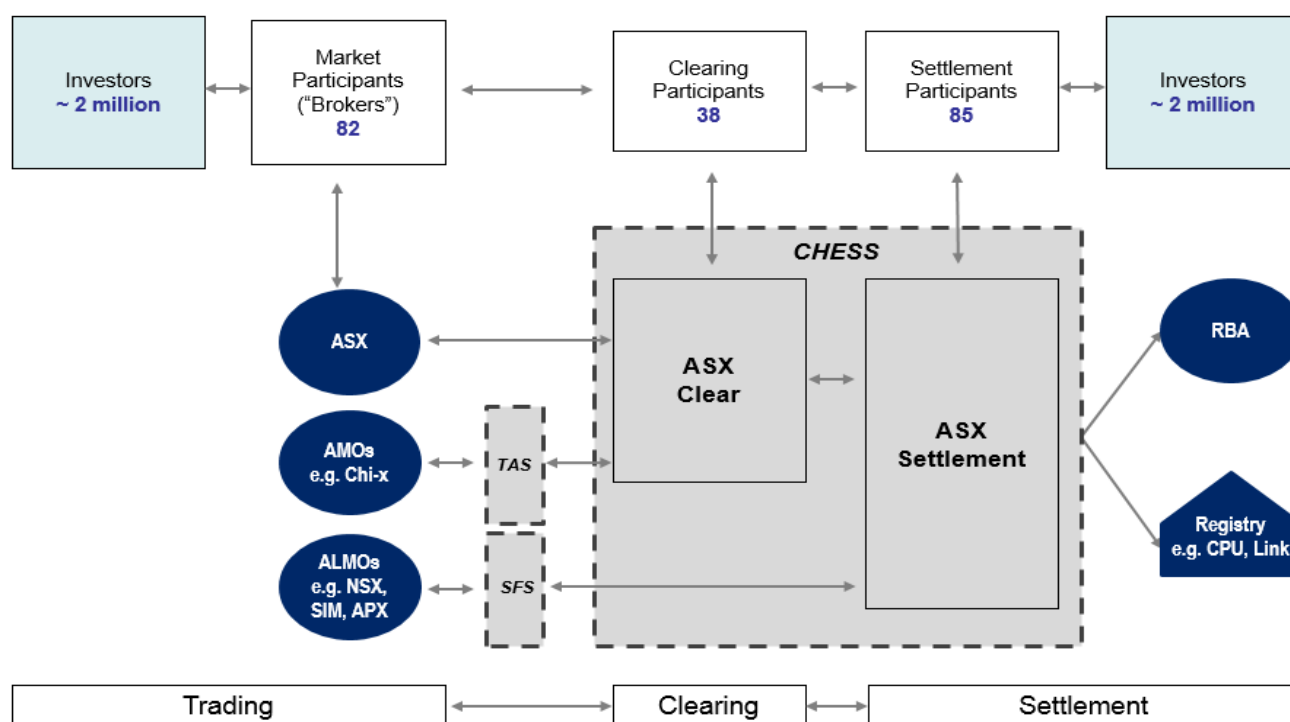


BUSINESS COMMITTEE MEETING PAPER AGENDA ITEM 2

Topic	Report on the operational performance of cash market clearing and settlement services
Date of the Meeting	26 November 2015
Purpose of this paper	To report on key performance metrics for ASX's clearing and settlement services.
Action required	To note the agenda paper.

BACKGROUND



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 is deemed to occur at the point of trade and 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 enables the netting of settlement obligations.

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.

Prior to novation, CORE (for ASX) and the Trade Acceptance Service (for AMOs – other trade execution venues) perform verification functions for trades submitted to ASX Clear. Following verification trades are registered for clearing. If the verification conditions are not satisfied then trades are rejected and not submitted to CHES. Once a trade is registered it is novated. Novation is deemed to have occurred at the point of trade for all trade execution venues.

Netting

ASX Clear is approved as a 'netting market' for the purposes of the Payment Systems and Netting Act. This enables the netting of settlement obligations in each individual equity, providing greater market efficiency at the time of settlement and 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 December 2015 quarter¹, the average monthly system availability was 100% for CHES. The average monthly availability of CHES has been 99.99% between November 2011 and October 2015.

Trade Acceptance Service

ASX Clear's Trade Acceptance Service (TAS) provides a mechanism for Chi-X to submit trades into the clearing house. The CHES system performs the clearing and settlement functions.

The Trade Acceptance Service availability target for TAS is 99.80% (the same as CHES).

For the December 2015 quarter² the average monthly system availability was 100% for the TAS. The average monthly availability of the TAS has been 99.99% between November 2011 and October 2015 (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 December 2015 quarter are reported in Attachment A. They are also supported by charts demonstrating a longer reporting period in Attachment B.

¹ Up to 30 October 2015

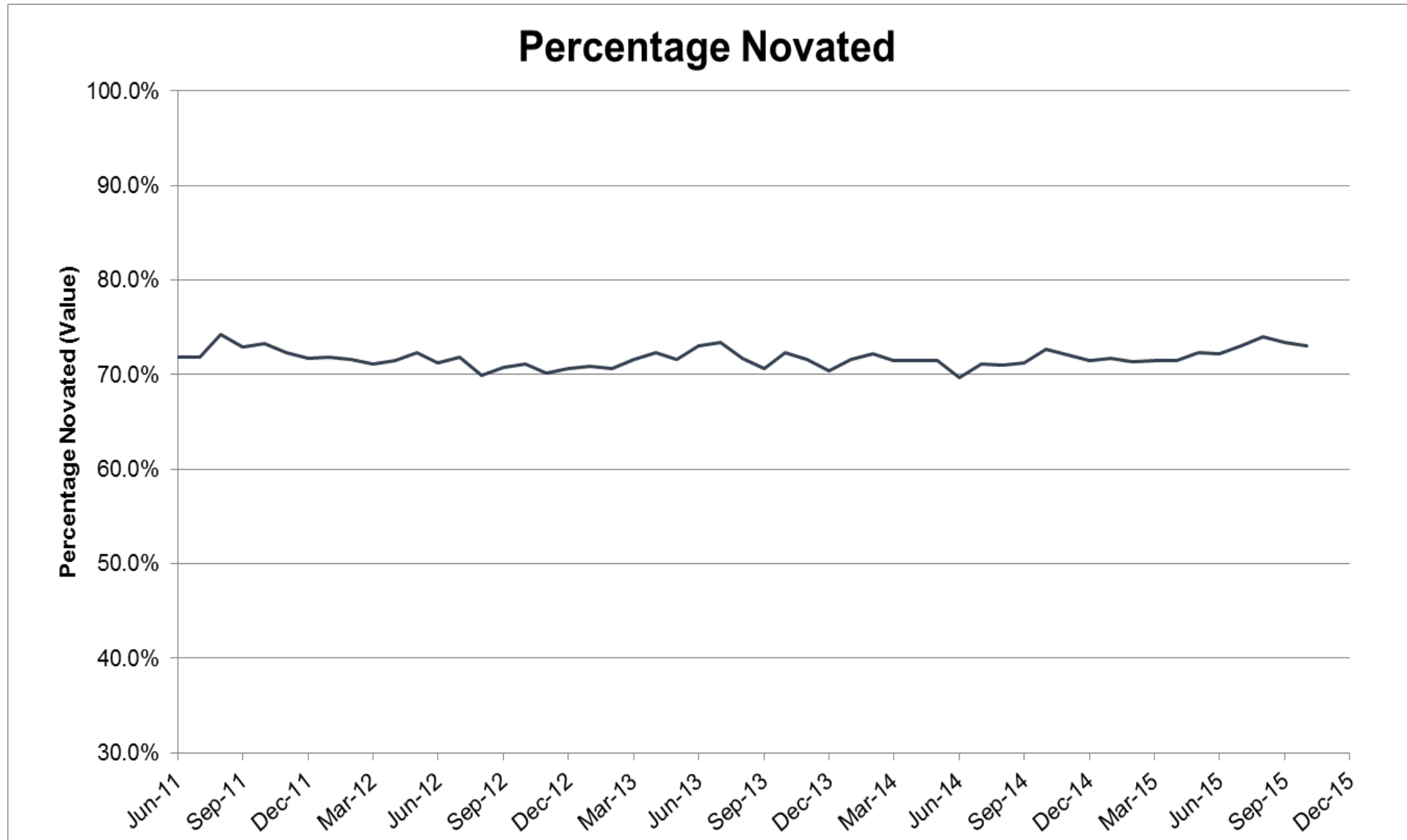
² Up to 30 October 2015

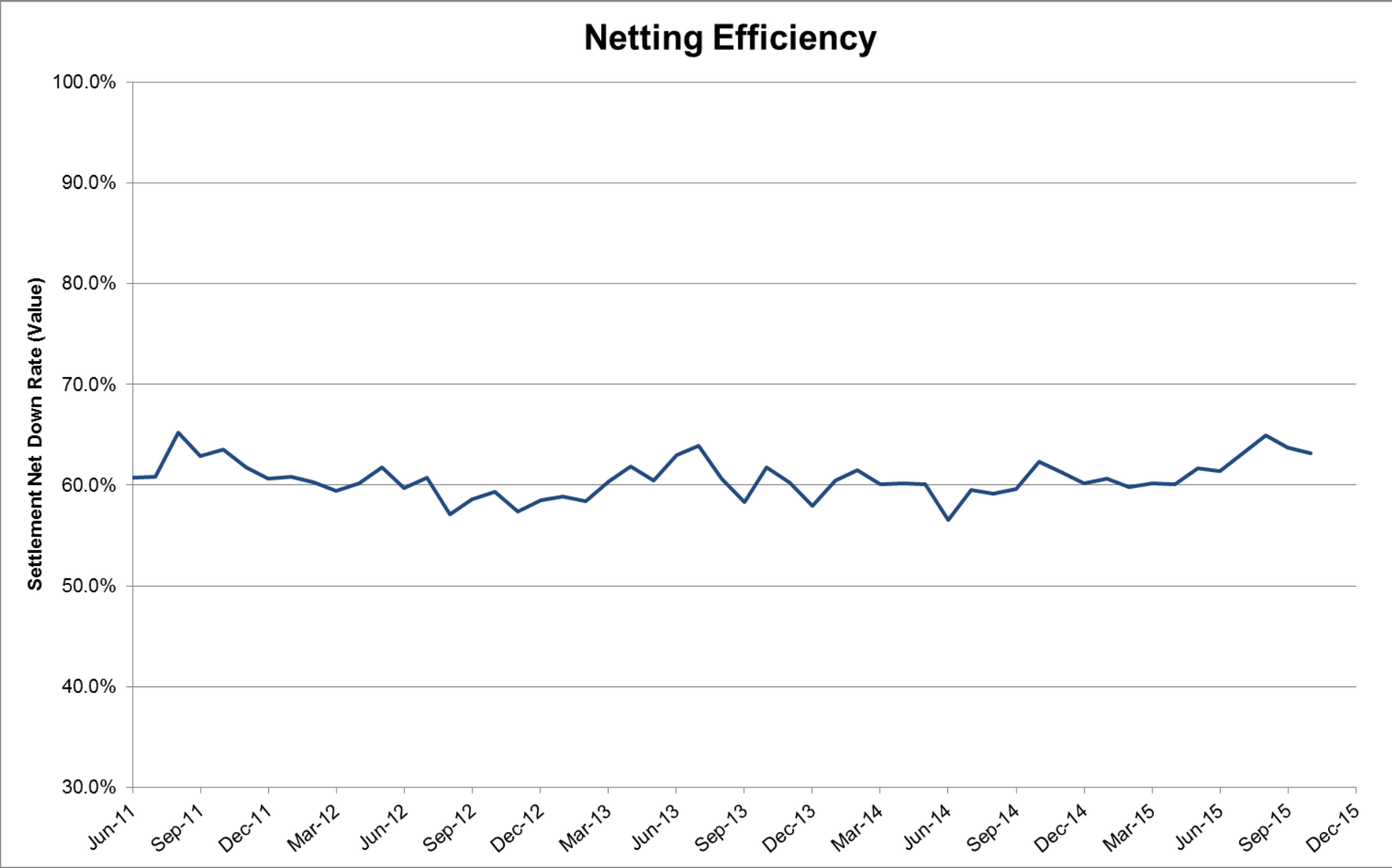
ATTACHMENT A – SUMMARY METRICS RELATING TO THE PERFORMANCE OF ASX'S CLEARING AND SETTLEMENT SERVICES

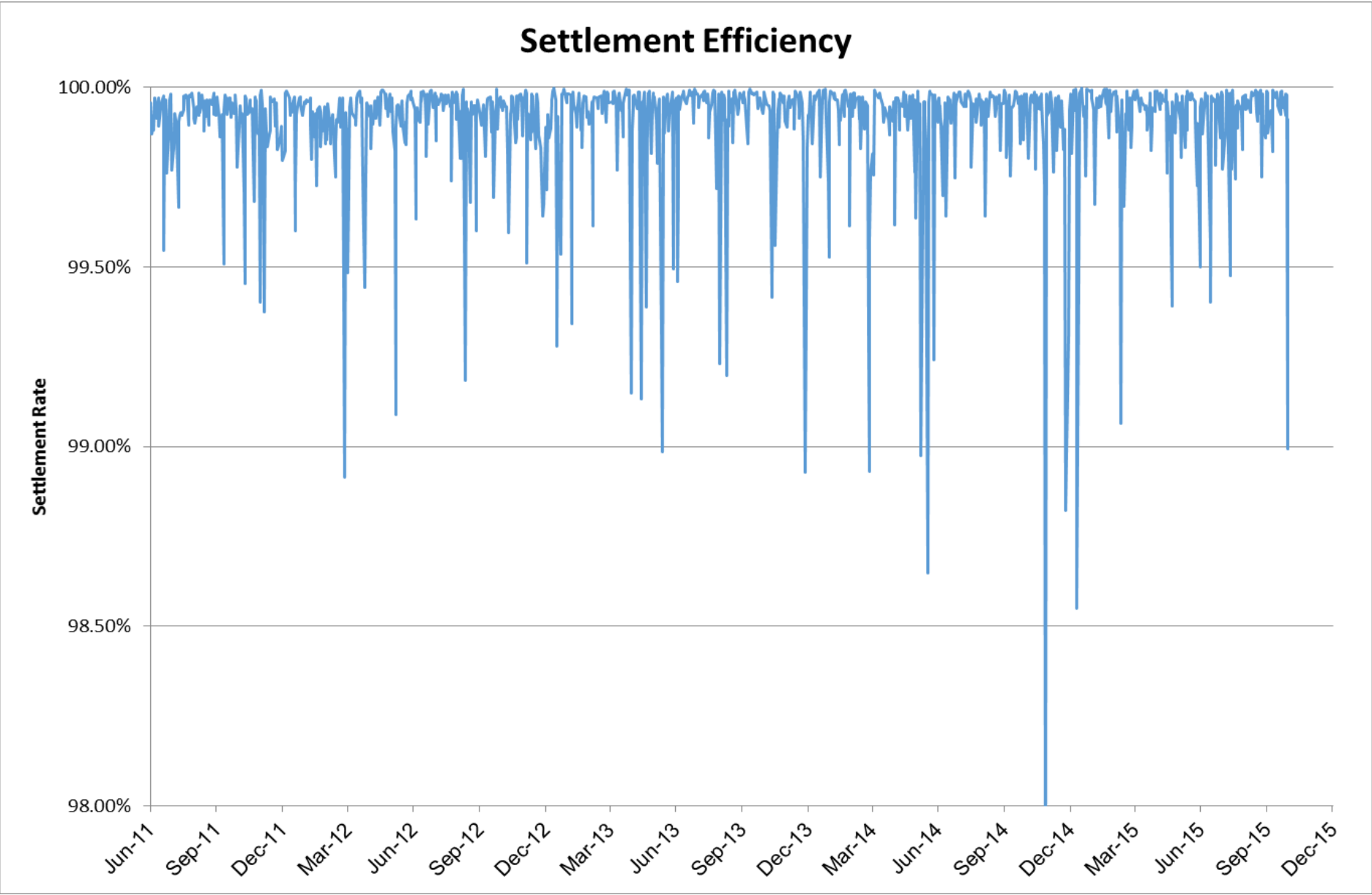
	December 2015 Quarter ³	September 2015 Quarter	June 2015 Quarter
System Availability (CHES)	100%	100%	100%
System Availability (TAS)	100%	100%	100%
Total Trades Accepted (ASX)	17,990,984	55,433,105	50,635,751
Total Trades Accepted (AMOs)	4,661,397	16,003,469	14,706,977
Total Trades Rejected (ASX)	0	8	38
Total Trades Rejected (AMOs)	0	0	0
Daily Average Traded Value (On and Off Market)	\$5.8 billion	\$6.5 billion	\$6.2 billion
Daily Average Cleared Value	\$4.2 billion	\$4.8 billion	\$4.5 billion
Percentage Novated	73.1%	73.5%	71.98%
Daily Average Cleared Value Post-Netting	\$1.6 billion	\$1.7 billion	\$1.7 billion
Netting Efficiency	63.1%	63.9 %	61.1 %
Daily Average Settled Value (Including Non-Novated)	\$8.4 billion	\$9.1 billion	\$9.6 billion
Settlement Efficiency	99.90%	99.91%	99.91%

³ Up to 30 October 2015

ATTACHMENT B – PERFORMANCE OF ASX’S CLEARING AND SETTLEMENT SERVICES FROM SEPTEMBER 2011 TO OCTOBER 2015







BUSINESS COMMITTEE MEETING PAPER AGENDA ITEM 3A

Topic	Update on T+2 implementation
Date of the Meeting	26 November 2015
Purpose of this paper	The Business Committee will be provided with an update on preparation for the implementation of a T+2 settlement cycle, including process and technical readiness.
Action required	To note the agenda paper and provide feedback on market readiness and future considerations before implementation.

PROJECT UPDATE

The T+2 project is tracking to plan for an implementation of 7 March 2016. Since the Business Committee meeting of 27 August 2015 the following key milestones and deliverables have been met: (refer Attachment A - Project Roadmap)

- Proposed operating rule amendments were formally lodged for regulatory approval on 11 November 2015. ASX has responded to the two submissions received following consultation on the proposed amendments.
- T+2 Retail investor educational brochure provided to participants to assist with direct customer communication.
- ASX commenced communication with retail investors in October including Investor Update and CHESS Holding Statements.
- 4th T+2 Market Implementation Group (MIG) webinar held on 22 October 2015.
- Held the 2nd series of Vendor / Participant workshops through November 2015.
- External testing was made available for both ASX Trade and CHESS environments.
- Dedicated ASX Customer Technical Support (CTS) team in place to provide assistance, track readiness and progress leading up to the target go-live date.
- Technical and Operational Attestation forms finalised and communicated to all vendors and clearing and settlement participants. Forms due by no later than 12 February 2016.
- Listed entities and issuer communication continues via Listed@ASX Compliance and Magazine updates.

NZX and AFMA (representing the wholesale bond market) have both reconfirmed their intention to move to T+2 settlement in alignment with ASX in March 2016 and both markets have indicated they are also on target.

MARKET READINESS

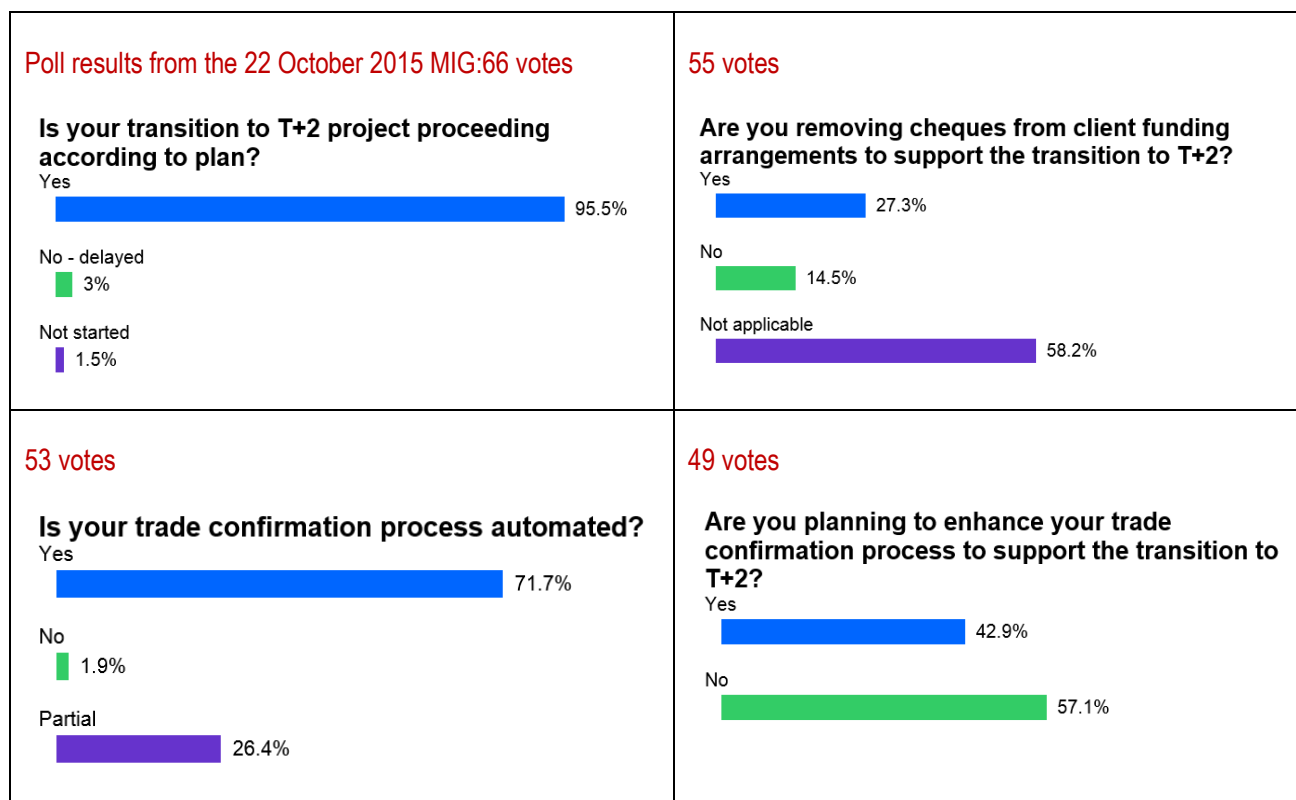
ASX is supporting market stakeholders in their preparation for the transition to T+2 with a number of communication and readiness activities. These include the previously circulated Industry Readiness Guide and the on-going Market Implementation Group webinars, Vendor & Participant Workshops, targeted bilateral discussions and media communications. ASX's CTS team have also reviewed the Questionnaire responses from vendors and participants and ensured timely attention to any issues or concerns raised, including ongoing support and response to queries sent to ASX's T+2 email inbox.

See below the updated readiness timeline which includes the key checkpoints and milestone dates in the lead up to the 7 March 2016 target go-live date:



Additionally, ASX has an internal implementation readiness process that takes place before any project go-live and release into production environment, including the readiness go-no go decision point targeted for the week of 15-19 February. ASX is planning to seek general endorsement from the CoP Business Committee members in its planned 15 February 2016 meeting.

ASX has also utilised the MIG webinar format to ask a number of poll questions of attendees. For example, a positive indication that the key stakeholders across the industry are also progressing well is a poll result from an October MIG webinar poll “Is your transition to T+2 project proceeding according to plan?” in which 95% of respondents answered yes.



NEXT STEPS AND FOCUS

ASX will continue to provide guidance for market stakeholders in readiness for the transition to T+2, with key activities including:

- The next MIG webinar is planned for 10 December where the attention will be focussed on testing progress, reminder re trade cancellations, preparation for attestations, fail trade management, the 2016 settlement calendar and giving vendor / participant workshop feedback.
- Communicate proposed approach for the 1st readiness checkpoint in week of 7 December 2015; and follow up checkpoint commencing week of 18 January 2016.
- The February 2016 MIG has been planned for 18 February to confirm the go live date and final readiness and transition arrangements.

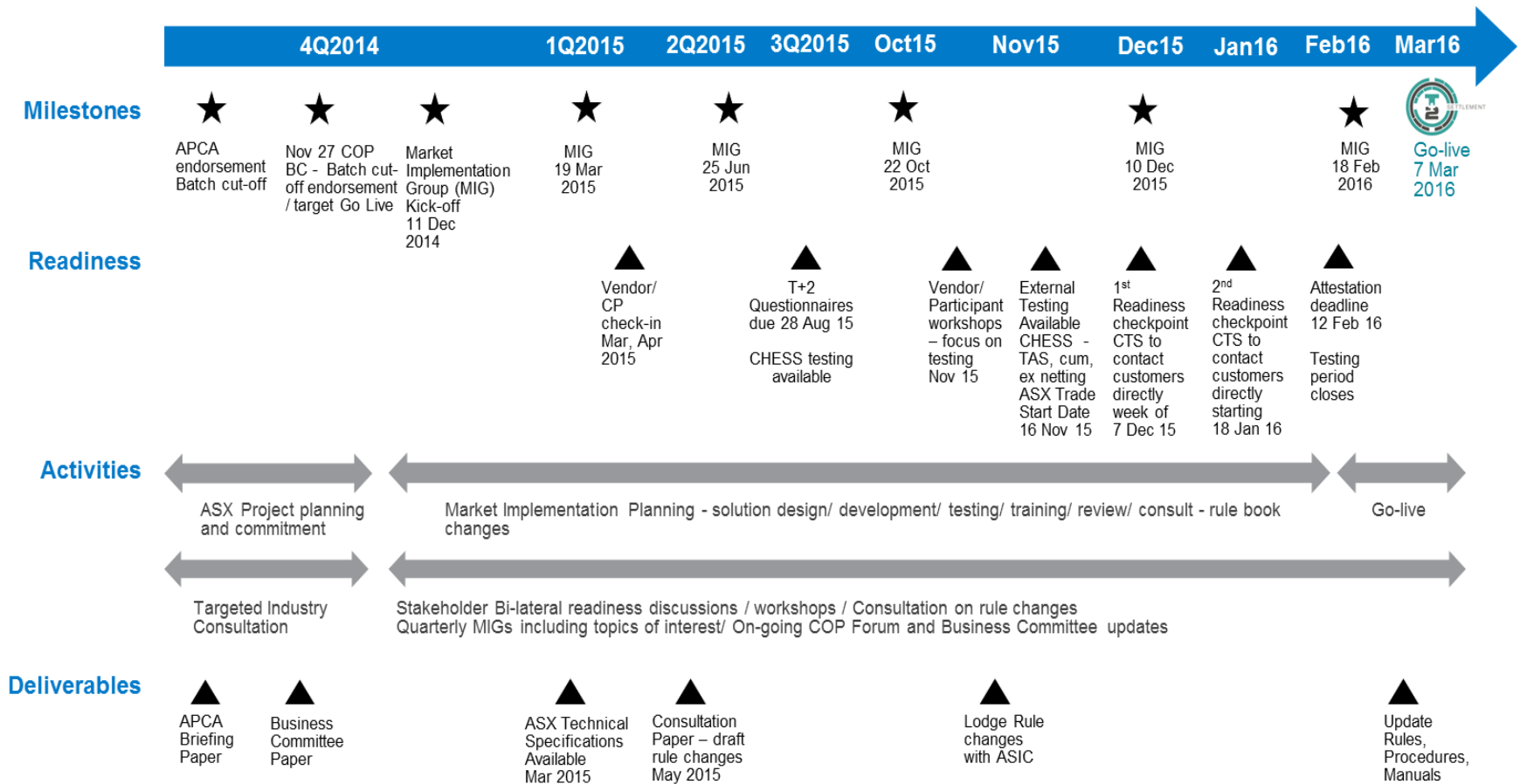
ASX will continue to engage in bilateral discussions and industry workshops as required.

Members are asked to advise at the meeting if there are any additional issues that they consider should be addressed as part of the market readiness process, or any other input that ASX can provide to this process in order to ensure a smooth transition to T+2.

ATTACHMENTS

Attachment A – T2 Project Roadmap Nov 2015

T+2 Settlement - Project Roadmap



BUSINESS COMMITTEE MEETING PAPER AGENDA ITEM 5A

Topic	Forward Work Program Update
Date of the Meeting	26 November 2015
Purpose of this paper	To update the Business Committee on the forward work program
Action Required	The Business Committee is invited to review completed items, and provide feedback on the future topics for discussion and the prioritisation.

OVERVIEW

The forward work program included in Attachment A covers the period of meetings of the Business Committee from November 2014 to November 2015. The Business Committee provided input into the forward work program at the 27 August 2014 and 27 November 2014 meetings and had further opportunity at each subsequent meeting.

The forward work program sets out work streams according to the following four major themes:

1. Capital efficiency and industry economics;
2. Participant structure flexibility and efficiency;
3. Service Innovation; and
4. Technology and Infrastructure enhancements.

FUTURE TOPICS

It remains important that the industry provides input on the future topics, and as we move into next year it is equally important that we start the process of coordinating an agreed and achievable forward work program for 2016.

A focus clearly needs to remain on existing priorities such as the delivery of T+2 Settlement, Corporate Actions STP Phase 2 and the eventual replacement of CHES, however we should also be considering what other topics can be included that reflect industry priorities.

The recommended approach is for ASX to receive feedback from the Business Committee members today and to early February 2016, with the view of presenting a draft Forward Work Program for their endorsement at the next scheduled February 2016 Business Committee meeting.

QUESTIONS FOR THE BUSINESS COMMITTEE

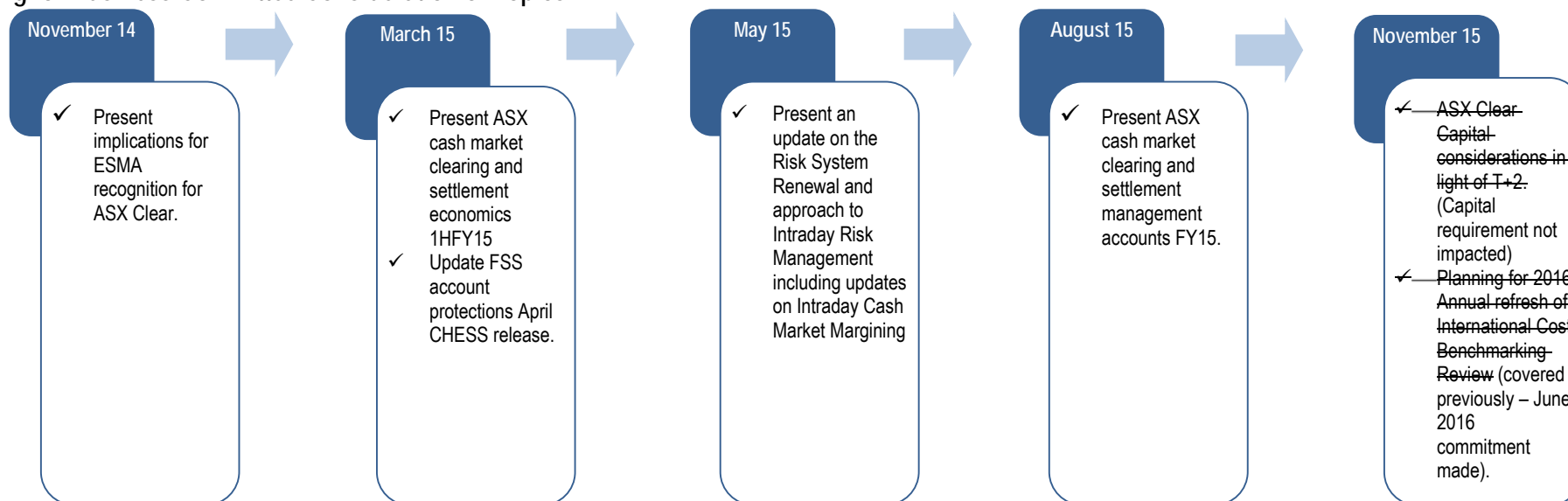
- Are you in agreement with the above approach?
- What other topics could be considered for next year's forward work program?

ATTACHMENTS

Attachment A – Forward work program - November 2014 to November 2015

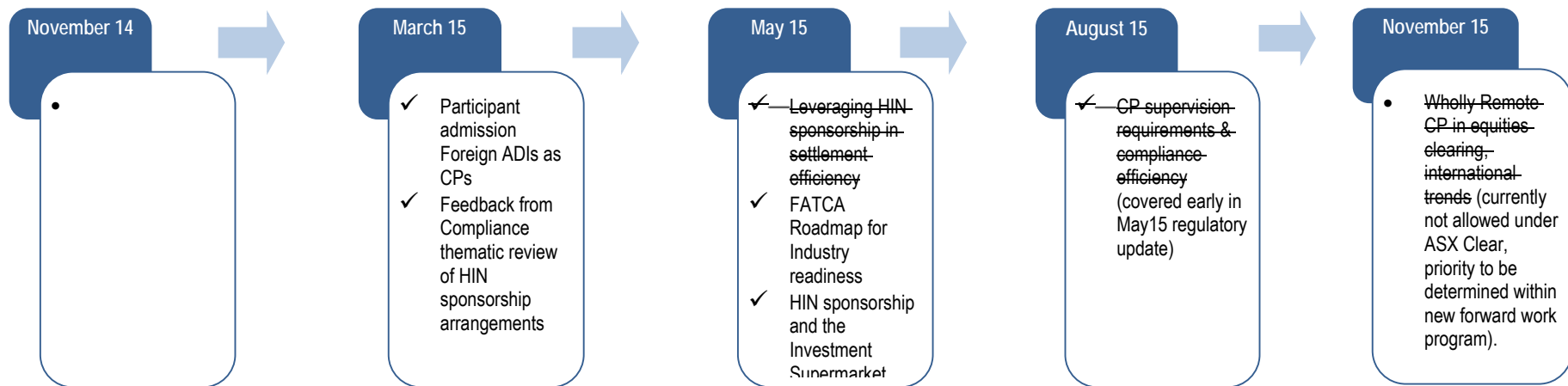
Theme	Objectives	Possible topics for discussion / agenda items	Description of topic
1. Capital Efficiency and industry economics	To minimise the capital costs for ASX's customers whilst maintaining robust CCP capital support	a. ASX cash market clearing and settlement economics	ASX to publish management accounts in respect of the clearing and settlement of cash equities in Australia at the same time that ASX reports its half and full-year results. ASX will provide a detailed briefing at the Business Committee meeting following publication of results.
		b. International benchmarking of cash market clearing and settlement costs	ASX Clear and ASX Settlement will refresh and review annually the results of the June 2014 international price benchmarking report on the cost of post trade services.
		c. Capital and risk review, including margining and liquid capital requirements	ASX will provide a review of risk protections provided since the introduction of cash market margining and will review liquid capital requirements in this context.
		d. Regulatory requirements, including Financial Stability Standards	ASX will update the Committee on the ASX progress in meeting new Financial Stability Standards (FSS) relating to account segregation and portability, and liquidity risk.

Timing for Business Committee Consideration of Topics



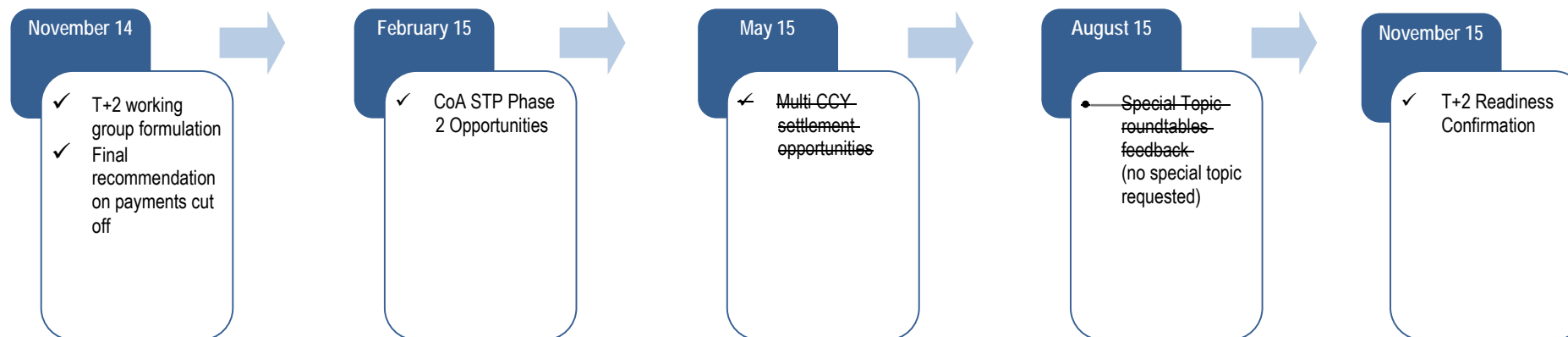
Theme	Objectives	Possible topics for discussion / agenda items	Description of topic
2. Participant Structure, Flexibility & Efficiency	To align ASX's participant access regime with its customers' evolving business models	a. Participant structures, admission requirements	ASX will continue to explore additional proposals on alternate clearing participant admission criteria including harmonisation and standardisation across ASX CCPs. ASX will seek feedback on potential benefits to industry of potential changes.
		b. Participant Structure variations	ASX will present a proposal for alternative participant operating structures, including the potential introduction of a principal to principal model or enhanced settlement participant models or HIN sponsorship arrangements. ASX will seek feedback on potential benefits to industry of potential changes in terms of capital costs, margin efficiencies, operating costs and transactional efficiency.
		c. Participant location requirements	ASX will provide an update on industry trends in terms of participant location in clearing and settlement and will seek feedback from the Committee on whether greater flexibility is required and could be supported under current legal and regulatory settings, and identify what domestic location requirements are necessary.
		d. Outsourcing structures	ASX will provide an update on industry trends in outsourcing arrangements and will seek feedback from the Committee on whether greater flexibility is required and could be supported under current risk, legal and regulatory regimes or whether formal requirements on outsourcing are necessary.

Timing for Business Committee Consideration of Topics



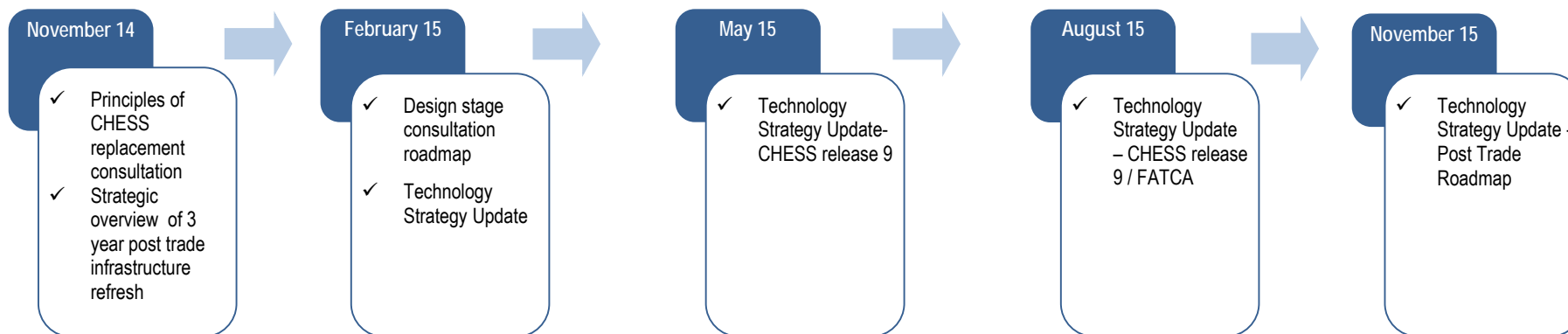
Theme	Objectives	Possible topics for discussion / agenda items	Description of topic
3. Service Innovation	To deliver global best practice cash market clearing and settlement services	a. Corporate action straight through processing	The ASX will present opportunities for future and continued enhancements in streamlined processes for corporate actions in context of CHES replacement plans. Principles which will deliver a streamlined process for the announcement, data capture and delivery (using ISO 20022) of corporate action information.
		b. Australians timeline for T+2 settlement cycle & final batch cut-off conclusions	ASX will provide regular verbal updates on the industries move to meet T+2 settlements by 1Q2016. The Committee will explore final consideration for changes to batch cut off as well as industry engagement on ETF market issues, Bond Market and International Market alignment.
		c. Clearing and Settlement Hosted solutions	ASX will provide an update on industry trends towards clearing and settlement participant hosted solutions, and seek the Committee's feedback on whether greater flexibility is required and could be supported under current risk, legal and regulatory settings.
		d. Non novated settlement efficiencies	ASX will host a number of operational roundtables to discuss settlement delivery efficiencies and innovations.
		e. Multi CCY considerations	ASX will review opportunities for multi-currency settlement in light of current offerings in RMB and future CHES replacement plans.

Timing for Business Committee Consideration of Topics



Theme	Objectives	Possible topics for discussion / agenda items	Description of topic
4. Technology & Infrastructure Enhancement	To maintain and upgrade technology and infrastructure consistent with global standards	a. ASX infrastructure investment program	ASX will provide a roadmap of its three year infrastructure investment program and seek the Committee’s feedback on service innovation requirements and the market infrastructure considerations including clearing, risk, settlement and depository functionality.
		b. Timing and process for ASX feasibility study for CHES replacement	ASX will provide detailed plans for the equity clearing and settlement capabilities and CHES replacement feasibility study. A technical committee will be established in order engage industry participants and stakeholders, including vendors, on implementation considerations and requirements.

Timing for Business Committee Consideration of Topics



* Decision on Cash Clearing and Settlement (CHES) expected in FY16 once there is clarity on clearing market structure.

BUSINESS COMMITTEE MEETING PAPER AGENDA ITEM 5B

Topic	Minutes from 27 August 2015 meeting
Date of the Meeting	26 November 2015
Purpose of this paper	To provide Business Committee members with a copy of the minutes and Business Committee report to the Forum from the 27 August 2015 meeting.
Action required	To approve the minutes and report to the Forum from the 27 August 2015 meeting.

Draft minutes and the draft report to the Forum from the 27 August 2015 Business Committee meeting were emailed to all members of the Business Committee on 4 September 2015 for comments by 11 September 2015.

There were no changes to the draft minutes and report suggested by Business Committee members.

The Business Committee minutes were signed by the Chair on 15 September 2015.

A copy of the minutes and report to the Forum from the 27 August 2015 meeting are provided in Attachments A and B.

ATTACHMENTS

Attachment A – Minutes from the 27 August 2015 Meeting

Attachment B – Business Committee Report to the Forum from the 27 August 2015 Meeting



MINUTES OF THE BUSINESS COMMITTEE
WEDNESDAY, 27 AUGUST 2015
ASX LIMITED
LEVEL 1, 20 BRIDGE STREET SYDNEY

1. **Introduction**
2. **Service Performance**
3. **Management Accounts for Cash Market Clearing & Settlement**
4. **Business Matters**
 - a. Principal-to-principal clearing arrangements
 - b. Update on T+2 implementation
 - c. Update on FATCA & CHES Release 9
 - d. Roadmap for post-trade service infrastructure
5. **Regulatory Updates**
 - a. Council of Financial Regulators
6. **Administration**
 - a. Business Committee membership
 - b. Forward work program updated
 - c. Minutes from the 27 May 2015 meeting
 - d. Other matters

ATTENDEES

MEMBERS		
Company	Name	Job Title
ABN AMRO Clearing	Mr Sean Lawrence	Managing Director
ANZ	Mr Andrew Koudrin	Head of Execution, Middle Office & Assurance
ASX	Mr Peter Hiom	Business Committee Chair, Deputy CEO, ASX
Bell Potter Securities	Mr Dean Surkitt (by telephone)	Managing Director Retail
BNP Paribas	Mr David Braga	Head of Securities Services
Chi-X Australia	Mr Jamie Crank	Head of Product
Citi	Mr Miles O'Connor	Director, Direct Custody & Clearing Securities & Funds Services
Commonwealth Bank of Australia	Mr Sheridan Thompson	Head of Strategic Development, CommSec
Deutsche Bank AG	Mr Russell Deal	Chief Operating Officer
Goldman Sachs	Ms Yen Le	Head of Securities Operations
HSBC	Mr Andrew Bastow	Head of Securities Services
Macquarie Group	Mr James Indge	Cash Equities Business Manager
Morgan Stanley	Mr Craig McGuire	Head of Operations
Morgans	Ms Sue Gye	Manager Operations
National Australia Bank	Mr Nathan Walsh	General Manager, Self Directed Wealth Products & Markets
NSX	Mr Emlyn Scott	Chief Executive Officer
Patersons Securities	Mr Sam Budiselik (by telephone)	Chief Operating Officer
Patersons Securities	Ms Jane Irwin	Head of Operations

ASX Management

Name	Job Title
Ms Amanda Harkness	Group General Counsel & Company Secretary
Mr Tim Hogben	Group Executive, Operations
Mr Stephen Hammon	General Manager, Finance (item 3)
Mr Daniel Moran	Deputy General Counsel Corporate
Mr Rodd Kingham	Senior Manager, Clearing Services
Mr Gary Hobourn	Senior Economic Analyst, Regulatory & Public Policy (items 4c – 5a)

APOLOGIES

MEMBERS		
Company	Name	Job Title
ANZ	Mr Peter Mullin	Managing Director, Pensions & Investments
APX	Mr David Lawrence	Chief Operating Officer & Company Secretary
Bank of America Merrill Lynch	Mr Anatoly Kirievsky	Head of Compliance
Credit Suisse	Mr Andrew Farran	Chief Operating Officer
Goldman Sachs	Mr Jeremy Follett	Executive Director Operations
J.P. Morgan	Mr Suneet Jain	Sales Business Manager, Markets & Investor Services
Morgans	Mr Peter Chisholm	Chief Operating Officer
Pershing Securities	Mr Rob Forbes	Chief Executive Officer
UBS	Mr Conor Foley	Chief Operating Officer

The Chair formally opened the meeting at 12.15pm. Attendance for part of the meeting is noted in the attendee section on the preceding page.

AGENDA ITEM 1: INTRODUCTION

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

The Chair welcomed Nathan Walsh of NAB and Andrew Koudrin (attending on behalf of Peter Mullin) of ANZ who were attending for the first time.

AGENDA ITEM 2: SERVICE PERFORMANCE

The Committee noted the report on the operational performance of cash market clearing and settlement services set out in the agenda paper, including key clearing and settlement metrics for the quarters ended March 2015 and June 2015.

ASX's Group Executive, Operations spoke to the agenda paper, noting that in the June quarter:

- CHES and TAS system availability was 100%.
- Netting efficiency volume and value were steady.
- Average settlement failure rates were higher than previous quarters at about 0.38% as a consequence of the BBY default, although still very low.
- Average cash market margin held was fairly normal at around \$120-130 million. There was a slight delay by one participant in meeting the 10.30am cut-off time, as a consequence of a technical issue. A referral was subsequently made to ASX Compliance.

The Group Executive, Operations also informed the Committee that ASX systems and processes had held up well through the market volatility of the past week. The previous Tuesday had seen the highest equity turnover in ASX history with around 1.49 million trades, which netted down to around 16,000 settlements. Intraday margin calls increased with the increased volatility, and cash market margin held since Monday had averaged at around \$220 million compared with around \$130-140 million historically. The market volatility had also seen a considerable increase in the number of surveillance alerts for price movements.

The Group Executive, Operations asked if Members had any feedback on how their systems and processes had been impacted by the market volatility. No comments were raised.

The Group Executive, Operations noted that unqualified audit opinions in relation to Austraclear, DCS and CHES had been released in August, and also that ASX had determined that 2 October 2015, which had recently been gazetted as a public holiday in Victoria, would be a settlement day.

A Member asked if ASX had considered discontinuing non-settlement days. The Group Executive, Operations responded that ASX was looking into it together with APCA, as it was a concept that was less applicable now as a consequence of electronic banking. Any change could only be made in cooperation with the Reserve Bank, as ASX was reliant on RBA RITS for real time settlement of funds.

Members commented that the discontinuance of non-settlement days would be consistent with client expectations for processing of transactions, but would involve additional costs with public holiday loading. Any change should have a good lead time so that staff and other issues could be managed. The Group Executive, Operations responded that ASX would continue to look at it over the next 6 months but that there would be a period of consultation with the industry before any change.

The Group Executive, Operations then reported on the use of corporate actions STP through the current reporting period, noting that over 300 dividends had been announced by issuers straight to the market with the new process. As flagged at the May meeting, work on the second phase of corporate actions STP was scheduled to commence around July 2016.

Finally, the Group Executive, Operations reported to the Committee on the BBY default, noting that:

- Around 2,000 HINs sponsored by BBY had been moved to a new sponsoring broker or to issuer sponsored by ASX under the process communicated to BBY clients in July. HINs were moving to a number of different new sponsoring brokers. This left around 5,000 HINs still held under the BBY participation. The majority of these HINs related to one or two large white labellers or corporate advisers, and ASX's understanding was that they might be moved in bulk. Any remaining BBY sponsored holdings after 16 October would be moved to issuer sponsored and the clients notified.
- All unused client collateral lodged in relation to equity options positions had been returned or released by ASX.
- ASX was examining a number of potential areas of interest, including liquidity management requirements for participants, tiered capital requirements for participants with different risk profiles, the effectiveness of portability arrangements and the structure of registration of holdings.

The Chair commented that the impact of the BBY on the equity options market was difficult to quantify but there had been a downturn in volumes in the last quarter of the previous financial year, which was when BBY had its trouble. He also commented that the experience of managing the BBY default would be taken into account when looking at CHES replacement.

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

AGENDA ITEM 3: MANAGEMENT ACCOUNTS FOR CASH MARKET CLEARING & SETTLEMENT

ASX's General Manager, Finance spoke to the agenda paper. He noted that the accounts were available for download on the ASX website, and were consistent with prior years. The methodology and allocation principles were unchanged. Higher activity levels had resulted in increased revenue in both sets of accounts. Consistently with this, higher rebates were paid. The clearing rebate was \$3.6 million, up from \$0.4 million in the previous year and the settlement rebate was \$1.2 million, up from \$0.2 million in the previous year. Returns on equity were broadly consistent with the previous year, at 12.6% for clearing and 17.5% for settlement.

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

AGENDA ITEM 4: BUSINESS MATTERS

a. Principal-to-principal clearing arrangements

ASX's Senior Manager, Clearing Services updated the Business Committee on the working group examining principal to principal clearing arrangements (P2P). An action item from the May meeting was to follow up with firms who had expressed interest in participating in the necessary analysis, with a view to identifying whether the necessary support had been achieved, or whether this initiative should be de-prioritised. ASX had identified that there was a low level of support for continuing with this as a priority now, and recommended to the Committee that the initiative be de-prioritised.

The Senior Manager, Clearing Services invited comments from members. Members agreed with the recommendation, and one member proposed that those firms who were interested in pursuing the initiative could take it forward outside the Business Committee. There were no further comments.

b. Update on T+2 implementation

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

- The project was on track for March 2016 launch.
- The current focus was on participant and vendor readiness.
- The third Market Implementation Group (MIG) meeting was held in June, with the next meeting scheduled for late October.

A Member asked what the level of change was that would be required in the participant community, noting that for a number of participants that impact should be minimal and require only communication with their clients about the shorter settlement period.

The Senior Manager, Clearing Services agreed with the comment, and noted that the impact varied across different market participants, and that there was a reasonable impact also on custodians, registries and vendors.

A Member asked about the decision process that would be in place if there were market users who were not ready by March 2016.

ASX's Group Executive, Operations responded that if there were participants who were not ready for the launch, ASX would assess the impact on settlement efficiency, so that it would take a market-wide view.

A Member commented that the project was relatively straightforward from the perspective of an institutional broker, but became more complicated for retail brokers because of client communication and settlement behaviour change, and was also more complicated for those participants dealing with third parties such as securities dealers (or shadow brokers) noting that this was an area to watch leading up to the launch date.

ASX's Senior Manager, Clearing Services spoke to the timeline in the agenda paper, noting that there were important checkpoints at the MIG meetings in October and December, and that the workshops in November would provide a checkpoint on progress with testing. There was a more formal process in February and then immediately prior to the target launch date when go-live decisions would be made.

The Chair then spoke to the scenario analysis in the agenda paper, which was an action item from the May meeting, noting that ASX proposed that:

- An issue with participant readiness for the target launch date would be assessed with a view to the impact on settlement efficiency.
- If ASX was ready for the target launch date but the wholesale bond market was not, then ASX would proceed.
- If ASX was ready for the target launch date but NZX was not, then ASX would proceed.

The Chair invited Member feedback on this. He also noted that the question of whether the bond market and/ or NZX should proceed if ASX was not ready was not something for ASX to decide, but that Members may take that forward with AFMA and NZX.

The Business Committee agreed that ASX should proceed on the basis outlined in the scenario analysis table.

ASX's Senior Manager, Clearing Services then commented on discussions that ASX had had with the Stockbrokers' Association of Australia and with the Australian Payments Clearing Association in relation to the continuing use of cheques in the broking industry, which was an action item from the May meeting. He noted that there was no indication that there would be any industry guidance from APCA in relation to cheque replacement. ASX's Group Executive, Operations commented that APCA had indicated that was that this was a point that ASX should take up with the Reserve

Bank of Australia, particularly in the context of the development of the New Payments Platform, and that ASX would do that, noting that any specific rules or guidance around forms of payment were principally a matter between participants and their clients.

The Chair asked if Members had any comments on additional steps that ASX could be taking to assist with industry readiness for T+2 settlement. A Member suggested that ASX could engage with shadow brokers through the Australasian Securities Dealers Association, and ASX agreed to do that. **[Agreed action 1]** Another Member commented that feedback on the level of engagement from ASX to date had been very positive.

c. Update on FATCA & CHES Release 9

ASX's Senior Economic Analyst joined the meeting for this agenda item. The Chair introduced the item by noting that ASX had proposed the inclusion of FATCA functionality in CHES Release 9, as discussed at the May meeting. Since that earlier discussion, there had been some developments in discussions with Treasury and the ATO about the FATCA reporting requirements.

ASX's Group Executive, Operations commented that the functionality proposed for CHES Release 9 was in an effort by ASX to find the best solution for the industry to the FATCA reporting requirements for exchange traded products, and that ASX has no interest in pressing a CHES-based solution. He commented that discussions more recently had moved away from a CHES-based solution to a solution that might take existing FATCA reporting requirements in the banking industry and extend them to cover reporting requirements in respect of exchange traded products as well. This would require the ATO to put in place the necessary arrangements to link reporting in relation to bank accounts and reporting in relation to securities accounts. It was not clear whether this was feasible, and ultimately under the agreement between the Australian and US governments it was a question of what reporting would satisfy the US Internal Revenue Service requirements, but there appears now to be greater appreciation at the Australian and US government level that there are some practical challenges with implementing these requirements.

As a consequence of this, the mFund enhancements that were intended for CHES Release 9 would proceed into the April/ May CHES release next year, and the FATCA functionality has been removed from the release.

A Member commented that there was no support in the participant community for a CHES-based FATCA solution and that it did not appear that it would be a complete solution for issuers, so the current focus was on a bank account-based solution. The Member commented that there did not seem to be any reason why the ATO could not use existing data provided for tax purposes and cross-check that data with bank account information to get close to the FATCA reporting requirements without anything further. The best outcome would be a solution that did not impose any requirements on the participant industry and that allowed clients to continue trading in exchange traded products which were a popular and growing product set.

The Chair endorsed this comment, cautioning only that this solution was reliant on agreement and actions from the relevant Australian and US government agencies.

d. Roadmap for post-trade service infrastructure

The Chair provided an update on this agenda item. He noted that ASX had recently appointed a new General Manager, Equity Post Trade Services, who would join the organisation in October. From then, ASX would be exploring what it can do to design its post-trade infrastructure in a way that will remove complexities and reduce costs for the whole equity market, as part of replacing CHES. By around February 2016, ASX intends to begin engaging with the industry about its proposals and to take feedback on the key issues for participants. This process will probably take around 6 months, so that around 12 months from now ASX should be in a position to start talking about what the technical solution will look like.

The Chair noted that this was dependent on the Council of Financial Regulators decision which was to be discussed in the next agenda item, but if it is the case that the Code of Practice is continued for another 5 years then this is the work that ASX will commence.

The Chair invited questions from Members. A Member asked if the timing for CHES replacement had changed. The Chair responded that it had not, that it was probably 3 years away depending on when work started, and that ASX was still targeting 2018. There were no further questions from Members.

AGENDA ITEM 6: REGULATORY UPDATES

a. Council of Financial Regulators

The Chair updated the Business Committee in relation to the Australian government's decision on the review of the market structure for clearing cash equities. The Chair noted that ASX was hopeful of a decision by October, although this may be impacted by other government priorities.

A Member raised the \$7.3 million referred to in the agenda paper as the approximate saving to ASX customers (based on FY15 volumes) from a new clearing fee schedule if the current market structure is retained, and asked if this amount related to the total rebates for trading, clearing and settlement in FY15 which was approximately \$7.3 million. The Chair confirmed that this was a coincidence and there was no structural link between the two amounts. He also noted that the savings from the new clearing fee schedule would be embedded fee reductions and not rebates, so that the entire amount would apply even if volumes do not grow, providing greater certainty for the market.

There were no further questions from Members.

AGENDA ITEM 7: ADMINISTRATION

a. Business Committee membership

The Chair informed the Business Committee that, as agreed at the May meeting, ASX had met bilaterally with Members to confirm their ongoing participation in the Committee and to seek any nominations for membership. The Chair confirmed that all Members had agreed to continue to participate in the Committee. The Chair thanked Members for their continuing commitment, as well as those new Members who had joined.

The Chair commented that ASX had received positive feedback on the operation of the Business Committee, but recognised the need to continuously improve, and particularly the importance of identifying the topics that Members would like to focus on going forward. While there would be an understandable focus on CHES replacement, the Chair encouraged Members to raise any additional topics for discussion and focus by the Committee.

There were no comments from Members.

b. Forward Work Program

The Chair noted that the forward work program for the Committee had been updated as set out in the agenda papers. There were no comments from Members.

c. Minutes from the 4 March 2015 meeting

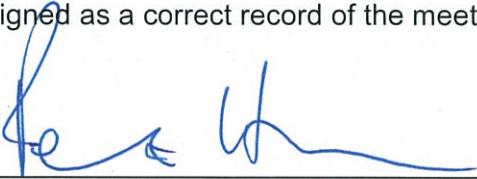
The Chair noted the minutes from the 27 May 2015 meeting and invited comments. As there were no comments, the Chair noted that the minutes were approved.

d. Next meeting

The Committee noted that the next meeting will be held at 4pm on Thursday, 26 November 2015.

As there was no further business discussed, the meeting closed at 1.15pm.

Signed as a correct record of the meeting.



Chairman

15/11/15

Date



BUSINESS COMMITTEE REPORT TO THE FORUM

From the 27 August 2015 Business Committee meeting

At its 27 August 2015 meeting, the Business Committee was updated on:

- the analysis of a principal to principal (P2P) clearing model;
- preparations for implementation of a T+2 settlement cycle;
- discussions in relation to Foreign Account Tax Compliance Act (FATCA) requirements impacting tradeable investment products and the impact on proposed enhancements in CHES Release 9;
- the roadmap for post-trade service infrastructure; and
- Business Committee membership.

The Business Committee was also provided with a regulatory update on the Australian government's decision on the review of the market structure for clearing cash equities.

Key Recommendations

The Business Committee:

- Endorsed ASX's recommendation that the analysis of a P2P clearing model be deprioritised.
- Endorsed ASX's proposed approach in relation to the T+2 settlement go-live decision.

Key Issues Discussed

- The identification by ASX that there was a low level of support for continuing with the analysis of a P2P clearing model as a priority.
- Stakeholder engagement on readiness for T+2 settlement targeted for launch on 7 March 2016, and scenario analysis in relation to the T+2 settlement go-live decision. ASX proposed in relation to this go-live decision that:
 - Participant readiness issues would be assessed with a view to the impact on settlement efficiency.
 - ASX would proceed if the wholesale bond market was not ready to proceed.
 - ASX would proceed if NZX was not ready to proceed.
- Developments in discussions with Treasury and the ATO indicating the possibility of a FATCA reporting solution using existing bank account information, rather than changes to CHES functionality.

- ASX had met bilaterally with Members who had all confirmed their ongoing participation in the Business Committee. Feedback from Members on the operation of the Committee was positive. Two new Members (NAB and ANZ) had joined the Committee and attended the 27 August meeting.

Agreed Actions

1. ASX to engage with shadow brokers through the Australasian Securities Dealers Association in relation to T+2 settlement readiness.

BUSINESS COMMITTEE MEETING PAPER AGENDA ITEM 5C

Topic	2016 Proposed Forum and Business Committee Dates
Date of the Meeting	26 November 2015
Purpose of this paper	To provide Business Committee members with the proposed 2016 meeting dates.
Action required	To note proposed dates.

The proposed 2016 Forum and Business Committee meeting dates are set out below.

Forum Meeting Dates	Business Committee Meeting Dates
Wednesday, 13 April 2016 Commencing at 10.30am	Monday, 15 February 2016 Commencing at 12 noon
	Wednesday, 1 June 2016 Commencing at 12 noon
	Wednesday, 31 August 2016 Commencing at 12 noon
Wednesday, 12 October 2016 Commencing at 10.30am	Wednesday, 30 November 2016 Commencing at 12 noon

Additional meetings may be called if there is a change in the market structure or policy.

Members are asked to contact the Business Committee Chair by email at bc.chair@asx.com.au if there are any issues with the proposed dates.