



# Clearing and Settlement Boards Charter

## Introduction

1. ASX Limited (**ASX**) and its related bodies corporate comprise the **ASX Group**. The ASX Group includes four subsidiary companies which hold licences to provide clearing and settlement facilities (the **CS facility licensees**). The CS facility licensees and the services they provide are:

Entity	Services provided
<b>ASX Clear</b> (ASX Clear Pty Limited)	Central counterparty ( <b>CCP</b> ) services for the ASX market and other approved Australian equity markets.
<b>ASX Clear (Futures)</b> (ASX Clear (Futures) Pty Limited)	CCP services for the ASX 24 market and for AUD and NZD-denominated OTC interest rate derivatives.
<b>ASX Settlement</b> (ASX Settlement Pty Limited)	Securities settlement facility ( <b>SSF</b> ) services for the ASX market and other approved Australian equity.
<b>Austraclear</b> (Austraclear Limited)	SSF services for the Australian wholesale debt market.

2. There are two intermediate holding companies for the CS facility licensees, which are:
  - a. **ASX Clearing Corporation** (ASX Clearing Corporation Limited) for ASX Clear and ASX Clear (Futures). It also holds on trust the financial resources the CCPs may use in the event of a participant default.
  - b. **ASX Settlement Corporation** (ASX Settlement Corporation Limited) for ASX Settlement and Austraclear.
3. The four CS facility licensees together with their intermediary holding companies are collectively referred to as ‘the **CS Subsidiaries**’, and their Boards are collectively referred to as ‘the **CS Boards**’.
4. This Charter sets out the role, responsibilities, composition and operation of the CS Boards.

## Role and responsibilities of the CS Boards

5. The role of the CS Boards is to provide leadership, guidance and oversight of the clearing and settlement operations of the CS Subsidiaries.
6. The CS facility licensees’ statutory obligations include, but are not limited to:
  - a. to the extent that it is reasonably practicable to do so, complying with the Financial Stability Standards (**FSS**) and doing all other things necessary to reduce systemic risk
  - b. to the extent that it is reasonably practicable to do so, doing all things necessary to ensure that the CS facility licensee’s services are provided in a fair and effective way
  - c. having adequate arrangements for:
    - i. handling conflicts between the commercial interests of the CS facility licensee and the need for the CS facility licensee to ensure that its services are provided in a fair and effective way
    - ii. enforcing compliance with its operating rules.
  - d. having sufficient resources (including financial, technological and human resources) to operate the facility properly and provide the required supervisory arrangements
  - e. complying with licence conditions.
7. In addition to the matters that are specified in their constitutions or by law to be fulfilled by the CS Boards, the CS Boards are responsible for:

Strategy	<ul style="list-style-type: none"> <li>Review and approve the strategy developed by management to comply with the CS facility licensees' statutory and regulatory obligations</li> <li>Monitor the execution of the strategy approved by the CS Boards.</li> </ul>
Set risk tolerance	<ul style="list-style-type: none"> <li>Set the operational risk tolerances for the CS facility licensees. In doing so, the CS Boards have regard to the legitimate business interests of ASX as a provider of capital to CCPs.</li> </ul>
Compliance	<ul style="list-style-type: none"> <li>Oversee management systems and processes for the purpose of:           <ul style="list-style-type: none"> <li>ongoing compliance with the FSS determined by the Reserve Bank of Australia and consistency with the international PFMI (Principles for Financial Market Infrastructures) standards</li> <li>ongoing compliance with the CS facility licensees' statutory and licence obligations.</li> </ul> </li> </ul>
Risk management	<ul style="list-style-type: none"> <li>Review and approve the risk management framework</li> <li>Oversee the adequacy of internal controls, systems and processes for the management of clearing and settlement risks of the CS facility licensees</li> <li>Manage the CS Subsidiaries within the ASX risk appetite and the operational risk tolerances set by the CS Boards</li> </ul>
Financial Reporting	Review and approve their respective financial reports.
Investment Mandates	As applicable, review and approve the investment mandates (including the risk management framework for the investment of clearing participant margins deposited with the CS facility licensees and other pre-funded default resources).
Default Management and Recovery	<ul style="list-style-type: none"> <li>Review and approve the default management policies, systems and processes applicable to counterparty failure and default</li> <li>Review and approve the recovery plan, recovery tools and processes required to enable the CS facilities licensees to continue to provide critical services during situations of extreme financial stress which threaten the provision of those critical services.</li> </ul>
Remuneration and Performance Arrangements	<p>Review and provide input to the ASX Group's remuneration arrangements and processes as they apply to the CS facility licensees with regard to:</p> <ul style="list-style-type: none"> <li>the incentives created</li> <li>the FSS and other applicable regulatory requirements, and satisfy themselves that the remuneration policies comply with the FSS and other applicable regulatory requirements.</li> </ul> <p>Provide input to the People and Culture Committee on the remuneration arrangements and performance of the Chief Risk Officer and CS Lead Executives.</p> <p>The CS Boards may, in their discretion, provide inputs to the People and Culture Committee on the remuneration arrangements and performance of other ASX executives insofar as it relates to matters relevant to the CS Subsidiaries.</p>
Policy Development	<p>Assess and approve new product categories for clearing and settlement having regard to the clearability policy for admittance of new products and potential counterparty or systemic risk issues.</p> <p>Periodically review the ASX Group's <i>Information Handling Standards</i> so they remain effective.</p>

Assurance	<ul style="list-style-type: none"> <li>• Review and approve the annual external audit review plans, annual internal audit work plans and annual enterprise compliance work plans as they relate to the CS Subsidiaries</li> <li>• Receive reviews and reports from the external auditor regarding the financial statements of the CS Subsidiaries</li> <li>• Receive reviews and reports from the external auditor regarding the Cash Market Clearing and Cash Market Settlement Management Income Statements; and compliance with the <a href="#">Regulatory Expectations for Conduct in Operating Cash Equity Clearing and Settlement Services in Australia</a> published by the Council of Financial Regulators and the Australian Competition and Consumer Commission (<b>Regulatory Expectations</b>)</li> <li>• Receive reports from the internal auditor regarding the outcome of internal audits as they relate to the CS Subsidiaries</li> <li>• Oversee and satisfy themselves that there is adequate governance surrounding the adoption and use of models (such as margining models)</li> <li>• Receive reports regarding the enforcement of compliance with the operating rules of the CS facility licensees.</li> </ul>
Customer and Stakeholder Engagement	<p>In relation to ASX Clear and ASX Settlement:</p> <ul style="list-style-type: none"> <li>• have oversight of adherence to their commitments under the <a href="#">ASX Cash Equities Clearing and Settlement Code of Practice</a> (the <b>Code of Practice</b>), which sets out ASX's commitment to comply with the Regulatory Expectations and its commitments to customers and other stakeholders in managing cash equities, clearing and settlement infrastructure and services for the Australian market</li> <li>• Give due consideration and provide written responses to the recommendations of the Business Committee convened under the <i>Code of Practice</i>, and whose role and charter are available on the <a href="#">ASX website</a>.</li> </ul> <p>In relation to ASX Clear and ASX Clear (Futures), give due consideration and provide written responses to proposals and recommendations made by the Consultative Committees established under the ASX Clear Operating Rules and ASX Clear (Futures) Operating Rules.</p>
Policies	<ul style="list-style-type: none"> <li>• CS Boards to review and approve any policies that require, or are reserved for, Board approval that relate to the CS facilities only; and</li> <li>• CS Boards to review and approve any policies that require, or are reserved for, Board approval with ASX Group wide application that have specific application to the CS facilities together with ASX Limited, other than policies approved by an ASX Board Committee or where immaterial changes are being made.</li> </ul>

8. In performing their responsibilities, the CS Boards shall have regard to the stability of the broader financial system, other relevant public interest considerations and the objectives of relevant stakeholders.
9. The ASX Stakeholder Charter sets out how the ASX Group seeks to balance the interests of its customers, shareholders, regulators and the broader financial markets. The CS Boards may establish forums to consult with participants on matters which may impact operational or risk management aspects of participants' businesses.
10. The ASX Group is committed to conducting its business in an open and transparent manner. The ASX Group's Conflict Management Policy and Information Handling Standards are part of its governance framework and encompass customers, competitors, supplier arrangements and governance arrangements.

**Note:** *This in accordance with the provisions of the Code of Practice adopted by ASX Clear and ASX Settlement and which sets out their commitment to comply with the Regulatory Expectations for the Conduct of Cash Equity Clearing and Settlement Services in Australia released by the Council of Financial Regulators.*

11. The CS Boards have delegated certain matters to the ASX Board Committees and these are outlined in Articles 28 - 29 below. The CS Boards have also delegated certain matters to management and these are outlined in Articles 12 - 25 below.

## Role and responsibilities of Management

### Managing Director and CEO

12. The CS Boards have delegated the management of the CS Subsidiaries to the Managing Director and CEO of ASX (**CEO**). Except for those matters reserved by the CS Boards or delegated by the CS Boards to ASX Board Committees, the CEO may make all decisions and take all action required to manage the CS Subsidiaries.
13. The responsibilities of the CEO include but are not limited to:
  - a. implementing the strategy and achieving the business objectives for the CS Boards
  - b. allocating sufficient resources to operate the CS facility licensees
  - c. day-to-day management and operation of the CS Subsidiaries in accordance with applicable policies and procedures adopted by the CS Boards and ASX Board
  - d. timely presentation of information to the CS Boards to enable them to fulfil their responsibilities.
14. The authority delegated in Article 13 includes authority to make decisions on the commercial arrangements, fees for access arrangements and clearing and settlement fees. The Code of Practice sets out commitments by ASX Clear and ASX Settlement regarding the provision of access to cash equities clearing and settlement services, including that they be provided on transparent and non-discriminatory terms.

**Note:** *This in accordance with the provisions of the ASX Cash Equities Clearing and Settlement Code of Practice.*

15. The CEO is accountable to the CS Boards for the exercise of authority delegated in Article 13.

### CS Lead Executives – appointment, responsibilities, reporting lines

#### Appointment

16. Each CS facility licensee has one or more lead business executives (each, a **CS Lead Executive**). The CS Lead Executives are appointed and terminated by the CEO. The CS Boards shall be consulted on the appointment and termination of the CS Lead Executives.
17. The CS Lead Executives may not have a material commercial association with a participant in an ASX licensed market or CS facility licensee without prior consent of the CS Boards.

#### Responsibilities

18. Each CS facility licensee's CS Lead Executive is responsible for:
  - a. the operation of the facility
  - b. developing objectives, strategies and goals for the facility in a manner that aligns with ASX's risk appetite, subject to CS Boards review and approval
  - c. delivering the objectives, strategies and goals approved by the CS Boards

- d. assessing and making recommendations to the CEO regarding sufficiency of financial, technical and human resources required to operate the licensees, including escalating to the CEO any material risks concerning the adequacy of resources
  - e. providing input on ASX's risk appetite
  - f. risk management of the facility within ASX's risk appetite and the clearing and settlement risk management framework for the facility.
19. A CS Lead Executive may have responsibility for more than one facility, and may also have other responsibilities within the ASX Group.

#### Reporting Lines

20. The CS Lead Executives may report to the CEO or another executive.
21. The CS Lead Executives are normally required to attend all CS Board Meetings referred to in Article 54 and may be required by the CS Boards to attend the concurrent meetings of the ASX Limited and CS Boards referred to in Article 55.

#### Senior Management – appointment, responsibilities, reporting lines

##### Appointment

22. The Chief Risk Officer (**CRO**) is appointed and terminated by the CEO. The CS Boards shall be consulted on the appointment and termination of the CRO.
23. The CRO may not have a material commercial association with a participant in an ASX licensed market or CS facility licensee without prior consent of the CS Boards.

##### Responsibilities

24. The CRO of ASX has responsibility for developing and maintaining the clearing and settlement risk management framework for the CS facility licensees. The CS Boards shall receive reports from the CRO at each meeting.
25. Compliance and enforcement functions of the CS facility licensees are performed under delegations from the CS Boards to the Chief Compliance Officer (CCO).

##### Management Reporting Lines

26. The CRO reports to the CEO. The CRO is normally required to attend all CS Board Meetings referred to in Article 54 and may be required by the CS Boards to attend the concurrent meetings of the ASX Limited and CS Boards referred to in Article 55.
27. The General Manager, Internal Audit reports to the CFO for administrative purposes and the General Manager, Enterprise Compliance reports to the CRO and for conflict sensitive matters, to the non-ASX CS directors, and they:
- a. may be required by the CS Boards to attend any CS Board meetings
  - b. each have a direct reporting line to the Chair of the Audit and Risk Committee of the ASX Board (which has been appointed to assist the CS Boards in carrying out certain responsibilities).

#### Role and responsibilities of Committees

28. The CS Boards may establish committees or appoint a committee to assist the CS Boards in carrying out their responsibilities. The committees that assist the CS Boards are set out below.

Committee	Appointed to
Audit and Risk Committee of the ASX Board	<ul style="list-style-type: none"> <li>a. Oversee risk management matters outside of the areas reviewed by the CS Boards and the Technology Committee and which are ASX Group enterprise-wide in nature.</li> <li>b. Review and oversee:               <ul style="list-style-type: none"> <li>i. the methodology and process for preparing the Cash Market Clearing and Cash Market Settlement Management Income Statements which are prepared in accordance with the <i>Code of Practice</i> and the external auditor's report relating to those statements; and</li> <li>ii. the ASX internal cost allocation and transfer policy between the ASX Group entities for clearing and settlement of cash equities in Australia.</li> </ul> </li> <li>c. Assist the CS Boards to review and oversee the arrangements for the CS facility licensees to achieve compliance with their statutory obligations as licence holders with the exception of those matters carried out by the Technology Committee.</li> </ul>
Nomination Committee of the ASX Board	Consider nomination matters relevant to the CS Boards.
People and Culture Committee of the ASX Board	Consider remuneration matters relevant to the CS Boards.
Technology Committee of the ASX Board and CS Boards	Consider technology, data and cyber resilience matters relevant to the CS Boards.

29. The ASX Board will determine the membership and composition of each Board committee in consultation with the Nomination Committee and, in the case of the Technology Committee, the CS Boards.
30. The role and responsibilities of each committee will be set out in a charter.
31. The CS Boards will receive reports from each of the committees above on matters considered by the committees and which are relevant to the CS Subsidiaries. These reports may be verbal. Minutes of committee meetings will be provided to the CS Boards for noting.
32. The CS Chair referred to in Article 44 (or another non-ASX director in their absence) is a regular attendee at the Audit and Risk Committee meetings where ASX's risk strategy and appetite on an enterprise-wide level are considered and has the opportunity to provide input at those meetings.

## CS Board Composition

### Board size and composition

33. Subject to the respective constitutions of the CS Subsidiaries and Article 37, the CS Boards may determine their size and composition. In addition (and as specified in the CS Board constitutions) the ASX Board may appoint or remove directors on the CS Boards.

34. Each of the CS Boards will comprise a majority of directors who are non-executive and have been assessed by the relevant CS Boards as independent.
35. Collectively, the CS Boards shall comprise directors with the skills and expertise necessary to discharge their responsibilities, including skills and expertise in clearing and settlement operational and risk management matters.
36. Appointment of CS Board directors will be made with input from the Nomination Committee.
37. The Boards of each of the CS facility licensees 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.
38. ASX Clear, ASX Settlement, ASX Clear (Futures) and Austraclear shall ensure that a quorum can be constituted by non-ASX directors.

#### Director independence

39. The CS Boards value the skills, experience and perspectives brought to the CS Boards by directors who are involved with stakeholders of the ASX Group including listed entities and participants.
40. The CS Boards shall review the independence of each director:
  - a. by undertaking an annual, formal assessment having regard to the *ASX Board Policy and Guidelines affecting Independent Status* as adopted by the ASX Board and CS Boards and as amended from time to time
  - b. at such other time that they determine as being necessary having regard to disclosure made by directors at Board meeting of any new interests, positions, affiliations or other relationships.

#### Board renewal

41. The CS Boards, in consultation with the Nomination Committee, will regularly review the skills and experience represented by directors on the CS Boards to determine whether each CS Board collectively has the mix of skills and experience which the relevant CS Board needs to fulfil its responsibilities as detailed in this Charter.

#### Director induction and education

42. New non-executive directors will undertake an induction program upon joining the CS Boards.
43. Director education is supported by an ongoing program that is incorporated into the CS Boards forward planner.

#### CS Board Chair

44. The Chair of each of ASX Clear, ASX Settlement, ASX Clear (Futures) and Austraclear is to be an independent non-executive director and a non-ASX director.
45. The Chair of each CS Board is appointed by the relevant CS Board with input from the Nomination Committee.
46. A CS Board Chair's primary responsibility is leading their CS Board and overseeing the process for that board fulfilling its responsibilities under this Charter.
47. A CS Board Chair is also responsible for:
  - a. (subject to Article 54), chairing CS Board meetings, facilitating the effective contribution of all directors and fostering open, respectful and constructive discussions between directors, and between the CS Boards and management at CS Board meetings
  - b. developing a constructive working relationship with the CEO including by attending regular meetings with the CEO, and providing support and advice where appropriate



- c. developing a constructive working relationship with the CS Lead Executives, and providing support and advice where appropriate, including in relation to the development of objectives, strategies and goals for each CS facility
- d. liaising with other management in relation to the provision of timely and high quality information that supports the effective performance of the CS Boards
- e. representing the views of the relevant CS Board to the CEO, CS Lead Executives and regulators on key matters affecting CS facility licensees, and other stakeholders as required
- f. setting the agenda for CS Board meetings in consultation with the CEO, CS Lead Executives and Company Secretary, ensuring adequate time is available for discussion and debate and prioritisation of material items
- g. consulting with directors individually regarding CS Board performance, and ensuring that appropriate action, if required, is taken on the results of CS Board performance evaluations.

### Company Secretary

- 48. Each CS Board will appoint at least one Company Secretary. The appointment and removal of a Company Secretary is subject to approval of the relevant CS Board.
- 49. The CS Boards will generally appoint at least once Company Secretary who is not also a Company Secretary of ASX.
- 50. The Company Secretary is accountable to the CS Boards, through the respective Chairs, on all matters to do with the proper functioning of the CS Boards.
- 51. The Company Secretary will advise the Chair and, through the Chair, the Board and individual directors on corporate governance matters.
- 52. The Company Secretary's role also includes:
  - a. co-ordinating CS Board meetings
  - b. drafting agendas, governance-related agenda papers and minutes of meetings
  - c. monitoring that Board policies and procedures are followed.

### CS Boards meetings

#### Frequency and conduct

- 53. The CS Boards shall meet as often as is necessary to fulfil their responsibilities.
- 54. The CS Boards may meet concurrently. Where the CS Boards meet concurrently, the concurrent meetings may be chaired by any Chair of a CS Board. A CS Board may also identify a non-executive director (**Lead Independent Director**) to represent it at a concurrent meeting where an intra-group conflict arises. Where practicable, the Lead Independent Director will be a non-ASX director.
- 55. The ASX Board may meet concurrently with the CS Boards. ASX directors do not attend or receive copies of papers or minutes of meetings of the non-ASX directors of ASX Clear or ASX Settlement referred to in Article 58, and do not attend meetings of the non-ASX directors of the CS Boards referred to in Article 59, but may receive copies of papers or minutes of those meetings with the consent of the non-ASX directors.

#### Declaration of material personal interests

- 56. Directors must disclose all material personal interests which may conflict with their duties. If there is a change to a director's material personal interests, the director must notify that change at or prior to the next CS Board meeting.
- 57. Directors are expected to take reasonable steps to avoid actual or perceived conflicts of interest.

### Meetings of non-ASX directors

58. The non-ASX directors on the ASX Clear and ASX Settlement Boards shall meet without the directors who are also directors of ASX, to:
- consider and, where appropriate, determine matters that require the consideration of competitively sensitive information acquired in the course of providing clearing and settlement services to another market operator or listing venue
  - oversee management's handling of confidential and competitively sensitive information acquired in the course of providing clearing and settlement services to another market operator or listing venue
  - oversee the provision of clearing and settlement services to another market operator or listing venue.
59. The non-ASX directors on the Boards of each of ASX Clear, ASX Settlement, ASX Clear (Futures) and Austraclear shall:
- manage (and make any variations to) the decision process for those Boards to determine whether there is an intra-group conflict
  - meet without the directors who are also directors of ASX, to consult on, and discuss, intra-group conflicts
  - determine the process for managing the intra-group conflict by those Boards including making any recommendations to those Boards that they consider appropriate.

### Access and advisers

60. Each CS Board has unrestricted access to all staff and relevant records of the ASX Group it considers necessary to fulfil its obligations (including internal audit and the external auditor without management present) and has the right to seek explanations and additional information from management and auditors.
61. As necessary or desirable, the CS Boards may invite members of management, internal audit, representatives of the external auditor or other external advisers to be present at meetings of the CS Boards.
62. A CS Board or the non-ASX directors of a CS Board may, with the Chair's prior consent, seek such independent professional advice (including external legal advice) that they consider necessary to fulfil their responsibilities (with expenses associated with such advice to be met by ASX Operations Pty Limited as contemplated by the ASX Group Support Agreement).

### CS Boards performance

63. The CS Boards shall assess their performance (including performance against the terms of this Charter) and the performance of individual directors annually.
64. The CS Boards may, in consultation with the Nomination Committee, determine to engage an external consultant to conduct the performance assessment.

### CS Boards charter review

65. The CS Boards shall review this Charter at least every two years to keep it up to date and consistent with their objectives. Amendments to the Charter other than for branding or position titles are to be approved by the CS Boards.

### Approval date

Charter approved: 14 February 2024