



MINUTES OF THE BUSINESS COMMITTEE  
THURSDAY, 26 NOVEMBER 2015  
ASX LIMITED  
LEVEL 1, 20 BRIDGE STREET SYDNEY

**1. Introduction**

**2. Service Performance**

**3. Business Matters**

- a. Update on T+2 implementation
- b. Roadmap for post-trade service infrastructure

**4. Regulatory updates**

- a. Council of Financial Regulators
- b. FATCA update

**5. Administration**

- a. Forward work program
- b. Minutes from the 27 August 2015 meeting
- c. Proposed 2016 Forum and Business Committee meeting dates
- d. Other matters

## ATTENDEES

MEMBERS		
Company	Name	Job Title
ANZ	Mr Andrew Koudrin (as delegate for Mr Peter Mullin)	Head of Execution, Middle Office & Assurance
ASX	Mr Peter Hiom	Business Committee Chair Deputy CEO, ASX
Bank of America Merrill Lynch	Mr Anatoly Kirievsky	Head of Compliance
BNP Paribas	Mr Mark Wootton (as delegate for Mr David Braga)	Acting Head of Clearing & Custody Services
Chi-X Australia	Mr Jamie Crank	Head of Product
Citi	Mr Miles O'Connor	Director, Direct Custody & Clearing Securities & Funds Services
Commonwealth Bank of Australia	Mr Sheridan Thompson	Head of Strategic Development, CommSec
Deutsche Bank AG	Mr Russell Deal	Chief Operating Officer
Goldman Sachs	Mr Jeremy Follett	Executive Director Operations
J.P. Morgan	Mr Paul Cooper (as delegate for Mr Suneet Jain)	Head of Equity Operations
Macquarie Group	Mr James Indge	Cash Equities Business Manager
Morgans	Ms Sue Gye (as delegate for Mr Peter Chisholm)	Manager Operations
Morgan Stanley	Mr Craig McGuire	Head of Operations
National Australia Bank	Mr Brett Grant (as delegate for Mr Nathan Walsh)	HO Self Directed Investing
NSX	Mr Emlyn Scott	Chief Executive Officer
Patersons Securities	Ms Jane Irwin	Head of Operations
SSX	Mr David Lawrence	Chief Operating Officer & Company Secretary

ASX Management	
Name	Job Title
Ms Amanda Harkness	Group General Counsel & Company Secretary
Mr Tim Hogben	Group Executive, Operations
Mr Cliff Richards	General Manager, Clearing Services
Mr Daniel Moran	Deputy General Counsel Corporate
Mr Rodd Kingham	Senior Manager, Clearing Services
Mr Gary Hobourn	Senior Economic Analyst, Regulatory and Public Policy (items 4a and 4b)

## APOLOGIES

MEMBERS		
Company	Name	Job Title
ABN AMRO Clearing	Mr Sean Lawrence	Managing Director
Bell Potter Securities	Mr Dean Surkitt	Managing Director Retail
Credit Suisse	Mr Andrew Farran	Chief Operating Officer
HSBC	Mr. Peter Snodgrass (as delegate for Mr Andrew Bastow)	Head of Direct Custody & Clearing, HSBC Securities Services
Pershing Securities	Mr Rob Forbes	Chief Executive Officer
UBS	Mr Conor Foley	Chief Operating Officer

Mr Hogben took the Chair at the commencement of the meeting. The Chair formally opened the meeting at 4.40pm. Attendance for part of the meeting is noted in the attendees section on the preceding page.

### AGENDA ITEM 1: INTRODUCTION

The Chair welcomed Committee Members, including those participating by phone.

The Chair welcomed Paul Cooper of JP Morgan (attending on behalf of Suneet Jain) and Brett Grant (attending on behalf of Nathan Walsh) of National Australia Bank who were attending for the first time.

### AGENDA ITEM 2: SERVICE PERFORMANCE

The Committee noted the report on the operational performance of cash market clearing and settlement services set out in the agenda paper, including key clearing and settlement metrics for the quarter ended September 2015 and for the period to 30 October in the quarter ending 31 December 2015.

The Chair spoke to the agenda paper, noting that in the relevant period:

- CHES and TAS system availability was 100%.
- Total trades accepted across the ASX and Chi-X platforms was steady, with an increase of approximately 8% in volume and 6% in value.
- Percentage novated (73%) and netting efficiency (98% net down volume, 64% net down value) were also steady.
- A small number of trades through the ASX platform were rejected in the September quarter, generally due to invalid business dates on trade or special market trades with an incorrect basis of quote. Outside the relevant period, but noted for the Committee's information, a significant number of trades (1,396 from Chi-X and 1,595 from ASX) were either rejected at settlement validation or scheduled with an incorrect clearing ID (PID) on 18 November as a consequence of configuration issues within ASX relating to a change in structure of an ASX participant. All trades were valid. The issue was subsequently rectified with all trades scheduled for settlement as normal at the end of the day. This delayed scheduling of settlements may have caused delays with completion of reconciliations and generation of contract notes.
- Settlement fail rates remained very low at 0.2%.
- There was a delay by one clearing participant in meeting the 10.30am cut-off time for cash market margin, as a consequence of a technical issue. A referral was subsequently made to ASX Compliance.

The Chair invited Members to comment on any other impact of the 18 November issue. A Member commented that they would like to hear from ASX on any review of procedures being undertaken that might prevent a recurrence of the issue. The Chair responded that this was currently subject to a review by ASX's Operations Risk function, and that ASX would report back to the Committee on any changes being instituted as a result of this review. **[AGREED ACTION 1]**

The Chair invited other comments from Members on the Operational report. A Member asked whether additional information would be provided to the Committee on the new clearing service for non-ASX quoted products provided through the Trade Acceptance Service. The Member mentioned specifically information relating to the issuer administration services that support clearing for non-ASX quoted products. The Member considered that it would be appropriate for this information to be included in the Operational report.

A Member also requested more granular data be provided in the Operation Report in the use of the Trade Acceptance Service and the Settlement Transfer Service.

The Chair responded that ASX would engage with users of the Trade Acceptance Service on what information was provided and whether any more granular information was delivered as part of this Operational report to the Business Committee, or bilaterally. **[AGREED ACTION 2]**

The Chair then updated the Committee in relation to BBY (cash equities aspects), noting that of around 24,000 HINs (of which around 8,900 HINs had holdings and were considered active), approximately 5,500 HINs were transferred to a new sponsoring participant and any remaining HINs with holdings were converted to issuer sponsored holdings after communications to holders. A small number of remaining HINs were being dealt with through BBY's external administrators.

The Chair then raised the issue of settlement and non-settlement days, noting that it had been determined not to declare the 2016 Victorian AFL Grand Final public holiday a non-settlement day, as this would result in three consecutive trading days being rolled up into a single settlement day, causing potential heightened settlement risk. ASX proposed to consult in 2016 on non-settlement days and whether only national public holidays should be declared as non-settlement days (consistently with the RBA's approach). In response to a question from a Member, the Chair confirmed that any such change would not be effective until the 2017 calendar year.

The Chair then reported on the use of corporate actions STP through the reporting period, noting that approximately 60% of corporate actions were now being put through STP with over 360 dividends captured in this way during the period. The remaining corporate actions would go into development in 2016 with the objective of offering a single service across all corporate actions.

The Chair invited any other questions on the report. There were no other questions or comments from Members.

### **AGENDA ITEM 3: BUSINESS MATTERS**

#### **a. Update on T+2 implementation**

ASX's Senior Manager, Clearing Services updated the Committee on the implementation of T+2 settlement, noting that:

- The project was on track for March 2016 launch.
- The current focus remained on participant and vendor readiness, and on retail communications. An information brochure for retail clients had been produced.
- Four vendor / participant workshops had been conducted, and all four vendors were on track with no red flags.
- Operating rules changes had been lodged for regulatory approval.
- The fourth Market Implementation Group (MIG) meeting was held in November, and included an update from AFMA on wholesale bond market readiness.

- Feedback from NZX indicated that New Zealand was still on track for launch concurrently with Australia.
- A dedicated ASX support team was in place and was engaged with Members' operational and project teams.

The Senior Manager, Clearing Services then discussed milestones to launch, noting:

- A readiness checkpoint in mid-December with calls from ASX to each vendor and participant, with a further checkpoint in January.
- Attestations on 12 February (noting that attestation forms had been prepared and communicated).
- Fifth MIG to be held on 18 February 2016.

The Chair invited Members to comment on any issues with T+2 readiness.

A Member raised the readiness of non-broker participants and asked whether ASX had engaged with that group. ASX's Senior Manager, Clearing Services responded that as agreed at the previous meeting, ASX had attempted to engage with the Australian Securities Dealers Association but had encountered some difficulty in making contact. It was agreed that ASX and Members would continue to attempt to engage with this group in relation to T+2 readiness. **[AGREED ACTION 3]**

There were no further questions or comments from Members.

Mr Hiom joined the meeting and took the Chair at 5.10pm.

#### **b. Roadmap for post-trade service infrastructure**

The Chair provided an update on this agenda item. He noted that ASX was proceeding with the implementation of its technology strategy. The current focus was the new trading platform with the futures and equities platforms both to follow next year. The process of consolidating the two derivatives clearing platforms would commence around the middle of next year.

The Chair commented that ASX would coordinate its decisions on cash equities clearing and settlement infrastructure. He confirmed that a decision on cash equities clearing infrastructure would not be made until a decision on CHES replacement, which in turn was dependent on the Government's response to the Council of Financial Regulators report. This decision would also provide some clarity on the technology required to support cash equities settlement, but in the meantime ASX was focussing on what options were available. ASX's approach would be to enable customers to have early input, to inform the ultimate decision on CHES replacement. The Chair confirmed that the target was to be in a position to engage with customers in the second calendar quarter of 2016.

The Chair also commented on progress in the replacement of ASX's risk systems, noting that the implementation of the new Sentinel clearing risk management system was on schedule, and that work had commenced on systems supporting the real-time monitoring of risk.

The Chair invited questions from Members. A number of Members asked about the timing of a Government decision, the timeframe from that decision to customer engagement on the new platform, and whether customer consultation would commence ahead of the presentation of a prototype. The Chair confirmed that the timing of the Government decision was not clear, but that there was no immediate practical issue in terms of having a supported settlement platform in place. ASX was working to put itself in the position to present to customers in the second calendar quarter of 2016, and wanted to have something to put in front of customers that would form the basis for that discussion.

A Member asked whether blockchain technology would form part of the discussion about the new settlement platform. The Chair responded that ASX was casting the net very wide in terms of what might be possible, and that would include understanding what, if any, application blockchain technology may have.

There were no further questions from Members.

#### **AGENDA ITEM 4: REGULATORY UPDATES**

##### **a. Council of Financial Regulators**

The Chair noted his comments in relation to Agenda item 3b and that ASX had no further information at this time. There were no questions or comments from Members.

##### **b. FATCA update**

ASX's Senior Economic Analyst joined the meeting for this agenda item. The Chair introduced the item by noting previous discussions on the possibility of a CHESSE-based solution for the FATCA reporting requirements of exchange traded product issuers. The Chair further noted Members' concerns in relation to a solution involving the imposition of an obligation on brokers to collect information for this purpose, notwithstanding any commercial incentive for brokers. ASX had been prepared to support a CHESSE-based solution but only on the basis of support from the industry that this was the agreed approach.

The Senior Economic Analyst noted that at the previous meeting ASX was cautiously optimistic of a bank account-based solution that would not impose any additional burden on the industry. Based on feedback from relevant Government agencies, ASX was now less optimistic of this solution, which now did not appear to be viable due to gaps between the reporting requirements relating to bank accounts and those relating to securities accounts. However, the deadline for compliance was now 2017, for both FATCA and CRS. This might provide an opportunity for issuers to engage with Government on the obligations, but in the meantime the preconditions for a CHESSE-based solution did not exist.

A Member commented that based on recent industry engagement with Government agencies it appeared that 1 July 2017 would be the hard deadline for CRS, that the reporting obligation would be with product issuers with fines for non-compliance, and that discussions were on-going on whether the obligation would be post-trade rather than pre-trade.

There were no further comments or questions from Members.

#### **AGENDA ITEM 5: ADMINISTRATION**

##### **a. Forward work program**

The Chair introduced ASX's Senior Manager, Clearing Services to speak to the 2016 forward work program. The Senior Manager, Clearing Services commented that there would be a focus on T+2 and then on CHESSE replacement and phase 2 of corporate actions STP, but emphasised that Members were encouraged to add any priorities for the Business Committee into that forward plan. ASX would engage with Members in the period leading up to the next meeting in February and Members agreed to advise ASX of any items for inclusion. **[AGREED ACTION 4]** ASX would engage with the Committee in February on any new items proposed for inclusion.

##### **b. Minutes from the 27 August 2015 meeting**

The Chair noted the minutes from the 27 August 2015 meeting and invited comments. As there were no comments, the Chair noted that the minutes were approved.

**c. Proposed 2016 Forum and Business Committee meeting dates**

The Chair noted that Members had been provided with proposed meeting dates for 2016 and invited any feedback, including on whether an additional meeting should be held after the proposed February 2016 meeting and before T+2 go-live. It was agreed that a comprehensive T+2 update would be provided by ASX at the February meeting and that a decision could be made at that time on whether a further interim meeting was needed. **[AGREED ACTION 5]**

A Member commented that the proposed 1 June 2016 meeting may conflict with a Stockbrokers' Association of Australia event. The Chair confirmed that ASX would update the proposed timetable as required. **[AGREED ACTION 6]**

The next meeting will be held at 12pm on Wednesday, 17 February 2016.

**d. Other matters**

As there was no further business discussed, the meeting closed at 5.45pm.

Signed as a correct record of the meeting.



22 December 2015

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Chairman

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Date