

## Chapter 3

# Developments in the Clearing and Settlement Industry

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The RBA supervises and oversees licensed clearing and settlement facilities to ensure they conduct their affairs in a way that is consistent with financial system stability. Over the past year, the RBA completed and published assessments of certain facilities, including an out-of-cycle assessment of ASX Clear and ASX Settlement following the CHESS batch settlement failure in December 2024. The RBA also worked with Council of Financial Regulators agencies to reassess the costs and benefits of central clearing of bonds and repurchase agreements, and commenced public consultation on guidance for the use of its crisis resolution powers over domestic clearing and settlement facilities.

## Clearing and settlement facilities operating in Australia

Clearing and settlement facilities (CS facilities) play a critical role in making financial transactions more efficient and in managing risk within the financial system. These facilities support the processing of transactions in securities such as bonds and equities, and in derivative instruments such as options and futures. There are two types of CS facility that operate in Australia:

- Central counterparties (CCPs) act as the buyer to every seller, and the seller to every buyer. This process centralises the counterparty credit risk exposure of all parties to the CCP, rather than between the counterparties to the original trade.
- Securities settlement facilities (SSFs) provide for the final settlement of securities transactions and the maintenance of records of transfer of title. Settlement typically involves the transfer of the title to a security and transfer of cash between counterparties.

The Payments System Board has determined policies for the supervision and oversight of CS facilities in accordance with its powers under the *Reserve Bank Act 1959*. The RBA holds powers related to the supervision and oversight of CS facilities. This includes the power to determine financial stability standards for CS facility licensees. The RBA may also assess how well licensees have complied with the standards as well as their obligation to do all other things necessary to reduce systemic risk. The RBA has determined two sets of Financial Stability Standards – one for CCPs and one for SSFs. The Financial Stability Standards are based on the Principles for Financial Market Infrastructure developed by the Committee on Payments and Market Infrastructures and the International Organization of Securities Commissions. Day-to-day oversight and supervision are undertaken by the RBA's Payments Policy Department. In carrying out these activities, the RBA works closely with the Australian Securities and Investments Commission (ASIC), which has separate, but complementary, responsibilities for the supervision of CS facilities.

Table 3.1 provides an overview of the CS facilities most relevant to the Australian market, the products they clear or settle, and their home regulator.

**Table 3.1: Clearing and Settlement Facilities Most Relevant to the Australian Market**

Facility	Products relevant to the Australian market <sup>(a)</sup>	Home jurisdiction (regulator)
<b>Central counterparties</b>		
ASX Clear <sup>(b)</sup>	Cash equities, debt products, warrants and equity-related derivatives traded on Australian exchanges or over-the-counter (OTC).	Australia (RBA/ASIC)
ASX Clear (Futures) <sup>(b)</sup>	Futures and options on interest rate, equity, energy and commodity products traded on the ASX 24 market, as well as AUD and New Zealand dollar-denominated OTC interest rate derivatives (IRDs).	Australia (RBA/ASIC)
LCH Ltd	SwapClear service: OTC IRDs and inflation rate derivatives.	United Kingdom (Bank of England)
Chicago Mercantile Exchange Inc. (CME)	Interest Rate Swaps service: OTC IRDs, and non-AUD IRDs traded on the CME market or the Chicago Board of Trade.	United States (Commodity Futures Trading Commission)
<b>Securities settlement facilities</b>		
Austraclear <sup>(b)</sup>	Debt securities, including government bonds, and repurchase agreements.	Australia (RBA/ASIC)
ASX Settlement <sup>(b)</sup>	Cash equities, debt products and warrants traded on Australian exchanges.	Australia (RBA/ASIC)
FinClear Pty Ltd (FCX)	Cash equities and trust vehicles traded on the FCX market.	Australia (RBA/ASIC)
Euroclear Bank SA/NV <sup>(c)</sup>	Debt and equity securities, including government bonds, and repurchase agreements.	Belgium (National Bank of Belgium)
Clearstream Banking S.A.	Debt and equity securities, including government bonds, and repurchase agreements.	Luxembourg (Banque Centrale du Luxembourg and Commission de Surveillance du Secteur Financier)

(a) Including service name if applicable (e.g. for overseas facilities that only provide some services relevant to the Australian market).

(b) ASX Group entities.

(c) Not licensed nor exempted in Australia as at 30 June 2025.

Source: RBA.

## Oversight of clearing and settlement facilities

All CS facilities licensed to operate in Australia must meet the Financial Stability Standards unless otherwise exempt. They also must do all other things necessary to reduce systemic risk in Australia, to the extent that it is reasonably practicable to do so. The RBA seeks to calibrate the intensity and scope of its oversight and assessment of CS facility licensees to the degree of the licensee's systemic importance to the Australian financial system.<sup>1</sup> Where a CS facility is based overseas, the RBA seeks to rely on supervision and assessments undertaken by the home regulator, where appropriate. The key developments from the past year are summarised below.

### Out-of-cycle assessment of ASX Clear and ASX Settlement

In March 2025, the RBA carried out an out-of-cycle assessment of ASX Clear and ASX Settlement against the RBA's Financial Stability Standard for Operational Risk. The assessment was conducted following a technology issue in CHESS, the system used by ASX to facilitate clearing and settlement for the cash equity market. The incident resulted in the failure of batch settlement of equity market transactions on Friday 20 December 2024. It also revealed serious issues of concern regarding ASX's resourcing and contingency arrangements for CHESS. The Payments System Board endorsed a downgrade of both entities from 'partly observed' to 'not observed' in relation to the Operational Risk standard. This is the first time the RBA has revised its assessment against the Financial Stability Standards outside the usual annual cycle, and the first time the RBA has issued a rating of 'not observed'. The assessment was published on the RBA website.<sup>2</sup>

### Annual assessment of the ASX clearing and settlement facilities

The RBA's annual assessment of the ASX CS facilities to 30 June 2025 concluded that the ASX should strengthen its overall risk management approach across all its CS facilities, particularly in light of the CHESS batch settlement incident in December 2024. This will likely require an uplift to ASX's governance and risk frameworks, alongside steps to manage risk in areas such as vendor management, legacy technology systems and cyber resilience. In addition, the assessment concluded that the ASX should improve its model validation and control frameworks supporting its financial risk management. The full assessment was published on the RBA website.<sup>3</sup>

### Assessment of LCH Ltd's SwapClear service

LCH's SwapClear service is considered to be systemically important in Australia. It is used by banks and corporations to manage interest rate risk and to take speculative positions. The SwapClear service clears around 90 per cent of the cleared Australian dollar over-the-counter (OTC) interest rate derivative (IRD) market. It has six Australian direct participants, including the four major banks.

The RBA conducted its annual assessment of the SwapClear service. As at 30 June 2025, the RBA had not identified any significant non-compliance with the Financial Stability Standards. This assessment is based on the RBA's bilateral engagement with LCH, information from the Bank of England (LCH's home regulator), and developments in relation to the RBA's areas of supervisory focus. Table 3.2 provides a summary of the RBA's areas of supervisory focus, with further detail discussed below.

**Table 3.2: Areas of Supervisory Focus for LCH Ltd's SwapClear Service**

Area of supervisory focus	Description	Status	Relevant Financial Stability Standard(s)
Operational resilience and operational risk management	The RBA will monitor LCH's work to embed the lessons from operational outages experienced in January 2024 to strengthen its operational resilience and operational risk management. This includes its oversight of third-party providers and service support arrangements. The RBA will actively engage with the Bank of England and LCH on the progress of this work.	ongoing	Framework for the Comprehensive Management of Risks (CCP Standard 3)  Operational Risk (CCP Standard 16)
Cyber risk management	The RBA will continue to monitor LCH's work to enhance its cyber risk management.	ongoing	Operational Risk (CCP Standard 16)

### Operational resilience and operational risk management

In January 2024, the SwapClear service experienced two serious operational incidents that affected the registration of new trades. Following an independent review into these incidents, LCH commenced a program of work to enhance its operational resilience and incident response practices. This has included improvements to its major incident handling processes, strengthening the oversight of its third-party providers, and work to tighten its access management controls for critical systems.

The SwapClear service experienced another operational incident in November 2024. This incident affected its ability to open on Monday morning in time for the start of the Australian week. LCH's incident response processes functioned more smoothly during this incident. Recognising the systemic importance of the SwapClear service to the Australian financial system, the RBA will continue to engage with LCH on the appropriateness of its support arrangements for the Australian market and participants. The RBA will also engage with the Bank of England, including through the LCH Global College, on LCH's work to enhance the operational resilience of the SwapClear service.

### Cyber risk management

LCH continues to strengthen its control frameworks and capabilities for managing cyber risk and remains attentive to changes in the cyber threat landscape. LCH regularly assesses the effectiveness of its cyber controls through independent reviews. The RBA will continue to engage with LCH on developments in this area.

### Oversight of Chicago Mercantile Exchange Inc.

Chicago Mercantile Exchange Inc. (CME) does not currently have any direct Australian-based participants, and the scope and nature of its Australian activities are limited. The RBA seeks to rely on reports and engagement with CME's home regulator to the extent possible.

In June 2025, CME ceased providing clearing services for the FEX Global Limited (FEX) commodity, energy and environmental derivatives market. As a result, the regulatory priorities set by the RBA are no longer applicable and have been closed. Table 3.3 provides a summary of the RBA's regulatory priorities for CME.

**Table 3.3: Regulatory Priorities for the Chicago Mercantile Exchange Inc.**

Regulatory priority	Description	Status	Relevant Financial Stability Standard(s)
Australian dollar liquidity arrangements	CME must establish adequate liquidity arrangements for Australian dollar collateral during Australian hours before introducing any type of eligible collateral for Australian dollar-settled FEX products other than Australian dollar cash.	closed	Collateral (CCP Standard 5)  Liquidity (CCP Standard 7)
Australian dollar settlement bank arrangements	Should the FEX service grow, CME must ensure the settlement arrangements in place to support money settlements for the FEX clearing service remain appropriate, including adequate backup arrangements. CME must share its assessments of these arrangements with the RBA for review.	closed	Settlement finality (CCP Standard 8)  Money settlements (CCP Standard 9)

## Licensing of Clearstream Banking S.A.

In June 2025, Clearstream was granted an overseas CS facility licence to operate a securities settlement facility. Clearstream serves an important function in Australian financial markets, providing a channel through which overseas investors can access Australian dollar-denominated securities. Clearstream provides access for its participants to the Australian securities markets through links that it operates to ASX Settlement and Austraclear and has 14 Australian participants. It has a 5–10 per cent market share in the custody and settlement of Australian dollar-denominated debt securities and a smaller share of the equity securities market.

The RBA has identified two regulatory priorities and one area of supervisory focus for Clearstream. The first regulatory priority requires Clearstream to explore ways to enhance the safety and efficiency of its arrangements for the settlement of Australian dollar-denominated securities should this part of its service grow. The second regulatory priority requires Clearstream to include Australian participants in its stakeholder engagement processes. In addition, the RBA has identified cyber risk management as an area of supervisory focus for its engagements with Clearstream. Table 3.4 provides a summary of the RBA's regulatory priorities and areas of supervisory focus for Clearstream.

**Table 3.4: Regulatory Priorities and Areas of Supervisory Focus for Clearstream**

Regulatory priority or supervisory area	Description	Status	Relevant Financial Stability Standard(s)
<b>Regulatory priorities</b>			
AUD-denominated securities settlement	Clearstream should improve the safety and efficiency of its settlement arrangements for AUD-denominated debt securities as its settlement service for AUD-denominated securities and Australian participation grow.	opened	Money settlements (SSF Standard 8)  Central securities depositories (SSF Standard 9)  Exchange-of-value settlement systems (SSF Standard 10)  FMI links (SSF Standard 17)
Stakeholder engagement	Clearstream should ensure that Australian participants are appropriately considered in governance arrangements.	opened	Governance (SSF Standard 2)  FMI links (SSF Standard 17)
<b>Areas of supervisory focus</b>			
Cyber risk management	The RBA will monitor Clearstream's ongoing work to enhance its cyber risk management.	opened	Operational risk (SSF Standard 14)

## Central clearing of Australian bond and repurchase agreement markets

In March 2025, the Council of Financial Regulators (CFR) published a response to its consultation on the case for central clearing of bonds and repurchase agreements (repos) in Australia.<sup>4</sup> The consultation sought views from respondents on a range of related issues including:

- the costs and benefits of central clearing in these markets
- market functioning and financial stability considerations
- issues related to a prospective service being provided from overseas.

The CFR agreed with respondent feedback that the introduction of central clearing could enhance the efficiency and stability of the Australian bond and repo markets. The CFR was supportive of the industry exploring the introduction of central clearing when implemented in a safe manner, and where the benefits are likely to outweigh the costs. The CFR did not consider there to be a compelling case for regulatory intervention to introduce central clearing in these markets at this time.

## Financial market infrastructure regulatory reforms

The RBA welcomed the passing of legislative reforms to modernise the regulatory framework of financial market infrastructures in Australia. The reforms provided the RBA with additional powers to safeguard financial stability, including powers to resolve a distressed CS facility that is critical to the function of the Australian financial system. Work to operationalise the reforms is underway, including planning for resolution of critical CS facilities and development of resolution guidance to provide additional transparency to stakeholders including CS facilities and their participants.

## Consultation on guidance for the RBA's use of resolution powers

In June 2025, the RBA released a consultation paper on proposed guidance for the Australian Clearing and Settlement Facility Resolution Regime. The guidance will provide stakeholders with information about when and how the RBA would generally expect to exercise its crisis resolution powers over clearing and settlement facilities and is planned to be released by the end of 2025. The draft guidance was published on the RBA website.<sup>5</sup>

## Endnotes

- 1 RBA (2025), 'The Reserve Bank's Approach to Supervising and Assessing Clearing and Settlement Facility Licensees', September.
- 2 RBA (2025), 'Out-of-cycle Assessment of ASX Clear Pty Ltd and ASX Settlement Pty Ltd: Operational Risk Standard', Report, March.
- 3 RBA (2025), 'Assessment of ASX Clearing and Settlement Facilities', Report, September.
- 4 CFR (2025), 'Reassessing the Case for Central Clearing of Banks and Repos in Australia', Response to Consultation, March.
- 5 RBA (2025), 'Guidance for the Australian Clearing and Settlement Facility Resolution Regime', June.