

Ashurst Risk Advisory

Openmarkets Australia Limited

Independent Expert Review

Second Summary Report

18 December 2024



Context and scope

Context

Openmarkets Australia Limited (**Openmarkets**) entered into an Enforceable Undertaking with the Australian Securities and Investments Commission (**ASIC**) on 30 June 2023. The Enforceable Undertaking required the appointment of an Independent Expert to conduct two independent reviews: the Openmarkets Review and the Openmarkets Remedial Action Review.

Ashurst Risk Advisory was approved by ASIC and engaged by Openmarkets as the Independent Expert to conduct the Openmarkets Review on 14 September 2023. Ashurst Risk Advisory conducted the Openmarkets Review between 20 September 2023 and 14 December 2023. The results and 58 recommendations of the Openmarkets Review were outlined in the First Report provided to ASIC and Openmarkets on 24 January 2024.

Openmarkets has implemented remedial actions to address the 58 recommendations in the First Report.

Subsequently, Ashurst Risk Advisory was engaged by Openmarkets as the Independent Expert to conduct the Openmarkets Remedial Action Review on 17 July 2024. This Second Summary Report outlines the summary results of the Openmarkets Remedial Action Review conducted between 31 July 2024 and 25 October 2024.

Over the course of Ashurst Risk Advisory's reviews, Openmarkets demonstrated commitment to continuous improvement of its compliance arrangements and control environment, including to address concerns raised by ASIC in paragraph 2.10 of the Enforceable Undertaking.

The Board and senior management have remained focused on developing and uplifting fit for purpose, sustainable systems, processes, policies, procedures and controls covering Client Onboarding, Client Money and Trade Surveillance, as well as resource adequacy and operational and technological resilience in these areas.

Scope

In accordance with paragraph 3.4 of the Enforceable Undertaking, Ashurst Risk Advisory conducted the Openmarkets Remedial Action Review to assess whether:

- i. each Relevant Remedial Action has been adequately implemented within the timeframes notified to ASIC and, if it has not, whether the Relevant Remedial Action was subsequently adequately implemented
- ii. each Relevant Remedial Action has continued to be operational since it was first implemented and, if it has not, the extent to which it has not been operational, and
- iii. there were any issues which precluded or materially impacted the implementation or operation of any Relevant Remedial Action.

Approach

Approach

In conducting the review, Ashurst Risk Advisory:

- requested relevant documents in the areas of General Obligations, Client Onboarding, Client Money, and Trade Surveillance, as well as the Adequacy of Organisational and Technological Resources in each of these areas, necessary to review and test design and operating effectiveness of remedial actions taken by Openmarkets to address the 58 recommendations in the First Report, recognising 213 documents as the most relevant to the assessment
- conducted stakeholder workshops and interviews, including process walkthroughs, with nine key persons involved in General Obligations, Client Onboarding, Client Money and Trade Surveillance
- identified and tested compliance arrangements for design and operating effectiveness, including but not limited to policies, processes and controls, risk and compliance frameworks, monitoring and supervision (including management oversight) and governance frameworks, developed or uplifted in response to the recommendations in the First Report, and
- undertook a framework level review of Openmarkets' updated arrangements to address Operational and Technological Resilience in response to recommendations in the First Report.

Ashurst Risk Advisory made all enquiries in connection with the assessments that it believed to be desirable and appropriate, and delivered the Second Report to Openmarkets and ASIC in accordance with paragraph 3.4(f), (g) and (h) of the Enforceable Undertaking.

Ashurst Risk Advisory is not aware of any material information that has been withheld, which it regards as relevant to the assessments.

Ashurst Risk Advisory acknowledges the responsiveness and cooperation of Openmarkets in conducting the review.

Summary of opinion and assessment results

Opinion

Based on the approach Ashurst Risk Advisory has taken to assessing Openmarkets' remedial actions in responses to the 58 recommendations in the First Report, including the procedures performed and the evidence obtained, Ashurst Risk Advisory is of the opinion that:

- each of the 58 relevant remedial actions have been adequately implemented by Openmarkets within the timeframes notified to ASIC and, if they have not, were subsequently implemented
- each remedial action has continued to be operational since it was first implemented, and
- no issues were identified over the course of the assessments that precluded or materially impacted the implementation or operation of any relevant remedial actions.

Summary results and assessment

Openmarkets has exerted significant effort to implement remedial actions to address the 58 recommendations set out in the First Report. This is evidenced in the suite of new and updated frameworks, policies, procedures and training materials that have been developed.

No exceptions were noted in design and operational effectiveness testing for Client Onboarding, Client Money or Trade Surveillance, as well as the Adequacy of Organisational and Technological Resources in each of these areas.

While immature, Openmarkets' governance, risk and compliance frameworks, monitoring and supervision, and policies, processes, procedures and controls are nonetheless fit for purpose for an entity of its nature, scale and complexity. Ongoing focus, uplift and refinement will be required as it continues to mature, and operations expand.

General obligations – Adequacy of organisational and technological resources, including operational and technological resilience

Openmarkets has implemented and operationalised remedial actions adequately, with a focus on:

- developing and uplifting controls testing frameworks, registers, testing, reporting and oversight, and
- enhancing a human resource management framework, including supervisory staff monitoring, performance management and staff training.

Openmarkets has also implemented remedial actions that are adequate and fit for purpose for the size and complexity of Openmarkets' operations in response to recommendations on Operational and Technological Resilience, with a focus on ensuring business continuity of critical business services in the event of disruption at a framework level.

Client Onboarding

Openmarkets has implemented and operationalised remedial actions adequately, with a focus on:

- enhancing client risk profiling and the New Business Acceptance Policy
- clarifying the role of the New Business Acceptance Review Committee and its management of conflicts of interest, and
- conducting post-onboarding reviews and monitoring (if required, leading to the termination of clients).

Summary of opinion and assessment results (cont'd)

Client Money

Openmarkets has implemented and operationalised remedial actions adequately, with a focus on:

- refining the clarity of requirements in the Trust Policy
- monitoring withdrawals from trust accounts to confirm that they are permitted, and
- ensuring trust accounts are held with permitted institutions and are opened and closed appropriately.

Trade Surveillance

Openmarkets has implemented and operationalised remedial actions adequately, with a focus on:

- enhancing the clarity of requirements in the Execution and Trading Policy and supporting policies such as the Automated Order Processing Policy
- documenting and improving clarity of systems access and controls requirements, and
- monitoring and validating data captured and maintained in Openmarkets' trading records.

Use of the Report

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