



BUSINESS COMMITTEE REPORT TO THE FORUM

From the 27 August 2014 Business Committee meeting

At its 27 August 2014 meeting, the Business Committee was updated on progress in seeking regulatory clarity in relation to principal to principal clearing arrangements and in examining 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 on a roadmap for the development of cash market post-trade services infrastructure and a forward work program for the Committee for the period November 2014 and November 2015. The Business Committee was provided regulatory updates on ASX Clear's application for ESMA recognition and upcoming consultations on ASX Clear's recovery plans and a draft Guidance Note on outsourcing and offshoring arrangements for participants. The Business Committee was also presented with the management accounts for cash market clearing and settlement for FY14

Key Recommendations

The Business Committee recommended that:

- a recommendation on the batch settlement cut-off time should be brought to the Committee at its next meeting on 27 November 2014;
- the Technical Committee should be consulted on the proposed implementation timing and approach for the replacement of CHES to help inform ASX's roadmap for cash market post-trade services infrastructure; and
- a joint ASX and industry working group be established to progress consideration of principal to principal clearing arrangements and to engage with ASIC on these matters.

Key Issues Discussed

- The project timing for the replacement of CHES and the proposed approach to migrating from CHES to the new system. Having clear guidance on the timeframe for participant testing of the new system and a clear understanding of the proposed system changes by mid-2015 was identified as important to allow participants to assess their readiness and ability to accommodate the proposed timeframes.
- The implications of extending the batch settlement cut-off time for participants, payments providers and ASX Clear's default management processes, and the need to engage with payment providers and the RBA over the next few months to inform a decision on the batch settlement cut-off time prior to commencing the detailed planning to implement a T+2 settlement cycle.
- A decision on whether to proceed with ASX Clear's application for ESMA recognition will depend upon any conditions that would be imposed and the financial impact of those conditions for the whole market relative to the capital benefits that may be achieved for clearing participants subject to EU regulations.

Agreed Actions

1. ASX to convene a Technical Committee meeting prior to the 1 October 2014 Forum meeting to seek feedback on the cash market post-trade services infrastructure roadmap, including the implementation timing and approach for the replacement of CHESSE.
2. ASX to update the Committee on the discussions with APCA and the RBA on extending the batch settlement cut-off time, and put forward a recommendation on the batch settlement cut-off timing at the next meeting.
3. Establish a joint ASX and industry working group with interested participants to undertake an analysis of the proposed operation of principal to principal clearing arrangements and a legal analysis of the impact of such arrangements on client protections and the clearing participant nexus with trading participant clients.
4. ASX to provide a draft of the Guidance Note on Outsourcing and Offshoring to the Committee prior to its release for public consultation.
5. ASX to update the Committee on the progress of ASX Clear's application for ESMA recognition at the next meeting.
6. ASX to include corporate actions STP phase II in the forward work program for the period November 2014 to November 2015.