



BUSINESS COMMITTEE REPORT TO THE BOARDS OF ASX CLEAR AND ASX SETTLEMENT

BUSINESS COMMITTEE MEETING

At its 1 December 2016 meeting, the Business Committee was updated on:

- market activity and settlement performance in the past quarter and actions being pursued following the September 2016 ASX Trade outage to enhance processes and communication with the market in the event of similar events in the future;
- the CHES replacement project including upcoming stakeholder engagement e.g industry workshops and a reconvening of the Technical Committee to develop global messaging standards (ISO 20022) to replace CHES messages; and
- ASX consultation on proposed changes to minimum core capital requirements; methodology changes for collateral haircuts; and ETO margin enhancements.

KEY RECOMMENDATIONS

There were no recommendations arising from the meeting.

KEY ISSUES DISCUSSED

- CHES replacement project – it was noted that the consultation process has only just begun and there would be plenty of opportunities for key industry stakeholders to provide input on functional and non-functional business requirements for the CHES replacement project over the next 12 months.

Members of the Business Committee expressed strong views that the Committee should be the key forum for delivering industry input to the process and that this would require frequent and active engagement (including the allocation of sufficient time at future meetings) to debate and provide recommendations the relevant ASX Boards on the scope and priorities of the project.

They also stressed that participants wanted clear 'Day 1' enhancements to existing functionality to deliver upfront efficiency and cost reductions as part of CHES replacement in areas such as corporate actions and transfers and conversions.

- Two members questioned whether the wording of the updated Code of Practice, particularly the concept of "users" of the facilities was consistent with the wording in the Council of Financial Regulator's Regulatory Expectations. If it was not, it should be made consistent.

The view was expressed that the interests of the users represented by the Business Committee should be given the highest priority by ASX.

AGREED ACTIONS

1. Material matters raised at CHES replacement project industry workshops and the Minutes of the Technical Committee are reported to the Business Committee.



2. A more detailed 2017 forward work program would be presented to the next Business Committee meeting and, as part of that, the scope to hold additional (or extended) Business Committee meetings at points that are aligned with key CHES replacement project milestones would be identified. This would include the flexibility, if appropriate, to focus the agendas of particular meetings entirely to CHES replacement.
3. The next Business Committee meeting to be extended to allow for an open exchange of views on the overarching vision for the replacement of CHES and to also consider a revised Business Committee Charter.
4. ASX would also examine the feasibility of bringing forward the next Business Committee meeting.
5. ASX to look at Hong Kong and other markets for examples of other engagement mechanisms for eliciting user input to the CHES replacement project. This would include, considering the use of the Hong Kong template to seek additional feedback from Business Committee members.
6. ASX to review the wording of the updated Code of Practice to reaffirm that it is aligned with CFR's Regulatory Expectations and to set out who are the other relevant stakeholders referenced in that document.

Minutes from the meeting are attached.