

Agenda

Business Committee

Date	7 December 2020	Time	12:00pm – 1:30pm
Location	By teleconference		
1. Service Performance			12:00pm-12:15pm
a) Cash Market Clearing and Settlement - Operating Performance			
2. CHES Replacement Project			12:15pm-12:45pm
a) CHES Replacement			
– Application			
– Infrastructure and ledger			
– Integration and reporting			
– Rules and regulatory engagement			
– Stakeholder engagement			
– Customer and Operational Readiness			
b) Feedback on the confirmed implementation timetable			
c) Forward stakeholder engagement plan			
3. Service Enhancements			12:45pm-1:00pm
a) Corporate Action STP Phase 2 project			
b) Electronic CHES holding statements			
4. Data governance			1:00pm-1:15pm
a) Information paper on ASX data governance under CHES and CHES replacement			
5. Administration			1:15pm-1:30pm
a) Minutes from the 28 October 2020 Business Committee Meeting			
b) Forward work program			
c) Other matters			
6. Next Meeting	– see forward work program		

Action Items

Item number#	Action	Due date	Status	Owner
2019 Sept (1)	Communicate with issuers on the proposed changes to corporate action forms and processes	Nov 2019	Completed	Karen Webb
2019 Sept (2)	Further information regarding how the market could use the optional DLT capabilities of the system	Nov 2019	Completed	Cliff Richards
2019 Sept (3)	Summary of the types of CHES replacement project risks ASX tracks	Nov 2019	Completed	Hamish Treleaven Cliff Richards
2019 Sept (4)	Implement changes to Business Committee processes (draft agenda and meeting action items)	Nov 2019	Completed	Gary Hobourn
2019 Sept (5)	Invite AMOs to attend the next meeting of the Implementation and Transition Working Group	Nov 2019	Completed	Keith Purdie
2019 Sept (6)	Circulate the annual Regulatory Expectations audit report and Management Accounts for the CS facilities	Nov 2019	Completed	Gary Hobourn
2019 Sept (7)	Organise a meeting with AMOs to discuss the issues raised during the PWC audit	Nov 2019	Completed	Karen Webb
2019 Sept (8)	Respond to industry feedback following release of ASX Clear GN10: Business Continuity & Disaster Recovery	Nov 2019	Completed	Hamish Treleaven
2019 Nov (1)	Provide members with the proposed times for the meeting dates in 2020.	Dec 2019	Completed	Gary Hobourn
2020 Apr (1)	Facilitate, with an industry group member, more effective engagement on benefits of the new system.	Jul 2020	Completed	Peter Hiom
2020 Oct (1)	Provide members with a roadmap for Day 2 implementation of remaining corporate actions functionality for CHES Replacement	Dec 2020		Timothy Hogben
2020 Oct (2)	Provide members with a forward stakeholder engagement plan for CHES Replacement	Dec 2020		Keith Purdie

Business Committee Members

Company	Name	Job Title	Apologies
ABN AMRO Clearing	Barry Parker	Chief Executive Officer	
AFMA	David Lynch	Chief Executive Officer	
ASX	Peter Hiom	Business Committee Chair, Deputy CEO	
ASX	David Raper	Executive General Manager, Trading Services	
AIRA	Ian Matheson	Chief Executive Officer	
ACSA	Rob Brown	Chief Executive Officer	
ASA	Fiona Balzer	Policy & Advocacy Manager	
Automic	Paul Williams	Managing Director	
BAML	Stephen Hacker	Director, Head of Operations	
Bell Potter Securities	Rodd Kingham	Head of Operations - Transformation	
BNP Paribas	Mark Wootton	Head of Custody Product Aust & NZ	
Chi-X Australia	Mike Aikins	Chief Operating Officer	
Citi	Miles O'Connor	Director, Direct Custody & Clearing Securities & Funds Services	
CMC	Andrew Rogers	Director of Broking Business	
CBA (CommSec)	Sheridan Thompson	Head of Strategic Development	
Computershare	Scott Hudson	Head of Intermediary Services	
Credit Suisse	Winston Loke	Australia Equities COO	
Deutsche Bank AG	Geoffrey Plaisted	Chief Operating Officer, Equities	
Goldman Sachs	Yen Le	Executive Director	
GIA	Megan Motto	Chief Executive Officer	
HSBC	Nichole Alexander	Manager, Aust Market Advocacy & Development	
J.P. Morgan	Jonathan Evans	Head of Custody & Markets Operations	
Macquarie Group	James Indge	Cash Equities Business Manager	
Morgan Stanley	Rebecca Hill	Chief Operating Officer	
Morgans	Daniel Spokes	Director, Client Support Services	
NAB	Anita Mead	Head of Business Management, Self-Directed Wealth	
NSX	John Williams	Head of Admissions	
Pershing Securities	Leigh Conder	Chief Operating Officer	
SAFAA	Judith Fox	Chief Executive Officer	
Sydney Stock Exchange	Antony Tolfts	Listings Director	
UBS	Conor Foley	Chief Operating Officer	

ASX Management

Name	Job Title	Apologies
Tim Hogben	Chief Operating Officer	
Daniel Moran	General Counsel	
Hamish Treleaven	Chief Risk Officer	
Dan Chesterman	Chief Information Officer	
Val Mathews	Executive General Manager, Operations	
Sally Palmer	Deputy General Counsel	
Katie McDermott	General Manager, Equity Post Trade Services	
Diane Lewis	General Manager, Head of Regulatory Affairs	
Karen Webb	Senior Manager, Equity Post Trade Services	
Keith Purdie	Senior Manager, Equity Post Trade Services	
Con Korkofigas	Senior Legal Counsel	
Jacqueline Oliver	Legal Counsel	
Andrew Jones	General Manager, Strategic Partnerships	

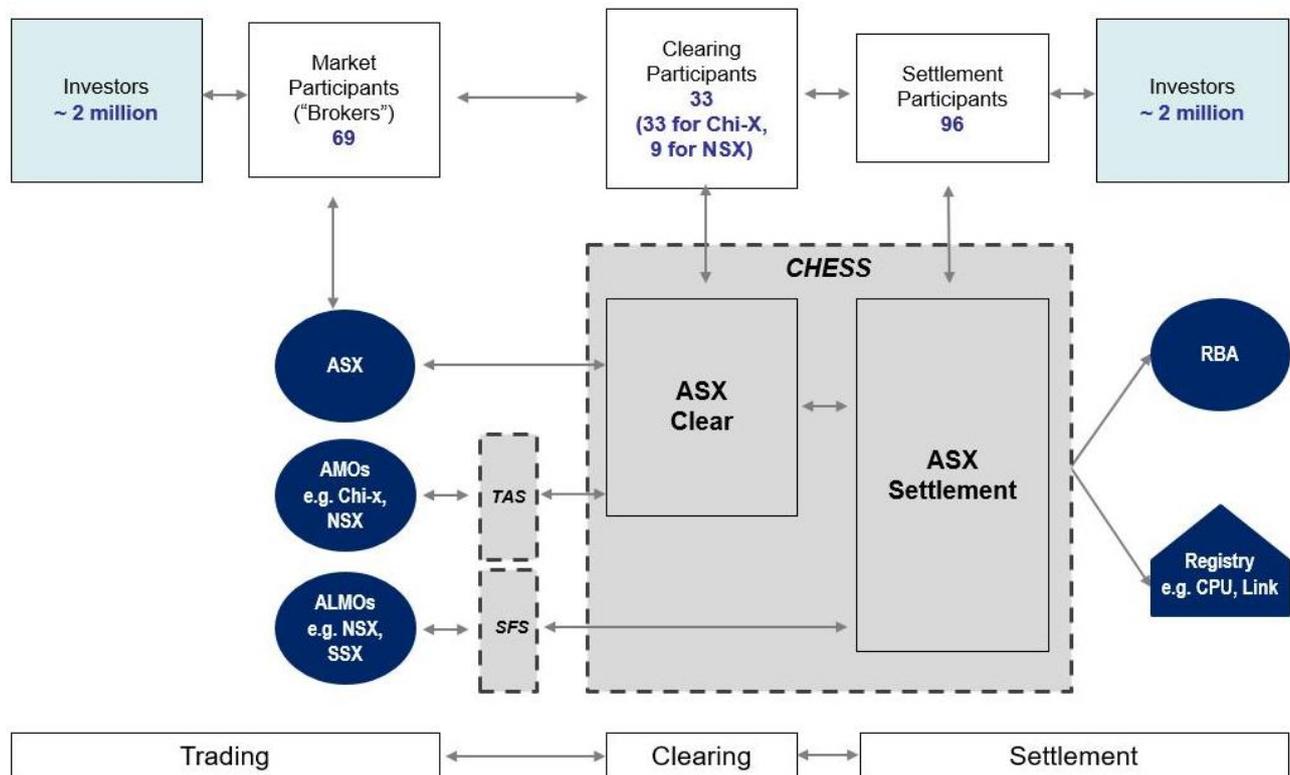
Observers

Name	Job Title	Apologies
Nathan Bourne	Senior Executive Leader, Market Infrastructure (ASIC)	
Dodie Green	Senior Manager, Market Infrastructure, (ASIC)	

Committee	Business Committee
Agenda title	Cash market clearing and settlement services - Operational performance
Item	1a
Purpose	To report on key performance metrics for ASX's clearing and settlement services.
Meeting date	07 December 2020
Prepared by	Chief Operating Officer (Val Mathews) Senior Manager, Settlement Operations (Brendan Laird)

OVERVIEW

Market Structure Overview



The clearing and settlement of equities performs a critical role in the operation of Australia's financial markets, helping to reduce counterparty and systemic risk, and provide transaction efficiency and certainty for end investors.

Core processes that provide these benefits include novation, netting and settlement.

Novation

Through a contractual process known as novation, ASX Clear becomes the seller to every buyer and the buyer to every seller, making it liable for completing all cleared transactions on the relevant market. Novation performs two important functions:

- it replaces the clearing participants' credit exposures to other clearing participants by substituting the clearing house as the central counterparty; and
- it maximises capital efficiency for clearing participants by permitting a single net exposure to be calculated and collateralised between the clearing house and each clearing participant.

Through novation, ASX Clear provides protection to non-defaulting clearing participants (and, indirectly, their clients) from the inability of a defaulting clearing participant to meet its obligations.

A key metric for monitoring novation is the percentage of on and off market trading that is novated.

Trades submitted for clearing and settlement by any market operator are verified prior to registration by ASX Clear. If the verification conditions are not satisfied then trades are rejected. Once a trade is registered it is novated. Novation is deemed to be effective from the matching of bid/offer (on market trades) or recording of the trade (reported trades) for all trade execution venues.

Netting

ASX Clear is approved as a 'netting market', and ASX Settlement is an 'approved netting arrangement', for the purposes of the Payment Systems and Netting Act. This gives legal certainty to the netting of settlement obligations. Settlement on a multilateral net basis maximises market efficiency by reducing participant transaction and funding costs.

A key metric for monitoring netting is the percentage by which novated value is netted down for settlement. This metric is termed "netting efficiency".

Settlement

ASX's model for settlement maximises efficiency, while minimising the risk of settlement failure. It does this by simultaneously transferring the legal ownership of shares and facilitating the transfer of money for those shares. This is done through a Model 3 multilateral net batch settlement mechanism with irrevocable settlement finality at the end of the processing cycle. The transfer of money occurs across the Exchange Settlement Accounts of payment providers in the RBA's Information and Transfer System (RITS).

A key metric for monitoring settlement is the percentage of scheduled settlement that successfully settles (i.e. the opposite of the "fail rate"). This metric is termed "settlement efficiency".

Service availability

ASX's critical processes of novation, netting and settlement and are supported in ASX's core system CHESS. It is critical for market operations, that CHESS remains stable and available for processing. A key metric for monitoring systems availability is the percentage of systems uptime as measured against target availability times. The service availability target for CHESS is 99.80%.

For the December 2020 quarter¹, the average monthly system availability was 100% for CHESS. The average monthly availability of CHESS has been 99.99% between November 2011 and October 2020.

Trade Acceptance Service and Settlement Facilitation Service

ASX Clear and ASX Settlement's Trade Acceptance Service (TAS) provides a mechanism for Chi-X and NSX to submit trades into CHESS and Settlement Facilitation Service (SFS) provides settlement arrangements for

¹ Up to 31 October 2020

unaffiliated Approved Listing Market Operators (ALMOs) in respect of the CHESSE-eligible financial products listed on their markets (NSX and SSX). The CHESSE system performs the clearing and settlement functions.

The Trade Acceptance Service and Settlement Facilitation Service availability target is 99.80% (the same as CHESSE).

For the December 2020 quarter², the average monthly system availability was 100% for the TAS and Settlement Facilitation Service. The average monthly availability of the TAS and SSF has been 99.99% between November 2011 and October 2020 (which is the same as CHESSE).

Reporting on clearing and settlement service performance

The key metrics noted above on novation, netting efficiency and settlement efficiency for the December 2020 quarter¹ are reported in Attachment A. They are also supported by charts demonstrating a longer reporting period in Attachment B.

Settlement Performance

A performance metric for monitoring the CHESSE settlement batch is the fail performance.

For the December 2020 quarter², the daily average fail performance has increased to 0.358% and averaged 0.324% for the calendar year, between January 2020 and October 2020.

The daily average fail performance was 0.302% between November 2011 and December 2019.

During the quarter, ASX Settlement Operations has been reviewing the daily settlement data for recurring trends in the settlement failure rate, to monitor and ensure there are no systemic issues. The maximum fail rate in October was due to a high number of bilateral transactions which failed as a consequence of increased single netted Market obligations.

Month	October	September	August	July	June	May
Average Fail Rate	0.358%	0.265%	0.226%	0.180%	0.267%	0.213%
Maximum Fail Rate	2.541%	0.519%	0.451%	0.275%	0.741%	0.395%
Minimum Fail Rate	0.146%	0.102%	0.128%	0.116%	0.071%	0.116%
# of days Fail rate > 0.50%	8	7	0	0	3	0
Batch Settlement Extensions	2	0	0	0	1	2
Fall back of Payment Provider	1	1	1	0	1	0

Supplementary Information for quarter of December 2020

CHESSE Settlement Batch Completion Delay - 17 November

ASX Settlement experienced a technical issue that delayed the completion of the CHESSE Settlement Batch, which normally completes around 12:30. Settlement of cash obligations arising from the batch completed successfully at 12:44. The final step, which completes movement of securities, was held-up due to a long running database process that was preventing the execution of further processes.

² Up to 31 October 2020

After the completion of payment obligations at RBA (RITS) the CHES batch settlement stalled in the final stage of settlement. It was determined there was a database recovery process running which delayed settlement batch until 17:44, with all settlements completing as expected at this time. Settlement confirmation messages were disseminated to participants by 17:50. The fail rate was 0.280% for the day.

After the completion of the settlement batch, CHES recommenced the dissemination of Trade Registration messages (CHES MT164). Commencement of CHES end-of-day was delayed to 20:00 from the normal 19:00 to provide sufficient time for the processing of these messages by participants.

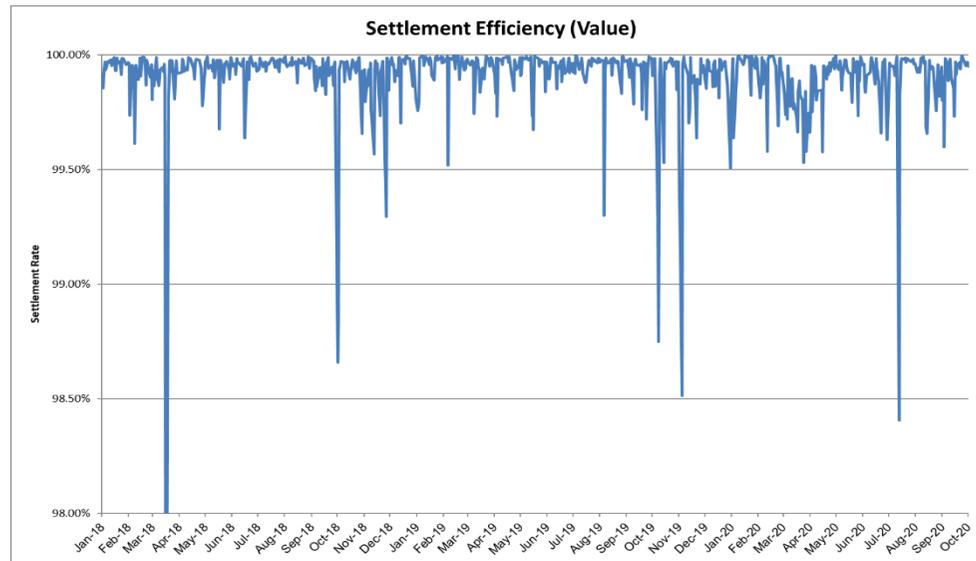
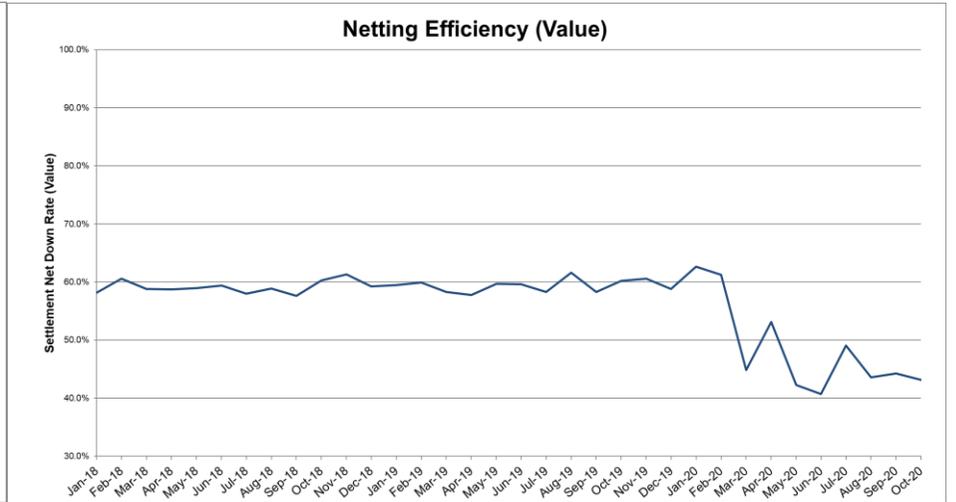
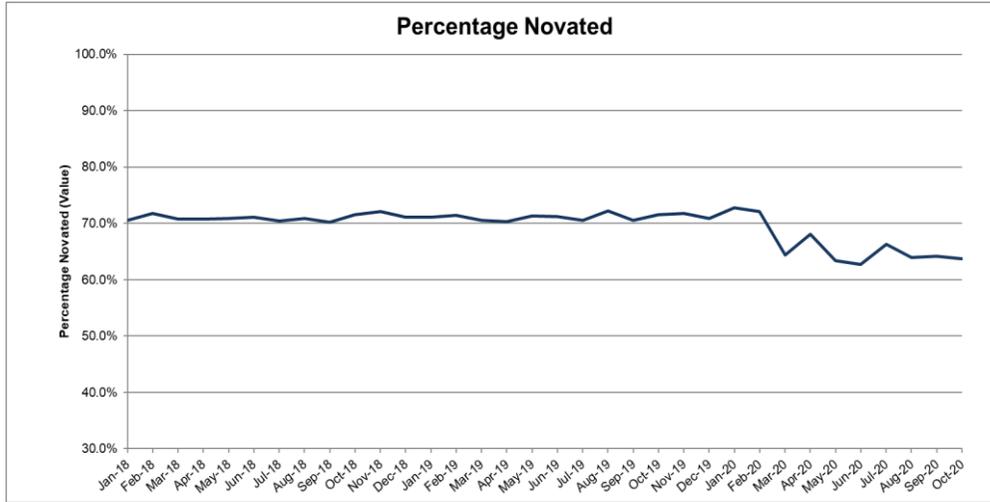
CHES end-of-day activities completed without issue.

ATTACHMENT A – SUMMARY METRICS RELATING TO THE PERFORMANCE OF ASX’S CLEARING AND SETTLEMENT SERVICES

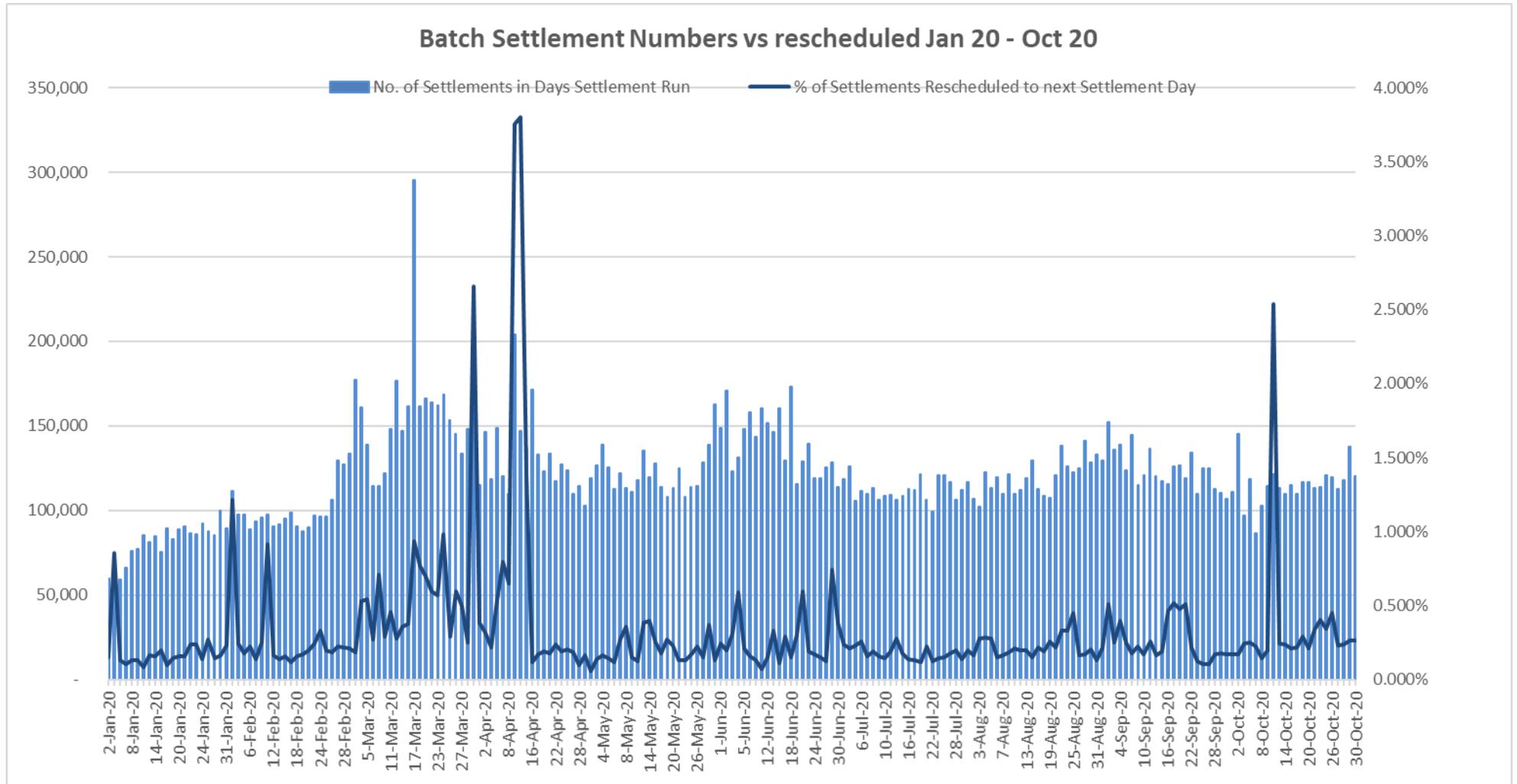
	December 2020 Quarter ³	September 2020 Quarter	June 2020 Quarter
System Availability (CHESS)	100%	100%	100%
System Availability (TAS)	100%	100%	100%
Total Trades Accepted (ASX)	31,922,083	100,368,539	108,065,942
Total Trades Rejected (ASX)	0	0	0
Total Trades Accepted (Chi-X)	10,491,509	34,777,945	34,068,422
Total Trades Rejected (Chi-X)	0	0	0
Total Settlements (SSX)	3	18	0
Total Value of Settlements (SSX)	\$1,282.50	\$11,000	\$0
Total Settlements (NSX)	221	914	714
Total Value of Settlements (NSX)	\$1,924,318.41	\$12,485,131	\$10,691,912
Daily Average Traded Value (On and Off Market)	\$5.6 billion	\$6.4 billion	\$7.5 billion
Daily Average Cleared Value	\$3.6 billion	\$4.1 billion	\$4.9 billion
Percentage Novated	63.8%	64.79%	64.74%
Daily Average Cleared Value Post-Netting	\$2.03 billion	\$2.25 billion	\$2.64 billion
Netting Efficiency (Value)	43.1%	45.6%	45.3%
Netting Efficiency (Volume)	97.88%	98.14%	98.49%
Daily Average Settled Value (Including Non-Novated)	\$9.8 billion	\$11 billion	\$13.4 billion
Settlement Efficiency (Value)	99.86%	99.90%	99.88%
Average Daily CHESS Fail Rate (% Rescheduled to the next settlement date)	0.358%	0.223%	0.382%

³ Up to 31 October 2020

ATTACHMENT B – PERFORMANCE OF ASX'S CLEARING AND SETTLEMENT SERVICES FROM JANUARY 2018 TO OCTOBER 2020



ATTACHMENT C – BATCH SETTLEMENT NUMBERS VS RESCHEDULED JAN-OCT 2020



Committee	Business Committee
Agenda title	CHES Replacement – Program Update
Item	2a
Purpose	To provide Business Committee members with a program update
Meeting date	7 December 2020
Prepared by	Senior Manager, Equity Post Trade Services (Keith Purdie)

OVERVIEW

ASX published its formal response to consultation feedback and confirmed the implementation timetable on 28 October, the same day as the last Business Committee meeting. In the following week, ASX hosted a 90 minute market webinar on 6 November with the Implementation & Transition working group that included the 100 organisations who participated in the industry consultation. This allowed ASX to present the key findings and explain the drivers to changing the implementation timetable and respond to questions.

Application Design, Build and Test

The ninth drop of code into the customer development environment (CDE 9) was released on 30 November. The release includes workflow for the cash market margin and investor data which includes the foreign tax status submission, bank account and tax file number (TFN) processes. It also includes the payment provider authorisation for RTGS payments for bilateral demand settlement instructions and batch settlement in participant, issuer and payment provider environments and higher usage demand reports for CUM entitlement balances. However, the scope of CDE 9 has been reduced with a few low usage demand reports that will now be iteratively delivered during Q1 2021 and in advance of CDE 10.

The timetable to release the outstanding features to complete the development of clearing and settlement functionality, in line with the confirmed implementation timetable, has been published. This includes CDE 10 to be delivered at end June 2021 and will include the NBO redesign. CDE 11 will be delivered end September 2021 and will include changes to accommodate the increased scope for electronic DRP/BSP elections and enquiry.

ASX has also been hosting a series of bilateral meetings with all software providers to discuss the status of their development and testing progress in CDE. CDE will continue to be made available during the Christmas holiday period albeit with reduced levels of support from 21 December – 2 January.

ASX has also committed to improving the customer experience and support processes in CDE, including increasing the period of time between resets of the environment. ASX is working towards making these improvements by the end of Q1 2021. Further test tools will also continue to be iteratively released to enhance software providers testing capabilities for some multilateral workflows which simulate participant's actions.

Infrastructure and Ledger

New instances of the ledger software continue to be deployed into ASX environments for testing both functional and non-functional requirements.

Integration and Reporting

As noted above, a few low usage reports that are made available on demand (i.e. not scheduled end of day reports) will now be progressively released during Q1 2021.

Rules and Regulatory Engagement

ASX's response to consultation feedback outlined the key revised dates for consultation on the tranche 3 rule amendments, as well as a consolidated rules package, which will now commence in early August 2021 (rather than the early November 2020 timing contemplated in the June consultation). This revised timing is to accommodate changes connected with the redesign of the NBO process, with any associated changes (including for rules addressed in earlier tranches) to be addressed in tranche 3. Rules supporting electronic DRP and BSP elections, DRP and BSP enquiry, and non-batch DvP bilateral settlement (covered in the tranche 1 and tranche 2 rules consultation), will be retained in the consolidated rules package since these features are proposed to become effective on Day 1 go-live. Conversely, rules supporting electronic acceptance and payment for entitlement offers (covered in the tranche 2 rules consultation), which are not in scope for Day 1 go-live, are to be removed from the consolidated rules package, and the revised timing for these rules will now be considered following Day 1.

ASX has also published an updated [rule development timeline](#) providing further information on the key dates for the regulatory and public consultation processes across the three tranches of rule amendments for Day 1 of the new system. It also covers rule amendments addressing business requirements generated through industry consultation for CHES Replacement but which are not dependent on the new system and are being delivered prior to Day 1 of the new system through ASX BAU processes or the Corporate Actions STP Phase 2 Project. The timeline shows both completed and upcoming processes.

Stakeholder Engagement

Implementation and Transition working group

ASX hosted a 90 minute webinar on 6 November with the implementation & transition working group that included the 100 organisations who participated in the industry consultation. This included a presentation on the key findings and explained the drivers to changing the implementation timetable. It also provided an opportunity to respond to stakeholders questions. ASX has since published its formal reply to all 33 questions to the project's documentation portal and CHES replacement webpage.

A copy of an audio recording of this webinar, presentation materials and ASX's published reply to questions asked during the webinar can be found here:

[Implementation and transition working group presentation materials – 6 November 2020](#)

Payment Providers

On 17 November 2020, ASX attended the quarterly Equity Settlement Payment Providers Sub-Committee meeting to provide a project update and to discuss a revised Terms of Reference (ToR) for future engagement on CHES replacement. The meeting also allowed ASX to provide payment providers with an update on the confirmed implementation and increased Day 1 scope including non-batch DvP bilateral demand settlement which makes use of CHES-RTGS, noting its optional use and a recommendation that Payment Providers start engaging with their customers (settlement participants) to gauge expected usage.

Bilateral Engagement

ASX is planning a series of bilateral meetings during November and December with all CHES users to discuss CHES users' readiness activities and respond to any further questions on the confirmed implementation timetable.

Newsletters

ASX last published a project update to all stakeholders with the CHES Replacement Project Newsletter on 5 November 2020. The newsletter also included a spotlight on information presented in the ASX CHES Replacement documentation portal. The November newsletter focused on new documentation detailing the approach to migrating certain inflight transactions over the cutover weekend. A copy of this newsletter can be found here:

[CHES Replacement Project Update - November 2020](#)

Customer & Operational Readiness

Formerly cutover, transition and customer readiness (CTCR), the focus of the Customer & Operational Readiness team is to ensure the readiness of the Software Providers, CHES users and ASX business for go live. This includes the management of the software provider activities in CDE, software provider testing in ITE1 and CHES user and operational readiness testing in ITE2. In addition the team is also responsible for the delivery of customer facing documentation and overall management of the deployment and cutover phase, including data migration, migration dress rehearsals and go-live activities.

New content has been published to the documentation portal on 30 October including updated ASX Settlement Procedure Guidelines, new functional specifications and message accreditation scripts as well as an updated forward release plan in line with the confirmed implementation timetable. It also included an introduction to ASX's transition approach to migrating data, with a particular focus on inflight transactions for cutover. This initial publication will continue to be added to with further details to support CHES users in readiness for cutover and transition.

Committee	Business Committee
Agenda title	CHES Replacement – Feedback on the confirmed implementation timetable
Item	2b
Purpose	To respond to any further feedback from Business Committee members on ASX’s response to consultation feedback and the confirmed implementation timetable
Meeting date	7 December 2020
Prepared by	Senior Manager, Equity Post Trade Services (Keith Purdie)

OVERVIEW

ASX published its formal response to consultation feedback and confirmed the implementation timetable on 28 October, the same day as the last Business Committee meeting. ASX presented the key points including walking through the confirmed implementation timetable. However, it was acknowledged that members would need time to digest the full response in detail.

ASX would like to hear from members on 7 December if they have any additional feedback or questions. ASX will also provide members with an update on the considerations for the redesign of net broker obligations (NBO) to achieve additional capacity uplifts more quickly post Day 1.

Committee	Business Committee
Agenda title	CHES Replacement – Forward stakeholder engagement plan
Item	2c
Purpose	To provide Business Committee members with a forward plan on key stakeholder engagement activities
Meeting date	7 December 2020
Prepared by	Senior Manager, Equity Post Trade Services (Keith Purdie)

OVERVIEW

ASX will present a forward plan for stakeholder engagement activities for members' consideration at the Business Committee meeting on 7 December. The forward plan will be anchored around key project activities and milestones and will include the formation of new working groups.

Committee	Business Committee
Agenda title	Corporate Actions STP Phase 2 project
Item	3a
Purpose	To provide Business Committee members with an update on progress of the Corporate Actions STP Phase 2 project
Meeting date	7 December 2020
Prepared by	Senior Manager, Equity Post Trade Services (Karen Webb)

Update on project progress

The project team is progressing well with the delivery activities associated with the third and final release for the project, targeting March 2021.

Delivery timeline

The current high-level project delivery timeline is presented in the table below.

Indicative Timeline - Corporate Actions STP Phase 2	2018				2019				2020				2021			
	Q1	Q2	Q3	Q4												
Corporate Actions STP Phase 2 - Delivery period																
Listing Rule and other rule changes consultation / effective date																
Industry Working Group meetings (as required)																
Customer Testing available																
ASX Online - Training environment for issuers to preview new/updated forms																
Target Go-Live (3 major releases)																
Release 1 - 30 November 2019																
Release 1.1 - 22 January 2020																
Release 2 - 18 July 2020																
Release 2.1 - 22 August 2020																
Release 2.2 - 5 December 2020																
Release 3 - target March 2021																

Release 2.2 – ISO 20022 service changes

ASX will implement a minor release on 5 December 2020 to the ISO 20022 service to correct a number of field size issues and accommodate one further CHES Replacement requirement in the dividend/distributions event. This change affects the usage guidelines and output for 8 ISO 20022 notification event formats, each with 2 to 6 field updates. The associated usage guidelines (message specifications) have been updated in the STP community in SWIFT MyStandards.

Release 3

Consultation on proposed Listing Rule changes

On 30 November 2020, ASX Limited (“ASX”) released a [consultation paper](#) entitled *Proposed Listing Rules changes: online forms, notification of security issues and corporate action timetables*, accompanied by a number of annexures, including the proposed amendments to the Listing Rules, and proposed amendments to a number of Appendices. The proposed Listing Rule changes are primarily intended to facilitate the introduction and operation of the new and updated online forms included in Release 3 of the project. ASX is also taking the opportunity to propose a number of other amendments in the rules. The consultation period is 4 weeks, with submissions due Thursday 24 December. It is anticipated the final rule amendments will be published in February 2021 and will take effect at the same time as the project’s Release 3 implementation date.

ISO 20022 – ‘Other’ event

In October 2020, ASX provided members of the industry working group with the draft usage guideline for the additional ‘other’ event for review. ASX did not receive any comments from the industry working group members regarding this draft and has now progressed development of the new message, with completion in December. The ISO 20022 notification message will be available in the test environment from end December 2020, and will then be available in production following Release 3.

Stakeholder engagement

In the Listed@ASX Compliance update dated 19 November, ASX provided issuers with an update on the implementation of additional online forms and upcoming availability of the additional training environment. Further updates will be provided to issuers to confirm the availability of the training environment, particularly as each new or updated online form is available for issuers’ preview. Issuers will also be kept informed about the consultation on the proposed Listing Rule changes.

An email will be sent to the STP industry working group members on 1 December to provide an update on a number of matters including the consultation on the proposed Listing Rule changes, and updates to the ISO 20022 service.

Committee	Business Committee
Agenda title	Electronic CHES holding statements
Item	3b
Purpose	To provide Business Committee members with an update on electronic CHES holding statements
Meeting date	7 December 2020
Prepared by	General Manager, Strategic Partnerships (Andrew Jones)

OVERVIEW

ASX will provide an electronic delivery option for CHES Holding Statements to allow investors who have elected for electronic delivery to view current and historical statements online. Investors will elect for online statement delivery via their sponsoring broker who will communicate this election via the CHES messaging system. Emails communicated to CHES can also be passed through to registries with the consent of the investor. Returned mail (both email and print) will be handled much more efficiently with electronic notifications direct to brokers via a secure portal.

ASX will provide Business Committee members with a presentation on 7 December which will include an overview of the proposed electronic delivery solution, sample statements and how they will be stored for investors to access and search.

Committee	Business Committee
Agenda title	Information paper on data governance under CHES and CHES Replacement
Item	4a
Purpose of this paper	To provide Business Committee members with an update on the information paper
Meeting date	7 December 2020
Prepared by	Legal Counsel (Jacqueline Oliver)

OVERVIEW

ASX plans to publish an information paper on data governance under CHES and CHES Replacement in early December. The paper will explain ASX's data governance arrangements for CHES which will continue to apply under the new system, with only limited updates to the data that is received and how it is managed under the new system (as outlined in the paper).

Since the paper will explain ASX's approach to data governance under CHES generally, it will be relevant to Day 1 functionality, the release 1.1 features (electronic acceptance and payment for entitlement offers) that will be included in a future release after Day 1, and any other future releases under the new system.

Contents of the paper

The paper will outline the key features of ASX's group-wide data governance framework which applies to all data held across ASX, including accountability and oversight arrangements and group-wide policies and procedures for data management.

The paper will explain the data governance arrangements in place for data received by CHES, including arrangements for confidentiality, security and integrity of data, access to data and compliance with applicable data protection laws such as the Privacy Act. The limited updates that will be made to the data that is received by CHES and how it is managed under the new system will also be outlined in the paper.

In addition, as part of ASX's ongoing focus on privacy and data protection across its organisation, ASX is making enhancements to its existing robust arrangements for privacy and protection of data received by CHES, which will be outlined in the paper.

Key points to note

The data governance arrangements in place for CHES are shaped by the legal and regulatory framework within which ASX Settlement operates. This includes the ASX Settlement Operating Rules which ASX Settlement has made in accordance with its obligations as a licensed clearing and settlement facility operator.

The operating rules govern the collection, use and disclosure of data received by CHES. The rules specify what data needs to be provided and the purposes for which it is provided. ASX Settlement uses and discloses data received by CHES in accordance with the operating rule framework to perform its functions and provide its services.

The operating rules provide the framework for access to data, including the parties that can access data and restrictions on disclosure. Under the new system, the operating rule arrangements dealing with access to data will remain unchanged unless specified in the rule amendment consultation papers (such as the rule amendments associated with the DRP/BSP election functionality). Under both current CHES and the new system, security and access controls ensure that access to data is limited to entitled facility users performing a function in relation to that information.

Committee	Business Committee
Agenda title	Minutes from 28 October 2020 Business Committee Meeting
Item	5a
Purpose	To provide Business Committee members with the minutes and Business Committee report to the ASX Boards from the 28 October 2020 meeting
Meeting date	7 December 2020
Prepared by	Business Committee Chair, Deputy CEO (Peter Hiom)

OVERVIEW

Draft minutes and the draft report to the Boards of ASX Clear and ASX Settlement from the 28 October 2020 Business Committee meeting were emailed to all members of the Business Committee on 11 November 2020 for comment.

The finalised Business Committee report and minutes will be provided to the ASX Clear and ASX Settlement Boards for the next meeting.

ATTACHMENTS

Attachment A Business Committee Report and Minutes from the 28 October 2020 Meeting

Business Committee Report to the Boards of ASX Clear and ASX Settlement

Business Committee Meeting

At its 28 October 2020 meeting, the Business Committee was updated on:

- the operating performance of CHES for the September Quarter 2020;
- CHES replacement, including updates on consultation feedback, the revised implementation timeline, and the independent assurance program;
- the Corporate Actions STP Phase 2 project;
- the annual report on cash equities clearing and settlement services development; and
- the findings of the external audit of ASX's compliance with the regulatory expectations.

KEY ISSUES DISCUSSED

Members were provided with an update on recent progress on the CHES replacement project, particularly the most recent releases of software code into the customer development environment (CDE), testing activity, ASX's response to consultation feedback on the tranche 2 rule amendments, and stakeholder engagement.

A key focus was in respect to the feedback received by ASX from stakeholders through the recent consultation process on the revised implementation timeline. ASX presented the confirmed implementation timeline for the replacement of CHES, including the new go live date of April 2023, the revised 'Day 1' functional scope and the requirements for additional capacity and scalability of the new system.

The proposed changes to the scope, as well as the changed go live date, were acknowledged by a member as providing greater certainty to stakeholders and a positive development to avoid the risk of further changes to the go live date as it approaches. A member also indicated support for the changes to scope in respect of increased scalability and capacity, acknowledging the importance of these changes from a business growth perspective.

A number of questions were raised by members around the functionality to be included in the revised Day 1 and Day 2 scope for CHES replacement. A request was made for ASX to provide a roadmap for stakeholders for the implementation of electronic acceptance and payment of entitlement offers following system go live. A request was also made for ASX to provide a 12 month forward stakeholder engagement program aligned to key project milestones.

Agreed Actions

ASX will consider the feedback received from members with respect to the provision of a roadmap for 'Day 2' implementation of remaining corporate actions functionality and a forward stakeholder engagement program, and will provide a response to the Business Committee at the December meeting.

Minutes from the meeting are attached.

Agenda

Business Committee

Date	28 October 2020	Time	12:00pm – 2:00pm
Location	By teleconference		
1. Service Performance			12:00pm-12:15pm
a) Cash Market Clearing and Settlement - Operating Performance			
2. CHES Replacement Project			12:15pm-1:20pm
a) CHES Replacement			
– Application			
– Infrastructure and ledger			
– Integration and reporting			
– Rules and regulatory engagement			
– Stakeholder engagement			
– Cutover, transition and customer readiness			
b) Update on consultation feedback and revised implementation timetable			
c) Update on independent assurance program			
3. Service Enhancements			1:20pm-1:30pm
a) Update on the Corporate Action STP Phase 2 project			
4. Regulatory Expectations			1:30pm-1:45pm
a) Annual Cash Equities Clearing and Settlement Reports			
– Report on cash equities clearing and settlement services development			
– External audit of ASX compliance with regulatory expectations			
5. Administration			1:45pm-1:55pm
a) Minutes from the 22 July 2020 Business Committee Meeting			
b) Forward work program			
c) Other matters			
6. Next Meeting - 7 December 2020			

Business Committee Members

Company	Name	Job Title	Apologies
ABN AMRO Clearing	Matthew McMahon*	Head of Operations Australia	Barry Parker, Chief Executive Officer
AFMA	David Lynch	Chief Executive Officer	
ASX	Peter Hiom	Business Committee Chair, Deputy CEO	
ASX	David Raper	Executive General Manager, Trading Services	
AIRA	Ian Matheson	Chief Executive Officer	
ACSA	Rob Brown	Chief Executive Officer	
ASA	Fiona Balzer	Policy & Advocacy Manager	
Automic	Paul Williams	Managing Director	
BAML	Stephen Hacker	Director, Head of Operations	
Bell Potter Securities	Rodd Kingham	Head of Operations - Transformation	
BNP Paribas	Mark Wootton	Head of Custody Product Aust & NZ	
Chi-X Australia	Mike Aikins	Chief Operating Officer	
Citi	Miles O'Connor	Director, Direct Custody & Clearing Securities & Funds Services	
CMC	Andrew Rogers	Director of Broking Business	
CBA (CommSec)	Sheridan Thompson	Head of Strategic Development	
Computershare	Scott Hudson	Head of Intermediary Services	
Credit Suisse	Winston Loke	Australia Equities COO	
Deutsche Bank AG	Geoffrey Plaisted	Chief Operating Officer, Equities	
Goldman Sachs	Yen Le	Executive Director	
GIA	Megan Motto	Chief Executive Officer	
HSBC	Nichole Alexander	Manager, Aust Market Advocacy & Development	
J.P. Morgan	Jonathan Evans	Head of Custody & Markets Operations	
Macquarie Group	James Indge	Cash Equities Business Manager	
Morgan Stanley	Rebecca Hill	Chief Operating Officer	
Morgans	Daniel Spokes*	Director	Peter Chisholm, Manager, Transactional Services & Settlement Systems
NAB	Anita Mead	Head of Business Management, Self-Directed Wealth	
NSX	John Williams	Head of Admissions	
Pershing Securities	Leigh Conder	Chief Operating Officer	
SAFAA	Judith Fox	Chief Executive Officer	
Sydney Stock Exchange	Antony Tolfts	Listings Director	
UBS	Conor Foley	Chief Operating Officer	

* Delegate

ASX Management

Name	Job Title	Apologies
Tim Hogben	Chief Operating Officer	
Daniel Moran	General Counsel	
Hamish Treleaven	Chief Risk Officer	
Cliff Richards	Executive General Manager, Equity Post Trade Services	
Dan Chesterman	Chief Information Officer	
Val Mathews	Executive General Manager, Operations	
Sally Palmer	Deputy General Counsel	
Katie McDermott	General Manager, Equity Post Trade Services	
Diane Lewis	General Manager, Head of Regulatory Affairs	
Karen Webb	Senior Manager, Equity Post Trade Services	
Keith Purdie	Senior Manager, Equity Post Trade Services	
Con Korkofigas	Senior Legal Counsel and Senior Manager	
Andrew Jones	General Manager, Strategic Partnerships	

Observers

Name	Job Title	Apologies
Greg Yanco	Executive Director, Markets (ASIC)	
Nathan Bourne	Senior Executive Leader, Market Infrastructure (ASIC)	
Dodie Green	Senior Manager, Market Infrastructure (ASIC)	

Invited

Name	Job Title	Apologies
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INTRODUCTION

The Chair welcomed members and delegates to the meeting.

There were no apologies. It was noted that Stephen Hacker will replace Rhys Cahill as the representative for Bank of America Merrill Lynch. It was also noted that John Williams is the confirmed representative for NSX following Matthew Loughnan's departure. Two members were represented by delegates, Matthew McMahon (for ABN AMRO) and Daniel Spokes (for Morgans). ASIC representatives (Greg Yanco, Nathan Bourne, Dodie Green) attended the meeting as observers.

AGENDA ITEM 1: SERVICE PERFORMANCE

The ASX Executive General Manager, Operations provided an update on the operating performance of the cash market clearing and settlement services for the months of July, August and September 2020:

- There has been a slight decline in trading and settlement volumes from last quarter.
- The daily average fail rate has reduced to 0.223% for the September 2020 quarter, and is now below the daily average fail rate prior to 2020, which indicated a return to usual levels.
- There was a slight spike in settlement failure rates in September, which was due to increased corporate actions processed in CHES relating to entitlement offers and institutional placements.
- There was 100% average monthly system availability for CHES, the Trade Acceptance Service and the Settlement Facilitation service through the September 2020 quarter, with no delay or performance challenges.

The ASX Executive General Manager, Operations also spoke to the recent improvements made to the CHES system to increase the transactional throughput and reduce key capacity constraints. A notice was released to the market on 22 September 2020 to provide an update on ASX's response to the significant trade count volumes in March 2020. The notice covered CHES system remediation addressing hardware, processing efficiencies and performance tuning, and the proposed actions to be taken by ASX Clear and Settlement in the event of significant trade count volumes.

ASX is monitoring transaction throughput on an hourly basis to minimise processing challenges towards the end of each day. In the lead up to the US election, ASX has undertaken scenario planning to manage the risk of high transaction volumes during that period.

The ASX Chief Information Officer provided an overview of the improvements made to CHES to increase capacity and performance of the system. These improvements have resulted in an increase in capacity to 7 million trades per day on a repeatable basis. Further uplifts in system capacity and performance are planned and will be progressed over the remainder of 2020 and 2021.

There were no questions or comments from members on the performance report.

AGENDA ITEM 2: CHES REPLACEMENT PROJECT

a) CHES Replacement – Program Update

ASX updated the Committee on the status of each of the CHES replacement workstreams. The ASX General Manager, Equity Post Trade Services, provided the following updates:

Application design and build, infrastructure and ledger

- The eighth drop of code into CDE was released on 14 September. Significant features of this release included corporate action workflows, holding administration locking and unlocking functionality and the remaining end of day reports for share registries. The release also included updates for payment providers, isolate counterparty, and the ability to exclude obligations from failed settlement.
- Two new test tools were released with CDE8 and are now available in CDE. This includes a self-serve file upload tool that allows payment providers to generate bilateral settlement instructions as if they were created by a settlement participant.
- ASX is seeing an increase in testing levels and notes that the 6 key software vendors testing is keeping pace with code drops. ASX is assisting in-house developers with their testing activities.

- For AMOs, CDE8 documentation also now includes a sample of the Security Details Report.
- All associated documentation relating to system functionality, as well as release notes, is available through the CHES replacement documentation portal. The documentation includes additional content with the operating procedure guidelines (APGs) and message accreditation scripts.
- Development of the CHES user interface is also continuing, and is tracking to schedule.
- The next code release (CDE9) is scheduled for delivery at the end of November 2020.

Integration and Reporting

- Additional share registry message based reporting was delivered in CDE8 in September.
- On demand reports will be made available from CDE9.

Stakeholder engagement

- Since the last Business Committee meeting, ASX hosted three further Implementation and Transition Working Groups held via webinar. The Working Group held on 29 July 2020 included a live demonstration of the CHES user interface and an update on Corporate Actions STP. The Working Group held on 26 August 2020 focused on outstanding considerations for inflight transactions and migration of accounts and holders, which directly addressed one of the key themes from consultation feedback. The Working Group held on 7 October focused on the proposed electronic CHES holding statement solution, CDE8 delivery and changes to CHES replacement webpages.
- Webinar recordings of the Implementation and Transition Working Groups continue to be made available through the CHES replacement website.
- ASX also published a participant fact sheet on 27 July 2020 for market participants including benefits and an update on pricing.
- ASX has continued its program of direct issuer engagement, with a number of bilateral discussions with listed companies.

Cutover, transition and customer readiness

- ASX has now released 7 tranches of technical accreditation scripts for messaging, and is targeting to have completed all messaging accreditation scripts by end of 2020 for items currently in scope for Day 1.

Rules and regulatory engagement

An ASX Senior Manager/Senior Legal Counsel provided an update on the following:

- The consultation rounds on both the first and second tranches of operating rule amendments are now complete.
- ASX released its response to consultation feedback on the second tranche of rule amendments on 24 September 2020. The response to consultation contained a summary of feedback received in stakeholder submissions, as well as ASX's response to this feedback, including the changes made to the draft rules and procedures to take account of the feedback received.
- A key change made by ASX arising out of the consultation was in respect of a revised DRP and BSP election solution design, with the supporting rules now reflecting a simplified "pass through" model for election and cancellation notifications.
- Under the revised solution, ASX is no longer to maintain a current record of election status across CHES holdings. Issuers will no longer be required to notify ASX of elections or cancellations of elections occurring outside of CHES, other than for an issuer instigated cancellation of an election notified through CHES.
- ASX will also no longer limit permissible elections or cancellations based on current election status recorded in CHES.
- The consultation process on the rule amendments will involve a further final round of consultation relating to the third tranche of rule amendments as well as a consolidated rules package across all rule amendments for the new system. The timing of this final round of consultation will be addressed as part of the next agenda item.

Members did not raise any questions in respect of the CHES replacement updates.

b) Update on consultation feedback and revised implementation timetable

The ASX Executive General Manager, Equity Post Trade Services provided an update on consultation feedback and the revised implementation timeline.

On 25 March 2020, ASX made a public announcement that it would be consulting in June on a revised timeline for the implementation of the CHES replacement system, as a result of the impacts of COVID-19. The revised timeline would also take account of the functional changes requested by CHES users, and the need for additional time for ASX and CHES users to complete development and readiness activities.

At the end of June, ASX released its consultation paper for a four week consultation period on the CHES Replacement revised implementation timeline, with a proposed go-live date of April 2022. ASX has carefully considered the consultation feedback received from 100 organisations (includes 96 CHES users and four industry associations).

ASX has also undertaken a comprehensive review of the CHES project, including engaging with the regulatory agencies as part of that process. Key industry feedback received outside the formal consultation process related to the need for increased capacity and scalability has also been taken into account through the project review. This has all resulted in an increase to the Day 1 scope of the CHES replacement project to accommodate increased functionality, capacity, scalability, increased industry testing and more time to accommodate these changes, with a new go-live date of April 2023.

A summary of the feedback received by ASX through the consultation process was provided:

- COVID-19 is having a continued impact on some participants in the industry, largely due to the effects on collaboration and productivity. It has also highlighted the need to digitise processes across the industry
- The majority of CHES users could meet an April 2022 go-live date; however many cited dependencies in meeting the date, and/or indicated a preference for a go-live date in Q4 2022
- Other users indicated concern with a go-live date in Q4 2022 due to non-ASX industry system upgrades and the impact of AGM season
- A number of users requested additional types of testing in preparation for the new system
- Many users highlighted that their readiness to support certain project milestones was dependent on the provision of further information from ASX regarding pricing, data governance, data migration tools, migration dress rehearsals, the single cutover weekend, and connectivity details
- A small number of users requested an opportunity to comment on the final rules package as revised following consultation on the tranche three rules and consolidated rules package, but prior to formal lodgement with ASIC.

The ASX General Manager, Equity Post Trade Services provided a summary of the recent feedback received as to extreme volume increases in early 2020, noting that the burst in trading increases in March 2020 was more than 7 times greater than previous increases caused by events such as Brexit and the last US election. ASX, industry and regulators have reflected upon the implications of these extreme increases in volume and have noted that there has been a reset of expectations for CHES replacement to have certain features available on Day 1 relating to scalability and volume of processing.

ASX noted that scalability has always been a requirement for the new system and is not a limitation of the technology. Following the events in March, ASX has identified potential impediments to scalability in the existing NBO process and settlement workflow. This has been a key consideration of the replan and ASX will consult with CHES users on the redesign of the NBO and settlement process in Q1 2021.

The ASX Executive General Manager, Equity Post Trade Services provided an overview of ASX's response to feedback received to date, noting that a number of key changes are being made to the project scope and the revised timetable, including:

- A redesign of the NBO process to significantly improve scalability of overnight processing
- Delivery of significantly increased intra-day throughput capacity on Day 1
- Addition to the Day 1 functional scope covering DRP and BSP elections and enquiry, plus non-batch DvP bilateral settlement functionality

- Provision of additional CHES user testing, and more time for development, testing and readiness activities to reduce delivery risk and also noting that there will be some changes required to accommodate the refactoring of the NBO and related processes
- An extension of the period of operation, and enhancement of, CDE to improve the software provider experience
- Provision of additional information in relation to pricing, data governance, migration approach, migration dress rehearsals, data migration tools, and connectivity details
- The Industry test Environment (ITE) will now be opened later when the system is functionally complete, with higher processing capacity to support industry testing. ASX considers that this will reduce delivery risk for ASX and provide an improved customer experience.

The ASX Executive General Manager, Equity Post Trade Services spoke to the confirmed implementation timetable at a high level, noting the following key points:

- **Software Development (CDE):** three more CDE releases are to occur (code drops, 9, 10 and 11) between November 2020 and September 2021
- **Software Provider Readiness (ITE1):** an additional 5.5 months will be made available for system testing – this reflects key feedback received around limiting parallel activities required by stakeholders. There will be a connectivity period in October and November 2021 prior to the commencement of system testing
- **Customer Readiness (ITE2):** there will be a connectivity period preceding the opening of ITE in April 2022. There will be a number of industry-wide end to end testing periods in late 2022 and early 2023
- **Cutover and Transition:** there remain three planned migration dress rehearsals, with a contingency weekend built into the timetable
- **Operating Rule Amendments:** ASX has proposed a final round of consultation covering tranche three rule amendments as well as a consolidated rules package across all the rule amendments including tranches 1 and 2 as revised following earlier consultation processes. This consultation is due to commence in early August 2021 and allow a 15 week consultation period. ASX plans to formally lodge the combined rules package in August 2022 and, pending regulatory clearance, the final set of rules will be released by end of September 2022.

The ASX Executive General Manager, Equity Post Trade Services thanked all stakeholders who provided input and feedback through the consultation process. ASX noted that in setting the revised date, some CHES users would be impacted but acknowledged that the nature of consultation is to address feedback received across the market and adjust accordingly. ASX considers that the confirmed revised go live date of April 2023 will allow the CHES replacement project to be delivered in a safe and timely manner.

ASX acknowledged the close supervision and engagement of ASIC, RBA, Treasury and the ACCC throughout the project and noted this will continue, including with respect to the ongoing independent assurance program.

A number of individual members commented on ASX's presentation of its response to consultation and confirmed implementation timeline:

- A member noted ASX's earlier comment that the NBO process will be redesigned given that the current NBO process is not scalable. The member was interested to understand the significance of the changes associated with the redesign and how extensive the impact will be on existing technology vendors. ASX advised that the impact of this work for the industry will depend on how far vendor development had progressed on the current NBO process, and noted that ASX will be working with impacted vendors. ASX also noted the benefits of netting will be retained and the refinement is more around looking at a different way on how the NBO process is reported. Further detail will be provided to impacted stakeholders from January 2021.
- A member asked if ASX could confirm whether the electronic acceptance and payment of entitlement offers is included in the Day 1 functional scope. ASX advised that it had considered which elements of the functionality originally scheduled for Release 1.1 could be brought into the revised Day 1 scope, in light of the impact and risk for all stakeholders. It was noted that DRP/BSP elections, DRP/BSP enquiry and DVP non-batch settlements were brought into the Day 1 scope. Electronic acceptance and payment of entitlement offers will remain for Day 2 delivery, given the need to reduce delivery risk and the impact on issuers and their share registries and on payment providers. The member queried whether there is a full functional roadmap for the new system

incorporating the timing for implementation of Day 2 scope. ASX confirmed that there is currently no timeline for the entitlement offers functionality at this point given system go live is still more than two years from now. The Chair noted that ASX would create an action item to consider the request for a roadmap and revert back to the Business Committee at the next meeting.

- A member thanked ASX for undertaking such as comprehensive consultation process and taking account of all the feedback received, including the need to provide for additional capacity to remove an artificial limit on business volumes. The member was supportive of the confirmed implementation timeline, noting that taking the approach ASX had taken in announcing the 12 month delay was better than having a number of smaller delays in the lead up to implementation. The member also noted the importance of the project being completed and done well, with all users working together.

(c) Update on Independent Assurance Program

The ASX Chief Risk Officer acknowledge the importance of independent assurance for the CHES replacement project, and provided an overview of ASX's program of independent assurance reviews for the CHES replacement project. It was noted that some reviews have already been undertaken, some reviews are underway, and some are yet to commence and will be commenced at appropriately targeted dates in the forward work plan. A summary of the various review areas was provided:

- In respect of project governance, regular project health checks will occur at various points over 2021 and into 2022, and will assess how ASX is managing the scope, risks and reporting processes for the project
- A range of more targeted reviews on special topics (such performance and scalability) will also occur.
- The design effectiveness and operating effectiveness of controls will be assessed
- An assurance review will be conducted on the completeness and accuracy of the data migration process
- A review of key security controls, including cyber penetration tests will also occur.

Reports and findings will be provided to ASX management and boards, and the relevant regulatory agencies.

ASX will determine the scope and select an appropriate expert for each review, in consultation with ASIC and RBA.

A member asked if ASX could disclose who the external independent assurance providers are, and if independent providers will be appointed for all of the assurance review items referred to in the meeting or just for a subset of these items. ASX advised that all reviews referred to in the meeting will be conducted by independent providers with expertise relevant to the specific review item. In response to a member query, it was noted that EY has been used by ASX.

AGENDA ITEM 3: SERVICE ENHANCEMENTS

a) Update on the Corporate Actions STP Phase 2 project

ASX Senior Manager, Equity Post Trade Services provided an update on the progress of the Corporate Actions STP Phase 2 project:

- The STP project team is progressing well with its activities, and is on track for delivery in later March 2021
- Since the production release in July, the new ISO 20022 corporate action notification service, which covers 23 ISO events, has been performing well, with over 3,500 event notifications published by ASX to date. Testing of the notification service remains available to interested subscribers
- As noted at the July Business Committee meeting, the focus of the third and final release is to introduce full STP for additional corporate action events, including making additional online forms available to issuers and building necessary interfaces between those forms and the ASX database
- ASX is developing six additional online forms to be made available in March 2021, including a buyback form and a monthly units on issue statement for ETF/AQUA issuers. The provision of smart forms rather than forms in word format will benefit issuers by facilitating relevant only questions for issuers. The changes will also provide continuing benefits to the ASX operations team, and increase the timeliness of ReferencePoint products

- The scope of the final release has recently been refreshed to include a number of changes to existing online forms that cover announcements of proposed issues of securities, the dividend and interest payment announcements. A number of these changes are in response to market feedback regarding the timing of particular issuer actions in certain event timetables, including dividends, interest payments, entitlement offers and security purchase plans
- An additional corporate action event known as ‘other’ will be introduced into the ISO 20022 notification suite, which will cover reinvestment offers which will be supported by CHES replacement in the future, and on an ad hoc basis in existing CHES. Requirements for that event notification have been completed and the usage guideline has been published in SWIFT MyStandards for working group review. It is expected that this additional notification will be available in the test environment from the end of December 2020.

The ASX Senior Manager, Equity Post Trade Services confirmed that the STP industry working group most recently met on 15 October 2020, where ASX provided members with an overview of progress on Release 3 and a deep dive on some of the new online forms and the new ISO event. Further meetings will be scheduled aligned to key project milestones.

A consultation paper on the proposed listing rule changes is the next significant communication ASX expects to make to stakeholders on this project. ASX will also release an additional ‘ASX Online for Companies’ training environment in November for issuers to preview the new and updated online forms.

It was noted that ASX recently met with the Governance Institute of Australia and a number of their issuer members to discuss the online forms that had been introduced last December. This discussion demonstrated issuers’ strong interest in further developments in the online forms and access to preview the forms early before go live.

There were no questions from members on the STP Phase 2 Project.

AGENDA ITEM 4: REGULATORY EXPECTATIONS

The Chair noted that the Regulatory Expectations for ASX’s conduct in operating cash equity clearing and settlement services in Australia require the publication of two reports annually – an annual cash equities clearing and settlement services development report, and an external assurance report on ASX’s compliance with the Regulatory Expectations.

a) Report on cash equities clearing and settlement services development

The services development report provides a summary of service developments and investment projects that ASX has undertaken during the 12 month period to 30 June 2020 for cash equity clearing and settlement, particularly where service developments may be in response to customer requests. The report is provided to the Business Committee each year.

ASX Senior Manager, Equity Post Trade Services provided an overview of the development report, noting that the report is contained in the agenda papers. While CHES replacement remains the key focus, a number of smaller but important enhancements to core cash equity clearing and settlement services have been delivered during the period, including:

- Two business requirements, which were identified by CHES replacement working groups in 2017, have been implemented through rule amendments under ‘business as usual’ processes given that they were not dependent on the new system. The two business requirements related to transfers to the CHES subregister and to takeover offers
- Work has been progressed to deal with increased transaction volumes experienced this year in CHES
- ASX has continued its readiness for the National Stock Exchange of Australia’s use of the Trade Acceptance Service.

Looking forward, the ASX Senior Manager, Equity Post Trade Services noted that ASX will continue to undertake further enhancements to improve the capacity of CHES and related systems, and will keep users informed of any planned changes through the quarterly technology upgrade market notice.

Members had no questions or comments in respect of the cash equities clearing and settlement services development report.

b) External audit of ASX compliance with regulatory expectations

The ASX Chief Risk Officer provided the Business Committee with a brief update on the FY2019-2020 'Regulatory Expectations' external audit. It was noted that PwC has now completed its review, and that the full results of the audit have been provided in the agenda papers. Several members of the Business Committee participated in the interview process administered by PwC. ASX has been advised by the PwC partner leading the audit that the interview process was effective in obtaining the information and feedback required by PwC to form their audit opinion.

The results of the audit demonstrate that ASX has complied in all material respects with Regulatory Expectations. It was noted that comments and findings regarding potential areas for improvement are contained in the PwC report included in the agenda papers, and that these relate primarily to the definition of a broad consensus for the purpose of a 'recommendation' from the Business Committee to the CS Boards, the provision of a roadmap on pricing and continuing to engage with market operators around equivalence of access. ASX has provided responses to these suggested areas for improvement and will action these over the coming financial year. The ASX Chief Risk Officer invited Business Committee members to comment on ASX's progress on these action items in next year's Regulatory Expectations audit.

A member noted that in previous years, the PwC report had included comments that had been raised through the review process that were considered outside the scope of the review and queried if this had also been the case for this year's review. ASX advised that all findings and relevant commentary made through this year's review process were included in PwC's report.

AGENDA ITEM 5: ADMINISTRATION

c) Minutes from the 22 July 2020 Business Committee Meeting

The Chair noted that one member had requested an amendment to the minutes of the 22 July 2020 meeting in respect of the list of member attendees, and that this change has now been incorporated into those minutes. The minutes of the 22 July 2020 meeting were approved without any further changes.

d) Forward work program

The Chair noted that a forward work program is contained in the agenda papers, and noted that the program will continue to largely focus on regular updates on implementation of the CHES replacement and Corporate Action STP projects. The Chair invited suggestions from the Business Committee members on topics that should be covered at future meetings.

A member queried whether there could be more discussion or clarification from ASX around the stakeholder engagement program, from now until the end of the program. The member also queried whether there would be any possibility of moving to a videoconference for the meetings, as opposed to participating by phone. The Chair noted that ASX would create an action item to consider the request for clarification on the stakeholder engagement program and would revert back to the Business Committee at the next meeting.

e) Other matters

One member noted that function, time and price are three key elements to be considered by CHES users in respect of the CHES replacement system, and requested the provision of a roadmap for CHES replacement, setting out further detail including with respect to Day 2 functionality and indicative timing. The Chair thanked the member for their feedback and advised that ASX will consider the feedback as part of the action item created earlier in the meeting in respect of the roadmap request, noting the need to maintain a balance between certainty and flexibility.

The ASX Executive General Manager, Equity Post Trade Services advised that he will be taking an extended leave of absence from ASX, and that the ASX Chief Operating Officer will lead the CHES replacement project going forward.

AGENDA ITEM 6: NEXT MEETING

The next meeting is currently scheduled for 7 December 2020.

The meeting closed at 1.42pm.

Signed as a correct record of the meeting.

Chair

Date

Draft

Committee	Business Committee
Agenda title	Forward work program
Item	5b
Purpose	To update Members on the forward work program of the Business Committee for 2021
Meeting date	7 December 2020
Prepared by	Business Committee Chair, Deputy CEO (Peter Hiom)

It is proposed to convene four meetings of the Business Committee in 2021:

- 14 April 2021
- 14 July 2021
- 6 October 2021
- 8 December 2021

Subject to any input from members who wish to suggest additional items, the forward work program of the Business Committee in 2021 will be predominately focused on CHES replacement: documentation, test environments, implementation timetable and CHES user readiness activities.

A second major stream of work for the first quarter will be Corporate Action STP Phase 2. The Corporate Actions STP Phase 2 industry working group draws on a range of stakeholders and is expected to run until March 2021.

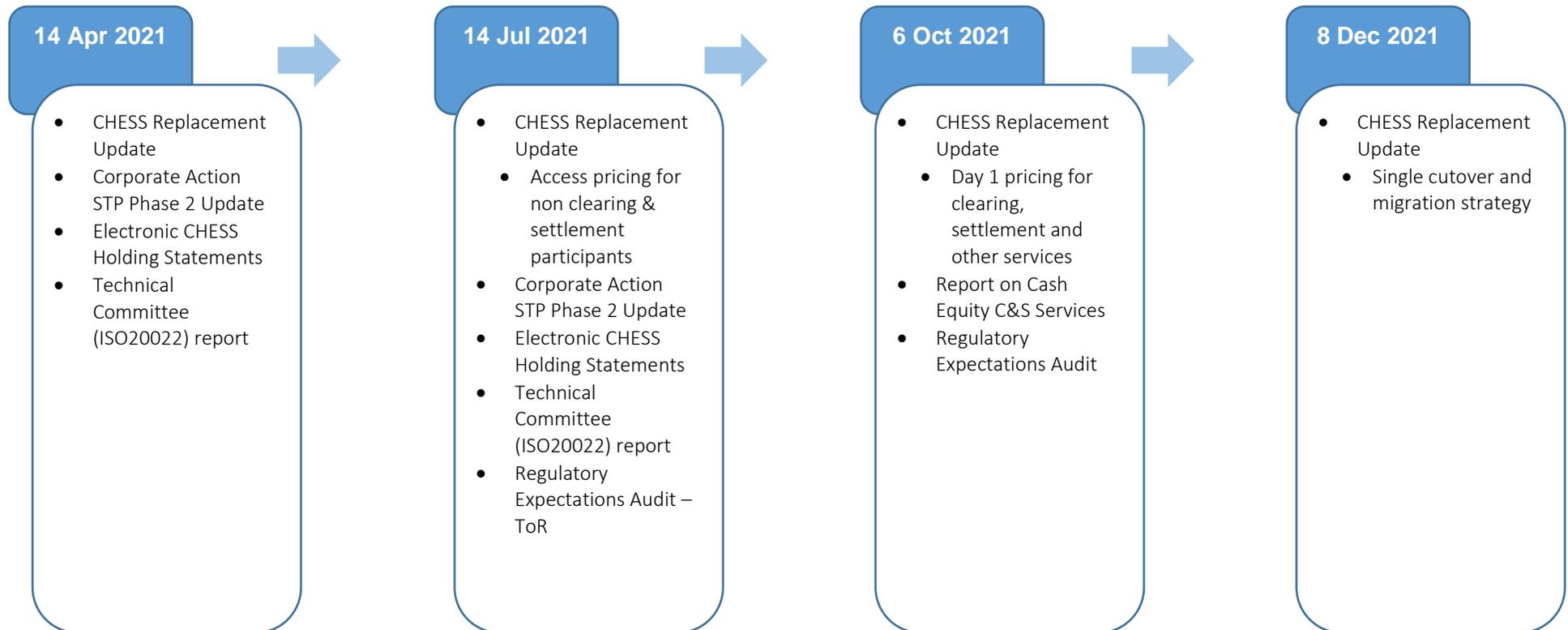
Members will also be provided with updates on the Electronic CHES Holding Statements initiative.

Members of the Business Committee are invited to suggest topics for inclusion in the forward work program at any time by contacting the Business Committee Secretariat.

ATTACHMENTS

Attachment A Business Committee Forward work program

Attachment A: Business Committee Forward work program



Note: the forward work program does not include the standing agenda items for each meeting.