

ASX Disciplinary Matter – RBC Securities Australia Pty Ltd

ASX Limited's Chief Compliance Officer (the '**CCO**') has determined that RBC Securities Australia Pty Ltd ('**RBCSA**'), failed to comply with:

- (a) ASX Settlement Operating Rule ('**ASX SR**') 6.8A.5(c) and its related procedure, being its obligation to report its Securities Committed Position by the prescribed date and time; and
- (b) ASX SR 6.1.1(a), being its obligation to at all times continue to satisfy the admission requirements in ASX Settlement Operating Rule 4.3.1(h) and 4.18.1 to have adequate processes to comply with its reporting obligation under ASX SR 6.8A.5(c),

together, the '**Contraventions**'.

The CCO imposed a total fine of \$20,000 (plus GST) for the Contraventions.

The circumstances of this matter are:

On 14 December 2009, ASX introduced ASX SR 6.8A.5.

As from that time under these rules, a Securities Lending Participant was required to provide certain reporting to ASX of the Securities On Loan, Securities Borrowed and Securities Committed Positions of the participant and of its related bodies corporates that are not themselves a participant, on a daily or quarterly basis (as applicable).

On 14 December 2021, RBCSA self-reported to the ASX that since 7 October 2011, RBCSA had been non-compliant with its reporting obligations arising under ASX SR 6.8A.5(c) by incorrectly duplicating and reporting its Securities Borrowed Positions as also being its Securities Committed Position each quarter. Resulting from an incorrectly established reporting methodology, these positions were consistently mistakenly reported despite the fact that RBCSA did not have a Securities Lending Program, and that at all relevant times RBCSA's reported quarterly Securities Committed Positions should have been nil.

In response to a subsequent request for information by the ASX, RBCSA further indicated that while it had initially confirmed to the ASX that its non-compliance with its securities committed reporting obligation commenced on 7 October 2011, this was simply the earliest date RBCSA could verify its reported data from its retained documentation and therefore RBCSA may have been non-compliant with ASX SR 6.8A.5(c) from an earlier period.

RBCSA has subsequently submitted that it is now in compliance with its relevant securities lending reporting obligations.

In determining the penalty, the CCO took into account, amongst other factors, the following:

- (a) The Contraventions could have adversely impacted:
 - (i) ASX's compliance with the Reserve Bank of Australia's financial stability standards ('**FSS**') for securities settlement facilities, which apply in relation to the clearing and settlement facility operated by ASX; and / or
 - (ii) the reputation of ASX and the clearing and settlement facility it operates.

- (b) The reporting provided for under ASX SR 6.8A is relied on by ASX to promote greater transparency as to the potential settlement risk inherent in Securities Lending Positions and to achieve compliance with ASX's obligations under FSS 18.3 for securities settlement facilities. Failures to report, or errors in reporting of, securities lending information has the potential to undermine the integrity of ASX's collated and published data, particularly where as a result of inadequate processes the errors are systemic in nature, and could therefore adversely impact market transparency, ASX's reputation and the objectives of the FSS.
- (c) The prolonged period and systemic nature of the Contraventions. ASX observes that the information provided by RBCSA revealed a failure to identify and report its Securities Committed Positions for an extended duration.
- (d) RBCSA's contravention of ASX SR 6.8A.5(c) was inadvertent, unintentional and did not appear to be quantitatively significant.
- (e) RBCSA did not derive a financial benefit or other commercial advantage from the Contraventions.
- (f) RBCSA did not act unconscionably towards, or otherwise unfairly take advantage of, clients or counterparties.
- (g) After a prolonged period, RBCSA identified and self-reported the Contraventions.
- (h) RBCSA demonstrated a cooperative stance with ASX in its investigation of the Contraventions.
- (i) RBCSA has a good history of complying with ASX's operating rules.
- (j) The 'totality principle', as explained in Annexure A to the ASX Enforcement and Appeals Rulebook.

Sanction Guidelines

The CCO determined that, given the circumstances in this matter, a fine of \$20,000 (plus GST) was an appropriate sanction.