

ASX Cash Equities Clearing and Settlement Advisory Group Communique

26 November 2024

The ASX Cash Equities Clearing and Settlement Advisory Group (**Advisory Group**) met on 4 November and 14 November 2024.

November 2024 meeting

ASX management presented information to the Advisory Group in relation to several matters, including the CHES replacement project, T+1 settlement, the CHES Replacement Partnership Program and ASX's forthcoming cash equities clearing and settlement services pricing policy (**Pricing Policy**).

ASX management outlined that it intended to seek decisions from the Boards of ASX Clear Pty Limited and ASX Settlement Pty Limited (the **CS Boards**) in late November 2024 related to the CHES replacement project, including the revised project scope and timeline and implementation approach (with reference to ASX's current position on T+1 settlement in the context of the project).

Based on the information presented to the Advisory Group by ASX to date, the Advisory Group provided advice and recommendations to the CS Boards in advance of its decision-making. A high-level summary of the Advisory Group's advice and recommendations to the CS Boards is set out below.

Advice and recommendations

T+1 settlement

The Advisory Group noted that at this stage it supports ASX's position on T+1 settlement in the context of the CHES replacement project on the basis that it is informed by stakeholder feedback to ASX and it prioritises the implementation of CHES replacement.¹ However, the Advisory Group recommended that ASX should keep a watching brief on international developments related to T+1 and continue to engage with industry on this matter. The Advisory Group also requested ASX to provide the Advisory Group further analysis on the costs associated of not implementing T+1 in Australia sooner, including analysis relating to industry funding costs associated with capital and liquidity requirements.

CHES replacement project

The Advisory Group emphasised that it is critical that ASX continues to be transparent with the industry regarding project status, key risks and issues, and key dependencies to build confidence in ASX working collaboratively with industry to implement CHES replacement. The Advisory Group recommended that the CS Boards support the project leadership in providing transparent and regular reporting on these matters through the relevant stakeholder forums.

The Advisory Group also highlighted that it is essential that sufficient and timely information is provided to industry for it to be able to properly assess and plan to ASX's industry testing and readiness requirements.

The Advisory Group requested ASX to provide the Advisory Group a range of further information, including information relating to project status updates, the implementation of TCS' product in other markets, and ASX's proposed plans and processes to determine the remaining scope and specific go-live date for CHES replacement.

¹ The Advisory Group understands that ASX intends to proceed on the basis that if a decision is made to move to T+1 settlement, it should occur after implementation of Release 2 of CHES replacement, with the T+1 go-live date to be at least 12 months after the Release 2 go-live date, and at a minimum 18 months after a decision to transition to T+1.

Subject to understanding more about ASX's plans and processes around determining the specific go-live date for CHES replacement, the Advisory Group recommended that ASX notify the market of the specific go-live date no less than 12 months before the determined go-live date.

Pricing Policy

Notwithstanding that ASX did not seek final decisions from the CS Boards relating to the Pricing Policy in late November 2024, the Advisory Group provided advice and recommendations to the CS Boards based on the information it had received to date.

The Advisory Group noted that it has concerns in relation to key aspects of ASX's proposed Pricing Policy, including in particular whether key aspects of ASX's proposal meet regulatory best practice with regard to the pricing methodology used by certain other regulated essential services in Australia where there is a sole provider. The Advisory Group also highlighted that it understands that respondents to ASX's consultation have raised various concerns regarding the proposed Pricing Policy.

The Advisory Group recommended that the CS Boards should not approve the Pricing Policy until ASX responds to the consultation feedback and explains how it intends to deal with the Advisory Group and stakeholders' concerns. The Advisory Group requested that ASX report to the Advisory Group on how it proposes to address these matters.

The Advisory Group emphasised that comprehensive consideration of and response to the Advisory Group and stakeholders' feedback by ASX will be important in supporting industry's trust and confidence in ASX.

The Advisory Group also noted that the Pricing Policy is predicated on ASX being the sole provider of cash equity CS services, and ASX's pricing of CS services will need to be reconsidered if a competitive environment emerges.

Next Advisory Group meeting

The Advisory Group expects that it will meet at least quarterly in 2025. The next Advisory Group meeting is planned for 27 February 2025

Alan Cameron AO

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