



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.	001
Topic	CHES Replacement
Reference	Spoken, 11 February 2022, Hansard page 10
Committee member	Mr Julian Hill MP

Question

Mr HILL: Can I put a couple of questions on notice in the interests of time? You had an earlier discussion about transparency in the reporting, and I think that was a sensible discussion. Can you take on notice—I may have missed it—to provide the committee with advice on which expert is being used for the review, what their technical qualifications are to do the work and what the full scope of the review actually is? I think the discussion about transparency before focused on this next report, and this is a slightly different question.

Ms Armour: We're happy to do that.

Answer

Independent expert and their qualifications

Ernst & Young (**EY**) has been appointed to the role of independent expert under condition 2(1) of the additional licence conditions imposed on 24 November 2021 on ASX Clear Pty Ltd and ASX Settlement Pty Ltd (**ASX**) (**Licence Conditions**).

ASX and EY have advised ASIC and the RBA that the EY engagement team acting as independent expert have the necessary expertise, experience and operational capacity to perform the role of the independent expert contemplated by the Licence Conditions.

EY has advised ASIC and the RBA that the EY engagement team acting as independent expert has experience in areas such as financial services regulation, independent assessments, program assurance and governance, risk management, business transformation and change, technology transformation and technology risk management, data migration, information security, blockchain and securities and payments technology and operations.

Scope of review

Under the Licence Conditions, ASX must appoint an independent expert to assess the assurance program for implementation of the CHES replacement program and oversee the implementation of any remedial actions from the IBM review recommendations which are relevant to the CHES Replacement program.

Under the Licence Conditions, the independent expert is required to provide ASX and ASIC the following reports on the CHES replacement program and CHES replacement system:

- A report on the design of the assurance program, assessing whether the existing plan is fit for purpose, identifying any topics that need further independent assessment and proposing any remedial actions (**Design Report**);
- Six-monthly reports until go-live date which provide an update on matters set out in the Design Report, the status of existing remedial actions and identification of any further remedial actions required, and an update on the implementation of any remedial actions from the IBM review recommendations which are relevant to the CHES replacement program;

- Not less than 14 days prior to go-live, a report on the status of any remedial actions and whether they are necessary to be undertaken prior to go-live, and the findings of the totality of the assurance program reviews indicating whether the remedial actions identified by the independent in the Design Report and subsequent 6-monthly reports and the relevant IBM review recommendations have been appropriately implemented by ASX; and
- Two post-implementation review reports – 6 months and 12 months after go-live – including an assessment of whether the go-live decision framework was followed and identifying any remedial actions with respect to the CHES replacement system that the independent expert considers appropriate.

One week ahead of the go-live decision, EY will also separately provide its opinion with respect to:

- the assurance program meeting its objectives of:
 - the successful replacement of CHES with a system that meets ASX's functional & non-functional requirements; and
 - promoting confidence to internal and external stakeholders.
- the adequacy of the ASX's governance framework for testing;
- the design adequacy of the CHES replacement system go-live decision framework (which incorporates both the business decision to implement the new system and implementation activity decision check-points over the cut-over weekend) and whether the decision framework has been followed.