

ASX Disciplinary Matter – BNP Paribas

ASX's Chief Compliance Officer ('**CCO**') has determined that BNP Paribas ('**BNPP**'), in assuming the liabilities and obligations of BNP Paribas Securities Services ('**BPSS**'), did not comply with:

- (a) ASX Settlement Operating Rule ('**ASX SR**') 6.8A.5(a) and its related procedure, being its obligation to report its Securities on Loan Position by the prescribed time;
- (b) ASX SR 6.8A.5(b) and its related procedure, being its obligation to report its Securities Borrowed Position by the prescribed time;
- (c) 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;
- (d) ASX SR 6.1.1(a), being its obligation to at all times continue to satisfy the admission requirements in ASX Settlement Operating Rules 4.3.1(h) and 4.18.1 to have adequate resources and processes to comply with its obligations under ASX SR 6.8A.5; and
- (e) ASX SR 6.2.2, being its obligation to ensure that all information that the Participant gives to ASX is complete, accurate and not misleading,

together, the '**Contraventions**'.

The CCO imposed a total fine of \$150,000 (plus GST) for the Contraventions.

The circumstances of this matter are:

On 14 December 2009, ASX introduced ASX SR 6.8A.4 and 6.8A.5.

As from that time under this rule, a Securities Lending Participant was required to provide certain reporting to ASX in respect of its securities on loan, securities borrowed and securities committed positions of the participant and of its related bodies corporate, that are not themselves a participant, on a daily or quarterly basis (as applicable).

During the period from October 2023 through to April 2025, BNPP self-reported to ASX the following identified issues with its securities lending reporting regime:

- (a) BNPP's source file contained a break in its data set which resulted in relevant data after the break being omitted from inclusion in BNPP's daily report. This error, which arose in May 2023, impacted 16 security positions and caused 11 International Securities Identification Numbers to be omitted from the daily reporting;
- (b) That a systematic error in BNPP's data configuration caused text data to be omitted from numerical totals for the corresponding day's reports. A contributing factor to the error was BNPP failure to conduct 'end to end' testing in order to validate changes made in or around July 2022 to its securities lending reporting process implemented by the BNPP Operations Team. The data configuration error continued to impact reporting from the date of these changes until September 2023;
- (c) BNPP loans and borrowing reporting was overstated as a consequence of BNPP incorrectly including security lending transactions between BNPP's related entities in its reported data. This inaccurate reporting arose from 14 December 2009 to February 2024 for Agency Securities Lending Data, from 21 June 2021 to February 2024 for Principal Securities Lending Data and from 2 December 2021 to 15 January 2024 for Global Markets Lending Data;
- (d) That the methodology established in 2016 for the preparation of BNPP's quarterly Securities Committed Position Report, was inconsistent with the definition of Securities Committed Position;

- (e) BNPP applied an inconsistent methodology in respect of the inclusion of Securities on Loan Positions and the removal of the Securities Borrow Positions in and from BNPP's securities Committed Position Report, and that in some instances positions were not removed from BNPP's reporting where settlement failed on market; and
- (f) That an incorrectly applied data filter had resulted, from December 2021 to December 2024, in the under-reporting of previously submitted Securities Committed Positions Reports,

together, the '**Misreporting Issues**'.

BNPP's Misreporting Issues were substantial in scope, reflected serious and systemic contraventions of BNPP's securities lending reporting obligations, and the resultant misreporting ultimately impacted the aggregate securities lending data published daily and quarterly by ASX.

Significantly, BNPP's contraventions of its securities lending reporting obligations continued for over a decade, despite the fact that:

- (a) In or about April 2019, ASX published a disciplinary circular addressing rule breaches by Citicorp Nominees Pty Ltd, resulting from the failure of that participant to comply with its securities lending reporting obligations ('**Citicorp Disciplinary Circular**');
- (b) On March 2021, ASX sent ASX training module titled 'Securities Lending Reporting for Participants' ('**ASX Training**') to all participants;
- (c) On 20 April 2021, BPSS notified ASX of a potential breach of its securities lending reporting obligations and the remedial actions being implemented to correct the identified non-compliance ('**2021 Self-Report**');
- (d) On 20 August 2021, BNPP represented to ASX that BPSS had completed remediating the data contained within its Securities Lending Reporting submissions ('**Rectification Notification**'); and
- (e) On 23 August 2023, ASX accepted BNPP's Rectification Notification and issued an ASX Enforcement Notice and a penalty of \$50,000 (plus GST) to BNPP in respect of its identified non-compliance with its securities lending reporting obligations ('**2023 Enforcement Decision**').

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

- (a) The Contraventions could have materially impacted on:
 - i. ASX's compliance with the Reserve Bank of Australia's ('**RBA's**') financial stability standards ('**FSS**') for securities settlement facilities which apply in relation to the clearing and settlement facility operated by ASX; and
 - ii. the reputation of ASX or the clearing and settlement facility it operates.
- (b) The extended period and systemic nature of the Contraventions and the repeated failure of BNPP to identify and / or correct the Misreporting Issues. These aggravating factors were significantly exacerbated by BNPP's continued non-compliance despite the Citicorp Disciplinary Circular, ASX Training, 2021 Self-Report and Rectification Notification.
- (c) The material impact of the misreporting on the relevant aggregate securities lending data published daily and quarterly by ASX.
- (d) That ASX recently issued the 2023 Enforcement Decision to BNPP, determining contraventions that mirror the Contraventions set out in this Disciplinary Circular.
- (e) The Rectification Notification submitted by BNPP and relied on by ASX when determining the penalty in the 2023 Enforcement Decision was inaccurate and misleading. BNPP, in conducting the 2021 Self-Report and providing the subsequent Rectification Notification, did not ensure it first had an adequate understanding of its securities lending reporting obligations and had failed to implement adequate actions, controls and procedures to guarantee the accuracy of its relevant reporting going forward.
- (f) BNPP's systemic non-compliance with its securities lending reporting obligations should have been prevented by adequate arrangements for complying with the relevant operating rules and evidence that BNPP did not have adequate resources and processes in place to ensure compliance with its securities lending reporting obligations.

- (g) BNPP's identified deficiencies in its change management processes and its lack of detective controls to identify errors in its reported data.
- (h) BNPP did not act unconscionably towards, or otherwise unfairly take advantage of, clients or counterparties.
- (i) BNPP demonstrated a cooperative stance with ASX since BNPP's self-reporting and completed a prompt and comprehensive review and subsequent remediation as agreed with ASX of the identified breaches.
- (j) Having regard to the totality principle ASX considers it appropriate to apply an overall penalty across the Contraventions.

Sanction Guidelines

The CCO determined that, given the circumstances in this matter, a fine of \$150,000 (plus GST) was an appropriate sanction.