



BUSINESS COMMITTEE REPORT TO THE FORUM

From the 16 August 2013 Business Committee meeting

Key Recommendations

- The Business Committee endorsed the forward work program for 2013-14 (attached) with the following adjustments:
 - to bring forward the consideration of a T+2 settlement cycle in the forward work program from the Committee's 7 May 2014 meeting to its 19 February 2014 meeting; and
 - to bring forward the discussion of the ASX infrastructure investment program in the forward work program from the Committee's 7 May 2014 meeting to its 19 February 2014 meeting.
- The Business Committee recommended that SWIFT messaging as an alternative to CHES proprietary messaging should be included in the forward work program as a priority initiative, and that a technical committee be established to progress this initiative.

Key Issues Discussed

- The benefits of introducing a global messaging standard (SWIFT) as an alternative to CHES proprietary messaging on the basis that:
 - it would reduce costs for participants who operate in multiple markets and who either are required to operate a separate back office system in Australian or use a translator to modify the proprietary messaging of CHES into a global standard; and
 - that the global messaging standard was being offered as a choice and that those participants primarily focused on the Australian domestic market who do not want to change their back office systems can continue to use CHES proprietary messaging.
- The importance of considering the introduction of a T+2 settlement cycle on the basis that it would reduce costs associated with cash market margining. The Business Committee also agreed that there was merit in considering the timing of the batch cut-off, together with an international comparison of batch cut-offs in relevant Asian markets, at the same time.
- That there is value in ASX providing regular cash market clearing and settlement service and operational performance reports, including at a more granular level and at an individual participant level.
- The desirability of considering updated international price benchmarking of cash market clearing and settlement services in the next Business Committee meeting, which is scheduled for 19 February 2014.

Agreed Actions

The Business Committee requested that ASX undertake the following:

1. To provide a more detailed service performance report for discussion at the next Committee meeting scheduled for 19 February 2014.
2. To develop and distribute a template for reporting on cash market margining to Members for comment prior to the next meeting of the Committee.
3. To provide a TAS service performance report, together with equivalent metrics on the trades executed on ASX Trade that are accepted and rejected, for discussion at the 19 February 2014 Committee meeting.
4. To provide an interim report that sets out updated international benchmarking of the costs of cash market clearing and settlement services for discussion at the 19 February 2014 Committee meeting.
5. To provide a more detailed roadmap of initiatives aimed at improving participant structure flexibility and efficiency for discussion at the 19 February 2014 Committee meeting.
6. To undertake targeted consultation with participants on shadow broking in order to present its findings on the key issues and any concerns at the 19 February 2014 Committee meeting.
7. To consider the timing of the batch cut-off, together with an international comparison of batch cut-offs in relevant Asian markets, at the 19 February 2014 Committee meeting.
8. To include in the consultation paper on tiered minimum core capital requirements for TPCs an international comparison of the requirements in other relevant markets and an explanation of the interplay between the minimum core capital requirements and margining to protect against other risk exposures.
9. To establish a technical committee to examine and provide input to ASX and the Forum on the introduction of SWIFT messaging as an alternative to CHES proprietary messaging.
10. The Secretariat to write to Members and system vendors regarding the nomination of the relevant individuals to participate in the technical committee.
11. The Secretariat to write to Members following the meeting in relation to international benchmarking data on cash market clearing and settlement services that may be provided to the Committee.