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Australian Securities and Investments Commission
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ASX RESPONDS TO ACTIONS FROM RBA AND ASIC FOLLOWING CHESS SETTLEMENT INCIDENT

ASX confirms it has received a joint letter from the Reserve Bank of Australia (RBA) and the Australian Securities and Investments Commission (ASIC) outlining regulatory action following the CHESS batch settlement incident on 20 December 2024. The settlement incident arose from an issue relating to the current CHESS system's memory allocation logic that meant ASX was not able to complete batch settlement for the cash equities market on that day. A process was then undertaken to cancel batch settlement and reschedule it to the next business day.

The joint letter notes that the RBA has conducted an out-of-cycle assessment of ASX Clear Pty Limited (ASX Clear) and ASX Settlement Pty Limited (ASX Settlement) against its Financial Stability Standard for Operational Risk. The RBA has revised its rating for the Operational Risk standard to "not observed." It has made recommendations for ASX to outline and communicate publicly how we plan to strengthen resourcing and third-party support arrangements for CHESS, and to outline options for implementing contingency arrangements for CHESS. The letter has been published [here](#).

ASX has also received a [notice from ASIC](#) directing ASX Clear and ASX Settlement to appoint an expert to conduct a technical review of CHESS and provide a report to ASIC within 150 days of appointing the expert, or a longer period as may be agreed with ASIC. The review will cover several specific matters including the technical architecture of CHESS and the quality and health of the code. A version of the report will be made public.

These actions are in addition to the [ASIC investigation](#) into the incident which is ongoing.

ASX Chairman David Clarke said: "There is no question that the settlement incident was very serious. The Directors of ASX and the Clearing and Settlement Boards are highly engaged on this matter; we understand how disappointing it was and we are absolutely committed to rebuilding confidence in ASX.

"ASX has been executing an action plan in response to the incident to minimise the risk and impact of potential future incidents and enhance overall system resilience, but more needs to be done and we must act with greater urgency. Management has commenced work to establish a new enterprise-wide program that goes beyond immediate actions to respond to the settlement incident and this will comprehensively address the regulatory concerns and expectations. This is a CEO-sponsored, business critical initiative with its success a strategic priority of the Board."

ASX is in the second year of its five year strategy under ASX Managing Director and CEO Helen Lofthouse where significant focus and investment has been placed into a technology modernisation strategy which includes maintaining current CHESS as well as the project to replace CHESS. ASX's capital expenditure profile has increased significantly and is primarily driven by our technology modernisation roadmap.

Ms Lofthouse said: "We've been investing heavily in modernising our systems and our project to replace CHESS is well underway. The delivery of the clearing services component is planned for between March and April next year and the first stage of industry testing commenced at the end of last month. The new CHESS system is being built on modern, modular

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architecture and is benefitting from extensive stakeholder consultation to ensure it will meet the needs of the market as a whole.

“Meanwhile we continue to invest in current CHESS, and while the settlement incident was unprecedented we need to draw lessons from it and ask ourselves how we could do better.”

ASX published an [Incident Review](#) on 23 January 2025 which detailed our action plan following the incident. A key part of our plan was to conduct a Post Incident Review (PIR) process to help strengthen our response to potential future incidents and enhance overall system resilience. The first phase of the PIR assessed ASX’s processes and protocols for incident management while the second phase takes feedback from external stakeholders about our communication processes and the impact of the incident. We will action the findings from the first phase of the review which include uplifting incident and crisis management frameworks, enhancing existing scenario playbooks, and conducting further fire drill exercises.

Ms Lofthouse said: “Taking action to increase confidence in the reliable operation of CHESS is an ongoing priority for ASX. We will now engage with ASIC on the selection of an appropriately qualified external expert to review the work we have already undertaken and advise on what more we can do.

“The settlement incident heightens the urgency and focus on our work to improve the fundamentals of our business. We recognise we have to do more to lift capabilities in key areas such as risk management and business resilience. The new program we are establishing will help us look more closely at what activities need to be reprioritised, expanded or accelerated, and these actions ultimately contribute to us being a stronger exchange.

“As an operator of critical market infrastructure that underpins the Australian financial system, our people understand that what we do matters, and I know everyone seeks to bring their best each day. This means we have a special responsibility and we are focused on restoring the community’s confidence in us.”

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The Board of ASX Limited

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