

ASX Participants

Compliance and Risk Management Framework

Introduction

ASX Operating Rule 1000(d) requires a prospective participant in any ASX market or facility to provide a written certification to ASX on or before its admission as a participant that it has the resources and processes in place to comply with its obligations (and to be able to demonstrate this on an ongoing basis).

This document outlines ASX expectations in relation to meeting **ASX Guidance Note 1 – Admission as a Participant (GN 1)**, specifically section 3.5 Resources and Processes relating to Compliance and Risk Management Frameworks.

In this document, you will see what ASX considers to be three key elements to an effective Compliance and Risk Management Framework, together with best practice examples of participants meeting GN1 requirements. Whilst not a definitive list, these are examples what ASX would look for to determine if a participant had adequate processes in place to meet ASX obligations (ASX may also be satisfied where a participant has a process of a similar nature to those examples).

ASX recommends participants use this guidance to self-assess their processes and determine if there are any identifiable areas for improvement. As this guidance covers ASX Participants of various sizes and participation types, we have provided two tables; table 1 is more suitable for clearers and more complex larger scale participants, other participants should refer to table 2 for guidance.

Compliance and Risk Management Framework – Table 1

| Maintains an up-to-date framework to ensure ongoing compliance with ASX obligations | | | Staff members are readily able to identify potential ASX rule breaches | | Has an appropriate incident reporting process to ASX |
|---|---|--|--|--|--|
| <p>Framework in place to ensure ongoing compliance with ASX obligations</p> <ul style="list-style-type: none"> •Have an Obligations Register that includes ASX obligations (or) the procedures reference the relevant ASX rules | <p>How framework is kept up to date, including how often it is reviewed and enhanced</p> <ul style="list-style-type: none"> •Framework (including Policies and Procedures) are reviewed on a documented periodic cycle •Framework (including Policies and Procedures) are updated as required in response to regulatory changes or external events such as enforcements or fines •Have a documented change management process to ensure regulatory changes are captured in the framework •Staff conduct regular monitoring of ASX rule changes and notices | <p>Risk Matrix identifying material risks, likelihood of occurrence, and measures in place to manage the risks</p> <ul style="list-style-type: none"> •Risks are identified including: how the risk may arise, probability/likelihood of the risk, consequences/severity of the risk, and how the risk will be managed •Risk Assessment process is documented | <p>How it ensures staff are readily able to identify potential ASX rule breaches</p> <ul style="list-style-type: none"> •Staff are provided with training (and refresh training) on key ASX Rules as well as relevant Policies and Procedures •Relevant ASX rule changes and notices are disseminated to relevant staff members and training is conducted if required •Regular meetings held between Business and Compliance to discuss any issues or key areas of focus | <p>How it ensures the relevant escalation process is known/followed</p> <ul style="list-style-type: none"> •Staff are provided with training (and refresh training) on the escalation process •Escalation process is documented in Policies and Procedures •Regular policy reminders are provided to staff | <p>Risk incident reporting, including the escalation of issues, board/management reporting, Compliance role</p> <ul style="list-style-type: none"> •Have Reporting/Escalation Policy and Procedures •Significant incidents entered into a Breach or Incidents database/register •Compliance reviews breaches/incidents for consideration to be reported to ASX •Conduct a post incident assessment, for significant incident, to determine the cause, process and controls failure, lessons learned and preventative action •Post incident communication to staff for education purposes |

This document serves only as a guide and is not intended to be a complete list of ASX requirements within these topics. This document should be relied on in conjunction with the ASX rules, procedures, and guidance notes that are applicable to your participant.

Compliance and Risk Management Framework – Table 2

Maintains an up-to-date framework to ensure ongoing compliance with ASX obligations

Staff members are readily able to identify potential ASX rule breaches

Has an appropriate incident reporting process to ASX

Framework in place to ensure ongoing compliance with ASX obligations

- Compliance framework in place to identify and monitor compliance with ASX obligations (including but not limited to pre-trade filters, post trade surveillance, training, and breach reporting)

How framework is kept up to date, including how often it is reviewed and enhanced

- Framework (including Policies and Procedures) are reviewed on a documented periodic cycle
- Framework (including Policies and Procedures) are updated as required in response to regulatory changes or external events such as enforcements or fines
- Staff conduct regular monitoring of ASX rule changes and notices
- Assessment of ASX rule changes and notices to determine if any policies and/or procedures require updating

Risk Matrix identifying material risks, likelihood of occurrence, and measures in place to manage the risks

- Have a process in place to identify and manage or mitigate risks, including but not limited to market risk, liquidity risk, counterparty risk, operational risk and cyber risk.
- Risks are identified including: how the risk may arise, probability/likelihood of the risk, consequences/severity of the risk, and how the risk will be managed

How it ensures staff are readily able to identify potential ASX rule breaches

- Staff are provided with training (and refresh training) on Key ASX Rules and Policies and Procedures
- Regular reminders to staff around new policies or areas of increased regulatory focus
- Relevant ASX rule changes and notices are disseminated to relevant staff members and training is conducted if required

How it ensures the relevant escalation process is known/followed

- Escalation process is documented
- Staff are provided with training (and refresh training) on the escalation process
- Regular policy reminders are provided to staff

Risk incident reporting, including the escalation of issues, board/management reporting, Compliance role

- Significant incidents entered into a Breach or Incidents database/register
- Breaches/incidents are escalated and reported
- Compliance reviews breaches/incidents for consideration to be reported to ASX
- Post incident remediation and communication to staff for education purposes

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