

ASX Compliance Enforcement Activity

Under the Corporations Act, as a licensed operator of financial markets, ASX is obliged to have adequate arrangements for monitoring and enforcing compliance with the operating rules of those markets. It is also obliged, as a licensed operator of clearing and settlement facilities, to have adequate arrangements for supervising those facilities and for enforcing compliance with their operating rules.

The purpose of this circular is to notify participants in those markets and facilities of some of the enforcement activities recently undertaken by ASX Compliance, so that they are aware of potential areas of concern for ASX and of ASX's enforcement activities in those areas.

This circular covers enforcement activities that were finalised during the 3 month period ended 30 November 2019. Investigations in relation to other enforcement matters are ongoing.

Failure to comply with margining obligations

ASX issued a warning letter to a futures clearing participant for failing to pay an intraday (overnight) margin amount by the prescribed time, in breach of ASX Clear (Futures) Operating Rule ('**ASX CFR**') 45.1.

The margin amount, which was called at 2:22AM AEST on 29 June 2019, was USD 9,346,269 and was payable by no later than 4:30AM AEST. Technical issues prevented the participant from making payment until 5:07AM due to the payment system used by the participant's custodian to fund the participant's margin call account being unavailable while it was engaged in a "netting" process. ASX considered that the payment system was not suitable for occasions where timely payments are required by ASX as it is not a real-time gross settlement ('**RTGS**') system. The participant undertook to ensure that future transfers for margining purposes were made via an RTGS-supported facility.

Compliance with futures delivery procedures

ASX issued a warning letter to a futures clearing participant following a failure to comply with ASX CFR 63.3, requiring it to comply with all provisions of the operating rules relating to the delivery of information, documents or commodity to ASX Clear (Futures) and to comply with all time limits imposed in respect of those delivery obligations.

On the final trading day for a specific deliverable futures contract, the participant's client held a short position in that contract after trading ceased. As the client was unable to comply with its obligations as a seller in the contract's specifications, those obligations transferred to the participant as holder of the open position.

As the participant did not have an established contingency process for a client default, it was unable to provide ASX Clear (Futures) with details of the tender concurrently with making delivery by 5:00pm on the final trading day, as required by the specifications. ASX instead permitted the participant to provide the details at the stipulated time on the understanding that the participant would deposit the deliverables prior to 10am on the settlement day.

ASX expects participants that clear deliverable contracts to have proper processes and controls in place such that they are in a position to effect a full and complete discharge of obligations for all open contracts held at the time trading ceases on the final trading day of an expiry month.

