

Agenda

Business Committee

Date	14 April 2021	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			12:15pm-1:30pm
	a) Project update		
	b) Feedback on the consultation on proposed changes to netting and settlement workflow		
	c) ISO 20022 Technical Committee report		
	d) Progress update on participant engagement for clearing and settlement pricing		
3. Service Enhancements			1:30pm-1:45pm
	a) Corporate Action STP Phase 2 project		
	b) Electronic CHES holding statements		
4. Administration			1:45pm-2:00pm
	a) Minutes from the 7 December 2020 Business Committee Meeting		
	b) Forward work program		
	c) Other matters		
5. Next Meeting – 14 July 2021			

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	Completed	Timothy Hogben
2020 Oct (2)	Provide members with a forward stakeholder engagement plan for CHES Replacement	Dec 2020	Completed	Keith Purdie
2020 Dec (1)	Follow up with members who offered their help to assist ASX perform scenario planning in Q1 2021 to understand flow-on impacts from the CHES batch processing delay on 17 November.	Apr 2021		Val Mathews

Business Committee Members

Company	Name	Job Title	Apologies
ABN AMRO Clearing	Matthew McMahon*	Head of Operations	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	Lyall Herron*	Program Manager	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	TBC	TBC	Winston Loke (Australian 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	Paul Cooper*	Head of Equity Market Operations	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	Chan Arambewela	Chief Operating Officer	
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	
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	
Andrew Jones	General Manager, Strategic Partnerships	
Karen Webb	Senior Manager, Equity Post Trade Services	
Keith Purdie	Senior Manager, Equity Post Trade Services	
Con Korkofigas	Senior Legal Counsel and Senior Manager	

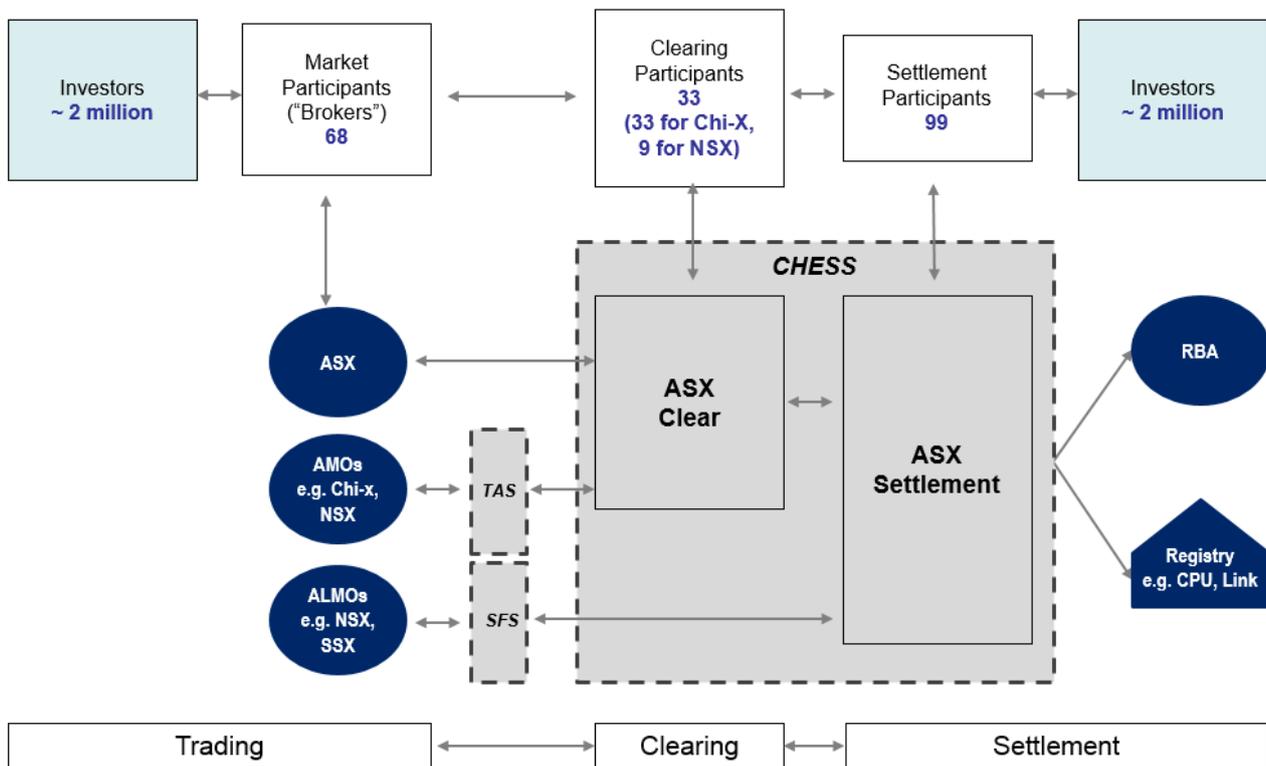
Observers

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	14 April 2021
Prepared by	Chief Operating Officer (Val Mathews) General Manager, Clearing and Settlement Operations (Suzy Munro) 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 CHES. It is critical for market operations, that CHES 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 CHES is 99.80%.

For the March 2021 quarter, the average monthly system availability was 100% for CHES. The average monthly availability of CHES has been 99.99% between November 2011 and March 2021.

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 CHES and the Settlement Facilitation Service (SFS) provides settlement arrangements for unaffiliated Approved Listing Market Operators (ALMOs) in respect of the CHES-eligible financial products listed on their markets (SSX). The CHES system performs the clearing and settlement functions.

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

For the March 2021 quarter, the average monthly system availability was 100% for the TAS and Settlement Facilitation Service. The average monthly availability of the TAS and SFS has been 99.99% between November 2011 and March 2021 (which is the same as CHES).

Reporting on clearing and settlement service performance

The key metrics noted above on novation, netting efficiency and settlement efficiency for the March 2021 quarter 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 CHES settlement batch is the fail performance.

For the March 2021 quarter, the daily average fail performance has reduced to 0.266% and averaged 0.301% for the previous twelve months, between April 2020 and March 2021.

The daily average fail performance was 0.304% between November 2011 and March 2021.

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.

Month	March	February	January	December	November	October
Average Fail Rate	0.289%	0.293%	0.212%	0.303%	0.342%	0.358%
Maximum Fail Rate	0.506%	0.827%	0.488%	0.624%	1.119%	2.541%
Minimum Fail Rate	0.120%	0.153%	0.106%	0.163%	0.120%	0.146%
# of days Fail rate > 0.50%	1	2	0	2	3	8
Batch Settlement Extensions	1	0	0	0	1	2
Fall back of Payment Provider	0	0	0	0	0	1

CHES SETTLEMENT DELAY 17th NOVEMBER – CUSTOMER FEEDBACK AND ACTION

Background

On Tuesday 17th November, during the final stage of the CHES settlement batch, which updates stock balances and communicates the final settlement messages to Participants, a database lock prevented batch completion within the standard processing time.

During the period of the delay, ASX provided half hourly updates to the market with known information via the System Status page and through regular email distributions from the CHES operations team to daily operational contacts.

At the last Business Committee ASX took an action to engage with customers who offered to provide feedback and insight into business impacts and improvement opportunities for future incident management.

Customer Feedback

Engagement with a cross section of CHES Users was finalised in February 2021. The engagement was constructive and insightful, with consistent feedback.

All members acknowledged the regular 30 minute updates that were made available on the ASX website System status and via email. However, the primary concern expressed was the absence of detailed information regarding the cause of the outage, the stage in the process and the expected time when the CHES settlement batch would be completed.

It was also observed that there is an opportunity to improve the understanding across the industry of the detail of the individual steps within the CHES settlement batch to fulfil DvP of settlement obligations. When the incident interrupted the batch during one of these steps, Participants relied on ASX to clarify the specifics of what had, and hadn't yet occurred within the process.

Actions

ASX has assessed and confirmed that in the event of a future unexpected interruption to Batch settlement, ASX will:

- Do all things to preserve DvP to ensure certainty for Participants, such that they can manage contingent transactions and any risk exposure to clients
- Communicate potential timing impacts for long running incidents, as early as possible, to enable Participants to manage resourcing and EOD business processes

ASX will also implement additional communication improvements as follows:

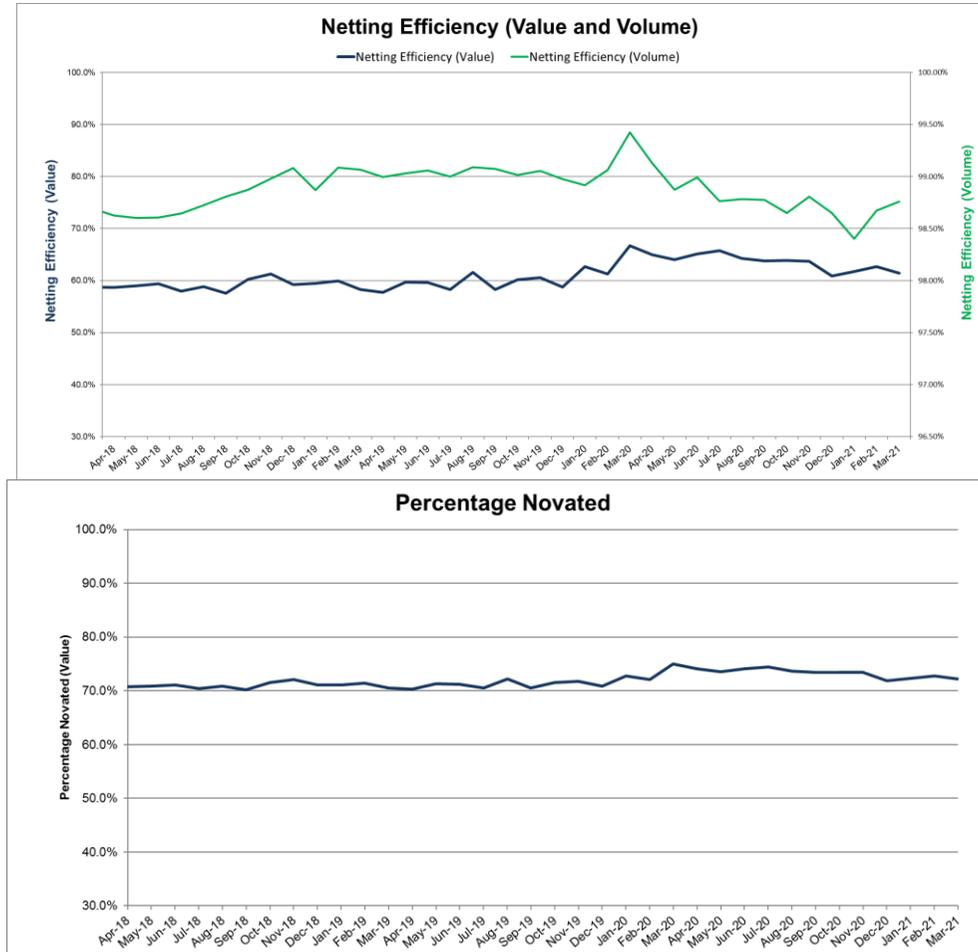
1. Include more context regarding the status of the CHES business process, or impact if feasible, of an incident via the System status page and email updates.
2. Communicate directly with all Participants during high severity incidents, to commence within 1 hour of determination, to seek bilateral feedback on Participant impact and resolution options.
3. Create and publish business artefacts to assist with education and context of critical business processes. This will include clarifying the CHES Batch steps to assist with future explanation of potential impacts.
4. A quarterly validation of CHES User contact details.

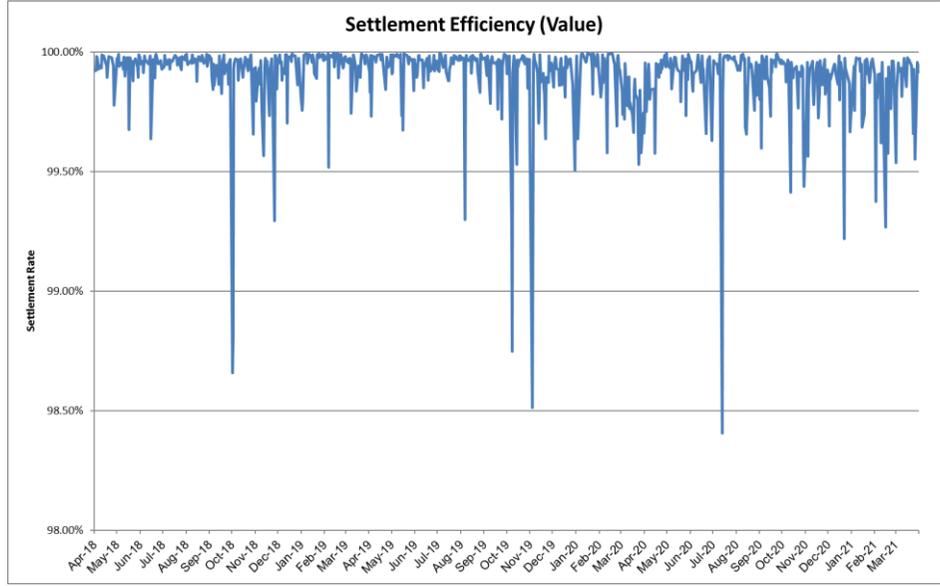
ATTACHMENT A – SUMMARY METRICS RELATING TO THE PERFORMANCE OF ASX'S CLEARING AND SETTLEMENT SERVICES

	March 2021 Quarter	December 2020 Quarter	September 2020 Quarter
System Availability (CHES)	100%	100% *	100%
System Availability (TAS)	100%	100%	100%
Total Trades Accepted (ASX)	96,548,767	95,399,586	100,368,539
Total Trades Rejected (ASX)	0	0	0
Total Trades Accepted (Chi-X)	35,429,442	31,719,859	34,777,945
Total Trades Rejected (Chi-X)	0	0	0
Total Trades Accepted (NSX via TAS)	449	161	N/A
Total Trades Rejected (NSX via TAS)	0	1	N/A
Total Settlements (SSX)	2	3	18
Total Value of Settlements (SSX)	\$0	\$1,283	\$11,000
Total Settlements (NSX via SFS)	N/A	316	914
Total Value of Settlements (NSX via SFS)	N/A	\$2,642,142.51	\$12,485,131
Daily Average Traded Value (On and Off Market)	\$8.64 billion	\$8.69 billion	\$8.6 billion
Daily Average Cleared Value	\$6.26 billion	\$6.33 billion	\$6.35 billion
Percentage Novated	72.4%	72.9%	73.8%
Daily Average Cleared Value Post-Netting	\$2.38 billion	\$2.36 billion	\$2.25 billion
Netting Efficiency (Value)	61.9%	62.8%	64.6%
Netting Efficiency (Volume)	98.61%	98.70%	98.77%
Daily Average Settled Value (Including Non-Novated)	\$11.7 billion	\$11.8 billion	\$11 billion
Settlement Efficiency (Value)	99.86%	99.86%	99.90%
Average Daily CHES Fail Rate (% Rescheduled to the next settlement date)	0.266%	0.335%	0.223%

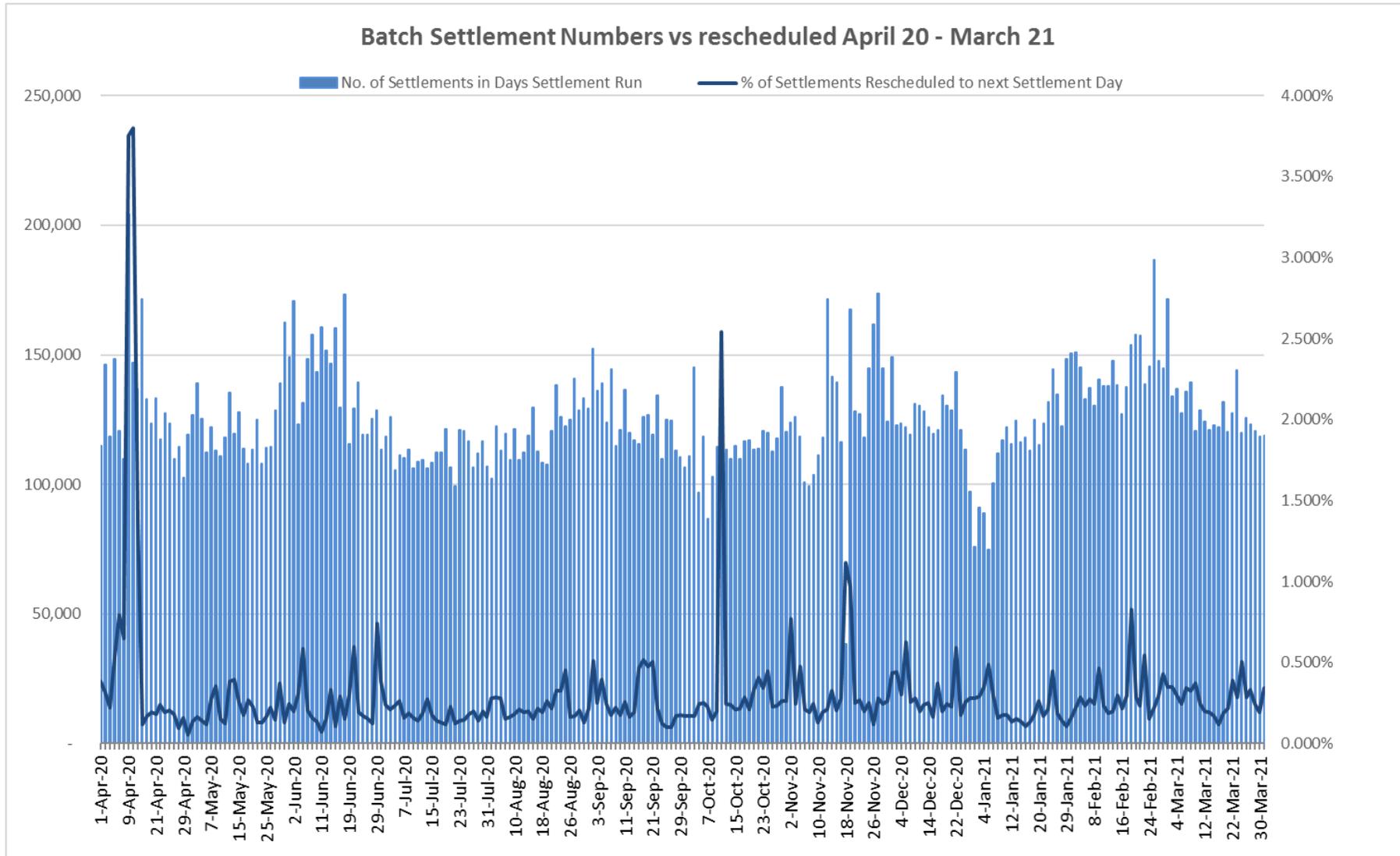
* 1 delay to CHES schedule - extension of 3 hours to Batch Settlement completion on 17th November 2020

ATTACHMENT B – PERFORMANCE OF ASX'S CLEARING AND SETTLEMENT SERVICES FROM APRIL 2018 TO MARCH 2021





ATTACHMENT C – BATCH SETTLEMENT NUMBERS VS RESCHEDULED APRIL 2020-MARCH 2021



Committee	Business Committee
Agenda title	CHES Replacement – Program Update
Item	2a
Purpose	To provide Business Committee members with a program update
Meeting date	14 April 2021
Prepared by	Senior Manager, Equity Post Trade Services (Keith Purdie)

KEY SUMMARY POINTS

- All Day 1 original scope¹ for customer clearing and settlement functionality has been delivered into CDE; mFund functionality has been brought forward into April 2021 CDE release; and the two final code releases remain on schedule
- Additional test tools and reports released into CDE environment
- ASX’s Registration Details Tool, which allows participants to convert CHES registrations from current proprietary messaging to ISO 20022 attributes, has been released to software vendors
- Extensive engagement program underway to support consultation paper on proposed changes to netting and settlement workflows to support scalability and capacity
- Readiness activities for opening up ITE1 in late November 2021, on production scale infrastructure for technical accreditation activities, are on schedule
- System messaging accreditation requirements for the Day 1 original scope have been shared with the market

BUSINESS DESIGN

Application Design, Build and Test

On 29 January 2021, ASX published updates to its documentation including new content for messaging accreditation test scripts for mFunds, other minor functional changes and an update to the Forward Release Plan.

On 26 February 2021, ASX introduced additional test tools and two new demand reports – Holding Balance (HBAL) and Holding Sub-position Balance (HSBL) – as part of an uplift to the Customer Development Environment (CDE). This also included additional logging and monitoring to better support CDE activity and infrastructure changes to support longer running environments between resets that will be progressively rolled out to CDE customers from mid-April 2021. In the interim, CDE retains the periodic refreshes which results in a complete reset of transactional data and any inflight testing.

ASX also updated the forward release plan at the end of February which included notifying stakeholders that mFund functionality, originally scheduled to be included as part of CDE 10 at the end of June 2021, has been brought forward for an earlier release into CDE in mid-April 2021. This release will deliver all substantive mFund features, such as application and redemption orders, settlement and investor data related workflows.

¹ Excludes any changes for netting and settlement redesign, RTGS and DRP elections, and a small number of demand reports.

Corporate action related functionality, which will be delivered in CDE 11, is scheduled for release at the end of September 2021.

CDE 10, scheduled for release at the end of June 2021, will include all changes relating to the netting and settlement messaging redesign.

At the end of March 2021, ASX released the registration details tool for the purpose of converting account registration details from the current CHES EIS format to align to the ISO 20022 messaging standards. As part of that process, the tool will identify any accounts that need to be remediated before they can be migrated. Details on how to run the tool and the functional requirements were published to the documentation portal in November 2020.

Stakeholder Engagement

Consultation on proposed changes to netting and settlement workflow

On 18 February 2021, ASX published its consultation paper on proposed changes to netting and settlement workflows. The proposed changes impact clearing and settlement and settlement only participants, software providers and approved market operators. ASX received responses from 27 CHES users (including software providers) as well as three responses from industry associations.

To support stakeholders' understanding of the changes, ASX hosted an implementation and transition working group on 23 February 2021 to step through the rationale and modifications to existing functionality. This was also supplemented with three focus group sessions, one per stakeholder group (software providers, clearing and settlement participants and settlement only participants), and an ISO 20022 Technical Committee on 26 February 2021. ASX published Q&A following both the implementation and transition working group and focus groups. In addition, as a follow up to the focus group sessions, ASX provided three worked examples to highlight how netting and settlement work in current CHES versus how it will work in the new system. Functional and messaging specifications are targeted to be published from mid-April 2021, pending review of the consultation feedback.

Implementation and transition working group

ASX hosted webinars on 16 December 2020, 23 February 2021 and 31 March 2021 which included updates on the proposed changes to netting and settlement workflows as well as the registration details tool.

The webinar hosted on 16 December 2020 included a high level overview of the proposed changes to netting and settlement and how ASX planned to engage stakeholders on the design. The webinar also walked members through amendments to the DRP and BSP election requirements and the new solution following feedback received on the tranche 2 rules consultation. An update was provided on the code released to CDE at the end of November 2020, CDE 9, as well as test tools and the roadmap for delivering the remaining features to complete the Day 1 scope. The webinar also outlined the key points to note from the information paper on data governance under CHES and CHES replacement that was published on 4 December 2020. Finally, the plans for forward looking stakeholder activities in 2021 were also presented.

The webinar hosted on 23 February 2021 primarily focused on the consultation paper and provided members with a recap on the background and key drivers, and walked members through the changes in detail, including providing an overview of the trade lifecycle for the proposed target state to help scene set with the big picture on the changes before stepping through each proposed change in more detail. The webinar also highlighted what is changing between current CHES, the code already delivered to CDE, and how the new system will operate under the proposed changes. In addition, members were also updated on upcoming stakeholder engagement activities, the changes to be promoted to CDE at the end of February 2021, as well as providing

further details on the ASX Registration Details tool, including the Terms of Use published on the documentation portal at the end of February 2021.

The webinar hosted on 31 March 2021 included a demonstration on the registration details tool as well as outlining the plans and timetable for data remediation in advance of go-live. This webinar also included a project update as well as foreshadowing the upcoming release of mFund functionality from mid-April 2021.

A copy of an audio recording of the above webinars, presentation materials and ASX's published reply to questions asked during the 16 December 2020 and 23 February 2021 sessions can be found here:

[Implementation and transition working group presentation materials – 16 December 2020, 23 February 2021, 31 March 2021](#)

The Q&A from the 31 March 2021 session is targeted to be published on the CHES replacement webpage by 9 April 2021.

Focus groups

On 2-4 March 2021, as part of the iterative process for obtaining stakeholder feedback, ASX hosted three separate focus group meetings by cohort – software providers, clearing and settlement participants, and settlement only participants. The focus groups were interactive sessions for members to discuss and clarify the proposed solution design set forth in the consultation paper, and to facilitate members identifying opportunities where solution design adjustment could be made to minimise user or business process impact while maintaining the objective to support greater clearing and settlement capacity.

The sessions primarily focused on walking members through detailed process flows and examples before summarising the changes. Each cohort session covered the same material albeit there was less emphasis on clearing related changes for the settlement only participant session.

Frequently asked questions on the proposed changes, including questions asked before, during and after the focus group sessions have been hosted on the documentation portal and are available [here](#).

As a follow up to the focus group sessions, ASX has provided three worked examples to highlight how the proposed changes impact netting and settlement workflows. Each example is preceded with a high level description of the change which compares current CHES versus how it works in the CHES replacement system and are available [here](#).

ISO 20022 Technical Committee

On 26 March 2021, the ISO 20022 Technical Committee was reconvened for the purpose of providing an overview on the changes to ISO 20022 messages, aligned with the functional changes foreshadowed in the focus groups. See agenda item 2c for further details.

Operating rules

The updated rule development timeline was published in December 2020 which captures 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 new 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 through ASX business as usual (BAU) processes or the Corporate Actions STP Phase 2 Project. The updated timeline shows both completed and upcoming processes and can be found [here](#).

Payment Providers

ASX last met with the Equity Settlement Payment Providers Sub-Committee (ESPPSC) on 9 March 2021. In this session, ASX provided a recap on the workflows for CHES RTGS processing in response to member feedback late last year. The next engagement is scheduled for 15 June 2021 where ASX will provide an update on the rules consultation as well as providing members with a live CHES UI demonstration on batch and CHES RTGS settlement, which payment providers may choose to use when the new system goes live.

Issuers

ASX has prepared a short information paper for listed entities and issuers of exchange traded securities about potential changes that should be considered in readiness for CHES replacement go-live. These include an amendment to an issuer's constitution (or trust deed) if it contains a limitation on the number of joint holders of a security with a recommendation to remove such limitation. Further, issuers who operate a dividend reinvestment plan and/or bonus share plan are to consider the need to allow for a new holder election channel via CHES in their plan rules, to ensure that elections received via CHES replacement are recognised as valid under the plan rules.

The information paper also included reference to ASX's data governance arrangements under CHES and CHES replacement, as well as foreshadowing changes to provide electronic delivery for CHES holding statements.

A copy of this information paper can be found [here](#).

Newsletters

ASX last published a project update to all stakeholders via the CHES Replacement Project Newsletter on 25 February 2021. The newsletter also included a spotlight on information presented in the ASX CHES Replacement documentation portal. The December newsletter focused on new documentation published on the ASX Registration Details Tool. A copy of both newsletters can be found here:

[CHES Replacement Project Update - February 2021](#)

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

TECHNICAL DELIVERY

Infrastructure

ASX continues to work with Digital Asset and VMware on deploying new instances of the ledger software into ASX environments for testing both functional and non-functional requirements. This work will continue in readiness for opening up ITE1 in late November 2021 on production scale infrastructure for technical accreditation activities.

Performance

Performance goals are pending a final decision on the netting and settlement redesign to incorporate the changes required for significant additional capacity.

CHES UI build

Development and testing work for the CHES UI is continuing to track to plan for the opening of ITE1 in late November 2021. Four eyes approval workflow, user management and notifications functionality is now complete. Payment functionality is targeted to complete in May 2021 and a live demonstration to payment

providers is targeted for June 2021 ESPPSC meeting. Similarly, a targeted demonstration to mFund users on the CHES UI functions will be scheduled for September 2021.

CUSTOMER AND OPERATIONAL READINESS

Software provider readiness

ASX's Registration Details Tool, which allows participants to convert CHES registrations from current proprietary messaging to ISO 20022 attributes, has been released to software providers and issuers at the end of March 2021.

Messaging accreditation requirements are largely complete for the Day 1 original scope (i.e. excludes any changes for netting and settlement redesign, RTGS and DRP elections) and shared with the market via the technical documentation portal.

Development activity in CDE has been consistent of late, with activity for the six key software vendors and 19 organisations developing in-house continuing.

CHES user operational readiness

The industry test strategy, which details the testing being conducted by software providers and CHES users in ITE1 and ITE2 respectively, is in progress for publication by end June 2021. In response to stakeholder feedback from the consultation on a revised implementation timetable, this will also include the strategy for testing on migrated data, an industry-wide performance test and an industry-wide end to end test.

The drafting of operational readiness scenarios is currently in progress and will be communicated to the market by end 2021. This will detail the list of activities each CHES user type will need to perform in testing to demonstrate their ability to operate in the new system.



Committee	Business Committee
Agenda title	CHES Replacement – Feedback on the consultation on proposed changes to netting and settlement workflow
Item	2b
Purpose	To provide Business Committee members with an update on feedback received on the consultation on proposed changes to netting and settlement workflow
Meeting date	14 April 2021
Prepared by	Group Executive Equity Post Trade and CHES Replacement (Tim Hogben)

Members will be provided with a short presentation on 14 April to provide an update on the feedback on the consultation on proposed changes to netting and settlement workflow.



Committee	Business Committee
Agenda title	ISO 20022 Technical Committee Report
Item	2c
Purpose	To provide Business Committee members with a copy of the report from the recent meeting of the ISO 20022 Technical Committee
Meeting date	14 April 2021
Prepared by	Group Executive, Equity Post Trade and CHES Replacement (Timothy Hogben)

OVERVIEW

The ISO 20022 Technical Committee last met on 26 March 2021. The Technical Committee's report for this meeting is provided in Attachment A.

ATTACHMENT

Attachment A – ISO 20022 Technical Committee Report – 26 March 2021 meeting

ISO 20022 Technical Committee Report to the Business Committee

This report provides an overview of the ISO 20022 Technical Committee meeting held on 26 March 2021 by webinar, attended by 44 representatives from 22 organisations. While the committee had completed its work in April 2020, ASX considered it necessary to re-convene the committee to discuss and seek feedback on a number of proposed changes to ISO 20022 messages as a result of the proposed netting and settlement workflow changes.

MEETING AGENDA (NON STANDARD ITEMS) – Business and Technical Matters for Consideration

Matters for consideration focused on the changes to netting and settlement workflow:

- a) Overview of changes
- b) Update on consultation process (verbal)
- c) ISO 20022 message changes
- d) 'To-be' messages for review

ACTION ITEMS

- At the conclusion of the previous meeting held on 7 April 2020 all outstanding actions had been closed.
- Three new actions were noted at the 26 March meeting – for ASX to consider additional changes to certain messages and their delivery regime to assist with participants' reconciliation under the new process, and to provide worked examples for some scenarios.

KEY ISSUES DISCUSSED

- The Chair provided members with a summary of the proposed changes to netting and settlement workflows, referencing the more detailed material that had been shared via the consultation paper, implementation & transition webinar and focus groups.
- An overview of the consultation process and next steps was shared with members.
- ASX presented the key changes to ISO 20022 messages as a result of the re-design. 3 messages are proposed to be removed, 6 messages will require schema changes, and 2 new messages (reports) will be introduced. Members were requested to provide feedback on the changed and new messages within the usual timeframe of two weeks after the meeting.
- Constructive comments and questions were raised by members during the meeting, demonstrating a level of familiarity with the proposed changes and a willingness to understand the changes in detail, including any knock on affects to related processing.

Minutes from the meeting will be finalised with members and shared at the next Business Committee meeting.



Committee	Business Committee
Agenda title	Progress update on participant engagement for clearing and settlement pricing
Item	2d
Purpose	To provide Business Committee members with a progress update on participant engagement for clearing and settlement pricing
Meeting date	14 April 2021
Prepared by	General Manager, Strategic Partnerships (Andrew Jones)

Members will be provided with a short presentation on 14 April to provide a progress update on participant engagement and feedback for clearing and settlement pricing for CHES Replacement.

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	14 April 2021
Prepared by	Senior Manager, Equity Post Trade Services (Karen Webb)

Update on project progress

The final release of the project (Release 3) has been re-scheduled from March to 5 June 2021 to include changes in response to the Listing Rule consultation undertaken in December 2020. The project team is progressing well with the delivery activities associated with this release, based on a revised scope. Further details are provided in this paper.

Delivery timeline

The revised project delivery timeline is presented in the table below, noting that Release 3 is now targeted for 5 June 2021, subject to regulatory approval.

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 - New 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 5 June 2021																

Releases

Completed - 5 December 2020 – ISO 20022 service changes

A minor release was successfully implemented on 5 December 2020, focused on 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 affected 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.

Final release (Release 3) – target 5 June 2021

The third and final release for the project has been re-scheduled from March to a target of 5 June 2021. Additional time was required to accommodate a number of changes to the scope of the release, including:

- The inclusion of additional changes to a number of online forms and associated processes required as a result of changes needed in reaction to the feedback received on the 30 November consultation paper [Proposed Listing Rules changes: online forms, notification of security issues and corporate action timetables](#).
- Completion of the full development and integration of the new online forms, particularly those with more complex integration features.

A number of items have been removed from scope, following an analysis of the relative benefit or readiness to complete the work. The de-scoping of these items will have little impact to external stakeholders. For example, ASX will not implement an online form for Appendix 3A.5 – *Notification of return of capital by way of in specie distribution of securities in another entity*, given the very low number of these types of events announced each year. Issuers will continue to announce these events using the existing word form, with some amendments.

The revised scope of work anticipates that around 93% of corporate action notifications announced by issuers will be processed via online forms with real time availability in the ISO 20022 product. The announcement of all types of changes to issued capital will also be catered for in the revised and new online forms – from capital issues through to cancellations.

The final release will include the following items:

ISO 20022 corporate action notification – OTHR event		
Appendix 2A	<i>Application for quotation of securities</i>	Word form (updated) New online form
Appendix 3A.1	<i>Notification of dividend / distribution</i>	Word form (updated) Online form (updated)
Appendix 3A.2	<i>Notification of interest payment & interest rate change</i>	Word form (updated) Online form (updated)
Appendix 3A.5	<i>Notification of return of capital by way of in specie distribution of securities in another entity</i>	Word form (updated)
Appendix 3A.6	<i>Notification of call/instalment on quoted partly paid equity securities</i>	Word form (updated)
Appendix 3B	<i>Proposed issue of securities</i>	Word form (updated) Online form (updated)
Appendix 3C	<i>Notification of buy-back</i>	New word form New online form
Appendix 3G	<i>Notification of issue, conversion or payment up of unquoted equity securities</i>	Word form (updated) New online form
Appendix 3H	<i>Notification of cessation of securities</i>	New word form New online form

All development work will be completed by early April, with end to end testing (internal) scheduled for April and May.

For external stakeholders, samples of the new ISO 20022 OTHR event can be provided on request. Issuers can preview the updated and new online forms via the new ASX Online training environment that has been made available until the release date.

The effective date for the final release is subject to regulatory approval for the associated Listing Rule changes, including the new and changed online and MS Word forms.

Consultation on proposed Listing Rule changes and effective date

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 response period closed on 24 December 2020, with some extensions provided to mid-January 2021. ASX received 15 submissions in response to the consultation, comprising organisations and associations from industry groups including share registries, listed entities, law firms and an information provider.

In response to the feedback ASX has made a number of changes to the proposed Listing Rule changes, including associated forms. ASX’s [Consultation Response](#) was published on 24 March 2021, providing a summary of the feedback, ASX’s response to the feedback and resulting final rule changes, including final versions of the associated online and word forms. The Consultation Response also provides an overview of the transition arrangements for listed entities

once the changes become effective. The target date for the effective date of the rule changes is aligned with the project final release date of 5 June 2021, subject to regulatory approval. The initial consultation paper and ASX's consultation response and associated documents can also be found on [ASX's Public consultations web page](#).

Stakeholder engagement

Issuers

Issuers have been kept informed on progress of the proposed Listing Rule changes, and the further changes to online and word forms via the Listed@ASX Compliance updates. On 1 December 2020 ASX provided advice that the Consultation Paper regarding the proposed Listing Rule changes had been published on 30 November. On 16 December ASX informed issuers that the new ASX Online training environment was available, initially with the updated Appendix 3B online form available for preview. On 31 March 2021 issuers were informed that ASX had published its Consultation Response, and that the new ASX Online training environment had been updated with the new Appendix 3C and Appendix 3H online forms for issuers' preview.

During April and May ASX will continue to work on and share information and training material with issuers for usage of the new and updated online forms.

Corporate Actions STP Phase 2 industry working group

ASX hosted the latest industry working group meeting on 25 February 2021, providing an update on the changed final release date and scope, and the current status of the listing rule consultation and key items of focus and change for the rules and associated forms. ASX also discussed the training material and previews of new online forms made available to issuers and upcoming consideration to issuer awareness and training leading up to go live. ASX requested the issuer and issuer association representatives to consider and provide any feedback to ASX regarding any particular type or style of training that would be beneficial to issuers leading up to the effective date.

ASX also emailed the working group members on 31 March to advise that the Consultation Response had been published.



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	14 April 2021
Prepared by	General Manager, Strategic Partnerships (Andrew Jones)

Members will be provided with a verbal update on the electronic CHES holding statements.



Committee	Business Committee
Agenda title	Minutes from 7 December 2020 Business Committee meeting
Item	4a
Purpose	To provide Business Committee members with the minutes and Business Committee report to the ASX Boards from the 7 December 2020 meeting
Meeting date	14 April 2021
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 7 December 2020 Business Committee meeting were emailed to all members of the Business Committee on 28 January 2021 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 7 December 2020 Meeting

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

Business Committee Meeting

At its 7 December 2020 meeting, the Business Committee was updated on:

- the operating performance of CHES for the December Quarter 2020, including the CHES settlement batch completion delay on 17 November;
- CHES replacement, including updates on feedback on the revised implementation timeline, net broker obligation (NBO) redesign and the forward stakeholder engagement plan;
- the Corporate Actions STP Phase 2 project;
- the electronic CHES holding statements project; and
- the information paper on ASX data governance under CHES and CHES replacement.

KEY ISSUES DISCUSSED

ASX provided an update on the CHES batch processing delay on 17 November, and a number of members provided suggestions regarding improvements to communications from ASX in the event of a similar incident.

ASX summarised feedback received since the last Business Committee meeting regarding responses to the confirmed implementation timetable for CHES replacement, and with the exception of applying any learnings from recent technology outages, no further feedback was provided by the Committee.

The rationale for NBO and settlement redesign was discussed, with ASX outlining the nature of the challenges brought about by increased market volatility and volumes in March 2020. There was a keen interest amongst members in their ability to engage throughout the process, including a request for a formal consultation paper and consideration of costs to the industry to implement.

The forward stakeholder engagement plan for the CHES replacement project was explained in detail, with interest from a member in transparent detailed publication of the plan.

Agreed Actions

Updates on the two actions raised at the last meeting were provided, and both were closed.

ASX committed to the following action at the December meeting:

1. To follow up with members who offered their help to assist ASX perform scenario planning in Q1 2021 to understand flow-on impacts from the CHES batch processing delay on 17 November.

Minutes from the meeting are attached.

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 Actions 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		

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	Marcelo Dantas*	Executive Director	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	Geoffrey Plaisted
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	James Simon*	Head of Institutional Equities Operations	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	

* Delegate

ASX Management

Name	Job Title	Apologies
Tim Hogben	Group Executive, Equity Post Trade and CHES Replacement	
Daniel Moran	General Counsel	Daniel Moran
Hamish Treleaven	Chief Risk Officer	
Dan Chesterman	Chief Information Officer	
Val Mathews	Chief Operating Officer	
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)	
Andia Petropoulos*	Senior Analyst, Market Infrastructure, (ASIC)	Dodie Green (Senior Manager, Market Infrastructure (ASIC))

* Delegate

INTRODUCTION

The Chair welcomed members and delegates to the meeting, held for the first time using Microsoft Teams with videoconference technology. The Chair thanked Megan Motto for the suggestion to use videoconferencing at the previous meeting.

There was one apology from Geoffrey Plaisted (Deutsche). It was noted that Daniel Spokes is the confirmed representative for Morgans, replacing Peter Chisholm. Two members were represented by delegates, Marcelo Dantas (for Automic) and James Simon (for Morgan Stanley). ASIC representatives (Nathan Bourne, and Andia Petropolous as delegate for Dodie Green) attended the meeting as observers.

With regard to the two open actions, the Chair advised that the forward stakeholder engagement plan for CHES replacement would be covered as part of agenda item 2c, and the roadmap for Day 2 implementation of remaining corporate actions functionality for CHES replacement would be covered as part of agenda item 2b.

The Chair acknowledged the ASX Trade outage on 16 November and briefly outlined ongoing remediation efforts. Engagement at an executive, operational and informational level with respective organisations continues. A market notice and media release were published by ASX on Friday 4 November. The Chair welcomed engagement with members' respective organisations outside of this forum, as required.

AGENDA ITEM 1: SERVICE PERFORMANCE

a) Cash Market Clearing and Settlement - Operating Performance

The ASX Chief Operating Officer provided an update on the operating performance of the cash market clearing and settlement services for the month of October 2020, noting the statistics on an extrapolated basis were largely in line with previous quarters:

- Trading volumes remain constant, the average traded and cleared daily value had declined but was still up from pre-February volumes.
- Percentage novated and netting efficiency were lower (likely attributable to the increased number of corporate actions, specifically entitlements and placements over recent months, which are not subject to netting).
- Additional messages for stock movement were also observed, diluting some of the metrics.
- Daily average fail rate was 0.358%, up from the last quarter but still sitting around the historical average.
- Spike in rescheduled settlement transactions on 12 October was due to one participant, which had a flow-on impact (noting that it hadn't occurred again since).

On 23 November, NSX successfully transitioned from being an Approved Listing Market Operator (ALMO) under the Settlement Facilitation Service, to an Approved Market Operator (AMO), under the Trade Acceptance Service (TAS).

An overview was provided of the delay in CHES batch processing on 17 November, due to an issue with a database recovery process which prevented other processes from executing. ASX had implemented additional monitoring and created new procedures should the issue happen again, noting that it was highly unlikely given the obscurity of the issue and the remediation steps that have since been actioned. ASX was also performing scenario planning and will be consulting with participants and registries in Q1 2021 to understand flow-on impacts. ASX took an action to follow up with several members of the committee who had reached out to offer help to understand the impacts for their organisation, and welcomed any other input if members were interested in discussing further.

A number of members commented on ASX's communication regarding the incident:

- A member queried whether the source of truth for updates was ASX's website, noting that the information made available via ASX's website did not contain the level of information their clients were seeking (e.g. estimated time to resolution, impact on end of day cash positions). The ASX Chief Operating Officer confirmed that the updates on ASX's website are the source of truth, and that subscribed users also received text messages. ASX had commenced a process of telephoning payment providers as a priority, but not completed the telephoning of settlement participants prior to completion of the batch. The feedback was noted regarding more frequent updates, and an

explanation was provided regarding the challenges in providing an estimated time of completion when the resolution was still being worked through.

- A member echoed the sentiment around additional communication to the ecosystem, and offered their assistance to provide suggestions, including one suggestion of a rapid crisis communications group. One member also noted the difficulty in ringing a large number of participants in a timely manner, and suggested a conference bridge to dial into might be helpful to provide a timelier update instead of single phone calls.
- The ASX Chief Operating Officer thanked the members for their suggestions, and advised that all potential future improvements would be considered as part of the scenario planning.

AGENDA ITEM 2: CHESS REPLACEMENT PROJECT

a) CHESS Replacement

The ASX Group Executive, Equity Post Trade and CHESS Replacement (ASX Group Executive) commenced with some initial observations and priorities as the new executive leader responsible for the CHESS replacement project. This has included:

- Understanding the risks to the project in the short, medium and long term and removing any uncertainty, as evidenced in the replan.
- Ensuring the right governance framework is in place including reporting with the appropriate cadence.
- Engaging directly with stakeholders.
- Appropriate maintenance of current CHESS to ensure there are no concerns in providing services in relation to the system through to the project's go-live.

The ASX General Manager, Equity Post Trade Services, then provided updates regarding recent program developments:

- The response to consultation feedback on the CHESS Replacement Confirmed Implementation Timetable was published the same day the committee last met, 28 October.
- A webinar was held on 6 November to talk stakeholders through the changes to the project timeline and scope, as well as the rationale for the changes.
- The ninth drop of code was released into CDE on 30 November. It included workflows for cash market margining, investor data (such as Tax File Numbers), payment provider authorisations and demand reporting. It was noted that not all on-demand reports were included in the release, and that the outstanding reports would be delivered progressively over Q1 2021.
- mFund delivery was tracking well; ASX was assessing whether or not it would release these features into the CDE earlier than currently planned (end June 2021).
- With the extension of the project timeline, ASX recognised that customers will be spending longer in CDE and is looking to improve the experience. The focus is providing persistence of data after resets, to facilitate scenarios that require a longer timeframe such as corporate action events.
- An update to the rule development timeline, in line with the consultation response, was published on the website.

Members did not raise any questions in respect of the CHESS replacement program update.

b) Feedback on the confirmed implementation timetable

The ASX Group Executive characterised the feedback as generally supportive and constructive, especially from a project delivery risk perspective and in response to capacity challenges resulting from March 2020 volumes. Some CHESS users were disappointed regarding the timeline extension, particularly amongst those developing software who were on track.

The feedback regarding Release 1.1 functionality was characterised as mixed. It was noted that universal agreement on this functionality was difficult to obtain, and that ASX considered it appropriate to include more functionality given the extended timeframe, particularly in the context of commentary from the market throughout COVID regarding, for example, manual processing inefficiencies for corporate actions. The ASX Group Executive explained that the rationale

for not including electronic acceptances and payments for entitlement offers in the Day 1 scope was primarily based on feedback from payment providers (banks) that the development effort required would be very challenging given other demands on their resources.

The ASX Group Executive then spoke to the Day 2 roadmap (an action from the previous meeting), noting ASX was committed to reconvening Focus Groups and Technical Committees at the right time to engage with stakeholders on functionality ASX has indicated will be delivered post Day 1. However, delivering and meeting the 2023 go-live was the priority, and this would be the focus of ASX throughout 2021. By 2022, ASX will start giving consideration to the Day 2 roadmap and timeline, including the relevant stakeholder engagement activities.

A member requested ASX consider lessons learned from the recent ASX Trade outage in the context of CHES replacement implementation, rollback/failover contingencies, customer communications/engagement, and recommended they be incorporated into ASX's plan. The ASX Group Executive assured the member and committee this would occur, and was part of ASX's normal post incident review process.

NBO and settlement redesign / capacity considerations

The ASX Group Executive outlined the additional capacity considerations for CHES replacement resulting from the extreme volumes and volatility in March 2020. Current processes in CHES were outlined, as well as the need for potential future use cases which may generate further settlement volume (e.g. client protection). The concepts of netting and settlement finality in the current system were explained, noting the benefits of both would be retained.

The timing of the issue in the context of the project's confirmed implementation timetable was discussed, noting the need to minimise the impact of any change at this point to avoid internal and external delivery risk, as well as any regulatory implications in making changes to the settlement process.

The ASX Group Executive briefly outlined an international market comparison performed by ASX, noting New Zealand, Japan, Singapore, Brazil and Korea had similar DVP Model 3 settlement models. Detailed comparisons proved difficult in terms of the concept of a NBO and Australia seemed unique in the materialisation of such a settlement instruction.

In terms of the way forward, and how NBO is reported, ASX has a proposed solution that would no longer materialise the NBO. This was outlined at a high level including what could be done to lessen the impacts on historical workflows (i.e. use of reporting).

Forthcoming stakeholder engagement plans on the NBO and settlement redesign were outlined, commencing with the December 2020 Implementation and Transition Working Group webinar. A paper would be published around the end of January 2021 and impacted stakeholders would then be invited to Focus Group meetings in February allowing for stakeholders to provide feedback on the proposal. The ISO 20022 Technical Committee would re-convene to consider the impact of ISO 20022 messaging in March, before ASX publishes the relevant technical documentation by the end of March.

In closing it was noted that while the NBO is a clearing construct, the change will impact all clearing and settlement participants, including settlement only participants.

A member asked ASX to provide the key milestone dates for engagement to the Committee, to ensure they are adequately coordinated and internally resourced over the holiday period to meet ASX's consultation timeline. The ASX Group Executive confirmed that this information would be made available via the December Implementation and Transition Working Group webinar, and subsequently published on ASX's CHES replacement website.

Another member asked whether ASX would be issuing a formal consultation paper with regard to the NBO redesign. The ASX Group Executive confirmed that a consultation paper would be released, allowing for stakeholders to provide written feedback. The member asked ASX to include a clear statement of the problem to be solved, and the trade volumes that will be achieved under the current and new proposal. The ASX Group Executive provided some initial context and noted the request for inclusion in the consultation paper.

The member sought clarity as to whether this proposal was shifting the impact onto participants. The ASX Group Executive advised that currently most participants would calculate their counterparty balance in their back office

systems, and ASX's proposed solution would provide the calculation on a dynamic basis that can be queried at any time. The member noted that not all participants currently perform this calculation, and it is possible their vendor system also would not support this, and asked that ASX include an analysis of implementation costs for both industry participants and ASX in its consultation paper. The ASX Group Executive noted estimates of industry costs were more appropriate to be part of feedback to consultation noting this would be difficult for ASX to assess without a detailed understanding of each organisations' specifications.

(c) Forward stakeholder engagement plan

Referring to a presentation shared during the meeting with members, the ASX Senior Manager, Equity Post Trade Services outlined the different channels for future stakeholder engagement activities.

The following activities would continue and/or be re-convened:

- Business Committee meetings; in 2021 these will continue to be predominately focused on CHES replacement.
- Bilateral meetings between ASX and stakeholders to engage one-on-one will also continue.
- The Implementation and Transition Working Group, comprising all stakeholders who need to do something in preparation for go-live, would continue in its current form.
- Focus Groups would be reconvened for the purpose of engaging on the proposed changes for the NBO and settlement redesign.
- The ISO 20022 Technical Committee would also be re-convened to review and offer a forum for impacted stakeholders to provide input on the ISO 20022 messages for the changes coming out of the Focus Groups on NBO and settlement redesign.
- Formal consultation with the market would continue next year on the third tranche of operating rule amendments as well as a consolidated rules package across all the rule amendments.
- ASX would continue to regularly update its dedicated documentation portal and the CHES replacement webpage.
- To date, fact sheets had been published specific to participants and issuers with a payment provider version to be issued shortly. ASX expects these to continue into 2021.
- Monthly newsletters, which had been published now for the last year and a half, were also expected to continue.
- Attendance at industry committee meetings or working groups, and a regular program of engagement with the regulatory agencies and government relations would continue.

The ASX Senior Manager, Equity Post Trade Services explained that these activities would be supplemented by three new interactive forums with an expected cadence of monthly meetings, as follows:

- A software provider readiness working group will be convened from Q3 2021 for stakeholders developing their own software.
- A customer readiness working group will be convened in early 2022 for all CHES users who must formally attest to their operational readiness.
- A cutover and transition readiness working group will also be established for all parties who need to do something over the go-live weekend.

ASX would also look to increase its direct engagement with industry associations through more one-on-one meetings on a cadence by mutual agreement with each association.

The ASX General Manager, Strategic Partnerships then outlined planned increased engagement with issuers, noting that this process commenced a few months prior with the publication of an issuer fact sheet that stated the CHES replacement project in the context for issuers. An additional issuer fact sheet would be published around Q1 2021 regarding issuer readiness activities. Webinars for issuers would commence in the second half of 2021, and bilateral engagement would continue. ASX would also continue to publish its twice-yearly project related articles in the Listed@ASX publication for issuers.

The ASX Senior Manager, Equity Post Trade Services then spoke to the key engagement activities centred on project milestones for the next 12 months, as outlined in the ASX presentation materials. Timing for engagement on NBO and settlement messaging redesign, electronic CHES holding statements, pricing of Day 1 clearing, settlement and other

services, pricing of CHES access, industry test strategy, migration approach and the operating rule amendments were outlined with reference to the ASX presentation materials.

The 2021 timeline of engagement activities was also outlined, again with reference to the ASX presentation materials, including Business Committee meetings, issuer engagement, Implementation and Transition Working Group meetings and the three new working groups to be formed (software provider readiness, customer readiness and cutover and transition readiness).

A member commended the increased level of engagement, noted the importance of the 2021 forward work plan presentation slide, and requested ASX add additional detail to include all events (beyond CHES replacement, also including Corporate Actions STP Phase 2 working group meetings) to ensure visibility for all on the website. The member added that this would be helpful for people to bookmark and avoid any unnecessary communications regarding updates. The ASX Senior Manager, Equity Post Trade Services noted whilst this was currently published, via an upcoming activities section of the monthly project newsletter and on ASX's website, perhaps it was being missed by users and suggested that at the next Implementation and Transition Working Group ASX would remind attendees where the information gets published.

AGENDA ITEM 3: SERVICE ENHANCEMENTS

a) Corporate Actions STP Phase 2 project

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

As part of ASX's ongoing monitoring of the implementation in production, a minor release occurred on 5 December focused on the ISO 20022 corporate action notification service to correct a number of field issues that were experienced and also to accommodate one further request from CHES replacement. The change affected a handful of fields in eight notifications and the updated specifications or usage guidelines had been republished in the STP community in MyStandards. ASX did not anticipate any further changes to the ISO 20022 service until the third release.

In response to a member's earlier request for details regarding the proposed listing rule changes, the ASX Senior Manager, Equity Post Trade Services noted that in order to achieve some of the features ASX is targeting in the third release, some listing rule changes are required. On 30 November, ASX released a consultation paper entitled *Proposed Listing Rules changes: online forms, notification of security issues and corporate action timetables*, which was accompanied by a number of annexures. The proposed listing rule changes are primarily intended to facilitate the introduction and operation of the new and updated online forms related to those appendices that are included in release 3 of the project. At the same time, ASX was also taking the opportunity to propose some other amendments in the rules. The consultation period is just under four weeks with submissions due on 24 December. On that basis, ASX is anticipating the final rule amendments will be published in February and take effect at the same time as the project's third release. The corporate actions STP industry working group members were made aware of this pending consultation at their last meeting in October. The ASX Senior Manager, Equity Post Trade Services provided a brief overview of the proposed listing rule changes, including the rationale.

It was noted that a member who had raised this topic earlier in the meeting would, due to technical issues, send their question via email after the meeting.

Issuers were being kept informed on project progress via the Listed@ASX Compliance Updates, and ASX had also been in touch with the industry working group members to keep them informed on the listing rules consultation and the updates to the ISO 20022 service.

There were no further questions from members on the Corporate Actions STP Phase 2 update.

b) Electronic CHES holding statements

The ASX General Manager, Strategic Partnerships provided an update on the current status of the project for the electronic delivery option for CHES holding statements with reference to the ASX presentation slides.

The workflow/process for investors was explained, noting that investors who elected for electronic statements would have them delivered via an online portal, accessible via a secure login to a searchable archive of at least 3 years of statements, and possibly up to 7 years of historical statements which would build from Day 1. It was noted feedback from ASA around the history of the archive was gratefully received. The statement was re-designed and incorporated feedback from investors, but did not represent a substantive change to the current look and feel.

The broker participants will need to obtain investor consent to move to the electronic option, with three communication preferences noted: electronic delivery for ASX and issuers, for ASX only, or for issuers only. The email address and the election will come via a CHES EIS 201 or 203 message to ASX, and fees for a 203 message (amendment to an existing account with an email address in it) will be waived to incentivise participants to bring more investors into this channel of communication.

Benefits to participants in terms of reducing returned mail were outlined; participants will have access to an online portal where they can login and download a CSV file to see all physical and electronic mail that had come back to the investor and the details of the issue, allowing for automation.

Benefits to issuers in terms of costs were noted, with ASX announcing a new pricing plan for electronic statements in Q1 2021. Benefits of increased electronic communication across the market were also explained.

The ASX General Manager, Strategic Partnerships explained that ASX had been meeting with participants, share registries and some issuers, and would welcome discussion with interested committee members.

A member noted that they would be in touch with the ASX General Manager, Strategic Partnerships regarding AMO logo placement and overall layout of the new statements.

Another member asked for an indication of how many brokers would participate. The ASX General Manager, Strategic Partnerships was not able to provide an exact number, but was encouraged by conversations with brokers, with most (and particularly the bigger brokers) indicating their willingness to build their connectivity prior to CHES replacement go-live (if the email field is not already built to by the broker).

AGENDA ITEM 4: DATA GOVERNANCE

a) Information paper on ASX data governance under CHES and CHES replacement

The ASX Legal Counsel took the committee through the key points from the information paper published on 4 December and separately shared with members, which explains ASX's governance arrangements in relation to data received by CHES:

- The first part of the paper outlines ASX's group-wide data governance arrangements, including oversight arrangements, policies and procedures and group-wide training arrangements – these arrangements apply to all data held across ASX, including the data that is received by CHES.
- The second part of the paper explains the data governance arrangements in place for CHES, which are shaped by the legal and regulatory framework within which ASX operates. The arrangements include confidentiality protections under the operating rules, arrangements for ensuring data accuracy and integrity, including indemnities under the rules for incorrect or unauthorised changes to data, and arrangements to comply with applicable privacy laws. .
- The paper also outlines the limited updates to data received by CHES and how it will be managed under the new system. New or changed data that will be provided to CHES under the new system will be on an optional basis or otherwise represents limited changes to the way that existing data is collected under CHES today. A summary of those changes is in Annexure 2 to the paper. Additional detail is also included in the rule amendment consultation papers which deal with the associated rule amendments.
- The rules dealing with access to data will remain unchanged under the new system unless otherwise specified in the rule amendment consultation papers. Under both current CHES and the new system, there are security and access controls to ensure that access to data is limited to entitled facility users performing a function in relation to that information.

There were no questions from members on the data governance information paper, and the Chair welcomed any questions or comments once members had time to digest the information paper.

AGENDA ITEM 5: ADMINISTRATION

a) Minutes from the 28 October 2020 Business Committee Meeting

The Chair noted that one member had requested an amendment to the minutes of the 28 October 2020 meeting to correct an error to the list of member attendees, and that this change has now been incorporated into those minutes. The minutes of the 28 October 2020 meeting were approved without any further changes.

b) Forward work program

The Chair noted that a forward work program with meeting dates for 2021 was contained in the agenda papers, and that the program will continue to focus on regular updates on implementation of the CHES replacement, Corporate Actions STP and electronic CHES holding statement projects. The Chair invited suggestions from the Business Committee members on topics that should be covered at future meetings.

c) Other matters

The Chair thanked the committee for its commitment and contributions throughout the year. In lieu of a social gathering after the last meeting of the year, a small token of ASX's appreciation would be sent to each member and ASX would also make a charitable donation on behalf of the Business Committee.

AGENDA ITEM 6: NEXT MEETING

The next meeting is currently scheduled for 14 April 2021.

The meeting closed at 1.38pm.

Signed as a correct record of the meeting.

Chair

Date

Committee	Business Committee
Agenda title	Forward work program
Item	4b
Purpose	To update Members on the forward work program of the Business Committee for 2021
Meeting date	14 April 2021
Prepared by	Business Committee Chair, Deputy CEO (Peter Hiom)

The Business Committee will meet four times 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 half of the year 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 June 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

14 April 2021

- CHES Replacement Update
- Corporate Actions STP Phase 2 Update
- Electronic CHES Holding Statements Update
- ISO 20022 Technical Committee report

6 October 2021

- CHES Replacement Update
- Day 1 pricing for clearing, settlement and other services
- Annual report on Cash Equity C&S Service enhancements
- Regulatory Expectations Audit

14 July 2021

- CHES Replacement Update
- Access pricing for non clearing & settlement participants
- Corporate Actions STP Phase 2 Update
- Electronic CHES Holding Statements Update
- ISO 20022 Technical Committee report
- Regulatory Expectations Audit – ToR

8 December 2021

- CHES Replacement Update
- Single cutover and migration strategy

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