



Independent assurance report on ASX Settlement Pty Limited and ASX Clear Pty Limited (ASX)'s compliance with the Regulatory Expectations for conduct in operating cash equity clearing and settlement services in Australia (the "Regulatory Expectations") as represented in ASX's Compliance Framework

25 September 2023

Dear Directors

Opinion

We have been engaged by ASX Limited on its own behalf and on behalf of its subsidiaries ASX Settlement Pty Limited and ASX Clear Pty Limited (collectively referred to as the Client Entities, or ASX) to undertake a reasonable assurance engagement in relation to ASX's compliance, in all material respects, for the year ended 30 June 2023, with:

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

In our opinion, ASX has complied, in all material respects, with the Regulatory Expectations as evaluated against the Compliance Framework for the year ended 30 June 2023.

Basis for opinion

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

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

Other matter – scope of our engagement

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

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Regulatory Expectations and that it has conducted its operations in accordance with these policies and procedures.” Accordingly, we have not provided assurance on ASX’s compliance with the more subjective matters contained in the Regulatory Expectations.

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

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

Our opinion is not qualified in respect of these matters.

Description and findings of the reasonable assurance procedures

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

Other information

The recommendations and management responses provided in Appendix A are considered other information (not subject to our reasonable assurance conclusion under ASAE 3100).

The recommendations within Appendix A have been prepared by us, and the management responses within Appendix A have been prepared by ASX to provide additional information and is not part of ASX’s Compliance Framework. Such information has not been subjected to our assurance procedures and accordingly, we express no conclusion on it.

Responsibilities of the Directors and management of ASX

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

- a. Identification of the Regulatory Expectations and the risks that threaten the Regulatory Expectations identified above being met.



- b. The compliance activities undertaken to meet the Regulatory Expectations.
- c. Identification and implementation of controls which will mitigate those risks that prevent the Regulatory Expectations being met and monitoring ongoing compliance.

Our independence and quality management

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

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

Our responsibility

Our responsibility is to express an opinion on ASX's compliance with the Regulatory Expectations, in all material respects, as evaluated against the Compliance Framework for the year ended 30 June 2023. ASAE 3100 requires that we plan and perform our procedures to obtain reasonable assurance about whether ASX has complied, in all material respects, with the Regulatory Expectations, as evaluated against the Compliance Framework for the year ended 30 June 2023.

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

Inherent limitations

Because of the inherent limitations of an assurance engagement, together with the internal control structure, it is possible that fraud, error or non-compliance with compliance requirements may occur and not be detected. Additionally, there is a certain level of subjectivity within the subject matter as represented in the Regulatory Expectations, which we have addressed under "Other matter – scope of our engagement" in this opinion.

A reasonable assurance engagement throughout the year ended 30 June 2023 does not provide assurance on whether compliance with the Regulatory Expectations will continue in the future.

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

This assurance report relates to the compliance of ASX with the Regulatory Expectations as represented in ASX's Compliance Framework for the year ended 30 June 2023 (compliance subject



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

Use of report

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

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

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

This disclaimer applies:

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

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By:

A handwritten signature in black ink, appearing to read 'DG Chesler', written over a horizontal line.

Deanna Chesler
Partner



Appendix A. Description and findings of the reasonable assurance procedures

RE section	#	Regulatory Expectation	Procedures	Findings	Recommendation*	Management Response*
User input to governance	1(a)	ASX should make an explicit public commitment to investing promptly and efficiently in the design, operation and development of the core CS infrastructure for the Australian cash equity market, including the Clearing House Electronic Sub-register System (CHES) and any future replacement system. This commitment should be supported by governance processes that enable users to provide input on the setting of the investment strategy. Investments should ensure that, to the extent reasonably practicable, the performance, resilience, security and functionality of the core CS infrastructure meet the needs of users, recognising the diversity and differing needs of users. At a minimum, the core CS infrastructure should accommodate internationally accepted communication procedures and standards.	Our assurance procedures with respect to this Regulatory Expectation have been performed with regard to ASX's governance processes that enable users to provide input on the setting of ASX's investment strategy. Broader project governance, technology, and delivery aspects of the CHES replacement project are not within the scope of our opinion.		Not applicable.	Not applicable.
			1. Examined the Code of Practice (2017) for ASX's public commitment to investing promptly and efficiently in the design, operation, and development of core CS infrastructure.	The Code of Practice provides for the following: <ul style="list-style-type: none"> “ASX will invest in the ongoing operation and development of the core cash equities Clearing and Settlement infrastructure promptly and efficiently. Such investments will seek to meet the needs of users, recognising the diversity and differing needs of users”. “ASX recognises the importance of engagement on the design and functionality of the infrastructure to ensure it continues to meet the needs of its users and the market and is consistent with the relevant international best practice”. “ASX will consult the Business Committee on its investment decisions in relation to the design, operation and development of new cash equities clearing and settlement infrastructure and services, including the development of a transition and implementation plan 	Not applicable.	Not applicable.



RE section	#	Regulatory Expectation	Procedures	Findings	Recommendation*	Management Response*
				for new infrastructure”.		
			2. Examined the Business Committee Charter (2019) for ASX’s public commitment to enable users to provide input on the setting of the investment strategy of CS infrastructure.	<p>The Business Committee Charter sets out the role, membership and administrative matters for the effective functioning of the Business Committee. The Charter states that one of the roles of the Business Committee is to provide “input for consideration by ASX Management and the Boards of ASX Clear and ASX Settlement on setting the ASX investment strategy for cash equities clearing and settlement infrastructure and services development, and the system design, operational arrangements and implementation plan for new cash equities clearing and settlement infrastructure and services provided by ASX”.</p> <p>The Charter also outlines the procedures for sharing agendas and associated papers prior to meetings of the Business Committee to provide members with an opportunity to contribute to the agenda setting process.</p>	Not applicable.	Not applicable.
			3. Examined the Business Committee agendas and minutes on a sample basis for the year ended 30 June 2023 as published on ASX’s website for evidence of opportunities for members to provide input and ask questions.	<p>For the Business Committee meeting agendas and minutes inspected, we noted that agendas had been shared to Business Committee members ahead of the meeting to provide opportunity for input, and the Business Committee meeting minutes indicated that members were provided the opportunity to raise comments.</p> <p>Agenda items covered existing CHES as well as the CHES replacement project.</p>	Not applicable.	Not applicable.
			4. Enquired with management and inspected ASX’s website for the governance processes and consultation groups	The governance processes available to ASX CS service users during the year included the Business Committee (described above) and the establishment of the ASX CHES Replacement Technical Committee (Technical Committee), a sub-	Refer to 1(a)5.	Refer to 1(a)5.



RE section	#	Regulatory Expectation	Procedures	Findings	Recommendation*	Management Response*
			<p>available to enable users to provide input on the setting of the investment strategy.</p>	<p>committee of the existing Business Committee, in February 2023.</p> <p>We obtained and inspected the Technical Committee Charter available on ASX's website, which states that the purpose of the Committee is to provide an industry forum for ASX to "obtain input from impacted stakeholders to inform ASX Management and the Boards of ASX Clear and ASX Settlement in relation to its decision making" and to "communicate and provide visibility to, and seek expert views and input from, impacted stakeholders on the safe and successful delivery of CHES replacement". The Charter provides that the Technical Committee Chair will endeavour to provide the agenda and presentation materials at least one week prior to each meeting, and that discussed matters are reported to the Business Committee.</p> <p>Prior to ASX's announcement in November 2022 on the reassessment of CHES replacement, management advised that other consultation groups were also available to CS users, and users were provided the opportunity to access the CHES replacement system in a user test environment to perform testing over the released functionality of the system. The details of these consultation groups, and ASX's progress reporting on these service developments have been detailed in 1(d)3.</p>		
			<p>5. Examined the Technical Committee agendas and minutes on a sample basis for the year ended 30 June 2023 as published on ASX's website for evidence of opportunities for members to provide input</p>	<p>Observation noted.</p> <p>We have inspected a sample of Technical Committee meeting minutes which indicated that matters relating to CHES replacement were discussed, and members were able to ask questions and provide input. The agendas and associated presentation materials were shared between 0 - 5 days</p>	<p>The Technical Committee Chair should continue to endeavour to provide agendas and associated papers at least one week prior to meetings to allow</p>	<p>Clause 8.2 of the Technical Committee Charter provides that The Chair will endeavour (ASX's emphasis) to provide the agenda and presentation material or</p>



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			and ask questions.	<p>prior to each meeting despite the Charter requiring the Technical Committee Chair to endeavour to provide materials at least one week prior to each meeting.</p> <p>Through our follow up discussions with management, we understand the following circumstances contributed to the timing of agendas and papers being shared:</p> <ul style="list-style-type: none"> at times, the short timeframes between meetings where presentation materials are dependent on the completion of another event papers that are not for pre-reading purposes and are for discussion during the meeting. <p>Management also noted that follow up actions from meetings were circulated and draft meeting minutes are formally signed off by members and the Technical Committee Chair at the subsequent meeting, allowing for additional member input if required.</p>	members adequate time to review supporting materials ahead of meetings.	papers to all members at least one week prior to each meeting. Circumstances may arise where it is not possible, despite ASX's best endeavours, to provide agendas and associated papers at least one week prior to a meeting. If this is the case, ASX may consider postponing the meeting to accommodate the one week requirement but this will be dependent on the urgency of the subject matter, members' availability and other practical considerations.
			6. Examined the ASX CHES Special Report of ASX Clear Pty Limited and ASX Settlement Pty Limited, dated April 2023, as well as the independent audit report of this Special Report.	<p>Through its Special Report, ASX considers that its existing governance, investment and management arrangements for CHES are commensurate with its role in providing critical financial market infrastructure.</p> <p>This report was subject to an independent audit which found that the work undertaken by ASX supports the outcomes documented in its Special Report, and that the statements and conclusions included in the Special Report were supported by relevant assessments and evidence.</p> <p>In addition, we noted that this report outlines the messaging interfaces utilised by CHES to interact with CHES users, including CHES messaging as defined in</p>	Not applicable.	Not applicable.



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				the External Interface Specification (EIS), messaging via SWIFT, and ASX internal signals.		
	1(b)	ASX should ensure that the membership of its user governance arrangements is representative of the user base of its CS services, and that members are able to have a strong input into the agenda and format of meetings or other user governance mechanisms and the setting of priorities.	<p>1. Examined the composition of the Business Committee on ASX's website and performed a comparison to ASX's CS user base to assess whether the Business Committee is representative of ASX's CS services user base.</p> <p>2. Assessed whether ASX has processes to ensure that the Business Committee membership is representative of ASX's CS services user base, by enquiring with management and examining minutes of the annual Business Committee membership review meeting.</p> <p>3. Obtained and inspected on a sample basis the emails sent to Business Committee members with</p>	<p>The Business Committee is made up of clearing and settlement participants, independent industry associations representing clearing and settlement participants and custodians, market operators, and registry providers. Through inspection of the ASX Clear and ASX Settlement participant list as published on the ASX website, we noted that there was Business Committee representation across all user groups.</p> <p>The Business Committee composition is reviewed on an annual basis to ensure it is representative of ASX's user base. As part of the June 2023 annual review, we inspected the minutes of the review meeting conducted on 26 May 2023 and signed off by the Business Committee Chair on 30 June 2023. The minutes of the review meeting included commentary on the criteria of membership review, and a series of proposed recommendations as a result of ASX's anticipated vacancy on the Business Committee due to an anticipated acquisition of one existing member by another member. Through our discussions with management at the time of our audit testing, we note that finalisation of the Business Committee membership for the year ahead is still in progress, and that ASX will be requesting feedback from its CS users on the membership structure of the Business Committee before changes are finalised.</p> <p>Observation noted. The Business Committee Charter states that "meeting agendas and associated papers will be circulated to members one</p>	<p>Not applicable.</p> <p>Not applicable.</p> <p>Agendas and associated papers for special purpose Business</p>	<p>Not applicable.</p> <p>Not applicable.</p> <p>ASX acknowledges that agendas and associated papers for special purpose Business</p>



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			<p>the agenda and supporting meeting papers to assess whether they were shared ahead of meetings in line with the Business Committee Charter requirements.</p>	<p>week prior to the relevant meeting.”</p> <p>We inspected evidence for agendas and meeting papers being shared with Business Committee members seven days prior to the respective meeting. Our testing indicated that:</p> <ul style="list-style-type: none"> For two out of three sampled meetings, agendas and meeting papers were shared on average seven days prior to the Business Committee meeting, in line with the requirements of the Business Committee Charter. These two meetings were conducted as business-as-usual meetings. For one out of three sampled meetings, the agenda and meeting paper was shared five days prior to the Business Committee meeting. We noted that this meeting was a special meeting conducted with the purpose to discuss the proposed new industry forum, the CHES Replacement Technical Committee. This meeting was held in addition to the quarterly Business Committee meetings that are required to be held at a minimum under the Business Committee Charter. The associated paper that was shared five days prior to the meeting related to the draft Technical Committee Charter, a five-page document highlighting the purpose, role, responsibilities, and other matters relevant to the CHES Replacement Technical Committee. <p>The Business Committee Charter does not delineate between Business Committee meetings that are held for a special purpose or are held as business-as-usual. The meeting agendas and associated papers for business-as-usual purposes were circulated to members in line with the Charter</p>	<p>Committee meetings should be circulated to members in line with the timeframes set out in the Business Committee Charter.</p>	<p>Committee meetings should be circulated to members at least one week prior to the relevant meeting consistent with the Business Committee Charter. ASX will ensure that it adheres to this standard for future special purpose Business Committee meetings.</p>



RE section	#	Regulatory Expectation	Procedures	Findings	Recommendation*	Management Response*	
				<p>requirements. The meeting agendas and associated papers for special meetings were not circulated to members within the timeframes set out in the Charter.</p> <p>4. Interviewed a sample of Business Committee members and enquired about whether they had an opportunity to provide input into the agenda and format of Business Committee meetings.</p>	<p>Observations noted.</p> <p>A sample of Business Committee members were interviewed and noted they were invited to suggest additional agenda items for upcoming Business Committee meetings, and that they also had the opportunity to provide input during Business Committee meetings or through bilateral conversations with ASX.</p> <p>One Business Committee member noted that the amount of content varied between meetings, specifically noting that the July 2023 Business Committee meeting pack contained 153 pages of content and that review of this content ahead of the Business Committee meeting was strained under the one-week timeframe allowed by the Business Committee Charter and that Business Committee member's competing priorities. Through our inspection of the July 2023 Business Committee meeting pack, we noted that this pack included additional material relating to the agendas and minutes from previous Business Committee meetings, as well as CHES Replacement Technical Committee meetings.</p> <p>One Business Committee member who was also part of the CHES Replacement Technical Committee noted that the agenda and associated papers for the Technical Committee meeting held on 22 February 2022 was shared 30 minutes before the commencement of the meeting. The Technical Committee Charter states that "the Chair will endeavour to provide the agenda and presentation material or papers</p>	<p>While the Business Committee Charter requires agendas and papers to be shared at least one week prior to each meeting, consideration should be given to the amount of content within the packs, and if feasible shared earlier than the timeframes set by the Charter to allow for adequate review time.</p> <p>ASX should consider incorporating a contents page (or other mechanism) for Business Committee meeting packs to allow for easier navigation of reading material.</p> <p>Refer to 1(a)5 for additional recommendation in relation to Technical Committee meeting finding.</p>	<p>Contents of Business Committee meeting packs - ASX acknowledges that large meeting packs do not promote a positive member experience. ASX intends to review, in consultation with members, the structure of the agenda, and to actively seek on an ongoing basis, member input on topics which they do or do not wish to be included in the agenda. ASX will endeavour to provide meeting packs (or significant papers) to members more than one week prior to each meeting date where feasible.</p> <p>Easier navigation of Business Committee meeting packs - An additional column will be added to agendas which will detail the page number in the PDF meeting pack that an agenda item commences.</p>



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				<p>to all members at least one week prior to each meeting". We have raised an observation with respect to the timing of meeting agendas and papers being shared under 1(a)5.</p> <p>One Business Committee member raised concerns over their request to be included within an ASX workshop on CHES replacement which was subsequently denied by ASX. ASX stated that the Business Committee member was not included within the workshop as the workshop had a specific purpose, and the targeted audience involved CS users who had a direct impact from the matters discussed. We inspected workshop materials that indicated the outcomes of the workshop were tabled at the Technical Committee, which the respective member is a part of, as well as evidence that ASX had provided an explanation on its decision to deny the Business Committee member's request to join the workshop.</p> <p>Additional comments raised by the Business Committee members are reflected in 1(d)2.</p>		
	1(c)	ASX should demonstrate that it has had regard to the views of members in setting the terms of reference for the external audits of its governance, pricing and access arrangements carried out in accordance with the Regulatory Expectations. This may take the form of members' non-objection of the proposed terms of reference. These terms of	1. Interviewed a sample of Business Committee members and examined the Business Committee meeting minutes dated July 2023 to assess whether Business Committee members were provided the opportunity to comment on the proposed terms of reference for the external audit.	<p>Observation noted.</p> <p>A sample of Business Committee members were interviewed, and the majority of respondents noted that the proposed terms of reference for the external audit had been presented to them during the year. Some Business Committee members noted that the proposed terms of reference had either not been presented to them or did not recall them being presented. We have inspected the July 2023 Business Committee meeting pack, which includes the proposed terms of reference for the external audit.</p>	The proposed terms of reference for the external audit of ASX's governance, pricing and access arrangements carried out in accordance with the Regulatory Expectations should be presented to the Business	ASX acknowledges that the proposed terms of reference for the external audit of ASX's governance, pricing and access arrangements carried out in accordance with the Regulatory Expectations should be presented to the Business Committee at a date earlier than the July Business Committee meeting.



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		reference may change following any review of the Regulatory Expectations.		Some Business Committee members also noted that while the terms of reference had been presented at the meeting, there was limited opportunity for comment on the proposed terms of reference. While the Regulatory Expectations states that members' views may take the form of non-objection, we note that the terms of reference were presented to the Business Committee subsequent to the commencement of audit planning and scoping procedures which could limit the ability for Business Committee members to provide comment.	Committee at a date earlier than the July Business Committee meeting, to allow adequate time for review and comment if applicable. The window of time where comment can be made should be defined and formally communicated to Business Committee members.	ASX will address this recommendation by seeking to bring the proposed terms of reference forward to the March Business Committee meeting. The window of time where comment can be made will be defined and formally communicated to members at the time of the relevant meeting.
			2. Examined the October 2022 Business Committee meeting minutes for evidence that the results of the annual external audit were presented to the Business Committee members.	We have examined the October 2022 Business Committee meeting minutes and noted that the findings from the prior year's annual independent review over ASX's governance, pricing and access arrangements as benchmarked against the Regulatory Expectations was shared with the Business Committee members. We understand that the current period findings are planned to be shared with Business Committee members in a subsequent meeting.	Not applicable.	Not applicable.
	1(d)	ASX should maintain accountability arrangements that provide for regular public attestations as to the effectiveness of its interactions with users. For example, the following arrangements would be appropriate:	1. For any recommendations put forth by the Business Committee during the year, assess whether the Boards of ASX Clear and ASX Settlement responded on a "comply or explain" basis through inspection of a sample of	The Business Committee Charter states that "recommendations of the Business Committee to ASX Management and the Boards of ASX Clear and ASX Settlement shall be made on the basis of a broad consensus of those members present at the relevant meeting of the Business Committee". We noted that there were no formal recommendations that met this definition	Not applicable.	Not applicable.



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		<p>i. ASX's user governance mechanisms operate on a 'comply or explain' basis; that is, the relevant Board would take actions in accordance with recommendations from the user governance mechanisms, or else explain why such actions had not been taken.</p> <p>ii. ASX report, on at least an annual basis, the service developments and investment projects that it has progressed and how it has taken into consideration the views of users.</p>	<p>Business Committee meeting minutes.</p> <p>2. Interviewed a sample of Business Committee members and enquired about whether they have made any recommendations to the Business Committee and if so, if they were acted on or explained.</p>	<p>during the period.</p> <p>Observation noted. A sample of Business Committee members were interviewed and noted feedback had been shared with ASX at the Business Committee meetings, and outside of the Business Committee meetings through bilateral conversations. These Business Committee members advised that ASX was responsive to the feedback that was provided.</p> <p>Other themes that were raised by Business Committee members in relation to its governance mechanisms include:</p> <ul style="list-style-type: none"> The large member base of the Business Committee has presented challenges in facilitating constructive and open discussion on existing CS services. The composition and contribution of each Business Committee member varies, for example some members views are representative of a number of stakeholders, and the volume of CS activity also varies between members. The desire for appointment of an independent chair to the Business Committee to enhance the objectivity and governance of ASX's CS services. 	<p>Business Committee survey results should be accompanied by details on the respondent cohorts (such as industry association, CS participant) to facilitate effective interpretation of results, except where to do so would identify individual respondents.</p> <p>ASX should consider the appointment of an independent chair to the Business Committee to facilitate discussion, and to convene, set the agenda, and preside over meetings.</p>	<p>Business Committee Survey results - ASX acknowledges that these results should be accompanied by details on the respondent cohorts. ASX will include these details in future survey results.</p> <p>Independent Chair - ASX expects to appoint an Independent Chair to the Business Committee by October 2023.</p>
			<p>3. Inspected ASX's Annual Report on Cash Equity Clearing and Settlement Services Developments, dated September 2022.</p>	<p>The Cash Equity Clearing & Settlement Service Developments Annual Report provided an overview of the ongoing CHES replacement project, as well as other investments to the core cash equity CS services including the introduction of electronic delivery option for CHES Holding Statements, Trade Acceptance Service (TAS) enhancements, and future planned enhancements.</p>	<p>Not applicable.</p>	<p>Not applicable.</p>



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				<p>ASX's update on the CHES replacement project acknowledged a delay to customer readiness activities and the implementation date. Various other FY22 progress updates were also reported, including the transition of software providers to Industry Test Environment 1 (ITE1) to allow testing in readiness for technical accreditation.</p> <p>ASX's report on stakeholder engagement outlined the range of stakeholder forums ASX convened to cater for different purposes and stakeholder groups. These forums included larger virtual forums to communicate key information to the full range of industry stakeholders, dedicated working groups for each of the user groups for detailed engagement on relevant issues, regular updates within the Business Committee, and bi-lateral conversations. ASX reported strong engagement and attendance within these forums.</p>		
	1(e)	ASX should formally commit to retaining a Board structure for ASX Clear and ASX Settlement that comprises a minimum of 50 per cent of non-executive directors that are also independent of ASX Limited, and where a subset of these independent directors can form a quorum.	<ol style="list-style-type: none"> 1. Examined the Code of Practice for ASX's commitment to retain a Board structure for ASX Clear and ASX Settlement that comprises a minimum of 50 per cent of non-executive directors that are also independent of ASX Limited, and where a subset of these independent directors can form a quorum. 	<p>The Code of Practice includes an explicit public commitment that "ASX Clear and ASX Settlement Boards will be comprised of at least 50 per cent non-executive directors that are also not directors of ASX Limited". The Code of Practice also states that "ASX will ensure that a quorum for the Boards of ASX Clear and ASX Settlement can be constituted by directors that are not also directors of ASX Limited to consider competitively sensitive information by another market operator".</p>	Not applicable.	Not applicable.
			<ol style="list-style-type: none"> 2. Examined the composition and resumes of ASX Limited, ASX Clear Pty Limited and ASX Settlement Pty Limited Directors as 	<p>The ASX Clear Pty Limited and ASX Settlement Pty Limited Boards comprise at least 50% non-executive directors that are also not directors of ASX Limited.</p> <p>As at the date of our report, the four independent non-executive directors that</p>	Not applicable.	Not applicable.



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			published on ASX's website to assess whether the Boards are comprised of at least 50% of non-executive directors that are not also directors of ASX Limited.	are not directors of ASX Limited are Stephen Knight (Chairman), Adrian Todd, Carolyn Colley and John Buckley. The other three directors that are directors of ASX Limited are Peter Marriott (Independent Director), Luke Randell (Independent Director), and Helen Lofthouse (Managing Director and Chief Executive Officer). We note that Helen Lofthouse was appointed as Director on 17 August 2022. Her predecessor was Dominic Stevens who held the position as Director from the commencement of the year until 31 August 2022.		
			3. Examined ASX's Clearing and Settlement Boards Charter for ASX's commitment to retaining a Board structure for ASX Clear and ASX Settlement that comprises a minimum of 50 per cent of non-executive directors that are also independent of ASX Limited, and where a subset of these independent directors can form a quorum.	The ASX Clearing and Settlement Boards Charter as published on the ASX website states "The ASX Clear and ASX Settlement Boards shall comprise at least 50% non-executive directors who are not also directors of ASX (non-ASX directors). The ASX Board has determined that a non-ASX director on the CS Boards will not be considered for appointment as an ASX director. ASX Clear, ASX Settlement, ASX Clear (Futures) and Austraclear shall ensure that a quorum can be constituted by non-ASX directors".	Not applicable.	Not applicable.
	1(f)	ASX should establish governance structures and reporting lines at the management and operational levels that promote access to its CS services on commercial, transparent and non-discriminatory terms. These arrangements should ensure that the interests of users are	1. Enquired with management and inspected the CS Board Charter for ASX's governance structures and reporting lines to assess whether they promote access to CS services on commercial, transparent and non-discriminatory terms.	Conflict sensitive matters are reported to the General Manager of Enterprise Compliance. The General Manager of Enterprise Compliance reports directly to the non-ASX Limited directors of ASX Clear and ASX Settlement for conflict sensitive matters. Outside of these matters, the General Manager of Enterprise Compliance reports to the Chief Risk Officer. The CS facilities have a lead CS Executive (the Group Executive of Securities and Payments) who is responsible for the	Not applicable.	Not applicable.



RE section	#	Regulatory Expectation	Procedures	Findings	Recommendation*	Management Response*
		upheld in accordance with Regulatory Expectation 3. This may be demonstrated, for example, through the key performance indicators set for relevant management.		operation of the facilities and for the achievement of strategies and objectives for the facilities as determined by the relevant CS Board. The Group Executive of Securities and Payments is entitled to appear and be heard at all CS Board meetings.		
			2. Inspected the accountability statement for the Group Executive of Securities and Payments, and a sample of ASX staff Key Performance Indicators (KPIs) to assess whether they include arrangements to promote access to CS services on commercial, transparent and non-discriminatory terms.	<p>Exception noted.</p> <p>Some responsibilities relating to the Regulatory Expectations have been discharged from the Group Executive of Securities and Payments to staff within the CS reporting line. We noted the following observations:</p> <p>ASX confirmed that due to an oversight, the KPIs of a sampled staff member within the CS reporting line did not include explicit arrangements for the provision of CS services on commercial, transparent, and non-discriminatory terms. We noted that other implicit arrangements relating to the provision of services to AMOs were provided for, and that the KPIs of this staff members' direct reports included explicit arrangements for the provision of CS services on commercial, transparent and non-discriminatory terms.</p> <p>The KPIs for another staff member with CS accountabilities relating to the provision of CS services did not explicitly capture the provision of CS services on commercial, transparent and non-discriminatory terms, however these accountabilities were captured in the CS Board Charter. We understand from ASX that this was by design, due to the nature of the reporting lines for this specific accountability.</p>	There is an opportunity to further embed Regulatory Expectation accountabilities into the KPIs of staff members who are not accountable executives, as well as further formalise and document how responsibilities relating to the Regulatory Expectations have been disseminated to select staff within the CS reporting line.	ASX will seek to further embed responsibilities relating to the Regulatory Expectations in the KPIs or performance objectives of relevant staff members who are not accountable executives. ASX will review and where necessary revise documentation of how responsibilities relating to the Regulatory Expectations should be disseminated to relevant staff within the CS reporting line.



RE section	#	Regulatory Expectation	Procedures	Findings	Recommendation*	Management Response*
Fair, transparent and non-discriminatory pricing of CS services	2(a)	<p>ASX should ensure that all prices of individually unbundled CS services, including rebates, revenue-sharing arrangements and discounts applicable to the use of these services:</p> <p>i. are transparent to all users of the services (ii) do not discriminate in favour of ASX-affiliated entities, except to the extent that the efficient cost of providing the same service to another party was higher</p> <p>ii. are made available to stakeholders in a form such that the impact of pricing changes can be readily understood.</p>	1. Examined the Clearing and Settlement Schedule of Fees as published on the ASX website to assess whether fees have been published transparently and are made available to stakeholders.	ASX prices for CS services are published within the Clearing and Settlement Schedule of Fees on ASX's website. The fee schedule provides a product level breakdown of fees, as well as a description for any revenue-sharing arrangements and discounts.	Not applicable.	Not applicable.
			2. On a sample basis, assessed whether ASX invoices issued to CS service users were charged in accordance with the Clearing and Settlement Schedule of Fees.	The prices for the clearing and settlement services as included in the sample of invoices tested were consistent with the prices published on ASX's website within the Clearing and Settlement Schedule of Fees, effective from 1 July 2022 to 30 June 2023.	Not applicable.	Not applicable.
			3. Interviewed a sample of Business Committee members and enquired about whether the prices of individually unbundled Clearing and Settlement services, including rebates, revenue-sharing arrangements and discounts have been made available to them and are understandable.	<p>Observations noted.</p> <p>Business Committee members noted that fees were published and made available to them.</p> <p>Some Business Committee members noted that at times, their eligibility for rebates, and understanding of their revenue-sharing contribution required further consultation with ASX. We have obtained from management an example of an email shared with a Business Committee member notifying them of their revenue-share for the 2022 financial year. We noted that the rebate awarded to the Business Committee member was stated within the email. The underlying calculation, or Business Committee member contribution to CS services was not detailed within the email.</p> <p>One Business Committee member also raised concerns over eligibility for the CHES Replacement Partnership Program. We inspected evidence that ASX sought industry feedback to inform the final</p>	<p>ASX should consider providing the underlying calculation of revenue-sharing rebates to its CS users.</p> <p>ASX should ensure that adequate time is given to CS users when seeking feedback on industry matters.</p>	<p>Revenue-sharing rebates - ASX acknowledges that more details on the calculation of the rebate should be provided to clearing and settlement participants. ASX intends to address this recommendation in future years in which a rebate is payable.</p> <p>Feedback on industry matters - ASX will endeavour to provide adequate time to CS users to respond to industry consultation matters.</p>



RE section	#	Regulatory Expectation	Procedures	Findings	Recommendation*	Management Response*
				<p>eligibility criteria for its Development Incentive Pool, and communicated its responses to this feedback through a CHES Replacement Industry webinar. We also inspected evidence that ASX responded to that Business Committee member's feedback outside of the webinar. We noted that the initial request for industry feedback on the proposed Development Incentive Pool eligibility criteria was made on 28 April 2023, and feedback was due on 5 May 2023. We understand the short window for feedback was to honour ASX's commitment to meet its initial development incentive payment date of 31 May 2023.</p>		
	2(b)	<p>ASX should maintain an appropriate method for determining the prices of its CS services so as to generate expected revenue that reflects the efficient costs of providing those services, including a return on investment commensurate with the commercial risks involved.</p>	<p>1. Examined the Code of Practice, and the Enterprise Wide Pricing Framework for ASX's method for determining the prices of its CS services.</p>	<p>Observation noted. The Code of Practice provides that "ASX will maintain an appropriate method for determining the prices of its cash equities clearing and settlement services so as to generate expected revenue that reflects the efficient costs of providing those services, including a return on investment commensurate with the commercial risks involved". ASX's method to determine the prices of its clearing and settlement services is documented in its Enterprise Wide Pricing Framework which has been effective since January 2017. ASX's return on capital as well as costs of providing CS services are detailed within the ASX Clear Pty Limited and ASX Settlement Pty Limited management income statements, as published on the ASX website. While management have previously focused on delivering a revised pricing framework as part of the CHES replacement project, with the recent pause and reassessment of the CHES</p>	<p>ASX should consider enhancing its existing pricing framework to clearly articulate to its users how the current prices of CS services reflect the efficient cost of providing these services.</p>	<p>ASX intends to develop and publish a pricing policy which will include ASX making an annual assessment of revenues earned and the efficient costs of service provision, with a mechanism for the management of any over/under earn. The outcomes of the annual assessment will be published.</p>



RE section	#	Regulatory Expectation	Procedures	Findings	Recommendation*	Management Response*
				replacement project, it is increasingly important that ASX clearly articulates to its users how its existing pricing framework continues to reflect the efficient cost of providing CS services. In respect of these events, as well as feedback obtained in 2(b)4 from Business Committee members, there is an opportunity for ASX to assess and provide further clarity on how the current prices of CS services reflect the efficient cost of providing these services.		
			2. Examined the 2022 and 2023 cash market clearing and settlement management income statement audit reports to assess whether management accounts have been prepared in accordance with the Code of Practice and the associated ASX internal cost allocation and transfer pricing policy between ASX Group entities for clearing and settlement of cash equities in Australia.	The ASX Clear Pty Limited and ASX Settlement Pty Limited management income statements are subject to an annual external audit. The basis of preparation for these accounts is the Code of Practice for Clearing and Settlement of Cash Equities in Australia and the associated ASX internal cost allocation and transfer pricing policy between ASX Group entities for clearing and settlement of cash equities in Australia. PwC issued unqualified audit reports for the cash market clearing and settlement management income statements for the years ended 30 June 2022 and 30 June 2023.	Not applicable.	Not applicable.
			3. Examined the latest independent benchmarking report (2016) issued by Oxera on ASX Clearing and Settlement Services' costs to assess whether the costs are in line with the costs of similar services provided by financial centres of comparable size.	In 2014 ASX commissioned Oxera, an independent economics consultancy firm, to benchmark ASX clearing and settlement services' costs against the costs of using the services provided by financial market infrastructure providers in other countries. The overall conclusion was that "when taking into account the scale of trading, the costs of post-trading services in Australia are in line with the costs of similar services provided in financial centres of a comparable size". An update to this report	Not applicable.	Not applicable.



RE section	#	Regulatory Expectation	Procedures	Findings	Recommendation*	Management Response*
				<p>was commissioned in 2016 and the findings were consistent with the 2014 report.</p> <p>The Regulatory Expectations provide that a benchmarking study may be performed to attest to the reasonableness of any CS price increases. While there have been no CS price increases during the year, the last benchmarking study performed in 2016 may not be relevant to costs in the current year.</p> <p>We have noted an observation in relation to current period pricing as part of our procedures under 2(b)1.</p>		
			4. Considered any additional feedback shared by Business Committee members relevant to this Regulatory Expectation.	<p>Observation noted.</p> <p>As part of our interview of Business Committee members, some Business Committee members noted that they were not aware of ASX's method for determining the prices of its CS services.</p>	Refer to 2(b)1.	Refer to 2(b)1.
	2(c)	ASX should make an explicit public commitment that any changes in the prices of its CS services will not be implemented in a way that would materially shift revenue streams between aspects of its trading, clearing and settlement services.	<p>1. Examined the Code of Practice for ASX's explicit public commitment that any changes in the prices of its CS services will not be implemented in a way that would materially shift revenue streams between aspects of its trading, clearing and settlement services.</p>	The Code of Practice provides that "ASX Clear and ASX Settlement will not implement price changes with the purpose of materially shifting revenue streams between other trading, clearing and settlement services".	Not applicable.	Not applicable.
			2. Examined the Clearing and Settlement Schedule of Fees to assess whether there were any changes to prices for CS services.	There were no changes to clearing and settlement prices during the year from 1 July 2022 to 30 June 2023.	Not applicable.	Not applicable.
			3. Examined the 2022 and 2023 cash market clearing and settlement management income	Refer to section 2(b)2 above for the results of PwC's audit of the cash market clearing and settlement management income statement.	Not applicable.	Not applicable.



RE section	#	Regulatory Expectation	Procedures	Findings	Recommendation*	Management Response*
			statement audit reports to assess whether management accounts have been prepared in accordance with the Code of Practice and the associated ASX internal cost allocation and transfer pricing policy between ASX Group entities for clearing and settlement of cash equities in Australia.			
	2(d)	ASX should publish any increases in its CS fee schedules along with an attestation justifying their reasonableness. For the most material such increases, this attestation would be expected to refer to relevant metrics and other evidence, such as the calculated return on equity, benchmarked price lists, or an independent review of how ASX's cash equity CS fees compare with those of CS facilities in other markets.	<ol style="list-style-type: none"> 1. Examined the Clearing and Settlement Schedule of Fees to assess whether there were any changes to prices for CS services. 2. Interviewed a sample of Business Committee members and enquired about pricing changes and whether they were supported by reasonable explanations in line with the Regulatory Expectations. 	<p>There were no changes to clearing and settlement prices during the year from 1 July 2022 to 30 June 2023.</p> <p>A sample of Business Committee members were interviewed and confirmed there were no pricing changes during the year relating to clearing and settlement services. Changes were discussed in relation to issuer services however this is currently outside the scope of the Code of Practice.</p>	Not applicable.	Not applicable.
	2(e)	ASX should maintain an appropriate model for the internal allocation of costs, including the cost of allocated capital, as well as policies to govern the transfer of prices between the relevant ASX Group entities. Compliance with the model and policies	<ol style="list-style-type: none"> 1. Examined the ASX internal cost allocation and transfer pricing policy for ASX's internal cost allocation model. 2. Examined the 2022 and 2023 cash market clearing and settlement management income 	<p>ASX's internal cost allocation and transfer pricing policy is published on ASX's website and includes ASX's internal cost allocation and transfer pricing policy between ASX group entities for clearing and settlement of cash equities in Australia.</p> <p>ASX's compliance with its internal cost allocation model and policies has not been subject to an internal audit review in the year. ASX has engaged PwC to perform an</p>	Not applicable.	Not applicable.



RE section	#	Regulatory Expectation	Procedures	Findings	Recommendation*	Management Response*
		would be expected to be subject to internal audit review. The model and policies should be based on reasonable cost allocation principles. For example: (i) where possible, costs should be directly allocated to the service(s) which give rise to those costs (ii) shared costs should be allocated based on appropriate and transparent metrics.	statement audit reports to assess whether management accounts have been prepared in accordance with the Code of Practice and the associated ASX internal cost allocation and transfer pricing policy between ASX Group entities for clearing and settlement of cash equities in Australia.	external audit over the cash market clearing and settlement management income statements, which includes verifying that those statements have been prepared in accordance with ASX's internal cost allocation and transfer pricing policy. We have observed email correspondence between ASX and ASIC where this approach was agreed in 2017. Refer to section 2(b)2 above for the results of PwC's audit of the cash market clearing and settlement management income statement.		
			3. Considered any additional feedback shared by Business Committee members relevant to this Regulatory Expectation.	As part of our interview of Business Committee members for procedure 2(a)3, one Business Committee member noted that they were not aware of ASX's model for internal allocation of costs or the results of the audit of ASX's compliance with the model and policy. We inspected ASX's website for ASX's cost allocation policy and the audit report of ASX's Management Income Statements for ASX Clear Pty Limited, and ASX Settlement Pty Limited which have been prepared in accordance with the Code of Practice and ASX's internal cost allocation and transfer pricing policy between ASX group entities for clearing and settlement of cash equities in Australia. We noted that the policy and the results of the audit of ASX's Management Income Statements for the year ended 30 June 2022 have been published publicly on the ASX website. At the date of this audit report, the audit report of ASX's Management Income Statements for the year ended 30 June 2023 has not yet been published.	Not applicable.	Not applicable.
	2(f)	ASX should negotiate commercially and in good	1. Inspected the Business Committee membership	There have been no new fee negotiations in relation to access to CS services for	Not applicable.	Not applicable.



RE section	#	Regulatory Expectation	Procedures	Findings	Recommendation*	Management Response*
		faith with unaffiliated market operators and CS facilities regarding fees and other financial contributions charged for any extensions to its monopoly CS services, and in particular those provided under the existing Trade Acceptance Service and the Settlement Facilitation Service.	base for any new unaffiliated market operators, and enquired with management on whether there were any new fee negotiations during the year.	unaffiliated market operators during the year.		
Commercial, transparent and non-discriminatory access to CS services – service levels, information handling and confidentiality	3(a)	ASX should have objectives for its CS services that include an explicit public overarching commitment to supporting access to its CS services on commercial, transparent and non-discriminatory terms. ASX should maintain standard user terms and conditions that are consistent with these objectives, taking into account the legitimate business interests of ASX and any parties seeking access to its CS services.	1. Examined the Code of Practice for ASX's explicit public commitment to supporting access to its CS services on commercial, transparent and non-discriminatory terms.	The Code of Practice provides that: "ASX is committed to providing access to clearing and settlement services on transparent and non-discriminatory terms and will respond to requests for access in a fair and timely manner".	Not applicable.	Not applicable.
			2. Examined the TAS and SFS agreements to assess whether ASX's standard user terms are consistent with its objectives as set out in the Code of Practice, and to address the requirements of procedure 3(b)1 and 3(c)1.	TAS and SFS agreements contain standard user terms and conditions that provide for ASX to grant non-discriminatory access to its clearing and settlement services. The TAS and SFS terms and conditions require that ASX provide CS services that are: <ul style="list-style-type: none"> i. Of comparable quality to the services provided to ASX Limited. ii. In accordance with applicable laws, operating rules and procedures. iii. Without discriminating in relation to clearing and settlement participants on the basis of where the trade was affected or reported. The TAS legal terms and SFS service agreement cannot be amended without approval from the approved market operator and/or approved listing market operator.	Not applicable.	Not applicable.



RE section	#	Regulatory Expectation	Procedures	Findings	Recommendation*	Management Response*
	3(b)	Service level agreements should commit ASX to providing access to its CS services for unaffiliated market operators and CS facilities on operational and commercial terms and service levels that are materially equivalent to those that apply to ASX as a market operator or CS facility.	1. Examined the TAS and SFS agreements for ASX's commitment to providing access to its CS services on operational and commercial terms and service levels that are materially equivalent to those that apply to ASX as a market operator or CS facility.	Refer to section 3(a)2.	Not applicable.	Not applicable.
	3(c)	ASX should publish and adhere to protocols for dealing fairly and in a timely manner with requests for access. These protocols should include reasonable timeframes for responding to enquiries and arrangements for dealing with disputes. Nothing in the protocols should affect either party's right to refer a dispute to arbitration by the ACCC once the arbitration regime is implemented.	1. Examined the TAS and SFS agreements for ASX's commitment to providing access to its CS services on operational and commercial terms and service levels that are materially equivalent to those that apply to ASX as a market operator or CS facility.	Refer to section 3(a)2.	Not applicable.	Not applicable.
			1. Examined the TAS and SFS agreements for ASX's published protocols for dealing fairly with requests for access.	Refer to section 3(a)2. Clause 43 - 51 of the TAS legal terms and clause 13 of the SFS agreement sets out the dispute resolution process. Unresolved disputes after 30 days are referred to arbitration. The arbitrator must be appointed by agreement between the parties.	Not applicable.	Not applicable.
			2. Examined AMO and ALMO Procedures for Access Requests for ASX's published protocols for dealing in a timely manner with requests for access.	The Procedures for Access Requests by Approved Market Operators, and the Procedures for Access Requests for Approved Listing Market Operators sets out target timeframes for responding to enquiries.	Not applicable.	Not applicable.
			3. Examined ASX's Access Protocols for ASX's	The ASX Cash Equities Clearing and Settlement Code of Practice - Access	Not applicable.	Not applicable.



RE section	#	Regulatory Expectation	Procedures	Findings	Recommendation*	Management Response*
			published protocols for dealing fairly and in a timely manner with requests for access.	Protocols also sets out target timeframes for dealing with access requests as well as dispute resolution arrangements. Unresolved disputes after 30 days are referred to arbitration. The arbitrator must be appointed by agreement between the parties.		
			4. For a sample of requests for new products, assessed whether ASX adhered to its published protocols for dealing fairly and in a timely manner.	For a sample of new product requests, we inspected evidence that ASX adhered to its published protocols for dealing fairly and in a timely manner with requests.	Not applicable.	Not applicable.
			5. Interviewed a sample of Business Committee members and enquired about whether ASX adhered to their protocols for dealing fairly and in a timely manner with requests for access to CS services.	A sample of Business Committee members were interviewed and noted that ASX had adhered to their protocols for dealing in a timely manner with requests for access to CS services. An additional matter was raised by a Business Committee member with respect to dealing fairly with requests for access which has been addressed in section 3(e)3.	Not applicable.	Not applicable.
	3(d)	ASX should make an explicit commitment to ensuring that any investments in the systems and technology that support its cash equity CS services do not raise barriers to access from unaffiliated market operators or CS facilities. Announcements of any material investments in the systems and technology that support ASX's cash equity CS services should be accompanied by a public attestation that those investments will be	1. Examined the Code of Practice for ASX's explicit commitment to ensuring that investments in the systems and technology that support its CS services do not raise barriers to access.	The Code of Practice provides that: "ASX is committed to ensuring its investments in the systems and technology that support its cash equities clearing and settlement infrastructure are not designed in such a way as to raise barriers to access to other market operators or clearing and settlement facilities".	Not applicable.	Not applicable.
			2. Examined ASX's website for evidence of stakeholder engagement in relation to ASX's investment in CHES replacement.	Prior to ASX's announcement in November 2022 to reassess the CHES replacement project, the Business Committee among other stakeholder engagement working groups were made available to unaffiliated market operators and CS facilities to provide feedback on ASX's investments in CHES replacement. ASX's November 2022 announcement	Not applicable.	Not applicable.



RE section	#	Regulatory Expectation	Procedures	Findings	Recommendation*	Management Response*
		designed in a way that does not raise such barriers.		indicated that ASX has paused the CHES replacement project while it revisits the solution design. Since this announcement, ASX has established the CHES Replacement Technical Committee and an ASX Cash Equities Clearing and Settlement Advisory Group as a mechanism to seek industry feedback on CHES replacement. The member base of the committee includes unaffiliated market operators and CS facilities.		
	3(e)	ASX should retain, and periodically review, its standards for the handling of sensitive or confidential information. Consistent with governance arrangements that promote access on commercial, transparent and non-discriminatory terms (see Regulatory Expectation 1(e)), these arrangements should ensure that conflict sensitive information pertaining to the strategic plans of unaffiliated market operators or CS facilities is handled sensitively and confidentially and cannot be used to advance the interests of ASX as a market operator or CS facility.	<ol style="list-style-type: none"> Examined the Conflict Management Policy and the Conflict Management Handbook for ASX's arrangements to ensure that conflict sensitive information is identified and cannot be used to advance the interests of ASX as a market operator or CS facility. Examined the TAS and SFS Information Handling Standards for ASX's arrangements to ensure that conflict sensitive information is handled sensitively and confidentially. Interviewed a sample of Business Committee members and enquired about whether ASX adhered to their protocols for dealing fairly and in a timely manner with requests for access to CS services. 	<p>The Conflict Management Policy and Conflict Management Handbook sets out ASX's processes for identifying and managing conflicts of interest. Section 5.3 of the Conflict Management Handbook addresses managing conflicts of interest arising from CS services through disclosure, confidentiality, and governance.</p> <p>The Policy and Handbook were subject to review during the year and changes were approved by the General Manager of Enterprise Compliance.</p> <p>The TAS and SFS Information Handling Standards provides for:</p> <ol style="list-style-type: none"> Protection of AMO's confidential and sensitive information. Access to sensitive information is restricted to appropriate ASX employees. <p>A sample of Business Committee members were interviewed, and one member noted that they were not satisfied with ASX's response to a conflict sensitive request that that Business Committee member made in July 2023.</p> <p>The matter relates to the provision of services for which ASX is not the sole entity that may provide these services in Australia.</p>	<p>Not applicable.</p> <p>Not applicable.</p> <p>Not applicable.</p>	<p>Not applicable.</p> <p>Not applicable.</p> <p>Not applicable.</p>



RE section	#	Regulatory Expectation	Procedures	Findings	Recommendation*	Management Response*
				<p>We therefore note that the Regulatory Expectations may not necessarily apply, however we have considered the matter with respect to ASX's Information Handling Standards.</p> <p>We noted that the initial request made by the Business Committee member was not made through the formal conflict sensitive channels as defined in the Information Handling Standard. We inspected evidence that once this matter was raised by the Business Committee member through ASX's conflict sensitive channels, ASX advised the member that the request would be treated in line with its conflict sensitive protocols, and that the General Manager of Enterprise Compliance notified the member of the ASX staff who were involved in the matter before it was raised as a conflict sensitive request. We also inspected evidence of the General Manager of Enterprise Compliance notifying these select ASX staff of their restrictions on the handling of this information.</p> <p>At the date of our report, the request is still ongoing between ASX and the Business Committee member.</p>		

*Recommendations and management responses set out in Appendix A are not subject to our reasonable assurance conclusion under ASAE 3100 and accordingly we express no opinion on them.



Appendix B. ASX’s Compliance Framework and other supporting documents

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

Compliance Framework Supporting Document	Date	Hyperlink
2014 Oxera report: ‘Global cost benchmarking of cash equity clearing and settlement services’	June 2014	https://www2.asx.com.au/content/dam/asx/about/media-releases/2014/Oxera-International-Cost-Benchmarking-Report-June-2014.pdf
2016 Oxera report: ‘Global cost benchmarking: review of price lists’	April 2016	Not available on ASX’s website
ASX Boards’ members details	As applicable as at the date of this report	https://www2.asx.com.au/about/our-board-and-management/asx-clearing-and-settlement-boards
ASX Business Committee Charter	April 2019	https://www2.asx.com.au/content/dam/asx/about/charter-of-the-business-committee.pdf
ASX Business Committee Role and Membership details	As applicable as at the date of this report	https://www2.asx.com.au/about/regulation/clearing-and-settlement-of-cash-equities-in-australia/stakeholder-engagement/business-committee
ASX Cash Equities Clearing and Settlement Code of Practice - Access Protocols	October 2020	https://www2.asx.com.au/content/dam/asx/about/cop-access-protocols.pdf
ASX Clearing and Settlement Boards Charter	February 2023	https://www2.asx.com.au/content/dam/asx/about/cs-boards-charter.pdf
ASX Clearing and Settlement Schedule of Fees	June 2022	https://asxonline.com/content/dam/asxonline/public/documents/schedule-of-fees/asx-clearing-and-settlement-schedule-of-fees.pdf
ASX Code of Practice	July 2017	No longer available on ASX’s website as it was updated in July 2023
ASX Conflict Management Policy	March 2023	https://www2.asx.com.au/content/dam/asx/about/policies/conflict-management-policy.pdf
ASX Enterprise Wide Pricing Framework	January 2017	Not available on ASX’s website
ASX Information Handling Standard - Settlement Facilitation Service	September 2020	https://www2.asx.com.au/content/dam/asx/about/sfs-information-handling-procedure.pdf
ASX Information Handling Standard - Trade Acceptance Service	September 2020	https://www2.asx.com.au/content/dam/asx/about/tas-information-handling-standard.pdf



Compliance Framework Supporting Document	Date	Hyperlink
ASX internal cost allocation and transfer pricing policy between ASX group entities for clearing and settlement of cash equities in Australia	As applicable as at the date of this report	http://www.asx.com.au/cs/documents/cost_allocation_policy.pdf
ASX Operating Rules	Various dates	https://www2.asx.com.au/about/regulation/rules-guidance-notes-and-waivers
ASX Settlement Facilitation Service (SFS) Agreement	March 2014	https://www2.asx.com.au/content/dam/asx/about/Settlement_Facilitation_Service_Agreement.pdf
ASX Trade Acceptance Service (TAS) – Legal Terms	October 2021	https://www2.asx.com.au/content/dam/asx/about/final-trade-acceptance-service-legal-terms.pdf
ASX Trade Acceptance Service and related Product Services Review of Legal Terms	February 2021	https://www2.asx.com.au/content/dam/asx/about/regulations/public-consultations/2021/20210226-asx-review-of-legal-terms-for-the-asx-trade-acceptance-service-and-related-product-services.pdf
Audited Cash Market Clearing and Settlement Management Income Statement - 2022	June 2022	https://www2.asx.com.au/about/regulation/clearing-and-settlement-of-cash-equities-in-australia/financial-statements
Audited 'Cash Market Clearing and Settlement Management Income Statement' - 2023	June 2023	Not available on ASX's website
CHESS Replacement: Summary of stakeholder engagement	Various dates	https://www2.asx.com.au/markets/clearing-and-settlement-services/chess-replacement/stakeholder-engagement
Procedures for Access Requests by Approved Listing Market Operators (ALMOs)	October 2020	https://www2.asx.com.au/content/dam/asx/about/almo-procedures-for-access-requests.pdf
Procedures for Access Requests by Approved Market Operators (AMOs)	October 2020	https://www2.asx.com.au/content/dam/asx/about/amo-procedures-for-access-requests-2020.pdf
Other supporting documents reviewed		
ASX Business Committee Meetings - agendas, papers, minutes and Business Committee reports to the ASX Boards	Various dates	https://www2.asx.com.au/about/regulation/clearing-and-settlement-of-cash-equities-in-australia/stakeholder-engagement/business-committee
ASX CHESS Replacement Application Delivery Review	November 2022	https://www.asx.com.au/content/dam/asx/markets/clearing-and-settlement-services/chess-replacement-project-update-publication-of-accentures-findings-asx-chess-replacement-application-delivery-review.pdf
ASX Clear and ASX Settlement Participants List	July 2023	https://www.asx.com.au/participants
ASX correspondence with CS users as well as internal meeting packs	Various dates	Not available on ASX's website
ASX Media Releases	Various dates	https://www.asx.com.au/about/media-centre



Compliance Framework Supporting Document	Date	Hyperlink
July 2023 Draft Business Committee Meeting Minutes	July 2023	Not available on ASX's website at the date of our report
Independent assessment of ASX's Assurance Program for its Implementation of the CHESSE Replacement Program (Six Monthly Progress Report)	June 2023	https://www.asx.com.au/content/dam/asx/markets/clearing-and-settlement-services/30-june-23-report-asx-independent-assessment-of-chess-replacement-assurance-program.pdf
Regulator Correspondence	Various dates	Not available on ASX's website
Regulator Media Releases	Various dates	https://asic.gov.au/newsroom/#!page=1 https://www.rba.gov.au/media-releases/
Regulatory Expectations	September 2017	https://www.cfr.gov.au/publications/policy-statements-and-other-reports/2016/regulatory-expectations-policy-statement/pdf/policy-statement.pdf
Regulatory Expectations External Assurance Report Terms of Reference	July 2022	Not available on ASX's website