



MINUTES

BUSINESS COMMITTEE MEETING

Date	Time	Location
Wednesday, 15 June 2016	12.13pm – 1.10pm	ASX Offices – Level 1, 20 Bridge Street, Sydney

Agenda Item	
1.	Lunch is served on arrival
2.	Service Performance a) Operating Performance Report
3.	Business Matters a) Update on T+2 implementation b) Roadmap for post-trade service infrastructure c) NTP progress update
4.	Regulatory Updates a) Cash equities clearing competition decision b) Minimum Core Capital requirement, Collateral Haircuts and ETO Initial Margins
5.	Administration a) Forward work program updated b) Minutes from the 17 February 2016 meeting c) Other matters

NEXT MEETING: Wednesday, 31 August 2016, commencing at 12:00pm.



Members		
Company	Name	Job Title
ABN AMRO Clearing	Adrian Rubin (as delegate for Sean Lawrence)	Chief Commercial Officer ASIA Pacific ABN AMRO Clearing
ASX	Mr Peter Hiom	Business Committee Chair Deputy CEO, ASX
Bank of America Merrill Lynch	Mr Rhys Cahill	Global Markets Chief Operating Officer
Bell Potter Securities	Mr Dean Surkitt	Managing Director Retail
BNP Paribas	Mr David Braga	Head of Security 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
Deutsche Bank AG	Mr Russell Deal	Chief Operating Officer
Goldman Sachs	Mr Jeremy Follett	Executive Director Operations
HSBC	Mr Peter Snodgrass (as delegate for Andrew Bastow)	Head of Direct Custody & Clearing, HSBC Securities Services
J.P. Morgan	Mr Suneet Jain	Sales Business Manager, Markets & Investor Services
Macquarie Group	Mr James Indge	Cash Equities Business Manager
Morgans	Mr Peter Chisholm	Chief Operating Officer
Morgan Stanley	Mr Craig McGuire	Head of Operations
National Australia Bank	Mr Nathan Walsh	General Manager, Self Directed Wealth Products & Markets
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
ANZ	Mr Peter Mullin	Managing Director, Pensions & Investments
Credit Suisse	Mr Andrew Farran	Chief Operating Officer
NSX	Mr Tom Price	Director
Patersons Securities	Ms Jane Irwin	Chief Operating Officer

ASX Management	
Name	Job Title
Ms Amanda Harkness	Group General Counsel & Company Secretary
Mr Tim Hogben	Group Executive, Operations
Mr Alan Bradwell	Chief Risk Officer
Mr Cliff Richards	General Manager, Equity Post Trade Services
Ms Diane Lewis	Senior Manager, Regulatory and Public Policy
Mr Richard Atkins	Senior Manager, Trade Execution Sales (Item 4(a))
Mr Rodd Kingham	Senior Manager, Equity Post Trade Services
Mr Michael Bradwell	Senior Legal Counsel

AGENDA ITEM 1: LUNCH

The Chair formally opened the meeting at 12.13pm.

AGENDA ITEM 2: SERVICE PERFORMANCE

a. Operating Performance Report

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

- CHES and Trade Acceptance Service system availability for the June 2016 quarter (to 31 May 2016) has been 100%



- In the March quarter (17 March) there was a delay in CHES start of day (6:00am) by 40 minutes due to the knock on impact of an overnight process failure in an upstream system. Customer CHES message queues were processed by 8:00am and there was no indication of an impact to settlement on that day. Fail rates were 0.25%.
- CHES availability for the March 2016 quarter was subsequently 99.92% which is different to the figure that had been reported at the previous meeting because of the timing of that meeting.
- For the June 2016 quarter (to 31 May 2016):
 - Total trades accepted through the clearing and settlement facility were in line with the March quarter for ASX; Chi-X was up about 9%; NSX number of settlements and value was down; there was some activity on SSX
 - Novation remains at 72%, with the balance of trades being crossings
 - Netting still very high, with approximately 2% of traded volume and 38% traded value going to settlement
 - Settlement fail rates remain low at an average of 0.22%
 - No settlement cut-off extensions were requested
 - Cash market margining averaging \$150m-160m a day in total
- There was an increase in business for the mFund service with 161 funds available across 48 fund managers (up from 36 fund managers in the previous quarter)

The Group Executive, Operations reported that 17 written submissions had been received in response to ASX's consultation on a proposal to cease declaring certain public holidays in NSW or Victoria as non-settlement days where trading continues on those days and noted that those submissions strongly supported the proposal. The Group Executive, Operations further reported that those submissions indicated that the system changes to accommodate the cessation would be manageable. It was reported that in accordance with the proposal, from 1 January 2017, Labour Day in Victoria, bank holiday in NSW, Labour Day in NSW and Melbourne Cup Day will now be settlement days.

The Group Executive, Operations reported that CHES Release 9 had been delayed and is now expected to be scheduled around 13 August 2016. The delay had resulted from uncertainty and extended consultation associated with FATCA, late feedback from participants regarding proposed mFund message changes and obtaining regulatory clearance to required rule changes. 6 weeks' notice of the release date will be provided.

AGENDA ITEM 3: BUSINESS MATTERS

a. Update on T+2 implementation

The Senior Manager, Equity Post Trade Services spoke to the agenda paper. The Senior Manager, Equity Post Trade Services expressed thanks to brokers, custodians and industry bodies for their support in the successful implementation of T+2 settlement and noted some of the benefits that had flowed including a reduction in risk, capital savings and operational changes. The Senior Manager, Equity Post Trade Services reported that around \$84m margin had been returned to participants or was not required.

The Senior Manager, Equity Post Trade Services requested that if Committee Members were aware of any issues for the market that had arisen from T+2 to contact him.



A Committee Member noted that ASX should be congratulated for its role in the implementation of T+2, noting that much of the 'heavy lifting' had been done by ASX.

b. Roadmap for post-trade service infrastructure

The General Manager, Equity Post Trade Services provided an indication of some of the work being done on the investigation of the possible use of distributed ledger technology (DLT) as a replacement for the existing CHES system including:

- Examination of the non-functional requirements of the system, which of about 20 categories includes 4 that have been identified as critical requirements, namely:
 - scalability – given the append only nature of DLT, does it get too big too fast
 - throughput capacity – needs to be able to handle volume of transactions
 - privacy – some aspects need to be completely private
 - security
- Identification of the core capabilities that DLT would need to be able to do, including replicate what CHES does today
- Looking at whether DLT would allow the ability to provide potential new services, for example, related to FATCA or anti money laundering.

The General Manager, Equity Post Trade Services reported that no 'show stoppers' had been identified from the work to-date. The General Manager, Equity Post Trade Services further reported that ASX is proposing an engagement framework with members of the Committee and other participants and will be seeking responses from participants and other stakeholders to gain their input and feedback.

The Chair and the General Manager, Equity Post Trade Services responded to questions from Members. The Chair noted that the timing of any decision by ASX to replace CHES is still some way off and that ASX has said that the decision is well into the end of next year before there is a landing on the technology to be used. The Chair noted that the expectation is that it will be beyond the end of next year before ASX has a platform to implement whether distributed ledger based or not. A Member noted that they would like a timeline for their own technology development.

c. NTP progress update

The Senior Manager, Trade Execution Sales provided an update on the new trading platform noting:

- The predicted go-live for derivatives is October/November 2016
- For equities, it is very early in the project, further work is required and go-live won't be before February 2017

The Senior Manager, Trade Execution Sales reported that for equities monthly updates are being issued about the project and that the next update will include a timeline for equities. A Member commented that awareness of the earliest time that go-live may occur is important to them. The Senior Manager, Trade Execution Sales confirmed that the timeline will be included in the next update. **[AGREED ACTION 1]**



AGENDA ITEM 4: REGULATORY UPDATES

a. Cash equities clearing competition decision

The Chair noted the 30 March 2016 announcement by the Government regarding competition in cash equities clearing. The Chair noted that ASX's platforms are being architected to allow for a competitor clearing house if a competitor were to arrive.

The Chair reported that amendments would be made to the Code of Practice as appropriate and necessary. The Chair noted that whether or not the Code of Practice changes substantially, ASX intends to continue with the Business Committee which has proved to be a very valuable source of feedback and a place to talk about issues.

The Chair enquired if Members had any questions or comments and there were none.

b. Minimum Core Capital requirement, Collateral Haircuts and ETO Initial Margins

The Chief Risk Officer spoke to the paper and explained the changes to minimum core capital proposed in the forthcoming consultation paper including the rationale behind the proposed changes to reflect the inherent risk profile of a participant. The Chief Risk Officer noted that although it is expected that the minimum core capital requirement of approximately 26 clearing participants will go up under the proposed changes, most of those participants will have existing capital to meet the new requirements. The Chief Risk Officer reported that ASX has spoken to the handful of participants who would have to increase their capital to meet the proposed requirements. The Chief Risk Officer responded to questions from Members about the proposed changes.

The Chief Risk Officer reported on the proposed collateral haircut setting changes and noted that the proposed tiered changes to replace the current flat rate will result in a lower amount of collateral that is required to be put up. The Chief Risk Officer noted that the proposed changes will go to a Board meeting in August 2016 and are hoped to be implemented in around September 2016. There were no questions on the changes.

The Chief Risk Officer reported in relation to the proposed spread, liquidity and concentration multiplier changes and noted that ASX is intending to take the proposal regarding liquidity and concentration risk multipliers to the risk consultative committees in detail. The Chief Risk Officer noted that ASX had engaged with participants on this and will continue this over the next few months. The Chief Risk Officer reported that he did not expect the changes to be implemented until January 2017 and that there will be further work undertaken by ASX including to make sure that from a customer's perspective there aren't any unforeseen circumstances and that the settings are right. The Chief Risk Officer agreed to provide further update at the next Business Committee meeting. **[AGREED ACTION 2]**

AGENDA ITEM 5: ADMINISTRATION

a. Forward work program updated

The Senior Manager, Equity Post Trade Services spoke to the paper and thanked Members for feedback on the forward work programme and noted that the main focus of the forward work programme is on DLT,



CHESS, infrastructure, competition and capital risk impacts. The Senior Manager, Equity Post Trade Services invited Members to nominate any topics that they wanted added to the forward work programme.

The Chair invited Members to inform the Senior Manager, Equity Post Trade Services if their organisation had any key technology change milestones that ASX needs to be aware of in planning any changes.

b. Minutes from the 17 February 2016 meeting

The minutes and the report to the Forum of the 17 February 2016 meeting were approved.

c. Other matters

There were no other matters.

NEXT MEETING

The next meeting will be held at 12pm on Wednesday, 31 August 2016.

As there was no further business discussed, the meeting closed at 1.10pm.

Signed as a correct record of the meeting.

A handwritten signature in blue ink, appearing to be 'Lee Han', written over a horizontal line.

Chairman

A handwritten date '5/7/16' in blue ink, written over a horizontal line.

Date

