

ASX Cash Equities Clearing and Settlement Code of Practice

ASX CLEAR AND ASX SETTLEMENT

Customer and stakeholder commitments

In October 2016, the 'Regulatory Expectations for the Conduct of Cash Equity Clearing and Settlement Services in Australia' (Regulatory Expectations) were released by the Council of Financial Regulators. This Code of Practice 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.

ASX is committed to ensuring Australia's clearing and settlement infrastructure is efficient, well capitalised, and well regulated. ASX recognises the importance of working collaboratively with customers and other stakeholders to deliver world class financial infrastructure and clearing and settlement services that meet the needs of a diverse range of users in the Australian cash equities market.





Customer and stakeholder engagement

ASX is committed to meaningful engagement with customers and other stakeholders about the ongoing development of cash equity clearing and settlement infrastructure. ASX recognises the importance of engagement on the design and functionality of the infrastructure to ensure it continues to meet the needs of users and the market, and is consistent with relevant international best practice



Transparent and non-discriminatory pricing

ASX's group structure supports the efficient delivery of services to all users. ASX is committed to the principles of transparency and non-discrimination in pricing its cash equities clearing and settlement services



Code of Practice



Transparent and non-discriminatory access

ASX is committed to providing access to clearing and settlement services on transparent and non-discriminatory terms, and will respond to requests for access in a fair and timely manner



Protection of confidential information

ASX Clear and ASX Settlement will not misuse any confidential information acquired in the course of providing clearing and settlement services



1. Customer and stakeholder engagement

ASX is committed to meaningful engagement with customers and other stakeholders about the ongoing development of cash equity clearing and settlement infrastructure. ASX recognises the importance of engagement on the design and functionality of the infrastructure to ensure it continues to meet the needs of users and the market, and is consistent with relevant international best practice

Commitments

- ASX will invest in the ongoing operation and development of the core cash equities clearing and settlement infrastructure promptly and efficiently. Such investments will seek to meet the needs of users¹ and the market, recognising the diversity and differing needs of users
- ASX will maintain an advisory Business Committee consisting of representatives of financial market intermediaries and their industry associations, and other listing and trading markets, which connect to or use ASX's cash equities clearing and settlement infrastructure
- ASX will hold quarterly Business Committee meetings for the purpose of providing input to Management and the Boards of ASX Clear and ASX Settlement on the ongoing operation and development of cash equities clearing and settlement infrastructure and services
- The Boards of ASX Clear and ASX Settlement will give due consideration to any material matters raised by, or recommendations of, the Business Committee. The Boards of ASX Clear and ASX Settlement will receive recommendations of the Business Committee on a 'comply or explain' basis. If the Boards do not accept a recommendation, they will jointly provide a written explanation to the Business Committee
- ASX will consult the Business Committee on its investment decisions in relation to the design, operation and development of new cash equities clearing and settlement infrastructure and services, including the development of a transition and implementation plan for new infrastructure
- ASX will report annually to the Business Committee on the cash equities clearing and settlement service developments and investment projects progressed, and how it has taken into consideration the views of users
- ASX will commission an annual independent review of its governance, pricing and access arrangements benchmarked against the Regulatory Expectations. ASX will submit the draft terms of reference for the annual independent review to the Business Committee. A report prepared by the reviewer will be provided to the Business Committee and the Agencies (ACCC, ASIC, RBA and Treasury)
- Any interested party may provide information to ASX Clear and ASX Settlement in respect of the operation and development of cash equities clearing and settlement infrastructure and services by sending a written submission to the Chair of the Business Committee or the ASX Group General Counsel
- ASX will respond to any complaints relating to the provision of cash equities clearing and settlement services or this Code of Practice by users in a timely manner in accordance with its Complaints Handling Procedures.

¹ The term 'users' in this document has the same meaning as that set out in the Regulatory Expectations. In the Regulatory Expectations, users are broadly defined 'to include participants of the ASX CS facilities; end users; unaffiliated market operators, central counterparties and settlement facilities; technology service providers; and other relevant stakeholders'. ASX takes the term 'end users' to include issuers and investors, and the term 'other relevant stakeholders' to include share registries and payment providers.



2. Transparent and non-discriminatory pricing

ASX's group structure supports the efficient delivery of services to all users. ASX is committed to the principles of transparency and non-discrimination in pricing its cash equities clearing and settlement services

Commitments

- ASX will publish on its website fee schedules for all clearing and settlement services, including a brief description of each service
- The published fee schedules will set out the details, including eligibility criteria, of any rebates, revenue-sharing arrangements and discounts applicable to each service
- ASX Clear and ASX Settlement will not implement price changes with the purpose of materially shifting revenue streams between other trading, clearing and settlement services
- ASX will publish any increases in its fee schedules for clearing and settlement services, and attest to their reasonableness
- ASX will provide customers with information to assist them to assess the expected cost impacts of pricing changes and the expected cost impacts associated with new products and initiatives
- ASX will annually publish management accounts in respect of the clearing and settlement of cash equities in Australia. The management accounts will be subject to review by an external auditor
- ASX will publish a cost allocation and transfer pricing policy that describes the methodology used for allocating revenue, directly attributable costs, indirect and common shared costs and capital that relates to the clearing and settlement of cash equities in Australia. This policy will be reflected in the published management accounts
- ASX will maintain an appropriate method for determining the prices of its cash equities clearing and settlement services so as to generate expected revenue that reflects the efficient costs of providing those services, including a return on investment commensurate with the commercial risks involved
- ASX Clear and ASX Settlement will provide non-discriminatory pricing to all customers, including ASX-affiliated entities, and potential users of clearing and settlement services
- ASX Clear and ASX Settlement will charge all customers, including ASX-affiliated entities, non-discriminatory prices for materially equivalent services
- ASX will negotiate on commercial grounds and in good faith with other market operators regarding fees and other financial contributions charged for any extensions to the Trade Acceptance Service and the Settlement Facilitation Service.



3. Transparent and non-discriminatory access

ASX is committed to providing access to clearing and settlement services on transparent and non-discriminatory terms, and will respond to requests for access in a fair and timely manner

Commitments

- ASX is committed to ensuring its investments in the systems and technology that support its cash equities clearing and settlement infrastructure are not designed in such a way as to raise barriers to access to other market operators or clearing and settlement facilities
- ASX Clear and ASX Settlement will publish transparent standard terms and conditions for access to cash equities clearing and settlement services by participants, and access to clearing and/or settlement arrangements for cash equities to other market operators through either the Trade Acceptance Service or the Settlement Facilitation Service
- ASX Clear and ASX Settlement will provide access to clearing and settlement services on a non-discriminatory basis
- ASX Clear and ASX Settlement will not unreasonably prohibit, condition or limit (directly or indirectly) access by a person or company to clearing and settlement services
- ASX Clear and ASX Settlement will consider requests for access to clearing and settlement services by other market operators, including requests for changes to clearing and settlement services, in a timely manner
- ASX Clear and ASX Settlement will provide access to clearing and settlement services to other market operators on operational and commercial terms and service levels that are materially equivalent to those that apply to ASX's market
- Where a request for a change in the clearing and/or settlement services provided under the Trade Acceptance Service or Settlement Facilitation Service has been agreed, ASX Clear and/or ASX Settlement will provide in writing to the customer the scope of any technical development and any changes to the ASX operating rules and procedures required. An indicative cost and timeline for implementing the change and the internal project priority will also be provided in writing
- ASX Clear and ASX Settlement will consult other market operators on the service levels under the Trade Acceptance Service and the Settlement Facilitation Service from time to time
- ASX Clear and ASX Settlement will publish protocols which set out target timeframes for responding to requests for access to cash equities clearing and settlement services
- ASX Clear and ASX Settlement will publish protocols for dispute resolution processes for other market operators regarding pre-access disputes. Post-access dispute processes will be provided in the legal terms for the Trade Acceptance Service and the Settlement Facilitation Service.



4. Protection of confidential information

ASX Clear and ASX Settlement will not misuse any confidential information acquired in the course of providing clearing and settlement services

Commitments

- ASX Clear and ASX Settlement will comply with ASX's published Conflict Handling Arrangements policy
- ASX Clear and ASX Settlement will comply with the published Information Handling Standards for the protection of confidential and competitively sensitive information acquired by ASX Clear and ASX Settlement in the course of providing the Trade Acceptance Service and the Settlement Facilitation Service
- ASX Clear and ASX Settlement will periodically review the Information Handling Standards to ensure that they remain effective
- ASX Clear and ASX Settlement will not use any confidential or competitively sensitive information acquired in the course of providing clearing and settlement services for any other purpose than that for which it was provided
- ASX Clear and ASX Settlement will not use any confidential or competitively sensitive information acquired in the course of providing clearing and settlement services to provide an advantage to an affiliated entity of ASX Clear or ASX Settlement
- ASX Clear and ASX Settlement Boards will be comprised of at least 50 per cent non-executive directors that are not also directors of ASX Limited
- ASX will ensure that a quorum for the Boards of ASX Clear and ASX Settlement can be constituted by directors that are not also directors of ASX Limited to consider competitively sensitive information provided by another market operator.

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As the sole licensed operator of clearing and settlement facilities for the Australian cash equities market, ASX Clear and ASX Settlement are committed to providing clearing and settlement services in accordance with the principles of meaningful customer and stakeholder engagement, transparent and non-discriminatory pricing, transparent and non-discriminatory access and the protection of commercially sensitive information. The commitments set out in this document build on the principles contained in the Customer Charter of ASX in which ASX commits to:

1. Work with customers to deliver products and services that meet their needs and that provide them with choice
2. Support Australia's aspiration to be globally competitive and become one of the leading financial centres in the Asia Pacific region
3. Make its products and services available on a non-discriminatory basis and on reasonable commercial terms
4. Manage its businesses and operations on a commercial basis to benefit its customers and provide appropriate returns to ASX shareholders
5. Recognise its role as a provider of critical financial infrastructure to the Australian financial markets, and make the necessary investments to ensure it can fulfil this role and provide confidence to market participants, investors and regulators
6. Run its operations in compliance with all legal and regulatory obligations
7. Maintain conflict handling arrangements that provide assurance and transparency about the way ASX conducts its business.

Visit asx.com.au/cs/

ASX has a section of its website dedicated to providing customers and other stakeholders information on its cash equities clearing and settlement infrastructure and services. This information can be obtained by visiting asx.com.au/cs/.



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