



**ASIC**  
Australian Securities &  
Investments Commission

CONSULTATION PAPER 379

# ASIC CS Services Rules

July 2024

## About this paper

This consultation paper sets out our proposals to make the *ASIC CS Services Rules 2024* to facilitate competitive outcomes in the monopoly provision of clearing and settlement services under s828A of the *Corporations Act 2001*.

We are seeking the views of interested stakeholders on our proposals.

Note: The draft *ASIC CS Services Rules 2024* (CS services rules) are available on our [Consultations webpage](#) under CP 379.

### About ASIC regulatory documents

In administering legislation ASIC issues the following types of regulatory documents.

**Consultation papers:** seek feedback from stakeholders on matters ASIC is considering, such as proposed relief or proposed regulatory guidance.

**Regulatory guides:** give guidance to regulated entities by:

- explaining when and how ASIC will exercise specific powers under legislation (primarily the Corporations Act)
- explaining how ASIC interprets the law
- describing the principles underlying ASIC's approach
- giving practical guidance (e.g. describing the steps of a process such as applying for a licence or giving practical examples of how regulated entities may decide to meet their obligations).

**Information sheets:** provide concise guidance on a specific process or compliance issue or an overview of detailed guidance.

**Reports:** describe ASIC compliance or relief activity or the results of a research project.

### Document history

This paper was issued on 30 July 2024 and is based on the legislation as at the date of issue.

### Disclaimer

The proposals, explanations and examples in this paper do not constitute legal advice. They are also at a preliminary stage only. Our conclusions and views may change as a result of the comments we receive or as other circumstances change.

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## The consultation process

You are invited to comment on the proposals in this paper, which are only an indication of the approach we may take and are not our final policy.

As well as responding to the specific proposals and questions, we also ask you to describe any alternative approaches you think would achieve our objectives.

We are keen to fully understand and assess the financial and other impacts of our proposals and any alternative approaches. Therefore, we ask you to comment on:

- the likely compliance costs;
- the likely effect on competition; and
- other impacts, costs and benefits.

Where possible, we are seeking both quantitative and qualitative information. We are also keen to hear from you on any other issues you consider important.

Your comments will help us develop our policy on the draft *ASIC CS Services Rules 2024*. In particular, any information about compliance costs, impacts on competition and other impacts, costs and benefits will be taken into account if we prepare a Regulation Impact Statement: see Section E, 'Regulatory and financial impact'.

### Making a submission

You may choose to remain anonymous or use an alias when making a submission. However, if you do remain anonymous we will not be able to contact you to discuss your submission should we need to.

Please note we will not treat your submission as confidential unless you specifically request that we treat the whole or part of it (such as any personal or financial information) as confidential.

Please refer to our [privacy policy](#) for more information on how we handle personal information, your rights to seek access to and correct personal information, and your right to complain about breaches of privacy by ASIC.

Comments should be sent by 10 September 2024 to:

Dodie Green, Senior Manager  
Market Infrastructure  
Australian Securities and Investments Commission  
GPO Box 9827  
Melbourne VIC 3001  
email: [CSfacilities@asic.gov.au](mailto:CSfacilities@asic.gov.au)

## What will happen next?

<b>Stage 1</b>	30 July 2024	ASIC consultation paper released
<b>Stage 2</b>	10 September 2024	Comments due on the consultation paper
<b>Stage 3</b>	Q4 2024	Feedback report released <i>ASIC CS Services Rules 2024</i> made subject to the Minister's consent

## A Purpose of the proposed rules

### Key points

Under s828A of the Corporations Act, ASIC may make clearing and settlement (CS) services rules imposing requirements on CS facility licensees and associated entities in relation to determined CS services. A ministerial instrument to enliven these powers relating to cash equity CS services came into force in May 2024.

We propose CS services rules to facilitate competitive outcomes in the monopoly provision of cash equity CS services.

The draft *ASIC CS Services Rules 2024* attached to this paper:

- implement the Council of Financial Regulators' *Regulatory expectations for ASX's conduct in operating cash equity CS services in Australia* as enforceable obligations; and
- impose a number of additional obligations.

We will consider further CS services rules if a competitor emerges or to address undesirable outcomes arising from an ongoing monopoly market structure in cash equity clearing and settlement.

## The Competition in Clearing and Settlement (CiCS) reforms

- 1 The Competition in Clearing and Settlement (CiCS) reforms were the culmination of extensive review and industry consultation by the Council of Financial Regulators (CFR) and the Australian Competition and Consumer Commission (ACCC) on the implications of competition in the clearing and settlement of cash equities in Australia, with work commencing in 2011: see [Review of financial market infrastructure regulation](#) (PDF 627 KB).
- 2 The CFR subsequently carried out a review of competition in this market in December 2012: see [Competition in clearing Australian cash equities: Conclusions](#) (PDF 820 KB) (2012 Review). The CFR recommended that a decision on any licence application from a competing cash equity central counterparty (CCP) be deferred for two years. In the meantime, ASX was encouraged to develop a Code of Practice for the Clearing and Settlement of Cash Equities in Australia (the Code). The Government endorsed these recommendations in February 2013 and ASX published the Code in August 2013.
- 3 At the request of the government the CFR undertook the 2015 [review of competition in clearing cash equities](#) (2015 review). The CFR found that the legislative settings for CS facilities in the Australian cash equity market,

while reflecting an openness to competition, lacked mechanisms to facilitate competitive outcomes. The 2015 review also noted that the regulators lacked sufficient powers to effectively deal with industry concerns about ASX's interaction with, and provision of services to, users of its CS services. To address this regulatory gap, the CFR recommended legislative reforms to give the relevant regulators rule-making and arbitration powers to facilitate safe and effective competition in clearing and/or settlement, and to deal with the continued monopoly provision of cash equity CS services until competition emerged.

- 4 In March 2016, the Treasurer released the [CFR's advice to Government](#), accepted the CFR's recommendations and endorsed a policy stance of openness to competition in clearing and settlement for cash equities. This included implementing legislative changes to:
- (a) allow ASIC to impose requirements on ASX's cash equity CS facilities, including rule-making powers for ASIC in respect of CS facilities; and
  - (b) grant the ACCC an arbitration power to provide for recourse in disputes about the terms of access to ASX's cash equity CS services.
- 5 Following further stakeholder consultation in 2017, the CFR produced several policy statements, including the [Regulatory expectations for conduct in operating cash equity clearing and settlement services in Australia](#) (Regulatory Expectations) (PDF 210 KB) until such time as a committed competitor emerged, and the [Minimum conditions for safe and effective competition in cash equity clearing in Australia](#) (Minimum Conditions (Clearing)) (PDF 254 KB) and the [Minimum conditions for safe and effective competition in cash equity settlement in Australia](#) (Minimum Conditions (Settlement))—together the Minimum Conditions—should a competing provider of CS services emerge.

## The Regulatory Expectations

- 6 ASX Group, through its subsidiaries ASX Clear Pty Limited (ASX Clear) and ASX Settlement Pty Limited (ASX Settlement) (each a covered licensee), is currently the sole provider of cash equity CS facility services for ASX-listed securities.
- 7 The Regulatory Expectations apply to ASX's engagement with, and provision of services to, users of its monopoly cash equity CS services. The Regulatory Expectations are intended to support the long-term interests of the Australian market by delivering outcomes that are consistent with those that might be expected in a competitive environment for the provision of cash equity CS services.
- 8 The Regulatory Expectations comprise three elements:
- (a) user input to governance;

- (b) transparent, non-discriminatory, and fair and reasonable pricing of CS services; and
- (c) commercial, transparent and non-discriminatory access to CS services.

The [ASX cash equities clearing and settlement code of practice](#) (Code of Practice) sets out ASX's commitments to comply with the Regulatory Expectations.

### The Minimum Conditions

- 9 The Minimum Conditions (Clearing) and Minimum Conditions (Settlement) set out the adequate regulatory arrangements to ensure that competition in clearing and/or settlement, if it emerges, is safe and effective.
- 10 The Minimum Conditions aim to ensure that competition does not adversely affect financial stability and effective market functioning. They also aim to give potential entrants sufficient clarity about the measures that need to be in place before ASIC and the Reserve Bank of Australia (RBA) could advise in favour of a competing central counterparty (CCP) or securities settlement facility (SSF) licence application.

## Implementation of the CiCS reforms

- 11 The *Treasury Laws Amendment (2023 Measures No. 3) Act 2023* inserted Pt 7.3A 'CS services' into the *Corporations Act 2001* (Corporations Act). Relevantly, Pt 7.3A established a mechanism by which the Minister may determine classes of CS services in relation to which ASIC may make rules that deal with the activities, conduct and governance of CS facility licensees, their associated entities and other persons specified by regulations, in relation to CS services. The legislation came into force on 21 September 2023.
- 12 The *Treasury Laws Amendment (2023 Measures No. 3) Act 2023* also inserted Part XICB 'Access to CS services' into the *Competition and Consumer Act 2010* (CCA). Part XICB provides the ACCC with powers to arbitrate disputes related to third-party access to certain CS services declared by the Minister, including on issues such as pricing and access to data.
- 13 On 13 May 2024, the Minister made a determination under s828B(5) of the Corporations Act and a declaration under s153ZEF of the CCA (the *Corporations and Competition (CS Services) Instrument 2024*), setting out that cash equities is the class of CS services in relation to which ASIC may impose CS services rules and the ACCC may conduct binding arbitration to resolve disputes regarding access.

Note: For the definition of cash equity, see [Corporations and Competition \(CS Services\) Instrument 2024](#).



## What is a ‘CS service’?

- 14 Under s828 of the Corporations Act, a ‘CS service’ is a service that can only be provided if it has access to a CS facility, or to data used in the operation of a CS facility. The operation of a CS facility is taken to be the provision of a CS service.

## Regulatory framework

- 15 The clearing and settlement by CS facilities of financial products including cash equities is governed by Part 7.3 of the Corporations Act. This part of the Corporations Act establishes the licensing regime for CS facilities in Australia and gives ASIC and the RBA (together, the regulators) the following complementary responsibilities for supervising CS facilities:
- (a) The RBA is responsible for ensuring CS facilities comply with the Financial Stability Standards (FSS) that it has determined and take any other steps necessary to reduce systemic risk.
  - (b) ASIC is responsible for ensuring CS facilities comply with other obligations under the Corporations Act, including the fair and effective provision of services.
- 16 The general obligations of a CS facility licensee are set out in Part 7.3 of the Corporations Act. This is distinct from and broader than the obligations in the CS services rules made by ASIC under Part 7.3A of the Corporations Act which apply in the context of facilitating competitive outcomes in the provision of CS services.
- 17 If there is an inconsistency between the FSS determined under s827D of the Corporations Act and the CS services rules, the FSS prevail.

Note: See s827D(2A) of the Corporations Act.

## Financial market infrastructure regulatory reforms

- 18 The regulatory framework for market infrastructure, and in particular CS facilities, is in a period of significant reform. In addition to our new CS services rule-making powers, the *Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Bill 2024* (FMI Bill) proposes to insert new and enhanced supervisory powers for the regulators into the Corporations Act. If the FMI Bill is passed, ASIC intends to holistically review our approach to the supervision of CS facilities under Part 7.3 of the Act, including how we use, implement and operationalise our enhanced supervisory and enforcement powers.

## What we are doing now

- 19 This consultation paper seeks feedback on our proposal to make the *ASIC CS Services Rules 2024* (CS services rules) to facilitate competitive outcomes in the provision of CS services for Australia’s financial markets, where ASX Group is a monopoly provider of cash equity CS services.
- 20 The proposed rules seek to carefully balance the policy objective of facilitating competition while not compromising financial stability or effective market functioning. We consider these proposed rules as foundational requirements to establish a regulatory environment that is open to and facilitates competition emerging in the clearing and settlement of cash equities. Given the systemic importance and evolving nature of CS services, we may consider additional requirements in due course to address any material changes to the operating environment or market structure for CS services—such as the emergence of a competitor or undesirable outcomes arising from an ongoing monopoly market structure in cash equity clearing and settlement.
- 21 In April 2024, the Parliamentary Joint Committee on Corporations and Financial Services (PJC) published a report on its inquiry into ASIC, the Takeovers Panel and the corporations legislation, [\*Competition in clearing and settlement and the ASX CHESS replacement project: The CHESS replacement project is too important to fail\*](#) (PDF 1.15 MB) (Report). We have considered the Report and the PJC’s recommendations have informed our approach to the draft CS services rules.
- 22 The CS services rules are intended to give effect to the CFR policy statements but are not constrained by them. In these rules, we propose to implement the requirements set out in the Regulatory Expectations as enforceable obligations and include several additional obligations that are not expressly covered in the Regulatory Expectations.
- 23 In particular, the proposed rules are intended to ensure that ASX remains responsive to users’ evolving needs and provides access to its monopoly cash equity CS services on a transparent and non-discriminatory basis with terms and conditions (including pricing) that are fair and reasonable.
- 24 Our proposals and the form of the draft CS services rules are only an indication of the approach we may take and are not our final policy position.
- 25 ASIC guidance in relation to the general obligations for CS facility licensees is provided in Regulatory Guide 211 *Clearing and settlement facilities: Australian and overseas operators* ([RG 211](#)).

## What would CS competition in Australia look like, and what will we do if a competitor emerges?

- 26 A core consideration in developing these rules is to establish a regulatory environment that does not create any barriers to competition in CS facility services. This would allow a potential competitor in CS facility services to enter the market on a fair and level playing field with the incumbent.
- 27 Competition in CS facility services for Australian cash equities could involve competition in:
- (a) clearing;
  - (b) settlement; and/or
  - (c) security depository services.
- 28 The ways in which the incumbent must interact with a competitor will be highly dependent on the business model of that competitor—for example, if the competitor was seeking to clear ASX-listed securities, whether they seek interoperability arrangements with ASX or not.
- 29 In the CFR’s 2015 Review, the majority view among stakeholders was that a competitor in clearing and settlement of ASX cash equities was unlikely to emerge in the near term. This has come to pass.
- 30 The draft rules we are proposing have been developed in the context of the current market structure. They provide foundational obligations to facilitate technical interoperability with users and importantly a potential competitor while balancing the costs and benefits of imposing obligations ahead of the emergence of competition.
- 31 We have tried to ensure that the proposed rules strike an appropriate balance between regulatory benefits and costs. As such, they do not include detailed requirements in relation to safe and effective competition, as this may result in unnecessary costs being incurred by industry if a competitor does not emerge.
- 32 However, the proposed rules do require that the technological design of ASX’s CS infrastructure should not raise barriers to interoperability or access to settlement arrangements by a competing CCP or other unaffiliated entities (e.g. share registries, clearing participants). If a competitor does emerge, we will work closely with the RBA and ACCC to incorporate the Minimum Conditions and any obligations appropriate to address the specific nature of the competition that emerges into potential additional CS services rules.
- 33 The Minimum Conditions are intended to give prospective competitors sufficient clarity as to the measures that ASIC and the RBA would require to be taken before we could advise in favour of a licence application.

## Proposal

- A1 We are not making a formal proposal but we seek your general feedback as set out below.

### *Your feedback*

- A1Q1 We would welcome stakeholder views on whether the prospect of competition emerging in cash equity CS services has changed since 2015. Do you believe the proposed obligations on CS service providers will achieve the intended policy objective of facilitating competition, or competitive outcomes in the absence of competition?

## B Implementing the Regulatory Expectations

### Key points

In the CS services rules, we propose to implement the CFR's Regulatory Expectations as enforceable obligations.

Specifically, our proposed rules impose obligations in respect of:

- governance requirements, including user input to governance;
- transparent, non-discriminatory, and fair and reasonable pricing of CS services; and
- commercial, transparent and non-discriminatory access to CS services.

### The Regulatory Expectations as mandatory obligations

- 34 The Regulatory Expectations are intended to support the long-term interests of the Australian market by delivering outcomes that are consistent with those that might be expected in a competitive environment, by ensuring that ASX:
- (a) remains responsive to users' evolving needs; and
  - (b) provides access to its monopoly cash equity CS services on a transparent and non-discriminatory basis with terms and conditions, including pricing, that are fair and reasonable.
- 35 ASX's Code of Practice sets out its commitments to comply with the Regulatory Expectations.

#### Governance requirements

- 36 The Regulatory Expectations provide that ASX's governance framework should have transparent formal mechanisms that give users a strong voice in strategy setting, operational arrangements and system design, and to make ASX's monopoly cash equity CS services directly accountable to users. Our proposed rules implement these obligations and are intended to ensure that ASX remains responsive to users' evolving needs.
- 37 The proposed 'user input' requirements are intended to achieve the high-level outcome such that ASX's governance framework includes transparent formal mechanisms that give a strong voice in strategy setting, operational arrangements and system design, and to make ASX's monopoly cash equity CS services directly accountable to users. The proposed rules contemplate that this could be done through one or more representative bodies and are not

intended to interfere with ASX’s current arrangements, under which it maintains two advisory forums for stakeholder input to management and the boards of the covered licensees.

### **Transparent, non-discriminatory, and fair and reasonable pricing of CS services**

- 38 The proposed CS services rules give effect to the obligations in the Regulatory Expectations that are intended to ensure the fees charged by ASX for its cash equity CS services are transparent, non-discriminatory, fair and reasonable. The proposed rules broadly relate to a CS service provider’s conduct in relation to pricing. Matters such as how and what level prices should be set for access to specific CS services are more appropriately dealt with under the ACCC’s arbitration power.

### **Commercial, transparent and non-discriminatory access to CS services**

- 39 Our proposed rules implement the obligations in the Regulatory Expectations to ensure that ASX provides access to its cash equity CS services (including data) on commercial, transparent and non-discriminatory terms.

#### **Proposal**

- B1** We propose to implement the Regulatory Expectations as enforceable obligations through the *ASIC CS Services Rules 2024*.

See the draft *ASIC CS Services Rules 2024* in the attachment to this paper.

#### *Your feedback*

- B1Q1 Do you consider that the proposed rules cover the Regulatory Expectations and, more broadly, are sufficient to facilitate competitive outcomes in the monopoly provision of CS services? If not, what (if any) are the other obligations the CS services rules should impose?
- B1Q2 Do you have any feedback in relation to how the Regulatory Expectations have been implemented in the draft CS services rules (set out in the attachment to this paper)?
- B1Q3 Do you expect to incur any costs as a result of our proposal? If so, please provide an estimate of the time and costs that you will expend. In providing this estimate, please compare your costs with the situation where we do not introduce the proposed rule. Please provide feedback on whether these costs are likely to be one-off or ongoing.

## Rationale

- 40 The rationale for our proposal is to ensure that the *ASIC CS Services Rules 2024* set out enforceable obligations to facilitate competitive outcomes in the provision of CS services, where ASX is a sole provider.
- 41 The rule-making power under s828A of the Corporations Act is designed to allow ASIC to legally enforce and ensure ASX's compliance with the principles underpinning the Regulatory Expectations. Implementing the Regulatory Expectations as rules will allow us to address any inconsistency in ASX's implementation and conduct in relation to the policy objectives achieved by the Regulatory Expectations and undesirable outcomes arising from an ongoing monopoly market structure in cash equity clearing and settlement.
- 42 Stakeholder submissions to the PJC on its inquiry on competition in clearing and settlement and the ASX CHES replacement project highlighted issues around ASX's stakeholder engagement and governance process, and the monopoly-based pricing for and access to ASX's cash equity CS services. Concerns raised by some industry stakeholders included the adequacy of ASX's consideration of the best interests of the market when pursuing the previous CHES replacement project and the timeliness of ASX's provision of access to its CS services: see the [Statutory inquiry into ASIC, the Takeovers Panel, and the corporations legislation](#). The proposed rules seek to enforce the principles and the policy objectives underpinning the Regulatory Expectations that address the conduct of ASX's monopoly cash equity CS operations, including key governance, pricing and access matters.

## External review of arrangements

- 43 Our proposed rules will implement the requirement in the Regulatory Expectations for a CS service provider to engage an independent external expert to conduct an annual review on the CS service provider's compliance with the CS services rules. ASX has undertaken an annual external audit of its governance, pricing and access arrangements set out under its Code of Practice benchmarked against the Regulatory Expectations since 2014.

Note: Published [external audit reports](#) of ASX's compliance with the Regulatory Expectations can be found on ASX's website.

- 44 The PJC recommended in its Report that the CFR amend the Regulatory Expectations so that technology, governance and delivery issues in relation to the CHES replacement program are within the scope for the annual external audit of ASX's compliance with its Code of Practice.

45 We are consulting on the scope of the annual external review of ASX's compliance with the CS services rules to include technology and governance issues in relation to the CHES replacement program. We note that an external review of ASX's technology, governance and, in particular, project delivery capabilities with respect to CHES replacement is also a consideration under Part 7.3 of the Corporations Act. The FMI Bill, if passed, will provide us with enhanced supervisory and enforcement powers that can give effect to our expectations of ASX's technology, governance and project delivery capabilities in relation to the CHES replacement program.

### Proposal

**B2** We propose to introduce rules that require a CS service provider to engage an independent expert to conduct an audit and prepare a written report about the CS service provider's compliance with the proposed rules (annual review).

#### *Your feedback*

B2Q1 Do you agree with the scope of the annual review? If not, please provide detailed reasons for your answer.

B2Q2 Should the proposed scope of the annual review be extended to include technology and governance issues in relation to the CHES replacement program, noting that these matters are also a consideration under Part 7.3 of the Corporations Act?

B2Q3 Do you expect to incur any costs as a result of our proposal? If so, please provide an estimate of the time and costs that you will expend. In providing this estimate, please compare your costs with the situation where we do not introduce the proposed amendment. Please provide feedback on whether these costs are likely to be one-off or ongoing.

### Rationale

46 We have developed rules to implement the Regulatory Expectations in relation to an annual external audit of ASX's compliance with the Regulatory Expectations.

47 We consider that such an audit should assist in developing an evidence base of relevant actions taken by ASX and, in particular, it would provide assurance to the market that it has policies and procedures in place aligned with the proposed CS services rules and that it has conducted its operations in accordance with these policies and procedures.

48 In its Code of Practice, ASX has committed to engaging an independent assurance firm to conduct an external audit of its compliance with the Regulatory Expectations on an annual basis. However, this is a voluntary commitment by ASX.



- 49            We are proposing this as a requirement in the rules to ensure there is certainty that the scope of the annual review will cover ASX's compliance with all the obligations in the proposed *ASIC CS Services Rules 2024* and enforceability to ensure that an annual review is undertaken.

## C Proposed additional obligations

### Key points

In addition to enshrining the Regulatory Expectations into the *ASIC CS Services Rules 2024*, we propose to include additional obligations not expressly covered in the Regulatory Expectations, in the following key areas:

- interoperability of core systems;
- management of intragroup conflicts of interest;
- international pricing comparison;
- coverage of associated entities;
- commitments with respect to CHES replacement;
- publication of management accounts; and
- external review of cost allocation model.

### Interoperability of core systems

- 50 The proposed rules implement requirements that are intended to ensure that the core information technology systems used to provide CS services facilitate foundational technical interoperability with users' systems. This explicitly expands on statements in the Regulatory Expectations to the effect that core CS infrastructure should, at a minimum, accommodate internationally accepted communication procedures and standards and that investments in such systems should not raise barriers to access for unaffiliated entities.
- 51 The PJC in its report also recommended that:
- (a) ASIC and the RBA make interoperability a focus of their monitoring of the CHES replacement project (Recommendation 4); and
  - (b) to promote competition in clearing and settlement before new CHES is available, the CFR should explore options for addressing the interoperability barrier (Recommendation 5).

### Proposal

- c1 We propose to introduce rules that:
- (a) define 'international open communication procedures and standards' to mean procedures and standards for messaging and reference data:
    - (i) ISO 20022;
    - (ii) FIX 5.0; and

- (b) require a CS service provider to take all reasonable steps to ensure that any changes to its core systems accommodate international open communication procedures and standards.

*Your feedback*

- C1Q1 Do you agree with this proposal? In your response, please give detailed reasons for your answer.
- C1Q2 Do you agree with the definition of ‘international open communication procedures and standards’ and do you consider that the definition covers the relevant procedures and standards, noting that these will be fixed as at the date the rules are made? In your response, please give detailed reasons for your answer.
- C1Q3 Do you expect to incur any costs as a result of our proposal? If so, please provide an estimate of the time and costs that you will expend. In providing this estimate, please compare your costs with the situation where we do not introduce the proposed amendment. Please provide feedback on whether these costs are likely to be one-off or ongoing.
- C1Q4 The proposed rules are intended to ensure that CS service providers’ core systems accommodate technical interoperability with users’ systems. More broadly, what do you understand by ‘interoperability’ and the scope of interoperability in the Australian market?

## Rationale

- 52 We have stated publicly, including in our [second submission to the PJC inquiry on the CHES replacement](#) in 2023 that the technological design of ASX’s CS infrastructure should not raise barriers to interoperability or access to settlement arrangements by a competing CS service provider.
- 53 We note that interoperability goes beyond that of technology platforms, including interoperability arrangements between competing CCPs. Prior knowledge and transparency of these arrangements could facilitate competition by reducing the entry costs for a future competitor, both in terms of lower development costs and the time taken to launch.
- 54 However, interoperability between competing CCPs will have broader implications, including for CCP risk management arrangements. As set out in the Minimum Conditions (Clearing), the RBA may need to consider additional guidance to the FSS for CCPs (CCP standards) that deals with the management of risks arising from interoperable links. At the same time, the regulators would clarify arrangements for the regulatory oversight of matters such as default management and CCP recovery in a multi-CCP environment.
- 55 Should a competing CS service provider emerge, ASIC will work closely with the RBA to consider the technical and complex policy considerations

set out in the Minimum Conditions, including those that relate to the interoperability operating model and the mechanics of CCP linkages. Further CS services rules that regulate the appropriate interoperability arrangements between different CS facilities for safe and effective competition will be developed at this time.

## International pricing comparison

- 56 In 2014, ASX commissioned Oxera to benchmark the costs of using its cash equity CS services against the costs of using the services provided by other financial market infrastructures (FMIs) in comparable global markets at the suggestion of the CFR and the ACCC. The [Global cost benchmarking of cash equity clearing and settlement services report](#) (PDF 1.54 MB) (Oxera report) was published in June 2014 and ASX has not produced one since.

### Proposal

- c2 We propose to introduce a rule to require the CS service providers to undertake an independent review of the pricing of their CS services against the price of similar services in other comparable international markets within a year after the proposed rules are made, and thereafter at least every five years, and to publish the results of the review.

#### *Your feedback*

- C2Q1 Do you agree with this proposal, including the scope and frequency at which the review needs to be conducted? In your response, please give detailed reasons for your answer.
- C2Q2 Do you expect to incur any costs as a result of our proposal? If so, please provide an estimate of the time and costs that you will expend. In providing this estimate, please compare your costs with the situation where we do not introduce the proposed amendment. Please provide feedback on whether these costs are likely to be one-off or ongoing.

### Rationale

- 57 We consider that it would be beneficial for the market for there to be regular and transparent reviews of the pricing of CS services compared with comparable international markets.
- 58 In the absence of competition, a monopoly CS service provider may be able to exert its market power to charge high fees to users. A number of stakeholders have previously expressed the view that ASX's CS fees were higher than in many overseas markets, particularly those in which competition in clearing had emerged or where CS services are provided by a utility.

- 59 Therefore, we consider that the requirement for the covered licensees to commission an international pricing comparison every five years will support the transparent, non-discriminatory, fair and reasonable pricing of ASX's cash equity CS services. It will also provide a deeper evidence base for the market on the comparative pricing of ASX's CS services.

## Coverage of associated entities

- 60 A number of the proposed rules apply to ASX Group entities that are not covered licensees, as provided for in Part 7.3A of the Corporations Act.

### Proposal

- c3 We propose that the CS services rules will apply to CS service providers, defined as:
- (a) ASX Clear and ASX Settlement (the covered licensees);
  - (b) a direct or ultimate holding company of a covered licensee that makes, or participates in making, decisions that relate to the provision of CS services; or
  - (c) an associated entity of the covered licensee that provides a CS service, in its capacity as such a provider.

#### *Your feedback*

- C3Q1 Do you agree with the definition and scope of 'CS service provider'? In your response, please give detailed reasons for your answer.
- C3Q2 Do you expect to incur any costs as a result of our proposal? If so, please provide an estimate of the time and costs that you will expend. In providing this estimate, please compare your costs with the situation where we do not introduce the proposed amendment. Please provide feedback on whether these costs are likely to be one-off or ongoing.

### Rationale

- 61 As provided for by Part 7.3A of the Corporations Act, the proposed CS services rules may impose obligations on CS facility licensees and associated entities. An associated entity is defined in s50AAA of the Corporations Act and covers a direct or ultimate holding company of a CS facility licensee (related bodies corporate).
- 62 This acts as an anti-avoidance mechanism intended to capture circumstances where the CS services may not be provided by the covered licensees but rather rely on the use of infrastructure, including the provision of data, operated by the covered licensees. The intent is to also recognise the key role played by ASX Limited, as the parent company in the operation of the covered licensees, including in investment decisions about core systems.

## Management of intragroup conflicts of interest

- 63 CS facilities are critical to the smooth functioning of Australian financial markets and are therefore critical national financial market infrastructure. The covered licensees are currently privately owned and operated as a vertically integrated monopoly by ASX Group. This raises the potential for intragroup conflicts of interest in relation to CS services, including:
- (a) an incentive for the covered licensees to allow only affiliated entities access to the facility, or to provide affiliates with more favourable access terms than non-affiliated entities; and
  - (b) intragroup conflicts of interest between the commercial interests of ASX Limited and the licence obligations of the covered licensees to operate national infrastructure for the benefit of the entire Australian financial market.
- 64 The proposed rules expand on several requirements in the Regulatory Expectations in relation to the management of conflicts between the commercial interests of entities within ASX Group and unaffiliated entities which are also users of the covered licensees' monopoly CS services. We believe the requirement to have appropriate policies and procedures to manage any actual or perceived conflicts of interest would also be necessary to ensure compliance with the proposed rules more broadly.

### Proposal

- c4** We propose to introduce rules that will require the covered licensees to have appropriately documented policies and procedures in place to identify and mitigate any actual or perceived conflicts between the interests of:
- (a) the covered licensee or an associated entity; and
  - (b) an unaffiliated entity.

#### *Your feedback*

- C4Q1 Do you agree with this proposal? In your response, please give detailed reasons for your answer.
- C4Q2 Does this proposal adequately address the management of the conflicts of interest between the covered licensees and other entities within ASX Group in relation to the provision of CS services? If not, please elaborate on further or alternative options.
- C4Q3 Do you expect to incur any costs as a result of our proposal? If so, please provide an estimate of the time and costs that you will expend. In providing this estimate, please compare your costs with the situation where we do not introduce the proposed amendment. Please provide feedback on whether these costs are likely to be one-off or ongoing.

## Rationale

- 65 The legislative framework is designed to enable the CS services rules to deal with matters relating to a CS facility licensee’s arrangements for handling conflicts of interest, including a CS facility’s management of intragroup conflicts of interest.
- 66 The proposed rules are intended to give effect to our expectation that the covered licensees focus on identifying and managing intragroup conflicts of interest appropriately and therefore gaining the trust and confidence of its customers, including non-affiliated market operators that compete with ASX Limited. Our view is that customer and stakeholder trust and confidence is critical to the CHES replacement project and the covered licensees’ operation of critical national infrastructure for the benefit of the entire Australian financial market, including listed companies and investors.

## Commitments in relation to CHES replacement

- 67 Investments by ASX Limited in relation to covered licensees’ core systems, including the CHES replacement, may give rise to barriers to access for an unaffiliated entity despite the intended design of the replacement system. As such, we propose to impose an obligation on the covered licensees to publicly provide independent assurance that changes to core systems (including the CHES replacement) do not give rise to barriers to access for unaffiliated entities, including in relation to interoperability.
- 68 This obligation would further supplement the Regulatory Expectations in respect of explicit commitments from ASX to ensure that any investments in the systems and technology that support its cash equity CS services do not raise barriers to access for unaffiliated market operators or CS facilities.

### Proposal

**c5** We propose to introduce rules that require:

- (a) a CS service provider to take all reasonable steps to ensure that its core systems are designed and developed in a way that does not raise barriers to access by unaffiliated entities;
- (b) a CS service provider to maintain and publish policies and procedures designed to ensure that investment, design and development of its core systems, including changes to its core systems, do not raise barriers to access for unaffiliated entities;
- (c) a CS service provider to include in any public statements about material investments in core systems, a statement whether the policies and procedures referred to in (b) have been complied with;
- (d) a covered licensee to engage an independent expert to conduct a review and prepare a written report (external assurance report)

- about compliance with (a) before the board makes a final decision on the matters covered by the policies;
- (e) a covered licensee to provide the external assurance report to the representative body for feedback before it is provided to the board;
  - (f) a covered licensee to make the report publicly available as soon as practicable or no later than one month after it has been provided to the board.

#### *Your feedback*

C5Q1 Do you agree with this proposal? In your response, please give detailed reasons for your answer.

C5Q2 Do you expect to incur any costs as a result of our proposal? If so, please provide an estimate of the time and costs that you will expend. In providing this estimate, please compare your costs with the situation where we do not introduce the proposed amendment. Please provide feedback on whether these costs are likely to be one-off or ongoing.

### **Rationale**

- 69 The intended outcome of our proposed rules is to ensure that the implementation of the CHESS replacement and any other investments in relation to core systems do not raise barriers to potential competitors, including in relation to interoperability (see proposal C1) and access arrangements (see proposal B1).
- 70 We believe such an independent assurance is critical to build the market's confidence that the CHESS replacement does not raise barriers to the timely access of a potential competing market or CS service provider to the licensed CS facilities operated by the covered licensees. This external assurance is only intended to apply to final board decisions in relation to changes to core systems.
- 71 The external assurance report should be provided to the representative bodies for review and feedback before it is provided to the board. This is intended to supplement the user input requirements in our proposed rules that implement the Regulatory Expectations to provide a transparent formal mechanism in ASX's governance framework for user input in relation to core system changes.

### **Publication of management accounts**

- 72 Our proposed rules include a requirement that a covered licensee must publish management accounts on an annual basis in relation to cash equity CS services. ASX has committed to this practice in relation to the



transparent and non-discriminatory pricing under its Code of Practice. Our proposal codifies ASX's practice as an enforceable obligation under the CS services rules.

### Proposal

- c6** We propose to introduce rules that:
- (a) require a covered licensee to publish audited management accounts on an annual basis in respect of its CS services;
  - (b) the audited management accounts must include a cost allocation and transfer pricing policy that describes the methodology used for allocating revenue and costs.

#### *Your feedback*

C6Q1 Do you agree with this proposal? In your response, please give detailed reasons for your answer.

C6Q2 Do you expect to incur any costs as a result of our proposal? If so, please provide an estimate of the time and costs that you will expend. In providing this estimate, please compare your costs with the situation where we do not introduce the proposed amendment. Please provide feedback on whether these costs are likely to be one-off or ongoing.

### Rationale

- 73 We have proposed this rule as it is currently a commitment that the covered licensees have made in the Code of Practice as part of their implementation of the transparent and non-discriminatory pricing principles set out in the Regulatory Expectations.

## External review of cost allocation model

- 74 Our proposed rules introduce a requirement for a CS service provider to engage an appropriately qualified independent expert to conduct a review and prepare a written report of the CS service provider's model for the internal allocation of costs, including the policies to govern the transfer of prices between ASX Group entities.

### Proposal

- c7** We propose to introduce rules that require a CS service provider to engage an appropriately qualified independent expert to conduct a review, prepare a written report about the appropriateness of the CS service provider's model for the internal allocation of costs and publish the report (cost allocation model report).

**Your feedback**

- C7Q1 Do you agree with this proposal? In your response, please give detailed reasons for your answer.
- C7Q2 Do you expect to incur any costs as a result of our proposal? If so, please provide an estimate of the time and costs that you will expend. In providing this estimate, please compare your costs with the situation where we do not introduce the proposed amendment. Please provide feedback on whether these costs are likely to be one-off or ongoing.

**Rationale**

- 75 We consider that the requirement for ASX to conduct an external review of its internal cost allocation model by an appropriately qualified independent expert on its appropriateness (by reference to relevant principles of access regulation) will strengthen the transparency in the pricing of its monopoly cash equity CS services. It will likely help ensure these prices are non-discriminatory, fair and reasonable.
- 76 An external review will also help the market to better understand the appropriateness of ASX's internal cost allocation model. The external review will also provide for a deeper evidence base for the market in relation to ASX's pricing of its cash equity CS services.

## D Implementation of the obligations

### Key points

We propose a three-month transition period for the commencement of the *ASIC CS Services Rules 2024*.

### Transition period

77 CS service providers will need to undertake a review of their existing arrangements to determine whether any additional arrangements need to be put in place to ensure compliance with these proposed rules. We understand that it may take time to implement the necessary arrangements and so we propose to give CS service providers a three-month transition period from the date the proposed rules are registered on the Federal Register of Legislation for the commencement of the obligations.

### Proposal

D1 We propose a three-month transition period for the commencement of the *ASIC CS Services Rules 2024*.

#### Your feedback

- D1Q1 Do you agree with the proposed three-month transition period? In your response, please provide detailed reasons for your answer.
- D1Q2 In implementing the proposed rules, how will you need to change your business practices? In your response, please provide detailed reasons for your answer.
- D1Q3 Do you foresee any new material risks being introduced to your organisation in complying with the proposed rules? If so, please provide detailed reasons for your answer.

### Rationale

78 ASX has committed publicly to comply with the Regulatory Expectations in its Code of Practice since 2014. As such, we are proposing a transition period of three-months because the intent of the rules is to implement the requirements and achieve the desired outcomes in the Regulatory Expectations.

79 We understand that certain reporting obligations under the proposed rules have built-in timelines and compliance with the obligation will be triggered

by a particular event—for example, a CS service provider must prepare an external assurance report that the proposed changes to core systems do not give rise to barriers to access for unaffiliated entities, including in relation to interoperability, before each final decision by the board.

## E Regulatory and financial impact

80 In developing the proposals in this paper, we have carefully considered their regulatory and financial impact. On the information currently available to us we think they will strike an appropriate balance between:

- (a) ensuring that ASX’s provision of cash equity CS services delivers outcomes that are consistent with those that might be expected in a competitive environment;
- (b) ensuring that ASX remains responsive to users’ evolving needs and provides access to its cash equity CS services on a transparent and non-discriminatory basis with terms and conditions (including pricing) that are fair and reasonable; and
- (c) the likely regulatory impact of the proposed rule changes (including compliance costs and barriers to entry).

81 Before settling on a final policy, we will comply with the Australian Government’s Policy Impact Analysis (PIA) requirements by:

- (a) considering all feasible options, including examining the likely impacts of the range of alternative options that could meet our policy objectives;
- (b) if regulatory options are under consideration, notifying the Office of Impact Analysis (OIA); and
- (c) if our proposed option has more than a minor or machinery impact on business or on the not-for-profit sector, preparing an Impact Analysis (IA) or an IA equivalent (Independent Review).

82 All IAs are submitted to the OIA for approval before we make any final decision, or if an IA equivalent—to the OIA for agreement. Without an approved IA or agreed IA equivalent, ASIC is unable to give relief or make any other form of regulation, including issuing a regulatory guide that contains regulation.

83 To ensure that we are in a position to properly complete any required IA or IA equivalent, please give us as much information as you can about our proposals or any alternative approaches, including:

- (a) the likely compliance costs;
- (b) the likely effect on competition; and
- (c) other impacts, costs and benefits.

See ‘The consultation process’, p. 4.

## Key terms

Term	Meaning in this document
ACCC	Australian Competition and Consumer Commission
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited or the exchange operated by ASX Limited
ASX Clear	ASX Clear Pty Limited (formerly known as Australian Clearing House Pty Limited)
ASX Group	ASX, ASX Clearing Corporation Limited, ASX Settlement Corporation Limited, ASX Operations Pty Limited
ASX Settlement	ASX Settlement Pty Limited (formerly known as ASX Settlement and Transfer Corporation Pty Limited)
Cboe	Cboe Australia Pty Ltd (formerly known as Chi-X Australia Pty Limited) or the exchange operated by Cboe
CCA	<i>Competition and Consumer Act 2010</i>
CCP	Central clearing party
CFR	Council of Financial Regulators
CHESS	Clearing House Electronic Subregister System
CiCS reforms	Competition in Clearing and Settlement reforms
Code of Practice	The ASX Cash Equities Clearing and Settlement Code of Practice
Corporations Act	<i>Corporations Act 2001</i> , including regulations made for the purposes of that Act
covered licensee	Each of ASX Clear and ASX Settlement
CS services rules	Draft <i>ASIC CS Services Rules 2024</i>
CS service provider	A covered licensee; or a direct or ultimate holding company of a covered licensee that makes, or participates in making, decisions that relate to covered services; or an associated entity of a covered licensee that provides a covered service
EMIR	Regulation (EU) No. 648/2012 of the European Parliament and Council of 4 July 2012
FMI Bill	<i>Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Bill 2024</i>
FSS	RBA's Financial Stability Standards

Term	Meaning in this document
Ministerial determination	A determination made by the relevant Minister under s828B of the Corporations Act, specifying one or more classes of CS services in relation to which the CS services rules may impose requirements
NSXA	National Stock Exchange of Australia Limited or the exchange market operated by NSXA
PJC	Parliamentary Joint Committee on Corporations and Financial Services
RBA	Reserve Bank of Australia
Regulatory Expectations	<a href="#">Regulatory expectations for conduct in operating cash equity clearing and settlement services in Australia</a> (PDF 210 KB)
SSF	Securities settlement facility
2015 review	<a href="#">Review of competition in clearing Australian cash equities</a>
user	A person that uses or proposes to use, either directly or indirectly, a covered service provided by a CS service provider

## List of proposals and questions

Proposal	Your feedback
<p>A1 We are not making a formal proposal but we seek your general feedback as set out below.</p>	<p>A1Q1 We would welcome stakeholder views on whether the prospect of competition emerging in cash equity CS services has changed since 2015. Do you believe the proposed obligations on CS service providers will achieve the intended policy objective of facilitating competition, or competitive outcomes in the absence of competition?</p>
<p>B1 We propose to implement the Regulatory Expectations as enforceable obligations through the <i>ASIC CS Services Rules 2024</i>.</p> <p>See the draft <i>ASIC CS Services Rules 2024</i> in the attachment to this paper.</p>	<p>B1Q1 Do you consider that the proposed rules cover the Regulatory Expectations and, more broadly, are sufficient to facilitate competitive outcomes in the monopoly provision of CS services? If not, what (if any) are the other obligations the CS services rules should impose?</p> <p>B1Q2 Do you have any feedback in relation to how the Regulatory Expectations have been implemented in the draft CS services rules (set out in the attachment to this paper)?</p> <p>B1Q3 Do you expect to incur any costs as a result of our proposal? If so, please provide an estimate of the time and costs that you will expend. In providing this estimate, please compare your costs with the situation where we do not introduce the proposed rule. Please provide feedback on whether these costs are likely to be one-off or ongoing.</p>
<p>B2 We propose to introduce rules that require a CS service provider to engage an independent expert to conduct an audit and prepare a written report about the CS service provider's compliance with the proposed rules (annual review).</p>	<p>B2Q1 Do you agree with the scope of the annual review? If not, please provide detailed reasons for your answer.</p> <p>B2Q2 Should the proposed scope of the annual review be extended to include technology and governance issues in relation to the CHES replacement program, noting that these matters are also a consideration under Part 7.3 of the Corporations Act?</p> <p>B2Q3 Do you expect to incur any costs as a result of our proposal? If so, please provide an estimate of the time and costs that you will expend. In providing this estimate, please compare your costs with the situation where we do not introduce the proposed amendment. Please provide feedback on whether these costs are likely to be one-off or ongoing.</p>



Proposal	Your feedback
<p>C1 We propose to introduce rules that:</p> <ul style="list-style-type: none"> <li>(a) define 'international open communication procedures and standards' to mean procedures and standards for messaging and reference data: <ul style="list-style-type: none"> <li>(i) ISO 20022; and</li> <li>(ii) FIX 5.0; and</li> </ul> </li> <li>(b) require a CS service provider to take all reasonable steps to ensure that any changes to its core systems accommodate international open communication procedures and standards.</li> </ul>	<p>C1Q1 Do you agree with this proposal? In your response, please give detailed reasons for your answer.</p> <p>C1Q2 Do you agree with the definition of 'international open communication procedures and standards' and do you consider that the definition covers the relevant procedures and standards, noting that these will be fixed as at the date the rules are made? In your response, please give detailed reasons for your answer.</p> <p>C1Q3 Do you expect to incur any costs as a result of our proposal? If so, please provide an estimate of the time and costs that you will expend. In providing this estimate, please compare your costs with the situation where we do not introduce the proposed amendment. Please provide feedback on whether these costs are likely to be one-off or ongoing.</p> <p>C1Q4 The proposed rules are intended to ensure that CS service providers' core systems accommodate technical interoperability with users' systems. More broadly, what do you understand by 'interoperability' and the scope of interoperability in the Australian market?</p>
<p>C2 We propose to introduce a rule to require the CS service providers to undertake an independent review of the pricing of their CS services against the price of similar services in other comparable international markets within a year after the proposed rules are made, and thereafter at least every five years, and to publish the results of the review.</p>	<p>C2Q1 Do you agree with this proposal, including the scope and frequency at which the review needs to be conducted? In your response, please give detailed reasons for your answer.</p> <p>C2Q2 Do you expect to incur any costs as a result of our proposal? If so, please provide an estimate of the time and costs that you will expend. In providing this estimate, please compare your costs with the situation where we do not introduce the proposed amendment. Please provide feedback on whether these costs are likely to be one-off or ongoing.</p>

Proposal	Your feedback
<p>C3 We propose that the CS services rules will apply to CS service providers, defined as:</p> <ul style="list-style-type: none"> <li>(a) ASX Clear and ASX Settlement (the covered licensees);</li> <li>(b) a direct or ultimate holding company of a covered licensee that makes, or participates in making, decisions that relate to the provision of CS services; or</li> <li>(c) an associated entity of the covered licensee that provides a CS service, in its capacity as such a provider.</li> </ul>	<p>C3Q1 Do you agree with the definition and scope of 'CS service provider'? In your response, please give detailed reasons for your answer.</p> <p>C3Q2 Do you expect to incur any costs as a result of our proposal? If so, please provide an estimate of the time and costs that you will expend. In providing this estimate, please compare your costs with the situation where we do not introduce the proposed amendment. Please provide feedback on whether these costs are likely to be one-off or ongoing.</p>
<p>C4 We propose to introduce rules that will require the covered licensees to have appropriately documented policies and procedures in place to identify and mitigate any actual or perceived conflicts between the interests of:</p> <ul style="list-style-type: none"> <li>(a) the covered licensee or an associated entity; and</li> <li>(b) an unaffiliated entity.</li> </ul>	<p>C4Q1 Do you agree with this proposal? In your response, please give detailed reasons for your answer.</p> <p>C4Q2 Does this proposal adequately address the management of the conflicts of interest between the covered licensees and other entities within ASX Group in relation to the provision of CS services? If not, please elaborate on further or alternative options.</p> <p>C4Q3 Do you expect to incur any costs as a result of our proposal? If so, please provide an estimate of the time and costs that you will expend. In providing this estimate, please compare your costs with the situation where we do not introduce the proposed amendment. Please provide feedback on whether these costs are likely to be one-off or ongoing.</p>

Proposal	Your feedback
<p>C5 We propose to introduce rules that require:</p> <ul style="list-style-type: none"> <li>(a) a CS service provider to take all reasonable steps to ensure that its core systems are designed and developed in a way that does not raise barriers to access by unaffiliated entities;</li> <li>(b) a CS service provider to maintain and publish policies and procedures designed to ensure that investment, design and development of its core systems, including changes to its core systems, do not raise barriers to access for unaffiliated entities;</li> <li>(c) a CS service provider to include in any public statements about material investments in core systems, a statement whether the policies and procedures referred to in (b) have been complied with;</li> <li>(d) a covered licensee to engage an independent expert to conduct a review and prepare a written report (external assurance report) about compliance with (a) before the board makes a final decision on the matters covered by the policies;</li> <li>(e) a covered licensee to provide the external assurance report to the representative body for feedback before it is provided to the board;</li> <li>(f) a covered licensee to make the report publicly available as soon as practicable or no later than one month after it has been provided to the board.</li> </ul>	<p>C5Q1 Do you agree with this proposal? In your response, please give detailed reasons for your answer.</p> <p>C5Q2 Do you expect to incur any costs as a result of our proposal? If so, please provide an estimate of the time and costs that you will expend. In providing this estimate, please compare your costs with the situation where we do not introduce the proposed amendment. Please provide feedback on whether these costs are likely to be one-off or ongoing.</p>
<p>C6 We propose to introduce rules that:</p> <ul style="list-style-type: none"> <li>(a) require a covered licensee to publish audited management accounts on an annual basis in respect of its CS services;</li> <li>(b) the audited management accounts must include a cost allocation and transfer pricing policy that describes the methodology used for allocating revenue and costs.</li> </ul>	<p>C6Q1 Do you agree with this proposal? In your response, please give detailed reasons for your answer.</p> <p>C6Q2 Do you expect to incur any costs as a result of our proposal? If so, please provide an estimate of the time and costs that you will expend. In providing this estimate, please compare your costs with the situation where we do not introduce the proposed amendment. Please provide feedback on whether these costs are likely to be one-off or ongoing.</p>

Proposal	Your feedback
<p>C7 We propose to introduce rules that require a CS service provider to engage an appropriately qualified independent expert to conduct a review, prepare a written report about the appropriateness of the CS service provider's model for the internal allocation of costs and publish the report (cost allocation model report).</p>	<p>C7Q1 Do you agree with this proposal? In your response, please give detailed reasons for your answer.</p> <p>C7Q2 Do you expect to incur any costs as a result of our proposal? If so, please provide an estimate of the time and costs that you will expend. In providing this estimate, please compare your costs with the situation where we do not introduce the proposed amendment. Please provide feedback on whether these costs are likely to be one-off or ongoing.</p>
<p>D1 We propose a three-month transition period for the commencement of the <i>ASIC CS Services Rules 2024</i>.</p>	<p>D1Q1 Do you agree with the proposed three-month transition period? In your response, please provide detailed reasons for your answer.</p> <p>D1Q2 In implementing the proposed rules, how will you need to change your business practices? In your response, please provide detailed reasons for your answer.</p> <p>D1Q3 Do you foresee any new material risks being introduced to your organisation in complying with the proposed rules? If so, please provide detailed reasons for your answer.</p>