

# ASX Cash Equities Clearing and Settlement Advisory Group Communique

11 October 2023

On 5 October 2023, members of the ASX Cash Equities Clearing and Settlement Advisory Group (**Advisory Group**) gathered at ASX's offices for their first formal meeting.

The Advisory Group was convened following ASIC's industry roundtable held on 2 August 2023 and a [joint letter](#) from ASIC and the RBA on 29 August 2023 setting out regulatory expectations for the group (**Letter of Expectations**).

Independently chaired by Alan Cameron AO, the Advisory Group engaged in a constructive discussion in relation to ASX Clear and ASX Settlement's cash equities clearing and settlement strategy, the CHES replacement project objectives and functional scope, and the role of the solution integrator. The members also discussed the timing and decision making for T+1 in the Australian industry, and the importance of interoperability and standard messaging interfaces in the CHES replacement solution design to enable competition in clearing and settlement.

A preliminary meeting was held on 31 August 2023, where members-elect discussed the governance arrangements for the Advisory Group, including membership and the draft Charter. Indicative timing and suggested agenda items for future Advisory Group meetings in the lead up to decision-making on the high-level solution design for CHES replacement was also discussed. There was general agreement that an additional meeting may be required in November to help ensure the Advisory Group has a sufficient opportunity to provide input ahead of the upcoming CHES replacement solution decision. Members-elect also requested that additional information be provided to the Advisory Group relating to ASX Clear and ASX Settlement's cash equities clearing and settlement strategies, and the CHES replacement project objectives.

Following the preliminary meeting, the boards of ASX Clear and ASX Settlement (**CS Boards**) approved the Charter (attached as **Appendix A**) and appointed the members on 25 September 2023. While there may be additional members appointed, the current list of Advisory Group members is attached at **Appendix B**.

Advisory Group members have been appointed in an individual capacity based on their industry background and expertise. This is on the basis that members are expected to act in the interest of the overall cash equities market, with a focus on delivering optimal outcomes for users of ASX's cash equity clearing and settlement services as a whole (including investors and issuers as ultimate end users).

The Charter acknowledges the role of the Advisory Group as a stakeholder forum to provide input to the CS Boards on strategic matters related to cash equities clearing and settlement services and associated infrastructure. It sets out the responsibilities of Advisory Group members and its independent chair, and provides that the Advisory Group will meet at least quarterly.

The independent Chair will report to the CS Boards on Advisory Group discussions. The Chair will also bring recommendations to the CS Boards that reflect the broad consensus of the Advisory Group. In accordance with the Letter of Expectations, and the CS Boards' [undertaking in response](#) to the Letter of Expectations, the Charter requires that ASX Clear and ASX Settlement not make any final decisions on key strategic clearing and settlement issues (including CHES replacement) until the Advisory Group has had a reasonable opportunity to consider these issues.

The Advisory Group plans to meet between two and three more times before the end of 2023 to provide key stakeholder input into key upcoming milestones for the CHES replacement project.

**APPENDIX A: Advisory Group Charter**

**APPENDIX B: Advisory Group members**

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**Alan Cameron AO**

Independent Chair, ASX Cash Equities Clearing and Settlement Advisory Group

# ASX Cash Equities Clearing and Settlement Advisory Group Charter

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## 1. Role of the Advisory Group

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- 1.1. The role of the Cash Equities Clearing and Settlement Advisory Group (**Advisory Group**) is to be a strategic stakeholder advisory group to provide input in to ASX's cash equities clearing and settlement governance framework.
- 1.2. The Advisory Group is a stakeholder forum for input to the Boards of ASX Clear Pty Limited (**ASX Clear**) and ASX Settlement Pty Limited (**ASX Settlement**) on strategic matters related to cash equities clearing and settlement services and associated infrastructure.
- 1.3. The Advisory Group will:
  - a. Consider strategic matters related to cash equities clearing and settlement services and associated infrastructure, including the replacement of ASX's Clearing House Electronic Sub-register System (**CHES**), that are put to the Advisory Group by ASX Clear, ASX Settlement or a member.
  - b. Where appropriate make recommendations to the Boards of ASX Clear and ASX Settlement on such strategic matters related to cash equities clearing and settlement services and associated infrastructure. Recommendations must represent the broad consensus of the Advisory Group members, as determined by the Chair of the Advisory Group (**Chair**). Where the Advisory Group is unable to reach a broad consensus in respect of a matter, the Chair must advise the Boards of ASX Clear and ASX Settlement of the respective positions of the Advisory Group members and the reasons for those positions put forward by members at the Advisory Group meeting(s) where the matter was discussed.
- 1.4. The Advisory Group will operate alongside existing stakeholder forums, including:
  - a. The Business Committee, which may refer matters to the Advisory Group or which may be referred matters from the Advisory Group. The Chair of the Advisory Group may be invited to attend Business Committee meetings, or the Chair of the Business Committee may be invited to attend Advisory Group meetings, as appropriate. If there are inconsistent recommendations of the Advisory Group and the Business Committee to the boards of ASX Clear and ASX Settlement, each is presented to the boards of ASX Clear and ASX Settlement for consideration.
  - b. The CHES Replacement Technical Committee (which is a sub-committee of the Business Committee).
- 1.5. The existing stakeholder forums will remain separate from the Advisory Group but may share information with or provide technical expertise to the Advisory Group as appropriate.
- 1.6. In considering matters and providing recommendations, the Advisory Group will have regard to the obligations applicable to ASX Clear and ASX Settlement as CS facility licensees, including, to the extent that it is reasonably practicable to do so, to:
  - a. Comply with the financial stability standards (**FSS**) determined by the RBA for the purposes of ensuring that the CS facility licensees conduct their affairs in a way that causes or promotes overall stability in the Australian financial system.
  - b. Do all other things to reduce systemic risk.
  - c. Do all things necessary to ensure that the facility's services are provided in a fair and effective way.

## 2. Membership of the Advisory Group

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- 2.1. The Advisory Group will be comprised of:
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- a. No more than 12 members of an appropriately senior level.
  - b. A diverse and well-rounded group of senior industry practitioners that have a good understanding of the relevant industry sub-sectors in cash equities.
  - c. Members that collectively have the broad range of skills and experience required to support its strategic advisory role.
  - d. Members with financial markets expertise, including a good understanding of clearing and settlement matters and how these matters impact the cash equities market and its end users (investors and issuers).
  - e. Members within the Advisory Group that have experience in governance of large programs and technology delivery.
- 2.2. ASX Clear and ASX Settlement, in consultation with the Chair, ASIC and the RBA, will determine the membership (including term of membership), and appoint and remove members of, the Advisory Group. ASX Clear and ASX Settlement may also, in the circumstances set out in clause 3.10.b, remove a member without consultation with the Chair, ASIC and the RBA.
  - 2.3. The Chair will periodically (and at least annually) review the membership of the Advisory Group, in consultation with ASX Clear, ASX Settlement, ASIC and the RBA.
  - 2.4. The Advisory Group may make recommendations to the Boards of ASX Clear and ASX Settlement in relation to the membership of the Advisory Group.
  - 2.5. The Advisory Group membership will also reflect the following:
    - a. ASX Limited will be a member of the Advisory Group and will be represented by the Managing Director and CEO.
    - b. ASX Clear and ASX Settlement will not be members of the Advisory Group but the Group Executive, Securities and Payments will have a standing invitation to attend meetings and may participate in discussions, but not vote on recommendations.
    - c. A director of the Boards of ASX Clear and ASX Settlement that is not also a director of the ASX Limited Board will have a standing invitation to attend Advisory Group meetings as an observer.
    - d. ASIC, the Reserve Bank and the ACCC will not be members of the Advisory Group but will have a standing invitation to attend Advisory Group meetings as observers.
  - 2.6. The Chair may invite other parties to join meetings of the Advisory Group, including ASX management or directors, ASX subject matter experts and other industry experts.
  - 2.7. Observers and standing invitees attending Advisory Group meetings will receive Advisory Group papers, minutes of meetings and any reports by the Advisory Group to the Boards of ASX Clear and ASX Settlement.
  - 2.8. A member of the Advisory Group may resign its membership by giving notice in writing to the Chair (or to the Boards of ASX Clear and ASX Settlement in the case of the Chair).
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### **3. Responsibilities of Advisory Group members**

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- 3.1. In their membership of the Advisory Group, members must act in the interest of the overall cash equities market, with a focus on delivering optimal outcomes for users of ASX's cash equity clearing and settlement services as a whole (including investors and issuers as ultimate end users of such services).
  - 3.2. The Advisory Group may make recommendations to the Boards of ASX Clear and ASX Settlement in relation to changes to this charter.
  - 3.3. Each Advisory Group member is expected to:
    - a. Be actively and constructively engaged in meetings of the Advisory Group in a manner that meets industry and stakeholder expectations.
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- b. Share with the Advisory Group appropriate and useful information relevant to the strategic advisory role of the Advisory Group.
  - c. Act honestly and in good faith in the exercise of their role in the Advisory Group.
- 3.4. To ensure attendees of Advisory Group meetings reflect the senior industry practitioner level commensurate with the role of the Advisory Group, members will not be able to nominate a delegate or representative to attend Advisory Group meetings on their behalf if they are unable to attend themselves.
- 3.5. In the course of participating in the Advisory Group, members, observers and standing invitees may receive confidential or commercially, competitively or market sensitive information, although no party has an obligation to disclose any such information to the Advisory Group. Members, observers and standing invitees of the Advisory Group and ASX must:
- a. Treat as confidential any materials, information, views, opinions, recommendations, resolutions and minutes of meetings provided for or during meetings of the Advisory Group or otherwise for the purposes of the Advisory Group's operation, unless and until made public by ASX.
  - b. Not speak publicly for or about the Advisory Group, its meetings or its recommendations (other than the Chair in accordance with clause 4.5).
  - c. Not use any confidential or commercially, competitively or market sensitive information acquired in the course of participating in the Advisory Group for any other purpose than that for which it was provided.
  - d. Not attribute comments provided in Advisory Group meetings to a specific member, unless a member consents to the member's comments being attributed in any particular instance.
- 3.6. There may also be circumstances where ASX requires that members enter into a more specific confidentiality deed in favour of ASX before certain information is shared with them and they participate in Advisory Group meetings considering that information. This could occur, for example, where the information is considered to be market sensitive and to have continuous disclosure implications for ASX if shared with the Advisory Group.
- 3.7. Each Advisory Group member must disclose to the Advisory Group any interests or relationships that the member considers could reasonably be considered to influence that member's decisions.
- 3.8. If a member of the Advisory Group proposes to provide competitively sensitive information, or information in respect of which a member has an actual or a perceived or potential conflict, for discussion at a meeting, the Chair may determine that other members, observers or standing invitees should be recused from that meeting.
- 3.9. Members of the Advisory Group must not also be members of or attend other ASX cash equities clearing and settlement stakeholder forums, the Business Committee or the CHES Replacement Technical Committee. This does not apply to the Chair who may attend Business Committee meetings as provided for in clause 1.4, or to ASX Limited and its representative, the Managing Director and CEO.
- 3.10. Where ASX Clear and ASX Settlement consider that a member has failed to comply with:
- a. their responsibilities under this Charter, or
  - b. their obligations as the recipient of certain information under a specific confidentiality deed entered into by the member in accordance with clause 3.6,
- they may be removed as a member of the Advisory Group in accordance with clause 2.2.
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#### **4. Chair of the Advisory Group**

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- 4.1. The Chair of the Advisory Group will be appointed by the Boards of ASX Clear and ASX Settlement, in consultation with ASIC and the RBA.
  - 4.2. The appointment of the Chair will be for an initial term of three years, with the potential for reappointment in accordance with clause 4.1.
  - 4.3. The Chair will be a member of the Advisory Group.
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- 4.4. The Chair of the Advisory Group will be independent and must not hold or have held in the past 3 years:
- a. An executive position with ASX or a position as a director of an ASX Group Board; or
  - b. An executive position with any current member of the Business Committee.
- 4.5. The role of the Chair is to:
- a. Convene, set the agenda for, and attend and preside over meetings of the Advisory Group.
  - b. Take a leadership role in facilitating discussion and, where possible, identifying a consensus amongst Advisory Group members on matters being considered by the Advisory Group.
  - c. Report to the Boards of ASX Clear and ASX Settlement on the Advisory Group's discussions and recommendations.
  - d. Represent the Advisory Group in relation to media and other public engagement regarding meetings of the Advisory Group and its recommendations.
- 4.6. The Chair will present the recommendations of the Advisory Group to the meetings of the Boards of ASX Clear and ASX Settlement as required. The ASX Clear and ASX Settlement Boards generally meet at least 8 times per year, however it is expected that the Chair would generally only present at board meetings that immediately follow meetings of the Advisory Group, and would only do so where required to present recommendations of the Advisory Group.
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## **5. Meetings of the Advisory Group**

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- 5.1. The Advisory Group will meet at least quarterly. Meetings may occur more frequently, as determined by the Chair following consultation with the other members, if required to fulfill the Advisory Group's responsibilities.
- 5.2. The Chair will set the agenda for meetings of the Advisory Group in consultation with the other members. ASX and any member of the Advisory Group may propose matters for consideration by the Advisory Group.
- 5.3. The Chair may request other members to prepare papers for consideration by the Advisory Group.
- 5.4. The Chair will endeavour to ensure that the agenda and presentation material or papers are provided to all members at least one week prior to each meeting.
- 5.5. ASX will provide the facilities for meetings, and will provide the Secretariat to support the Advisory Group. The meetings will generally be held at ASX offices, Sydney, with video conferencing facilities.
- 5.6. A quorum for a meeting of the Advisory Group is a majority of its members (including the Chair).
- 5.7. Minutes of all meetings of the Advisory Group will be prepared by the Secretariat, for review by the members and approval by the Chair.
- 5.8. Advisory Group papers, minutes of meetings and any reports by the Advisory Group to the Boards of ASX Clear and ASX Settlement will be made available to all members, observers and standing invitees of the Advisory Group, ASIC and the Reserve Bank.
- 5.9. Advisory Group minutes may be made public by ASX, subject to any appropriate redactions.
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## **APPENDIX B: Advisory Group members**

Acting in their individual capacity, the Advisory Group is comprised of the following experienced industry leaders drawing on their backgrounds across a broad range of users of clearing and settlement services and other relevant program and governance expertise:

Alan Cameron AO (Independent Chair)

David Braga

Richard Burns

David Ferrall

Belinda Gibson

Helen Lofthouse (CEO and Managing Director, ASX Limited)

Marnie Reid

David Travers

Scott Webster

Chris Williams