



<b>Committee</b>	Parliamentary Joint Committee on Corporations and Financial Services
<b>Inquiry</b>	Oversight of ASIC, the Takeovers Panel and the Corporations Legislation
<b>Question No.</b>	031
<b>Topic</b>	ASX CHESS Replacement – Ernst & Young Engagement
<b>Reference</b>	Spoken 27 June 2022, Hansard page 32
<b>Committee member</b>	Senator O'NEILL

## Question

**CHAIR:** You can take this question on notice. Were the specialist skill sets that they asserted they had verified? It's terrible to be at that point, but I am getting intel that people are being put into all sorts of positions claiming qualifications that are actually non-existent or part of a sales pitch to pick up different work in different sectors. I would hate to think that was happening in this circumstance, because the risk is extreme to the whole proper functioning of the stock market for Australia.

**Mr Longo:** We would be happy to take that question on notice and get the relevant information.

**CHAIR:** Thank you. I will also ask you to look at the section that relates to where the ASX has identified a relevant risk and control uplift initiative in their CHESS road map: 'We have not raised it again as a recommendation in our audit report.' Have you been able to capture oversight of those other relevant risks and control uplifts that are on the CHESS road map? Have you been able to get this document to intersect with that document that they've not oversights? Do you want to take that on notice?

**Mr Bourne:** Yes, please. Which part?

**CHAIR:** It is EY's report at page 3. It comes directly after the recommendations. Take on notice, because I am mindful of time, the three recommendations on risk monitoring, expanding the depth of risk assessments and accelerating the assurance program. How has, in your view, the ASX responded to those recommendations so far? Has ASIC taken any actions regarding the EY recommendations?

## Answer

We also refer to our response to Question No. 030.

In deciding which auditor to appoint, ASIC used a number of criteria and ratings to evaluate firms for their suitability to perform the role of auditor for the special report on CHESS, the implementation of Accenture recommendations, and Program Portfolio and Project Management Frameworks.

We considered that EY was a suitably qualified firm, because EY are an independent third party to ASX and had been found suitable and appointed as an independent expert in relation to the licence conditions imposed on ASX Ltd, ASX Clear and ASX Settlement in November 2021 and as the auditor of the special report on current CHESS in December 2022.

We took in good faith the stated qualifications of the EY team. However, our decision to require EY to audit the various special reports was also informed by our prior experience and knowledge of EY's work.

We are still considering ASX's Special Report and EY's audit report and recommendations. The reports are very detailed and contain large volumes of technical information.

We also have further Special Reports being prepared by ASX that are to be audited by EY. These are:

- ASX's response to the Expert Report by Accenture about the CHESS Replacement program and the associated audit report, which are due at end of June and July 2023 respectively.



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- ASX's Special Report on the ASX Group's portfolio, program and project management frameworks and the associated audit report, which are due at end of September and October 2023 respectively.

The audited special reports will assist ASIC in its assessment of whether any further regulatory action is required. ASX has publicly acknowledged and stated that it will address EY's recommendations. We will closely supervise ASX's response to EY's recommendations, as part of our intensified supervision of ASX. ASIC is prepared to bring to bear a range of regulatory options to ensure that the ASX Group licensees, in particular ASX Clear and ASX Settlement, adhere to the regulators' expectations and comply with their CS facility licence obligations.