



DECEMBER 2024

Market operator obligations review

Australian Securities
Exchange Limited
(ASX 24)

Findings from the FMA's review of how well ASX 24 is meeting its licensed market operator obligations, for the two-year period 1 July 2022 to 30 June 2024.

This copyright work is licensed under the Creative Commons Attribution 3.0 New Zealand licence. You are free to copy, distribute and adapt the work, as long as you attribute the work to the Financial Markets Authority and abide by the licence terms. To view a copy of this licence, visit [creativecommons.org](https://creativecommons.org/licenses/by/3.0/nz/)

Contents

Executive summary	3
Purpose of the report	3
Assessment conclusions	3
About ASX 24	4
Overview	4
ASX 24's licence	4
ASX Group and ASX Compliance	5
Findings	6
ASIC's oversight of ASX	6
Matters arising during the review period	7
ASX 24's compliance with its licence conditions	9
Support for conclusion	9
Appendix: How we conducted our review	10
Our role	10
Market operator obligations	10
Approach	10

Executive summary

Purpose of the report

Australian Securities Exchange Limited (**ASX 24**) is based in Australia, and is licensed under section 317 of the Financial Markets Conduct Act 2013 (**FMC Act**) as an overseas regulated market. This licence allows ASX 24 to operate the ASX 24 derivatives market in New Zealand. The Financial Markets Authority - Te Mana Tātai Hokohoko (FMA) is required to report at least once every two years¹ on how well ASX 24 is meeting its licensed market operator obligations². This review covers the period 1 July 2022 to 30 June 2024 (the **review period**). This is our fifth review of ASX 24 since its licence came into effect on 1 December 2014.

The Australian Securities and Investments Commission (**ASIC**) is ASX 24's primary regulator. Our review primarily relies on ASIC's assessment of ASX 24's compliance with its obligations under the Australian Corporations Act 2001 (**Corporations Act**). We also consider the information available to us and our own engagements with ASX 24 to form a view on compliance with its market operator obligations under the FMC Act. See the [Appendix](#) for details of how we carried out our review.

Assessment conclusions

We are satisfied that, during the review period, ASX 24 ensured, to the extent reasonably practicable, that its licensed market was fair, orderly and transparent.

We consider that ASX 24 had adequate arrangements for:

- notifying disclosures from participants in its market, and for continuing to make them available
- handling conflicts between its commercial interests, and the obligation to ensure its market operates in a fair, orderly and transparent manner
- monitoring the conduct of participants in its markets
- enforcing compliance with market rules.

We are also satisfied that ASX 24 had sufficient resources (including financial, technological and human resources) to operate its licensed market properly. The personnel, technology and financial resources that support ASX 24 are collectively part of ASX Group. During the review period, there was a significant investment into technology and capability uplift across ASX Limited (**ASX**) and its subsidiaries (the **ASX Group**).

Our conclusion primarily relies on ASIC's oversight of ASX 24 and its view of ASX 24's compliance, including previous assessments relevant to the operation of ASX 24 carried out under the Corporations Act.

ASIC has said it has no reason to believe ASX 24 was not compliant with its market operator obligations under the Corporations Act during the review period. Furthermore, ASIC does not currently have any regulatory concerns specific to ASX 24.

See the 'Findings' section of this report for details.

¹ A condition of ASX 24's licence is a review every two years. The licence is available on our [website here](#).

² A market operator's full obligations are set out in the Appendix.

About ASX 24

Overview

ASX 24 is part of a wider group of entities controlled and operated by ASX in Australia (the ASX Group) that includes two licensed market operators and four licensed clearing and settlement systems. ASX operates the ASX securities market and ASX 24 operates the ASX 24 derivatives market. Products traded on the ASX 24 derivatives market include futures and options on indices, interest rates derivatives, and energy and environmental derivatives.

ASX 24's licence

ASX 24 was an authorised futures exchange under the Securities Markets Act 1988, which was the precursor to the FMC Act. Under the transitional provisions of the FMC Act, the FMA granted ASX 24 a financial product market licence from 1 December 2014 to operate the ASX 24 derivatives market. The conditions of ASX 24's licence were largely carried over from the authorised futures exchange notice. ASX 24's licence can be viewed on our website.³

ASX 24's home jurisdiction is Australia, and ASIC is the primary regulator of its market operations, which are contained in the Corporations Act. ASX is also subject to the [ASIC Market Integrity Rules \(Futures Markets\) 2017](#) and the [ASIC Market Integrity Rules \(Securities Markets and Futures Markets\) Amendment Instrument 2022/74](#) (together 'Market Integrity Rules').

A condition of ASX 24's FMC Act licence is that New Zealand investors must be informed that the ASX 24 derivatives market is primarily regulated under Australian law.

ASX 24 is required to give the FMA half-yearly information about trading participants who offer derivatives in New Zealand through the ASX 24 derivatives market.

ASX 24 must also notify us if it intends to make any material changes to the rules for the ASX 24 derivatives market. Under Australia's legislative framework, changes to the operating rules of a licensed market must first be either disallowed or not disallowed by ASIC as delegate of the Minister, or the Minister, Australia's Assistant Treasurer and Minister for Financial Services. The effect of disallowing Rule Changes is that the changes cease to have effect when ASIC notifies the licensee of the disallowance. In deciding whether to disallow all or a specified part of the change to the operating rules, the Minister must have regard to the consistency of the change with the licensee's obligations under Part 7.2⁴ of the Corporations Act.

³ [New Zealand Financial Product Market Licence \(Australian Securities Exchange Limited\) 2014 \(fma.govt.nz\)](#)

⁴ [Corporations Act 2001 \(legislation.gov.au\)](#)

ASX Group and ASX Compliance

All policies, procedures, systems, governance and other arrangements relevant to ASX 24's market operator obligations are designed and administered as part of the ASX Group. Examples include:

- Financial, technological and human resources for all licensed entities are managed at a group level.
- A Market Operations division, which includes trading operations, surveillance and the market announcements office, carries out those services for both licensed markets.
- Managing conflicts for listed entities and participants, and for monitoring and enforcing the rules of both the ASX 24 derivatives and ASX securities markets.

ASX Compliance⁵ is a specialist function established by ASX. It is responsible for overseeing compliance with the ASX Listing Rules. It also oversees the ASX Operating Rules for participants of the various markets as well as the clearing and settlement facilities operated by the ASX Group. ASX Compliance has the delegated authority to make certain compliance and enforcement decisions on behalf of the ASX Group licensees. This includes ASX 24 as the licensed operator of the ASX 24 derivatives market.

ASX Compliance is comprised of three divisions:

- Listings Compliance
- Participants Compliance
- Executive Office, which:
 - manages the enforcement function
 - provides support for the ASX Corporate Governance Council
 - administers the ASX Compliance Education and Research Program.

⁵ ASX Compliance ([asx.com.au](https://www.asx.com.au))

Findings

As ASIC is ASX 24's primary regulator, our review primarily relies on ASIC's assessment of ASX 24's compliance with the Corporations Act during the review period. We also consider our own monitoring, engagements with ASX 24, and reports and information available to us in relation to the operation of ASX 24. These reports and information include self-assessment reports, market announcements, independent reviews relevant to the operation of ASX 24, details of incidents and response to those incidents (if any), and selected frameworks and processes.

ASIC's oversight of ASX

The ASX Group must report to ASIC each year on whether it has complied with all of its market operator obligations for both the ASX 24 derivatives and ASX securities markets.

ASIC can elect to assess at any time whether the ASX Group complies with any or all of its market operator obligations. This allows ASIC to monitor the group's market operator arrangements on a risk basis, and to target compliance reviews against specific obligations.

To help identify risks, ASIC introduced a standard quarterly report for the ASX Group to complete. This provides ASIC with a significant amount of data about all areas of the group's operations. These reports also form part of the group's annual self-assessment of its compliance. ASIC and ASX 24 meet on a quarterly basis as part of ASIC's planned monitoring and oversight program.

If ASIC has concerns or queries about market operations, from either this quarterly reporting, its own monitoring activities, or other sources of information such as complaints, it raises matters with the ASX Group as necessary.

ASIC's risk-based monitoring helps to determine if more detailed reviews are required. ASIC did not conduct a review of ASX 24's compliance with the Corporations Act during the review period. ASIC received and reviewed the ASX Group Licence Reports⁶ for the financial years ended 30 June 2023 and 30 June 2024. These reports explain how the ASX Group, including ASX 24, complied with its overall Australian market licence obligations and the Corporations Act. ASIC also undertook risk-based monitoring of ASX 24 with a focus on operational and technological resilience.

Monitoring the conduct of participants means monitoring all persons trading on licensed markets, including authorised participant firms and their clients. This includes surveillance of trading activity. Under the Corporations Act, ASX 24 must monitor and enforce compliance with its operating rules, which govern the behaviour of participant firms; while ASIC has responsibility for real-time market surveillance. We are satisfied this provides appropriate supervision of the conduct of participants in the ASX 24 derivatives market.

⁶ S792F (1) A market licensee must, within 3 months after the end of its financial year, give ASIC an annual report on the extent to which the licensee complied with its obligations as a market licensee under this Chapter. [Corporations Act 2001 \(legislation.gov.au\)](https://www.legislation.gov.au)

As at 30 June 2024, 17 trading participants were authorised to transact New Zealand derivatives on the ASX 24 derivatives market. We do not require ASX 24 to monitor or report on the extent of trading in New Zealand derivatives by these participants, or the extent of trading by New Zealand investors.

Matters arising during the review period

Broader context

The review period saw significant change for the ASX Group, including changes to the Board and leadership team, a strategy reset, a refreshed market engagement approach, significant projects and investment to modernise technology, and uplift in frameworks and processes. While our review is focused on ASX 24, developments at the ASX Group level directly impact the operation of ASX 24. As previously mentioned, the personnel, technology and financial resources that support ASX 24 are managed at group level. In undertaking oversight activities and this review, we were mindful of the developments relevant to the operation of ASX 24, whether they occurred at the ASX Group level or were specific to ASX 24.

People and capability

ASX is undertaking a significant technology modernisation programme to ensure sustainable, secure and resilient infrastructure, with this work also uplifting capability to deliver the programme. A number of personnel changes were made during the review period across the ASX Group, including within the executive leadership team, to ensure the necessary level of experience and leadership skills to deliver ASX's five-year strategy.

Key executive-level personnel changes included the appointment of a new Chief Executive Officer, to help steer the ASX Group towards achieving its five-year strategy, and a dedicated Chief Information Officer, to create a standalone technology division focusing on system resilience across the group and delivery of the multi-year technology projects that are a part of the modernisation roadmap.

More generally, ASX has made enhancements to the review of adequacy of resources across the ASX Group. While some aspects of the enhanced approach are still being implemented, this shows an increased focus on ensuring there is adequate resourcing.

ASIC considered that ASX demonstrated a positive change in this area, which will be subject to ongoing supervision.

Technology and project management

Our [2022 Review Report](#) included coverage of technology disruptions that impacted on the equity and derivatives markets. In relation to the ASX equity market issues experienced in November 2020, and ASX's prior commitment to addressing IBM Australia recommendations, we noted that ASX Limited completed all of the 59 review recommendations, with completion being independently assessed as "fully addressed". In relation ASX 24's NTP network switch issue that occurred on 17 March 2022, ASX 24 has completed the work with the hardware vendor to mitigate the risk of occurrence of a similar issue. Overall, the trading systems were stable with high levels of availability, and there were no material incidents for ASX 24 arising during the review period.

As mentioned above, ASX is undertaking a significant programme of work in relation to its technology. During the review period, ASX finalised its technology roadmap for major technology changes. The roadmap includes several projects related to ASX 24's trading platform (NTP), namely an upgrade to the current NTP operating system, the replacement of the NTP and replacement of the network hardware related to the NTP.

Implementation of significant technology projects requires robust project management frameworks. In this regard, we note that ASX's portfolio, program and project management were subject to an independent review during the review period, which identified strengths and areas for further development. While not focused on ASX 24, the review and ensuing programme of work to implement the recommendations would contribute to more general uplift in ASX's project delivery capabilities, which would also benefit ASX 24.

There is a significant amount of work needed to successfully deliver on the technology roadmap, including the need to further mature frameworks and ensure appropriate management of assets (including replacement of ageing assets). Although ASX is making positive changes, ASIC will continue to monitor its progress and its technological and operational resilience, including ASX 24's progress with respect to the uplift and replacement of the NTP. This will also be an area of continued interest to us.

Governance arrangements

During the review period, a program of renewing the composition of ASX's Board of directors continued, with changes in non-executive directors observed. ASX noted that the purpose of these changes was to refresh the talent, skills and experience of its directors to strengthen the Board's technology capabilities to manage the group's technology modernisation program (which includes projects related to ASX 24). There was also an update to ASX's Corporate Governance Statement, highlighting ASX's commitment to ensuring that its governance arrangements are commensurate with the nature and scope of its operations.

While ASIC considers the changes to be positive, governance arrangements and oversight will be subject to ongoing supervision by ASIC, including the Board's oversight of major significant technology change programmes.

ASX 24 product suite developments

During the review period, ASX 24 took steps to further develop the ASX 24 market. It undertook two market operating rule changes to introduce new futures contracts:

- Wallumbilla Natural Gas Futures deliverable contract; and
- a Mid Cap Gross Total Return Index Futures contract.

ASX 24 also carried out product development work in New Zealand, which included market and regulatory engagements.

ASX 24's compliance with its licence conditions

Under ASX 24's licence,⁷ it is required to provide a compliance report to the FMA every second financial year, within three months of ASX 24's financial year-end. We acknowledge that this report (comprising both the 2023 and 2024 ASX Annual Group Licence Reports) was provided to the FMA on time.

ASX 24 also submitted the required half-yearly information reports regarding trading participants who offer derivatives in New Zealand through the derivatives market on time throughout the review period.

Support for conclusion

We are satisfied that ASX 24 complied with its market operator obligations in operating the ASX 24 derivatives market during the review period.

We assessed ASX 24's assertion that it complied with obligations under Australia's Corporations Act in the review period. The Corporations Act is comparable to New Zealand's FMC Act, as evidenced in ASX 24's self-assessment reports.

These reports were provided to the FMA on time and in accordance with Condition 12 of the New Zealand Financial Product Market Licence (Australian Securities Exchange Limited) 2014, and for the purposes of section 337 of the FMC Act. These reports were also presented to the Minister for Commerce and Consumer Affairs.

ASIC has stated that for the period under review, it has no reason to believe that ASX 24 was not compliant with its obligations under the Corporations Act. Furthermore, ASIC does not currently have any regulatory concerns specific to ASX 24.

ASIC has stated that the areas that require improvement (noted above) within the ASX Group are under supervision by ASIC to ensure adequate uplift takes place.

Having reviewed these responses, as well as the information requested and gathered during the review period, we are satisfied that ASX 24 complied with its FMC Act market operator obligations in operating the ASX 24 derivatives market during the review period.

The reasons are:

- ASIC's risk-based monitoring has not led to reviews of ASX 24's compliance with any of its obligations;
- ASIC has said that it has no reason to believe ASX 24 was not compliant with its market operator obligations in accordance the Corporations Act during the review period;
- We have not received any complaints about the operation of the ASX 24 derivatives market in New Zealand;
- ASX's Group Licence Reports provide no reason to believe it was not compliant in all material respects with regard to its FMC Act market operator obligations; and
- Resource areas that require improvement within the ASX Group are under supervision by ASIC to ensure adequate uplift takes place.

⁷ At clause 12 of the licence

Appendix: How we conducted our review

Our role

Under the FMC Act, we are required to periodically review how well a licensed market operator is meeting its obligations, and to publish a written report.

Market operator obligations

In the FMC Act, 'market operator obligations', for an overseas regulated entity such as ASX 24, means:

- the general obligations contained in section 314 of the FMC Act:
 - to ensure, to the extent reasonably practicable, that each of the licensed markets is fair, orderly and transparent
 - to have adequate arrangements for notifying disclosures from participants in its markets, and for continuing to make them available
 - to have adequate arrangements for handling conflicts between its commercial interests and the obligation to ensure its markets operate in a fair, orderly and transparent manner
 - to have adequate arrangements for monitoring the conduct of participants in its markets
 - to have adequate arrangements for enforcing compliance with market rules
 - to have sufficient resources (including financial, technological and human resources) to operate its licensed markets properly
- an obligation to provide notification of a rule change to the FMA together with the date of the change and an explanation of its purpose (section 334)
- an obligation to provide us with a self-assessment from the reporting period of how it complies with its obligations (section 337)
- an obligation to act on our, or the Minister's⁸, direction if it has failed to meet any of its obligations (sections 340 to 342)
- any obligation imposed as a condition of a market operator's licence.

Approach

A market operator that is authorised and regulated in an overseas country may be licensed under section 317 of the FMC Act if certain conditions are met.

A key requirement is that the home jurisdiction responsible for regulating and supervising the market operator should provide a level of investor protection and market integrity that is comparable to the FMC

⁸ New Zealand Minister for Commerce and Consumer Affairs

Act.⁹ This allows us to rely on the overseas regulator to assess and monitor the capability and compliance of the market operator.

ASX 24's market operator obligations in the Corporations Act are largely equivalent to its FMC Act obligations for operating the ASX 24 derivatives market. ASX 24 does not have an obligation in Australia to carry out surveillance of real-time trading activity. This function has been carried out by ASIC since 2010.

ASX must report to ASIC annually on how it complies with all of its market operator obligations. ASIC may assess, at any time, how well ASX is complying with any or all of the obligations. These provisions are also equivalent to those in the FMC Act.

Information reviewed

Our review included liaising with ASIC about:

- its ongoing oversight of ASX 24;
- any matters or concerns raised with ASX 24 during the review period;
- how ASX 24 addressed those matters; and
- ASIC's overall view of ASX 24's compliance with its market operator obligations.

We also looked at the following:

- Reports provided by ASX 24 on its compliance with its market operator obligations for the years ended 30 June 2023 and 2024 (as required under section 337). These were the same reports the ASX Group provided to ASIC under the Corporations Act
- Information on the ASX website about how ASX meets its market operator obligations for both the ASX securities market and ASX 24 derivatives markets. This included:
 - how ASX interprets its obligation to operate fair, orderly and transparent markets
 - how ASX meets its obligation to have adequate arrangements for monitoring and enforcing compliance with the operating rules of its markets
 - how ASX meets its obligation to manage conflicts between commercial and regulatory interests, and a summary of its conflict-handling arrangements
 - the ASX Compliance board charter, which sets out the roles and responsibilities of ASX Compliance
- Past reports by ASIC on ASX 24's compliance with its market operator obligations¹⁰
- Our engagements with ASX 24.

⁹ The original authorisation of ASX 24 as a futures exchange was assessed under a similar requirement in the repealed Securities Markets Act 1988. ASX 24 was deemed to have a licence from 1 Dec 2014 as it moved to the FMC Act regime.

¹⁰ These reports are available on [ASIC's website](#)

