



BUSINESS COMMITTEE REPORT TO THE FORUM

From the 4 March 2015 Business Committee meeting

At its 4 March 2015 meeting, the Business Committee was updated on measures being put in place to facilitate foreign ADIs being admitted by ASX Clear as clearing participants, ASX's investment plans for trading and post-trade services infrastructure over the next three to four years, and the implementation of a change to the daily batch settlement cut-off time and T+2 settlement cycle. The Business Committee was invited to provide feedback in relation to a proposal for phase 2 of corporate actions STP. The Business Committee was also provided regulatory updates on the implementation of account protections in accordance with the Financial Stability Standards, ASX Compliance's review of HIN sponsorship arrangements, and the transitional arrangements provided to participants in relation to the Guidance Note on Outsourcing and Offshoring. The Business Committee was also briefed on the management accounts for cash market clearing and settlement services for the half year ended 31 December 2014.

Key Recommendations

The Business Committee recommended that:

- phase 2 of corporate actions STP should deliver an end-to-end STP solution for five of the ten remaining corporate action types prior to the replacement of CHES. STP for the five identified corporate action types should be implemented at the same time;
- an STP feedback loop for the corporate actions delivered in Phase 1 and 2 should be considered in the project to replace CHES; and
- implementation of an 11.30am batch settlement cut-off should occur together with the implementation of a T+2 settlement cycle in March 2016.

Key Issues Discussed

- The potential for participants to realise capital efficiencies as a result of changes to facilitate the admission of foreign ADIs as clearing participants by providing the ability for foreign ADIs to seek an exemption from ASX Clear's risk based capital requirements or the NTA requirements.
- The recent consultation undertaken with industry in relation to a suggestion that the change to an 11.30am batch settlement cut-off should be implemented ahead of a T+2 settlement cycle. There was not strong industry support for this proposal on the basis of the expected duplication of project resources, system changes and testing.
- ASX and industry preparedness for the CHES changes scheduled to go-live on 4 May 2015 to implement the enhanced account protections required under the Financial Stability Standards.
- The benefit to participants of delivering STP solutions for the remaining corporate actions.

Agreed Actions

1. ASX to assist participants in their discussions with APRA on any regulatory impediments to them becoming members of ASX Clear.
2. ASX to provide an indicative timetable for Phase 2 of the corporate actions STP project and the lessons learned from Phase 1 at the next meeting.
3. ASX to update the Committee on the FSS changes and the implications for intra-day cash market margining at the next meeting.