



Tuesday, 27 July 2021

[Redacted]

Email: [Redacted]

Dear Asika,

Re: CP 343 Submission – Sydney Stock Exchange (SSX)

We refer to Consultation Paper 343 *Crypto-assets as underlying assets for ETPs and other investment products* release on 30 June 2021 seeking feedback from stakeholders, including market operators.

SSX believes it is timely and important that the inclusion of crypto-asset backed assets be discussed and that industry best practice and expectations are set on products that include these assets in their portfolios.

In general, SSX agrees with the proposals that ASIC has put forward in its paper. Please find our responses to specific questions in the paper below.

B1Q1	Provided that the products that contain crypto-assets follow the proposals set out in B1, especially the availability, expertise and willingness of suitable service providers, and the availability of robust and of transparent pricing (or valuation) mechanisms throughout the trading day, SSX believes such products should be made available to retail investors.
B1Q2	No comment
B1Q3	No comment
B1Q4	No comment
B1Q5	SSX supports ASIC's approach outlined in proposal B1 to determine whether certain crypto-assets are appropriate as underlying assets for ETPs on Australian markets.
B1Q6	No comment
B1Q7	No comment
B2Q1	SSX supports the creation of a new category of permissible underlying assets for crypto-assets, and is willing to work with ASIC to develop and implement a new category within

	<p>its Operating Rules and Guidance Notes framework covering crypto-assets, noting that the framework should be principles-based to allow for additional crypto-assets to be determined to be appropriate over time as the crypto-asset market matures and broadens.</p> <p><i>With regards to ASIC's points in paragraph 34, please see our response below to Questions C1Q6 and C2Q5.</i></p>
B3Q1	SSX agree with the approach outlined in B3.
B3Q2	No
B3Q3	Provided the pricing mechanism complies with the proposal in B3 and the expectations set out in INFO 230, SSX believes crypto-assets can be priced in a robust way. We note, however, that crypto-assets can experienced significant intra-day price volatility, and the pricing mechanism needs to be designed to accommodate sudden material price movements and be able to generate an intraday indicative net asset value (iNAV) in a timely manner.
B3Q4	No comment
B4Q1	SSX does not believe further expectations need to be included in INFO 230 to accommodate crypto-assets.
C1Q1	SSX strongly supports ASIC proposals outlined in C1 and believes they are critical in maintaining the integrity and security of crypto-assets held in portfolios.
C1Q2	No comment
C1Q3	No comment
C1Q4	SSX believes that, provided the custodian possesses specialist knowledge, expertise, and infrastructure, crypto-assets can be held safely and securely.
C1Q5	No comment.
C1Q6	SSX believes that the requirements of proposal C1 will be considered in the development of a new category and framework for crypto-assets under its Operating Rules and Guidance Notes framework (<i>Please refer to our response to B2Q1</i>). SSX envisages that part of the suitability criteria that will be an outcome of this new category will be an assessment of the extent to which a product's custody arrangements follow the good practices outlined in C1.
C2Q1	SSX strongly supports proposal C2.
C2Q2	No comment
C2Q3	No comment

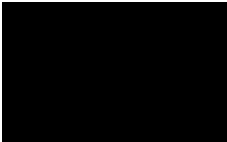
C2Q4	No comment
C2Q5	SSX believes that the good practices outlined in proposal C2 will be considered in the development of a new category and framework for crypto-assets under its Operating Rules and Guidance Notes framework (<i>Please refer to our response to B2Q1</i>). SSX envisages that part of the suitability criteria that will be an outcome of this new category will be an assessment of the extent to which an RE's risk management arrangements follow the good practices outlined in C2.
C3Q1	SSX agrees with the proposed expectations in C3.
C3Q2	No comment
C3Q3	Within the disclosure of market risk (C3(b)(i)), the RE should also outline that substantial intraday volatility may be experienced by crypto-assets, and that end of day valuations may differ materially from any iNAV that is released to the market.
C4Q1	SSX does not believe that additional guidance is required to ensure that REs meet their DDO requirements.
D1Q1	SSX believes that, provided a LIC that invests a material amount in crypto-assets complies with proposals C1, C2 and B3, crypto-assets are capable of being appropriate assets for listed investment entities on Australian markets
D1Q2	SSX agrees with the approach outlined in D1.
D1Q3	No comment
D1Q4	Provided they comply with proposals C1, C2 and B3, and after SSX has implemented a framework within its Operating Rules and Guidance Notes for suitability and permissibility as set out in Section B, SSX does not believe that any additional standards ought to be applied via market operators.
D1Q5	SSX believe LICs and LITs should only be able to invest in crypto-assets if this is clearly permitted in their investment mandate or with member approval. As outlined in Paragraph 91, few <i>existing</i> LICs or LITs are likely to have a mandate that permits investment in crypto-assets. Before considering any request to be admitted to SSX's official list, SSX will require clear evidence of member approval for the change in the product's investment mandate to permit these.
D1Q6	SSX agrees with this threshold.
E1Q1	Yes
E1Q2	No
E2Q1	SSX agrees with the current restriction to only <i>bitcoin</i> or <i>ether</i> , noting that over time as the crypto-asset market matures and broadens, other crypto-assets may become



	suitable and appropriate to be included in portfolio. This will be assessed using a principles-based approach.
E2Q2	No

SSX would be happy to discuss any of its responses with the ASIC team in greater detail.

Regards,



Stuart Guinness

Director – Regulatory Affairs / Company Secretary