

# ASX Cash Equities Clearing and Settlement Advisory Group Communique

20 November 2023

The ASX Cash Equities Clearing and Settlement Advisory Group (**Advisory Group**) held two meetings and provided advice to the boards of ASX Clear Pty Limited and ASX Settlement Pty Limited (**CS Boards**) ahead of ASX's announcement of the high-level solution design for CHES replacement.

Members of the Advisory Group met on 31 October and 9 November 2023, at which ASX management presented information on:

- The evaluation of four solution archetypes for CHES replacement.
- ASX management's preferred solution option, partner and solution integrator.
- The proposed implementation approach and an indicative project delivery timeline.

The Advisory Group has also been briefed by EY on its review of ASX's evaluation processes for the selection of delivery partners.

The Advisory Group was provided the opportunity to consider and discuss key strategic issues relating to the CHES replacement project. Members requested and were provided further information from ASX on a number of matters, including how ASX had considered the impact to the market in its evaluation and whether the preferred solution could support interoperability and competition in the future.

Following the two meetings, the Advisory Group provided advice to the CS Boards ahead of their decision. In that advice, the Advisory Group communicated that it considers the CS Boards are in a position to proceed with their decision-making on the high-level solution design for CHES replacement. The advice noted that the Advisory Group had considered the product-based solution, the preferred vendor and product, the appointment of solution integrator and the staged implementation approach.

The Advisory Group considers that a product-based solution, presented by ASX and assessed by it as having the lowest delivery risk, is an appropriate option to support a safe and timely replacement of CHES. The Advisory Group is supportive of the CS Boards selecting a vendor product that minimises the impact to industry by supporting the standard messaging interfaces developed for the previous iteration of the project and accommodating features of the Australian market without significant customisation.

In their advice, the Advisory Group also noted the importance of the passage of the competition in clearing and settlement legislation, together with the supporting ASIC rules that are expected to be developed next year, in providing the legislative and regulatory backing for interoperability.

The Advisory Group recommended that the CS Boards consider in their decision-making and make clear statements to their stakeholders on the following:

- The industry impact of the selected solution.
- The benefits to the market of the selected vendor and associated product, and how ASX has assessed its ability to deliver in a reasonable timeframe a post trade system that can manage the volume and complexity for the Australian market.
- Their commitment to building a system that is interoperable and can support competition in clearing and settlement in Australia, including a commitment to consult industry on the arrangements for interoperability and standard interfaces.

The next meeting of the Advisory Group is scheduled for 26 February 2024.

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**Alan Cameron AO**

Independent Chair, ASX Cash Equities Clearing and Settlement Advisory Group