



CHES Governance Statement

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CHESSE Governance Statement

1. Introduction

This CHESSE Governance Statement provides a guide to the governance framework that applies to CHESSE. It is intended to help stakeholders understand the roles and responsibilities of the different ASX governance forums relevant to CHESSE, including the delivery of the CHESSE replacement project and the CHESSE Roadmap. The CHESSE Roadmap is the program of work to support and maintain CHESSE until the implementation of CHESSE replacement.

CHESSE is operated by ASX Clear Pty Limited (**ASX Clear**) and ASX Settlement Pty Limited (**ASX Settlement**), which are licensed clearing and settlement (**CS**) facility operators under Part 7.3 of the Corporations Act 2001 (Cth).

ASX Clear and ASX Settlement are wholly owned subsidiaries of ASX Limited and are part of the ASX Group. Section 2 of this document describes the ASX Group structure and is intended to provide important background to the ASX governance framework.

The remainder of this document describes the ASX governance framework relevant to CHESSE. Sections 3, 4 and 6 of the document respectively describe the roles and responsibilities of the ASX Group Boards and ASX management, and the application of the ASX risk management framework. Section 7 describes the ASX project governance groups relevant to CHESSE, including the delivery of the CHESSE Roadmap and the CHESSE replacement project.

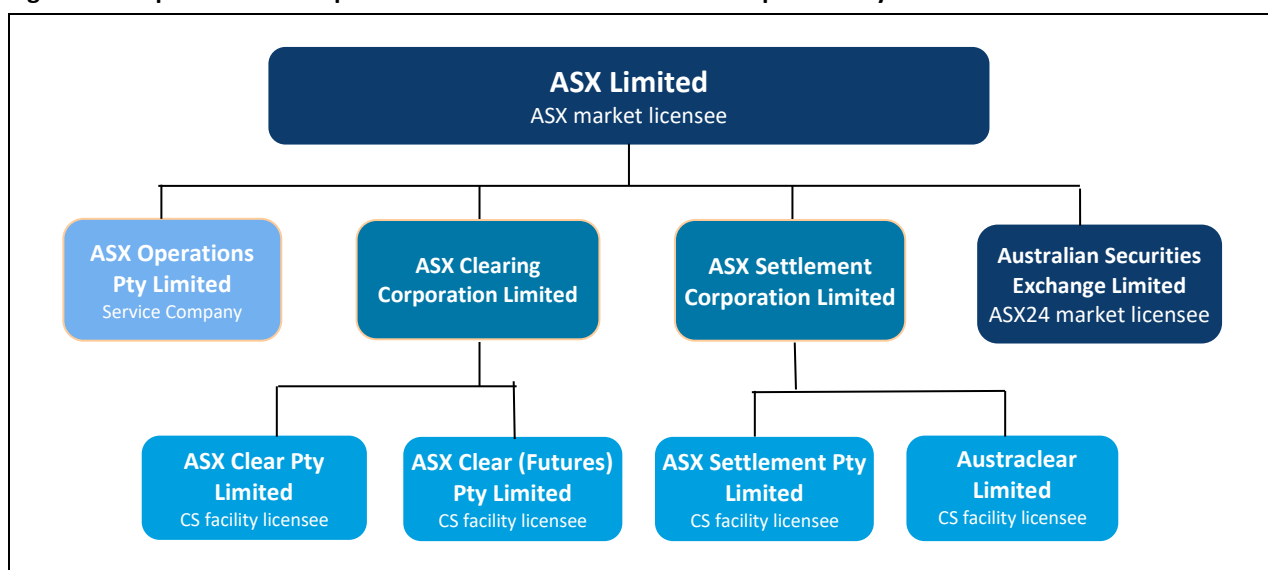
ASX has established formal stakeholder forums that have an important role in providing stakeholder input to ASX management and the Boards of ASX Clear and ASX Settlement in relation to cash equities clearing and settlement services and associated infrastructure. Namely, the ASX Cash Equities Clearing and Settlement Advisory Group, ASX Business Committee and ASX CHESSE Replacement Technical Committee. Details of these stakeholder forums, and their respective roles, are included in section 5 of this document.

ASX has appointed a 'CS Lead Executive' that is accountable to the Boards of ASX Clear and ASX Settlement for the operation of CHESSE. The CS Lead Executive also has overall accountability for delivery of the CHESSE Roadmap and CHESSE replacement project, with the Chief Information Officer being accountable for technical delivery. Further details are provided in section 4.2 of this document.

2. ASX Group Structure

The ASX Group includes **ASX Limited** and the **CS Subsidiaries**, which comprise the ASX Group CS facility licensees and their holding companies as set out in Figure 1.

Figure 1: Simplified ASX Group structure as relevant to the ASX Group CS facility licensees



The **ASX Group CS facility licensees** are:

- ASX Clear
- ASX Settlement
- ASX Clear (Futures) Pty Limited (**ASX Clear (Futures)**)
- Austraclear Limited (**Austraclear**).

The licensed clearing and settlement services provided by each of the ASX Group CS facility licensees are described in Table 1.

Table 1: Licensed clearing and settlement services provided by the ASX Group CS facility licensees

ASX Clear	Provides central counterparty (CCP) services for the ASX market and other approved Australian equity markets – Cboe Australia and National Stock Exchange of Australia (NSX). CCP services are provided to Cboe Australia and NSX under the Trade Acceptance Service.
ASX Settlement	Provides securities settlement facility (SSF) services for the ASX market and other approved Australian equity markets – Cboe Australia, NSX and Sydney Stock Exchange (SSX). Settlement services are provided to Cboe Australia and NSX under the Trade Acceptance Service, and to SSX under the Settlement Facilitation Service.
ASX Clear (Futures)	Provides CCP services for the ASX 24 market and for AUD and NZD-denominated OTC interest rate derivatives.
Austraclear	Provides SSF services for the Australian wholesale debt market.

The holding companies of the ASX Group CS facility licensees are ASX Clearing Corporation Limited (**ASX Clearing Corporation**) and ASX Settlement Corporation Limited (**ASX Settlement Corporation**).

ASX Clearing Corporation is the intermediate holding company for the two CCPs, ASX Clear and ASX Clear (Futures). Financial resources that the CCPs may use in the event of a participant default are held by ASX Clearing Corporation as trustee on behalf of ASX Clear and ASX Clear (Futures). ASX Settlement Corporation is the intermediate holding company for the two SSFs, ASX Settlement and Austraclear. It is a holding company only, with no operations.

ASX Clearing Corporation and ASX Settlement Corporation are direct subsidiaries of the ASX Group’s parent entity, ASX Limited. ASX Limited is also a market licensee and operates the ASX market. Another of its direct subsidiaries, Australian Securities Exchange Limited, is a market licensee and operates the ASX 24 market.

ASX Operations Pty Limited (**ASX Operations**) is the service company for the ASX Group.

3. Role and Responsibilities of ASX Group Boards

3.1. ASX Limited Board

The ASX Limited Board charter sets out its composition, operating procedures and the allocation of responsibilities between the ASX Limited Board, CS Boards, Board Committees and management. The charter is published on the [ASX website](#).

The ASX Limited Board is comprised of a majority of directors who are independent non-executives. The Chair is also an independent non-executive director.

The ASX Limited Board charter describes the role of the ASX Limited Board as providing leadership, guidance and oversight for the ASX Group. It sets out certain key responsibilities relevant to CHES and CHES replacement as summarised in Table 2.

Table 2: ASX Limited Board Charter – Key responsibilities of the ASX Limited Board relevant to CHES

Strategy and financial performance	<ul style="list-style-type: none"> • Define the ASX Group’s purpose and its strategic objectives. • Approve strategies developed by management in support of the ASX Group’s purpose and strategic objectives, and monitor the execution of these strategies by management.
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- Approve the annual budget and financial plans, and major corporate initiatives (including capital expenditure). Monitor ASX's financial performance.

Risk management

- Define the ASX Group's risk strategy and risk appetite.
- Oversee ASX's overall risk management framework and its operation by management, as well as the processes for identifying significant risks facing the ASX Group.
- Oversee systems of risk management and internal control and compliance, and satisfy itself that appropriate controls, monitoring and reporting mechanisms are in place.

The ASX Limited Board will consider and, where appropriate, approve the funding of major corporate initiatives relating to CHES and CHES replacement as part of its oversight of the ASX Group annual budget and financial plans.

The ASX Limited Board also has oversight of arrangements for the ASX Group as a whole to comply with its legal and regulatory obligations, including for ASX Clear and ASX Settlement to comply with their respective statutory licence obligations as CS facility licensees.

3.2. Clearing and Settlement (CS) Boards

The CS Boards have their own charter setting out their composition, operating procedures and responsibilities. The charter is published on the [ASX website](#).

Each of the CS Boards is comprised of a majority of directors who are independent non-executives. The Chair is also an independent non-executive director. For ASX Clear and ASX Settlement, there is an additional requirement that at least 50 percent of the non-executive directors are not also directors of ASX Limited ('**non-ASX directors**') and that the Chair is a non-ASX director.

These arrangements allow the non-ASX directors of ASX Clear and ASX Settlement to form a quorum and meet separately to consider matters that relate to providing clearing and settlement services to non-ASX affiliated market operators or listing venues, including the consideration of confidential and competitively sensitive information. The non-ASX directors may also meet separately to consider potential intra-group conflicts and any recommendations on the management of those intra-group conflicts.

The CS Boards charter describes the role of the CS Boards as providing leadership, guidance and oversight of the clearing and settlement operations of the ASX Group CS facility licensees and their intermediate holding companies. It sets out certain key responsibilities relevant to CHES and CHES replacement as summarised in Table 3.

Table 3: CS Boards Charter – Key responsibilities of the CS Boards relevant to CHES

Strategy	Approve the strategy developed by management to comply with the CS facility licensees' statutory and regulatory obligations, and monitor execution of the strategy by management.
Operational risk tolerance	Set the operational risk tolerance for the CS facility licensees, and in doing so, have regard to the legitimate business interests of ASX as a provider of capital to the CCPs.
Risk management framework & internal controls	Review and approve the risk management framework and oversee the adequacy of internal controls, systems and processes for the management of clearing and settlement risks of the CS facility licensees.
Oversee management systems and processes	Oversee management systems and processes for the purpose of: <ul style="list-style-type: none"> • ongoing compliance with the Financial Stability Standards • ongoing compliance with statutory obligations of the CS facility licensees • management of the CS facility licensees within risk appetite and operational risk tolerances.

The charter states that, in discharging these responsibilities, the CS Boards must have regard to the stability of the broader financial system, other relevant public interest considerations and the objectives of relevant stakeholders.

A key responsibility of the Boards of the ASX Group CS facility licensees is to oversee management systems and processes for ongoing compliance with their statutory licence obligations. A summary of these statutory licence obligations is provided in Table 4.

Table 4: Summary of statutory licence obligations

Financial Stability Standards & reduction of systemic risk	To the extent reasonably practicable, comply with the Financial Stability Standards and do all other things necessary to reduce systemic risk
Fair and effective provision of services	To the extent reasonably practicable, do all things necessary to ensure the facility's services are provided in a fair and effective way
Adequate supervisory arrangements	Have adequate arrangements for supervising the facility , including for: <ul style="list-style-type: none"> • handling conflicts between the licensee's commercial interests and its obligation to provide services in a fair and effective way • enforcing compliance with its operating rules
Sufficiency of resources	Have sufficient resources (including financial, technological and human resources) to operate the facility properly and provide the required supervisory arrangements
Compliance with licence conditions	Comply with the conditions on the licence

The CS Boards regularly receive reports from management on the operation and performance of CHES (including the CHES Roadmap) and the CHES replacement project. These management reports are generally presented to the concurrent meeting of the ASX Limited Board and the CS Boards, with further discussion at the CS Boards meeting as required.

Whilst reporting is generally provided to the concurrent meeting of the ASX Group Boards, it is the Boards of ASX Clear and ASX Settlement as the CS facility licensees responsible for CHES that will make decisions relating to the ongoing operation of current CHES and CHES replacement. The ASX Limited Board will subsequently make decisions relating to the funding of CHES and CHES replacement initiatives that have been approved by the Boards of ASX Clear and ASX Settlement. The ASX Limited Board also has oversight of arrangements for the ASX Group as a whole to comply with its legal and regulatory obligations, including for ASX Clear and ASX Settlement to comply with their respective statutory licence obligations as CS facility licensees.

In making these decisions, the Boards of ASX Clear and ASX Settlement have the benefit of the input and recommendations of the Board Committees and stakeholder forums in respect of matters relating to CHES and CHES replacement. The relevant stakeholder forums are the ASX Cash Equities Clearing and Settlement Advisory Group, ASX Business Committee and ASX CHES Replacement Technical Committee. Details of these stakeholder forums, and their respective roles, are included in section 5 of this document.

3.3. Board Committees

The ASX Limited Board has established four Board Committees to assist it in discharging its responsibilities – the Audit and Risk Committee, the Technology Committee, the People and Culture Committee and the Nomination Committee. The roles and responsibilities of each Board Committee are set out in their respective charters that are published on the [ASX website](#). The four Board Committees also perform their responsibilities for the CS Boards.

The two Board Committees most relevant to CHES and CHES replacement are the Technology Committee and the Audit and Risk Committee.

Technology Committee

The Technology Committee was established as a committee of the ASX Limited Board and the CS Boards in May 2022 to strengthen Board oversight of technology and data related strategies, operations, investments and projects, as well as technology related risks, including cyber security risks. Its responsibilities include oversight of CHES and CHES replacement.

The key responsibilities of the Technology Committee are set out in Table 5.

Table 5: Technology Committee Charter – Key responsibilities of the Technology Committee

Technology Strategy	<ul style="list-style-type: none"> Oversee the implementation of the ASX Group’s technology, data and cyber security strategies.
Technology Performance & Assets	<ul style="list-style-type: none"> Receive reports from management on the performance of the ASX Group’s technology systems, with a focus on systems supporting licensed activities. Oversee the ASX Group’s arrangements for managing system risk associated with technology assets.
Technology Projects	<ul style="list-style-type: none"> Oversee the ASX Group’s technology project implementation.
Cyber Resilience & Technology Risks	<ul style="list-style-type: none"> Oversee the adequacy of the strategy for identifying, mitigating and managing the ASX Group’s cyber risks, and the effectiveness of cyber resilience risk control systems. Oversee the ASX Group’s strategies for mitigating and managing technology, delivery and data risks.

The Technology Committee also assists the CS Boards to review and oversee arrangements for the CS facility licensees to achieve compliance with their statutory obligations as licence holders in relation to technological resources and human resources (with respect to technology) for operating the CS facilities.

The Technology Committee has received regular reports on the CHES replacement project since the Committee was established in May 2022. It has also received regular reports from the CS Lead Executive on the operation and performance of CHES, from the Chief Information Officer (**CIO**) on technology and cyber security risks, and from the Chief Operating Officer (**COO**) on project and operational risks.

Specific risks relating to the ongoing operation of CHES (including the CHES Roadmap) and the CHES replacement project are reported to and considered by the Technology Committee. This includes reporting on the ongoing operation of CHES within risk appetite, project delivery risks relating to the CHES Roadmap and CHES replacement and associated assurance programs.

The role of the Technology Committee in respect of CHES and CHES replacement is to assist the ASX Limited and CS Boards by providing focused oversight of technology matters (including project implementation and technology related risks). The Technology Committee may provide recommendations to the ASX Limited and CS Boards based on its detailed consideration of technology matters related to CHES or CHES replacement. However, the Boards remain responsible for oversight of CHES and CHES replacement and have not delegated this responsibility or any decision-making authority to the Technology Committee.

The Technology Committee meets quarterly and there is a requirement for at least one member of the Committee to be a non-ASX director of the CS Boards. The papers and minutes of Committee meetings are made available to all ASX Limited and CS Boards directors.

The Chair of the Technology Committee reports to the ASX Limited Board and the CS Boards on matters considered by the Technology Committee, including any technology matters relating to CHES and CHES replacement that are considered by the Committee (including technology related risks and project implementation).

Audit and Risk Committee

The Audit and Risk Committee (**ARC**) was established by the ASX Limited Board to assist it to discharge certain responsibilities, including those related to overseeing the identification of significant risks facing the ASX Group and arrangements for implementing appropriate controls, monitoring and reporting mechanisms.

The ARC has also been appointed as the audit and risk committee of the CS Boards for certain matters, including to oversee risk matters that are not otherwise overseen by the CS Boards and Technology Committee, and to oversee the preparation of the Cash Market Clearing and Cash Market Settlement Management Income Statements.

The ARC also assists the CS Boards to review and oversee arrangements for the CS facility licensees to achieve compliance with their statutory obligations as licence holders, excluding those matters overseen by the Technology Committee.

Since the Technology Committee was established in May 2022, the ARC is no longer responsible for oversight of technology risks. However, the ARC does review and provide oversight of the ASX Group's response to significant operational incidents, including those relating to technology performance.

The ARC receives regular reports from the Chief Financial Officer (**CFO**) on financial matters, the Chief Risk Officer (**CRO**) on enterprise risk matters, the General Manager of ASX's Participants Compliance function and the Chief Compliance Officer (**CCO**) on matters relating to the monitoring and enforcement of compliance with ASX's operating rules, as well as reports from ASX's internal and external auditors.

The CRO report has an enterprise focus and may include commentary on risks related to CHES and CHES replacement from the perspective of ASX's enterprise risk management framework. For example, risks related to CHES and CHES replacement may inform the assessment of Board-level Key Risk Indicators (KRIs) that are monitored and reported on a quarterly basis, as well as the overall assessment of whether the enterprise is operating within risk appetite. To the extent relevant to the enterprise wide assessment, the CRO report may also include commentary on CHES related assurance programs. However, specific risks relating to the ongoing operation of CHES (including the CHES Roadmap) and the CHES replacement project are reported to and considered by the Technology Committee.

The ARC reviews and may provide recommendations to the ASX Limited and CS Boards on the enterprise risk management framework, including as it relates to CHES or CHES replacement. However, the Boards remain responsible for oversight of the enterprise risk management framework and have not delegated this responsibility to the ARC.

The ARC meets quarterly and there is a standing invitation for the Chair of the CS Boards to attend Committee meetings. The papers and minutes of Committee meetings are made available to all ASX Limited and CS Boards directors.

The ARC Chair reports to the ASX Limited Board and the CS Boards on matters considered by the ARC, including any matters relating to CHES and CHES replacement that are considered by the Committee.

4. Roles and Responsibilities of Management

4.1. Chief Executive Officer and Group Executives

The ASX Limited Board has delegated the day-to-day management of the ASX Group and the implementation of Board-approved strategies to the Managing Director and CEO (**CEO**), who in turn delegates to the executive management team subject to the financial and other limits set by the Board. The CEO is accountable to the Board for the authority delegated to all levels of management.

The ASX Limited Board charter describes the CEO's key responsibilities as including:

- developing ASX's strategic objectives and strategies for Board approval
- executing the Board-approved strategy and achieving ASX's strategic objectives
- day-to-day management and operation of ASX in accordance with the risk appetite set by the Board, the policies and procedures adopted by the Board, and implementation of processes, policies, systems and controls that are necessary or appropriate to manage the ASX Group
- timely presentation of information to the Board to enable the Board to fulfil its responsibilities.

The CS Boards have also delegated day-to-day management of the CS Subsidiaries to the CEO. The CS Boards charter describes the CEO's key responsibilities as including:

- implementing the strategy and achieving the business objectives for the CS Boards
- day-to-day management and operation of the CS Subsidiaries in accordance with applicable policies and procedures adopted by the CS Boards and ASX Limited Board
- timely presentation of information to the CS Boards to enable the CS Boards to fulfil their responsibilities.

The CEO is accountable for allocating and prioritising resources across the ASX Group, including for the operation of the CS facilities. Resources are typically made available to ASX Group companies under an intragroup support agreement. This includes financial, human and technological resources, and any other resources required by the ASX Group.

The CEO has established an executive management team comprising the CEO and all Group Executives. The Executive Team meets regularly, and meetings are normally chaired by the CEO. The Executive Team operates in parallel to the formal management committees (see section 4.3 below) and considers business division updates, strategy, new business initiatives, non-risk related frameworks, people matters, budgets, risk and escalation issues. Decisions about these matters are made by the appropriate Group Executive at or outside of an Executive Team meeting. The Executive Team itself is not a decision making body and does not exercise any delegated authority from the CEO. It is a forum for Group Executives to consider matters that may impact all, or a substantial part, of the ASX Group.

Each Group Executive reports directly to the CEO. ASX has written agreements in place with each of the Group Executives setting out the terms of their appointment. Accountability Statements have also been put in place for all Group Executives setting out the allocation of responsibilities to executives across the ASX Group. A summary of executive accountabilities relevant to CHES and CHES replacement that have been allocated to Group Executives in their respective Accountability Statements is provided in **Appendix 1**.

4.2. CS Lead Executive

The Group Executive, Securities and Payments has been identified as the 'CS Lead Executive' accountable to the CS Boards for the operation of the cash equities CS facilities, and the achievement of strategies and objectives for the cash equities CS facilities as determined by the relevant CS Boards. The CS Boards charter states that each CS facility licensee's CS Lead Executive is responsible for:

- the operation of the CS facility
- developing objectives, strategies and goals for the CS facility in a manner that aligns with ASX's risk appetite, subject to CS Boards review and approval
- delivering the objectives, strategies and goals approved by the CS Boards
- assessing and making recommendations to the CEO regarding sufficiency of financial, technical and human resources required to operate the licensees, including escalating to the CEO any material risks concerning the adequacy of resources
- providing input on ASX's risk appetite
- risk management of the CS facility within ASX's risk appetite and the clearing and settlement risk management framework for the facility.

The CS Lead Executive is the executive sponsor of both the CHES Roadmap and CHES replacement project. Whilst the CS Lead Executive has overall accountability for delivery of both projects, the CIO is the Group Executive accountable for technical delivery. The CS Lead Executive and the CIO are both members of the CHES Strategic Guidance Group and the CHES Replacement Strategic Guidance Group that provide a forum for discussion by relevant Group Executives. These are key project governance groups, with the CS Lead Executive being the Chair and sole decision maker, and the CIO providing expert input on technical delivery. In practice, the interests of the CS Lead Executive and the CIO are aligned in the delivery of the projects. If a potential conflict arises, the Group Executives can use their direct reporting line to the CEO. If required, matters can also be reported to the ASX Board and the CS Boards.

The CS Lead Executive also has overall accountability for the CHES Replacement Partnership Program, with the CFO accountable for the administration of payments under the program. ASX announced the CHES Partnership Program in February 2023 with its purpose being to recognise the need for continued support from relevant stakeholders with respect to the successful progress and completion of the CHES replacement project. The program represents a contribution of up to a total of \$70 million across eligible stakeholders through two components, the Participant Rebate Pool and the Development Incentive Pool. Further details on the design and eligibility criteria for participation in the program are provided on the [ASX website](#).

4.3. Management Committees

ASX has established management committees comprised of senior executives that exercise certain delegated authorities from the CEO. The management committees most relevant to CHES and CHES replacement are the Technology Management Committee, Risk Committee and Regulatory Committee.

Technology Management Committee

The Technology Management Committee is a senior management committee chaired by the CIO. The CIO exercises delegated authority from the CEO to oversee the ASX's technology and cyber security strategies, and the investments to support such strategies, and is the sole decision maker on the Committee.

The other members of the Technology Management Committee are the CEO, COO, CRO, Chief Technology Officer and the General Manager, Technology Security & Governance. The members are responsible for participating in the discussions of the Committee and may provide recommendations to the Chair to assist the Chair to discharge their responsibilities.

The key responsibilities of the Technology Management Committee are to:

- review and, as appropriate, make recommendations to the Board regarding enterprise-wide technology and cyber security strategies, and significant investments in support of ASX's business strategy
- review and discuss technology and cyber security-related policies, outside the matters carried out by the ASX Group Boards and Board Committees
- review major technology and cyber security risk exposures, including resources, incidents, information security and cyber security and the steps taken to monitor and control such exposures
- monitor industry trends that may affect the technology and cyber security strategies
- oversee processes in place to ensure ASX Group licensees can meet their relevant licence obligations
- may recommend matters for referral to the CEO or relevant ASX Group Boards or Board Committees.

The Technology Management Committee receives regular reports from management on the support and maintenance of CHES, and on the CHES replacement project.

The Technology Management Committee reports to the ASX Group Boards and the Board Technology Committee as appropriate on matters relevant to those bodies. It also reviews ASX's risk management and risk assessment guidelines and policies regarding technology and cyber security risks with the CRO.

Risk Committee

The Risk Committee is a senior management committee chaired by the CRO and has been established to ensure the adequacy and appropriateness of the risk management frameworks, policies, processes and activities of the ASX Group. The CRO exercises delegated authority from the CEO to manage the framework associated with risk management of the ASX Group and is the sole decision maker on the Committee.

The other members of the Risk Committee are the CEO, CFO, CIO, COO, CCO, Chief People Officer, Group General Counsel, Group Executive – Markets, Group Executive – Securities & Payments, Group Executive – Listings and Group Executive – Technology and Data. The members are responsible for participating in the discussions of the Committee and may provide recommendations to the Chair to assist the Chair to discharge their responsibilities.

The key responsibilities of the Risk Committee are to:

- oversee the implementation and adequacy of the ASX's enterprise risk management framework and risk processes to seek to ensure risks are being managed within Board approved risk appetite
- monitor the effectiveness of ASX's internal control system
- review and approve key risk management policies, standards and procedures. This includes clearing risk policies and procedures
- review key findings from internal audit reviews and ensure key risk issues are addressed on a timely basis
- seek to ensure that there is an adequate flow of information to the ARC and CS Boards to allow them to fulfil their remits with respect to risk management.

The Risk Committee reports to the CS Boards and ARC as appropriate on matters relevant to those bodies.

Regulatory Committee

The Regulatory Committee is a senior management committee chaired by the Group General Counsel. The other members of the Regulatory Committee are the CEO, CRO, CCO, Group Executive – Markets and Group Executive – Securities & Payments.

The Regulatory Committee exercises delegated authority from the CEO to oversee policy development in relation to the operation and conduct of ASX's licensed activities, with the exception of clearing risk and settlement risk policy that is the responsibility of the Risk Committee. Decisions of the Committee are by consensus, as determined by the Chair.

The Committee receives reports from management on compliance monitoring and reporting arrangements with respect to the fair and effective licence obligations of the CS facility licensees. The Committee also determines when a matter should be referred to an ASX Group Board or Board Committee.

The Chair of the Regulatory Committee reports to the ASX Group Boards and Board Committees as appropriate on matters relevant to those bodies.

5. Stakeholder Forums

5.1. ASX Cash Equities Clearing and Settlement Advisory Group

ASX has established the ASX Cash Equities Clearing and Settlement Advisory Group. The Advisory Group has an important role in providing stakeholder input to the Boards of ASX Clear and ASX Settlement on strategic matters related to cash equities clearing and settlement services and associated infrastructure. This includes CHES and CHES replacement.

The Advisory Group meets at least four times a year. It has an independent Chair and its members are comprised of a small group of senior industry practitioners that collectively have the broad range of skills and experience required to support its strategic advisory role. The members participate in their individual capacity and are required to act in the interests of the overall cash equities market, with a focus on delivering the best outcomes for end users. This differs from the ASX Business Committee and ASX CHES Replacement Technical Committee that each have a large number of members who participate as representatives of their respective organisations.

The CEO of ASX is a member of the Advisory Group. The CS Lead Executive has a standing invitation to attend meetings, and a non-ASX director of the Boards of ASX Clear and ASX Settlement may also attend meetings as an observer.

The Chair will present the recommendations of the Advisory Group directly to the Boards of ASX Clear and ASX Settlement. The Boards of ASX Clear and ASX Settlement will receive the Advisory Group's recommendations on a 'comply or explain' basis and if they do not accept a recommendation, they will jointly provide a written explanation to the Advisory Group.

5.2. ASX Business Committee

ASX has established the ASX Business Committee under the *ASX Cash Equities Clearing and Settlement Code of Practice*. The Business Committee has an important role in providing stakeholder input to ASX management and the Boards of ASX Clear and ASX Settlement in relation to the ongoing operation and development of cash equities clearing and settlement services and associated infrastructure. This includes CHES and CHES replacement.

The Business Committee meets at least four times a year. It has an independent Chair and is comprised of clearing participants, settlement participants, approved market operators, share registries, other relevant stakeholders and their associated industry associations. Members participate in the ASX Business Committee as representatives of their respective organisations.

The CS Lead Executive, CIO and CRO attend meetings of the Business Committee and receive direct input and recommendations from stakeholders in relation to CHES and CHES replacement through this forum.

Reports from the Business Committee are prepared by its Chair and are provided directly to the Boards of ASX Clear and ASX Settlement. The *ASX Cash Equities Clearing and Settlement Code of Practice* requires the Boards of ASX Clear and ASX Settlement to receive recommendations of the Business Committee on a 'comply or explain' basis. If the Boards do not accept a recommendation, they will jointly provide a written explanation to the Business Committee.

5.3. ASX CHES Replacement Technical Committee

ASX has established the ASX CHES Replacement Technical Committee as a sub-committee of the ASX Business Committee. It has an important role in providing stakeholder input to ASX management and the Boards of ASX Clear and ASX Settlement in relation to CHES replacement, with a focus on detailed operational and technical matters.

The Technical Committee meets monthly or as scheduled in alignment with the CHES replacement project plan. Its members are intended to be representative of impacted stakeholders and are comprised of representatives of members of the Business Committee and third party software vendors. The Chair of the Business Committee is also a member of the Technical Committee.

The CIO and senior members of ASX's CHES replacement project team attend meetings of the Technical Committee and receive direct input and recommendations from stakeholders through this forum.

Reports from the Technical Committee are prepared by its Chair and provided to the Business Committee. The Technical Committee does not report directly to the Boards of ASX Clear and ASX Settlement, noting the detailed operational and technical nature of the matters discussed. However, the minutes of the Technical Committee are made available to the Boards and, where appropriate, the Business Committee may include matters discussed at the Technical Committee in its report to the Boards.

6. Risk Management

6.1. Division of responsibilities

ASX has a multi-layered approach to the identification, monitoring and management of enterprise risk. Responsibility is held across the ASX Group, including by the ASX Group Boards and Board Committees, management and specialist functions such as enterprise risk management and internal audit.

The ASX Limited Board's responsibilities relevant to risk management include:

- setting ASX's risk strategy and risk appetite
- overseeing ASX's overall risk management framework and its operation by management
- overseeing the processes for identifying significant risks facing the ASX Group
- overseeing systems of risk management and internal control and compliance
- satisfying itself that appropriate controls, monitoring and reporting mechanisms are in place.

The CS Boards responsibilities relevant to risk management include:

- setting the operational risk tolerances for the CS facility licensees
- reviewing and approving the risk management framework
- overseeing the adequacy of internal controls, systems and processes for the management of clearing and settlement risk of the CS facilities
- managing the CS facilities within the ASX risk appetite and operational risk tolerances set by the CS Boards

Management is responsible for executing the risk strategy approved by the ASX Limited Board and for managing the CS facilities within the risk appetite approved by the ASX Limited Board and operational risk tolerances approved by the CS Boards. Management is also responsible for identifying, monitoring, mitigating and reporting on risks relating to the CS facilities.

The management committees assist with the oversight and management of risks. The Risk Committee has oversight of the implementation of ASX's enterprise risk management framework, approves risk policies and considers general risk matters consistent with the risk appetite approved by the ASX Limited Board. The Regulatory Committee has oversight of licence compliance matters, develops and approves policies, and considers updates on regulatory and government engagement and ASX rule changes. The Technology Management Committee has oversight of IT security matters, systems updates and incident management, and considers emerging technology, operational and security risks.

6.2. Risk management framework

ASX has an established enterprise risk management framework that encompasses the ASX risk strategy and appetite, risk culture and behaviours, and supporting frameworks and processes governing risk assessment, monitoring and reporting.

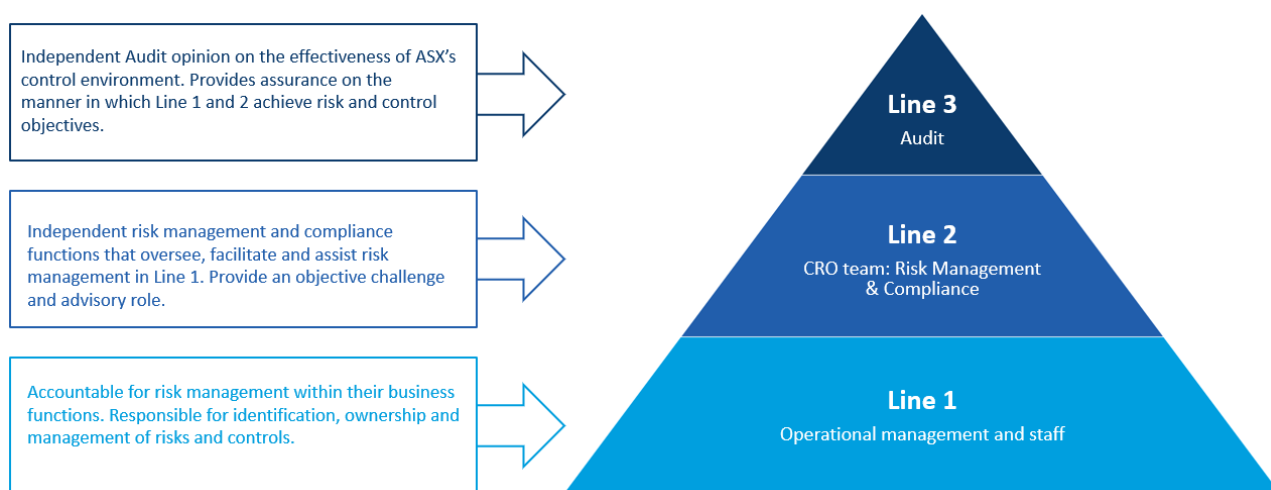
ASX’s enterprise risk management function has day-to-day responsibility for implementation of the enterprise risk management framework. The ARC reviews the enterprise risk management framework annually.

ASX’s enterprise risk management framework is founded on the Three Lines of Defence model, which sets out clear roles and responsibilities for managing risks and controls across the organisation.

The Three Lines of Defence are as follows:

- **Line 1** is risk management within the business divisions and functions, including the identification, assessment, monitoring, reporting and escalation of risks. This includes all business divisions and functions that are responsible for the operation of current CHES, as well as delivery of the CHES Roadmap and CHES replacement project.
- **Line 2** is the independent risk management and compliance functions that develop risk and compliance frameworks and policies and oversee and challenge risk management in Line 1. This includes the Enterprise Risk and Enterprise Compliance functions that report to the CRO.
- **Line 3** is the independent assurance function (including Internal Audit).

Figure 2 Graphical representation of the Three Lines of Defence within the ASX organisational structure



The identification and assessment of risks relating to the resilience, reliability, integrity, and security of CHES are addressed as part of this overarching risk management framework.

6.3. Internal Audit

Internal Audit is an independent assurance function. Its role is to provide the ASX Limited Board, CS Boards and management with assurance that ASX has effective, adequate and efficient internal controls in place to support the achievement of its objectives, including the management of risk. It also provides advice on ASX’s internal controls and business processes.

Each financial year the Internal Audit function develops an internal audit plan in conjunction with management for review and approval by the ARC. The plan is developed using a risk based approach and may be varied during the year to respond to changes in the business environment, business risks or organisational priorities. The plan also has regard to the scope and timing of any assurance work conducted by external providers.

The Internal Audit function provides regular reports to management, the ARC and the CS Boards on key findings from internal audits and the implementation status of agreed internal audit recommendations. Management remains responsible for risk management and the operation and enhancement of internal controls, as well as for implementing agreed internal audit recommendations.

The General Manager, Internal Audit reports to the CFO for administrative purposes and has a direct reporting line to the Chair of the ARC in relation to the performance of the Internal Audit function. The General Manager, Internal Audit also has direct access to the CS Boards.

The Internal Audit function has its own charter that sets out its objectives, role, responsibilities, authority and accountability. The charter is published on the [ASX website](#).

7. Project Governance Groups

The *ASX Delivery Framework* governs the delivery of projects across the organisation. Individual projects are assessed and classified according to risk and complexity, which then determines the applicable delivery governance framework. The CHES Roadmap and the CHES replacement project have both been classified as ‘Tier 1’ (high risk) projects under the framework.

The *ASX Delivery Framework* comprises three layers of governance groups – enterprise level, business portfolio level and project level. The key project governance groups relevant to the CHES Roadmap and the CHES replacement project are summarised below:

ENTERPRISE LEVEL Portfolio Governance Group
BUSINESS PORTFOLIO LEVEL Portfolio Working Group - Securities & Payments Business
PROJECT LEVEL CHES Strategic Governance Group / CHES Replacement Strategic Governance Group

Table 6 provides a summary of the purpose, decision making authority and reporting for each of these project governance groups. Details of the Chair and members of each project governance group is set out in **Appendix 2**.

Information and outcomes from each project governance group are included in the respective Chair’s management report to the ASX Limited Board and CS Boards, and the Board Technology Committee. The respective Chairs also provide information and outcomes from their project governance groups to the Technology Management Committee and Risk Management Committee relevant to those committees performing their responsibilities.

Table 6: Summary of key project governance forums relevant to CHES Roadmap and CHES Replacement Project

Portfolio Governance Group (PGG)	<p>Enterprise level senior management governance group chaired by the COO.</p> <p>The Chair exercises delegated authority from the CEO to oversee delivery of ASX’s portfolio of projects and is the sole decision maker of the PGG. The members may provide recommendations to the Chair to assist the Chair to discharge their responsibilities.</p> <p>Purpose: Oversees project delivery across ASX’s portfolio of projects in accordance with the ASX Delivery Framework. Oversees the allocation and prioritisation of resources across ASX’s portfolio of projects in accordance with the approved ASX budget and portfolio business plans, including inter-dependency planning. Oversees delivery of business outcomes across the ASX portfolio of projects. Provides a forum to manage risks escalated from line of business Portfolio Working Groups or risks that may have enterprise-wide impact.</p> <p>Decision making: Reviews the project business case, project plan and project budget for proposed projects referred to the PGG from a Project Working Group, and may recommend approval by the CEO or the ASX Limited board in accordance with the Financial Delegations Policy. Reviews change requests related to approved project budgets referred to the PGG from a Project Working Group or Strategic Guidance Group and may recommend approval by the CEO or the ASX Limited board in accordance with the Financial Delegations Policy.</p>
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Reporting: Receives regular reports from each line of business Portfolio Working Group, including the Securities & Payments Portfolio Working Group.

Portfolio Working Group – Securities & Payments (S&P PWG)

Business portfolio level senior management governance group chaired by the Portfolio Executive Sponsor (Group Executive, Securities & Payments).

The Chair exercises delegated authority from the CEO to oversee delivery of projects within the Securities and Payments (**S&P**) business portfolio in accordance with the approved business portfolio budget and business plan. The Chair is the sole decision maker of the S&P PWG. The members may provide recommendations to the Chair to assist the Chair to discharge their responsibilities.

Purpose: Oversees project delivery across the S&P business portfolio in accordance with the ASX Delivery Framework. Oversees the allocation and prioritisation of resources across the business portfolio in accordance with the approved business portfolio budget and business plan, including inter-dependency planning. Oversees delivery of business outcomes for projects in the business portfolio. Provides a forum to manage risks escalated from projects within the portfolio, or risks that may have portfolio-wide impact.

Decision making: Approves the business case, project plan and project budget for each project in the business portfolio, and any change requests, that are within the business portfolio budget and the approval limits of the Chair of the S&P PWG under the Financial Delegations Policy. Proposed projects and change requests where the amount of the project budget would exceed the business portfolio budget or the approval limits of the Chair of the S&P PWG under the Financial Delegations Policy are reviewed and may be referred to the Project Governance Group. Approves the allocation of the approved portfolio budget to projects in the business portfolio in accordance with the Financial Delegations Policy. Approves the release of funding for projects in the business portfolio in accordance with the approved project budget (except for Tier 1 projects where this approval is provided by the relevant Strategic Guidance Group).

Reporting: Receives regular reports from the Strategic Guidance Group for each Tier 1 project within the portfolio, including the CHES Strategic Guidance Group and the CHES Replacement Strategic Guidance Group. Reports to PGG in respect of the overall delivery status of projects within the S&P business portfolio.

CHES Strategic Guidance Group (CHES SGG)

Senior management governance group chaired by the CHES Roadmap Executive Sponsor (Group Executive, S&P).

The Chair exercises delegated authority from the CEO to oversee delivery of the CHES Roadmap in accordance with the approved project budget, project business case and project plan. The Chair is the sole decision maker of the CHES SGG. The members may provide recommendations to the Chair to assist the Chair to discharge their responsibilities.

Purpose: Oversees delivery of the CHES Roadmap in accordance with the ASX Delivery Framework. Oversees delivery of the project in accordance with the approved project budget, project business case and project plan, including resource allocation and resource management, and inter-dependency planning. Oversees delivery of business outcomes for the project. Provides a forum to escalate any risks that may impact delivery of the project.

Decision making: Approves change requests to the approved project business case or project plan that are within the approved project budget. Change requests that exceed the approved project budget are reviewed and may be referred to the Portfolio Working Group or Project Governance Group in accordance with the approval limits under the

Financial Delegations Policy. Approves the release of funding for the project in accordance with the approved project budget.

Reporting: Reports to the S&P PWG.

CHES Replacement Strategic Guidance Group (CHES Replacement SGG)

Senior management governance group chaired by the CHES Replacement Project Executive Sponsor (Group Executive, S&P).

The Chair exercises delegated authority from the CEO to oversee delivery of the CHES Replacement project in accordance with the approved project budget and project plan. The Chair is the sole decision maker of the CHES Replacement SGG. The members may provide recommendations to the Chair to assist the Chair to discharge their responsibilities.

Purpose: Oversees delivery of the CHES replacement project in accordance with the ASX Delivery Framework. Oversees delivery of the project in accordance with the approved project budget, project business case and project plan, including resource allocation and resource management, and inter-dependency planning. Oversees delivery of business outcomes for the project. Provides a forum to escalate any risks that may impact delivery of the project.

Decision making: Approves change requests to the project business case or project plan that are within the approved project budget. Change requests that exceed the approved project budget are reviewed and may be referred to the Portfolio Working Group or Project Governance Group in accordance with the approval limits under the Financial Delegations Policy. Approves the release of funding for the project in accordance with the approved project budget.

Reporting: Reports to the S&P PWG.

8. Document Control

The CS Lead Executive for the cash equities CS facilities is the document owner and is responsible for the ongoing review and revision of this CHES Governance Statement.

This CHES Governance Statement will be revised as required and will be reviewed no less than annually.

Version	Date	Summary of changes

Appendix 1: Summary of Accountability Statements for relevant Group Executives

Executive	Accountabilities for CHES Operations	Accountabilities for CHES Roadmap	Accountabilities for CHES Replacement Project
CEO	<p>Accountable for:</p> <ul style="list-style-type: none"> Exercising senior executive responsibility for management and control of ASX's operations Determining the delegated responsibilities of direct reports and supervising the discharge of their responsibilities Allocating and prioritising resources across ASX with a view to allocating sufficient resources (including financial, technological and human resources) to operate the CS facilities and for the required supervisory arrangements to be provided 		
Group Executive, Securities & Payments (S&P)	<p>As the CS Lead Executive and executive sponsor of CHES, accountable for:</p> <ul style="list-style-type: none"> Overall operation of CHES Developing and delivering the S&P Function's strategy and business plan in a manner that aligns with ASX's strategy Complying with laws and regulations applicable to the S&P Function, and monitoring and responding to any legal and regulatory changes relevant to the S&P Function or its activities Establishing and maintaining the organisational structure and internal governance arrangements for the S&P Function Supervising the responsibilities as the 'First Line of Defence' under ASX's Enterprise Risk Management Framework within the S&P Function Implementing the ASX Business Continuity Management Framework in the S&P Function Complying with relevant IT policies, including information security and cyber security policies, as they apply to the S&P Function Delivering the CHES capabilities and governance framework for monitoring and managing the performance and operation of CHES 	<p>As the executive sponsor of the CHES Roadmap, accountable for:</p> <ul style="list-style-type: none"> Overall delivery of the CHES Roadmap Adhering to ASX's Delivery Framework in relation to the project Owning and endorsing the CHES Roadmap with consideration to specific CHES risks, and delivery of capabilities to mitigate these risks, including reliability, availability, resourcing, IT asset, compliance, performance, capacity and security Seeking to ensure adequacy of resources to support the CHES Roadmap Determining prioritisation of initiatives under the CHES Roadmap and escalating through appropriate channels for resourcing approval Reviewing and overseeing delivery of initiatives under the CHES Roadmap with consideration to risks relating to performance of CHES Completing actions to address issues and deficiencies identified through self-assessments and regulatory assessments in line with ASX's regulatory commitments 	<p>As the executive sponsor of the CHES replacement project, accountable for:</p> <ul style="list-style-type: none"> Overall delivery of the project (with the Chief Information Officer being accountable for technical delivery of the project) Adhering to ASX's Delivery Framework in relation to the project Determining prioritisation of initiatives between CHES Roadmap and CHES Replacement Reviewing product design for CHES Replacement with consideration to business requirements Overall delivery of the CHES Replacement Partnership Program (with the Chief Financial Officer being accountable for administering payments under the program) Facilitating stakeholder engagement for CHES Replacement Completing actions to address issues and deficiencies identified through self-assessments and regulatory assessments in line with ASX's regulatory commitments Arranging periodic assurance at key stages of the project

	<ul style="list-style-type: none"> • Ongoing monitoring and management of risks to the performance of CHES, availability of services and adequacy of resources • Providing technical support and maintenance of CHES and associated projects across application support, software engineering and testing • Providing the operations and non-technical support of CHES and management of CHES users, issues/financial project lifecycle management • Completing actions to address issues and deficiencies identified through self-assessments and regulatory assessments in line with ASX's regulatory commitments 		
Chief Information Officer	<p>Accountable for:</p> <ul style="list-style-type: none"> • Supervising the responsibilities as the 'First Line of Defence' under ASX's Enterprise Risk Management Framework within the Enterprise Technology Function • Implementing the ASX Business Continuity Management Framework in the Enterprise Technology Function • Complying with relevant IT policies, including information security and cyber security policies, as they apply to the Enterprise Technology Function • Ownership of the ASX technology strategy from overall accountability perspective, including selection and operation of the right technologies to support the organisation • Defining and implementing the ASX Technology strategy in alignment with the overall ASX strategy to deliver a stable and sustainable technology capability • Responsible for developing and maintaining the infrastructure services, including database, 	<p>Accountable for:</p> <ul style="list-style-type: none"> • Adhering to ASX's Delivery Framework in relation to the project • Delivering outcomes assigned to Enterprise Technology under the S&P Domain Roadmap • Aligning architecture and design to enterprise technology principles and roadmaps • Managing technology vendors with respect to technology architecture, design and delivery 	<p>Accountable for:</p> <ul style="list-style-type: none"> • Adhering to ASX's Delivery Framework in relation to the project • Delivering the design of the new CHES replacement solution and presenting the business case to the Boards of ASX Clear, ASX Settlement and ASX Limited for approval • Establishing and facilitating the ASX CHES Replacement Technical Committee • Technology delivery of the CHES Replacement project • Aligning architecture and design to enterprise technology principles and roadmaps • Managing technology vendors with respect to technology architecture, design and delivery. • Completing actions to address issues and deficiencies identified through self-assessments and regulatory assessments in line with ASX's regulatory commitments

	<p>hosting platforms and servers, networking, workplace technology and datacentre</p> <ul style="list-style-type: none"> • Developing and implementing processes for identity and access management and reporting; • Developing and monitoring the implementation of ASX's cyber security framework 		
Chief Risk Officer	<p>Accountable for:</p> <ul style="list-style-type: none"> • Developing and maintaining ASX's Enterprise Risk Management Framework (ERMF), including Enterprise Risk, Enterprise Compliance, Participants Compliance, Clearing Risk, for approval by the Board • Reviewing and challenging the effectiveness of Line 1 teams in their identification and assessment of risks and control environment • Monitoring ASX's material risks and reporting on the effectiveness of key controls and mitigations to the Audit and Risk Committee • Monitoring ASX's risk appetite and advising the Risk Committee and Audit and Risk Committee where risks may be outside of risk appetite • Completing actions to address issues and deficiencies identified through self-assessments and regulatory assessments in line with ASX's regulatory commitments 		
Chief Financial Officer	<p>Accountable for:</p> <ul style="list-style-type: none"> • Developing, maintaining and monitoring the implementation of ASX's financial internal control framework for compliance with all applicable financial regulatory reporting requirements • Developing, maintaining and implementing ASX's processes for strategy development and execution, including for identifying, evaluating and pursuing investment opportunities • Coordinating key stakeholders in connection with the development on their functional strategies as part of developing ASX's overall strategy for executive management review, prioritisation and approval by the Board • Overseeing and reporting on progress on the ASX's strategic plan, including escalating issues, reviewing and adjusting the plan as needed • Administering payments under the CHES Replacement Partnership Program 		
Chief Operating Officer	<p>Accountable for:</p> <ul style="list-style-type: none"> • Developing, maintaining and monitoring the implementation of the overarching ASX Delivery Framework that provides frameworks, processes, tools and templates for project management, business analysis and organisational change management 		
General Manager, Internal Audit	<p>Accountable for:</p> <ul style="list-style-type: none"> • Exercising senior executive responsibility for the management of the Internal Audit Function • Developing the annual Internal Audit Plan for approval by the Audit and Risk Committee • Leading the delivery of the approved Internal Audit Plan and the independent evaluation of the effectiveness of internal controls, risk management and governance processes across ASX • Reporting on the progress and findings of the internal audit plan to the Audit and Risk Committee and CS Boards, management and, where required, to appropriate regulators • Making recommendations for improving risk management, controls and monitoring • Safeguarding the independence of the Internal Audit Function 		

Appendix 2: Key Project Governance Groups – Chair and Members

	Portfolio Governance Group	Portfolio Working Group - Securities & Payments	CHES Strategic Guidance Group	CHES Replacement Strategic Guidance Group
Chair	Chief Operating Officer	Portfolio Executive Sponsor (Group Executive, Securities & Payments)	Program Executive Sponsor (Group Executive, Securities & Payments)	Project Executive Sponsor (Group Executive, Securities & Payments)
Members	Chief Executive Officer Chief Financial Officer Chief Information Officer Chief Risk Officer	General Manager, Business Management & Planning General Manager, CHES Replacement General Manager, Equity Post Trade & Payments General Manager, Issuer Services General Manager, Securities & Payments Operations General Manager, Securities & Payments Technology Head of Debt and Fixed Interest Head of Product and Client Relationships	Chief Executive Officer Chief Information Officer Chief Risk Officer	Chief Executive Officer Chief Financial Officer Chief Information Officer Chief Operating Officer Chief Risk Officer Group General Counsel