



ASX Compliance Enforcement Activity

Under the Corporations Act, as a licensed operator of financial markets, ASX is obliged to have adequate arrangements for monitoring and enforcing compliance with the operating rules of those markets. It is also obliged, as a licensed operator of clearing and settlement facilities, to have adequate arrangements for supervising those facilities and for enforcing compliance with their operating rules.

The purpose of this circular is to notify participants in those markets and facilities of some of the enforcement activities recently undertaken by ASX Compliance, so that they are aware of potential areas of concern for ASX and of ASX's enforcement activities in those areas.

This circular covers enforcement activities that were finalised during the period from 1 July to 30 September 2025. Investigations in relation to other enforcement matters are ongoing.

Enforcement Decision

G.H. Financials Limited

ASX Limited's Chief Compliance Officer ('**CCO**') has imposed a penalty of \$80,000 (plus GST) on G.H. Financials Limited ('**GHF**') for contraventions of:

- (a) ASX Clear (Futures) Operating Rules ('**ASXCRF**') 4.14(a), being its obligation to provide an annual audit certificate in the prescribed form within three (3) months of its financial year-end relating to the year ended 31 March 2023;
- (b) ASXCRF 8.5(b), being its obligation to provide such additional statement or statements of its financial position, in such form or forms as ASX may require, and at such time or times as it may direct;
- (c) ASXCRF 4.14(d) and ASX24 Operating Rules ('**ASX24OR**') 1400(e) and their related procedures, being the obligations to notify the Market Operator in writing within 10 Business Days of the appointment, resignation or removal of a director;
- (d) ASXCRF 13.1, being its obligation to provide ASX with immediate access to information and records concerning the Clearing Participant's trading and financial position;
- (e) ASX24OR 4840 and its related procedure, being its obligation to report to the Market Operator, in the time and manner set out in the Procedures, each Open Position entered into by the Trading Participant, including daily beneficial ownership reports, except for transactions listed in the Procedures;
- (f) ASX24OR 5011(a), being its obligation, if the Participant is required to provide information or receive a notice under ASX24OR 5010, to provide information, or provide or permit inspection of the records in accordance with the notice; and
- (g) ASXCRF 4.10, being its obligation to at all times ensure that it satisfies the admission requirements set out under ASXCRF 4.2(e), being to have adequate resources and processes to comply with its obligations as a clearing participant under ASXCRF.



Further details in respect of this matter are set out in the following circular:

<https://www.asx.com.au/content/dam/asx/about/asx-compliance/disciplinary-notice/2025/disciplinary-notice-gh-financials.pdf>

Warning Letters

Importance of adequate change management policies and procedures

ASX has issued a warning letter to a Participant who had issues connecting to CHESS, resulting in an approximate 30-minute market wide delay to the CHESS Batch Settlement. On 17 February 2025, the Participant was unable to connect to CHESS until around 9:20am. The disconnection was initially identified by ASX and communicated to the Participant around 7.49am. The Participant requested and was granted two extensions of the CHESS Batch Settlement time at 11:00am and 11:40am. The failure to connect to CHESS occurred after a planned maintenance event. An internal monitoring tool used to detect non-connection to CHESS was also not functioning correctly after a patching job occurred over the same weekend.

ASX's investigation identified the following concerns:

- The internal monitoring tool failed to detect the disconnection from CHESS;
- Technology support teams were relying on the internal monitoring tool despite being aware that there were problems with the patching update to this tool; and
- The Participant was unaware they were disconnected from CHESS until informed by ASX, with their systems indicating there was no issues with connectivity to CHESS.

ASX Settlement Operating Rule ('**ASXSR**') 4.18.1 (organisational requirements) requires Participants to have adequate resources and processes to comply with their obligations as a Participant under these Rules. This includes adequate business continuity and disaster recovery processes. Section 4.14 (change management) of ASXSR Guidance Note 10 on Business Continuity and Disaster Recovery, outlines that, to avoid a business continuity event / unanticipated disruptions, Participants should have and comply with change management policies and procedures that are designed and function effectively to ensure that changes to its ASX Settlement operations are thoroughly assessed, tested and authorised, before implementation.

In response the Participant undertook mitigating actions, which included:

- Implementing a 'Start of Week' scripted connection 'health check';
- Adding an additional weekly application start-up schedule for Sunday evenings;
- Additional multi-layer monitoring checks to detect intermittent issues with monitoring gateways; and
- Implementing an auto-detection and healing process to automatically restart non-responsive gateways.

ASX also required the Participant to conduct a review to assess:



- The design and operational effectiveness of all controls used to maintain its interface with CHES; and
- The adequacy of its IT change management policies and procedures that are relevant for its ASX Settlement operations.

Inadequate trust account policies and procedures

ASX has issued a warning letter to a Participant over concerns with the adequacy of their trust account policies and procedures. On 16 January 2025, ASX initiated a review into the Participant's compliance with the client money requirements of the ASX Clear Operating Rules ('**ASXCR**'), the ASXSR, and their related Procedures (the '**ASX Review**'). The Participant was required to produce, amongst other things, policies and procedures, and a sample of completed trust account reconciliations, and all supporting documentation in respect of specific trading days.

The ASX Review identified the following concerns:

- The Participant's trust reconciliation policies and procedures did not demonstrate that the Participant had had regard to ASXCR Guidance Note 12: and
- The supporting trust account documentation recorded a close of business balance for 10 January 2025 for the trust account, which did not correspond with the balance recorded in the Participant's accounting records.

ASX considers compliance with the client money requirements to be fundamental to protecting the interests of clients and preserving the reputation and integrity of ASX markets.

The Participant has since undertaken effective remediation measures, including:

- Engaging an external expert to assist in uplifting their documented procedure;
- Following ASX feedback, the Participant has further updated its procedures to ensure that all relevant supporting documentation is included for signoff, and maintained for the purposes of ensuring trust account reconciliations are verifiable; and
- Providing training on the updated procedures to relevant staff.

ASX has also required the Participant to undertake a review of its 'key processes' as set out in Schedule 1 of ASXCR Guidance Note 1 to ensure they are sufficient to comply with its obligations under those Rules.

Failure to notify ASX of the relocation of offshored activities

ASX has issued a warning letter to a Participant over its failure to notify ASX in writing prior to the relocation of offshored activities.

By way of background, on 11 June 2025, the Participant self-reported that its trust account reconciliation was not prepared in the form set out within ASXCR Annexure 4.23.6 for 6 and 10 June 2025.

Prior to 6 June 2025, the Participant's reconciliation process was divided between two separate offshored teams. One team was responsible for ensuring the trust account reconciliation was



managed in accordance with ASX requirements. A second team conducted funding calculations and ran a trust/general account movement report to ensure the trust account was appropriately funded daily. Commencing 6 June 2025, to streamline the process, the second team took over the whole reconciliation process. The Participant's Australian based compliance team was not notified prior to this change, and no training on the reconciliation process was provided to the second offshore team, prior to them taking over this identified process.

ASXCR and Procedure 4.19.1 requires that a Participant that proposes to locate or relocate any part of its business as a Participant outside Australia (**'Overseas Activity'**) must provide prior written notification to ASX Clear, including details of the proposed Overseas Activity. ASXCR Guidance Note 9, titled 'Offshoring and Outsourcing', makes clear that this applies whether the overseas activity is currently being carried out in Australia or another location overseas.

Participants are responsible for all actions and omissions of persons involved in its business as a Participant. This includes any Participant activities that have been offshored or outsourced. Participants must have appropriate processes to supervise any offshored or outsourced activities to ensure that they comply with all applicable obligations under the ASXCR. Notifying ASX about the offshoring of any part of its business as a Participant assists ASX to effectively monitor the Participant's compliance with their obligations.

The Participant has now undertaken remedial action in response to the events outlined above, including:

- Prior to changes to regulatory reporting (including trust reconciliation), the Australian based compliance team will assess if there are any potential regulatory impacts; and
- The second team involved in the trust account reconciliation has completed additional training.

Nominee company requirements

ASX has issued a warning letter to a Participant over concerns about their compliance with ASX requirements regarding the ownership of nominee companies used for its ASX clearing activities.

On 12 February 2025, ASX initiated a rule-based review (**'Review'**) into the Participant's compliance with the Participant Nominee Company requirements of ASXCR 4.11.1. The Review identified that two nominee companies used by the Participant were not directly owned by the Participant but were wholly owned by a wholly owned subsidiary of the Participant. ASX was concerned that this type of structure was unsuitable for a Participant to ensure the protection of client interests and was impermissible under ASXCR 4.11.1.

ASX considers compliance with the Participant nominee company requirements to be fundamental to protecting the interests of clients. Ensuring client assets are clearly identifiable ensures and there is settlement certainty, particularly in the event of default or the appointment of an external administrator.



The Participant has undertaken effective remediation and changed the ownership structure such that it now directly owns 100% of the outstanding shares for both nominee companies.