASX Settlement participant pursuant to ASX Clearing and ASX Settlement operating rules;	1)	to become an ASX Clear or ASX Settlement participant pursuant to the ASXCL and ASXS operating rules;	1) Becoming a participant: "A Guide to Becoming an ASX Participant" (Forum website: http://www.asx.com.au/cs/equity-market-participants.htm) (ASX main website: http://www.asx.com.au/regulation/compliance/participants.htm);
2) for AMOs seeking access to TAS in	2)	for AMOs seeking access to	2) AMOs seeking access to TAS: "Legal terms for the provision of a trade acceptance service to Australian financial market licensees in respect of CHESSE-eligible ASX-quoted financial products" (Forum

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<p>order to facilitate the clearing and settlement for transactions effected through that AMO pursuant to the TAS Legal Terms; and</p> <p>3) for ALMOs to apply for the provision of settlement facilitation services, pursuant to the Settlement Facilitation Service Agreement.</p>	<p>TAS in order to facilitate the clearing and settlement for transactions effected through that AMO pursuant to the TAS Legal Terms; and</p> <p>3) for ALMOs to apply for the provision of settlement facilitation services, pursuant to the Settlement Facilitation Service Agreement.</p>	<p>website: http://www.asx.com.au/cs/services-for-approved-market-operators.htm); and</p> <p>3) ALMOs to apply for the provision of settlement facilitation services: "Settlement Facilitation Service Agreement" template (Forum website: http://www.asx.com.au/cs/services-for-approved-listing-market-operators.htm).</p>	
<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>Performed by PwC</p>	<p>i. Identify if any applications for access to clearing and settlement services has been prohibited, given with conditions or limited.</p> <p>ii. For a sample of such applications identified, examine the reason for the decision and ensure it is in accordance with the relevant rules.</p>	<p>Through inquiries with management it was confirmed that there were no applications for access to clearing and settlement services that have been prohibited, given with conditions or limited.</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>Performed by PwC</p>	<p>i. Identify all AMOs and ALMOs.</p> <p>ii. Obtain correspondence to ensure that AMOs and ALMOs have been consulted on their respective service level agreements under the TAS and the Settlement Facilitation Service.</p>	<p>The following have been identified as AMOs and ALMOs:</p> <ul style="list-style-type: none"> • AMOs: Through inquiry with management it is noted there is currently only 1 AMO – Chi-X; • ALMOs: Through inspection of the ASX website (http://www.asx.com.au/cs/services-for-approved-listing-market-operators.htm) the following ALMOs have been identified: <ul style="list-style-type: none"> 1) Asia Pacific Exchange Limited (APX); 2) National Stock Exchange of Australia Limited (NSX); and 3) SIM Venture Securities Exchange Limited (SIM).

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			<p>ii. It was confirmed in FY2014 that AMOs and ALMOs were consulted on their service level agreements. Management have advised that this requirement was not intended to lead to an annual consultation. A consultation paper was also provided via email. This consultation paper is also included on the ASX website (http://www.asx.com.au/regulation/public-consultations.htm) Given that there is no annual requirement per the parameters of the code for this consultation to occur on a yearly basis, we deem that ASX has fulfilled its obligation despite a consultation not occurring during the year.</p>
<p>4.3 Responsiveness to Requests</p>			
<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>Performed by PwC</p>	<p>Identify any requests for clearing and settlement services by AMOs and ALMOs and ensure they were considered within the published target timeframes.</p>	<p>Through inquiries with management it was noted that during the period:</p> <ul style="list-style-type: none"> • There was an existing AMO request; and • 1 new ALMO request had been received. <p>AMO</p> <p>Timeframes for the ASX to response to AMO requests are:</p> <ol style="list-style-type: none"> 1) Respond to a request for a change and provide a change request form within 3 business days; 2) Contact the requestor within 5 business days of receiving the completed change request form to arrange a meeting; and 3) Provide an initial response within 10 business days of the meeting. <p>ALMO</p> <p>Timeframes for the ASX to response to ALMO requests are:</p> <ol style="list-style-type: none"> 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 business days of receiving the completed change request form; and

Code Obligation	Scope	Procedure	Findings
			<p>3) Provide a decision within 20 business days of the workshop.</p> <p>PwC noted that the ALMO request received during the year was outside of the scope of the Settlement Facilitation Service (SFS), and the published timeframes therefore do not apply. The formal request was received via email to the ASX on 3 November 2014 and an initial response was sent on 7 November (four business days later). This has not been raised as an exception given the nature of the request and the subsequent four business day response.</p>
<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>Performed by PwC</p>	<p>For a sample of requested changes identified for 4.3(a) above, obtain correspondence to ensure 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>Through inquiries with management, it was confirmed that both of the requests in 4.3(a) above were categorised as a change to the TAS agreements (with new documents compiled to be supporting amendments to the original TAS) post the financial year under review. The change in relation to the AMO was not signed during the financial year under review and is expected to be signed after the date of our report. With the change in relation to ALMO, there will be a generic/standardised document (mainly focused around warrants) which again will be finalised post the period under review.</p>
<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>Performed by PwC</p>	<p>Check the ASX website to ensure there are published protocols on:</p> <ol style="list-style-type: none"> responding to AMO and ALMO service requests, and dispute resolution processes (including pre-access and post-access disputes). 	<p>From inspection of the ASX website (http://www.asx.com.au/cs/services-for-approved-market-operators.htm, http://www.asx.com.au/cs/services-for-approved-listing-market-operators.htm) it is noted that the following documents are included:</p> <ul style="list-style-type: none"> "Procedures for Access Requests by Approved Market Operators" document; and "Procedures for Access Requests by Approved Listing Market Operators" document. <p>These documents outline timeframes for the ASX's response in relation to:</p> <ul style="list-style-type: none"> AMO: New customer enquiries and requests for the enhancement or expansion of the TAS; and ALMO: New customer enquiries, new service enquiries, enquiries

Code Obligation	Scope	Procedure	Findings
<p>regarding potential enhancement to the Settlement Facilitation Service and operational matters.</p> <p>It is noted dispute resolution processes are also detailed in the "Code of Practice for Clearing and Settlement of Cash Equities in Australia Access Protocols" document (http://www.asx.com.au/cs/code-practice.htm).</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>	<p>Performed by PwC</p>	<p>i. Identify any disputes in relation to applications for access to clearing and settlement services.</p> <p>ii. For a sample of disputes, ensure they have been dealt with in accordance with the ASXCL and ASXS operating rules as appropriate.</p>	<p>Through inquiries with management, it was confirmed that no formal disputes were received by the ASX during the year in relation to applications for access to clearing and settlement services or services provided.</p>
<p>(b) Dispute resolution processes will apply to disputes:</p> <ol style="list-style-type: none"> 1) with AMOs and ALMOs which are seeking standard access to clearing and settlement services as governed by this Code (pre-access disputes); and 2) with AMOs and ALMOs which are being provided with the clearing and settlement services governed by this Code (post-access disputes). 	<p>Performed by PwC</p>	<p>i. Identify any disputes with AMOs and ALMOs in relation to seeking either standard access to clearing and settlement services, or in relation to current clearing and settlement services.</p> <p>ii. For a sample of disputes, ensure they have been dealt with in accordance with the ASXCL and ASXS operating rules as appropriate.</p>	<p>Based on 4.4(a) above, there were no formal disputes received by the ASX during the period in relation to AMOs and ALMOs seeking either standard access to clearing and settlement services, or in relation to current clearing and settlement services.</p> <p>It is noted that the ASX has included on its website (http://www.asx.com.au/cs/code-practice.htm) pre-access and post-access dispute resolution handling protocols.</p>
<p>(c) The dispute resolution processes applying to pre-access disputes will be incorporated into the protocols described in clause 4.3(c).</p>	<p>Performed by PwC</p>	<p>Ensure that the dispute resolution processes applying to pre-access disputes have been incorporated into the protocols described in</p>	<p>As noted for section 4.3(b) above, pre-access dispute resolution processes are available on the ASX website.</p>

Code Obligation	Scope	Procedure	Findings
<p>(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:</p> <ol style="list-style-type: none"> 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; and 3) a procedure to escalate any disputes which have not been resolved by negotiation to an independent arbitrator for a final binding decision. 	<p>Performed by PwC</p>	<p>Ensure that the dispute resolution processes applying to pre-access disputes in the protocols described in clause 4.3(c) contain:</p> <ol style="list-style-type: none"> 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; and 3) a procedure to escalate any disputes which have not been resolved by negotiation to an independent arbitrator for a final binding decision. 	<p>Through inspection of the pre-access dispute resolution protocols included within the "Code of Practice for Clearing and Settlement of Cash Equities in Australia Access Protocols" document, the features required by the Code have been included on the following pages:</p> <ol style="list-style-type: none"> 1) Page 1 (section 6 & 7); 2) Page 2 (section 8 & 9); and 3) Page 2 (section 9 & 10).
<p>clause 4.3(c).</p>			
<p>(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.</p>	<p>Performed by PwC</p>	<p>Ensure the TAS Legal Terms and SFS Agreement incorporates the post-access dispute resolution procedures as appropriate.</p>	<p>Through inspection of the TAS Legal Terms and SFS Agreement it is noted that post-access dispute resolution processes are included within these documents.</p>
<p>5. Review</p>			
<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 	<p>Reliance on IA</p>	<p>Inspect the working papers of ASX Internal Audit and re-perform a sample of their work performed.</p>	<p>As outlined earlier in our report, due to the concurrent nature of the internal and independent external review we have placed reliance on a specific portion of Internal Audit's work performed.</p> <p>To evaluate whether the work of Internal Audit can be utilised for the purpose of our review, we have re-performed a sample of the work</p>

Code Obligation	Scope	Procedure	Findings
<p>clause 2.2;</p> <p>2) ASX's compliance with the cost allocation principles described in clause 3.2;</p>			<p>performed by Internal Audit.</p> <p>The obligations of the Code where we have either placed reliance on Internal Audit or re-performed their work, is clearly outlined within this report.</p>
<p>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;</p>			<p>A completed written report from ASX Internal Audit was published on 15 September 2015 on the ASX website which is within 3 months of the financial year end.</p>
<p>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</p>			
<p>5) ASX's pricing to verify that there is no discrimination between ASX-affiliated entities and other users of clearing and settlement services.</p>			
<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>(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>	<p>Performed by PwC</p>	<p>The procedures performed over each obligation in the Code are outlined within this report.</p>	<p>We confirm that we have been engaged by the ASX to complete a review of the operation of the Code for the year ended 30 June 2015.</p> <p>This report outlines the results of the procedures performed over each applicable obligation with the Code.</p>

Code Obligation	Scope	Procedure	Findings
<ol style="list-style-type: none"> 1) ASX's compliance with the cost allocation principles described in clause 3.2; 			<p>Given our final report is issued to the Boards of ASX Clear and ASX Settlement on 22 September 2015, we are unable to validate if our completed written report has been published on the ASX website within 3 months of the financial year end. Through inquiry with management, it was noted that their intention is to publish our completed report on the ASX website within 3 months of the financial year end.</p>
<ol style="list-style-type: none"> 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; 			
<ol style="list-style-type: none"> 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; and 			
<ol style="list-style-type: none"> 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>(c) Users of clearing and settlement services will be consulted as part of the reviews.</p>	<p>Performed by PwC</p>	<p>Request feedback from members of the Forum on the operation of the Code by the ASX. This includes feedback on:</p>	<p>Members of the Forum were requested to provide feedback on the operation of the Code by the ASX through a 'feedback form'. This feedback form was emailed to Forum members by PwC on 9 August 2015. The request for feedback was performed in conjunction with ASX Internal Audit as part of their review.</p>

Code Obligation	Scope	Procedure	Findings
		<ul style="list-style-type: none"> i. Effectiveness of the Forum; ii. ASX's mechanisms for user engagement and consultation; iii. ASX's responsiveness to requests; and iv. Administration of the Code. 	<p>The form requested Forum members provide feedback on:</p> <ul style="list-style-type: none"> i. Effectiveness of the Forum; ii. ASX's mechanisms for user engagement and consultation; iii. ASX's responsiveness to requests; and iv. Administration of the Code. <p>Non-confidential feedback obtained from Forum members is attached in Appendix B of this report.</p>
<p>(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>	<p>Performed by PwC</p>	<ul style="list-style-type: none"> 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. ii. For a sample of requests, ensure that the information requested was provided. 	<p>Through inquiry with management, it was confirmed that there were no requests received from the ACCC, ASIC, RBA or Treasury in relation to compliance with the Code. A quarterly liaison meeting is held with ASIC to provide a general update. We examined the communication log with regulatory agencies that is maintained by the ASX and noted no communications from ACCC, ASIC, RBA or Treasury in relation to compliance with the Code.</p>
<p>(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.</p>	<p>Reliance on IA</p>	<p>Access the ASX website to confirm that procedures and protocols for comments or complaints relating to the Code have been published.</p>	<p>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.</p>
<p>(f) Comments or complaints should be addressed to the attention of the office of the Chief Executive Officer.</p>	<p>Reliance on IA</p>	<p>No review procedures to be performed. The section articulates the contact person for comments and complaints.</p>	<p>Not applicable.</p>
<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</p>	<p>Performed by PwC</p>	<p>Examine the procedures and protocols for comments or complaints relating to the Code on the ASX website and ensure they advise that anyone dissatisfied with</p>	<p>From an examination of the "Comments and Complaints Protocol for the Code of Practice" document, the following is stated – "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</p>

Code Obligation	Scope	Procedure	Findings
<p>Settlement for their consideration.</p>	<p>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>complaint was dealt with".</p> <p>Contact details (mail and email) are outlined in the document for the Forum Chair. The email address included in the document is: forumchair@asx.com.au.</p> <p>Through inquiry with management there were no complaints or comments received by ASX via this email service. We have also reviewed the complaints log and note no correspondence directed to the Forum Chair and no complaints over the operation of the Code.</p>	<p>Through inquiries with management, it was confirmed that confidential and Competitively Sensitive Information (CSI) was obtained in the course of providing clearing and settlement services.</p> <p>Management confirmed that there were no changes during the reporting period FY2015 to the processes that were confirmed as being in place previously.</p> <p>When an AMO or ALMO contacts management with data that they wish to be treated as CSI, ASX first reviews the information to assess whether or not it is competitively sensitive. If it is, ASX will then request permission to share the data with the relevant contacts within management including Enterprise Architect and the General Manager of Clearing Risk Strategy and Policy. After ASX have received permission, they will forward the information to the relevant contacts for their review and for them to advise whether they see any issues with the request and/or if they require any further information. A similar process is then followed to share the information with the Group Executive of Operations and any other essential staff. For each member of staff receiving CSI, management meets with them and provides training to ensure they understand the requirements of the Information Handling Standards.</p> <p>The information obtained is ring-fenced and kept in a secure directory where access is limited, and management use hush-mail to correspond externally with the affected parties. Management noted</p>
<p>6. Protection of Confidential Information</p>			
<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>Performed by PwC</p>	<p>i. Obtain details of the types of confidential or competitively sensitive information that are acquired in the course of providing clearing & settlement services.</p> <p>ii. Review the processes in place to ensure that any confidential or competitively sensitive information obtained is only used for the purpose for which it was provided.</p>	<p>i. Through inquiries with management, it was confirmed that confidential and Competitively Sensitive Information (CSI) was obtained in the course of providing clearing and settlement services.</p> <p>ii. Management confirmed that there were no changes during the reporting period FY2015 to the processes that were confirmed as being in place previously.</p> <p>When an AMO or ALMO contacts management with data that they wish to be treated as CSI, ASX first reviews the information to assess whether or not it is competitively sensitive. If it is, ASX will then request permission to share the data with the relevant contacts within management including Enterprise Architect and the General Manager of Clearing Risk Strategy and Policy. After ASX have received permission, they will forward the information to the relevant contacts for their review and for them to advise whether they see any issues with the request and/or if they require any further information. A similar process is then followed to share the information with the Group Executive of Operations and any other essential staff. For each member of staff receiving CSI, management meets with them and provides training to ensure they understand the requirements of the Information Handling Standards.</p> <p>The information obtained is ring-fenced and kept in a secure directory where access is limited, and management use hush-mail to correspond externally with the affected parties. Management noted</p>

Code Obligation	Scope	Procedure	Findings
(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.	Performed by PwC	Confirm with management that confidential or competitively sensitive information acquired was not utilised to provide an advantage to an affiliated entity of ASX Clear or ASX Settlement.	that it is the responsibility of the AMO and ALMO to ensure they send correspondence through to the relevant ASX counterparts. We inquired with management and it was confirmed that no competitively sensitive information acquired was utilised to provide an advantage to an affiliated entity of ASX Clear or ASX Settlement. As noted above, we sighted 'Key Obligation Self Assessments' statements for key ASX personnel involved in the clearing & settlement activities and noted no issues with compliance with the Conflict Handling obligations.
(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.	Performed by PwC	<p>i. Ensure 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.</p> <p>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 obtained.</p>	<p>i. The procedures and protocols established internally at the ASX have been outlined in section 6(a) above.</p> <p>ii. It was noted that the ASX sent (via email on the 23 January 2013) to the AMO and ALMOs the ASX consultation paper 'Clearing and Settlement Services for Approved Market Operators and Approved Listing Market Operators: Enhanced service levels and information handling standards'. This consultation paper is also included on the ASX website (http://www.asx.com.au/regulation/public-consultations.htm) It was noted that the consultation paper includes proposals to enhance the protection of confidential information received from AMOs and ALMOs. Through inquiries with management it was noted that proposed amendments from the consultation process have been completed and came into effect on 1 July 2014. It was noted that submissions from Chi-X and APX to the consultation paper have been included on the ASX website (refer to link listed above). ASX's responses to these submissions have also been published on the website.</p>

Code Obligation	Scope	Procedure	Findings
7. Operation of the Code			
(a) This Code commences operation on 9 August 2013.	Statement	No procedures performed as this section outlines the effective date of this Code as 9 August 2013.	Not Applicable.
(b) Changes to the Code will not be made without prior consultation with the Forum, other users and the Agencies.	Reliance on IA	i. Identify any changes to the Code. ii. For a sample of changes, examine the minutes of the Forum and correspondence with other agencies and Forum members to confirm they were consulted.	Through inquiries with management, no changes to the Code have been undertaken since its implementation. As noted in the ASX Internal Audit report, operational improvements have been proposed and broadly agreed to, but postponed pending a decision by the Federal Government on the market structure for clearing of cash equities in Australia.
(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.	Statement	No procedures performed as this section articulates which documents the Code will be interpreted with.	Not Applicable.



Commonwealth Securities Limited

1. *Effectiveness of the Forum*

Consider: Is the Forum meeting its objectives, in particular, providing a mechanism for customers and industry stakeholders to provide input to ASX on the ongoing development of cash market clearing and settlement services? Is an equal opportunity to express views and opinions provided to all Forum members? Is the communication between the Clearing and Settlement Boards and the Forum appropriate? If not, please specify why not.

The Forum has continued to meet its objectives by providing a formal mechanism three times a year for represented customers and industry stakeholders to provide input to ASX on the ongoing development of cash market clearing and settlement services. The inclusion of the largest customers and groups representing all industry stakeholders (notably the Stockbrokers Association of Australia and the Australian Financial Markets Association) on the Forum ensures the opportunity to provide input is broad. The public Code of Practice web site publishes all agendas, minutes and reports that any stakeholder and customer can access giving full transparency and supporting their opportunity to input.

In our experience all members of the Forum get equal opportunity to express views and opinions but attendance and use of the opportunity varies as you would expect.

Communication between the Clearing and Settlement Boards of the ASX and the Forum is in writing and as frequent as the meetings of the Forum which are now only three times a year. This ensures the Boards are formally aware of the Forum's view which is sufficient.

The Forum is appropriately well informed and guided by the Business Committee which now meets even more regularly and is attended by a wide group of stakeholder representatives who are closer to the clearing and settlement processes than the senior Forum stakeholders.

2. *ASX's mechanisms for user engagement and consultation*

Consider: Do ASX's mechanisms for user engagement and consultation (e.g. Forum, consultation papers, industry briefings) offer ample opportunity to provide feedback on the development of the market? If not, please specify why not.

ASX has continued to provide ample opportunity for user engagement and feedback in the last 12 months. Our experience is that ASX customer service has increased during the year.

In addition to regular Customer Forums and one off project related forums that we and other participants can attend, we have regular one on one business and operational meetings with ASX. We are experiencing improving engagement with the ASX through these and from having an allocated customer relationship manager.

There has been very good consultation and involvement with the main proposed change in Settlement to T+2. However there was insufficient consultation on the impact on customers and investors of a proposed minor change in interpretation of designated names allowed for superannuation funds in CHES which actually has potential large impact on SMSF investors.

It would be very useful for ASX to adopt a similar communication of its rule changes to that of ASIC who include a summary of the particular parts of its rule that have been amended to ensure participants can identify it easily and manage the change in a timely manner rather than just circulating the updated rule book.

3. *ASX's responsiveness to requests*

Consider: Does ASX respond to requests relating to cash market clearing and settlement services in a timely manner? If not, please provide relevant details.

ASX is generally very responsive to our requests relating to clearing and settlement cash market services in a timely manner and if it is not an escalation path exist (outside of the Forum) through regular relationship management meetings (technical and business) and through our allocated ASX Customer Relationship Manager. We maintain a joint issues log that is regularly reviewed and managed very effectively by ASX.



4. Administration of the Code

Consider: Was the nomination and appointment process for members of the Forum appropriate? Is the process for resignation and replacement appropriate? If not, please provide specific comments.

The nomination and appointment process for the Forum is that ASX consult with its users and invite individuals from organisations to the forum to represent their segment of the industry. The groups that must be included are specified in the Code of Practice and are appropriate. Also appropriate is the granting of discretion to the ASX as it is their customer forum. It gives ASX some flexibility but requires that half the membership be customers (Participants) and inclusion of all remaining stakeholders is via official industry bodies. Alternatives of giving the power to a third party or mandating involvement of certain customers seem less appropriate.

The process did achieve a good spread of members that includes the largest clearers and settlers, competitors to ASX using its services (Chi-x on the Forum and NSX and APX on the Business Committee), a mid-tier broker from Perth and good industry stakeholders/association representation on the forum (though not the Business Committee).

Recently ASX has consulted members on change to the Forum and Business Committee membership in line with Code specification that the rotation of membership is allowed for every two years.

Resignation is required by individuals when they leave organisations that they are representing. This is appropriate as they are there as representatives not in their own right. There have been appropriate changes to the membership in the last year in line with this.



Stockbrokers Association of Australia

1. *Effectiveness of the Forum*

Consider: Is the Forum meeting its objectives, in particular, providing a mechanism for customers and industry stakeholders to provide input to ASX on the ongoing development of cash market clearing and settlement services? Is an equal opportunity to express views and opinions provided to all Forum members? Is the communication between the Clearing and Settlement Boards and the Forum appropriate? If not, please specify why not.

The Forum has not met this calendar year and only once in the last 12 months, so there is not a sufficiently meaningful opportunity to draw many conclusions as to the operations of the Forum.

We have not sought feedback from those of the Association's member firms who are represented on the Forum in their own right, given the limited time afforded for a response, and given that those firms have presumably been asked to provide feedback direct as Forum members as part of this process.

2. *ASX's mechanisms for user engagement and consultation*

Consider: Do ASX's mechanisms for user engagement and consultation (e.g. Forum, consultation papers, industry briefings) offer ample opportunity to provide feedback on the development of the market? If not, please specify why not.

In general, the Association is satisfied with the user engagement and consultation mechanisms provided by ASX in relation to Clearing and Settlement.

An exception has been the recent issue relating to the proposal for CHES Release 9.0, where the Association was not happy with the nature of the changes being proposed to the Clearing and Settlement rules, or the reasons for proposing them. Whilst an opportunity to consult was provided, and was utilised, the time period proposed for implementing the changes was too short to be realistic.

We advised ASX that the use of the Clearing and Settlement rules to impose obligations on brokers relating to tax related laws was not in our view an appropriate use of the ASX's powers to make rules governing the operation of its clearing and settlement facility.

ASX paid regard to our submissions and the proposed changes have been deferred.

There is a question mark as to whether there is a provision in the Code of Practice to deal with this type of issue, and whether there ought to be or whether there is a gap in the Code of Practice.

Whilst this issue would probably not fall within the description of the provision of clearing and settlement service on discriminatory terms, there is a question mark as to how appropriate it is for participants in the market to have such liabilities imposed on them by a single facility operator, without the availability to choose to use a competing clearing and settlement facility which did not impose the same requirements.

3. *ASX's responsiveness to requests*

Consider: Does ASX respond to requests relating to cash market clearing and settlement services in a timely manner? If not, please provide relevant details.

As an industry body, the Association is not able to answer these question directly from its own knowledge. In the limited time allowed for a response, we are not in a position to consult our members for feedback on this question. If more time were able, we could ask member firms for their feedback

4. *Administration of the Code*

Consider: Was the nomination and appointment process for members of the Forum appropriate? Is the process for resignation and replacement appropriate? If not, please provide specific comments.

This has not been a question that has generated any issues during the last 12 months, and hence we do not have any comment to make. We note that the Association's replaced its representative on the Forum during this period, by reason of a change in Chief Executive, and this took place without any difficulty.