



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

BUSINESS COMMITTEE MEETING

At its 2 March 2017 meeting, the Business Committee was updated on:

- market activity and settlement performance in during November 2016 to January 2017;
- the management accounts of ASX Clear and ASX Settlement for the six months to December 2016;
- the revised Business Committee charter and ASX code of Practice; and
- CHES replacement including the summary of responses received to ASX's consultation paper, the forward work plan for 2017, and members' vision for future clearing and settlement infrastructure.

BUSINESS COMMITTEE RECOMMENDATIONS TO THE ASX CLEARING AND SETTLEMENT BOARDS

The Committee requested that ASX Management present the following resolutions on proposed changes to the Business Committee Charter and Code of Practice to the ASX Clear and ASX Settlement Boards.

The Business Committee Charter

- That the Charter be amended so that if decisions or recommendations are tabled that the Chair seek a vote from Members in order to establish "broad consensus". The Chair's determination on "broad consensus" should be verbalised in the meeting and validated by Members.

The Code of Practice

- That the Code be amended to ensure changes in infrastructure continue to meet the needs of "Users" and not "market users".
- That the Code be amended to specifically address the obligations to "comply" and recognise that "the Board will take actions in accordance with recommendations made by the governance committees".
- That the Business Committee review the terms of reference for the Audit of ASX's compliance with the Code.
- That consistent language be used clearly defining "customers", "users", "Key Users" "end users".
- That after the Code is updated, the CHES replacement objectives be aligned, noting that CHES replacement sets as its highest priority to "meet the needs of Users".
- Business Committee members take the term "Users" of CHES and ASX Clear and ASX Settlement Facilities to be:
 - Clearing & Settlement Participants
 - Approved Market Operators
 - Clearing & settlement facilities



- Business Committee members take the term “other relevant stakeholders” to be
 - Service providers for Users, namely Vendors
 - Registries as Agents for Issuers
 - Payment Providers
- Business Committee members believe Investors are not “users” or “end users” in the same way as Market Participants because they do not have access to the CHES system.

KEY ISSUES DISCUSSED

- Code of Practice – Committee members requested that a formal vote of members be taken when the Chair is determining a ‘broad consensus’ of views on an issue.
- CHES replacement – the Committee discussed the document CHES Replacement - Public Consultation Feedback Summary. It was noted that the feedback:
 - confirmed an appetite for greater Day 1 system enhancements, support for ISO 20022 messaging, and acceptance of ASX examining DLT as a possible base technology;
 - Identified differences in views on the appropriate transitional arrangements for the move to global messaging standards, settlement period optionality, account structures, and priorities for future business enhancements.
- 2017 work plan for CHES replacement – the Committee was advised that ASX proposed establishing six working groups to further develop and prioritise detailed business requirements: Account Structures and Participant Models; Corporate Actions; Transfers, Conversions and Data Migrations; Settlement Enhancements; Data Storage Delivery and Related Reporting; and Non-functional Requirements.
- Vision for CHES replacement – the Committee indicated that they Members placed the highest priority on the system delivering significant cost (a 20 per cent reduction in ASX fees and participant’s operational costs) and operational risk reductions for participants and enhanced business opportunities. There was also strong support for the system representing global best practice with the scale and stability to accommodate future market growth.

AGREED ACTIONS

1. That the resolutions on proposed changes to the Business Committee Charter and Code of Practice, as tabled, be submitted to the Boards as recommendations of the Business Committee.
2. ASX will contact Business Committee members for nominations of suitably qualified representatives as part of the process of putting together the working groups. Invitations would also be extended to other relevant stakeholders.