



Stockbrokers and Investment
Advisers Association

Serving the interests of investors

30 October 2025

Email: asx.inquiry@asic.gov.au

Attention: Jane Eccleston

Head of ASX Inquiry Secretariat
Australian Securities and Investment Commission
14-22 Grey Street,
Traralgon VIC 3844

Dear panel members

Inquiry into Australian Securities Exchange Group

The Stockbrokers and Investment Advisers Association (SIAA) is the professional body for the stockbroking and investment advice industry. Our members are Market Participants and wealth management 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.

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.

Our members include Clearing and Settlement Participants as well as software providers and CHES users developing in-house systems. SIAA is a member of the ASX Business Committee and attends the meetings of the ASX Technical Committee as an observer. SIAA is also a member of various CHES replacement working groups, including the Implementation and Transition working group and the Business Design working group.

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

Thank you for the opportunity to provide feedback to ASIC's inquiry into the frameworks and practices in relation to governance, capability and risk management within the Australian Securities Exchange Group (ASX).

Executive summary

- SIAA has had concerns about operational risk management at ASX for some time and considers that there is still substantial work to be done to improve ASX's risk management framework.

- We have consistently called for greater transparency of ASX's operational risk management framework (including, at some level, its Business Continuity Plan). SIAA's concerns with ASX's operational risk management were heightened by the failure of the CHES batch settlement failure in December 2024 which highlighted ASX's lack of contingency arrangements.
- SIAA has asked for visibility at some level of ASX's Business Continuity Plan and scenario planning on several occasions since the CHES batch settlement failure.
- ASX needs to demonstrate how it has improved contingency arrangements for current CHES and complete an end-to-end review of its business continuity and contingency arrangements for ASX Clear and ASX Settlement. It is vital that the results of these improvements and reviews are shared with participants.
- It is crucial that ASX is adequately resourced to deliver on these required changes while also ensuring the continuity of its critical services.
- Our members need visibility over what an increase in ASX resourcing looks like and the costs of this uplift as Clearing and Settlement Participants will ultimately bear the costs of any increase in ASX staffing via ASX's pricing model.
- We have significant concerns about ASX's risk culture. There is limited engagement with the risk function or Risk Committee. A matter of concern to our members is that ASX does not appear to have a risk tool to report 'near misses'.
- Improvements in risk culture take time. ASX will need to appropriately resource its risk transformation plan and provide regular and detailed updates, not just to the ASX boards and regulators, but to participants to ensure that our members have the required visibility over its uplift in risk culture.
- While the operation of the Business Committee has improved recently, particularly since the appointment of the independent chair, there are ways that it can be improved further to ensure it meets its original purpose. It is used to disseminate information to a broad group of stakeholders and is not a committee that provides stakeholder input or challenge to ASX.
- In light of the various governance, capability and risk management concerns that have arisen regarding the provision of clearing and settlement services we consider that representation of Clearing and Settlement Participants is needed on the ASX Clear and Settlement boards to ensure that the concerns of industry are considered.
- ASX has a clear conflict of interest in the way it provides clearing and settlement services as part of a vertically integrated monopoly.
- The passing of the Clearing and Settlement Services Rules was a step in the right direction in so far as they aim to provide for outcomes that are consistent with those that might be expected in a competitive environment. However, there are still areas where ASX can improve its management of conflicts of interest regarding the provision of clearing and settlement services.

Risk management

SIAA has had concerns about operational risk management at ASX for some time and considers that there is still substantial work to be done to improve ASX's risk management framework. We note that in its most recent *Assessment of ASX Clearing and Settlement Facilities* dated 24 September 2025 (Assessment Report), the Reserve Bank of Australia (RBA) assessed the rating against the risk management framework standard for ASX Clear and ASX Settlement as only *partly observed* while the rating against the operational risk standard for both entities was assessed as *not observed*.

SIAA has consistently called for greater transparency of ASX's risk management framework.

We note the findings of the RBA Assessment Report that ASX has been out of risk appetite across established risk categories since 2020. Since that time there have been many assurance reports of ASX's activities, including CHES replacement, provided by independent assurers. ASX's independent audit function and external auditors and assurers have failed to pick up this important issue. Clearly there is a disconnect between ASX's risk function and its assurance and audit function.

While we support RBA's recommendations that ASX obtain independent assurance concerning gaps in its risk appetite statement and around board KPIs, we question whether more independent assurance will address these issues when previous assurance has not.

Operational risk management

While ASX's assessment of market risk is good, we consider its management of operational risk to be opaque. Greater transparency of the workings of ASX's Risk Committee is needed, including details of the personnel who sit on that committee and their technology risk experience. Our members also need greater engagement with ASX's Risk Committee as currently they have no visibility over how ASX is dealing with its operational risks.

SIAA's concerns with ASX's operational risk management were heightened by the failure of the CHES batch settlement failure in December 2024. The incident exposed serious deficiencies in ASX's incident response capabilities, communications protocols, governance and accountability. We agree with the RBA that during the incident ASX was slow to recognise the potential seriousness of the issue, lacked clear leadership during the response period and failed to deploy adequate resources to address the issue. The batch settlement failure led to liquidity pressures for some of our members who were relying on the CHES batch settlement proceeding. ASX's lack of contingency arrangements highlighted its poor operational risk management.

After the CHES batch settlement incident SIAA asked for visibility at some level of ASX's Business Continuity Plan. SIAA has also raised the need for this visibility at the ASX Business Committee meetings of 12 March and 18 June 2025. SIAA further queried at the ASX Business Committee meetings whether ASX has developed scenario planning for outages, as well as for the implementation of Releases 1 and 2 of CHES replacement and the need for those to be shared so that participants could develop their scenario plans in response.

The reliability of CHES settlement is fundamental to the operation of our securities market and in order for participants to have confidence that CHES will remain viable until 2029, which is the current date proposed for its replacement, our members need access to scenario planning by ASX in the event of outages or a failure of the move to the CHES replacement system. These scenarios are important for our members so that they can in turn undertake their own scenario planning in

response.

While ASX has presented a number of assurance reports to the ASX Business Committee, assurance reports are backward-looking, not forward-looking. Participants need forward-looking risk management plans. Without such forward-looking risk management, participants cannot plan. The market cannot have confidence moving forward based on backward-looking reports.

SIAA requested in January 2025 that ASX implement a cut-off time of 3.00pm in the event of a CHES settlement failure, but was advised at the 18 June ASX Business Committee meeting that ASX had considered a fixed cut-off time to provide high-certainty information to the industry to assist them in determining whether they need to enact their contingency plans, but no decision had been taken. The market was only provided with details of the introduction of a 3.30pm decision point for rescheduling batch settlement at the ASX Business Committee meeting of 17 September 2025. This is despite the importance to our members of access at some level to the Business Continuity Plan. While the decision points for rescheduling have been provided, our members are still waiting for more detailed scenario plans for a failure of CHES batch settlement.

Our members require scenario plans for what would occur in the event of a failure of Releases 1 and 2 of the CHES replacement project. We have recently received some high-level details of rollback procedures that could be invoked on Day 1 of Release 1 (which is planned to take place in April 2026) and our members await more detailed scenario plans or 'playbooks' for this event.

We support the RBA recommendation that ASX should demonstrate how it has improved contingency arrangements for current CHES, designed to enable resumption of operations within two hours following a disruptive event. We also support RBA's recommendation that ASX complete an end-to-end review of its business continuity and contingency arrangements for ASX Clear and ASX Settlement. It is vital that the results of these improvements and reviews are shared with participants.

We agree with the RBA that it is crucial that ASX is adequately resourced to deliver on the required change while also ensuring the continuity of its critical services. We are concerned that key ASX resources are simultaneously supporting CHES replacement, maintaining legacy systems and contributing to broader uplift programs. ASX staff resources are clearly stretched. We support the RBA's recommendation that ASX should demonstrate how it has enhanced resourcing for current CHES. ASX needs capabilities to step in quickly and uplift their teams. Our members need visibility over what an increase in ASX resourcing looks like and the costs of this uplift. Our members who are Clearing and Settlement Participants will ultimately bear the costs of any increase in ASX staffing via ASX's pricing model.

Risk culture

We have significant concerns about ASX's risk culture.

We have no visibility over what ASX is doing to improve its risk culture. Our members report that there is limited engagement with ASX on risk matters outside of ASX Compliance enforcement of operating rules. There is a lack of knowledge about the level of technology risk expertise on the Risk Committee. There is no engagement with the Chief Risk Officer.

An example of a deficiency in ASX's risk culture that is a matter of concern to our members is that ASX does not appear to have a risk tool to report 'near misses'. This was highlighted by an issue

outlined in the RBA September 2025 Assessment Report that took place in April 2025 when high trading volumes on 7 April alongside a change in a participant's systems led to the possibility that ASX could hit capacity constraints related to the number of unique holder identification numbers in a CHES settlement batch. As a result, there was a risk that trades executed on 7 April 2025 could fail to settle two days later. The RBA report points out that the underlying problem was very similar to the issue that caused the December CHES incident (which was a 'global section' memory limit). Apparently, despite knowing that there was a risk that settlement might be disrupted if the capacity limits were exceeded, remediation was not considered until trade volumes reached a level that posed a significant, immediate risk of exceeding the capacity limit and ASX did not report the problem to the RBA until the day before the potential impact on settlement.

Notwithstanding the seriousness of this incident that can be categorised as a 'near miss', SIAA's members were not made aware of this issue by ASX and did not know about it until they read the RBA Assessment Report. This is a clear failure of transparency and reflects poorly on ASX's risk culture. At the very least ASX should have communicated with our members by reporting it to the Business Committee. As at the date of this submission, the only information that our members have about this incident is what was included in the RBA Assessment Report. Our members have also not been provided with any information about how ASX intends to improve current CHES so that a similar event does not happen again.

SIAA supports RBA's recommendations on improving ASX's risk culture. Improvements in risk culture take time however and we don't consider ASX has been progressing this work quickly enough to generate the required behavioural change across the organisation. ASX will need to appropriately resource its risk transformation plan and provide regular and detailed updates, not just to the ASX boards and regulators, but to participants to ensure that our members have the required visibility over this important uplift in risk culture.

Governance

SIAA has had concerns for some time about ASX's governance.

We supported the introduction of the ASX Cash Equities Clearing and Settlement Advisory Group (Advisory Group) in 2023 as an important way to improve the governance of the CHES replacement project.

The Business Committee

SIAA is a member of the Business Committee as are our members, both Market and Clearing and Settlement Participants.

While the operation of the Business Committee has improved recently, particularly since the appointment of the independent chair, there are ways that it can be improved further to ensure it meets its original purpose of providing stakeholder input to ASX management and the boards of ASX Clear and Settlement in relation to the ongoing operation and development of clearing and settlement infrastructure (including CHES and CHES replacement) and other matters of relevance to stakeholders.

Currently, our members don't consider that the Business Committee operates effectively to provide stakeholder input or challenge to ASX management and boards. When members raise issues of importance (such as the need for visibility at some level over the Business Continuity Plans of ASX

Clear and Settlement and scenario plans to deal with either a failure of current CHESS or Release 1 and 2 of the replacement project) ASX either does not respond or does not respond in a timely fashion. At other times, a decision is brought back to the Committee that is relatively unchanged despite input from stakeholders seeking change. An example is the pricing policy for clearing and settlement. It is a cost recovery policy. Previously it allowed for rebates and a revenue sharing arrangement. Under that model, ASX was incentivised to control costs to grow profit. The revenue sharing arrangement also provided incentive for the ASX and Participants to grow the market. The new pricing policy has participants covering the cost of ASX's clearing and settlement costs on an ongoing basis, without any capacity to control those costs. ASX introduced an efficiency dividend in response to stakeholder concerns, but the policy remains one of cost recovery.

The Business Committee is used to disseminate information to stakeholders but omits important matters, such as details of the April 2025 'near miss' incident where there was a risk of settlement failure. None of the other governance and risk failings highlighted in the RBA assessment report have been reported to the Business Committee. The ability of the Business Committee to provide informed input to ASX management and boards and to endorse recommendations on the scope of CHESS replacement is hampered by these issues.

The boards of ASX Clear and Settlement

ASX is a listed profit-making business which is also responsible for critical infrastructure that it provides as a vertically integrated monopoly. Unlike arrangements that our members have with electricity or communications providers, clearing and settlement participants do not have a service level agreement with ASX that entitles them to rebates when services are not available, such as during an outage or a failure of batch settlement.

ASX Clear and Settlement are the entities that provide the clearing and settlement services to the market on a vertical monopoly basis. Each of the boards of ASX Clear and ASX Settlement is comprised of a majority of directors who are independent non-executives with an independent non-executive chair. There is an additional requirement that these boards comprise at least 50% of non-executive directors who are not also directors of ASX Limited.

In the absence of a committed competitor in either clearing or settlement, it is important for Clearing and Settlement Participants that ASX remains responsive to users' evolving needs and provides access to its services with terms and conditions, including pricing, that is fair and reasonable.

In light of the various governance, capability and risk management concerns that have arisen regarding the provision of clearing and settlement services we consider that representation of Clearing and Settlement Participants is needed on the ASX Clear and Settlement boards to ensure that the concerns of industry are considered.

Conflict of interest

ASX has a clear conflict of interest in the way it provides clearing and settlement services as part of a vertically integrated monopoly.

Our members are uncertain whether a competitor for clearing and settlement services will emerge as none has emerged thus far. It is difficult to see how a competitor could emerge over the short term, even with the passing of the Clearing and Settlement Services Rules, as interoperability of the

CHESS system will only come into full effect on the implementation of CHESS replacement Release 2, which is currently scheduled to take place in 2029. We consider that it is unlikely that a competitor will emerge without equal access to ASX infrastructure.

Creating competition in markets where the monopoly provider of services also controls the infrastructure in a vertically integrated model has been historically challenging. It may well be, that without significant structural change, a competitor will never emerge to provide clearing and settlement services.

The passing of the Clearing and Settlement Services Rules was a step in the right direction in so far as they aim to provide for outcomes that are consistent with those that might be expected in a competitive environment.

However, there are still areas where ASX can improve its management of conflicts of interest regarding the provision of clearing and settlement services.

For the purposes of the pricing policy, ASX clearing and settlement operations are included with issuer services, for reasons that are unclear to our members. There is no clear structural and operational separation between ASX clearing, settlement and issuer services. Operationally, ASX staff support clearing, settlement and issuers. This allows ASX flexibility to allocate capital to cross-subsidise their operations and results in a lack of transparency as to how ASX allocates its resources.

Our members need increased transparency of the allocation of resources to these different operations, particularly as the costs are passed through to them under the ASX pricing policy, which is essentially a 'cost plus' model of price recovery, sharing a lot of the same characteristics as the ASIC Industry Funding Model.

SIAA highlighted the issues we had with this lack of transparency of the capital and costs allocated to clearing and settlement during the ASX's consultation on its pricing policy in October 2024. As noted above, the pricing policy remains essentially unchanged since it was first brought to the ASX Business Committee.

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, using the contact details in the covering email.

Yours sincerely

A handwritten signature in black ink, appearing to be 'J Fox', written in a cursive style.

Judith Fox
Chief Executive Officer