

# Cash Equities Clearing, Settlement and Issuer Services Pricing Policy



Effective date: 1 July 2025



## 1. Cash Equities Clearing, Settlement and Issuer Services Pricing Policy ('Pricing Policy')

1. This Pricing Policy sets out the methodology for determining and reviewing prices for services that are classified as 'Covered Services' for the purposes of the *ASIC CS Services Rules 2025* ('Rules'). These include:
  - a. Cash equity clearing services provided by ASX Clear Pty Limited ('**ASX Clear**');
  - b. Cash equity settlement services provided by ASX Settlement Pty Limited ('**ASX Settlement**'); and
  - c. Issuer services provided by ASX Settlement.

This group of services is referred to in this Pricing Policy as '**CS services**'. References to ASX in this Pricing Policy mean ASX Clear and ASX Settlement.
2. As the sole licensed operator of clearing and settlement facilities for the Australian cash equities market, ASX recognises the importance of its clearing and settlement services to its customers. ASX is committed to ensuring Australia's clearing and settlement infrastructure is efficient, well capitalised and well governed. ASX values working collaboratively with customers and other stakeholders to deliver world-class financial infrastructure and CS services that meet the needs of a diverse range of users in the Australian cash equities market.
3. CS services are provided through the Clearing House Electronic Subregister System ('**CHESS**'). The fee schedules for individual CS services can be found on the ASX Schedule of Fees webpage.

## 2. Purpose of this Pricing Policy

4. The Rules and the ASX Cash Equities Clearing and Settlement Code of Practice (the '**Code of Practice**') contemplate the importance of ASX's clearing and settlement services to the Australian market.
5. The Rules include an obligation on ASX to take all reasonable steps to ensure that the pricing of its Covered Services is transparent, fair and reasonable. The Rules also include an obligation to maintain and publish a methodology for determining the prices of its Covered Services that demonstrates that the expected revenue from the provision of the Covered Services reflects the efficient costs of providing those services, including a return on investment commensurate with the commercial risks involved (the '**cost reflectivity principle**').
6. The purpose of this Pricing Policy is to demonstrate and ensure ASX's compliance with its obligations in the Rules, build on ASX's commitments under the Code of Practice and provide information and transparency to customers on ASX's approach to determining CS services pricing.

## 3. Ensuring that ASX's Pricing Complies with the Rules

7. ASX is committed to transparent, fair, reasonable and non-discriminatory CS services pricing. ASX publishes CS services fee schedules on its website, and this Pricing Policy explains how ASX ensures that its pricing complies with the Rules.
8. ASX will not discriminate in favour of any CS services customers (including any ASX-affiliated entities), except to the extent that the efficient cost of providing the same service to another party is higher.
9. To determine the prices of its CS services and demonstrate alignment with the cost reflectivity principle, ASX will employ:
  - a. the Building Block Method ('**BBM**');
  - b. annual review of revenue from CS services; and
  - c. a process for reviewing the CS services fee schedules and making any potential amendments to those fee schedules, to ensure that expected revenue remains in line with efficient costs.

The BBM, annual review of revenue from CS services and fee schedules review and change process are explained further in the following sections.

## 4. Building Block Method

10. ASX will adopt the BBM as part of its process for ensuring alignment with the cost reflectivity principle. The BBM is a well-established tool endorsed by Australian regulators to ensure that prices for access to essential infrastructure reflect the efficient costs of providing that access.
11. The BBM operates by calculating a 'revenue requirement' for each year which reflects the efficient cost of delivering CS services. This is calculated as the sum of four cost building blocks:
- a return of capital (depreciation on invested capital, representing the allocation of investment costs over the capital's useful life);
  - a return on capital (the cost needed to cover the costs of investment in assets, i.e. returns to equity and debt holders), at a rate of return which reflects the risk involved in providing CS services. Market parameters for the rate of return will be calculated in line with the Rate of Return Instrument ('RORI')<sup>1</sup>, a standard regulatory methodology published by the Australian Energy Regulator ('AER');
  - operating costs (day-to-day costs of running the CS services businesses with the efficiency scheme to incentivise cost management, allocated in accordance with the ASX Cost and Revenue Allocation Policy ('Allocation Policy')); and
  - the cost of corporate tax (the corporate tax on taxable income, adjusted for the value of imputation credits that are created when corporate tax is paid).
12. Under the Rules, ASX is required to maintain and publish a model for the internal allocation of all costs, including the cost of allocated capital, as well as policies to govern the transfer of prices between the relevant ASX Group entities. ASX intends to allocate the economic costs (both direct and indirect) of providing CS services in accordance with the Allocation Policy. This policy describes the manner in which costs will be allocated to clearing, settlement and issuer services functions in the preparation of ASX's management accounts. The Allocation Policy will be applied by ASX in calculation of BBM revenue requirements under the Pricing Policy.
13. Included in the calculation of a return on capital (paragraph 11(b)) is the cost associated with financial risk capital held for operations relating to CS services, reflecting ASX's regulatory obligations to safeguard participants' assets ('cost of holding risk capital'). This includes capital in the default fund and financial risk capital (to cover operational and business risks) held for CS services.

### Weighted Average Cost of Capital

14. To calculate a reasonable return on capital, ASX will use a target rate of return for each financial year as a weighted average cost of capital ('WACC'). The WACC is a weighted average of the cost of debt and the cost of equity, with the weights reflecting the relative amounts of debt and equity appropriate for the CS services.
15. The parameters and methods that will be used to calculate the WACC are set out in the table below. These reflect standard and well-accepted regulatory methods. For parameters that are not specific to ASX (all parameters other than the asset beta), methods are aligned with the RORI. The asset beta has been determined to reflect the degree of risk faced by ASX in providing CS services.

WACC Input	ASX parameter value / methodology
<b>Risk-free rate</b>	The risk-free rate for each financial year will be calculated as a simple average of the daily yield-to-maturity for 10-year Commonwealth Government Securities, averaged over all business days in the relevant financial year. The relevant yield data will be sourced from the Reserve Bank of Australia.
<b>Asset beta</b>	1.20
<b>Market risk premium</b>	As specified by the AER in the RORI
<b>Gearing</b>	0% debt / 100% equity
<b>Tax rate</b>	30%
<b>Value of imputation credits (gamma)</b>	As specified by the AER in the RORI

<sup>1</sup> The Rate of Return Instrument sets out the approach that will be adopted by the AER to estimate the rate of return for regulated energy network businesses. The AER publishes a new Instrument every 4 years that is then binding for all regulatory determinations in the subsequent 4 years. The AER most recently published a RORI in February 2023.

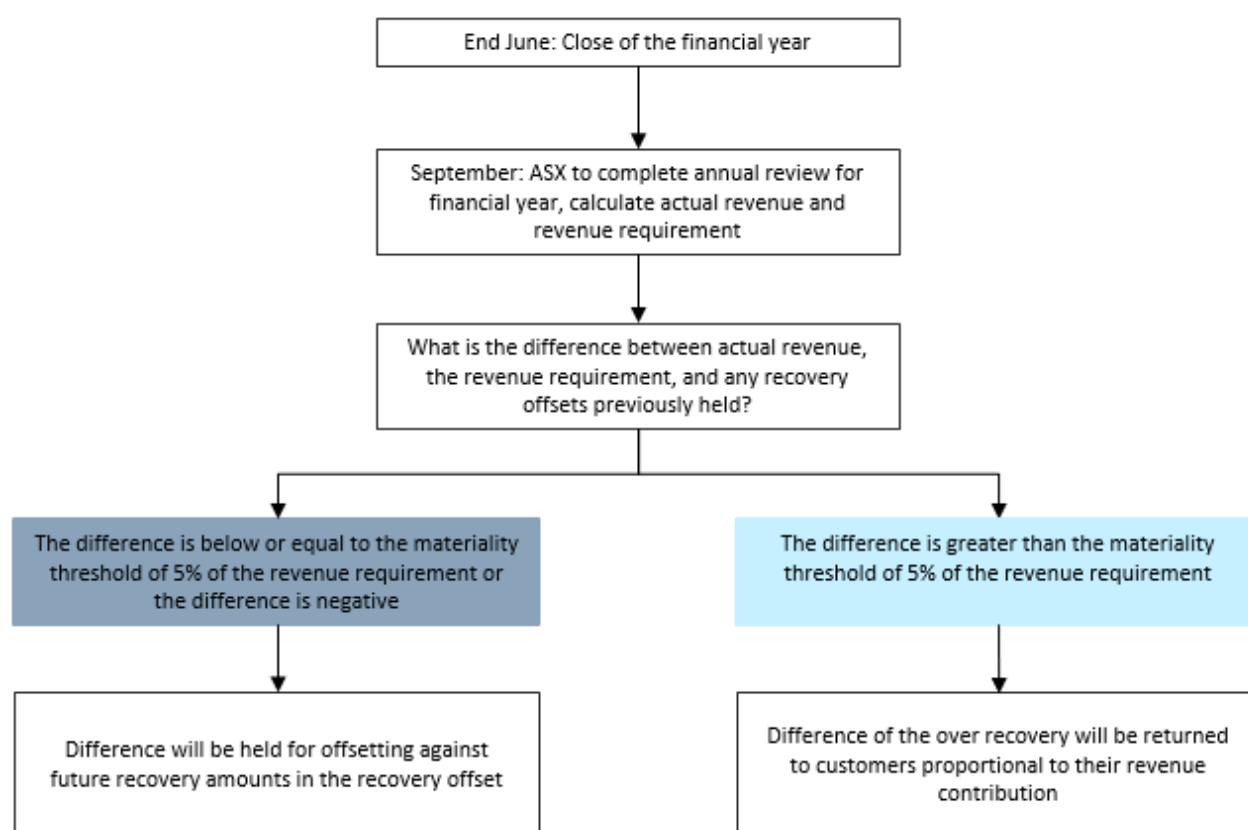
## 5. Efficiency Scheme

16. A BBM framework can incorporate schemes designed to create incentives for efficiency improvements over time. Through an efficiency scheme, the services provider and its customers can share in the benefit of any cost savings. This creates an incentive for the services provider to pursue efficiency gains and allows customers to benefit from these efficiency gains.
17. ASX will implement an efficiency scheme ('**ES**') to ensure that it continues to prudently manage its operating costs as part of this Pricing Policy. The ES sets out the methodology to provide for equal sharing between ASX and users of CS services of efficiency gains and losses.
18. An '**efficiency gain**' is where actual operating expenditure incurred by ASX is less than the budgeted operating expenditure target for the relevant financial year. An '**efficiency loss**' is where ASX's actual operating expenditure is more than the budgeted operating expenditure target for the relevant financial year. Any efficiency gains or losses will be reflected as adjustments to the operating costs calculation in the BBM. Under the ES:
  - a. At the beginning of the financial year, ASX will provide guidance to the users of CS services on the forecasted operating costs for providing CS services ('**budgeted operating expenditure**'). This will establish the baseline level of operating expenditure for the upcoming financial year that will be used within the BBM calculations.
  - b. At the end of the financial year, the operating costs will be allocated into the BBM based on the operating costs, as per the Allocation Policy ('**actual operating expenditure**').
  - c. Where ASX reduces its actual operating expenditure below the budgeted operating expenditure, there will be a sharing of the efficiency gain – 50% of the gain will be retained by ASX, while the remaining 50% will be adjusted to the operating cost calculation within the BBM.
  - d. Where ASX increases its actual operating expenditure above the budgeted operating expenditure, there will be a sharing of the efficiency loss – 50% of the loss will be borne by ASX, while the remaining 50% will be adjusted to the operating cost calculation within the BBM.
  - e. For the following year, the budgeted operating expenditure will reset based on actual expenditure in the prior year and ASX Group forecasts, meaning that any efficiency gain or loss will be reflected in the budgeted operating expenditure going forward.

## 6. Annual Review of Revenue from CS Services

19. Upon completion of each financial year, ASX will conduct an annual review, using the BBM to calculate the revenue requirement (which represents the economic cost of providing CS services for that year) and comparing this to the revenue that was generated for that year. The purpose of this annual review is to ensure that the revenue generated from providing CS services reflects the efficient costs of providing those services.
20. ASX will conduct the annual review process to operate as follows:
  - a. By no later than September of each year during the term of this Pricing Policy, ASX will compare the revenue received for CS services for the prior financial year against the revenue requirement and determine whether the revenue received was above the revenue requirement (an '**over-recovery**') or below the revenue requirement (an '**under-recovery**') for that financial year.
  - b. In the case of an under-recovery, no additional payment will be required from customers. Instead, the under-recovery amount will be held for netting and offsetting against any over-recovery amount(s) in future years (a '**recovery offset**').
  - c. Where an over-recovery amount is greater than 5% (the '**materiality threshold**') relative to the revenue requirement in aggregate across all customers (a '**material over-recovery**'), ASX will calculate an over-recovery amount to be returned to customers through a reconciliation payment, subject to netting against any under-recovery offset(s) previously held. The over-recovery amount will be calculated as the amount of revenue in excess of that required to recover the revenue requirement and will be reimbursed to each customer proportionally, based on each customer's percentage contribution to the annual revenue for that financial year.
  - d. If the over-recovery amount is less than or equal to 5% (the materiality threshold), there will be no reconciliation payment for that year. Instead, this amount will be netted against any recovery offset(s) from previous years or held for netting against future recovery offset(s).
  - e. By no later than September of each year, ASX will publish a document explaining the outcome of the annual review on its website. If a 'trigger event' (as defined in section 7) has occurred, ASX will also publish a document setting out a timeline and details of the next steps to occur in reviewing the CS services fee schedules.
21. The annual review mechanism for revenue from CS services is shown in Figure 1.

Figure 1: Annual Review Mechanism for revenue from CS services



## 7. Review of CS Services Fee Schedules

**22.** ASX understands that its customers value the stability and predictability of ASX's pricing. ASX will therefore only review and consider amending its CS services fee schedules upon the occurrence of a 'trigger event', which may be quantitative or qualitative in nature. Any amendments to the CS services fee schedules will be made in accordance with this Pricing Policy and the Rules.

### Quantitative trigger events

**23.** ASX will conduct a review of its CS services fee schedules if any of the following quantitative trigger events occur, which may signify a material or sustained mismatch between revenue received and the revenue requirement:

- the under or over-recovery amount in a single financial year is greater than 10% of the revenue requirement; or
- the cumulative total amount of under-recovery or over-recovery over any period of time exceeds 10% of the revenue requirement for the most recent financial year.

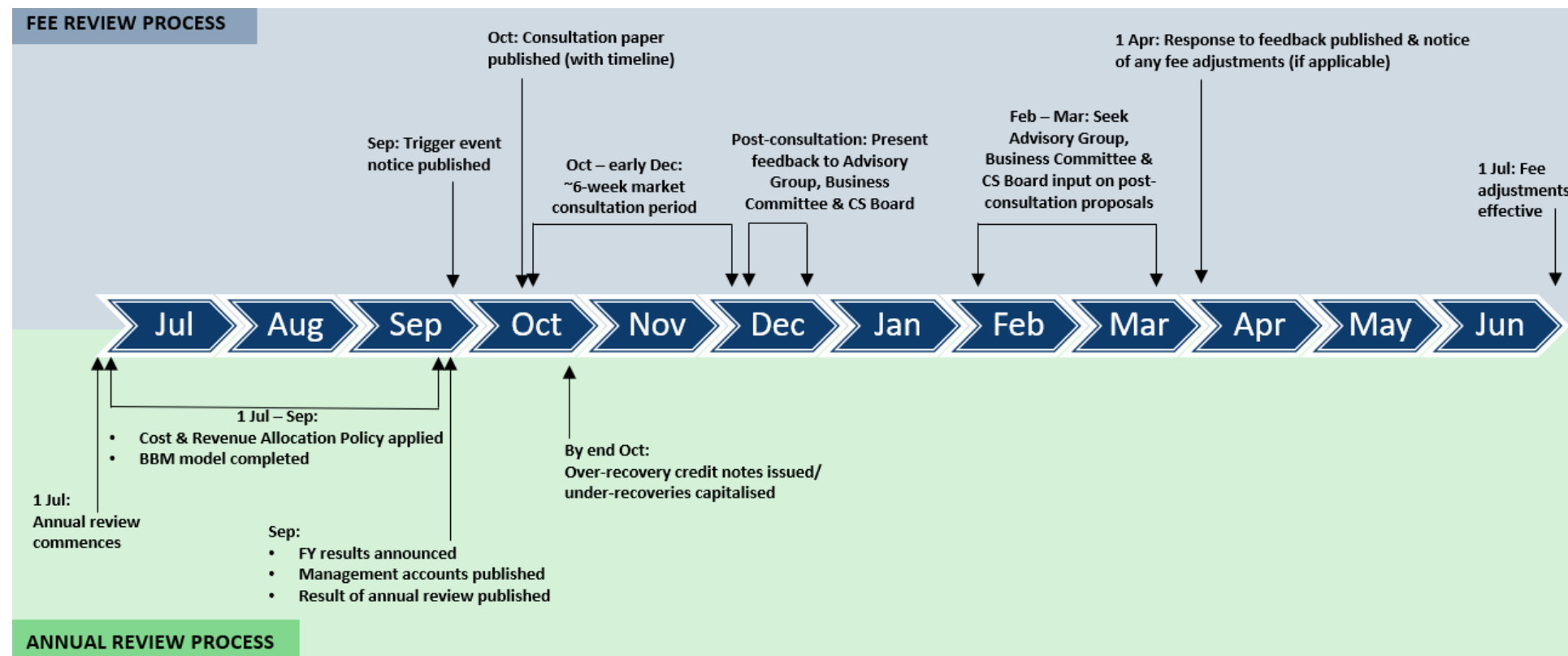
### Qualitative trigger events

**24.** ASX will conduct a review of its CS services fee schedules if any of the following qualitative trigger events occur:

- the emergence or likely emergence of another clearing and settlement facility;
- a significant change in the regulatory environment for cash equities in Australia, including, but not limited to, changes to the Rules and associated regulatory guidance, or the Regulatory Expectations;
- a significant change or expected change in the market structure for cash equities in Australia, such as, but not limited to, the adoption of a shorter settlement cycle for Australian cash equities;
- a significant structural change or upgrade to, or impact on, ASX's business model or operating structure for CS services;

- e. the revenue requirement or expected revenue received in a future year is expected to materially change (whether in response to a significant market event or not) such that at least one of the quantitative trigger events above would be expected to occur; or
  - f. a CS services fee schedule review has not otherwise been conducted in the last 5 years.
- 25. The introduction of a new service by ASX will not trigger a review of CS services fee schedules. ASX will engage with relevant stakeholders regarding pricing of any new services.
- 26. The process for conducting a review will be as follows:
  - a. Where a trigger event has occurred, at the same time as publishing the document explaining the outcome of the annual review, ASX will publish a notice that at least one trigger event has occurred (the **'trigger event notice'**), specifying the trigger event(s) for conducting the CS services fee schedules review.
  - b. As soon as practicable after the trigger event notice has been published, ASX will publish a consultation paper, which will set out proposed options and a recommendation to amend, or not to amend, the CS services fee schedules to address the trigger(s) set out in the trigger event notice. The consultation paper will also set out an intended timeline for consulting with stakeholders, reviewing industry and customer feedback, finalising any potential amendments to the CS services fee schedules and informing customers of any amendments to those fee schedules in advance.
  - c. By no later than 1 April of the financial year prior to the financial year in which any amendments to the CS services fee schedules are to take effect, ASX will publish a response to the consultation feedback, including the details of any amendments to those fee schedules and the respective reasons for change.
- 27. The fee review process and timeline are shown in Figure 2 below. Completion of a fee review process effectively resets the baseline for quantitative trigger events going forward.
- 28. While conducting the review and during any associated consultation processes, ASX will have regard to:
  - a. stakeholder feedback;
  - b. the outcome of recent annual reviews under this Pricing Policy;
  - c. whether any under or over-recovery in prior financial years is likely to reflect transitory or structural factors;
  - d. expected future market developments, including expected changes in demand or expenditure requirements;
  - e. the most recent international comparative report of ASX's CS services fees against prices for similar services in other comparable international markets; and
  - f. any other matters that ASX or stakeholders consider to be relevant.
- 29. Any change to the fee schedule will take effect from the start of the next financial year. There will be no retrospective amendments to fees.
- 30. CS services fee levels will not be amended again for at least two years from the fee amendment effective date, with the exception of trigger events specified in paragraphs 24(a), 24(b), 24(c) and 24(d), which may result in commencement of a review of CS services fee schedules.
- 31. As required by the Rules, any amendments to the CS services fee schedules will not be implemented in a way that would materially shift revenue streams to other entities within the ASX Group.
- 32. ASX will monitor fee levels for CS services on an ongoing basis to ensure that alignment with the cost reflectivity principle is maintained as closely as possible.

Figure 2: Annual Review and Fee Review Process and Timeline



## 8. Transparency and Assurance Processes

- 33. ASX will publish annual, audited management accounts for its CS services.
- 34. ASX will publish the Allocation Policy.
- 35. ASX will publish the outcomes of the annual review of revenue from CS services, including:
  - a. the BBM calculation of the annual revenue requirement; and
  - b. calculation of any under or over-recovery amount.
- 36. ASX will also engage an appropriately qualified independent expert to conduct, prepare and publish a written report about the appropriateness of the Allocation Policy each time there is a change to the Allocation Policy or every three years, whichever comes first.

## 9. Operation and Review of this Pricing Policy

- 37. This Pricing Policy will commence on 1 July 2025.
- 38. The Pricing Policy will be reviewed every 5 years following its commencement, with a view to updating and/or amending it as necessary. As part of this review, ASX will:
  - a. assess the potential need for changes to clearing, settlement and issuer services pricing to reflect changes in the cost base;
  - b. consider potentially significant capital expenditure associated with a replacement system;
  - c. consider any changes to clearing, settlement and/or issuer services delivery; and
  - d. consider any impact of increased competition and/or reduced demand.
- 39. The Pricing Policy may also be reviewed if there are significant changes in the market structure for CS services, including any material changes in the competitive landscape or regulatory obligations.