



MINUTES

BUSINESS COMMITTEE MEETING

Date	Time	Location
Wednesday, 17 February 2016	12.00pm – 1.58pm	ASX Offices – Level 1, 20 Bridge Street, Sydney

Agenda Item	
1.	Introduction Ms Blythe Masters, CEO of Digital Asset Holdings is the invited lunch guest – informal Q&A session
2.	Service Performance <ul style="list-style-type: none">a) Operating Performance Reportb) November 2015 trade rejection review
3.	Management Accounts for Cash Market Clearing & Settlement
4.	Business Matters <ul style="list-style-type: none">a) Update on T+2 implementationb) Roadmap for post-trade service infrastructurec) Review of Trade Acceptance Service Legal Terms
5.	Regulatory Updates <ul style="list-style-type: none">a) Council of Financial Regulatorsb) Liquidity Management and Capital Assessment
6.	Administration <ul style="list-style-type: none">a) Forward work program updatedb) Minutes from the 26 November 2015 meetingc) 2016 Forum and Business Committee meeting datesd) Other matters

NEXT MEETING: Wednesday, 15 June 2016, commencing at 12:00pm.



Members		
Company	Name	Job Title
ABN AMRO Clearing	Mr Sean Lawrence	Managing Director
ANZ	Mr Andrew Koudrin (as delegate for Peter Mullin)	Head of Execution, Middle Office & Assurance
ASX	Mr Peter Hiom	Business Committee Chair Deputy CEO, ASX
Bank of America Merrill Lynch	Mr Anatoly Kirievsky	Head of Compliance
BNP Paribas	Mr Mark Wootton (as delegate for David Braga)	Acting Head of Clearing & Custody Services
Chi-X Australia	Mr Mike Aikins	Chief Operating Officer
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 John Clifton (as delegate for Mr Andrew Farran)	Vice President Operations
Deutsche Bank AG	Mr Russell Deal	Chief Operating Officer
Goldman Sachs	Ms Yen Le (as delegate for Jeremy Follett)	Executive Director
HSBC	Mr Greg Wilkin (as delegate for Andrew Bastow)	Senior Manager - Service Delivery Direct Custody and Clearing HSBC Bank Australia.
J.P. Morgan	Mr Suneet Jain	Sales Business Manager, Markets & Investor Services
Macquarie Group	Mr James Indge	Cash Equities Business Manager
Morgans	Ms Sue Gye (as delegate for Peter Chisholm)	Manager Operations
Morgan Stanley	Mr Craig McGuire	Head of Operations
NSX	Mr Emlyn Scott	Chief Executive Officer
Pershing Securities	Mr Paul LeRoy (as delegate for Rob Forbes)	Chief Operating Officer
Stockbrokers Association of Australia	Mr Andrew Green	Chief Executive Officer
Sydney Stock Exchange Limited	Mr David Lawrence	Chief Operating Officer & Company Secretary
UBS	Mr Conor Foley	Chief Operating Officer



Apologies		
Company	Name	Job Title
Bell Potter Securities	Mr Dean Surkitt	Managing Director Retail
National Australia Bank	Mr Nathan Walsh	General Manager, Self-Directed Wealth Products & Markets
Patersons Securities	Ms Jane Irwin	Chief Executive Officer

ASX Management	
Name	Job Title
Ms Amanda Harkness	Group General Counsel & Company Secretary
Mr Tim Hogben	Group Executive, Operations
Ms Eloise Wett	Executive General Manager, Customer Experience
Mr Cliff Richards	General Manager, Equity Post Trade Services
Mr Stephen Hammon	General Manager, Finance
Mr Rodd Kingham	Senior Manager, Equity Post Trade Services
Mr Michael Bradwell	Senior Legal Counsel
Ms Diane Lewis	Senior Manager, Regulatory and Public Policy
Mr Colm Grace	Senior Manager Clearing Risk Policy (Item 5(b))

AGENDA ITEM 1: LUNCH AND INFORMAL DISCUSSION

The Committee held an informal discussion over lunch with guest Blythe Masters CEO of Digital Asset Holdings.

At the conclusion of lunch and the informal discussion, the Chair commenced the formal part of the meeting by welcoming Committee Members and delegates.

The Chair formally opened the meeting at 1.00pm. Attendance for part of the meeting is noted in the attendees section.

AGENDA ITEM 2: SERVICE PERFORMANCE

a. Operating Performance Report

The Group Executive, Operations spoke to the agenda paper, noting that:

- CHES and TAS availability for the December quarter and up to the date of meeting has been 100%
- Total trades accepted was relatively flat. Slight increase in volume but reduction in value.
- NSX through the settlement service had an approximate 8% uplift in settlements and a slight increase in value
- Novating about 70% of all market activity (balance trade reports/crossings); netting consistent with previous reporting periods with 98% volume and 62% value netted down



- There were 6 settlement cut-off extensions in the previous quarter – 5 for 15 minutes and 1 for 60 minutes to accommodate Credit Suisse transfer of post trade administration to HSBC
- Cash market margining – one participant failed to meet the 10.30am cut-off due to technical reasons. Referral subsequently made to ASX Compliance.
- Since go-live (23 November) there have been no issues with Chi-X's warrants business through the clearing and settlement service
- Settlement fail rates up slightly (mainly due to stock lending challenges with Credit Suisse/HSBC transition) but number of settlements increased; fail rate still well below 1%

There were no questions on the metrics in the report.

The Group Executive, Operations noted the volatility in financial markets in early January and that ASX has looked at impact it had on the post trade environment. Any margin called by ASX had been met.

The Group Executive, Operations reported that in March ASX will be releasing guidance about the situations in which ASX will open and close the market intra-day and after such a closure will issue information about how ASX got to that decision.

The Group Executive, Operations also reported that ASX will be seeking input from members in March via a Consultation Paper regarding the determination of "non-settlement days" by ASX and whether it is still appropriate to determine "non-settlement days" on days when Victoria or NSW have a public holiday. A Member queried whether the starting point was that non-settlement days would no longer be determined if trading occurred on those days. ASX agreed this was the starting point but was open to rationale arguing for maintaining the current policy.

The Group Executive, Operations also reported that ASX is seeking feedback from Members on conditional corporate actions in the takeover process that would incentivise accepting into the bid.

b. November 2015 trade rejection review

The Group Executive, Operations spoke to the agenda paper and noted some of the factors that gave rise to the trade rejection issue. It was also reported that all of the agreed actions determined following the internal review had been implemented.

There were no questions or comments from Members on this item.

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

The General Manager, Finance spoke to the paper.

The Chair noted that it was ASX's intention to reduce clearing fees charged by ASX by 10% from 1 July 2016.

There were no questions or comments on this item.



AGENDA ITEM 4: BUSINESS MATTERS

a. Update on T+2 implementation

ASX's Senior Manager, Equity Post Trade Services reported that the purpose of this item was to provide an update to the Committee on the implementation of T+2 settlement and seek endorsement of ASX's recommendation to proceed to T+2 go-live, noting that:

- Regulatory clearance of ASX T+2 rule amendments has been obtained.
- All development and end to end testing is complete within ASX.
- ASX internal risk reviews are complete.
- Implementation plan has been finalised and is ready to be communicated.
- Market Implementation Group webinar is being held on 18 February 2016 to confirm implementation.
- A rollback plan is in place to go to the backup weekend if required on the implementation weekend.
- Implementation by ASX will begin on the morning of Saturday 5 March 2016. 3pm on Saturday 5 March 2016 is the expected latest time that ASX would confirm going ahead.
- AFMA wholesale bond market is going ahead with T+2 on 7 March 2016.
- Market operators had confirmed their readiness for T+2.
- 100% of vendors and brokers had attested to their operational and technical readiness for T+2.
- Met recently with ASIC and RBA and they had not expressed any concerns regarding go-live.

A Member queried whether NZX were ready to move to T+2. The Senior Manager, Equity Post Trade Services reported that NZX are on track for 7 March but are seeking attestations by 29 February 2016 and so have not confirmed go-live at this stage. In response to a question from a Member it was reported that ASX intended to proceed with transition to T+2 settlement on 7 March 2016 even if NZX did not proceed on that date. It was reported that NZX have indicated that if ASX were to defer transition they would also defer transition. A Member commented that they thought that for dual listed companies in Australia and New Zealand that there could be expected to be a significant increase in settlement fails if the settlement cycles did not transition at the same time. There was also a discussion regarding the limited time period between CHES batch settlement and the NZX second batch. It was agreed that ASX would find out what the latest time on the weekend prior to implementation NZX would announce if they were not going to proceed to T+2 so that ASX could notify participants if that were to occur. **[AGREED ACTION 1]**

The Chair thanked Members for their efforts in achieving the attestations.

The Members were queried as to whether anyone was not confident or comfortable about the decision to go-live on 7 March 2016 and no Members expressed any such concerns. On that basis it was reported that ASX would proceed with the next steps for implementation noting that a market notice was ready, website changes were ready, call centre resourcing had been updated and all the checkpoint calls will continue.

There were no further questions or comments from Members.

The Chair thanked Members and the Senior Manager, Equity Post Trade Services for their efforts on this initiative.



b. Roadmap for post-trade service infrastructure

The General Manager, Equity Post Trade Services spoke to the agenda item including reporting on ASX's objectives for the next 6 months. This includes building a multi-function team sourced mainly from subject matter experts within ASX to assist Digital Asset Holdings with matters unique to the Australian environment. It was noted that an agile approach to the software development would be used. The objectives of the next six months include exploring non-functional requirements such as security, scalability, privacy, redundancy and resilience of the technology. The second category of objectives is finding out whether it meets functional requirements. The third objective is stakeholder engagement.

The General Manager, Equity Post Trade Services also reported that there would be two streams to the work being undertaken, including making sure that the technology can clear and settle as well as CHES does. The second stream would be to see if the technology could do other things such as take through identity information. After the first six months if there are positive answers about meeting the requirements ASX would then go into a period of making a decision and a recommendation to its Board who would decide whether to endorse the decision to use the technology to replace CHES. The Chair noted that the timing of this last part would be some way off.

It was reported that ASX has engaged with the regulators and that ASX would be meeting with the regulators again in the week commencing 22 February 2016.

A Member queried when Members would be able to look at the technology. It was reported that this would be in 2-3 months' time.

A Member noted that for their budgetary purposes they would like to know by June 2017 if ASX was going to proceed with the use of distributed ledger technology in place of CHES. It was reported that ASX did not anticipate that it would have a full proposal on this until the end of FY2017.

The Chair advised that if Members had any further questions these should be directed to the General Manager, Equity Post Trade Services.

c. Review of Trade Acceptance Service Legal Terms

The meeting noted the agenda item.

AGENDA ITEM 5: REGULATORY UPDATES

a. Council of Financial Regulators

The Chair noted that ASX had no further information on this item at this time. A Member questioned what the timeframe was for the review. The Chair responded that this was not known. A Member questioned who the review was currently with. The Chair reported that it was with the Government.

b. Liquidity Management and Capital Assessment

The Chair introduced the Senior Manager, Clearing Risk Policy who spoke to the agenda item. The Senior Manager, Clearing Risk Policy reported that ASX was planning to issue a consultation paper by the end of the week in respect of a proposed guidance note on liquidity management and capital. The Senior



Manager, Clearing Risk Policy also reported on the specific objectives of the minimum liquidity requirement and keys to achieve those objectives. The Senior Manager, Clearing Risk Policy reported that:

- The guidance note would specify what is required, in relation to liquidity management, for compliance with ASX Clear Operating Rule 3.5.1.
- The aim of the guidance note is to strengthen controls to reduce the risk of default.
- There had been broad agreement of the proposal at the ASX Clear Risk Consultative Committee.
- There will be a 2 month consultation period in which ASX is seeking feedback and that once the guidance note had been issued (in Q3 2016) there would be a 6 month window in which to comply with it.

There were no questions or comments on this item.

AGENDA ITEM 6: ADMINISTRATION

a. Forward work program updated

The Chair spoke to the agenda item and requested that if Members had any topics that they wanted added to the program they should speak to the Senior Manager, Equity Post Trade Services.

b. Minutes from the 26 November 2015 meeting

The Chair noted the minutes from the 26 November 2015 meeting. As there were no comments, the Chair noted that the minutes were approved.

c. Proposed 2016 Forum and Business Committee meeting dates

The Chair spoke to the agenda paper.

There were no questions or comments on this item.

d. Other matters

There were no other matters.

The Chair thanked Andrew Green of Stockbrokers Association of Australia and Mike Aikins of Chi-X, for attending their first meeting.

NEXT MEETING

The next meeting will be held at 12pm on Wednesday, 15 June 2016.

As there was no further business discussed, the meeting closed at 1.58pm.

Signed as a correct record of the meeting.

A handwritten signature in black ink, appearing to be 'K. Green', written over a horizontal line.

Chairman

A handwritten date '7/3/16' in black ink, written over a horizontal line.

Date