



AGENDA

Business Committee Meeting

Timing: Wednesday, 27 May 2015 commencing at 12.00pm

Location: ASX offices – Level 1, 20 Bridge Street, Sydney

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| 1) Introduction with lunch served on arrival | 12.00pm – 12.15pm |
| 2) Service Performance | 12.15pm – 12.30pm |
| <p>The Business Committee will be provided with a report on the operational performance of cash market clearing and settlement services.</p> | |
| 3) Business Matters | |
| a) Principal-to-principal clearing arrangements | 12.30pm – 12.40pm |
| <p>The Business Committee will be provided with an update on the regulatory and legal analysis of the proposed operating model being undertaken by the legal sub-working group.</p> | |
| b) Corporate actions STP | 12.40pm – 12.50pm |
| <p>The Business Committee will be provided with an update on corporate actions STP phase 1 becoming mandatory and an indicative timeline for phase 2.</p> | |
| c) Update on T+2 implementation | 12.50pm – 1.05pm |
| <p>The Business Committee will be provided with a update on preparation for the implementation of a T+2 settlement cycle.</p> | |
| d) FATCA & Common Reporting Standards | 1.05pm – 1.15pm |
| <p>The Business Committee will be provided with an update on the roadmap for FATCA and Common Reporting Standards industry readiness</p> | |
| e) CHES Release 9 | 1.15pm – 1.25pm |
| <p>The Business Committee will be provided with an overview of the key elements of CHES Release 9 to be delivered in November 2015.</p> | |
| 4) Regulatory Updates | |
| a) ESMA Recognition | 1.25pm - 1.30pm |
| <p>The Business Committee will be provided with a verbal update on ASX Clear ESMA recognition.</p> | |
| b) Risk Systems Renewal Process | 1.30pm – 1.40pm |
| <p>The Business Committee will be provided with a forward plan for Risk Systems Renewal including intraday risk management and margining.</p> | |

5) Administration

1.40pm – 2.00pm

a) Business Committee membership

The Business Committee will be invited to discuss rotational representation on the Business Committee.

b) Forward work program updated

c) Minutes from the 4 March 2015 meeting

d) Other Matters

6) Next Meeting

2.00pm

The next meeting of the Business Committee is scheduled for Thursday, 27 August 2015, commencing at 12.00pm.

ATTENDEES

MEMBERS		
Company	Name	Job Title
ABN AMRO Clearing	Mr Sean Lawrence	Managing Director
ASX	Mr Peter Hiom	Business Committee Chair, Deputy CEO, ASX
Bank of America Merrill Lynch	Mr Anatoly Kirievsky	Head of Compliance
Bell Potter Securities	Mr Dean Surkitt (By telephone)	Managing Director Retail
BNP Paribas	Mr Justin Christopher	Chief Operating Officer
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	Mr Jeremy Follett	Executive Director Operations
J.P. Morgan	Mr Samuel Mann	Business Manager, Australia Equities
J.P. Morgan	Mr Suneet Jain	Sales Business Manager, Markets & Investor Services
Macquarie Group	Mr Cameron Ritchie	Chief Operating Officer
Morgan Stanley	Mr Craig McGuire	Head of Operations
Morgans	Ms Sue Gye	Manager Operations
NSX	Mr Emlyn Scott	Chief Executive Officer
Patersons Securities	Mr Sam Budiselik	Chief Operating Officer
Patersons Securities	Ms Jane Irwin	Head of Operations
UBS	Mr Conor Foley	Chief Operating Officer

ASX Management	
Name	Job Title
Mr Tim Hogben	Group Executive, Operations
Ms Danielle Henderson	General Manager, Clearing Services
Mr Marcin Firek	General Manager, Company Secretariat
Mr Daniel Moran	Deputy General Counsel Corporate
Mr Andrew White	General Manager, Settlement Services (Item 3B)
Mr Rodd Kingham	Senior Manager, Clearing Services (Item 3C)
Ms Janine Ryan	General Manager, Legal (Item 3D)
Mr Chan Arambewela	Product Manager (Item 3D & 3E)
Mr Brendan Luscombe	General Manager, Clearing Risk Management (Item 4B)

APOLOGIES

MEMBERS		
Company	Name	Job Title
APX	Mr David Lawrence	Chief Operating Officer & Company Secretary
Credit Suisse	Mr Andrew Farran	Chief Operating Officer
HSBC	Mr Andrew Bastow	Head of Securities Services
Macquarie Group	Mr Michael McKeown	Chief Operating Officer
Pershing Securities	Mr Rob Forbes	Chief Executive Officer
ASX Management		
Company	Name	Job Title
ASX	Ms Amanda Harkness	Group General Counsel & Company Secretary

BUSINESS COMMITTEE MEETING PAPER AGENDA ITEM 2

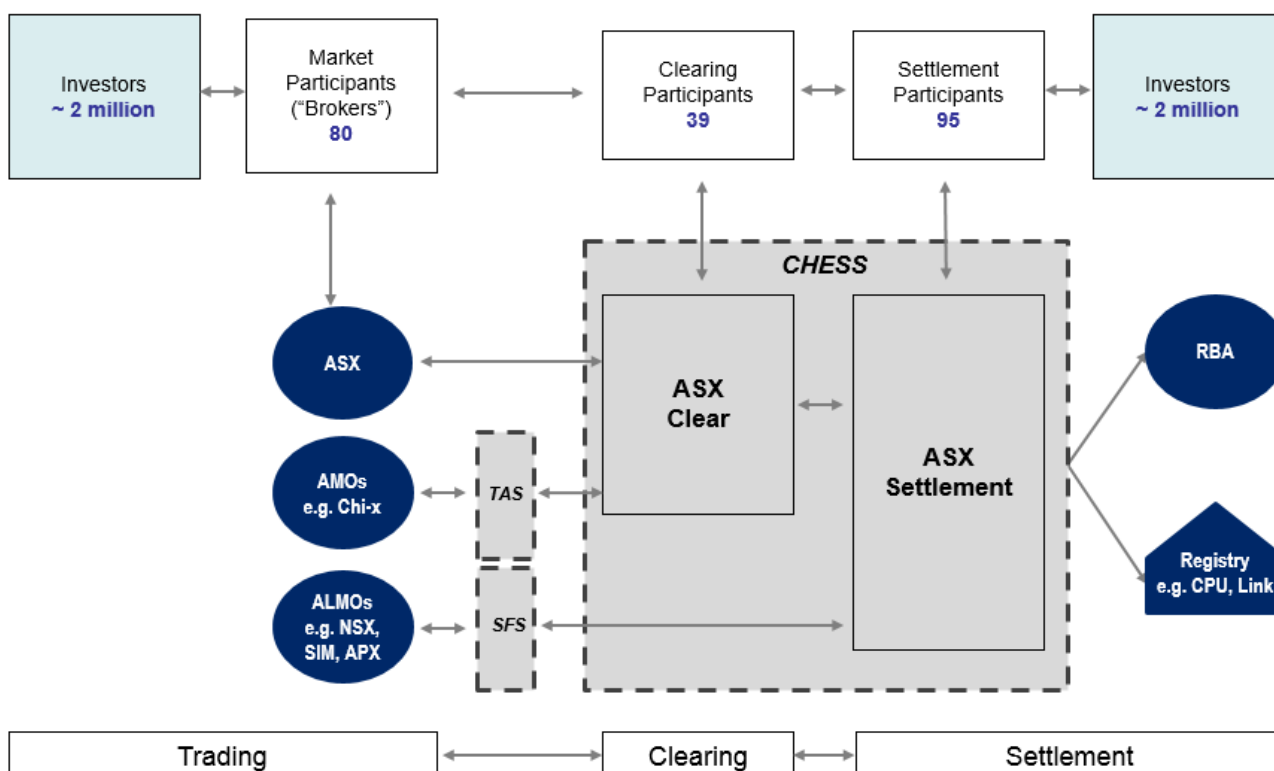
Topic Report on the operational performance of cash market clearing and settlement services

Date of the Meeting 27 May 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 March 2015 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 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 March 2015 quarter 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 March 2015 (which is the same as CHES).

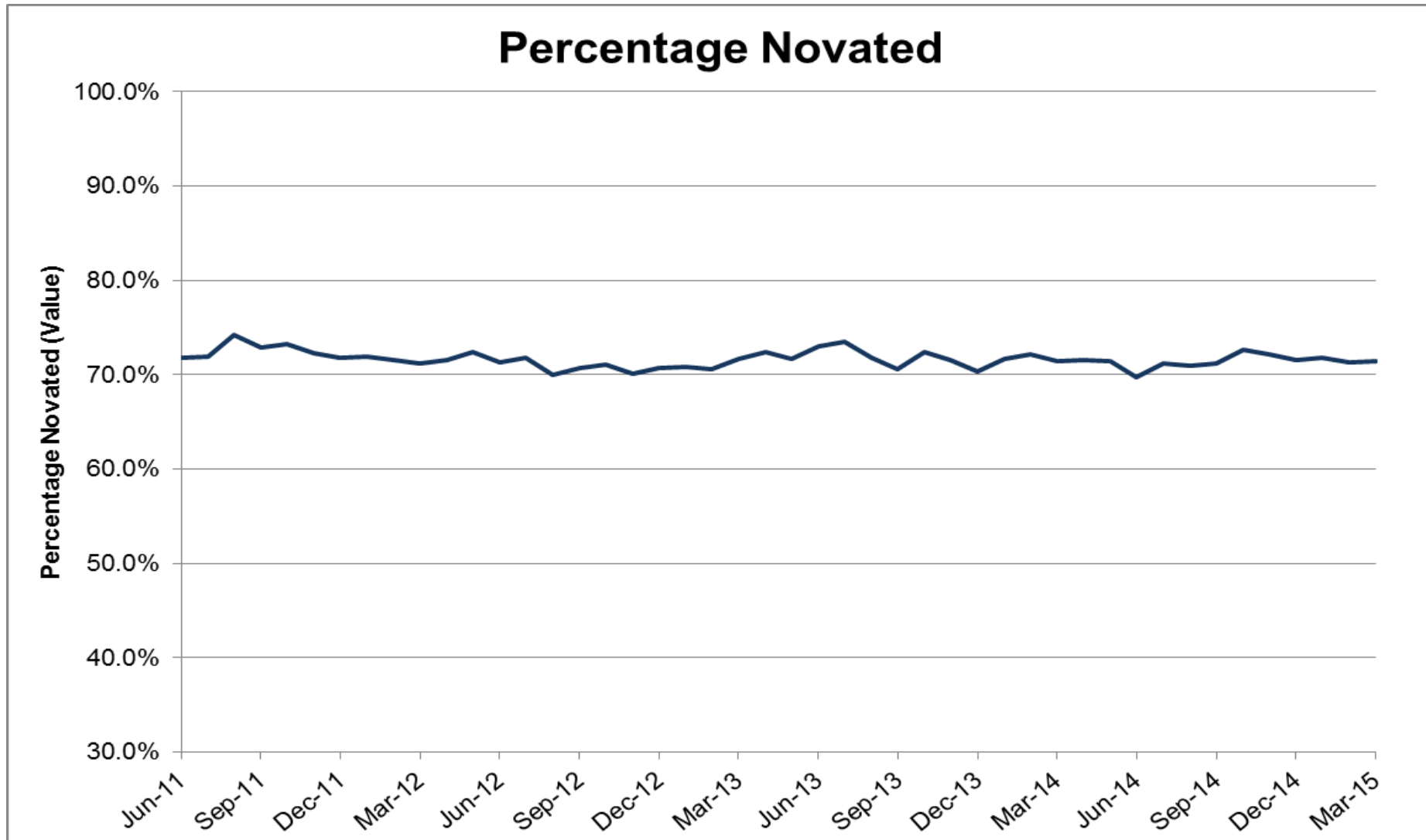
REPORTING ON CLEARING AND SETTLEMENT SERVICE PERFORMANCE

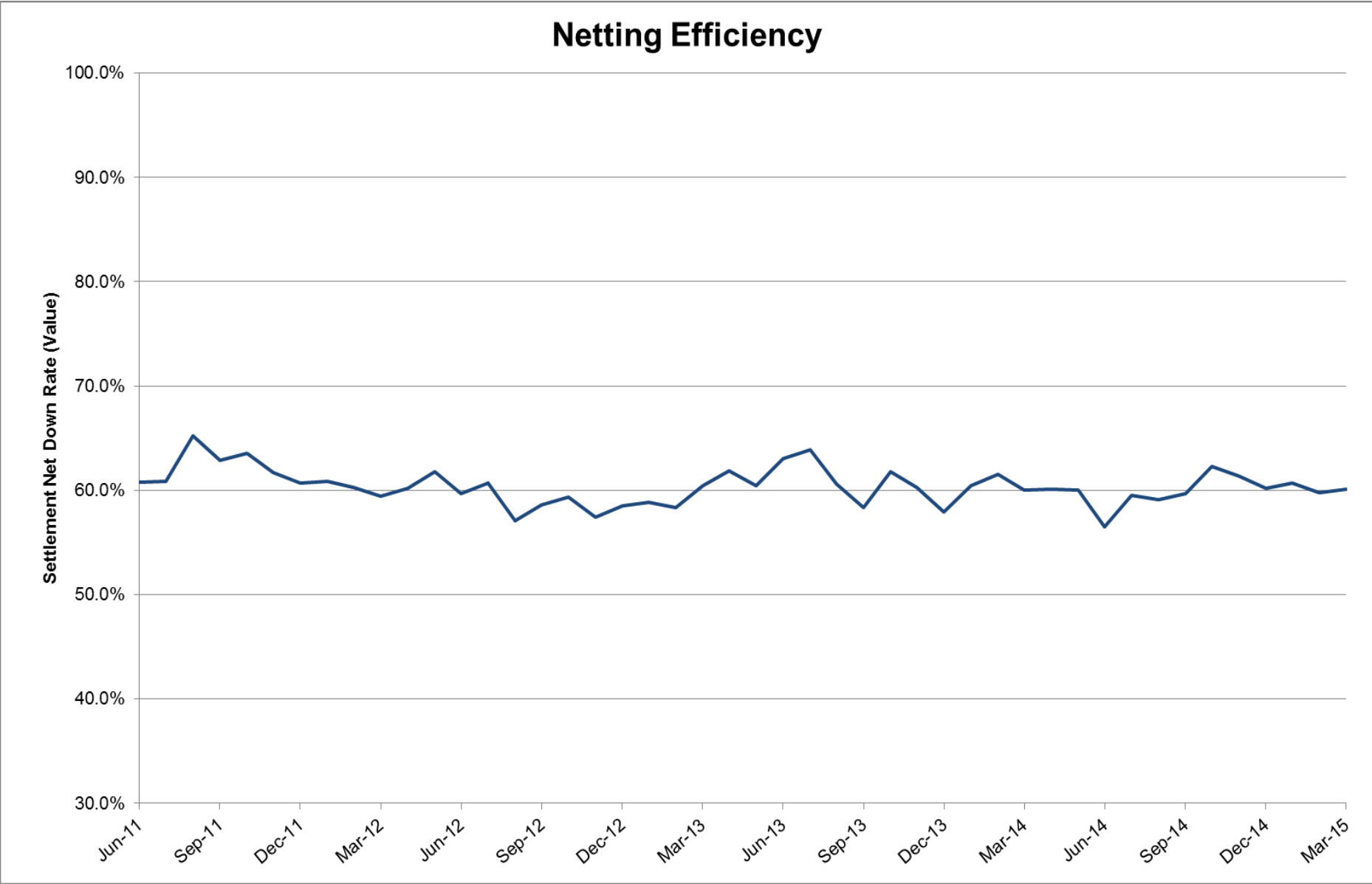
The key metrics noted above on novation, netting efficiency and settlement efficiency for the March 2015 quarter are reported in Attachment A. They are also supported by charts demonstrating a longer reporting period in Attachment B.

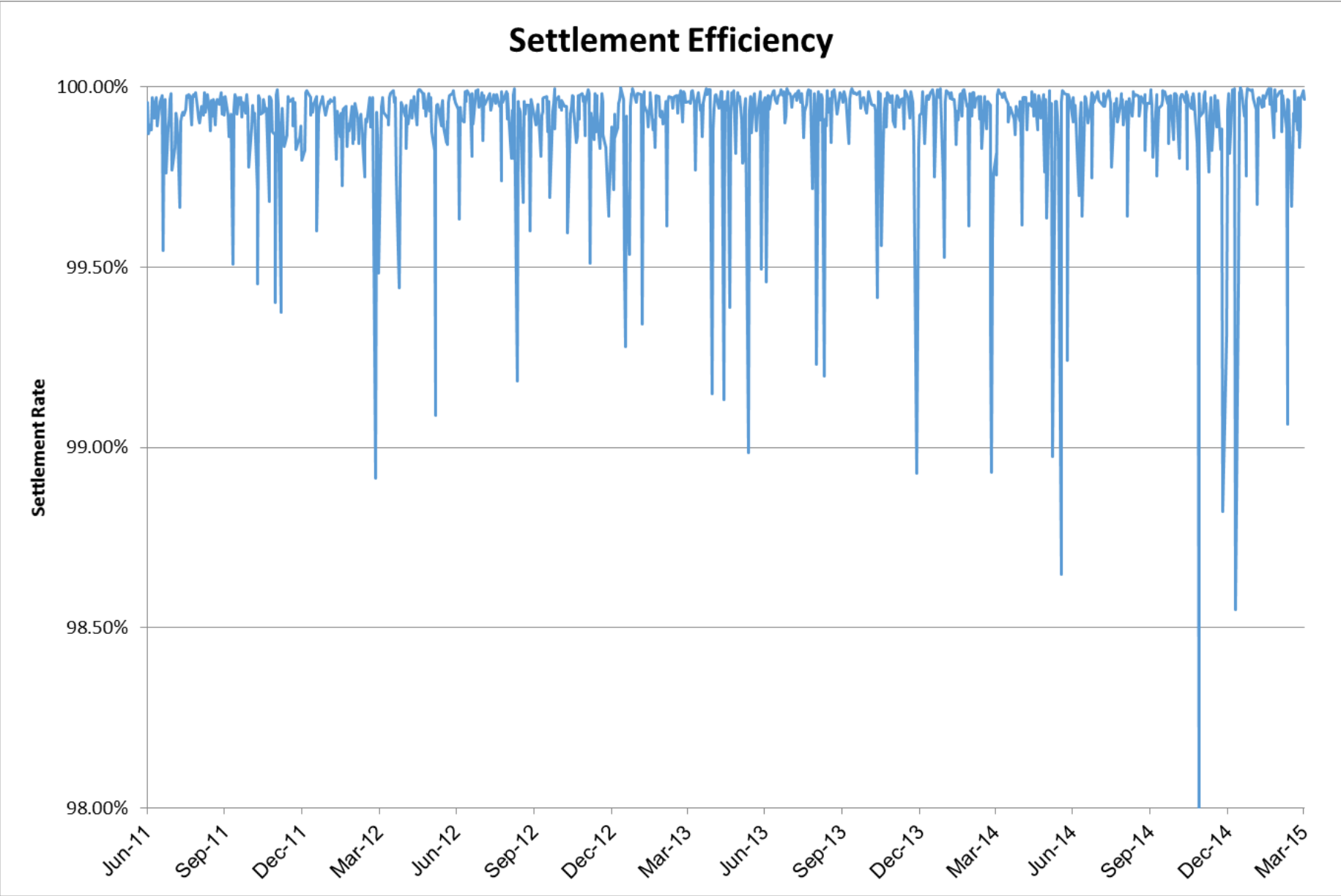
ATTACHMENT A – SUMMARY METRICS RELATING TO THE PERFORMANCE OF ASX'S CLEARING AND SETTLEMENT SERVICES

	March 2015 Quarter	December 2014 Quarter
System Availability (CHES)	100%	100%
System Availability (TAS)	100%	100%
Total Trades Accepted (ASX)	49,107,525	46,623,459
Total Trades Accepted (AMOs)	11,410,869	12,146,760
Total Trades Rejected (ASX)	12	119
Total Trades Rejected (AMOs)	0	1
Daily Average Traded Value (On and Off Market)	\$6 billion	\$5.6 billion
Daily Average Cleared Value	\$4.3 billion	\$4.0 billion
Percentage Novated	72 %	72.1%
Daily Average Cleared Value Post-Netting	\$1.7 billion	\$1.6 billion
Netting Efficiency	60.0%	61.3%
Daily Average Settled Value (Including Non-Novated)	\$8.6 billion	\$8.4 billion
Settlement Efficiency	99.9	99.9
Average Cash Equities Margin	\$150 million	\$162 million

ATTACHMENT B – PERFORMANCE OF ASX'S CLEARING AND SETTLEMENT SERVICES FROM JUNE 2011 TO March 2015







BUSINESS COMMITTEE MEETING PAPER AGENDA ITEM 3A

Topic	Clearing Participant Structures – Considerations for Principal to Principal Clearing
Date of the Meeting	27 May 2015
Purpose of this paper	To update the Business Committee on status of the analysis of the P2P model being considered by the legal sub-working group.
Action required	The Business Committee will be invited to validate the priority and resource focus for the legal sub-working group and to confirm the analysis should continue.

BACKGROUND

The Business Committee agreed that further work on 'Principal to Principal' (P2P) clearing arrangements should be progressed and at the 27 August 2014 Business Committee meeting, there was agreement that a smaller working group of interested participants would be established.

ASX met both bilaterally with members of the P2P working group and the full P2P working group in November and December 2014 to finalise and validate the operational assumptions of the model focussing on cash equity clearing. It was also agreed that in support and readiness for a joint engagement with ASIC on these issues, to established a legal sub-working group to progress the analysis.

LEGAL SUB-WORKING GROUP ANALYSIS

ASX sought initial guidance from ASIC on what policy issues would be significant for it in deciding whether it should be possible to restrict the application of retail client obligations to the trading participant (ie avoiding look-through to the clearing participant) by implementing the P2P clearing model. ASIC has singled out retail client protections as a key issue in its consideration on this matter and in order to progress its thinking on this sought detailed legal analysis on:

1. Whether any existing retail client rights and protections would be negatively impacted by P2P?
2. How will any negative impact be addressed for retail clients?
3. Why the General Clearing Participant would not be providing financial services to underlying retail client (i.e. not dealing, arranging on behalf of retail client)?

The Legal sub-working group was formulated to identify relevant issues for retail client protections and financial service provision under P2P model, prepare detailed legal submission for provision to ASIC and then jointly brief ASIC on the legal submission. Some of the issues that were considered relevant to retail client protections that would need to be considered by the Legal sub-working group and for which nominations were sought for completion of the streams are listed below. ASX has nominated to be the stream lead for undertaking the NGF protections analysis.

Issues for analysis

NGF protections - Div 4 of Part 7.5 Corps Act

Conflicts handling, compensation and dispute resolution processes - Div 3 of Part 7.6 Corps Act

FSG and SOA provision - Part 7.7 Corps Act

Best interest obligations & remuneration - Part 7.7A Corps Act

Client moneys & other property protections - Div 2 & 3 of Part 7.8 Corps Act (and any comparable MIRs or ASX ORs)

Whether P2P model "severs" relationship between CP & underlying clients of TP, including legal basis for CP to be considered to not provide financial services to retail client (i.e. not dealing, arranging on behalf of a retail client)?

STATUS OF LEGAL ANALYSIS

The legal sub working group met in February 2015 to provide a detailed background briefing to members, confirm relevant issues for analysis and seek nominations by legal sub-working group members to conduct the analysis. The original target was for analysis to be completed by April, in preparation for a joint ASIC briefing by May 2015.

ASX has been unable to secure sufficiently broad industry nominations to adequately conduct the analysis and support the briefing to ASIC (3 participants nominated legal representatives, 2 of which had a wholesale client only focus). In particular there is a need for analysis for those participants facing retail clients.

A number of participants have indicated the P2P remains a priority for delivering structural improvement to the markets.

QUESTIONS FOR THE BUSINESS COMMITTEE

- Given limited responses to the request for analysis, can the Committee re-confirm where P2P sits on the priority list for review?
- Does the Committee support the continued analysis of these matters and are there additional participants that wish to support the analysis?

BUSINESS COMMITTEE MEETING PAPER AGENDA ITEM 3B

Topic	Corporate Actions STP
Date of the Meeting	27 May 2015
Purpose of this paper	To provide the Committee with an update on, and learnings from, Corporate Actions STP Phase 1 and an indicative project roadmap for Phase 2.
Action Required	To note the agenda paper and to endorse the recommendation to the Forum.

INTRODUCTION

At the 4 March 2015 Business Committee meeting, committee members agreed with ASX to pursue the delivery of Phase 2 of Corporate Actions STP encompassing the end to end STP solution for five further corporate actions, including:

Corporate Action Event Type	Volume (% of total)	Investor action?
Non-Renounceable issue (including accelerated)	10%	Voluntary
Share Purchase Plan	7%	Voluntary
Renounceable issue (including accelerated)	2%	Voluntary
Bonus issue	1%	Mandatory
Priority Issue (non-pro rata)	1%	Voluntary

It was also agreed that ASX should consider further amendments to phase 1, in regards to both the dividend corporate action online form and the ISO 20022 output; the latter could be extended with regard to tax information.

The Business Committee also asked that Phase 2 be delivered in one batch, ahead of CHESS replacement.

ASX agreed to revert to the Committee with an update on phase 1 including key learnings and a potential timeline for phase 2.

UPDATE ON PHASE 1

The Corporate Actions STP initiative went live on 22 September 2014, with delivery of four corporate action events. During the February 2015 reporting period, 28 percent of dividend announcements by listed entities were made using the new announcement process. As a result, ASX received some valuable feedback from listed entities regarding potential enhancements, while market data customers also provided some feedback on the new notification messages. Based on this feedback and to provide additional time for listed entities to familiarise themselves with the online forms, ASX has:

- Postponed the mandatory date for use of the online forms from 23 March 2015 to target 29 June 2015.
- Initiated work on the provision of a permanent ASX Online for Companies training environment for listed entities to familiarise themselves with these online forms. ASX expects to have this environment – which will largely mirror the ASX Online for Companies live site – ready for use this month.
- Utilised the time from March to end of June to make several clarifying amendments to the forms (including additional validations, wording changes) and to the PDF output from those forms based on feedback from listed entities. The target date of 29 June is subject to regulatory approval of these amendments and implementation of technical changes to support the revised PDF output.
- Also utilised the time to refine the questions and data on foreign currency provisions requested by custodians.
- Scheduled further training for listed entities on the new forms prior to end of June. ASX will continue to reach out to listed entities through their listings advisers, roadshows, and groups such as the Governance Institute of Australia.

ASX has continued to encourage listed entities to use the online forms in structured format, with almost 300 announcements received to date in structured format.

As a number of these changes include adjustments to the questions on the associated Appendices to the ASX Listing Rules, ASX has also engaged with ASIC to seek an accelerated review and approval of the changes.

LEARNINGS FROM PHASE 1

ASX acknowledges that there were a number of delays in the delivery of Phase 1 of the Corporate Actions STP initiative. ASX has therefore conducted a comprehensive project implementation review to assess the key learnings, in order to avoid repetition of similar issues in Phase 2 and the knock on impacts to customers. The key learnings are summarised below, delineated by work stream:

Project management stream

ASX continually reviews its project management processes and has introduced a number of changes to mitigate the types of issues experienced with Corporate Actions STP phase 1:

- Adoption of elements of an agile project framework (daily meetings and shorter development cycles) for Corporate Actions STP phase 2 to ensure activities align with the critical path, to ensure early detection of issues, and to focus resources.
- More pro-active engagement of project steering committee members, outside of scheduled committee meetings, to assist in resolution of showstopper issues.

Technology stream

Corporate Actions STP Phase 1 delivered a full end to end solution, touching a number of ASX's internal systems, which added complexity. A key dependency for delivering phase 1 was on the ASX central database replacement project. While this dependency was highlighted to stakeholders at the outset, regular and specific updates on progress on dependent projects were not provided. It should be noted that such a dependency does not exist for Phase 2.

Even once the requirements stage of the Corporate Actions STP Phase 1 initiative had been completed, market data customers continued to raise a number of new or changed data items, even during development and testing. While these could be accommodated given the delays to the implementation of Phase 1, going forward, ASX will:

- Spend more lead time in defining requirements prior to engaging stakeholders. ASX will present pro forma solutions, referencing ISO 20022 standards, market practices and existing ReferencePoint products with a focus on mandatory data requirements.
- Have mechanisms in place during the requirements stage for stakeholders to make a business case for additional data coverage, above and beyond the data contained in the international standard message.
- Provide a clear deadline for requirements review, and limit change once those requirements are set.
- Clearly articulate what is in and out of scope: with the latter to be resolved separately.

Stakeholder engagement stream

Post implementation feedback suggested that efforts by ASX and stakeholders – which were considerable throughout the project – should be focussed on the following:

- More time spent on walkthrough and review of the components of the proposed end to end solution for each corporate action with a clear understanding of various business scenarios, their life cycle and impact at each point in the process. This walkthrough should include listed entities, intermediaries and market data customers together, rather than individual sub-groups, to allow interactive feedback and a deeper understanding of this process, and roles played within it.
- Provide a permanent training environment for listed entities to become familiar with the new process and forms.
- Ensure Industry Wide Testing is production-like so that output is appropriately tested by customers.

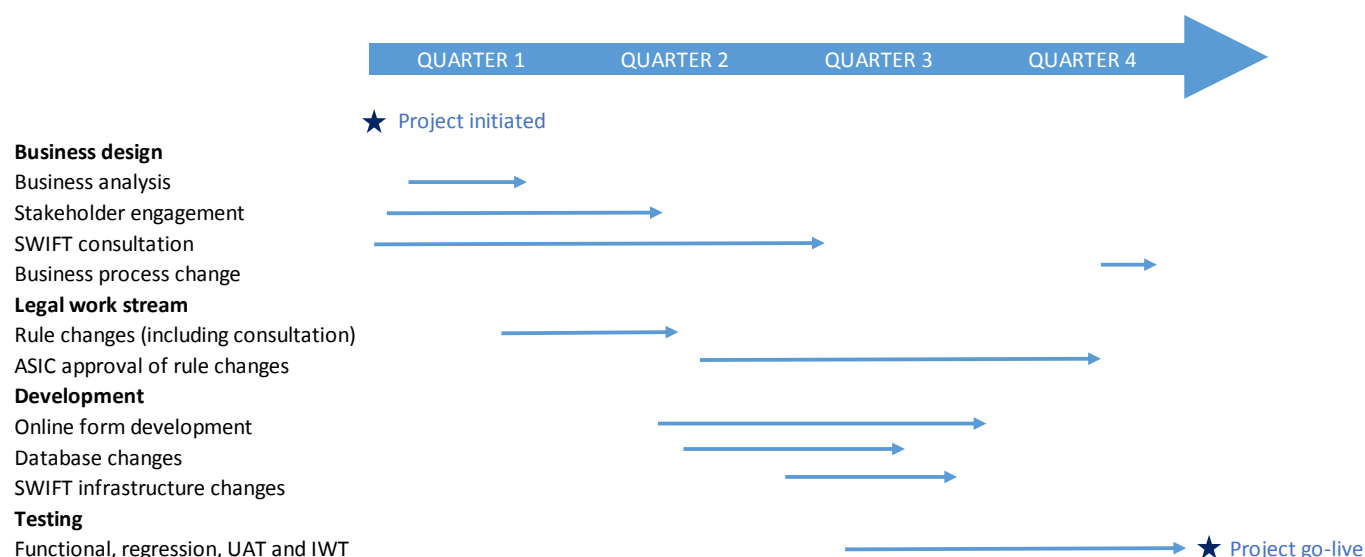
- Clearly articulate deadlines – not only for delivery but also for feedback and change periods – and commitment to those deadlines, not only by ASX, but also by stakeholders.

Legal stream

The online form requirements are currently set out in the ASX Listing Rules. This means that changes to those forms – even relatively minor changes such as the clarifying amendments that ASX is currently making in response to customer feedback – require regulatory approval. ASX intends to propose the removal of the online form requirements from the ASX Listing Rules, which would instead be published on the ASX website. This would have the benefit that iterative and responsive changes to the online forms could be made to reflect customer feedback, without requiring further regulatory approval in each case. The removal of the online forms from the ASX Listing Rules would itself be a rule change requiring regulatory approval, and so ASX will engage with ASIC for a preliminary response before taking this forward.

PHASE 2 – INDICATIVE TIMELINE

As noted at the 4 March 2015 Business Committee meeting, initial estimates suggest that there is 18 months’ effort in delivering phase 2 of Corporate Actions STP. More detailed analysis suggests that the elapsed time for this initiative can be brought in to 12 months by using additional resources in key areas (business analysis, development of online forms and SWIFT infrastructure, and testing):



NEXT STEPS AND RECOMMENDATION FOR THE BUSINESS COMMITTEE

Based on the above timeline, and the previous request by the Business Committee that Corporate Actions STP Phase 2 be delivered in one batch, ahead of CHES replacement, ASX would seek to make a recommendation to the Forum at its next meeting on 7 October 2015 that it in turn make a recommendation to the Boards of ASX Clear and ASX Settlement to proceed with Corporate Actions STP Phase 2 on that basis. Pending approval by the Boards of ASX Clear and ASX Settlement, ASX has ring-fenced relevant capital expenditure for FY17 for this initiative. The project is anticipated to commence in July 2016, given the current CHES release roadmap which includes FATCA-related CHES changes in November 2015 (“Release 9”) and a release supporting T+2 Settlement in March 2016.

The Business Committee is asked to endorse this recommendation.

BUSINESS COMMITTEE MEETING PAPER AGENDA ITEM 3C

Topic	Update on T+2 implementation
Date of the Meeting	27 March 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.
Action required	To note the agenda paper and provide feedback on future considerations for implementation.

PROJECT UPDATE

The T+2 project is tracking to plan for implementation in March 2016. Since the Business Committee meeting of 4 March 2015 the following key milestones and deliverables have been met (refer Attachment A - Project Roadmap):

- Business and Technical Overview documents were published on 3 March 2015
- The second Market Implementation Group (MIG) Webinar was held on 19 March 2015
- Combined vendor and participant workshops were held during March/April
- ACSA Workshop facilitated 27 April 2015
- Consultation Paper "Implementing a T+2 Settlement Cycle for the Cash Market: Draft Rule Amendments" (setting out the proposed changes to operating rules and procedures) will be released on 27 May 2015
- Stakeholder readiness guide completed (copies of the guide will be provided to members at the meeting)
- CHESS Payment Provider Deed amendments have been finalised. Changes are effective March 2016

ASX has also engaged with stakeholders and other markets to support an alignment of T+2 transition timelines:

- NZX has released a market announcement confirming its intention to move to T+2 in alignment with Australia in March 2016
- AFMA (representing the wholesale bond market) has established an Internal Steering Committee and External Working Groups and is progressing planning towards a change in debt market settlement conventions to T+2 in close alignment with the changes in cash equities markets

DRAFT CONSULTATION PAPER ON RULE AMENDMENTS

The ASX rule and procedure amendments have been drafted and a consultation paper setting out those amendments will be released on 27 May 2015 following the Business Committee meeting. Copies of the consultation paper will be provided to members at the meeting.

The consultation period will run for 6 weeks, closing on 8 July 2015. The rule changes are subject to the normal regulatory approval process, which may take some months. ASX will engage closely with ASIC in relation to the proposed amendments in the period following the release of the consultation paper. Completion of that process is targeted by the end of the year, with the changes to be effective from the implementation date.

NEXT STEPS AND FOCUS

ASX is now engaged in the next step of providing guidance to market users in readiness for the transition to T+2. ASX will be supporting readiness checklists as guidance for market users to consider their necessary internal processes to prepare for this transition, including customer, systems and procedural readiness.

ASX will be represented at the 2015 Annual Stockbrokers Conference to provide an opportunity for stakeholders to engage in deeper discussion on industry readiness.

The next MIG meeting is currently scheduled for 25 June 2015 where it is anticipated that more detailed planning for transition will commence. ASX will present a more detailed plan at the August Business Committee meeting.

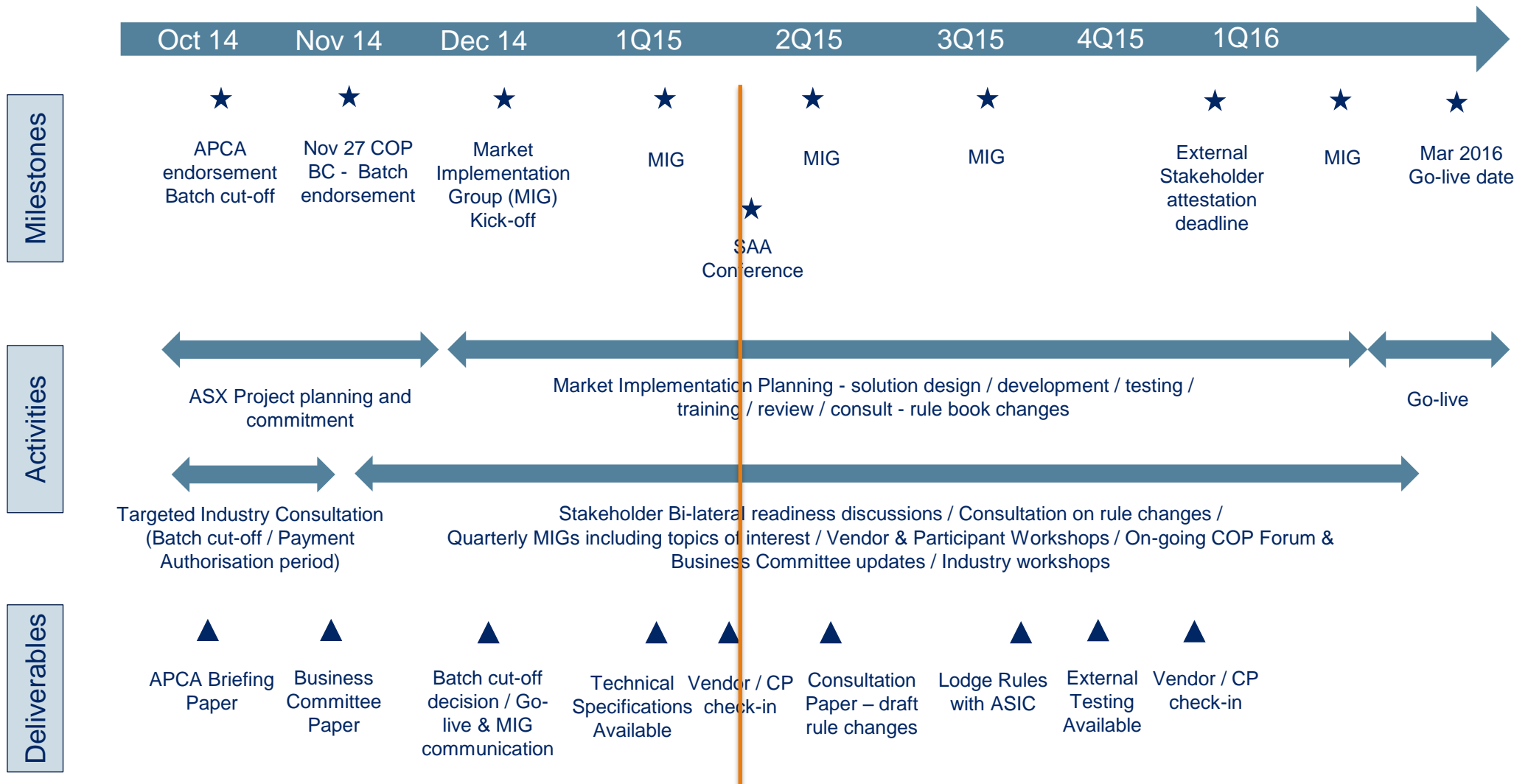
QUESTIONS FOR THE BUSINESS COMMITTEE

- What are the Business Committee members' views on the type of issues that would cause a delay in transition and do they feel current planning adequately addresses these potential risks?
- Stakeholder readiness – in addition to actions and plans already in place, what else can ASX do to help ensure complete industry readiness by March 2016?

ATTACHMENTS

Attachment A – T+2 Stakeholder Roadmap

T+2 – Stakeholder Roadmap



BUSINESS COMMITTEE MEETING PAPER AGENDA ITEM 3D

Topic	FATCA & Common Reporting Standard
Date of the Meeting	27 May 2015
Purpose of this paper	To provide the Committee with an update on Foreign Account Tax Compliance Act (FATCA) & Common Reporting Standard (CRS) requirements.
Action Required	The Committee is invited to provide feedback on the next steps.

BACKGROUND - FATCA and CRS OBLIGATIONS

Issuers of certain tradeable investment products are required under Foreign Account Tax Compliance Act (FATCA) from 1 January 2016 to report on US investors that hold their products.

The affected products include exchange traded products (ETPs/ETFs), real estate investment trusts (REITs) and listed investment entities (LEIs/LICs). At the end of April 2015, this product group constituted 235 products with a combined market capitalisation of \$218.6bn held by over 555,000 investors. FATCA requirements will be superseded by the introduction of the CRS which will come into effect in 2017-18.

To date ASX Management have been consulting industry on a workable approach to the capture of the FATCA information from current CHESS holders for issuers. A technical solution has been developed, further details of which are set out below. The proposed commercial arrangements for issuers to fund this development and incentivise brokers to collect the relevant information on the issuers' behalf remain subject to ongoing consultation. Implementation of the proposed solution may not proceed if broad industry consensus is not achieved in relation to funding of the solution.

A recent update by the Australian Taxation Office (ATO) through a draft guidance note released in April 2015 (following the release of a FATCA FAQ by the IRS) implies that issuers either cannot open an account, or must close the account if it is opened, for existing individual customers of brokers for whom responses to questions regarding their FATCA reportable status have not been received before they acquire any new FATCA reportable product from 1 January 2016. Previous guidance had indicated that such holders would be reported to the ATO but would not be restricted from trading or have their accounts closed. Under the modified guidance, the current proposed solution will not enable issuers to achieve full compliance with their FATCA obligations on 1 January 2016.

The FSC and ASX have independently written to the ATO to express concerns that this would undermine the viability of the ongoing market for these investment products in Australia and would have a potential impact on timely implementation of the proposed solution by 1 January 2016 if this solution no longer has broad industry support. ASX will continue its engagement with the ATO and industry on this issue.

In the interim, ASX is continuing to consult with industry in relation to the proposed CHESS solution that was developed prior to the change in IRS/ATO guidance (including through the release of draft technical specifications for the proposed solution). Implementation of the proposed solution may not proceed if broad industry consensus is not achieved in relation to funding of the solution or the ATO solution is not resolved.

Recognising the need to provide adequate notice to the industry for CHESS changes, ASX will use its best endeavours to confirm its final position on CHESS release 9, by the end of June.

PROPOSED FATCA SOLUTION IN CHESS

Brokers (sponsoring participants) generally do not have a reporting obligation under FATCA. However, it is recognised that under their Know Your Client (KYC) and Anti-Money Laundering (AML) requirements, brokers (sponsoring participants) are positioned to assist issuers to identify potential FATCA reportable CHESS holders. This may be by confirming whether brokers' client information includes relevant US indicia, or by asking specific questions.

mFund issuers have had FATCA reporting obligations from 1 July 2014. When the mFund service was introduced, brokers using mFund agreed to assist issuers by capturing responses to a set of questions to identify potential FATCA reportable holders purchasing mFunds. This change was supported by the introduction of new ASX Settlement Rules which recognised the obligation on participants to obtain the self-certification from their clients.

ASX includes the capture of these responses in each 'application request' from the sponsoring participant which is sent to the Product Issuer Settlement Participant (PISP) action as settlement agent for the issuer through CHES. The issuer can then follow up the holder for any further information as part of the Day 2 process to validate reportable obligations.

This information is currently not held on CHES or the HIN as it only affects mFunds which are not traded and transacted directly between the participant and the issuer.

It is being considered as part of CHES Release 9.0, that ASX extend the concept of the mFund solution to issuers of other tradeable FATCA reportable products. This would involve the recording of responses to FATCA questions by CHES holders of those products on the HIN record. This information would be provided to issuers who can follow up with holders as required (including seeking any necessary further information).

The changes could be supported by new ASX Settlement Rules to recognise an obligation on sponsoring participants to seek obtain the necessary information regarding holders' FATCA status.

NEXT STEPS

ASX will provide the Business Committee with a further update at the next meeting in August 2015.

BUSINESS COMMITTEE MEETING PAPER AGENDA ITEM 3E

Topic	CHES Release 9.0
Date of the Meeting	27 May 2015
Purpose of this paper	To inform the Committee of changes in CHES Release 9.0.
Action Required	To note the agenda paper.

BACKGROUND

As notified in the Technology Upgrade Release Notices, most recently in April 2015, ASX is proposing to make changes to CHES, leveraging HIN sponsorship for settlement efficiency and adding some additional features to the mFund Settlement Service. These changes will be introduced in November 2015 within CHES Release 9.0.

Release Type	Release Functionality	Description	Technical Go-Live	Business Go-Live
Mandatory	FATCA Regulation	Enable the flow of relevant FATCA information through CHES HINS.	November 2015	1 January 2016
Enhancement (Mandatory for mFund Users)	mFund Settlement Service	The enhancement release includes: introduction of new and modified CHES messaging to support the mFund Settlement Service.	November 2015	November 2015

Mandatory Changes for Foreign Account Tax Compliance Act (FATCA) solution

CHES Release 9 will support a solution for FATCA. The ASX solution will see the responses to FATCA questions by CHES holders being stored on the HIN record. This will enable ASX to maintain this information at the 'holder' level and pass through the details to registries acting as agents for issuers. The solution allows for a degree of future proofing should the FATCA reportable products extend to other classes such as shares in the future.

FATCA reportable products include mFunds, exchange traded products (ETPs/ETFs), real estate investment trusts (REITs) and listed investment entities (LIEs/LICs).

Enhancements for mFund Settlement Service

ASX introduced the mFund Settlement Service in May 2014. An mFund product is an unlisted managed fund admitted for settlement under the ASX Operating Rules. The mFund Settlement Service enables investors to buy (apply for) and sell (redeem) units in selected unlisted managed funds directly with the mFund issuers via a stockbroker. By using CHES, orders for units are sent electronically to the mFund issuer. This enables progress of orders to be monitored, and at settlement for unit balances to be recorded on investor HINs alongside other investments such as shares and Australian Government bonds.

The mFund Settlement Service allows greater diversification opportunities for investors and allows brokers to extend their services into the wealth sector by accessing a range of unlisted products which can be held alongside other assets on their clients' HINs.

As part of CHES Release 9.0, ASX will include additional processing related features for participants and end investors.

Business Scope of CHES Release 9.0

- The HIN record is being expanded to include responses to a series of FATCA questions relating to CHES sponsored holders. This will require a change to the new CHES HIN creation and HIN update messages.
- Allowing transfers to occur for mFund units in a similar manner to share transfers through CHES, between HINs sponsored by the same participant, HINs sponsored by different participants, and between the issuer sponsored and CHES sub-registers. This will also allow for a consistent approach to processing of deceased estates involving mFund units.
- Ability for sponsored investors to nominate their distribution preferences between distribution reinvestment plan (DRP) and cash for their mFund holdings and to also set up a regular payment plan (RPP) for additional units through their brokers.

IMPLEMENTATION

The full details of planned changes will be published in a Business & Technical Overview document. This document and the precise production release date will be communicated by ASX by way of market notice.

NEXT STEPS

ASX will provide the Business Committee with a further update at the next meeting in August, 2015.

BUSINESS COMMITTEE MEETING PAPER AGENDA ITEM 4B

Topic	Risk Systems Renewal Process
Date of the Meeting	27 May 2015
Purpose of this paper	To provide the Business Committee with an overview of the Risk System Renewal roadmap and deliverables.
Action Required	To note the agenda paper

SUMMARY

In November 2014 the Board approved a Risk Systems Renewal program. The new risk system will be developed over three years in five key phases including customer input into the design stage where relevant.

The Risk Systems Renewal will deliver a risk management capability that matches best in class clearing capabilities.

The target objective of the Risk System Renewal will provide real-time risk management, run a highly flexible array of stress scenarios, establish the foundations to fully utilize available risk management offsets across all assets classes, and enable the CCP to dynamically hedge and auction a defaulters' portfolio. It will also provide a high quality range of customer risk analytics.

BACKGROUND

The development of next generation risk management infrastructure is required to meet higher risk standards and capabilities being demanded by regulators and our customers. These developments will allow the integration of risk data and management across both clearing houses and across all asset classes. It will allow configuration to enable more efficient and flexible margining, stress testing, reporting and risk management outcomes. It will also enable us to decommission several legacy systems. NASDAQ Sentinel solution was selected as the preferred risk management system.

Risk interfaces and cycles will be available 22/6 on a real or near real time basis. The system will be capable of running multiple versions of our margin models and parameters and will have the ability to provide our customers with key risk data to facilitate the monitoring of their own risk exposures.

DELIVERABLES

Phase 1 & 2– OTC & Futures default management & optimisation

Phase 1 will deliver real-time default management capability including hedging, reporting and the auction processes specific to OTC and futures cross margined products and will support the OTC derivatives clearing default fire drill in late June 2015.

Phase 2, will then deliver an OTC and futures margin optimiser, that enable cross-margining to be used on a “no touch” automated basis by house and individually segregated client (ICA) accounts. Phase 2 will commence in late FY15.

Phase 3 – Real-time monitoring and margining

This phase will commence the first stage of real time risk management monitoring and margin calculations using a variety of methodologies for all ASX cleared products across both CCPs. This will include:

- The interface of all cash equity and equity derivative cleared products into a single system;
- Clearing Participant static data (such as Internal Credit Ratings (ICRs) and Stress Test Exposure Limits (STELs));
- Pricing;
- Collateral;
- Capital Stress Testing; and

- Multiple models e.g. VaR and CME SPAN

This phase will develop in house capabilities and allow for a more efficient margining delivery to Clearing Participants. This phase is scheduled for completion in September 2017.

This phase will also provide the ability to monitor the impact of Cash Equities on an intraday basis, thereby allowing ASX to determine whether or not there is a requirement for the introduction of an intraday margin call regime.

Phase 4 – Advanced scenario analysis

This phase will deliver more advanced Stress Testing and Model Validation capabilities, including:

- Liquidity Stress Testing;
- Reverse Stress Testing for Capital Stress Test Scenarios;
- Margin and Stress Back testing;
- Capital Based Position Limits (CBPL);
- Pricing for all products;
- Portfolio margining (including collateral); and
- Portfolio risk management (including collateral)

Phase 5 – Customer analytics and default management enhancements

This phase will decommission paper based customer reporting and introduce the capabilities to provide our customers, on a real time basis, with key risk data to facilitate the monitoring of their own risk exposures, including:

- Margin exposures;
- Collateral utilisation;
- CBPL Ratios utilisation
- STEL utilisation
- Other risk measures developed prior to phase 5 go-live

In addition, phase 5 will deliver scenario analytics to enable our customers to assess the impact of new transactions on each of the above measures.

Further, the default management functionality built in phase 1 will be enhanced to cover all exchange traded derivative positions cleared through ASX Clear (Futures), and cash and derivative transactions cleared through ASX Clear, multiple participant default scenarios and default and recovery related analysis and reporting.

NEXT STEPS

As we move through each phase of the project, the requirements and functionality being delivered will be reviewed with the Risk Consultative committees and to ensure benefits and data are delivered to our customers.

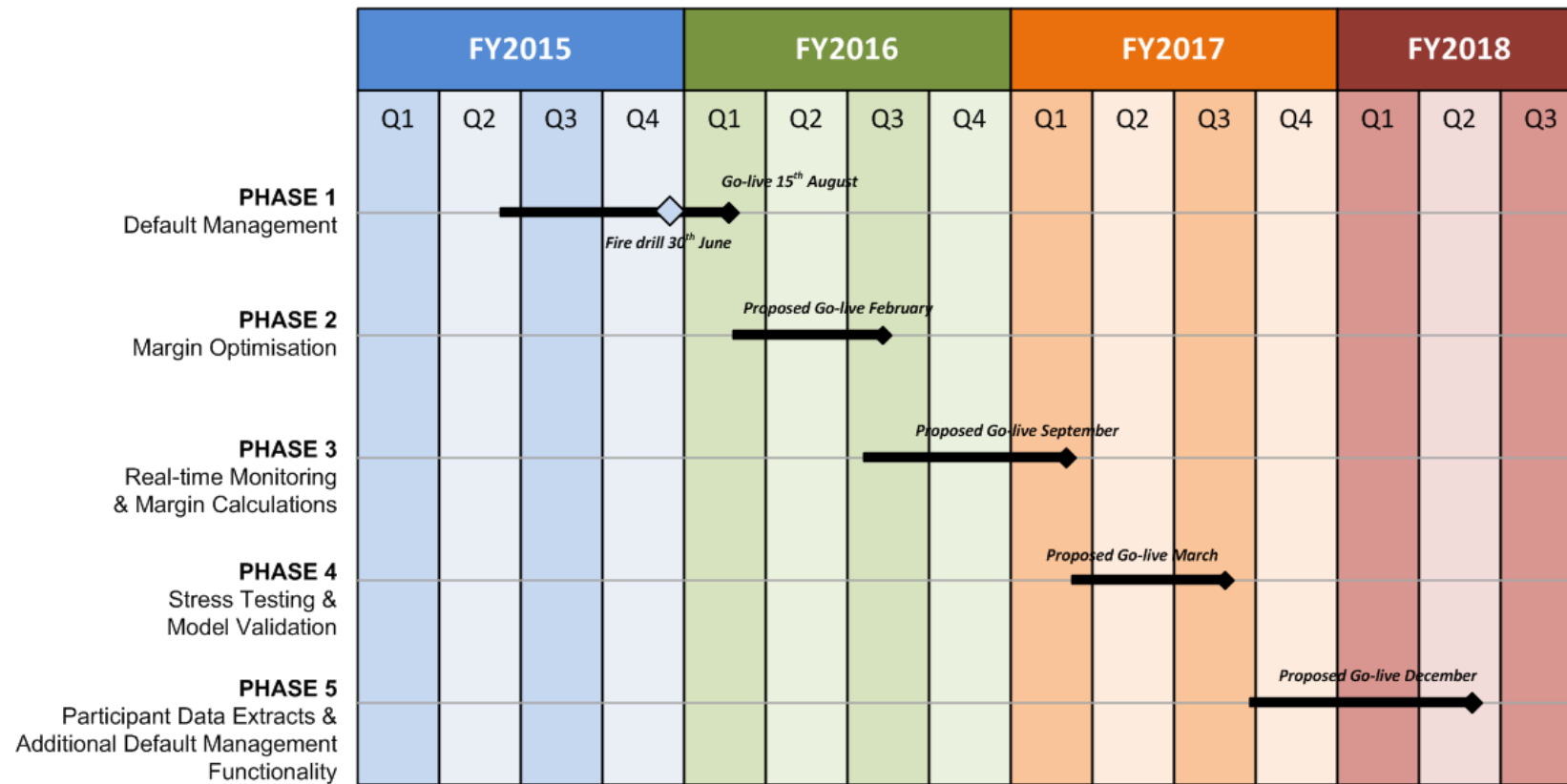
ATTACHMENTS

Attachment A – Risk System Renewal Project Timeline

Attachment A – Risk System Renewal Project Timeline

- Phase 1 – Default Management / Cross Margin Transactions
- Phase 2 – Margin Optimiser (Separate code 14-211)
- Phase 3 – Real Time Monitoring and Margin Calculations
- Phase 4 – Stress Testing & Model Validation
- Phase 5 – Participant Data Extracts/ Additional Default Management Functionality

Sentinel Risk Platform – Project Phase



*Release dates are dependent on Vendor delivery – these will be confirmed upon design study completion

BUSINESS COMMITTEE MEETING PAPER AGENDA ITEM 5A

Topic	Business Committee membership
Date of the Meeting	27 May 2015
Purpose of this paper	To update the Business Committee on membership rotation.
Action Required	The Business Committee will be invited to discuss the rotational representation on the Business Committee.

BACKGROUND ON MEMBERSHIP CRITERIA FOR THE BUSINESS COMMITTEE

The Business Committee Charter sets out the membership objectives for the Committee. These objectives provide that the Business Committee will comprise representatives of clearing participants, settlement participants and alternative market operators. The representatives should be executives with a deep understanding of clearing and settlement.

The first meeting of the Business Committee was held in August 2013. The Business Committee has been substantially and consistently represented by the original members for the period of its operation.

The Charter does not impose requirements for rotation of membership. In the ordinary course of things, it is anticipated that some members of the Business Committee will rotate over time. Forum members, ASX Clear and ASX Settlement can nominate members of the Business Committee.

Prior to the August 2015 Business Committee, ASX will consult bilaterally with existing members in relation to their willingness to continue participating in the Business Committee, and how we can continue to improve the effectiveness of the Committee. Following this, ASX will provide any proposed changes to the Business Committee composition at the next meeting.

ASX Clear and ASX Settlement may in addition to the existing membership, nominate additional members to join the Committee to ensure appropriate representation of the clearing participant and settlement participant community.

Any proposed nominations and changes to the Business Committee membership will be advised to the Business Committee prior to the August 2015 meeting.

ASX takes this opportunity to again thank members for their continued attendance and contribution to the Business Committee.

BUSINESS COMMITTEE MEETING PAPER AGENDA ITEM 5B

Topic	Forward Work Program Update
Date of the Meeting	27 May 2015
Purpose of this paper	To update the Business Committee on the forward work program for 2015.
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.

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.

QUESTIONS FOR THE BUSINESS COMMITTEE

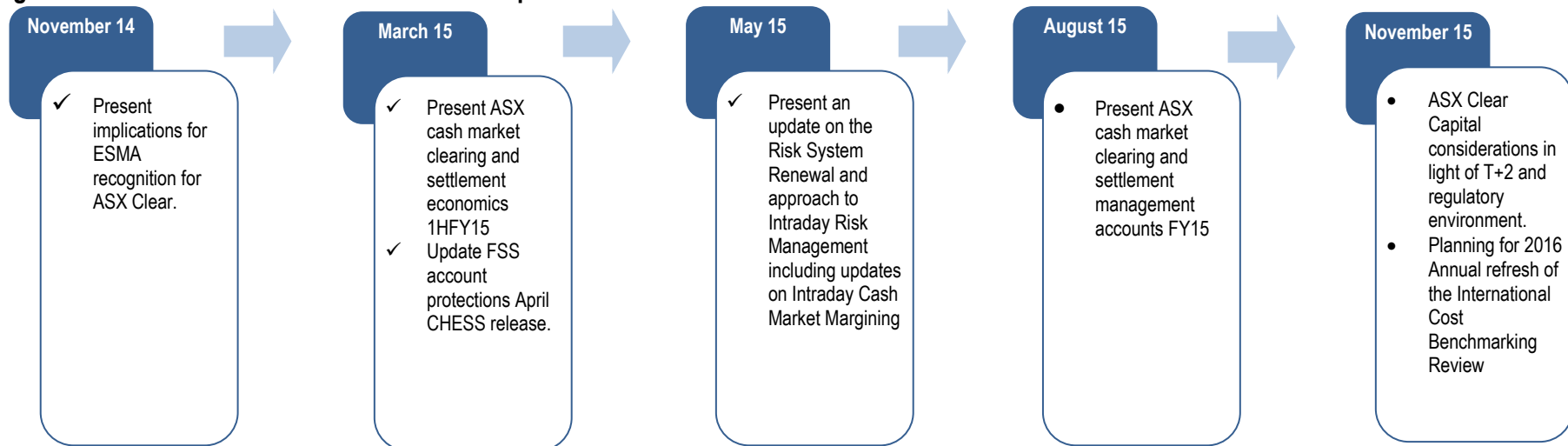
- Does the draft forward work program extending to November 2015 continue to reflect industry priorities?
- There is an opportunity to invite external speakers or to hold special topic roundtable discussion in the August 2015 meeting. Is there a specific topic that the Committee would like to review?

ATTACHMENTS

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

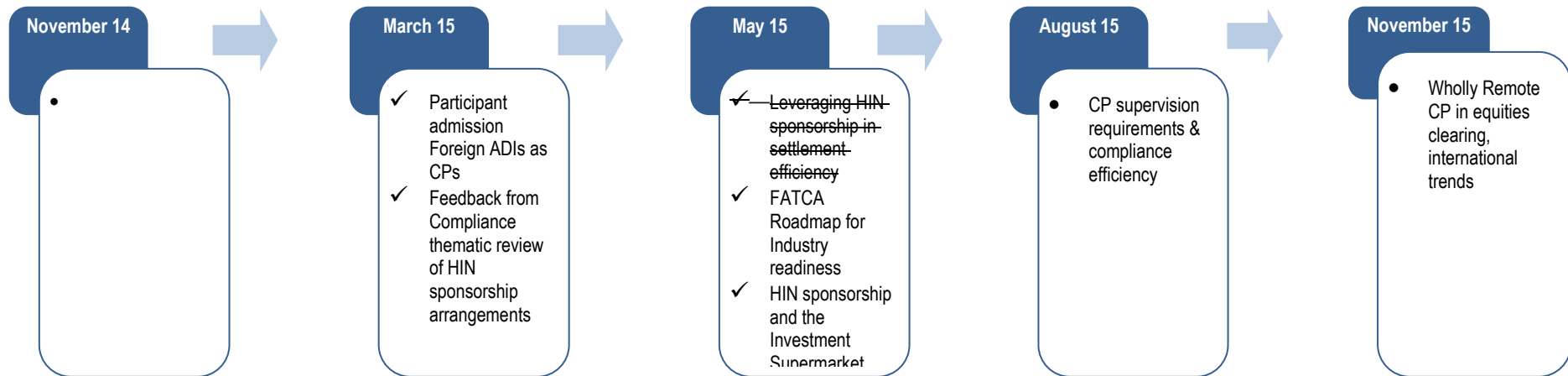
Theme	Objectives	Possible topics for discussion / agenda items	Description of topic
1. Capital Efficiency and industry economics	To minimise the capital costs for ASX's customers whilst maintaining robust CCP capital support	a. ASX cash market clearing and settlement economics	ASX to publish management 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



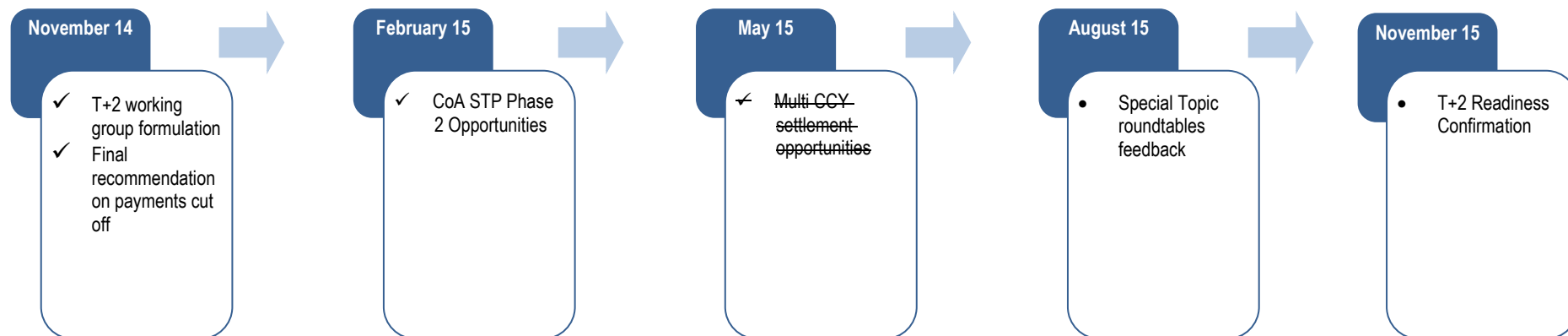
Theme	Objectives	Possible topics for discussion / agenda items	Description of topic
2. Participant Structure, Flexibility & Efficiency	To align ASX's participant access regime with its customers' evolving business models	a. Participant structures, admission requirements	ASX will continue to explore additional 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



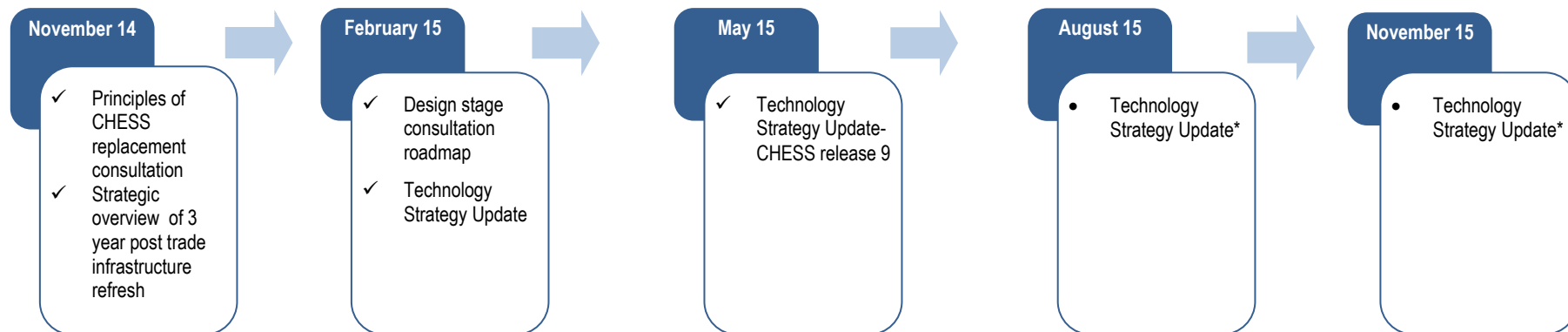
Theme	Objectives	Possible topics for discussion / agenda items	Description of topic
3. Service Innovation	To deliver global best practice cash market clearing and settlement services	a. Corporate action straight through processing	The ASX will present opportunities for future and continued enhancements 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 5C

Topic	Minutes from 4 March 2015 meeting
Date of the Meeting	27 May 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 4 March 2015 meeting.
Action required	To approve the minutes and report to the Forum from the 4 March 2015 meeting.

Draft minutes and the draft report to the Forum from the 4 March 2015 Business Committee meeting were emailed to all members of the Business Committee on 8 April 2015 for comments by 21 April 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 23 April 2015.

A copy of the minutes and report to the Forum from the 4 March 2015 meeting are provided in Attachments A and B.

ATTACHMENTS

Attachment A – Minutes from the 4 March 2015 Meeting

Attachment B – Business Committee Report to the Forum from the 4 March 2015 Meeting



MINUTES OF THE BUSINESS COMMITTEE
WEDNESDAY, 4 MARCH 2015
ASX LIMITED
LEVEL 1, 20 BRIDGE STREET SYDNEY

- 1. Introduction**
- 2. Consultation process on the Code of Practice**
- 3. Service Performance**
- 4. Management accounts for cash market clearing and settlement**
- 5. Business Matters**
 - a. Admission of foreign ADIs as clearing participants
 - b. Principal-to-principal clearing arrangements
 - c. Introduction of T+2 settlement and a change to the batch settlement cut-off time
 - d. Corporate actions STP
 - e. ASX investment in trading and post-trade services infrastructure
- 6. Regulatory Updates**
 - a. FSS account protections
 - b. Review of HIN sponsorship arrangements
 - c. Update on ASX consultation process on reducing red tape for participants
- 7. Administration**
 - a. Forward work program
 - b. Minutes from the 27 November 2014 meeting
 - c. Other Matters

ATTENDEES

MEMBERS		
Company	Name	Job Title
ASX	Mr Peter Hiom	Business Committee Chair, ASX Deputy CEO
ABN AMRO Clearing	Mr Barry Parker	Managing Director
APX	Mr David Lawrence	Chief Operating Officer & Company Secretary
Bank of America Merrill Lynch	Mr Anatoly Kirievsky	Head of Compliance
Bell Potter Securities	Mr Dean Surkitt (by phone)	Managing Director Retail
BNP Paribas	Mr Justin Christopher	Chief Operating Officer
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
Credit Suisse	Mr Andrew Farran	Chief Operating Officer
Deutsche Bank AG	Mr Russell Deal	Chief Operating Officer
Goldman Sachs	Ms Yen Le	Head of Australia & New Zealand Settlements
HSBC	Mr Robert Brown	Head of Client Management, HSBC Securities Services
J.P. Morgan	Mr Samuel Mann (by phone)	Business Manager, Australia Equities
Macquarie Group	Mr Michael McKeown	Chief Operating Officer
Morgan Stanley	Mr Craig McGuire	Head of Operations
Morgans	Ms Sue Gye	Manager Operations
NSX	Mr Emlyn Scott	Chief Executive Officer
Patersons Securities	Ms Jane Irwin (by phone)	Head of Operations
Pershing Securities	Mr Rob Forbes	Chief Executive Officer
UBS	Mr Conor Foley	Chief Operating Officer

ASX Management

Name	Job Title
Ms Amanda Harkness	Group General Counsel & Company Secretary
Mr Tim Hogben	Group Executive, Operations
Mr Ramy Aziz (Item 4)	Chief Financial Officer
Ms Danielle Henderson	General Manager, Clearing Services
Mr Andrew White	General Manager, Settlement Services
Mr Marcin Firek	General Manager, Company Secretariat
Mr Brendon Luscombe (Item 6a)	General Manager, Clearing Risk Management
Ms Diane Lewis	Senior Manager, Regulatory and Public Policy
Mr Rodd Kingham	Senior Manager, Clearing Services
Mr Con Korkofigas (Item 5b)	Legal Counsel and Senior Manager

ASX Compliance Management

Name	Job Title
Ms Fiona Hooymans (Items 6b & 6c)	General Manager, Participants Compliance

APOLOGIES

MEMBERS		
Company	Name	Job Title
BBY Ltd	Mr Arun Mahraj	Chief Executive Officer
Goldman Sachs	Mr Greg Hanlon	Head of Operations
HSBC	Mr Andrew Bastow	Head of Securities Services
Morgans	Mr Peter Chisholm	Chief Operating Officer
Morgans	Mr Brad Yates	Senior Manager, Operations
Patersons Securities	Mr Sam Budiselik	Chief Operating Officer

The Chair formally opened the meeting at 12.10pm. Some of the agenda items were considered out of order. For convenience, they are recorded in the order set out in the Agenda. 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 Committee noted that Barry Parker would be taking up a new role within ABN AMRO and this would be his last meeting. The Chair acknowledged his contribution to the Committee.

AGENDA ITEM 2: CONSULTATION ON CODE OF PRACTICE

The Committee noted the report on the consultation process on the Code of Practice set out in the agenda paper. The Chair thanked those organisations that had made submissions to the ASX consultation process on the proposed operational improvements to the Code of Practice.

The Chair noted the recent announcement that the Council of Financial Regulators (CFR) would conduct a review of competition in the clearing of Australian cash equities. Submissions to the CFR review were due by 27 March 2015. ASX encouraged Members to make submissions. ASX's submission would put forward a proposal for a 5-year extension of the moratorium on clearing competition and the Code of Practice.

The Chair invited questions or comments from Members. None were raised.

AGENDA ITEM 3: 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 September 2014 and December 2014.

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

- CHES and TAS system availability was 100% for both quarters.
- Netting efficiency volume and value remained consistent for both quarters.
- There was an unusually higher number of ASX trades rejected during the December quarter. These primarily related to one participant and reporting of underlying trades supporting ETO exercises. The issue was resolved intra-day and the trades were reported to the market.
- Average settlement failure rates were consistent with previous quarters at 0.37%.
- mFund settlement transactions increased from 66 to 189 in the December quarter. Value increased from \$1 million to \$6 million over the period.

ASX's Group Executive, Operations also informed the Committee that:

- The Medibank IPO deferred settlement was satisfactorily managed, with very low failure rates.
- Settlement metrics on the day of the 15 December 2014 Sydney siege were consistent with average timeframes. All margins were paid on time. One participant evacuated their premises during the siege and utilised their fall-back procedures for authorisation of payments. A number of discussions with participants and customers had taken place following the incident. ASX's Group Executive, Operations invited Members to raise any questions about how the incident was handled. There were no questions.
- On 22 December 2014, an unsolicited SPAM email containing malware and purporting to be from CHES was circulated widely. An internal review confirmed that CHES and ASX systems were not the source. A similar email previously targeted Australia Post customers.

The Chair noted that ASX had elevated its focus on physical and cyber-security by assigning responsibility for those matters to a new General Manager-level position reporting to the Chief Information Officer. ASX's Group Executive, Operations noted that ASX worked extensively with the RBA to implement best practice prevention and response to physical and cyber security measures.

The Chair invited questions on the report and none were raised.

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

ASX's CFO spoke to the management income statements for cash market clearing and settlement for the 6 months to 31 December 2014, noting that:

- The statements had been prepared and presented on a consistent basis to prior periods.
- The cash market clearing management income statement was based on a 'Cover 2' capital standard for the entire period. Prior year information based on the 'Cover 2' capital standard had been restated for comparability. The change slightly reduced the amount of default capital allocated to cash equities clearing (relative to clearing ETO products) and slightly increased liquidity requirements.
- The profitability of both cash market clearing and settlement increased slightly in the period. Expense growth was lower than the rest of ASX. ROE was comparable with the prior period.

The Chair asked the CFO to quantify the extent of the change in the default capital allocation. The CFO advised that the change was less than \$5 million.

There were no questions from Members to the CFO.

AGENDA ITEM 5: BUSINESS MATTERS

a. Admission of foreign ADIs as clearing participants

The Committee noted the report on admission of foreign ADIs as clearing participants, set out in the agenda paper. ASX's General Manager of Clearing Services spoke to the agenda paper, noting that ASX would shortly implement changes which may facilitate ASX Clear exempting some foreign ADIs or foreign subsidiary ADIs from the risk based capital requirements under the ASX Clear Operating Rules. ASX would consider applications from foreign participants to transition existing ASX Clear membership arrangements to entities which were already members of ASX Clear Futures. Members wishing to investigate their clearing membership arrangements further should contact ASX. Members should consider changes in the context of their overall regulatory, licencing and technology parameters.

A Member noted his organisation's support and appreciation that this change is being facilitated by ASX. Members also noted that APRA may need to be consulted on these changes in the broader regulatory context. The Chair noted that ASX was willing to assist participants in their discussions with APRA on any regulatory impediments to them becoming members of ASX Clear. **[Agreed Action 1]**

The Chair noted that ASX was planning to bring forward a number of other similar initiatives to the Committee that are aimed at CCP harmonisation and simplification to deliver cost savings for the industry.

b. Principal-to-principal clearing arrangements

ASX's General Manager, Clearing Services updated the Committee on the work of the working group examining principle to principle clearing arrangements (P2P). The working group had developed a high level operating model for P2P. A legal sub-working group was being formed to undertake a regulatory and legal analysis of the proposed operating model as a basis for joint ASX and industry discussions with ASIC. Additional representation and assistance from interested

participants for this sub-group was requested for this work to be progressed. Subject to the completion of the regulatory and legal analysis, representatives of the working group were planning to discuss a proposal with ASIC in mid-May.

The Chair encouraged Members to provide input to the working groups.

c. Introduction of T+2 settlement and a change to the batch settlement cut-off time

The Chair noted that a Member had requested that ASX consider whether the later batch cut-off time endorsed at the last Committee meeting could be implemented ahead of T+2.

ASX's Senior Manager of Clearing Services updated the Committee on the considerations and stakeholder feedback in relation to the feasibility of implementing the later (11.30am) batch settlement cut-off time ahead of T+2 implementation. Based on the feedback received, ASX proposed to proceed with the implementation of the change to the batch settlement cut-off time and T+2 settlement cycle together in March 2016. The Committee did not object to this proposal.

Members discussed the timing of the proposed changes, including:

- The timing of ASX's recently announcement trading platform upgrade given the existing workload to implement T+2 settlement by March 2016. The Chair advised that ASX would engage with customers to understand the interplay of implementing T+2 settlement and the new trading platforms. No timing decision had been made with respect to the implementation of the new trading platforms. ASX would implement the changes in a way that worked for the market.
- Whether the NZ Stock Exchange (NZX) would implement T+2 settlement concurrently with ASX. The Chair advised that appeared likely. ASX was working with NZX as well as engaging with relevant market stakeholders facilitating the transition of the fixed interest market to T+2.

ASX's Senior Manager, Clearing Services outlined current progress and next steps for T+2 project implementation. ASX was also attending the first AFMA steering committee for debt market T+2 implementation. Member feedback was that it would be desirable for the debt markets to transition to T+2 settlement in alignment with the cash market.

A Member inquired about the potential for a reduction to the default fund following implementation of T+2 settlement. The Chair responded that ASX Clear's move to compliance with the 'Cover 2' capital standard likely meant that this would not occur. ASX would continue to review and discuss this with the RBA.

d. Corporate actions STP

ASX's General Manager, Settlement Services updated the Committee on implementation of Phase 1 of the Corporate Action STP project. To date, approximately 28% of relevant corporate actions have used the new STP corporate actions forms during the non-mandatory period. ASX has been liaising with issuers about the usability and efficacy of the new forms. A number of Members were also testing the output and providing feedback. ASX welcomed feedback on the operation of the new forms before making their use mandatory. One Member commented the service was working well and the non-mandatory period had allowed testing of the service.

ASX's General Manager, Settlement Services noted the last Committee meeting had discussed options for a Phase 2 of the Corporate Actions STP project. Member feedback was that the priority for Phase 2 was to automate 5 additional corporate actions. This would increase the volume of automated actions to 80%. Automation of the feedback loop on existing STP corporate actions should be considered in the context of CHESS replacement.

The Chair invited comments from Members on whether automation of the additional corporate actions should be implemented concurrently or incrementally. ASX's General Manager, Settlement Services noted that implementation of the additional corporate actions could take up to 18 months

to implement. Members agreed that providing an STP solution for all of the identified Phase 2 corporate actions concurrently was the preferred option.

A Member noted that there were a number of issues and lessons learned from the implementation of Phase 1, which needed to be taken into account in Phase 2. Members agreed that phase 1 becoming mandatory was subject to no material issues being identified.

The Chair noted that ASX would present an indicative timetable for Phase 2 of the STP corporate actions project and the lessons learned from Phase 1 at the next meeting. **[Agreed Action 2]**

e. ASX investment in trading and post-trade services infrastructure

ASX's Deputy CEO noted ASX's media announcement regarding the proposed upgrade of its trading and post-trade platforms over the next three to four years. ASX's Deputy CEO also outlined the rationale for ASX's investment plans, the timetable for the changes to ASX's trading platforms, risk management and market monitoring systems in phase 1 of the project, and the potential upgrades to cash market clearing and central securities depository services in phase 2 of the project. ASX would engage with customers and stakeholders over the next 12 months to understand customer preferences for phase 2 of the project. This would allow ASX to understand the environment in which it would be making its investments following the review of clearing competition by CFR and the subsequent decision by Government. ASX had identified a number of opportunities for phase 2 of the project which could deliver cost savings and efficiencies to participants.

Members provided comments and asked questions about the proposed upgrade, including:

- Whether the existing technology underpinning the CHES platform can continue to be used for a further three years. The Deputy CEO advised there was no immediate problem with continuing to use the technology up until mid-2019.
- One Member noted that whilst CHES replacement would be difficult, it would provide significant opportunities to deliver material efficiencies and cost savings for participants.
- The impact of a Government decision to allow competition in cash market clearing. The meeting noted and discussed a number of potential issues and implications of such a decision, including ASX reconsidering the timing and scope of investment in its cash equity post-trade infrastructure.

AGENDA ITEM 6: REGULATORY UPDATES

a. FSS account protections

ASX's General Manager of Clearing Risk Management informed the Committee about the implementation of FSS account protections in the May 2015 CHES release, including that:

- ASX rules that were introduced in April 2014 clarified that stock held in a broker's accumulation account was beneficially owned by the client. However, a market practice of transferring stock into a broker's settlement account one day prior to settlement meant the client was exposed for a 23 hour window and could lose the stock if the broker defaulted after 4pm on T+2 up until 3pm on T+3.
- The CHES changes would provide additional protection to retail clients by allowing brokers to prime stock at the client level and send a scheduled CHES message detailing the funds to be deposited into the broker's trust bank account on behalf of their client. The movement of stock and the transfer of funds to the broker's trust bank account would occur as directed on the CHES message during batch processing. Broker sponsored purchases would also be allowed into batch processing which would allow the broker to withdraw funds held in the broker's trust bank account for 'broker sponsored' purchases, and thereby reducing the liquidity impact.

- Most system vendors were or would shortly be accredited for the new messages and were in the process of providing their software to brokers. Management expected the majority of accreditations to be completed by the end of March. This would provide participants time to finalise and implement any necessary internal process changes. ASX had been working with participants on the changes to their internal processes to provide for a smooth transition and is confident that the industry is well placed for the CHES release to go live on 4 May 2015 as scheduled.
- Draft Rules had been published a few weeks ago and ASX was actively communicating with customers via regular circulars and discussions with individual participants about the new account protections.

The Chair invited questions and none were raised.

b. Review of HIN sponsorship arrangements

ASX Compliance's General Manager of Participants Compliance informed the Committee about the key findings of a review of HIN sponsorship arrangements. The focus of the review was to understand how participants were managing processes associated with the establishment and ongoing maintenance of sponsored holders and their holdings in CHES, and identify any opportunities to improve efficiency and provide clarification regarding the requirements. The findings from the review include:

- Participant feedback on the existing sponsorship framework was that it was clear, effective and adequate.
- Participants had solid frameworks in place to comply with applicable obligations.
- The review identified a number of different participant approaches to client on-boarding, sponsorship applications, internal reviews and sponsorship reviews.
- ASX Compliance identified that greater efficiency could be provided by clarifying that the existing framework does not place any restrictions on the number of HINs that can be applied to a single sponsorship arrangement, and that it does not require a participant to notify a client of the termination of a HIN (that is, notification is required when the sponsorship agreement is terminated). It also identified an opportunity to reduce notification obligations for mandatory agreement changes in circumstances where there is an inactive HIN.

There were no questions from Members about the review.

c. Update on ASX consultation process on reducing red tape for participants

ASX Compliance's General Manager of Participants Compliance provided an update regarding ASX's consultation to reduce unnecessary compliance for participants:

- There was overwhelming support to the consultation process. A number of additional changes were identified during the consultation process, which were included in a follow-up consultation paper released on 16 February 2015. ASX Compliance intends to implement the changes with effect on 1 June 2015 (subject to regulatory approval).
- The Outsourcing and Offshoring Guidance Note has been finalised and will take effect from 1 June 2015. Following feedback from the Committee at the last meeting, existing participants will be provided with a transitional period of up to 1 January 2016 for their existing outsourcing and offshoring arrangements to comply. This was to allow participants time to review, and possibly update, their existing arrangements.
- ASX was consulting on the admission requirements for ASX Clear and ASX Settlement. The guidance has been drafted to allow participants flexibility to determine what resources and processes were required to comply with the Rules, taking into account the nature of their

business and general guidance on ASX Compliance's expectations. The guidance would take effect on 1 June 2015. Existing participants will have until 1 January 2016 to comply.

There were no questions from Members about the agenda item.

AGENDA ITEM 7: ADMINISTRATION

a. Forward Work Program

ASX's General Manager of Clearing Services noted the proposed forward work program for the Committee set out in the agenda papers.

The Chair invited Members to comment on the forward work program. One Member inquired about ASX's plans for intra-day cash market margining and whether there would be an ability for participants to pass this on to the underlying clients. The Chair noted that regulatory changes were informing consideration of intra-day margining. It was agreed that ASX's Chief Risk Officer would update the Committee on the FSS changes and the implications for intra-day margining at the next meeting. **[Agreed Action 3]**

No further comments were provided.

b. Minutes from the 27 November 2014 meeting

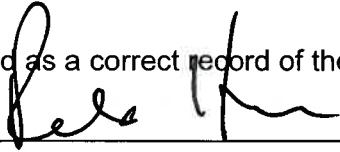
The Chair noted the minutes from the 27 November 2014 meeting and invited comments. As there were no comments, the Chair noted that the minutes were approved.

c. Next meeting

The Committee noted that the next meeting will be held on Wednesday, 27 May 2015.

As there was no further business discussed, the meeting closed at 1.40pm.

Signed as a correct record of the meeting.



Chairman

23/4/2015

Date



BUSINESS COMMITTEE REPORT TO THE FORUM

From the 4 March 2015 Business Committee meeting

At its 4 March 2015 meeting, the Business Committee was updated on measures being put in place to facilitate foreign ADIs being admitted by ASX Clear as clearing participants, ASX's investment plans for trading and post-trade services infrastructure over the next three to four years, and the implementation of a change to the daily batch settlement cut-off time and T+2 settlement cycle. The Business Committee was invited to provide feedback in relation to a proposal for phase 2 of corporate actions STP. The Business Committee was also provided regulatory updates on the implementation of account protections in accordance with the Financial Stability Standards, ASX Compliance's review of HIN sponsorship arrangements, and the transitional arrangements provided to participants in relation to the Guidance Note on Outsourcing and Offshoring. The Business Committee was also briefed on the management accounts for cash market clearing and settlement services for the half year ended 31 December 2014.

Key Recommendations

The Business Committee recommended that:

- phase 2 of corporate actions STP should deliver an end-to-end STP solution for five of the ten remaining corporate action types prior to the replacement of CHES. STP for the five identified corporate action types should be implemented at the same time;
- an STP feedback loop for the corporate actions delivered in Phase 1 and 2 should be considered in the project to replace CHES; and
- implementation of an 11.30am batch settlement cut-off should occur together with the implementation of a T+2 settlement cycle in March 2016.

Key Issues Discussed

- The potential for participants to realise capital efficiencies as a result of changes to facilitate the admission of foreign ADIs as clearing participants by providing the ability for foreign ADIs to seek an exemption from ASX Clear's risk based capital requirements or the NTA requirements.
- The recent consultation undertaken with industry in relation to a suggestion that the change to an 11.30am batch settlement cut-off should be implemented ahead of a T+2 settlement cycle. There was not strong industry support for this proposal on the basis of the expected duplication of project resources, system changes and testing.
- ASX and industry preparedness for the CHES changes scheduled to go-live on 4 May 2015 to implement the enhanced account protections required under the Financial Stability Standards.
- The benefit to participants of delivering STP solutions for the remaining corporate actions.

Agreed Actions

1. ASX to assist participants in their discussions with APRA on any regulatory impediments to them becoming members of ASX Clear.
2. ASX to provide an indicative timetable for Phase 2 of the corporate actions STP project and the lessons learned from Phase 1 at the next meeting.
3. ASX to update the Committee on the FSS changes and the implications for intra-day cash market margining at the next meeting.