



**ASIC**  
Australian Securities &  
Investments Commission

<b>Committee</b>	Parliamentary Joint Committee on Corporations and Financial Services
<b>Inquiry</b>	Oversight of ASIC, the Takeovers Panel and the Corporations Legislation No.1 of the 46th Parliament
<b>Question No.</b>	005
<b>Topic</b>	CHES Replacement
<b>Reference</b>	Spoken, 11 February 2022, Hansard page 11
<b>Committee member</b>	Mr Julian Hill MP

## Question

**Ms Armour:** The obligation on a settlement provider is to have a fair and effective settlement system, from our perspective, and it needs to meet the financial stability standards. When you have a system that is quite aged—well over 25 years, I think, is the current system—that actually imposes everyday costs on market operators because it relies on quite extensive messaging arrangements. That isn't against the possibility of a modern contemporary system that meets the contemporary messaging standards and could provide a platform for great efficiencies for market participants.

**Mr HILL:** Sorry, perhaps I should have been slightly clearer. I'm not questioning the fact that a new system is needed. But the need for an upgrade was agreed in 2015; this project was launched two years later. If the current go-live date happens on the weekend that Mr Longo is going to his mountain, next year will be eight years after the need was first identified. For every other stock exchange in the world that's upgraded its systems, the advice I've received is, it has taken two to three years to do a complex project. So there is certainly a business case question there for some of the market participants, saying: 'We need a new system. This one has gone on for eight years. We keep investing more and every time delay and now the intensity of the testing is taking a hell of a lot of their time.' So I suppose I will leave that and you might provide any further responses. But is it within the scope of your work or the independent expert, given the accumulated frustration of many people in the time this is taking?

**Ms Armour:** The frustration may be for many market participants in that there has been a general technology refresh at the ASX affecting almost all of these systems and their trading platforms over the last five or six years, not just necessarily the CHES system and that may be what's feeding into some of the frustration that you're hearing. The market participants are really having to engage. The big time issues for them are coming up now in relation to the CHES program. So it may be a cumulative effect of that changeout that is perhaps fuelling some of those concerns.

## Answer

ASIC and the RBA expect the new system to be implemented in a safe and reliable manner, and as soon as it can be safely achieved by both ASX and users of CHES. The role of the Independent Expert is to assess whether ASX's assurance program for the replacement of CHES is fit for purpose, identifying any shortfalls, and reporting regularly to ASIC. ASIC and the RBA's supervision and engagement with ASX is focused on ASX's governance of the change program, its engagement with stakeholders, the functional and technical aspects of the replacement system, and its management of the risks associated with the migration to the new system. We expect ASX's management of the replacement program to consider the ongoing cost and burden to participants of the replacement system and for ASX to have these discussions with its participants as part of its stakeholder engagement.