

## **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 period ending 31 March 2023. Investigations in relation to other enforcement matters are ongoing.

### **Enforcement Decision**

#### **Citigroup Global Markets Australia - Late Margin Payments**

On 29 March 2023, ASX's Chief Compliance Officer imposed a penalty of \$75,000 (plus GST) on Citigroup Global Markets Australia Pty Ltd for contraventions of:

- (i) ASX Clear (Futures) Operating Rule 45.1, being its obligation to meet an Intra-Day Margin ('Overnight Margin') by the prescribed time of 4:30am on 14 February 2020;
- (ii) ASX Clear (Futures) Rule 4.10, being its continuing requirement to ensure that it has adequate resources and processes to comply with its obligations as a clearing participant under the ASX Clear (Futures) Operating Rules, including offshoring processes pursuant to the obligations set out under ASX Clear (Futures) Operating Rule 4.15A(a) and its related procedures;
- (iii) ASX Clear Operating Rule 12.17.5 and the related procedure, being the requirement to meet its Cash Market Margin obligation by the prescribed time of 10:30am on 30 September 2020; and
- (iv) ASX Clear (Futures) Operating Rules 43.1 and 44.4, being its obligation to settle an Initial Margin / Daily Settlement obligation by the prescribed time of 11:00am on 25 January 2021.

The Reserve Bank of Australia stipulates that central counterparties such as ASX are required to establish and rigorously enforce timelines for margin collections and payments, as well as set appropriate consequences for the failure by participants to pay within the required timeframe.

Further details in respect of this matter are set out in the following circular:

<https://www.asxonline.com/content/dam/asxonline/public/notices/2023/march/asx-disciplinary-circular-citigroup-global-markets.pdf>

## Warning Letter

### Requirement for Effective Change Management

On 27 March 2023, ASX issued a warning letter to a participant in relation to its management of a major IT system change, which resulted in a failure to maintain its interface with CHES in contravention of ASX Settlement Operating Rule 16.1.1(a).

On the date in question, the relevant participant was unable to connect to CHES until approximately 9:15am. In addition, the participant experienced database issues and was unable to monitor and manage any unmatched transactions due for settlement for that day nor have any visibility on forecasted short positions that could potentially result in settlement fails.

These issues arose as a consequence of a data centre migration and platform upgrade, and necessitated the participant making three requests for extensions to CHES Batch Settlement from 11:30am to 12:15pm. From 12:15pm on that date, ASX granted the requested extensions with CHES Batch Settlement, resulting in an approximate 45 minute delay to the market.

Following this incident, the participant confirmed to ASX that it had identified deficiencies in its IT and change management processes and in response:

- (i) introduced a monitoring alert to immediately identify any failures to establish connectivity with CHES;
- (ii) made improvements to its database management and change implementation procedures; and
- (iii) updated its system processes to ensure that routinely scheduled jobs will not run during connectivity testing.

These actions are expected to assist in preventing a similar incident going forward.

Section 4.14 of ASX Settlement Operating Rule Guidance Note 10, relating to Business Continuity and Disaster Recovery, requires participants to have documented and to comply with its change management policies and procedures, which are designed to ensure that changes to its ASX Settlement operations are thoroughly assessed, tested and authorised, in order to avoid a future business continuity event being triggered.