



BUSINESS COMMITTEE REPORT TO THE FORUM

From the 27 November 2014 Business Committee meeting

At its 27 November 2014 meeting, the Business Committee was updated on progress in analysing how principal to principal clearing arrangements would work operationally and the progress made in consulting on the options for extending the batch settlement cut-off time to support the implementation of a T+2 settlement cycle for the cash market. The Business Committee was invited to provide feedback in relation to a proposal to change the timing of the daily batch settlement cut-off. The Business Committee was provided regulatory updates on ASX Clear's application for ESMA recognition, ASX Clear's consultation on recovery plans and ASX Compliance's consultation on reducing red tape and proposed guidance note on outsourcing and offshoring arrangements.

Key Recommendations

The Business Committee recommended that:

- the batch settlement cut-off time be changed from 10.30am to 11.30am;
- March 2016 be targeted for the implementation of T+2; and
- a longer period of transition be provided to participants following the release of the final outsourcing and offshoring guidance note.

Key Issues Discussed

- The recent consultation undertaken with the Australian Payments Clearing Association (APCA), payment providers and participants to inform a proposal to:
 - extend the daily batch settlement cut-off time from 10.30am to 11.30am;
 - maintain the option for a 30 minute extension to the batch cut-off;
 - reduce the payment authorisation period from 90 to 60 minutes;
 - reduce the ASX default management window from 2 hours to 90 minutes; and
 - maintain final payment settlement obligation at 2.30pm.
- ASX Clear's decision to proceed with an application for ESMA recognition as a third country central counterparty under the European regulatory framework (EMIR) and the requirement for ASX Clear to meet the 'cover 2' capital and liquidity standards to obtain EU recognition. To meet the 'cover 2' liquidity standard, ASX Clear would need to increase its available liquid resources from \$300 million to \$400 million. ASX Clear analysis indicated no changes were required to the default fund to meet the 'cover 2' capital standard.
- ASX Clear's proposals for managing losses exceeding its default fund and the key features of each recovery tool, including emergency assessments, partial termination, complete termination and replenishment, and the importance of industry engagement in the consultation process on ASX Clear's recovery plans.

Agreed Actions

1. ASX to circulate the presentation on 'ETO Market Developments' following the meeting.
2. ASX to examine the merit of implementing the proposed later batch settlement cut-off time in advance of the implementation of T+2 for the cash market, and revert back to the Committee at the next meeting.
3. ASX to undertake further bilateral consultation with customers regarding the scope and nature of a potential corporate actions STP phase 2, and revert back to the Committee at the next meeting with a proposal for the second phase of this initiative.
4. ASX to provide the Committee with more information in relation to what is being considered for the project to replace CHES at the next meeting.
5. ASX to circulate a draft of the proposed guidance note 1 for admission requirements to the Committee ahead of the commencement of a public consultation process.
6. ASX to consider providing a longer transition period for the outsourcing and offshoring guidance note once it had been finalised.