

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 quarter ending 30 September 2022. Investigations in relation to other enforcement matters are ongoing.

Enforcement Decision

ASX's Chief Compliance Officer imposed a penalty of \$25,000 (plus GST) on Deutsche Bank AG.

The matter concerned breaches of:

1. ASX Clear (Futures) Operating Rules 43.1 and 44.1, requiring the settlement of an initial margin / daily settlement obligation by the prescribed time; and
2. ASX Clear (Futures) Operating Rule 4.10, being the requirement on Deutsche Bank AG to at all times ensure that it could satisfy its continuing requirements under ASX Clear (Futures) Operating Rule 4.2(e), to have adequate resources and processes to comply with Deutsche Bank AG's obligations as a clearing participant.

Further details on this matter are available in the following circular:

<https://www2.asx.com.au/content/dam/asx/about/asx-compliance/disciplinary-notice/2022/Disciplinary%20Notice%20-%2030-09-2022.PDF>

Warning Letters

OTC Intra-day Margin Requirements

ASX has issued a warning letter to a participant in relation to its compliance with ASX Clear (Futures) – ASX OTC Rulebook Rule 5.6 and the associated OTC Handbook, as a consequence of its failure to settle an intra-day margin payment due to ASX by the stipulated time.

ASX reminded the participant that meeting its margin obligations to ASX is considered a key process under ASX Clear (Futures) organisational requirements and that a failure to meet margin obligations under the rules can be considered an event of default.

The participant has remedied this breach with the following corrective actions, which ASX considers were taken in a timely and effective way:

1. Enhancing its processes to:
 - a. ensure margin payments to ASX are released with priority and not held in screening queues;

- b. improving monitoring, reporting and escalation of potential delays; and
 - c. ensure the manual matching of settlements are completed no later than 45 minutes following the receipt of a margin call;
2. Increasing its collateral buffer with ASX; and
3. Delivering compliance training to its relevant teams.

CHES Interface Obligations and Requirements for Business Continuity

ASX has issued a warning letter to a participant in relation to its compliance with:

1. ASX Settlement Operating Rule 16.1.1(a), which requires a participant to establish and maintain an interface with CHES in accordance with the External Interface Specifications (EIS); and
2. ASX Settlement Operating Rules 4.18.1 and 6.21.1, for failing to maintain adequate resources and processes to comply with its obligations under those Rules. Namely in maintaining its business continuity and disaster recovery arrangements, as set out under section 4.14 of ASX Settlement Operating Rules Guidance Note 10, in order to ensure that changes to the participant's ASX Settlement operations were thoroughly assessed, tested and authorised before implementation.

As a consequence of infrastructure change activity undertaken by the participant, the participant was unable to connect to CHES. The participant was therefore unable to monitor and manage mismatched transactions due for settlement for the day and was prevented from having any visibility on forecasted short positions that would potentially result in settlement failures in the market.

ASX acknowledges that the participant has taken or is taking effective mitigating actions to address deficiencies identified in its IT environment highlighted by this event.