



BUSINESS COMMITTEE REPORT TO THE FORUM

From the 19 February 2014 Business Committee meeting

At its 19 February 2014 meeting, the Business Committee was invited to provide feedback on the investor and intermediary profiles for the user profile analysis in the international cost benchmarking, the draft consultation paper on transitioning to a T+2 settlement cycle for cash equities in Australia and the proposed new quarterly activity and fee reporting for clearing and settlement participants. The Business Committee was also updated on work underway to introduce greater flexibility in clearing participant structures and feedback from the Technical Committee in relation to the merit of migrating to ISO 20022 standard messaging in conjunction with the replacement of CHES.

Key Recommendations

The Business Committee recommended the following that:

- a global asset manager end-user be included in the user profile analysis for the international cost benchmarking;
- the draft consultation paper on the introduction of a T+2 settlement cycle should be revised to seek additional feedback in relation to expected implementation costs, the timing and sequencing of T+2 implementation with other markets and additional measures which could be considered to help manage late settlements in transitioning to a T+2 settlement cycle;
- ASX develop the new quarterly activity and fee reports for clearing and settlement participants; and
- ASX provide an update on the development of its technology strategy and its future plan to refresh its infrastructure at its next meeting.

Key Issues Discussed

- The appointment of Oxera Consulting (Oxera) to undertake the international cost benchmarking for cash market clearing and settlement services, and the scope of analysis commissioned, including the proposed investor and intermediary user profiles developed for the analysis.
- The strong industry support for the introduction of a T+2 settlement cycle for cash equities in the near term and the importance of managing a number of implementation issues, including the timing and sequencing of the introduction of T+2 with other markets, the need for accelerated cleared retail funds and the impact on corporate actions.
- The importance of considering the need to replace CHES as it relates to cash equities as part of ASX's broader technology strategy.

Agreed Actions

1. ASX to discuss the inclusion of a global asset manager end-user in the user profile analysis for the international cost benchmarking with Oxera.
2. ASX to seek clarification from Oxera in relation to whether the analysis for the international cost benchmarking captures the differences between novated and non-novated transactions submitted for settlement.
3. ASX to seek clarification from Oxera in relation to whether the intermediary profiles and the analysis for the international cost benchmarking more generally captures the different circumstances where the trading participant, clearing participant and the settlement participant are not part of the same entity, for example, where a trading participant may use a third party clearer.
4. ASX to revise the draft consultation paper on the introduction of a T+2 settlement cycle to seek feedback on the following:
 - the expected costs to implement a T+2 settlement cycle;
 - whether a more aggressive implementation date (earlier than Q1 2016 (CY)) is feasible and supported by the industry;
 - the timing and sequencing of the implementation of a T+2 settlement cycle with other markets, and
 - whether an additional settlement batch should be considered to manage late settlements or whether there are other measures that could be taken to manage late settlements.
5. ASX to update the Committee on the development of its technology strategy and its future plans to refresh its cash market post-trade infrastructure at the 7 May Business Committee meeting.
6. ASX to seek input from the Technical Committee on ASX's cash market post-trade technology roadmap prior to providing it to the Business Committee for discussion.
7. ASX to update the Committee on 'clearing only' participant structures at the 7 May Business Committee meeting.
8. ASX to update the forward work program to reflect the following:
 - consideration of the different models for the capital contribution to the default fund by the CCP and participants should be included in the forward work program for discussion in the May meeting;
 - consideration of alternatives to the current manual participant margin payment process through Austraclear should be included in the forward work program for discussion in the May meeting;
 - ASX to provide an update on the development of its technology strategy and its future plans for the refresh of infrastructure for discussion in the May meeting;
 - ASX to provide an update on 'clearing only' participant structures in the May meeting;
 - discussion of participant location requirements should be delayed until the August meeting.