



**ASIC**  
Australian Securities &  
Investments Commission

# **Oversight of ASIC, the Takeovers Panel and the Corporations Legislation**

## **Submission by the Australian Securities and Investments Commission**

October 2024

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## Overview

- 1 The Australian Securities and Investments Commission (ASIC) thanks the Parliamentary Joint Committee on Corporations and Financial Services for the opportunity to provide information ahead of the hearing on 1 November 2024.
- 2 This submission sets out our response to the following areas requested by the Committee:
  - (a) update on ASIC enforcement;
  - (b) ANZ bond trading issues;
  - (c) update on ASIC's work on scams and fraud;
  - (d) ASIC's artificial intelligence work;
  - (e) Centrepay response to ASIC enforcement actions;
  - (f) ASX CHESS replacement;
  - (g) quality of audit; and
  - (h) update on the Compensation Scheme of Last Resort and related issues.
- 3 We welcome the opportunity to discuss our work in further detail with the Committee at the upcoming hearing.

## A Update on ASIC enforcement

### ASIC's enforcement outcomes

- 4 We recently tabled our [Annual Report](#) for the 2023–24 financial year. Our Annual Report shows our enforcement outcomes have delivered on our mandate for the Australian community, including:
- (a) an increase of approximately 25% over the previous financial year on commencement of formal investigations (168 formal investigations);
  - (b) an increase of approximately 23% on new civil proceedings filed in the Federal Court (32 civil proceedings), with \$90 million in court ordered civil penalties;
  - (c) 18 criminal convictions resulting from our investigations, with a total of \$936,000 in fines ordered by the courts; and
  - (d) 23 individuals charged by the Commonwealth Director of Public Prosecutions (CDPP) as a result of ASIC investigations.
- 5 We have pursued enforcement action against large institutions as part of our renewed focus on investigating matters which have the greatest potential impact on consumers and the market.
- 6 This has included a number of regulatory firsts and significant outcomes in a range of enforcement areas, including in insider trading and market manipulation. Some notable examples include:
- (a) the [first court-imposed penalty for greenwashing](#) and the [first stop order on a life insurance product](#);
  - (b) [ASX paying a penalty of \\$1,050,000](#) following ASIC's investigation into pre-trade transparency—this is the first time we have issued an infringement notice to a market operator;
  - (c) charges laid in an alleged [Telegram 'pump and dump' conspiracy](#), with the defendants facing a maximum penalty of 15 years imprisonment and a fine of over \$1 million for market manipulation;
  - (d) ASIC action which has resulted in [ANZ being ordered to pay a \\$15 million penalty](#) for misleading customers about funds being available for withdrawal without incurring fees; and
  - (e) the Markets Disciplinary Panel [issuing a record \\$4.995 million fine](#) following Macquarie Bank's failure to prevent suspicious orders being placed on the electricity futures market.

## Referrals of matters to the CDPP

- 7 In the past financial year, we referred 14 briefs to the CDPP. As we outlined in our appearance in April, we recognise this is fewer referrals than in past years.
- 8 In 2024–25 we have dedicated specific resources to investigating criminal misconduct, and we expect that our referral of briefs to the CDPP will increase. We will continue to actively consider our balance of criminal and civil matters.

## Work of the Regulatory Triage Committee

- 9 As outlined in our previous submission to the Committee, the Regulatory Triage Committee was established to ensure a centralised whole-of-organisation approach to assessing and making decisions about what matters are selected for enforcement and compliance action.
- 10 The RTC does this by leveraging its cross-functional and senior membership, comprising senior executives from across ASIC’s regulatory business, including enforcement, supervisory and intelligence functions.
- 11 For the period 1 July 2023 to 30 June 2024, a total of 1,338 matters were considered by the RTC. Of the matters considered, approximately 80% of matters were referred for further compliance or enforcement action or to assist with an existing investigation. There continues to be improvement in the timeliness of matters being referred for enforcement or compliance action.

## **B ANZ bond trading issues**

- 12 ASIC is constrained in what it can say due to current investigations.
- 13 Since February 2024, ASIC has been investigating suspected contraventions of the *Corporations Act 2001* (Corporations Act) and *Australian Securities and Investments Commission Act 2001* (ASIC Act) by Australia and New Zealand Banking Group Ltd (ANZ) in its role as joint lead manager and risk manager on an issuance of \$14 billion Australian government Treasury Bonds conducted on 19 April 2023 by the Australian Office of Financial Management (AOFM).
- 14 The suspected conduct of concern occurred while ANZ was undertaking pre-hedging of its anticipated interest rate risk accompanying the bond issuance by the AOFM.
- 15 The integrity of the bond market is critical to Australia's economy. ASIC's investigation is important to support the transparency and trustworthiness of these markets.
- 16 ASIC recognises the public interest in this matter given the alleged misconduct by ANZ had the potential to impact the interest payments of the Commonwealth on the bonds issued and therefore Australian taxpayers.
- 17 ASIC is investigating suspected market manipulation and suspected contraventions of a number of provisions of the ASIC Act and the Corporations Act. ASIC's investigation is ongoing.
- 18 We have not identified any law reforms that are necessary at this stage to address the issues we are investigating.

## C Update on ASIC's work on scams and fraud

### Anti-scam practices

#### Investment scam website takedowns

- 19 Since 1 July 2023, ASIC has coordinated the removal of over 7,300 investment scam and phishing websites. Websites taken down include fake investment platforms, cryptocurrency investment and phishing scams.

#### Moneysmart's investor alert list and scam related information

- 20 ASIC launched the [investor alert list](#) in November 2023, replacing the old 'Companies you should not deal with' list on the Moneysmart website. The list includes domestic and international entities ASIC is concerned are operating and offering services to Australians without appropriate licences, exemptions, authorisation or permission. It also includes 'impostor' entities, which impersonate or falsely claim to be associated with a legitimate business (impersonation scams).
- 21 The list is updated when appropriate websites or entities are identified for listing through ASIC's work, including the website takedown work and work of other ASIC teams (e.g. Enforcement).
- 22 ASIC has also published detailed consumer scam warnings and has dedicated Moneysmart pages in relation to scams.
- 23 Since launching the investor alert list in November 2023:
- (a) more than 1,000 new listings have been added to help inform consumers whether an entity they are considering investing in could be a scam; and
  - (b) the list has been viewed over 165,000 times by over 112,000 users.

#### Domestic and international scams collaboration

- 24 ASIC supports the work of the National Anti-Scam Centre (NASC) and works closely with the Australian Competition and Consumer Commission (ACCC) through membership of the Regulator Steering Group, Operational Coordination Group, various NASC Working Groups and co-leading the first NASC Fusion Cell, focused on Investment Scams.

- 25 ASIC also:
- (a) directs consumers to report all scams, including investment scams, to Scamwatch;
  - (b) shares with the ACCC reports made to ASIC about investment scams; and
  - (c) receives from the ACCC URLs to consider taking down and adding to ASIC's investor alert list.
- 26 ASIC also supports the activities of the IOSCO APRC Working Group on Scams and Online Harms, established in May 2024. The group provides a forum for securities regulators to exchange ideas, build capacity and cooperate on initiatives to mitigate and disrupt scams in the Asia-Pacific region.
- 27 Its activities include sharing information on identified scam activity and trends, examining scam transmission methods and aligning disruption techniques, and collaborating to disrupt scam activity through engagement with third parties.

## The scams prevention framework exposure draft

- 28 From 13 September to 4 October 2024, Treasury undertook public consultation on draft legislation to establish the Scams Prevention Framework (Framework).
- 29 ASIC supports the introduction of the Framework and its objective of establishing a whole-of-ecosystem approach to combating scams. We see this reform as important to ensuring increased protections for consumers from scam conduct.
- 30 Given our anticipated future role under the Framework of regulating banking sector compliance, ASIC has engaged closely with Treasury on the development of the Framework and the legislation for its establishment.
- 31 We will continue to assist Treasury on this reform, as well as Treasury's forthcoming work to develop the banking sector scams code.

## ASIC's work and reports on bank anti-scam practices covering the four major and other banks

- 32 ASIC released Report 761 *Scam prevention, detection and response by the four major banks* ([REP 761](#)) in April 2023 and Report 790 *Anti-scam practices of banks outside the four major banks* ([REP 790](#)) in August 2024 after examining the approaches taken to prevent, detect and respond to



scams initially by the major banks, and subsequently by 15 other financial institutions.

- 33 ASIC's most recent report REP 790 looked at the practices of 15 authorised deposit-taking institutions (ADI) and found that the ADIs demonstrated a less mature approach to scams strategy and governance than we expected. The issues identified included:
- (a) significant variability in the maturity of scam strategies and governance;
  - (b) inconsistent and narrow approaches to determining liability; and
  - (c) a lack of support for scam victims.
- 34 We also observed, as noted in REP 790, that the majority of ADIs reviewed had either begun or accelerated work specifically focused on combating scams. However, there remain many areas where the banks need to improve.
- 35 For many of the banks, the impetus for that work was a combination of the release of REP 761, the development of the Australian Banking Association–Customer Owned Banking Association [Scam-Safe Accord](#) released in November 2023, and the Government's announcement of the proposed Scams Prevention Framework.
- 36 ASIC expects all banks regardless of their size to contribute to the fight against scams.

## D ASIC's artificial intelligence work

37 ASIC has provided information to the Senate Select Committee on Artificial Intelligence in [Submission 67](#), [answers to questions on notice 28](#) and a copy of the Amazon Web Service (AWS) trial report. In this section, we provide an update on our work in artificial intelligence.

### AI and automated decision-making tools or systems that we currently in use or under consideration

38 Most, if not all, of the artificial intelligence (AI) currently in use within ASIC is machine learning developed by our data analytics teams. Currently these systems use relatively simple algorithms to help us with decision-making. They are subject to data governance and data ethics frameworks as part of ASIC's internal AI Policy. In all cases there is human review or oversight before action is taken.

39 ASIC also utilises automated decision-making (ADM) in our operations. To the extent that an ADM system uses IT and/or data, it will be subject to all of our relevant policies and procedures including those connected with risk management.

40 Examples of the ways in which ASIC currently utilises ADM include:

- (a) triaging and/or filtering high volumes of various types of reports to support decision-making processes and assist in determining what further action or analysis is needed and prioritisation;
- (b) name determination for business names and companies (by Australian Business Registry Services);
- (c) supporting decisions around registration of auditors, liquidators and financial advisors who appear or do not appear on the banned and disqualified register; and
- (d) identification document verification checks.

41 With respect to generative AI, ASIC has undertaken a number of 'proof of concept' trials to test its capability to support our work, particularly with work that is high-volume or manual. A recent example is our trial to assess the capability of a generative AI large language model to summarise a sample of public submissions made to a parliamentary inquiry.

42 ASIC also participated in the whole-of-government trial of Microsoft's Office 365 Co-Pilot, which employs generative AI in the Office suite of products (e.g. Outlook, MS Teams, Excel, PowerPoint, Word).

- 43 ASIC is continuing to explore and refine how AI, including generative AI, could be adopted into our work, recognising that AI continues to develop at a rapid pace.

## **How AI is changing the way we conduct our regulatory functions**

- 44 AI is not changing the way that we conduct our regulatory functions. AI presents opportunities to be more effective and ASIC's cautious and thoughtful exploration of AI technology should be seen in that light. AI is used to assist us in the carrying out our regulatory functions, for example, to create efficiencies.

## **How we are pursuing further developments following our trial with AWS**

- 45 The AWS trial described to the Senate Select Committee on Artificial Intelligence was an example of ASIC testing a specific AI use case—that is, the capability of a generative AI large language model to summarise a sample of public submissions made to a parliamentary inquiry. We are not currently pursuing further developments for that AWS tool following that trial with AWS.

## **Steps we are undertaking to ensure that our staff have sufficient AI skills to deploy and operate AI in our systems and to monitor the use of AI systems by regulated populations**

- 46 The Digital Transformation Authority (DTA) recently released a [Policy for the responsible use of AI in government](#) which applies to ASIC. One of the recommendations is to implement fundamental AI training for all staff and additional role-based training as appropriate. We are in the process of implementing that policy including through adopting changes to our current AI Policy. We are committed to this requirement and intends to assess the needs of ASIC staff to implement the most appropriate role-based training program for AI.
- 47 Data literacy is a core competency within ASIC's Capability Framework. Developing additional training and materials to address the requirements of AI is underway. We have developed a series of organisation-wide sessions to address immediate needs for training. These cover the safe use of generative AI, the AI assurance framework deployed at ASIC, and data and AI ethics.

- 48 More broadly to support the DTA Policy, we have developed appropriate governance structures for the use of AI. This includes developing an internal AI policy that sets the overarching responsibilities and considerations for the development and use of AI at ASIC.
- 49 The above initiatives will support ASIC staff both in using AI and in monitoring the use of AI and the risks of doing so within our regulated population.

### **Available information on the 20 entities noted in Submission 67 that we are reviewing based on their use of AI and advanced data analytics**

- 50 Our review includes 23 licensees from the banking, credit, financial advice, general insurance and life insurance sectors. We selected licensees within each sector which we considered most likely to be engaging with AI—though the licensees in the review are not a representative sample of their sector or the retail financial services space overall.
- 51 ASIC analysed 624 AI use cases that these licensees were using or developing as at December 2023, where the use cases directly or indirectly impacted consumers. These use cases included generative AI and advanced data analytics models.
- 52 We adopted this broad definition, because risks to consumers are not limited to newer, more complex techniques that are the subject of widespread debate, such as generative AI. If governance is inadequate, and risks are not well identified, mitigated and monitored, consumer harm can arise even from techniques or models that have been used for many years.
- 53 We also asked licensees about their risk management and governance arrangements for AI, and how they planned to use AI in the future. We met with 12 of the licensees in June 2024 to discuss their use cases and governance arrangements.
- 54 The review was intended to provide ASIC with an understanding of how licensees are using and planning to use AI, and how they are considering and mitigating associated risks. We did not test for consumer outcomes from individual AI models.
- 55 The public report of our findings is expected to be published in late October 2024. We will provide a copy of the report to the Committee once it is published.

## Use of AI by Financial Market Infrastructure

- 56 Our understanding is that AI technology is not being used as part of the CHES replacement. If a licensed entity sought to use AI technology as part of its core licensed activities, the processes outlined throughout this Section D would apply, but with a heightened focus on ensuring that critical market infrastructure remains safe and resilient.
- 57 Further information on our supervision of the CHES Replacement project is in Section F.

## E Centrepay response to ASIC enforcement actions

58 In this section, we provide an update on the ASIC enforcement action relating to businesses listed on Services Australia’s Centrepay business register.

### Coral Coast Distributors (Cairns) Pty Ltd

59 ASIC has ongoing proceedings in the Administrative Appeals Tribunal following Coral Coast Distributors (Cairns) Pty Ltd’s (trading as Urban Rampage) application for review of our [final stop order](#) made in April 2024. We were concerned that Urban Rampage’s business involved targeting First Nations consumers and offering deferred debt arrangements for the purchase of household goods with repayment being facilitated through deductions from the consumer’s Centrelink payments. Such an arrangement is a credit facility within the financial product design and distribution obligations, which we considered required Urban Rampage to have a target market determination (TMD).

60 ASIC made a final stop order because we considered Urban Rampage’s TMD to be deficient. We found that Urban Rampage’s credit facility was unsuitable for consumers in the defined target market because it was unlikely to be consistent with their financial situation and may have placed them at risk of financial hardship. This matter is listed for final hearing on 30 January 2025.

61 ASIC’s action does not prevent Urban Rampage from continuing to offer alternative payment arrangements to customers seeking to make purchases (e.g. cash, EFTPOS). Services Australia has also temporarily suspended Urban Rampage’s Centrepay access as a result of our final stop order. This prohibits Urban Rampage from entering new Centrepay deduction arrangements or increasing the limits of existing Centrepay deductions, but it has no effect on existing Centrepay deductions.

### Indy-C-Fashion Accessories Pty Ltd

62 ASIC issued [an interim stop order](#) for the deferred debt arrangement offered by Indy-C on 30 September 2024. We were concerned that Indy-C’s business involved targeting First Nations consumers and offering deferred debt arrangements for the purchase of clothing and household goods—where the consumer could take goods before making payments and agreed to make

repayments for the goods through deductions from the consumer's Centrelink payments.

- 63 The initial interim stop order was valid for 21 days. The order did not prevent Indy-C from continuing to offer alternate payment options for goods such as cash or EFTPOS. During a hearing on 16 October 2024, we made a further interim stop order prohibiting the same conduct. We will consider submissions made by Indy-C during and after the hearing (including any TMDs it now makes) to decide whether a final stop order will be made.

## Rent4Keeps (Aust) Pty Ltd

- 64 ASIC was recently successful in [civil penalty proceedings](#) in the Federal Court against Centrepay-registered credit provider Rent4Keeps (Aust) Pty Ltd—a national franchise providing home appliances and furniture—and its largest franchisee Darranda Pty Ltd. The court found that Rent4Keeps and Darranda attempted to style their lending arrangements as 'leases' for goods that customers were not entitled to keep, when in fact customers did keep the goods.
- 65 The court found the arrangements were not 'leases' but credit contracts and that Darranda had breached the interest rate cap and other provisions of the *National Consumer Credit Protection Act 2009*, including the requirement to act efficiently, honestly and fairly. Rent4Keeps was found to be knowingly concerned in Darranda's contraventions.
- 66 A case management hearing has been listed for 16 October 2024 to timetable to penalty hearing.

## Centrepay reforms

- 67 The Minister for Social Services [announced the Government's commitment to Centrepay reform in May 2024](#). ASIC made a [submission to Services Australia's Centrepay reform public consultation process](#) in July 2024 and is a member of Services Australia's Centrepay Compliance and Regulatory Advisory Forum.
- 68 ASIC (along with other regulators) attended a co-design workshop of Services Australia's Peak Advisory Reference Group on 18–19 September 2024 as part of the reform process.
- 69 We understand Services Australia is currently working on a Centrepay reform recommendation consultation paper, to be finalised in December 2024 for consideration ahead of appropriate consultation and implementation (for which timeframes are still to be determined).

- 70 ASIC understands as part of these reforms Services Australia has already implemented a \$250 target amount requirement on Centrepay deductions for businesses within the ‘household goods’ category.
- 71 We have provided guidance to Services Australia on the potential application of the design and distribution obligations and consumer credit regimes to other businesses on the Centrepay register. The agencies have met to discuss how this information and guidance could be used to assist in regulatory oversight of Centrepay registered businesses. We anticipate these discussions to continue.
- 72 ASIC and Services Australia are working closely together to address our common concerns. Services Australia has provided a range of support as part of our enforcement action, including providing data and information under an existing Memorandum of Understanding.



## F ASX CHESSE replacement

### ASX modernisation program

- 73 ASX Limited (ASX) is in the midst of a 5-year major technology modernisation program across its equity and derivatives trading and clearing businesses. The CHESSE replacement is one of several significant technology platforms to be delivered by ASX between now and 2029.
- 74 This group-wide extensive modernisation program is due to the ASX Group's underinvestment in technology. Major delays or failures with any of the projects in ASX's modernisation program may cause harm to the functioning and confidence in Australia's financial markets and may test the resilience of ageing ASX systems including CHESSE. ASIC will hold ASX accountable for the safe and timely delivery of each of these projects.
- 75 ASX must be transparent and accountable to the regulators, stakeholders and the public, or ASX risks further damaging both its own reputation and that of Australia's financial markets.
- 76 It is critical that ASX successfully delivers against its technology modernisation roadmap.
- 77 To do this and prevent any future under investment in technology, our regulatory expectation is that ASX drive significant improvements in its risk culture, technology delivery, management of operational risk and governance. Its directors must have skills and experience in these key areas.
- 78 We expect the ASX boards to be proactive in monitoring the delivery and execution of the group's technology modernisation program. This includes identifying execution risks early and ensuring each program is sufficiently resourced.
- 79 We also expect ASX to mature as an integrated group, delivering against its full mandate as a critical financial market infrastructure. It is also important that it doesn't lose sight of its broader role in facilitating capital formation for the benefit of the Australian market and economy. This is pivotal given its role as a provider of critical infrastructure to the Australian financial system.
- 80 We have reflected on our supervisory approach, carefully considered the Committee's recommendations in the [April 2024 report on the inquiry into CHESSE replacement](#) and made changes.
- 81 We are enhancing our capability and expertise on technology delivery, change programs, and our overall supervisory expertise. We have moved promptly to use our new powers under the competition in clearing and

settlement legislation. With the passage of the financial market infrastructure (FMI) reforms legislation, we intend to holistically review our approach to the supervision of market infrastructure. We are working with the RBA to improve our cooperation in the supervision of critical financial market infrastructure including ASX.

82 The replacement of CHES is ultimately the responsibility of ASX. ASIC's expectation is that ASX carefully considers its obligations as the operator of critical national infrastructure and work with industry to replace CHES with a system that meets the market requirements and expectations. This includes technical requirements in relation to resilience, reliability, integrity and security: see Media Release ([22-320MR](#)) *ASIC-RBA joint statement on ASX CHES replacement program* (17 November 2022).

83 We support the RBA's findings and recommendations in its 2024 [Assessment of ASX Clearing and Settlement facilities](#). Since ASIC's last appearance at the Committee in June 2024, we have continued to work closely with the RBA in our joint supervision of ASX, including of the CHES replacement project.

84 This section of the submission sets out:

- (a) ASX's phased implementation of a vendor solution for CHES replacement and its proposed timelines;
- (b) Public information on the recent shift of the overall CHES Replacement project status from green to amber;
- (c) the actions we have taken to improve our supervisory approach to ASX, including the appropriate resourcing and expertise for our oversight of significant technology change programs such as the CHES Replacement (as recommended by the Committee) and the use of our new powers under Competition in Clearing and Settlement and FMI reforms legislation.
- (d) ASIC's commencement in August 2024 of proceedings in the Federal Court against ASX alleging misleading representations about the progress of its CHES Replacement Project.

## Background to the CHES Replacement Project

### Phased implementation of a vendor solution

85 On 20 November 2023, ASX announced it had completed a reassessment of the solution design to replace CHES and it would proceed with a product-based solution to be delivered by a global technology provider, TATA

Consultancy Services (TCS). ASX also announced that Accenture would support ASX's delivery of the TCS system in the role of solution integrator.

Note: ASX, [CHESS Replacement—Solution Announced and 2024 Consultation](#) [media release], 20 November 2023.

86 Prior to making its decision on the solution design and vendor, ASX sought input from stakeholders, including the CHESSE Replacement Technical Committee (Technical Committee) and the ASX Business Committee. In compliance with our publicly stated expectations (see [22-320MR](#)), ASX also consulted with the Clearing and Settlement Advisory Group (Advisory Group). The Advisory Group provided advice to the ASX Clear and ASX Settlement boards before the boards' decision, and considered that a product-based solution, presented by ASX, and assessed by it, was an appropriate option to support a safe and timely replacement of CHESSE. The Advisory Group noted the importance of the competition in clearing and settlement legislation and supporting ASIC rules to provide regulatory backing for interoperability.

Note: ASX, [ASX Cash Equities Clearing and Settlement Advisory Group Communique](#) [communique], 20 November 2023.

87 On 14 March 2024, ASX published the first of two consultation papers on its proposed staged approach to the CHESSE Replacement. ASX is staging the implementation of the CHESSE replacement system through two separate releases. The clearing service (Release 1) will be delivered first, followed by a settlement and sub-register release (Release 2). The paper also sought industry feedback on ASX's proposed design, scope, implementation approach and timelines for Release 1. Release 1 will include a new industry standard FIX message interface for approved market operators (AMOs), replacing CHESSE proprietary messaging. The impact of Release 1 will largely be on market operators.

Note: ASX, [Consultation paper on staged implementation approach and implementation of Release 1 \(clearing services\)](#) [consultation paper], 14 March 2024.

88 On 28 June 2024, ASX released its response to the feedback and confirmed the scope and timeline for the implementation of Release 1. Release 1 go-live is targeted to occur between mid-March and the end of April 2026. The specific Release 1 go-live date will be set with industry stakeholders as part of ASX's Release 1 cutover and migration approach, which it aims to publish in the second quarter of 2025.

Note: ASX, [Consultation paper on staged implementation approach and implementation of Release 1 \(clearing services\): Response to consultation feedback](#) [response paper], 28 June 2024.

89 ASX has also set out the timeline for the key industry testing phases for Release 1:

- (a) AMO build and test: End February 2025 to June 2025.

- (b) AMO readiness: July 2025 to February 2026.
  - (c) Accreditation and AMO operational readiness: September 2025 to early November 2025.
  - (d) Clearing regression: October 2025 to February 2026.
  - (e) AMO parallel test: November 2025 to February 2026.
- 90 On 2 August 2024, ASX released its second and final consultation paper on the scope and implementation of Release 2, including a proposed go-live date for 2029. Release 2 will replace the settlement and sub-register functionality, and it is intended to deliver improved corporate action functionality and make further enhancements to clearing. It will also introduce global standard ISO 20022 messaging interfaces and lay down the technical foundations for interoperability. ASX has considered various models for interoperability, including a competing central counterparty, settlement facility or sub-register.

Note: ASX, [Consultation paper on the scope and implementation of CHES replacement Release 2 \(settlement and subregister\)](#) [consultation paper], 2 August 2024.

- 91 The substantial scope of Release 2 means it will necessarily be more complex and resource intensive for ASX and industry to implement. Industry expressed widespread concern over the delivery risk of a single cutover for the implementation of Release 2. Stakeholders asked ASX to consider additional staging of Release 2 to further de-risk the implementation. Engaging with industry ASX assessed various options to further stage Release 2. ASX however found that it would materially increase delivery risk and significantly delay the implementation.
- 92 ASX plans to publish its response to the Release 2 consultation including a consolidated CHES replacement project timeline and business plan in the fourth quarter of 2024. It will be critical for ASX to have consulted widely with the market on its proposed approach to Release 2, consider the feedback received and develop a realistic and achievable timeline for implementation. We will be closely monitoring ASX's response to stakeholder feedback.

### **Clearing and Settlement Advisory Group**

- 93 The Advisory Group was established by ASX at the request of ASIC in August 2023 to advise ASX Clear and ASX Settlement on strategic clearing and settlement issues, including input into the governance of the CHES replacement. ASIC, the RBA and the ACCC observe the Advisory Group meetings, receive meeting materials and engage with the group's independent chair.
- 94 The Advisory Group is comprised of up to 12 diverse senior industry practitioners that between them have a good understanding of the relevant

industry sub-sectors, expertise in financial markets and experience in governance of large programs and technology delivery. Members must act in the interest of the overall cash equities market, with a focus on delivering optimal outcomes for users of ASX's cash equity clearing and settlement services as a whole: see [Charter of the Advisory Group](#).

- 95 We expect ASX, stakeholders and the Advisory Group to work together in the best interests of the market, for issuers and investors including for the replacement of CHESS. The Advisory Group's input will remain critical as the project transitions into the implementation phase of the replacement solution. It is our expectation that the ASX Clear and ASX Settlement boards will not make any final decisions on key strategic clearing and settlement issues, including on Release 2 of the CHESS replacement, until the Advisory Group has had a reasonable opportunity to consider these issues: see [22-320MR](#). It will also be critical for ASX to address the findings from the various audited special reports required by ASIC under notice so that past issues with the program are not repeated see Media Release ([23-035MR](#)) *Further ASIC regulatory response on CHESS Replacement and ASX's program capabilities* (22 February 2023).

## CHESS replacement update

### Release 1 project status

- 96 Release 1 will be delivered by TCS to ASX in three code drops. ASX will progressively build and test each of these code drops, so that AMOs can commence their build and test phase in February 2025. ASX has included a contingency fourth phase in its build and testing activities.
- 97 ASX uses a 'RAG' (red, amber, green) status reporting to indicate the project status of the CHESS replacement. As reported to the [9 October 2024 meeting of the Technical Committee](#), ASX has changed the RAG status of the CHESS replacement project to amber. ASX reported that this is due to delays in the product acceptance testing and the data platform build for CHESS replacement:
- (a) Product acceptance testing of Release 1 was completed behind schedule due to issues with the environment setup, deployment and code defects in Code Drop 1 out of 4 planned code drops. This has delayed subsequent systems integration testing in Code Drop 1. ASX reported that the project is focused on mitigating any potential impacts to the commencement of industry testing and continues to target completion of systems integration testing in line with their project plan. This delay may present a risk to the publicly communicated date of commencing the AMO build and test in February 2025.

(b) The delay in the data platform build for CHESS replacement is due to the enterprise decision to move the data platform from Google Cloud Platform to AWS. As the data platform will support internal reporting and integration with internal downstream systems, the delay will not impact the commencement of the AMO build and test phase in February 2025. However, it is critical for Release 1 go-live.

98 ASX reported that actions have been taken to mitigate any potential impacts from these delays. Mitigations for delays in product acceptance testing to the AMO build and test date include additional test resources on site to facilitate quicker turnaround, prioritising testing that is critical for AMO build and test, and daily defect triage meetings to review and prioritise defects for remediation. Work is also in progress to streamline the code deployment process to reduce issues and deployment times.

99 ASX's reported mitigations for the delay to the data platform build include replanning against the updated data platform delivery plan, including prioritisation of reporting and internal system integrations essential to Release 1 go-live and provisioning for the build of functionality (an end-to-end steel thread) to prove out the platform and obtain early learnings.

#### **ASIC consideration of the current project status**

100 It is critical that risks are actively identified by ASX, managed and tracked, and appropriately escalated. It is important that ASX's risk culture requires and supports the transparent identification, reporting and escalation of risks. ASX should also keep the regulators informed of the emerging risks and its plans to manage the risks in a timely, factual and transparent manner.

101 ASX's timelines should be realistic and achievable and provide sufficient contingency so that the market has certainty and confidence in ASX project timelines. Any changes to published timelines must be communicated transparently and as early as possible to impacted stakeholders. We expect ASX to proactively and transparently engage with stakeholders throughout the CHESS replacement, including in relation to emerging and escalating risks.

102 There are key differences in the risk profile of the current CHESS replacement compared to the previous CHESS replacement. These differences include:

- (a) ASX implementing an established product-based solution by a vendor as opposed to a bespoke build;
- (b) an experienced solution integrator (Accenture) partner supporting ASX's delivery; and
- (c) an assurance program, with an independent expert overseeing the assurance program and reporting to ASIC, that has been in place from the outset of the project as opposed to part way through.

- 103 ASIC has in the short term requested weekly updates from ASX to ensure we have more timely information and updates on the progress of product acceptance testing.
- 104 The replacement of CHESSE is ultimately the responsibility of ASX. This includes its management of the risks associated with the implementation. ASIC's expectation is that ASX carefully consider its obligations as the operator of critical national infrastructure and work with industry to replace CHESSE with a system that meets the market requirements and expectations.
- 105 ASIC and the RBA are closely monitoring ASX's governance arrangements for the CHESSE Replacement program to ensure ASX manages the risks associated with the implementation. It is our expectation that ASX must have the requisite capabilities, either in-house or provided by a third party to deliver and implement such a complex and technical program of work on safe and timely basis.
- 106 ASIC will not hesitate to consider further regulatory action including the use of our new powers under both the FMI reforms legislation and competition in clearing and settlement legislation to ensure the CHESSE replacement project meets stakeholder and community expectations. These new powers include but are not limited to the issuance of directions and the production of special and/or expert reports.

## Stakeholder engagement

- 107 ASX has provided some indicative insights into the feedback received on their Release 2 consultation at their Technical Committee meeting on 9 October 2024.

Note: The Technical Committee is a sub-committee of the Business Committee. It is an industry forum for ASX to communicate and provide visibility to, and seek input from, impacted stakeholders to inform its decision-making and help solve issues in relation to CHESSE replacement.

- 108 Broadly, these indicative insights include:
- (a) general or conditional support for the Release 2 design and scope;
  - (b) general support for a transition to settlement on a trade date plus one day basis (T+1 settlement) after CHESSE replacement;
  - (c) general support for ASX's approach to interoperability;
  - (d) increasing support for implementing Release 2 as a single release and cutover—however, there are concerns among some stakeholders; ASX has indicated it will bilaterally engage with these stakeholders to discuss the approach in more detail;



- (e) mixed responses on day one functionality, with some respondents saying that Release 2 should focus on core functionality to de-risk the go-live while others want to see new functionality as part of Release 2 rather than a later and further release; and
- (f) adjustments to industry testing timeframes—some respondents noted that more time may be required for development and integration of internal and vendor systems.

### **Updated Assurance Program**

- 109 ASX has reviewed and updated its CHES replacement assurance program (Assurance Program), which will consider the solution and ASX’s implementation from the outset of the project. ASX has decided to use a mix of independent internal and external assurance parties, including a primary provider for a wide range of review topics and for continuity of oversight. ASX has recently appointed KPMG as the primary assurance provider for the Assurance Program.
- 110 The Assurance Program will be vital to ensuring the success of CHES replacement and building confidence in ASX’s delivery of the replacement. We have engaged with ASX on its updated Assurance Program and will continue to monitor its development. Importantly the licence conditions on ASX Clear and ASX Settlement require regular reporting to ASIC on the Assurance Program and any required remediating actions remain in place.
- 111 The Assurance Program reviews will cover six streams:
- (a) project governance and project management reviews on key processes and controls;
  - (b) review of delivery processes covering key activities within the systems development and delivery lifecycle;
  - (c) technical solution reviews on key areas relating to infrastructure, technical components and non-functional aspects of the solution;
  - (d) process and control reviews on operational and technology processes, and new or changed business processes;
  - (e) change, readiness and implementation reviews covering organisational change management, industry engagement activities and readiness activities; and
  - (f) regulatory reviews that cover assurance activities required under licence conditions.



## Independent expert review of Assurance Program

112 ASX's updated Assurance Program is subject to a fit for purpose review by an independent expert as required under the additional licence conditions imposed on ASX Clear and ASX Settlement by ASIC in November 2021.

Note: Media Release ([21-313MR](#)) *ASIC imposes additional licence conditions on ASX and issues expectations to improve market resilience* (24 November 2021).

113 Ernst & Young is the appointed independent expert under these licence conditions. We continue to require the ongoing independence of Ernst & Young to ensure ASIC is receiving independent views on the replacement project.

114 The most recent assessment report on the Assurance Program was published on 26 July 2024 and found the refreshed Assurance Program to be fit for purpose. The Independent Expert's next report is due 31 December 2024. The Assurance Program will now be reviewed annually by the independent expert to ensure coverage of the material risk to the project.

115 ASIC and the RBA will continue to monitor the interaction of ASX's primary assurance provider and the independent expert. This is to ensure there are clear expectations on the continuing role of the independent expert in monitoring ASX's Assurance Program to ensure that it remains fit for purpose until both releases of the CHES replacement go live.

## ASIC supervision—What is ASIC doing now?

116 We have reflected on our approach to how we are supervising ASX and have carefully considered the Committee's recommendations in its [April 2024 report](#).

117 We are undertaking an exercise to identify improvements to our supervisory approach, including the appropriate resourcing and expertise for our oversight of significant technology change programs such as the CHES replacement.

## Increased resourcing in targeted areas

118 Consistent with the Committee's recommendation, ASIC is in the process of enhancing our skills, experience and processes at the most senior levels for monitoring and supervising strategic technology benefits and risks in financial services and market infrastructure. This includes recruiting staff with significant experience in technology delivery to build our capacity in this area, and people with regulatory supervision experience.

## **Timely use of our competition in clearing and settlement powers**

- 119 We have progressed at pace to use our newly enlivened competition in clearing and settlement powers. On 30 July 2024 we published a consultation paper on draft clearing and settlement services rules: see Consultation Paper 379 *ASIC CS Services Rules* ([CP 379](#)). The draft clearing and settlement (CS) services rules will ensure ASX remains responsive to users and does not create barriers to competition. The Committee's [April 2024 report](#) on its inquiry into CHES replacement and its recommendations informed the draft CS services rules, including the scope of the annual external audit of ASX's compliance with its Code of Practice.
- 120 We have consulted on extending the scope of the annual external audit to include technology and governance issues in relation to the CHES replacement program. We note that an external review of ASX's technology, governance and, in particular, project delivery capabilities with respect to CHES replacement is also a consideration under Part 7.3 of the Corporations Act. The FMI reforms legislation provides us with enhanced supervisory and enforcement powers that can give effect to our expectations of ASX's technology, governance and project delivery capabilities in relation to the CHES replacement program. We are considering the most appropriate way forward.
- 121 Our draft rules propose additional requirements over and above the CFR's [regulatory expectations](#) to respond to industry concerns on ASX's handling of the previous CHES replacement. These additional requirements are in the areas of technical interoperability, management of intragroup conflicts and external assurances on pricing and barriers to competition. We are now carefully considering the feedback received and will engage with stakeholders on the key themes to implement rules to ensure the best outcome is achieved for the market.

## **Legislation implementing the FMI reforms passed in September 2024**

- 122 We welcome the recent passage of the legislation implementing the FMI reforms in September 2024.
- 123 The FMI reforms provide new powers essential to ensuring a stable and efficient Australian financial system and strengthen our supervisory powers and broaden the range of enforcement tools we have available. With these, we will be able to monitor the ongoing conduct of FMI entities, identify risks as they emerge, and take action to prevent those risks from escalating.
- 124 In particular, the FMI reforms clarify the scope of the Australian licensing regime for overseas markets and CS facilities and empower us to make rules

to promote the fair and effective provision of services by licensed CS facilities. We will have to develop, consult and implement such rules, which will necessarily take some time.

- 125 We will holistically review our approach to the supervision of financial market infrastructure in Australia, including how we use, implement and operationalise our enhanced supervisory and enforcement powers. These powers together with our new CS services rules will ensure the failures of the previous CHESS replacement are not repeated.

### **Enhanced coordination with RBA**

- 126 We are working with the RBA to improve our cooperation in the supervision of critical financial market infrastructure such as ASX's clearing and settlement facilities. This includes further consideration of the Committee's recommendation that ASIC and the RBA regularly conduct joint assessments of clearing and settlement facilities against the Principles for Financial Market Infrastructure.

- 127 Together with the RBA, ASIC will closely monitor ASX's compliance with its CS facility licence obligations, including the additional licence conditions imposed in November 2021. ASIC will take further regulatory action if required and will continue to monitor ASX's engagement with industry as it progresses into the implementation phase of the CHESS replacement.

### **Self-assessment against Principles for Financial Market Infrastructure**

- 128 Also in line with the Committee's recommendation, ASIC and the RBA will update their self-assessment against the regulator's responsibilities under the Principles for Financial Market Infrastructures this financial year.

## **RBA's 2023–24 assessment of ASX's clearing and settlement facilities**

- 129 On 25 September 2024, the RBA released its annual assessment of the ASX CS facilities compliance with applicable Financial Stability Standards for the period 1 July 2023 to 30 June 2024.
- 130 We support the RBA's assessment and note the RBA's findings on aspects of ASX's technology and operational risk, governance and risk management. The findings are consistent with ASIC's observations and regulatory actions ASIC has taken with respect to ASX.

## ASIC v ASX Limited civil penalty proceedings (Federal Court)

- 131 On 13 August 2024, ASIC commenced civil penalty proceedings in the Federal Court alleging ASX made misleading representations about the progress of its CHES replacement project.
- 132 ASIC alleges statements made in ASX announcements on 10 February 2022 that the project remained ‘on-track for go-live’ in April 2023 and was ‘progressing well’ were misleading and contravened s12DA and 12DB of the ASIC Act.
- 133 At the time of the announcements, we allege the project was not progressing well or currently tracking to plan and ASX did not have a reasonable basis to imply that the project was on track to meet future milestones.
- 134 ASIC alleges this because, among other things:
- (a) ASX had, or planned to deliver, materially descoped stages of its Industry Test Environment;
  - (b) the overall RAG status of the project was red at all relevant times from 21 December 2021; and
  - (c) ASX did not have a low, or low to medium, risk plan to meet future milestones including go-live in accordance with the published plan.
- 135 ASIC has taken this action based on the following considerations:
- (a) CHES was, and is, the predominant clearing and settlement services system in Australia. CHES, and any replacement of it, represented critical financial infrastructure for which there was, and continues to be, a very low or zero tolerance for system failure.
  - (b) By making the alleged misleading statements, ASX risked damaging perceptions of the integrity of the Australian financial markets and the confidence of investors and other market participants in the Australian financial system.
  - (c) By reason of its own alleged misleading conduct, ASX undermined the principles it promotes for itself and other listed entities, through the Corporate Governance Principles and Recommendations issued by the ASX Corporate Governance Council.
  - (d) Market participants, other market operators, and service providers incurred, or were exposed to the risk that they would incur, sunk costs in preparation for go-live in April 2023.
  - (e) By the time ASX announced the strong likelihood of delay to go-live in March 2022, and by the time the project was paused in November 2022, the sunk costs that had been incurred by market participants, other market operators and service providers were significant.

- 136            The proceeding is ongoing. On 9 September 2024, the court made timetabling orders for the next steps in the proceeding. The proceeding is next listed for a case management hearing on 4 December 2024.

## G Quality of audit

- 137 ASIC uses a wide range of available regulatory tools in relation to improving financial reporting and audit quality, noting that ASIC’s powers in relation to regulation of audit firms are limited.
- 138 ASIC is committed to effective oversight of auditors and enhancing the integrity and quality of financial reporting and auditing in Australia through its:
- (a) proactive surveillance of financial reports and audits, including reports of private companies that previously had grandfathering exemptions from lodgement and registrable superannuation entities;
  - (b) review of auditor compliance with independence and conflicts of interest requirements;
  - (c) provision of guidance on how ASIC will regulate the mandatory climate reporting regime;
  - (d) engagement with domestic and international standard setting bodies and regulators, audit firms and industry associations;
  - (e) registration of auditors;
  - (f) updating legislative instruments and regulatory guidance related to financial reporting and audit obligations; and
  - (g) enforcement focus on auditor misconduct.
- 139 In the week commencing 28 October 2024, ASIC will publish its report on the 2023–24 financial reporting and audit surveillance program and other work that complements the surveillance program.
- 140 The report will include messages directed to all the key players in the financial reporting ecosystem—preparers, directors and auditors. They all have a role to play in improving the quality of financial reports and audits.
- 141 At the same time as the report is published, we will notify auditors of our upcoming surveillance of their compliance with independence and conflicts of interest requirements. As part of this surveillance, we are using a range of internal and public data sources to identify potential threats to independence and potential non-compliance with conflicts of interest obligations. We will provide copies of these documents to the Committee following their publication.
- 142 To assist reporting entities with their new mandatory climate reporting obligations, ASIC has established a dedicated [sustainability reporting page](#) on the ASIC website to provide information about the new regime and how ASIC will administer it.

- 143 ASIC works with international stakeholders to improve the quality of financial reporting and audit including:
- (a) as a board member of the International Organisation of Securities Commissions and a member of its sustainable finance task force;
  - (b) as a member of the International Forum of Independent Audit Regulators;
  - (c) participation in international fora attended by other regulators providing knowledge sharing opportunities (e.g. recently ASIC participated on a panel focused on ‘Firm Culture’ at the Public Company Accounting Oversight Board’s 2024 International Institute on Audit Regulation hosted in Washington); and
  - (d) engagement with international accounting, audit and ethical standard setters on issues such as sustainable finance and digital financial reporting.
- 144 ASIC has also taken enforcement action to promote audit quality, including making referrals to the Companies Auditor Disciplinary Board, where auditor misconduct has been identified. Outcomes can be found in the following media releases:
- (a) Media Release ([23-252MR](#)) *Companies Auditors Disciplinary Board finds BDO audit partner failed to meet minimum standards* (12 September 2023).
  - (b) Media Release ([23-262MR](#)) *Company auditor suspended for 12 months over deficient audits* (27 September 2023).
  - (c) Media Release ([24-066MR](#)) *Head of audit at William Buck Victoria pays \$20,625 penalty for audit rotation issues* (5 April 2024).
  - (d) Media Release ([24-116MR](#)) *Auditor and audit firm admit to independence failures* (29 May 2024).

## H Update on the Compensation Scheme of Last Resort and related issues

- 145 The Compensation Scheme of Last Resort (CSLR) is an independent, not-for-profit company, which commenced operations on 2 April 2024.
- 146 The CSLR provides compensation of up to \$150,000 to consumers who have an unpaid determination from the Australian Financial Complaints Authority (AFCA) relating to personal financial advice, credit intermediation, securities dealing or credit provision, and who satisfy other eligibility criteria.
- 147 Under the CSLR legislative framework, ASIC's role is limited to:
- (a) issuing invoices and collecting CSLR levy payments from financial firms;
  - (b) cancelling the licences of financial firms when ASIC is notified by the CSLR that compensation payments have been made by the CSLR; and
  - (c) overseeing the CSLR to ensure the operator's compliance with the legislative framework.

### CSLR invoicing

- 148 The CSLR operator is responsible for determining the estimated costs to the scheme under s9–12 of the *Financial Services Compensation Scheme of Last Resort Levy (Collection) Act 2023* (for the 'pre-CSLR' levy and each levy period) and s1069M of the Corporations Act (for the 'first levy' period).
- 149 During 2024, the CSLR determined:
- (a) **a 'pre-CSLR' estimate of \$241 million** (to cover CSLR claims from AFCA complaints lodged prior to 8 September 2022): see [Financial Services Compensation Scheme of Last Resort Levy \(Collection\) \(Initial Estimate of Unpaid Claims and Fees\) Determination 2024](#);
  - (b) **the 'first levy' period estimate of \$4.8 million** (to cover CSLR claims lodged between 2 April and 30 June 2024, paid by the Australian Government): see [Corporations \(Financial Services Compensation Scheme of Last Resort—First Levy Period Cost Estimates\) Determination 2024](#); and
  - (c) **the 'second levy' period estimate of \$24.1 million** (to cover CSLR claims lodged in 2024–25): [Financial Services Compensation Scheme of Last Resort Levy \(Collection\) \(Initial Cost Estimates for 2024–25 Levy Period\) Determination 2024](#).



- 150 The CSLR has not yet determined the estimate for the third levy period (2025–26 financial year).
- 151 ASIC uses the estimates determined by the CSLR operator to calculate leviable amounts per entity. The method for calculating an individual entity’s levy is set out in the [Financial Services Compensation Scheme of Last Resort Levy Regulations 2023](#) and is similar to ASIC’s industry funding arrangements.
- 152 ASIC has carried out invoicing and collection activity in relation to the ‘pre-CSLR’ levy and the ‘second levy’:
- (a) For the ‘pre-CSLR’ levy, ASIC invoiced the 10 largest financial firms (as defined in the [Financial Services Compensation Scheme of Last Resort Levy Act 2023](#)).
  - (b) For the ‘second levy’, ASIC invoiced over 9,000 financial firms that qualified for the levy using the 2022–23 industry funding business activity metrics and fell within the four subsectors (i.e. licensees that provide personal advice to retail clients on relevant financial products, credit providers, credit intermediaries and securities dealers).
- 153 ASIC has published FAQs and guidance for levy payers: see [Compensation Scheme of Last Resort](#) on the ASIC website.

## ASIC cancellation of licences

- 154 Under the CLSR legislative framework, if the CSLR pays an amount of compensation to a person:
- (a) the CLSR must report to ASIC, as soon as reasonably practicable, the details of the current or former AFCA member and the AFCA member’s failure to pay the amount required by the relevant AFCA determination; and
  - (b) ASIC must cancel the licence of the AFCA member.
- 155 As detailed in Treasury’s [2021 CSLR proposal paper](#), ASIC’s power to cancel licences is intended to ensure that financial firms meet their obligations in relation to AFCA determinations and do not consider the CSLR as an opportunity to avoid meeting those obligations.
- 156 Since the commencement of CSLR on 2 April 2024 and as at 30 September 2024, the CSLR has paid compensation for 91 claims relating to 31 firms. Five firms had active licences. ASIC has cancelled all five of these licences as detailed in the following media releases:
- (a) Media Release ([24-181MR](#)) *ASIC cancels licence of Libertas Financial Planning* (19 August 2024).

- (b) Media Release ([24-210MR](#)) *ASIC cancels licences of Ultimate Credit Management Pty Ltd and Worry Free Finance Pty Ltd* (24 September 2024).
- (c) Media Release ([24-223MR](#)) *ASIC cancels licence of Ferratum Australia Pty Ltd* (9 October 2024).
- (d) Media Release ([24-233MR](#)) *ASIC cancels the Australian financial services and credit licences of Ultiqa Lifestyle Promotions Limited* (22 October 2024).

## Oversight of CSLR

- 157 The governance framework of the CSLR comprises a ministerial authorisation and ongoing CSLR board and ASIC oversight.
- 158 The scheme remains independent and responsible for its own internal processes and the management of claims. ASIC’s oversight role is limited to powers that enable us to issue regulatory requirements or directions on the CSLR operator if we consider that the operator is not complying with the ministerial authorisation or relevant laws.
- 159 The CSLR is also subject to statutory reporting requirements, including the obligation under s1069G of the Corporations Act to publish a report on its website covering matters prescribed by the *Corporations Regulations 2001* (see reg 7.10B.55). This requirement includes reporting on the following:
- (a) each claims, fees and costs estimate for the levy period;
  - (b) the number of applications made under s1066 of the Corporations Act; and
  - (c) the average time taken to process claims.
- See the [CSLR website](#) for further information and updates.
- 160 Since the commencement of the CSLR, ASIC has entered into a memorandum of understanding with the CSLR. The memorandum and supplementary operating protocols are intended to assist both organisations to discharge their responsibilities within the terms of the applicable law.
- 161 Processes have been established to ensure the effective exchange of information—for example, when CSLR notifies ASIC that it has made a compensation payment or updates in relation to levy collection). Other engagement occurs ad hoc at an officer level in response to general issues and queries that arise.

## Key terms

Term	Meaning in this document
ACCC	Australian Competition and Consumer Commission
ADI	An authorised deposit-taking institution—a corporation that is authorised under the <i>Banking Act 1959</i> . ADIs include: <ul style="list-style-type: none"> <li>• banks;</li> <li>• building societies; and</li> <li>• credit unions</li> </ul>
ADM	automated decision-making
Advisory Group	Clearing and Settlement Advisory Group
AFCA	Australian Financial Complaints Authority—the external dispute resolution scheme for which an authorisation under Pt 7.10A of the Corporations Act is in force
AI	artificial intelligence
AMO	approved market operator
ANZ	Australia and New Zealand Banking Group Ltd
AOFM	Australian Office of Financial Management
ASIC	Australian Securities and Investments Commission
ASIC Act	<i>Australian Securities and Investments Commission Act 2001</i>
Assurance Program	CHESS replacement assurance program
ASX	ASX Limited
AWS	Amazon Web Service
CDPP	Commonwealth Director of Public Prosecutions
CFR	Council of Financial Regulators
CHESS	Clearing House Electronic Subregister System
Corporations Act	<i>Corporations Act 2001</i> , including regulations made for the purposes of that Act
CS	clearing and settlement
CSLR	Compensation Scheme of Last Resort
DTA	Digital Transformation Authority
FMI	financial market infrastructure

<b>Term</b>	<b>Meaning in this document</b>
NASC	National Anti-Scam Centre
RBA	Reserve Bank of Australia
TCS	TATA Consultancy Services
Technical Committee	CHESS Replacement Technical Committee
target market determination (TMD)	Has the meaning given in s994B of the Corporations Act