



ASIC
Australian Securities &
Investments Commission

Committee	Parliamentary Joint Committee on Corporations and Financial Services
Inquiry	Oversight of ASIC, the Takeovers Panel and the Corporations Legislation No.1 of the 46th Parliament
Question No.	002
Topic	CHES Replacement
Reference	Spoken, 11 February 2022, Hansard page 10
Committee member	Mr Julian Hill MP

Question

Mr HILL: Thanks. It's just about confidence in the record. You answered a question from Senator Scarr about international standards and experience. You pointed to—this must be a catchy document, for my insomnia if nothing else!—the Principles for Financial Market Infrastructures and the roles that the Committee on Payments and Market Infrastructures and the International Organization of Securities Commissions play. We acknowledge those standards. Can you take on notice whether you're satisfied that the CHES replacement program is indeed consistent with those international principles which you pointed to?

Ms Armour: One of the regulatory requirements is that this particular financial market infrastructure meet a range of standards. So, yes, we're happy to provide that confirmation.

Answer

ASX Clear Pty Limited (**ASX Clear**) and ASX Settlement Pty Limited (**ASX Settlement**) are the relevant CS facility licensees responsible for the operation of the current CHES system and implementation of the replacement system. ASX Clear and ASX Settlement are subject to the CS facility licensing regime under Part 7.3 of the Corporations Act (the **Act**). It is the view of ASIC and the RBA that ASX Clear and ASX Settlement are required to comply with the Principles for Financial Market Infrastructure (**PFMIs**) to comply with their licence obligations under Part 7.3 of the Act. This includes an obligation under section 821A(1)(aa)(i) of the Act to comply with the Reserve Bank of Australia's (**RBA**) Financial Stability Standards (**FSS**). In 2015 the Committee on Payments and Market Infrastructures and International Organization of Securities Commissions assessed the Australian regulatory framework for CS facilities as having adopted all of the PFMIs in a consistent or broadly consistent way.

The FSS are largely based on the PFMIs, and cover the majority of PFMI requirements. The RBA conducts annual compliance assessments of CS facility licensees against the FSS, including assessments of ASX Clear and ASX Settlement. These assessments are publicly available on the RBA's website.

ASIC and the RBA as co-supervisors of licensed CS facilities work closely together in monitoring ASX Clear and ASX Settlement's compliance with section 821A of the Act. ASIC and the RBA expect ASX to demonstrate the CHES replacement system's compliance with the FSS and the PFMIs before it can proceed to go-live. Both ASIC and the RBA have previously publicly announced their expectation that, at a minimum, the replacement system meets the requirements that CHES currently meets for system availability, resilience, recoverability, performance and security. These are matters that are addressed by the PFMIs and the FSS. A regulatory expectation of both ASIC and the RBA is that ASX provides a revised self-assessment of ASX Clear's and ASX Settlement's compliance with PFMIs and the FSS ahead of the implementation of the CHES replacement system. We anticipate that this will be provided to the regulators in late 2022.