



**ASIC**  
Australian Securities &  
Investments Commission

28 March 2025

*To: The Board of Directors*  
ASX Limited  
ASX Clear Pty Limited  
ASX Settlement Pty Limited

*Attn: Mr David Clarke, Chair, ASX Limited*

### **CHES BATCH SETTLEMENT FAILURE**

Dear Directors

The Reserve Bank of Australia (RBA) and the Australian Securities and Investments Commission (ASIC) (the regulators) are increasingly concerned and deeply disappointed over the management of operational risk at ASX, following the CHES batch settlement failure (the incident) that occurred on 20 December 2024. Specifically, the regulators have concerns about:

- the potential for such an incident to occur. This includes the implications for the ability of the CHES system to reliably service the Australian equities market until CHES is replaced, consistent with ASX's public undertaking to the RBA of 15 December 2022;
- the management of the incident during its occurrence. This includes communications to stakeholders and the regulators; and
- the speed and nature of ASX's remediation actions following the incident.

For some time, the regulators have been raising serious concerns about operational risk at the ASX clearing and settlement facilities. These risks were realised in this major operational incident.

Clearing and settlement services are critical services for the effective functioning of Australia's financial markets in the interests of the Australian economy and community. Accordingly, operators of such services are required to hold a clearing and settlement facilities licence issued by ASIC. They are also closely supervised by both the regulators. Further, the ASX Group is a vertically integrated monopoly provider of clearing and settlement services in the Australian cash equity market. As a result of all these factors, the ASX Group bears a significant responsibility to ensure that it provides its services in accordance with its obligations under its various licences and with genuine regard to the interests of the Australian economy and community. The regulators are increasingly concerned that ASX may not be fulfilling those responsibilities.

Incidents of this nature pose a risk to the stability of Australia's financial system and the fair and effective provision of clearing and settlement services to the Australian market. The regulators consider it to be imperative that ASX addresses the regulators' serious concerns as a matter of priority.

In recent years, some improvements have been made in response to regulators' concerns about the culture, governance and risk management of ASX. However, in the regulators' view, the incident and ASX's response demonstrates that the pace of change at ASX is too slow, and broader improvements are needed to more comprehensively address these foundational issues.

## Regulatory Response

Today, the regulators are taking a further set of regulatory actions in response to the incident. The regulatory actions, set out below, are in addition and separate to ASIC's investigation into ASX Settlement Pty Ltd (ASX Settlement) for suspected contraventions of section 821A of the *Corporations Act 2001* (Cth) (Corporations Act).

The regulators are taking the following regulatory actions:

- The RBA is taking the unprecedented step of reassessing the compliance of ASX Clear Pty Limited (ASX Clear) and ASX Settlement with the RBA's Financial Stability Standards outside the annual assessment cycle. The RBA is downgrading its assessment of these entities' compliance with the "Operational Risk" standard from *partly observed* to *not observed*. This indicates that the RBA has identified serious issues of concern that warrant immediate action. Further details of the RBA's out-of-cycle assessment are detailed in Attachment A.
- ASIC has provided ASX a written notice under section 823BB(4) of the Corporations Act directing ASX to engage an expert approved by ASIC to undertake a technical review of CHES. This review and any remediation will provide greater confidence to regulators, and the public, in the stability and operational resilience of the current CHES platform. This review is therefore intentionally technical by nature. ASIC will expect a version of the report by this expert to be made public to provide confidence across the market and the economy of the operational resilience of ASX's core technology infrastructure.

The regulators are continuing to consider further regulatory actions.

## Regulatory Expectations

ASX needs to give the highest priority to the immediate remediation of issues that caused and exacerbated the seriousness of the incident. The regulators consider that these are likely to include:

- the resilience and reliability of the CHES system;
- the level of resources and capabilities allocated to operate and maintain the CHES system in accordance with ASX's [public undertaking](#) to the RBA of 15 December 2022;
- incident and business continuity planning;
- ASX's culture both in relation to risk and more broadly; and
- ASX governance.

If not addressed with the urgency required, the regulators are prepared to take further regulatory action. This includes considering the use of the regulators' new powers under reforms to modernise the regulatory framework for Financial Market Infrastructures, which passed Parliament in September 2024, and further rulemaking under the Competition in Clearing and Settlement reforms.

The regulators will meet with the full Boards of ASX Limited, ASX Clear and ASX Settlement in the coming weeks to discuss these important matters.

Yours sincerely



**MICHELE BULLOCK**  
Governor  
Reserve Bank of Australia



**JOSEPH LONGO**  
Chair  
Australian Securities and Investments Commission