

## ADMISSION AS A PARTICIPANT

<p><b>The purpose of this Guidance Note</b></p>	<ul style="list-style-type: none"> <li>To outline to applicants the requirements they must meet to be admitted as a participant in the ASX Settlement facility and to assist them in preparing their application</li> </ul>
<p><b>The main points it covers</b></p>	<ul style="list-style-type: none"> <li>The application process generally</li> <li>The common admission requirements that apply to applicants seeking admission to any ASX market or clearing and settlement facility and how they are applied in the context of applicants seeking admission as a participant in the ASX Settlement facility</li> <li>The additional admission requirements that apply to applicants seeking admission as a participant in the ASX Settlement facility</li> <li>Further admission requirements that apply to applicants incorporated or carrying on business outside Australia</li> <li>Rights of appeal on admission decisions</li> <li>The ongoing obligation of participants to comply with the admission requirements</li> </ul>
<p><b>Related materials you should read</b></p>	<ul style="list-style-type: none"> <li>Guidance Note 4 <i>Waivers and In-Principle Advice</i></li> <li>Guidance Note 9 <i>Offshoring and Outsourcing</i></li> <li>Guidance Note 10 <i>Business Continuity and Disaster Recovery</i></li> <li>ASIC Regulatory Guide 104 <i>AFS licensing: Meeting the general obligations</i></li> <li>ASIC Regulatory Guide 105 <i>AFS licensing: Organisational competence</i></li> </ul>

**History:** Guidance Note 1 amended 04/03/24. Previous versions of this Guidance Note were issued in 06/15, 10/15, 01/19, 06/19 and 08/19.

**Important notice:** ASX has published this Guidance Note to assist applicants considering a participation in ASX Settlement to understand the applicable admission requirements. It sets out ASX's interpretation of the ASX Settlement Operating Rules and how ASX is likely to enforce those rules. Nothing in this Guidance Note necessarily binds ASX in the application of the ASX Settlement Operating Rules in a particular case. In issuing this Guidance Note, ASX is not providing legal advice and applicants should obtain their own advice from a qualified professional person in respect of their obligations. ASX may withdraw or replace this Guidance Note at any time without further notice to any person.

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## 1. Introduction

This Guidance Note is published by ASX Settlement Pty Limited ("ASX" or "ASX Settlement") to outline to applicants the requirements they must meet to be admitted as a general settlement participant or account participant in the ASX Settlement clearing and settlement facility and to assist them in preparing their application.

This Guidance Note does not address applications to be admitted as a specialist settlement participant. Guidance on those applications can be found in ASX Settlement Rules Guidance Note 14 *Specialist Settlement Participants*.

## 2. The application process generally

### 2.1 The role of ASX Participant Transitions

The receipt and processing of applications for admission as a general settlement participant or account participant in the ASX Settlement facility is co-ordinated within ASX by a team known as "Participant Transitions".

Before submitting an application for these types of participations, ASX recommends that applicants first discuss the matter with Participant Transitions at the earliest opportunity.

Participant Transitions will be able to provide general advice on the application process, the business models supported by ASX, the requirements for admission as a participant and the expected timeframe for completion of the admission process, given the nature and complexity of the application and the current workloads within ASX.

Participant Transitions can be contacted by email at [participant.transitions@asx.com.au](mailto:participant.transitions@asx.com.au).

## 2.2 The admission application

To apply for admission as a general settlement participant or account participant in the ASX Settlement facility, the applicant must complete an application in the prescribed form.<sup>1</sup> An editable version of the application form can be downloaded from:

<https://asxonline.com/public/documents/participant-application-kit/application-documentation-for-asx--asx-24--asx-clear--asx-clear-.html>.

ASX uses a common application form<sup>2</sup> for applicants seeking admission as:

- a participant in the ASX market operated by ASX Limited;
- a participant in the ASX Clear facility operated by ASX Clear Pty Limited;
- a general settlement participant or account participant in the ASX Settlement facility operated by ASX Settlement Pty Limited;<sup>3</sup>
- a participant in the ASX 24 market operated by Australian Securities Exchange Limited; and
- a participant in the ASX Clear (Futures) facility operated by ASX Clear (Futures) Pty Limited.

The application form is divided into separate parts. Part A applies to all of the above markets and facilities and must be completed by all applicants. Parts B through F respectively apply to each of the markets and facilities mentioned above and must be completed by applicants seeking admission to those markets and facilities. Hence, applicants seeking admission to the ASX Settlement facility as a general settlement participant or account participant must complete Parts A and D of the application.<sup>4</sup>

The application must be properly completed, dated and executed by the applicant.<sup>5</sup> It must also be accompanied by the annexures and any other supporting documentation, as applicable, specified in the application form. ASX may reject or defer consideration of an application for admission as a participant that is not properly completed and executed or that is not accompanied by all of the required annexures and, as applicable, supporting documentation.

If the applicant is seeking a waiver from, or in-principle advice about the application of, any Operating Rule, the application should also attach a letter from the applicant or its advisers detailing the waiver or advice sought and providing the information set out in ASX Settlement Operating Rules Guidance Note 4 *Waivers and In-Principle Advice*.

<sup>1</sup> ASX Settlement Operating Rule 4.2.1 and the related Procedure.

<sup>2</sup> The ASX markets and facilities referred to in the text have a significant number of common admission requirements. Using a common application form therefore simplifies and streamlines the admission process for those applicants seeking admission to multiple ASX markets and/or facilities.

<sup>3</sup> The common application form does not apply to applicants seeking to be admitted as a specialist settlement participant in the ASX Settlement facility. Specialist settlement participants are generally only admitted as participants of ASX Settlement for a short period and for a specific purpose. They are subject to a different, more streamlined, admission process and must complete a different application form. It is also available online at: [www.asx.com.au/regulation/compliance/compliance-downloads.htm](http://www.asx.com.au/regulation/compliance/compliance-downloads.htm).

<sup>4</sup> An applicant will also have to complete Part B if they are seeking admission as a participant in the ASX market, Part C if they are seeking admission as a participant in the ASX Clear facility, Part E if they are seeking admission as a participant in the ASX 24 market and/or Part F if they are seeking admission as a participant in the ASX Clear (Futures) facility.

<sup>5</sup> The cover page of the application form has instructions for its completion. The form is signed at the foot of Section 2 of Part A (just above the shaded box with the instructions on how to sign the form).

All applications for admission as a general settlement participant or account participant and accompanying annexures should be lodged in soft-copy via the application form upload facility under “Applications” on ASX Online using log-on credentials provided by Participant Transitions. The upload facility requires the application form and each relevant annexure to be uploaded as separate files. Some information may need to be provided directly to Participant Transitions, which will be detailed in the Application Form.

### 2.3 Payment of application fee

An application for admission to the ASX Settlement facility will require payment of the relevant application fee set out in ASX’s published schedule of fees.<sup>6</sup>

Once an application has completed pre-acceptance validation, Participant Transitions will raise an invoice to the applicant for the application fee. This invoice will be sent to the nominated email contact and include the applicable fee and remittance advice for payment.

Applicants will need to ensure that any application fee is paid in full prior to admission.

### 2.4 Pre-acceptance validation

Upon receipt of the application form, and any applicable supporting information, Participant Transitions will check that an application for admission as a general settlement participant or account participant in the ASX Settlement facility has been properly completed and executed and attaches all of the required documents. If it is and does, Participant Transitions will then forward the application to another ASX business unit, Participants Compliance, for an initial pre-acceptance review.

Participants Compliance will validate that the application contains sufficient information to assess whether the applicant will meet ASX’s requirements for admission.

If an application passes these pre-acceptance validation checks, Participant Transitions will notify the applicant in writing that the application has been accepted and ASX will commence its formal review of the application. If it does not pass these pre-acceptance validation checks, Participant Transitions will discuss with the applicant what additional information or documentation is required before the application can be accepted.

### 2.5 Detailed assessment

Upon acceptance of an application, Participants Compliance will conduct a detailed review of the application to assess whether it conforms to the admission requirements in the ASX Settlement Operating Rules. Participants Compliance will also review any waiver requested from the ASX Settlement Operating Rules to assess whether it conforms to the underlying principles of the Rules<sup>7</sup> and ASX policy.

If the application does not fully conform to the requirements of the ASX Settlement Operating Rules and a specific waiver has not been sought by the applicant, Participants Compliance will contact the applicant to discuss amendments to the application to meet those requirements or, in an appropriate case, whether the applicant should apply for a waiver.

Other ASX teams will, as necessary, review the application to assess whether it conforms to ASX’s operational, technology, risk and legal requirements. The assessment process is generally an iterative and collaborative one, where ASX endeavours to address issues with the participant as they arise and to resolve them to everyone’s satisfaction.

### 2.6 ASX’s admission decision

Once the assessment of the application has progressed sufficiently, ASX will notify the applicant that it is ready to make a decision on the application. At that stage, ASX may make a decision:

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<sup>6</sup> Available online at:

<https://www.asx.com.au/participants/apply-to-become-a-participant/asx-participant-fee-schedule>.

<sup>7</sup> The fundamental principle underlying all ASX Settlement Operating Rules is that the ASX Settlement facility should be fair and effective.

- if the applicant is ready to commence operations and has met all of ASX's requirements, to approve the application and admit the applicant as a participant in the ASX Settlement facility;
- if the applicant is not ready to commence operations or has not met all of ASX's requirements, to approve the application in-principle but to defer the formal decision to admit the applicant as a participant until the applicant is ready to commence operations and has met all of ASX's requirements; or
- to reject the application.<sup>8</sup>

The decision on whether or not to admit a participant as a general settlement participant or account participant in the ASX Settlement facility is made by ASX's Chief Compliance Officer on the advice and recommendation of the various ASX business units involved in the process. Such a decision is at the absolute discretion of ASX and ASX may grant or refuse admission.<sup>9</sup>

Where ASX Settlement admits an applicant as a participant, it may at that time, or at any later time, impose any conditions or restrictions on the participant's admission it considers appropriate.<sup>10</sup>

### 2.7 Notification of decision to applicant

Once ASX has made a decision on an admission application, Participant Transitions will communicate that decision to the applicant. If ASX decides formally or in-principle to admit an applicant as a participant, the communication will state what (if any) further requirements the applicant must satisfy:

- in the case of a formal decision to admit the applicant as a participant, to commence its activities in the ASX Settlement facility; or
- in the case of an in-principle decision to approve the admission of the applicant, before a formal decision to admit the applicant will be made.

Thereafter Participant Transitions will act as a point of liaison between the applicant and the relevant ASX business units in working towards satisfying those requirements in a timely manner.

Participant Transitions will notify the applicant of the date on which all of ASX's requirements have been met and when it can commence its activities in the ASX Settlement facility.

## 3. Common admission requirements for most ASX markets and facilities

The following admission requirements are common to most applicants seeking to be admitted as a participant in the ASX markets and clearing and settlement facilities mentioned under "2.2 The admission application" above. They are addressed in Part A of ASX's standard application form. The guidance below addresses how an applicant seeking admission as a general settlement participant or account participant in the ASX Settlement facility should complete Part A.

### 3.1 Proposed business activities and structure

An applicant seeking admission as a participant in any ASX market or facility must annex to its application:

- a statement outlining the applicant's objectives for becoming a participant, including the types of business it wishes to conduct, the types of products in which it wishes to transact, and its target clients (including whether they are retail and/or wholesale and where they are, or are likely to be, located);<sup>11</sup>

<sup>8</sup> Given the iterative and collaborative nature of the application process, this would be a relatively rare occurrence. If an applicant is unable to meet all of ASX's requirements for admission, ASX will usually encourage the applicant to withdraw its application rather than have it formally rejected.

<sup>9</sup> ASX Settlement Operating Rule 4.2.3A.

<sup>10</sup> ASX Settlement Operating Rule 4.2.4.

<sup>11</sup> Question A.2.1 and Annexure A1 to the application form.

- a group structure chart showing the applicant's corporate ownership structure from its ultimate holding company to the applicant and from the applicant to all of its subsidiaries (including any nominee company). It must also show the relationship between the applicant and any other group entity with which it has, or proposes to have, inter-group balances;<sup>12</sup>
- a management structure chart showing the key personnel involved in managing the applicant's proposed ASX activities and their titles, roles and reporting lines;<sup>13</sup> and
- a technology process flow diagram showing the key systems that the applicant intends to use to conduct its proposed ASX activities and the process flows between those systems and ASX's systems.<sup>14</sup>

In the case of an applicant seeking admission to ASX Settlement, its technology process flow diagram should contain sufficient information to allow ASX to assess whether the applicant will meet the technical and performance requirements of the ASX Settlement Operating Rules, including having the necessary organisational and technical resources to communicate reliably with CHES.<sup>15</sup>

In particular, the process flow diagram should identify:

- where the applicant's infrastructure is or will be located;<sup>16</sup>
- how the applicant's systems will connect to ASX's systems;
- the number and location of access points for the entry of trading orders and/or clearing and settlement instructions;
- to the extent applicable, the transaction flow from the receipt of an order to its execution, clearing and settlement;
- which of the applicant's systems are proprietary and which are provided by third party vendors; and
- in the case of trading systems, whether the system is automated or requires the manual input of orders.

### 3.2 AFSL

In other ASX markets and facilities, an applicant seeking admission as a participant must hold an Australian financial services licence (AFSL) that authorises the applicant to carry on its business as a participant,<sup>17</sup> unless it can demonstrate to ASX's satisfaction that such a licence is not required by the Corporations Act 2001 (Cth).<sup>18</sup>

ASX would generally expect a general settlement participant or account participant in the ASX Settlement facility to require an AFSL authorising it:

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<sup>12</sup> Question A.2.2 and Annexure A2 to the application form.

<sup>13</sup> Question A.2.3 and Annexure A3 to the application form. During the assessment phase, ASX will also ask the applicant to provide a list of its key finance, compliance, risk management and operations staff, the job specifications for these roles, their current skill sets and the recruitment process for any further roles that are yet to be filled.

<sup>14</sup> Question A.2.4 and Annexure A4 to the application form.

<sup>15</sup> ASX Settlement Operating Rules 4.3.1(c) (general settlement participants), 4.5.1(c) (account participants) and 4.7.1.

<sup>16</sup> Applicants should refer to section 4.8 of ASX Settlement Operating Rule Guidance Note 10 - *Business Continuity and Disaster Recovery* regarding connectivity requirements for participants to connect to the ASX Settlement facility using a connection that is supported by CHES. Applicants that are also seeking admission to ASX Clear should refer to Section 4.8 of ASX Clear Operating Rule Guidance Note 10 - *Business Continuity and Disaster Recovery* which includes additional connectivity requirements for ASX Clear participants.

Where a participant uses a shared data centre, they must ensure that there is no common or single point of failure within the data centre.

<sup>17</sup> In the case of the ASX Settlement facility, see ASX Settlement Operating Rules 4.3.1(b)(i) (general settlement participants) and 4.5.1(b) (account participants).

<sup>18</sup> Referred to in this Guidance Note as the "Corporations Act". Unless otherwise indicated, a reference to a section of an Act is a reference to a section of the Corporations Act.

- to deal in securities;
- if it intends to settle transactions to buy or sell units in listed trusts or in exchange traded funds that are established as managed investment schemes, to deal in managed investment products,<sup>19</sup>

unless:

- it is applying to be a general settlement participant in its capacity<sup>20</sup> as:
  - a market operator;<sup>21</sup>
  - a clearing and settlement facility;<sup>22</sup> or
  - a person regulated by APRA that intends to provide settlement services solely to wholesale clients;<sup>23</sup>
- it intends to deal exclusively for wholesale clients, it is regulated by an approved overseas regulatory authority and it is appropriately licensed or exempt in accordance with ASIC Regulatory Guide 176 *Foreign financial services providers*; or
- its financial services activities in Australia are confined to dealing on its own account – that is, its only financial services activities in Australia are:
  - acting as a proprietary trader on its own account; and/or
  - clearing and settling market transactions on its own account;<sup>24</sup> or
- its operations (including its staff, premises, technology and clients) are based wholly offshore and it is not otherwise carrying on a financial services business in Australia.<sup>25</sup>

<sup>19</sup> See sections 766A(1)(b) and 911A(1) and the definition of “dealing” in section 766C of the Corporations Act.

<sup>20</sup> ASX Settlement Operating Rule 4.3.1(b)(vi) and (vii) contemplate that a trustee company or a wholly-owned subsidiary of an Australian bank whose sole business is providing nominee, custody and related services or margin lending services also qualify to be general settlement participants. However, in the former case, ASX would typically expect the trustee company to hold an AFSL authorising it to provide traditional trustee company services and related dealing services. In the latter case, ASX would typically expect the subsidiary to hold an AFSL authorising it to provide custodial or depository services in relation to financial products and/or dealing services in relation to margin lending facilities.

<sup>21</sup> ASX Settlement Operating Rule 4.3.1(b)(ii). In such a case, if it holds an Australian financial markets licence, it will not require an AFSL under section 911A(2)(d) or, if it is the operator of an exempt market under section 791C, it will either hold an AFSL authorising its activities as a market operator in accordance with the policy set out in ASIC Regulatory Guide 172 *Financial markets: Domestic and overseas operators* or else have the benefit of a specific exemption from the requirement to hold an AFSL.

<sup>22</sup> ASX Settlement Operating Rule 4.3.1(b)(iii). In such a case, if it holds a domestic or overseas Australian CS facility licence, it will not require an AFSL under section 911A(2)(d) or, if it is the operator of an exempt clearing and settlement facility under section 820C, it will either hold an AFSL authorising its activities as a market operator in accordance with the policy set out in ASIC Regulatory Guide 211 *Clearing and settlement facilities: Australian and overseas operators* or else have the benefit of a specific exemption from the requirement to hold an AFSL.

<sup>23</sup> ASX Settlement Operating Rule 4.3.1(b)(iv). In such a case, it will be exempt from the requirement to hold an AFSL under section 911A(2)(g). If it intends to provide settlement services for retail clients, it will typically hold an AFSL authorising its APRA-regulated activities in any event.

<sup>24</sup> Participants who deal solely on their own account typically would not require an AFSL by virtue of the operation of section 766C(3) of the Corporations Act (the exclusion of dealing on one’s own behalf from the definition of “dealing”). Note that this exclusion does not apply if and to the extent that a person is an issuer of financial products. A participant who enters into an over-the-counter derivative with another person is taken to be an issuer of that derivative under section 761E(5) and hence this exclusion does not apply to participants who issue over-the-counter derivatives.

<sup>25</sup> Section 911A(1) only requires a person to hold an AFSL if and to the extent that they are carrying on a financial services business in Australia. Note that if an ASX Settlement participant settles market transactions for a market participant or underlying client based in Australia then, under section 911D, it runs a significant risk of being considered to be carrying on a financial services business in Australia and therefore requiring an AFSL authorising that activity. Accordingly, any applicant that is seeking to be admitted as a participant in the ASX Settlement facility on the basis that it does not require an AFSL because it is not carrying on a financial services business in Australia must have robust systems and processes in place to ensure that it does not settle market transactions for any market participant or underlying client based in Australia except where it is permitted by law to do so.

The applicant must indicate in its response to question A.3.1 of the application form whether it:

- has an existing AFSL – in which case it must attach a full copy of its AFSL (including any variations) as Annexure A5 to its application;
- is seeking a variation to an existing AFSL – in which case, it must attach a copy of its draft AFSL variation and then lodge a full copy of its new AFSL, including the variation, with ASX when it has been issued by the Australian Securities and Investments Commission (ASIC);
- is obtaining a new AFSL – in which it must attach a copy of its draft AFSL and then lodge a full copy of its new AFSL with ASX when it has been issued by ASIC;
- has ASIC relief from the requirement to hold an AFSL – in which case, it must attach a copy of the relief as Annexure A5 to its application;
- is seeking ASIC relief from the requirement to hold an AFSL – in which case, it must state in its response to question A.3.1 the date it lodged its application for relief with ASIC and then lodge a full copy of the relief with ASX when it has been issued by ASIC; or
- is not required to hold an AFSL – in which case, it must indicate whether that is:
  - because it will only be dealing on its own account; or
  - for some other reason, in which case, it must attach a copy of a legal opinion from a recognised Australian law firm confirming that the applicant is not required to hold an AFSL as Annexure A5 to its application.

The requirement for an applicant to have an AFSL authorising it to carry on its business as a participant can lead to a circularity in those cases where ASIC makes it a condition to the issue of an AFSL, or of a variation to an AFSL, that the applicant has been admitted as a participant in the ASX Settlement facility. To address this circularity, if the applicant meets all of ASX's other requirements for admission as a participant apart from holding an AFSL that authorises it to carry on its business as a participant, ASX will coordinate the admission with ASIC or admit the applicant on condition that it obtains the requisite AFSL or variation and provides a copy to ASX before it commences any activities in the ASX Settlement facility.

An applicant seeking admission as a participant in an ASX market or facility should take its own legal advice on whether it needs to hold an AFSL, which takes account of its particular business model and its proposed activities in Australia.

It should be noted that issues about the requirement to hold an AFSL are within the regulatory remit of ASIC. Any questions about that requirement should be directed to ASIC rather than ASX.

### 3.3 High business integrity

In common with other ASX markets and facilities, an applicant seeking admission as a general settlement participant or account participant in the ASX Settlement facility must satisfy ASX that it is of high business integrity.<sup>26</sup> There are four ways in which this can be satisfied:

- if the applicant is an ADI,<sup>27</sup> it may simply confirm to ASX that it has in place a “fit and proper” policy that meets the requirements of the Australian Prudential Regulation Authority Prudential Standard CPS 520;<sup>28</sup>

<sup>26</sup> ASX Settlement Operating Rules 4.3.1(e) (general settlement participants), 4.5.1(e) (account participants) and 4.11.1.

<sup>27</sup> That is, an authorised deposit-taking institution which has been granted authority to carry on a banking business in Australia under the Banking Act 1959 (Cth).

<sup>28</sup> The applicant must be able to provide evidence of this policy to ASX upon request at any time: ASX Settlement Operating Rules Procedure 4.11.1(a).



- if the applicant holds an AFSL (as most will), it may simply confirm to ASX that it has in place measures to ensure its responsible managers are fit and proper persons, as required in ASIC Regulatory Guides 105 and 2, which are also applied to any of its directors who are not responsible managers;<sup>29</sup>
- if the applicant is an existing participant of any ASX market or the ASX Clear or clearing and settlement facility; or
- in all other cases, it must provide statutory declarations to ASX Settlement in relation to itself and from each of its directors.<sup>30</sup>

The applicant must indicate in its response to question A.4.1 of the application form which option it is taking. If it indicates that it is taking the fourth option, the required statutory declarations must be attached to the application form as Annexure A6.

The applicant must also consent to ASX obtaining information on the creditworthiness of the applicant. It does so by checking the “Confirmed” box as the response to question A.4.2 of the application form.

ASX may have regard to any information in its possession from any source in determining whether an applicant is of high business integrity.<sup>31</sup>

### 3.4 Resources and processes

An applicant seeking admission as a participant in any ASX market or facility must provide a written certification to ASX before its admission as a participant that it has the resources and processes in place to comply with its obligations under the applicable Operating Rules.<sup>32</sup>

For these purposes, “resources” include financial, technological and human resources and “processes” include management supervision, training, compliance, risk management, business continuity and disaster recovery processes.<sup>33</sup>

The prescribed form of written certification can be downloaded from:

<https://asxonline.com/public/documents/participant-application-kit/application-documentation-for-asx--asx-24--asx-clear--asx-clear-.html>.

In providing this certification to ASX, an applicant seeking admission as a participant in the ASX Settlement facility must have regard to:

- the ASX Settlement Operating Rules;
- this Guidance Note;
- ASX Settlement Operating Rules Guidance Note 9 *Offshoring and Outsourcing*;
- ASX Settlement Operating Rules Guidance Note 10 *Business Continuity and Disaster Recovery*, and

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<sup>29</sup> The applicant must be able to provide evidence of these measures to ASX upon request at any time: ASX Settlement Operating Rules Procedure 4.11.1(b).

<sup>30</sup> An editable version of a sample statutory declaration can be downloaded from: <https://asxonline.com/public/documents/participant-application-kit/application-documentation-for-asx--asx-24--asx-clear--asx-clear-.html>  
If the applicant or any of its directors cannot provide such a statutory declaration confirming these matters, they must include with Annexure A6 a statement to that effect and a detailed explanation of the circumstances involved.

<sup>31</sup> ASX Settlement Operating Rules Procedure 4.11.1 (concluding sentence).

<sup>32</sup> In the case of the ASX Settlement facility, see ASX Settlement Operating Rules 4.3.1(h) (general settlement participants), 4.5.1(g) (account participants) and 4.18.1 and ASX Settlement Operating Rules Procedure 4.18.1.

<sup>33</sup> ASX Settlement Operating Rule 4.18.1.

- the standards expected of financial services licensees set out in ASIC Regulatory Guide 104 *AFS licensing: Meeting the general obligations* and ASIC Regulatory Guide 105 *AFS licensing: Organisational competence* (this applies even if the applicant does not hold an AFSL).<sup>34</sup>

It is up to each applicant to determine what resources and processes it needs to have in place to comply with its obligations under the ASX Settlement Operating Rules, having regard to the materials listed above and to the nature and scale of its intended business activities.

An applicant must also have regard to the “key processes” set out in Schedule 1 to this Guidance Note when determining how it will demonstrate to the satisfaction of ASX Settlement, the resources and processes it has in place are sufficient for the applicant to comply with its obligations under those Operating Rules.

As part of the initial submission, an applicant seeking admission as a participant in the ASX Settlement facility will need to provide a list of the frameworks, policies and procedures from its risk, compliance and operational areas to support its application. The list should also include a brief synopsis of what each document covers and the status of completion (e.g. yet to be drafted, in draft form, final). Applicants should also have regard to the “key processes” set out in Schedule 1 to this Guidance Note when considering what documentation is required.

During the assessment process, ASX will ask an applicant to provide ASX with documentation that evidences how the applicant meets some or all of the processes set out in Schedule 1 to this Guidance Note, as well as the resources it has (or intends to have) in place (including human and technical) to support its participation.

When documenting its key processes, an applicant should note the guidance given by ASIC about compliance measures generally:<sup>35</sup>

“It is not enough just to document your measures. You also need to fully implement them. This means you need to put them into practice and integrate them into the day-to-day conduct of your business.”

### 3.5 Nominated contacts

An applicant seeking admission as a participant in any ASX market or facility must provide a completed and signed ASX Online Initial Access Form<sup>36</sup> to nominate at least two individuals to access the ASX web-based system interface known as ASX Online.<sup>37</sup> The individuals will be granted permission to access ASX Online as “Enterprise Administrators” for the applicant entity and will be responsible for setting-up “roles” in ASX Online following its admission as a participant.<sup>38</sup> The completed form is required to be provided as Annexure A8 to its application.

An editable version of the ASX Online Initial Access Form can be downloaded from:

<https://asxonline.com/public/documents/participant-application-kit/application-documentation-for-asx--asx-24--asx-clear--asx-clear-.html>.

## 4. Additional admission requirements for the ASX Settlement facility

In addition to the common admission requirements mentioned under “3. Common admission requirements for most ASX markets and facilities” above, an applicant seeking admission as a participant in the ASX Settlement facility must meet the following additional admission requirements (which are addressed in Part D of the application form).

<sup>34</sup> ASX Settlement Operating Rules Procedure 4.18.1.

<sup>35</sup> ASIC Regulatory Guide 104 *AFS licensing: Meeting the general obligations*, at paragraph 27.

<sup>36</sup> See question A.6.1 of the application form.

<sup>37</sup> ASX Online is a secure extranet site provided by ASX to enable participants to, among other things, receive ASX notices; lodge regulatory reports; submit participant forms; raise service requests and establish authorisation credentials for activities relating to their ASX participation.

<sup>38</sup> Mandatory roles specified on the ASX Online Initial Access Form are required to be set up by the applicant’s enterprise administrator prior to the applicant’s admission as an ASX participant.

### 4.1 Type of participation

An applicant seeking admission as a general settlement participant or account participant in the ASX Settlement facility must indicate in its response to question D.1.1 of the application form the type of a participation for which it is applying.

General settlement participants are a class of participants that have permission to sponsor clients in ASX Settlement and to hold, settle and transfer approved financial products for themselves and as agent for other clearing participants.

Account participants are a class of participants that have permission to sponsor clients in ASX Settlement and to hold and transfer approved financial products for those clients but they must enter into a settlement agreement with a general settlement participant to effect settlements.

If the applicant is applying to be a general settlement participant, it must indicate in its response to question D.1.2 of the application form which of the following participant categories it falls under:<sup>39</sup>

- holds or will hold an AFSL authorising it to carry on its business as a participant;
- market operator;
- clearing and settlement facility;
- person regulated by APRA;
- person regulated by an overseas regulatory authority approved by ASIC under section 911A(2)(h) of the Corporations Act;
- trustee company; or
- wholly-owned subsidiary of an Australian bank whose sole business is providing nominee, custody and related services or margin lending services.

### 4.2 Business continuity arrangements

An applicant seeking admission as a general settlement participant or account participant in the ASX Settlement facility must provide:<sup>40</sup>

- a copy of its business continuity plan (BCP) for its ASX Settlement activities as Annexure D1 to its application form;<sup>41</sup>
- a copy of its BCP infrastructure diagram as Annexure D2 to its application form;<sup>42</sup> and
- a completed BCP self-assessment survey as Annexure D3 to its application form.<sup>43</sup>

ASX's BCP self-assessment survey has further information about what should be included in the applicant's BCP and BCP infrastructure diagram. An editable version of ASX's BCP self-assessment survey can be downloaded from:

<https://asxonline.com/public/documents/participant-application-kit/application-documentation-for-asx--asx-24--asx-clear--asx-clear-.html>.

<sup>39</sup> ASX Settlement Operating Rule 4.3.1(b).

<sup>40</sup> An applicant that is also seeking to be admitted as a participant in the ASX Clear or ASX Clear (Futures) facilities will be asked to provide the same documents in Parts C and F respectively of the application form. It only needs to submit these documents once.

<sup>41</sup> See question D.2.1 of the application form.

<sup>42</sup> See question D.2.2 of the application form.

<sup>43</sup> See question D.2.3 of the application form.

### 4.3 Other compliance requirements

Where applicable, an applicant seeking admission as a general settlement participant or account participant in the ASX Settlement facility must meet the following additional compliance requirements:

- If the applicant is applying to be a general settlement participant and it is not prudentially supervised or a clearing and settlement facility, it must attach as Annexure D4 to its application a settlement bond that meets the requirements of ASX Settlement Operating Rules Procedure 4.8.1.<sup>44</sup> The approved form of settlement bond can be downloaded from:  
<https://asxonline.com/public/documents/participant-application-kit/application-documentation-for-asx--asx-24--asx-clear--asx-clear-.html>.
- If the applicant intends to sponsor clients and it is not, and is not applying to be, an ASX market or clearing participant and it is not otherwise subject to the compensation arrangements of another approved market operator, it must attach as Annexure D5 to its application a sponsorship bond that meets the requirements of ASX Settlement Operating Rules Procedure 4.8.1.<sup>45</sup> Again, the approved form of sponsorship bond can be downloaded from:  
<https://asxonline.com/public/documents/participant-application-kit/application-documentation-for-asx--asx-24--asx-clear--asx-clear-.html>.
- If the applicant intends to sponsor clients, it must also attach as Annexure D6 to its application a pro forma of its sponsorship agreement mapping where the minimum terms required by ASX Settlement Operating Rule 7.2 are contained.<sup>46</sup>

## 5. Further admission requirements that apply to applicants incorporated or carrying on business outside Australia

### 5.1 ASX's power to impose additional requirements for admission

Applications to be admitted as a participant in an ASX market or facility from entities that are incorporated or intend to carry on any part of their ASX activities outside Australia raise a number of different considerations compared to applications from entities that are incorporated and intend to carry on business wholly in Australia. These are addressed by ASX on a case-by-case basis.

Where an applicant is incorporated or intends to carry on any part of its business as an ASX Settlement participant outside Australia and ASX considers it appropriate to do so, ASX has the power under ASX Settlement Operating Rule 4.2.2A and the related Procedure to impose additional requirements for the applicant to be eligible to be admitted as a participant in the ASX Settlement facility. These may include requirements that:

- the applicant or a related body corporate conducts clearing and settlement operations which are regulated by a foreign clearing and settlement facility, a foreign financial market or a foreign regulatory authority acceptable to ASX;
- the applicant is a clearing and settlement facility which holds an Australian Clearing and Settlement (CS) Facility licence or operates as a clearing and settlement facility in an overseas jurisdiction in accordance with the legal requirements of that jurisdiction and ASX considers the applicant to be adequately regulated in that jurisdiction;

<sup>44</sup> See question D.3.1 of the application form and ASX Settlement Operating Rule 4.9.1. For these purposes, an applicant is prudentially supervised if it is a participant, or applying to be a participant in, the ASX Clear facility or if it is regulated by APRA.

<sup>45</sup> See question D.3.2 of the application form and ASX Settlement Operating Rule 4.9.3.

<sup>46</sup> See question D.3.3 of the application form and ASX Settlement Operating Rule 7.1. Applicants should also refer to the Pro-Forma Participant Sponsorship Agreement contained at Appendix 3 to the ASX Settlement Rules.

- the applicant, or persons connected with the applicant, gives an additional undertaking or undertakings governed by Australian law in respect of any matter which ASX considers reasonable or in the interest of the public or ASX including, without limitation, undertakings as to:
  - the amount of resources and number of employees to be located in Australia;
  - access by ASX to records required to be kept under the ASX Settlement Operating Rules;
  - foreign taxes that might be payable;
  - the law governing the applicant's activities under the ASX Settlement Operating Rules and the applicant's submission to jurisdiction;
  - whether the law of the applicant's incorporation would recognise protections which are substantially equivalent to those afforded by Australian law to clients' money and property in a winding-up of the applicant; and
  - the ranking of creditors on a winding-up of the applicant;
- the applicant provides a legal opinion, from independent lawyers acceptable to ASX and paid for by the applicant, which deals with matters required by ASX and which is acceptable to ASX;
- the applicant provides a performance bond in the form and substance acceptable to ASX; and
- if the applicant proposes to conduct any "Overseas Activity" (as defined in ASX Settlement Operating Rule 4.12.1), the applicant notifies ASX of the details of the proposed Overseas Activity and demonstrates that the proposed Overseas Activity will comply with ASX Settlement Operating Rules Procedure 4.12.1.

## 5.2 Applicants incorporated overseas

If an applicant seeking admission as a participant in an ASX market or facility is incorporated in a place outside Australia, it must either be registered as a foreign company carrying on business in Australia under Part 5B.2 Division 2 of the Corporations Act or appoint an agent in Australia approved by ASX for the service of process in Australia.<sup>47</sup>

An applicant incorporated overseas must indicate in its response to question A.7.1 of the application form whether:

- it is already registered as a foreign company carrying on business in Australia;
- it intends to register as a foreign company carrying on business in Australia (in which case it must complete the registration process before it will be admitted as a participant);<sup>48</sup>
- it has appointed an agent in Australia for the service of process, in which case, it must attach as Annexure A9 to its application a copy of the appointment and the agent's acceptance of the appointment; or
- it intends to appoint an agent in Australia for the service of process, in which case, it must also specify the agent's name, address, telephone number and email and lodge a copy of the appointment and the agent's acceptance of its appointment before it will be admitted as a participant.

If the applicant has, or is seeking, an ASIC exemption from the requirement to hold an AFSL on the basis of a licence it has in a foreign jurisdiction, or if it maintains that it is not required to hold an AFSL but has a licence in a

<sup>47</sup> In the case of the ASX Settlement facility, see ASX Settlement Operating Rule 4.12.5. A participant must also inform ASX of the intended effective date of any agent ceasing for any reason to act as agent for the participant and, where that applies, appoint as soon as practicable, and in any case before the outgoing agent ceases acting as agent for the participant, a new agent approved by ASX.

<sup>48</sup> The option for an applicant to complete the process of registering as a foreign company after lodging its application and before its admission is offered in recognition of the fact that an applicant may not wish to go to the trouble and expense of registering as a foreign company until it has a reasonable degree of certainty that it will be admitted as a participant.

foreign jurisdiction that will cover its ASX activities, it must also attach as Annexure A10 to its application a document providing details of the law under which that licence is issued and a copy of that licence.<sup>49</sup>

In terms of which option an applicant should select in its answer to question A.7.1, an applicant that is not incorporated in Australia should be aware that if it intends to do anything that constitutes “carrying on business” in Australia, it must register as a foreign company carrying on business in Australia under section 601CD of the Corporations Act.<sup>50</sup> In this regard, if it intends to have premises, staff or clients in Australia, it will almost certainly be taken to be carrying on business<sup>51</sup> in Australia and therefore have to register under that section. Even if it does not intend to have premises, staff or clients in Australia, it may still need to register as a foreign company carrying on business in Australia under that section, depending on its particular business model and its proposed activities in Australia.

An applicant seeking admission as a participant in an ASX market or facility should take its own legal advice on whether it needs to register as a foreign company carrying on business in Australia, which takes account of its particular business model and its proposed activities in Australia.

It should be noted that issues about the requirement to be registered as a foreign company carrying on business in Australia are within the regulatory remit of ASIC. Any questions about that requirement should be directed to ASIC rather than ASX.

Further information about the process for registering as a foreign company and the ongoing obligations that apply to registered foreign companies can be found on the ASIC website at: <https://asic.gov.au/for-business/registering-a-company/steps-to-register-a-company/foreign-companies/>.

As mentioned previously, under ASX Settlement Operating Rule 4.2.2A, ASX can impose additional admission requirements in respect of an applicant incorporated outside Australia. Typically, ASX will require such an applicant to provide a legal opinion from a recognised law firm in the place where it is incorporated confirming either that the applicant holds all necessary overseas licences and authorisations to conduct its ASX activities or that the applicant is not required to hold any overseas licence or authorisation to conduct its ASX activities (as the case may be).

### 5.3 Applicants with overseas activities

An applicant seeking admission as a participant in any ASX market or facility must indicate in its response to question A.8.1 of the application form whether it proposes to locate any part of its ASX activities or any employees engaged in those activities outside Australia (overseas activity). If it does, it must attach as Annexure A11 to its application a statement setting out full details of the proposed overseas activity and evidence that it has obtained all necessary regulatory approvals from any relevant governmental agency or regulatory authority in Australia or elsewhere in respect of the overseas activity.

This applies whether the applicant is incorporated in Australia or overseas and regardless of the nature, scale or materiality of the overseas activity.

The statement should confirm that the overseas activity will not interfere with the ability of the applicant to comply with its ongoing obligation under the relevant Operating Rules to ensure that it has in place appropriate arrangements so that it and ASX can communicate with each other and receive each other’s responses quickly on a day-to-day operational basis and so that it can promptly comply with those operating rules or a request of ASX.<sup>52</sup>

ASX will use the information in this statement to assess whether it should apply further requirements for the applicant to be eligible to be admitted as a participant in the ASX Settlement facility in accordance with ASX Settlement Operating Rule 4.2.2A.

<sup>49</sup> See question A.7.2 of the application form.

<sup>50</sup> Section 601CD of the Corporations Act prohibits a foreign company from carrying on business in Australia unless it is registered under Division 2 of Part 5B.2 of that Act.

<sup>51</sup> See section 21(1) of the Corporations Act.

<sup>52</sup> In the case of the ASX Settlement facility, see ASX Settlement Operating Rule 4.12.4.

Depending on the nature of the overseas activity, this may include requiring the applicant to provide a legal opinion from a recognised law firm in the place where it intends to conduct its overseas activity confirming either that the applicant holds all necessary overseas licences and authorisations to conduct the overseas activity or that the applicant is not required to hold any overseas licence or authorisation to conduct the overseas activity (as the case may be).

## 6. Right of appeal

An applicant who is denied admission as a participant in the ASX Settlement facility is entitled to appeal that decision.<sup>53</sup>

The applicant must pay an appeal fee of \$5,000 (exclusive of GST) to, and lodge written notice of the appeal with, the ASX Appeals Tribunal within 10 business days after the decision is sent to the applicant.<sup>54</sup>

## 7. Ongoing compliance with admission requirements

Once admitted, a participant in the ASX Settlement facility has an ongoing obligation to continue to satisfy the applicable admission requirements.<sup>55</sup>

In this regard, there are two admission requirements of particular significance that continue to apply to an ASX Settlement participant after its admission:

- the requirement to have “adequate resources and processes” to comply with its obligations as a participant under the ASX Settlement Operating Rules;<sup>56</sup> and
- the requirement to meet the technical and performance requirements of the ASX Settlement Operating Rules, including having the necessary organisational and technical resources:
  - to communicate reliably with CHESSE; and
  - to ensure that settlement messages submitted by the participant do not interfere with the proper functioning, efficiency and integrity of the settlement facility.<sup>57</sup>

In ASX’s view, the ongoing obligation for a participant to have “adequate resources and processes” effectively imposes a continuing obligation on a participant to have up-to-date documented processes to comply with its primary obligations under the ASX Settlement Operating Rules, as outlined under “3.4 Resources and processes” above.

Participants should note the guidance given by ASIC about compliance measures generally:<sup>58</sup>

“Regularly reviewing your measures will help to ensure they remain effective. In some cases, it may be sensible for you to consider external review. Where compliance issues have arisen (such as major breaches or repeated compliance failures), external compliance review is particularly appropriate.

You need to review your measures when there are changes to your obligations, your business or the environment in which you operate. We expect that you will have a process for identifying changes that may impact on the effectiveness of your measures.”

Participants should also note that the requirement for an applicant for admission to provide a written certification that it has the necessary resources and processes in place to comply with its obligations under the ASX Settlement

<sup>53</sup> ASX Settlement Operating Rules 4.14.3.

<sup>54</sup> Rule 3.1.3 of the ASX Enforcement and Appeals Rulebook and the accompanying Procedure.

<sup>55</sup> ASX Settlement Operating Rule 6.1.1(a).

<sup>56</sup> ASX Settlement Operating Rules 4.3.1(h) (general settlement participants), 4.5.1(g) (account participants) and 4.18.1.

<sup>57</sup> ASX Settlement Operating Rules 4.3.1(c) (general settlement participants), 4.5.1(c) (account participants) and 4.7.1.

<sup>58</sup> ASIC Regulatory Guide 104 *AFS licensing: Meeting the general obligations*, at paragraphs 31 (RG 104.31) and 32 (RG 104.32).

Operating Rules<sup>59</sup> only operates on or before admission and therefore only applies to new applicants. Once admitted, participants will be expected to continue to have the resources and processes in place to comply with their obligations under the ASX Settlement Operating Rules but they will not be required to provide any form of certification to ASX in that regard.

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<sup>59</sup> ASX Settlement Operating Rules Procedure 4.18.1.



### Schedule 1

As noted above, ASX will ask an applicant to provide ASX with documentation that evidences how the applicant meets some or all of the processes set out below. An applicant seeking admission to the ASX Settlement facility should have regard to the “key processes” detailed below when considering how it can demonstrate it has documentation in place to support its admission.

Key processes:

- its compliance framework, that is, its general processes for identifying and monitoring compliance with its key legal and regulatory obligations and for identifying, remediating and reporting on any compliance breaches;<sup>60</sup>
- its risk management framework,<sup>61</sup> that is, its general processes for identifying and managing or mitigating the risks it faces, including but not limited to market risk, liquidity risk, counterparty risk, operational risk and cyber risk;<sup>62</sup>
- in the case of an applicant applying to be a general settlement participant, its processes relating to:
  - batch settlement;<sup>63</sup>
  - automatic close-out obligations;<sup>64</sup>
  - corporate actions, conditional markets and entitlements;
  - settlement and accumulation accounts;<sup>65</sup> and
  - the reconciliation of its accumulation account holdings;<sup>66</sup>
- in the case of an applicant applying to be a general settlement participant or an account participant, its processes relating to:
  - sponsorship, including sponsorship agreements, conversions, transfers, change of holder records and holding locks;<sup>67</sup> and
  - reporting of securities lending activity;<sup>68</sup>
- its processes for complying with the record requirements in the ASX Settlement Operating Rules;<sup>69</sup>

<sup>60</sup> Applicants should have regard to the guidance given by ASIC about compliance measures in section C and the Appendix 1 (Table 2) of ASIC Regulatory Guide 104 *AFS licensing: Meeting the general obligations*. This includes ASIC’s guidance about the recording and reporting of compliance breaches and regularly reviewing compliance measures to take account of past breaches.

<sup>61</sup> Applicants should have regard to the guidance given by ASIC about risk management systems in section D and the Appendix 1 (Table 3) of ASIC Regulatory Guide 104 *AFS licensing: Meeting the general obligations*.

<sup>62</sup> Applicants should have regard to the good practice guidance published by ASIC about cyber resilience available online at <http://www.asic.gov.au/regulatory-resources/digital-transformation/cyber-resilience/>. Applicants should also consider the latest global standards on cyber resilience, such as the National Institute of Standards and Technology Cybersecurity Framework (refer <https://www.nist.gov/topics/cybersecurity>), and any local guidance provided by Australian regulatory bodies and government departments, such as the Australian Signals Directorate (refer <https://www.asd.gov.au/>).

<sup>63</sup> ASX Settlement Operating Rules Section 10.

<sup>64</sup> ASX Settlement Operating Rule 10.11.12.

<sup>65</sup> ASX Settlement Operating Rules 6.3.4 and 6.3.5.

<sup>66</sup> ASX Settlement Operating Rules 6.3A.3 and 6.3A.4.

<sup>67</sup> ASX Settlement Operating Rules Section 7.

<sup>68</sup> ASX Settlement Operating Rule 6.8A (note reporting is done via ASX Online at <https://asxonline.com/>).

<sup>69</sup> ASX Settlement Operating Rule 6.14.

- its processes for meeting the minimum technical requirements prescribed by ASX for access to the ASX settlement facility including connectivity, testing and accreditation requirements;<sup>70</sup>
- if the applicant intends to offshore or outsource any of its settlement activities, its processes for meeting the expectations outlined in ASX Settlement Operating Rules Guidance Note 9 *Offshoring and Outsourcing*; and
- business continuity and disaster recovery arrangements that meet the expectations outlined in ASX Settlement Operating Rules Guidance Note 10 *Business Continuity and Disaster Recovery*.<sup>71</sup>

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<sup>70</sup> ASX Settlement Operating Rules 4.3.1(c), 4.4A.1(b), 4.5.1(c), 4.7, Section 16.1 – 16.24, and 18.11. ASX's technical requirements will depend on the business model and connectivity options selected by the applicant. Further information about the technical requirements for the ASX Settlement facility can be obtained from ASX Participant Transitions.

<sup>71</sup> ASX Settlement Operating Rule 6.21.1.