



MINUTES

BUSINESS COMMITTEE MEETING

Date	Time	Location
Wednesday, 31 August 2016	12.00pm – 1.48pm	ASX Offices – Level 1, 20 Bridge Street, Sydney

Agenda Item	
1.	Lunch
2.	Service Performance a) Operating Performance Report
3.	Customer Service Survey Results
4.	Management Accounts for Cash Market Clearing & Settlement
5.	Business Matters a) Roadmap for post-trade service infrastructure b) Cyber Resilience
6.	Regulatory Updates a) Minimum Core Capital requirement, Collateral Haircuts and ETO Initial Margins
7.	Administration a) Forward work program updated b) Minutes from the 15 June 2016 meeting c) Other matters
8.	Next Meeting The next meeting of the Business Committee is scheduled for Wednesday, 30 November 2016.

NEXT MEETING: Wednesday, 30 November 2016



Members		
Company	Name	Job Title
ABN AMRO Clearing	Mr Sean Lawrence	Managing Director
ANZ	Mr Andrew Kourdin (as delegate for Peter Mullin)	Head of Execution Assurance and Middle Office
ASX	Mr Peter Hiom	Business Committee Chair Deputy CEO, ASX
Bank of America Merrill Lynch	Mr Rhys Cahill	Global Markets COO
BNP Paribas	Mr Luc Renard (as delegate for David Braga)	Head of Security Services
Chi-X Australia	Mr Mike Aikins	Chief Operating Officer
Citi	Mr Miles O'Connor	Director, Direct Custody & Clearing Securities & Funds Services
Commonwealth Bank of Australia	Mr Sheridan Thompson	Head of Strategic Development, CommSec
Credit Suisse	Mr Matthew Gallagher (as delegate for Andrew Farran)	Head of Operations
Deutsche Bank AG	Mr Russell Deal	Chief Operating Officer
Goldman Sachs	Mr Jeremy Follett	Executive Director Operations
HSBC	Mr Peter Snodgrass (as delegate for Andrew Bastow)	Head of Direct Custody & Clearing, HSBC Securities Services
J.P. Morgan	Mr Suneet Jain	Sales Business Manager, Markets & Investor Services
Macquarie Group	Mr James Indge	Cash Equities Business Manager
Morgans	Mr Peter Chisholm	Chief Operating Officer
Morgan Stanley	Mr Craig McGuire	Head of Operations
National Australia Bank	Mr Greg Bowrey (as delegate for Nathan Walsh)	General Manager, Self-Directed Wealth Products & Markets
Pershing Securities	Mr Rob Forbes	Chief Executive Officer



Stockbrokers Association of Australia	Mr Andrew Green	Chief Executive Officer
Sydney Stock Exchange Limited	Mr David Lawrence	Chief Operating Officer & Company Secretary
UBS	Mr Conor Foley	Chief Operating Officer

Apologies		
Company	Name	Job Title
NSX	Mr Tom Price	Director
Bell Potter Securities	Mr Dean Surkitt	Managing Director Retail

ASX Management	
Name	Job Title
Ms Amanda Harkness	Group General Counsel & Company Secretary
Mr Tim Hogben	Group Executive, Operations
Mr Alan Bardwell	Chief Risk Officer (Item 6(a))
Ms Eloise Wett	Executive General Manager, Customer Experience
Mr Cliff Richards	General Manager, Equity Post Trade Services
Mr Stephen Hammon	General Manager, Finance (Item 4)
Mr Rodd Kingham	Senior Manager, Equity Post Trade Services
Mr Michael Bradwell	Senior Legal Counsel
Mr Daryn Wedd	General Manager, Technology Security and Governance (Item 5(b))
Mr Tristan Geering	Chief Information Security Officer (Item 5(b))



AGENDA ITEM 1: LUNCH

The Chair formally opened the meeting at 12.15pm.

The Chair noted two apologies and welcomed Members and delegates.

AGENDA ITEM 2: SERVICE PERFORMANCE

a. Operating Performance Report

The ASX Group Executive, Operations spoke to the agenda paper noting that the metrics for the September quarter are only for the period up to 29 July 2016 and flagged certain metrics including:

- Trading on ASX and Chi-X is in line with the previous quarter and trading on NSX and SSX was slightly down on the previous quarter
- CHES and TAS availability was 100%
- Percentage novated was around 72% (balance trade reports)
- Netting 99.93% on volume; 62% on value

The Group Executive, Operations also reported that since the change to the batch settlement cut-off time to 11.30am there have been no requests for extension to settlement cut-off.

There were no questions from Members on the metrics.

The Group Executive, Operations also reported on the following matters:

- Brexit decision – there were a record number of equity trades on the day (1.55m) of the Brexit announcement and despite the increase, all systems and processes functioned as normal. Additional margin was called intra-day and all was paid on time. A record number of settlements (158,008) settled two business days later and the systems all worked well. The efficiency of netting was highlighted with the 1.55m trades resulting in 18,630 scheduled net settlements. Fail rates were very low.
- Annual assurance reports – these reports which are prepared by PwC were issued in August reporting on ASX's systems. PwC's opinion was that there were no material issues.
- CHES Release 9 – was released on 13 August 2016. That Release included 20 new messages for mFund. No issues have been identified with that Release.

No questions or issues were raised by Members.

AGENDA ITEM 3: CUSTOMER SERVICE SURVEY RESULTS

The ASX Executive General Manager of Customer Experience spoke to the agenda paper noting that this was the second ASX customer service survey and that it had been conducted in two parts: an interview with customers and an online survey.



The EGM Customer Experience noted that the results of the survey included an acknowledgement by customers that ASX has made improvements but that there is areas where more work is needed. The EGM Customer Experience noted the areas where the feedback was that more work is needed and discussed the steps that ASX was taking to improve customer service.

In response to a question from a Member regarding what ASX's model for customer service is it was noted that this is determined by the type of customer. The Chair noted that a particular focus for ASX management is 1:1 engagement with customers to find out what customers want in terms of service and to identify current issues and future issues.

AGENDA ITEM 4: MANAGEMENT ACCOUNTS FOR CASH MARKET CLEARING & SETTLEMENT

The ASX General Manager Finance reported to the meeting in relation to the Cash Market Clearing Management Income Statement and the Cash Market Settlement Management Income Statement for the year ended 30 June 2016 noting that the statements have been audited by PwC and that the statements had been prepared using the same methodology as the previous year.

The General Manager Finance noted that the effect of the cut in clearing fees charged by ASX will be seen in the next Cash Market Clearing Management Income Statement.

There were no questions from Members on this item.

AGENDA ITEM 5: BUSINESS MATTERS

a. Roadmap for post-trade service infrastructure

The ASX General Manager, Equity Post Trade Services spoke to the agenda item noting the updates in relation to ASX's investigation of distributed ledger technology (DLT) that had been provided at the earlier Business Committee meetings.

The General Manager, Equity Post Trade Services reported on the interactions by ASX with stakeholders that are to occur over the next 5-6 months including:

- software demonstrations by ASX of DLT at ASX's premises commencing in the week following the Business Committee meeting. The demonstration will be a different demonstration to the one that followed the previous Business Committee meeting and will be based on 4-5 core things that CHES does including performance of clearing and settlement. Learnings from participant failures have been factored in to enhance the system. In response to a question from a Member it was confirmed that Members would be invited to the demonstration. The intention being to invite 2-3 firms at a time with about 5 people from each firm attending with ideally a cross section of representatives from within a firm. In response to a question from a Member it was reported that ASX would not be presenting the demonstrations on the internet as this had not proved to be feasible.
- the release of a consultation paper in the fortnight after the meeting inviting responses from stakeholders. The consultation paper will explain the current processes in CHES and the design philosophy of the proposed DLT based solution.
- technical workshops in about 5-6 months' time seeking input from stakeholders.



The General Manager, Equity Post Trade Services also reported that ASX was investigating the possible use of international standards messaging in the proposed DLT solution. It was also reported that the ASX Senior Manager, Equity Post Trade Services would lead the stakeholder engagement which would include the use of webinars, immersions and workshops.

The General Manager, Equity Post Trade Services reported that by the end of 2017 ASX expected to have the software developed to a stage to be able to determine whether it could replace CHES. It was also reported that there was no firm time-frame for implementation however stakeholders will be engaged on the most appropriate timing for a transition to implementation. It was noted that if DLT was determined not to be an appropriate replacement for CHES, the learnings from exploration of DLT could be used for an alternative replacement of CHES.

A Member noted that for some participants, budgeting starts in August each year and asked whether participants could have a preliminary view from ASX in August 2017 to enable budgeting. The Chair reported that ASX would be able to provide an update on progress in August 2017.

b. Cyber Resilience

The ASX General Manager, Technology Security and Governance and the ASX Chief Information Security Officer spoke to the agenda paper including noting the types of information that ASX is holding, strategies that ASX employs to protect data and recent trends in cyber threats including malware, phishing, denial of service attacks, social engineering and ransomware.

It was also reported that ASX uses a variety of controls in a defence in depth strategy to mitigate the cyber risk, including the use of the private ASX Net network for much of the key trading, clearing and settlement transactional traffic. It was also noted that the ASX is assisting the Federal Government in undertaking a cyber security 'health check' of the top ASX 100 entities which will go to the audit committee chairs of those organisations with the aim of raising awareness of cyber risk at the Board level.

The Chief Information Security Officer reported that a key element of cyber resilience is having a good relationship and methodology with business partners which enables continued working together if there is a cyber-attack. It was also reported that it is better to understand across the industry what types of attacks are happening. The meeting then discussed the benefit of sharing information regarding cyber-attacks between organisations as cyber-attacks are often repeated at other organisation and in different regions. A Member reiterated the benefit of sharing information between organisations and another Member recommended that a regular forum be established for the chief security executives of member organisations to share information regarding recent incidents and trends in cyber-security [**AGREED ACTION 1**].

AGENDA ITEM 6: REGULATORY UPDATES

Minimum Core Capital requirement, Collateral Haircuts and ETO Initial Margins

The ASX Chief Risk Officer provided an update in relation to the minimum core capital consultation, collateral haircut changes and ETO margin enhancements including noting that:



- ASX will consolidate the feedback received from the minimum core capital consultation and then go back to the market.
- The liquidity management guidance note had been issued on the date of the meeting with an effective date of the end of February 2017.
- Collateral haircut changes have been approved by the Board including a move to tiered levels. There is a notice coming out in the week after the meeting with implementation in mid-September 2016.
- Will come back to the Committee later in the year on the ETOs initial margins liquidity and concentration add ons methodology.
- Sentinel risk management system – the current focus is on ASX Clear Futures. Won't include ASX Clear until 2018.

There were no questions on this item.

AGENDA ITEM 7: ADMINISTRATION

a. Forward work program updated

The Chair invited Members to contact the Senior Manager, Equity Post Trade Services if they had suggested items for the forward work program.

b. Minutes from the 15 June 2016 meeting

The Chair noted the minutes from the 15 June 2016 meeting and invited comments. As there were no comments, the Chair noted that the minutes were approved.

c. Other matters

There were no other matters.

NEXT MEETING

The next meeting will be held on Wednesday, 30 November 2016. The Chair proposed that the meeting be held later in the afternoon on that date.

As there was no further business discussed, the meeting closed at 1.48pm.

Signed as a correct record of the meeting.

A handwritten signature in blue ink, appearing to be 'P. Smith', written over a horizontal line.

Chairman

A handwritten date '21/9/16' in blue ink, written over a horizontal line.

Date