

Media Release

9 October 2023

ASX will implement all recommendations from the RBA's 2023 Financial Stability Standards assessment

Today the Reserve Bank of Australia (RBA) released its Financial Stability Standards (FSS) assessment of ASX's clearing and settlement (CS) facilities. The assessment is conducted annually and provides ratings of ASX's CS facilities. This year ASX was rated as observed or broadly observed for many of the FSS and three standards were rated as partly observed.

This year's assessment covers the period from 1 July 2022 to 30 June 2023 which includes ASX's decision last November to reassess the CHES replacement project and revisit the solution design. The assessment also coincides with a period of significant change and reset at ASX where the Group has continued its Board renewal program, undertaken significant executive management change, launched a new five-year strategy and expanded business investment underpinned by revised capital management settings.

The assessment required ASX to place high priority on recommendations related to board process, internal audit, stakeholder management and the management of ageing technology assets, including CHES.

ASX Chair Damian Roche said: "We accept the RBA's recommendations in full and acknowledge there's continued work to do. Many of the concerns outlined by the RBA have already been in focus for ASX, and while some items are well progressed, ASX will now incorporate the work from the new recommendations.

"Changes have been underway for more than 18 months and we are cognisant there is more work to do to restore trust. Some of the key changes that have taken place include Board renewal and significant change in leadership to underpin the cultural transformation and operational risk uplift at ASX."

The assessment recognised ASX had made improvements to its regulatory reporting in the period and acknowledged that new leadership has driven improved engagement with the RBA, a greater level of transparency, and improved executive accountability.

ASX is well progressed on many of the recommendations and of the 13 that represent new actions, several have work underway or are in planning.

ASX Managing Director and CEO Helen Lofthouse said: "At our FY23 results two months ago, I noted ASX has been operating at a heightened level of risk in some areas and addressing this is our priority.

"We are bringing a dedicated focus to address the recommendations and we're lifting capability and investment in key areas to support the long term sustainability of ASX. At our Investor Day in June we shared our decision to revise capital management settings to ensure we can make the investment to prioritise our regulatory commitments and technology modernisation program.

"This assessment aligns with the view of the ASX Board and I that we are not where we want to be in some key areas. We are making changes to remediate issues and strengthen our overall capability, although we recognise it will take time for these changes to be fully embedded. There is certainly more work to do but we are clear on the path ahead and I'm confident the actions we're taking will continue to build on the foundations of an enduring and high quality business."

Overview of RBA recommendations and ASX change priorities

Key focus areas in RBA assessment	ASX actions and priorities
Board process Redouble efforts to ensure key issues raised in the assessment are appropriately raised with the ASX boards	<ul style="list-style-type: none">As a priority ASX will review board agendas, papers and minutes by 31 March 2024 to ensure they enable the boards to debate and provide direction on the key issues raised in the assessment.
Internal Audit Assess and implement cultural changes to remediate the relationship between Internal Audit and the executive, while ensuring Internal Audit remains an independent source of challenge	<ul style="list-style-type: none">Cultural changes to improve the impact and relationship of internal audit within the organisation will be bolstered and further embedded. Following the appointment of an experienced GM of Internal Audit in July 2023 ASX continues to progress completing the recommendations to ensure internal audit remains an independent source of challenge.
Technology renewal Prioritise remediation of ageing assets to ensure ASX manages risks associated with legacy systems Implement a robust annual process of updating the CHES Roadmap	<ul style="list-style-type: none">Our new dedicated Chief Information Officer is leading the development of a comprehensive roadmap for remediating ageing assets. We are committed to continuing to uplift our processes and ASX has put in place a new technology governance framework design, including new system risk assessment processes that identify remediation work to address areas such as software currency, ageing hardware and system controls. These findings will be applied enterprise wide and are being incorporated into our technology modernisation roadmap.Roadmap for ongoing maintenance and supportability of current CHES was completed in May with report delivered to ASIC. This will be updated annually.
Stakeholder engagement Facilitate effective stakeholder engagement, particularly in relation to CHES replacement	<ul style="list-style-type: none">ASX recognises the need to continue to deepen and increase stakeholder engagement and will continue to work towards this. Some changes that have taken place in the period that support our efforts include: establishing the CHES Replacement Technical Committee, creating the CHES Replacement Partnership Program and developing the new Cash Equities Clearing and Settlement Advisory Group in August 2023.Continuing the focus in this area is a high priority and recently ASX appointed independent Chairs to support more effective stakeholder contribution with the appointment of Alan Cameron to the CS Advisory Group (Sep 2023) and appointment of Paul Rayson to the ASX Business Committee (Sep 2023)

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