Chapter 3

Developments in the Clearing and Settlement Industry

The RBA supervises and oversees licensed clearing and settlement facilities (CS 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 the ASX CS facilities and LCH Ltd's SwapClear service, with a focus on governance, operational resilience and financial risk management. The RBA also published guidance for the use of its crisis resolution powers over domestic CS facilities and continued work to operationalise reforms to the regulatory framework for financial market infrastructures.

Clearing and settlement facilities operating in Australia

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 maintain 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 Infrastructures – international principles 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[a]	Home jurisdiction (regulator)
Central counterparties		
ASX Clear[b]	Cash equities, debt products, warrants and equity-related derivatives traded on Australian exchanges or over-the-counter (OTC).	Australia (RBA/ASIC)
ASX Clear (Futures)[b]	Futures and options on interest rate, equity, energy and commodity products traded on the ASX 24 market, as well as Australian dollar 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-Australian dollar-denominated IRDs traded on the CME market or the Chicago Board of Trade.	United States (Commodity Futures Trading Commission)
Securities settlement facilities		
Austraclear[b]	Debt securities, including government bonds, and repurchase agreements.	Australia (RBA/ASIC)
ASX Settlement[b]	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[c]	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) Temporarily exempt from the requirement to hold a licence as at 30 June 2026.

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.[1] Where a CS facility is based overseas, the RBA relies on supervision and assessments undertaken by the home regulator, where appropriate. The key developments from the past year are summarised below.

Assessment of ASX clearing and settlement facilities

The RBA's annual assessment of the ASX CS facilities to 30 June 2026 concluded that ASX has addressed the most serious deficiencies identified following the December 2024 Clearing House Electronic Subregister System (CHESS) batch settlement incident. However, issues remain regarding governance, operational resilience and risk management capability. ASX must deliver sustained improvements in these areas through its transformation, without compromising the safe and reliable operation of its critical infrastructure. The full assessment was published on the RBA website.[2]

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. 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. As at 30 June 2026, the RBA had not identified any significant non-compliance with the Financial Stability Standards. Table 3.2 provides a summary of the RBA's areas of supervisory focus, with further detail provided 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. Another operational incident occurred in November 2024 that prevented the SwapClear service from opening on Monday morning in time for the start of the Australian week. LCH's incident response processes functioned more smoothly during this incident. Following these incidents, LCH has worked to improve its major incident handling processes, strengthen the oversight of its third-party providers, and tighten its access management controls for critical systems. LCH is expected to complete this work in late 2026.

Cyber risk management

LCH continues to strengthen its cyber risk controls and capabilities in response to an evolving threat landscape. This includes risks associated with frontier AI. LCH regularly tests the effectiveness of its cyber controls through independent reviews. The RBA will continue to engage with LCH on its management of cyber risks and response to review findings.

Euroclear Bank's connection to the Australian financial system

In May 2026, ASIC exercised new powers to declare that Euroclear Bank has a material connection to Australia through its Australian activities.[3] These activities include settlement services that Euroclear provides through links that it operates to ASX Settlement and Austraclear. The declaration triggers a requirement for Euroclear to become licensed in Australia and follows an assessment by ASIC and consultation with the RBA.

ASIC expects Euroclear to transition to the licensing regime and lodge a CS facility licence application by 26 May 2027. To avoid any disruption for market participants during the transition, ASIC has granted Euroclear a temporary exemption while a licence application is progressed.

Guidance for the Australian CS facility resolution regime

In February 2026, the RBA published guidance on the Australian CS facility resolution regime. The guidance provides further information about when and how the RBA would generally expect to use its resolution powers over Australian CS facilities. It aims to assist CS facility participants and other stakeholders to understand the RBA's general approach to resolution and the potential impacts on them if the RBA decides to use a resolution power. Publication of the guidance forms part of the RBA's ongoing work to operationalise the reforms to the regulatory framework for financial market infrastructures in Australia. The guidance is available on the RBA website.[4]

Endnotes

1 RBA (2025), 'The Reserve Bank's Approach to Supervising and Assessing Clearing and Settlement Facility Licensees', December.

2 RBA (2026), 'Assessment of ASX Clearing and Settlement Facilities', September.

3 ASIC (2026), 'ASIC Moves to Bring Euroclear Under Australian Licensing Regime, Strengthening Market Resilience', 27 May.

4 RBA (2026), 'Guidance for the Australian Clearing and Settlement Facility Resolution Regime', February.