



14 April 2023

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Rob Nash  
ASX Limited  
PO Box H224  
Australia Square NSW 1215

Attention: ASX Consultations

Dear Mr Nash

## **ASX MARKET MANAGEMENT CONSULTATION 3: ASX TESTING UPLIFT, ENVIRONMENTS AND BCP**

The Stockbrokers and Investment Advisers Association (SIAA) is the professional body for the stockbroking and investment advice industry. Our members are Market Participants and Advisory firms that provide securities and investment advice, execution services and equity capital-raising for Australian investors, both retail and wholesale, and for businesses. Practitioner Members are suitably qualified professionals who are employed in the securities and derivatives industry.

The history of the stockbroking profession in Australia can be found [here](#).

SIAA members represent the full range of advice providers from full-service and online brokers to execution-only participants and they provide wealth advice and portfolio management services.

Thank you for the opportunity to provide feedback on the Consultation Paper 3: ASX testing uplift, environments and BCP (Consultation Paper). We note that certain of our members have met with ASX to discuss the Consultation Paper and that SIAA met with the ASX consultation team on 5 April 2023.

Our high-level feedback on the key issues for our members is set out below.

### **Simulation testing with Market Participants**

Any requirement for all Market Participants to generate production-like order flow during Industry-Wide Testing will be a significant issue for our members. It can be technically challenging to replicate production-like workflow on a weekend in a situation where clients are not placing orders. Market Participants who generally experience high-order flow find it difficult to generate the hundreds of thousands of orders that would be necessary to replicate a normal trading day.

A one-size-fits-all approach to simulation testing will also create challenges. Not all Market Participants have the IT resources of a global investment bank. Any testing regime will also need to take into account the fact that Market Participants may be heavily reliant on their system providers

to place their orders. Their participation in an industry wide testing event will depend on the availability of that provider over that testing weekend.

Industry-wide test events impose a considerable cost and effort burden on Market Participants. We note that ASX recognises that not all customer systems are connected to exchanges on an industry-wide testing event as it adds risk to the next business day, and the clean-up to downstream systems is challenging. We were interested to hear that even the ASX finds it challenging to get ready for Monday morning after a test event. This cost and effort burden on Market Participants is an important issue that needs to be taken into account when planning these events.

Our members recommend that ASIC participate in any industry-wide and BCP test events.

## **Improvements to BCP strategy**

The Consultation Paper proposes an increase in the number of BCP tests to a minimum of two per year.

As noted above in our feedback on industry-wide test events, testing adds risk to the next business day due to the effort involved in cleaning up and getting ready for Monday trading. Increasing the number of BCP tests represents a risk in itself and increases rather than decreases the chances of a subsequent outage, given the work required and the infrastructure switching that is necessary. In other words, doing two BCP test events per year is not better than one.

Increasing the number of BCP test events will also increase the cost and effort burden on Market Participants – they do not have unlimited IT resources. Smaller Market Participants have fewer IT resources than large ones. Market Participants have clarified at ASX Business Committee meetings that access to the additional IT resources required for the CHES replacement project is challenging, given additional resources taken on before the project was paused have either been stood down or deployed elsewhere and ASX itself has also confirmed that attracting additional IT resources is challenging at present. It is important that regulators and ASX understand that not all Market Participants can easily recruit or deploy additional IT resources to meet industry-wide test events. The interaction with allocation of IT resources to the CHES replacement project also needs to be taken into account.

If ASX insists on increasing the number of BCP testing that takes place each year, we recommend that it consider including a BCP test as part of any industry-wide test event. This would have the advantage of making the most of Market Participants' valuable IT resources as the work done over one weekend could satisfy both the requirement to undertake industry-wide testing and BCP testing. Alternatively, should ASX be intent on increasing the amount of BCP testing to two events per year, one could be mandatory and the other voluntary.

The scheduling of industry-wide testing and BCP test events will need to be planned with considerable care and abundant notice will need to be provided to Market Participants of the dates on which the testing events will take place. Firms plan their IT schedule at least a year in advance. A Market Participant that is part of a global group may share IT resources on a regional or global basis. They may have many weekends each year that are earmarked for scheduled IT upgrades, maintenance and testing events. It would not be unusual for a clash of events to take place that would prevent a Market Participant from joining in an industry-wide or BCP test event on a

particular weekend. A Market Participant should not be considered as uncooperative because they were unable to attend an industry-wide test or BCP event for that reason.

Any ASX BCP test schedule will also have to take into account BCP testing that Cboe intends to conduct.

## Conclusion

If you require additional information or wish to discuss this submission in greater detail please do not hesitate to contact SIAA's policy manager, Michelle Huckel, at [michelle.huckel@stockbrokers.org.au](mailto:michelle.huckel@stockbrokers.org.au).

Yours sincerely

A handwritten signature in black ink, appearing to be 'JF' with a stylized flourish and the letters 'Gx' below it.

Judith Fox  
Chief Executive Officer