

# Minutes

## Business Committee Meeting

---

<b>Date</b>	5 July 2018	<b>Time</b>	12:00pm – 2:00pm
<b>Location</b>	ASX Offices – Level 1, 20 Bridge Street, Sydney		

---

### 1. Service Performance

- a) Cash Market Clearing and Settlement - Operating Performance
- b) Market Events (verbal update)
  - Accidental Activation of Gas Fire Suppression System at ALC
  - Unibail-Rodamco (URW) acquisition of Westfield Corporation (WFD)

### 2. Regulatory Expectations

- a) Regulatory Expectations – External Audit

### 3. CHES Replacement Project

- a) CHES Replacement
- b) Corporate Action STP Phase 2 Update
- c) ISO 20022 Technical Committee Report and Minutes

### 4. Administration

- a) Minutes from the 28 March 2018 Business Committee Meeting
- b) Forward work program
- c) Other matters

### 5. Next Meeting - 19 September 2018

## Business Committee Members

Company	Name	Job Title	Apologies
ABN AMRO Clearing	Barry Parker	Chief Executive Officer	
ACSA	Rob Brown	Chief Executive Officer	
AFMA	Tracey Lyons (delegate)	Head of Policy	David Lynch
ANZ	Andrew Koudrin (delegate)	Head of Execution Assurance and Middle Office	Peter Mullin
ASX	Peter Hiom	Business Committee Chair, Deputy CEO	
Bank of America Merrill Lynch	Rhys Cahill	Global Markets COO	Rhys Cahill
Bell Potter Securities	Dean Surkitt	Managing Director Retail	By Phone
BNP Paribas	David Braga	Head of Securities Services	
Chi-X Australia	Mike Aikins	Chief Operating Officer	
Citi	Miles O'Connor	Director, Direct Custody & Clearing Securities & Funds Services	
CBA	Sheridan Thompson	Head of Strategic Development, CommSec	
Credit Suisse	Winston Loke	Australia Equities COO	By Phone
Deutsche Bank AG	Geoffrey Plaisted	Chief Operating Officer, Equities	Geoffrey Plaisted
Goldman Sachs	Yen Le	Executive Director	
HSBC	Conrad Tsang (delegate)	Head of Global Banking and Markets IT, Aust & NZ	Peter Snodgrass
J.P. Morgan	Jonathan Evans	Head of Custody and Markets Operations	
Macquarie Group	James Indge	Cash Equities Business Manager	James Indge
Morgans	Daniel Spokes (delegate)	Manager, Transactional Services & Settlement Systems	Peter Chisholm
Morgan Stanley	Craig McGuire	Head of Operations	
NAB	Greg Bowrey	General Manager, Self-Directed Wealth Products & Markets	
NSX	Ann Bowering	Managing Director	
Pershing Securities	Leigh Conder	Chief Operating Officer	
SAFAA	Andrew Green	Chief Executive Officer	Andrew Green
Sydney Stock Exchange	Peter Gan (delegate)	Company Secretary	Tony Sacre
UBS	Conor Foley	Chief Operating Officer	

## ASX Management

Name	Job Title
Hamish Treleaven	Chief Risk Officer
Eloise Wett	Executive General Manager, Operations
Cliff Richards	Executive General Manager, Equity Post Trade Services
Sally Palmer	Deputy General Counsel
Con Korkofigas	Senior Legal Counsel and Senior Manager
Karen Webb	Senior Manager, Equity Post Trade Services
Keith Purdie	Senior Manager, Equity Post Trade Services
Gary Hobourn	Senior Economic Analyst, Regulatory and Public Policy
Boronia Morison	Senior Policy Analyst, Regulatory and Public Policy
Adriarne Gatty	Equity Post Trade Analyst

## INTRODUCTION

The Chair welcomed members and delegates to the second meeting of the year. He noted that Geoffrey Plaisted (Deutsche Bank AG), James Indge (Macquarie Group), Andrew Green (SAFAA) and Rhys Cahill (BAML) were unable to attend and a few members had nominated delegates to attend on their behalf: Andrew Koudrin (ANZ); Conrad Tsang (HSBC), Peter Gan (SSX), Tracey Lyons (AFMA) and Daniel Spokes (Morgans).

Two members dialled in to the meeting: Dean Surkitt (Bell Potter Securities) and Winston Loke (Credit Suisse).

## AGENDA ITEM 1: SERVICE PERFORMANCE

### a) Operating Performance Report

The ASX Executive General Manager, Operations spoke to the June quarter performance report<sup>1</sup> noting that:

- Overall activity levels are in line with the previous quarter, average traded value sitting at \$6.3 billion, slightly down from \$6.5 billion but in the same range.
- The average monthly system availability was 100.00% for CHESS. The average monthly availability of CHESS has been 99.9% between November 2011 and May 2018.
- The value of CHESS holdings has ticked over the \$2 trillion mark for the first time since CHESS has been in place
- There were a small number of trade rejections on ASX, these were straightforward involving incorrect trade dates
- Fail rates also continued to be very low for the June quarter, at 0.21%.
- The mFund service continues to grow in terms of number of transactions (1500) and funds under management (\$653m).

### b) Market Events (verbal update)

The ASX Executive General Manager, Operations gave an overview of two market events and the learnings from these experiences. She thanked member for the efforts their firms and the broader participant community had made in responding to these incidents.

- Accidental Activation of Gas Fire Suppression System at ALC
  - On Monday 4 June, an accidental activation of the gas suppression system in the data centre at the ALC occurred. The loud sound and pressure wave resulted in some impact to customers' infrastructure and ASX OUCH gateways. Following an initial assessment of the information at hand, including the likely overall participation in the CSPA and taking into account some feedback from previous events, ASX took the decision that the equity market would close at the scheduled time.
  - In regards to the futures market, the day session closed at its scheduled time. To allow ASX and customers to further assess the status of infrastructure and recovery requirements, a decision was made to delay the opening of ASX24 until 10pm that evening.
  - Following feedback from customers, ASX are undertaking improvements to communication processes for similar events.
  - A member raised the issue of communication and transparency in ASX's decision-making, particularly in regard to the delay in opening of ASX24 and their need to respond to customer queries.
  - The ASX Executive General Manager, Operations indicated feedback from a range of sources was being taken into consideration to enable ASX to improve communications processes in the future.
- Unibail-Rodamco (URW) acquisition of Westfield Corporation (WFD)

---

<sup>1</sup> Up to 31 May 2018

- On 28 May 2018 Unibail advised the market that a French transaction tax would be payable on each purchase of the CDIs created out of the URW takeover. This had not previously been advised to the market or to Westfield security holders.
- The timing of disclosure of that information meant that some participants were not initially in a position to confirm that they could be in the market for the commencement of trading of the new securities.
- Through consultation, and in assessing its fair, orderly and transparent obligations, ASX received assurance from a sufficient number of participants that processes would be in place in time for the commencement of trading.
- Trading in the new securities on 31 May 2018 was orderly.
- Both ASX and ASIC have been looking at what could be done to reduce the risk of similar occurrences in the future – recognising that listed entities and their advisers have an obligation to ensure that they disclose all appropriate information in advance of a listing.
- A member noted ongoing uncertainty around the collection of the tax in the case of off-market trades including who is liable for the tax and practical questions around the timing of particular transactions (e.g. the applicable exchange rate). This may impact on the willingness of firms to process off-market trades in URW. The member indicated that they were seeking further guidance.
- Other members raised complexities and uncertainties with the practical application of the tax and indicated they were also engaging with the ATO to seek clarity on the application of the GST in these circumstances and were expecting answers in the near future.
- In relation to financial transaction tax, a member indicated that a European organisation had been in contact to seek clarity on reporting obligations of European firms for this European tax which demonstrated further confusion internationally.

## AGENDA ITEM 2: REGULATORY EXPECTATIONS

### Regulatory Expectations External Audit

The ASX Senior Economic Analyst, Regulatory and Public Policy, provided an update on the Regulatory Expectations External Audit as follows:

- The scope and Terms of Reference of the audit is the same as last year.
- This audit is used by the regulators as input into their assessment of whether ASX is compliant with the regulatory expectations.
- The audit report for financial year 2018 will commence shortly and a report is due within 90 days from the end of the financial year.
- Similar to last year, Business Committee members will be contacted by the auditors to provide feedback.
- A report will come back to this Committee.

Members had no comments or questions on this item.

## AGENDA ITEM 3: CHESS REPLACEMENT PROJECT

### a) CHESS Replacement

The Chair thanked members and their organisations for their participation during the consultation process to date. He noted that the process had been extremely intensive and appreciated the resources firms have allocated to this process.

The ASX Executive General Manager Equity Post-Trade Services updated members on the CHESS replacement process. The functional build, including creation of participants and securities, trade registration, core clearing and settlement services, is progressing with Digital Asset. This heavily focuses on what will be the first release into the customer development environment, which ASX aims to have available towards the back end of the first quarter calendar 2019.

Parallel to that development work, ASX continues to perform the functional gap analysis, as well as developing the ISO 20022 catalogue, updating the MyStandards usage guidelines, and providing sample XML for ISO 20022 messages constructed in an XML format. Sample documentation relevant to the functionality that will be going out in that first release was being developed. The documentation will be publically available through the ASX website.

He also noted the amount of work that is in progress in the infrastructure and security analysis space – including specification and design activities and related hardware commissioning. External consultants have been engaged to assist in the security design.

Analysis is also being undertaken in regard to the design of DLT nodes offered as a managed service by ASX.

The Digital Asset Modelling Language software developer kit (DAML SDK) has been made available by Digital Asset in a beta form.

A number of the Business Committee member firms and back office software vendors either have completed or are in the process of completing the NDA with Digital Asset and the licensing agreement such that they can get access to the DAML SDK.

He noted that ASX will be assisting participants by providing some hands-on training workshops. They will provide an overview of the digital asset platform.

A member then queried (regarding DAML SDK) whether a technology vendor or back-office solutions developer who is interested in developing a new product or service can be provided with access to the software development kit.

The ASX Executive General Manager Equity Post-Trade Services clarified that Digital Asset was managing this process and ASX's role has been to provide the current list of incumbent participants and vendors which will be prioritised for access to the software and attendance at any workshops. To the extent that others have an interest, it will be up to Digital Asset to manage this process.

ASX Senior Legal Counsel then provided an update on the off-market transfer business requirement which had been discussed at the last meeting. He indicated that a consultation paper in relation to the removal of the requirement for a registrable transfer document is going through final review and it should be released within the next week. A four-week consultation period on the consultation paper will be undertaken. In the absence of any new issues being identified through the consultation process, new arrangements could be in place by the end of the year.

He noted that a separate piece of work is also being undertaken in the space of holder protections, looking at issues with risks of identity fraud.

The ASX Executive General Manager Equity Post-Trade Services then provided an overview of the submissions received as follows:

- 38 responses have been received to date with a broad coverage across the industry: clearing and settlement participants, custodians, share registries, AMOs, vendors and associations.
- No additional business requirements were identified aside from some minor changes to those that were presented.
- Most of the day one features received broad support. Five of the new features for day one were not consistently supported. These were around the common investor number or the CIN; another one was around the bilateral transaction matching; settlement in foreign currencies; optional early settlement; and the transfer of cum entitlement balances.
- There has been a high level of interest in nodes including understanding the benefits of this method of connectivity and requests for more detail on taking a node as a managed service.
- There has been requests for clarification on the different connectivity options and their associated benefits and use cases. There are broadly two classes of connectivity option, one is to continue to send and receive messages, in an ISO 20022 not a CHES EIS format and that would be over a wire, the other is to take a node.

- Interest was also focused on data ownership and information security - for example, who are the technical owners of the data in the segregated data store, when will the structure of the segregated data store be published, retention policy on transactions and a node.
- There were questions on pricing of the different connectivity models.
- More detail was requested on interoperability, integration and the availability of historical data and a number of requests for details around the data API provision and usage.
- Feedback in many submissions that the implementation timeline was ambitious, particularly given the scope and information that has yet to be provided.
- A desire for earlier access to documentation and test environments and a longer period between release of documentation and the commencement of functional testing.

The Chair noted that ASX has identified some differences in priorities identified between previous and current submissions from the same organisation and that ASX would be contacting those organisations for clarity on the reasons for the shift in views.

Members queried the next steps regarding the five features that were not broadly supported. The ASX Executive General Manager Equity Post-Trade Services explained that a further detailed review will occur drawing on the detailed responses ASX had received.

The ASX Executive General Manager Equity Post-Trade Services also outlined the approach to the single cut-over weekend migration between CHESS and the new system that was put forward in the consultation and the rationale behind it. He noted that some respondents did not support this approach while others had questions on the migration tools.

He noted that working groups will convene, starting with large group sessions to answer the questions and provide additional information before deeper dives on particular issues with a smaller group of organisations. The first working group will focus on connectivity and integration should commence in September, with the second on implementation and transition to follow later.

He then thanked the participants for their efforts in replying to the consultation paper.

Prior to release of ASX's response to the consultation paper feedback, further consultation will occur with the Boards of ASX Clear and ASX Settlement and regulators, noting that the consultation responses have already been provided to the regulators.

#### **b) Corporate Action STP Phase 2 Update**

The ASX Senior Manager, Equity Post Trade Services provided an update on Phase 2 of the Corporate Actions STP enhancements project covering the scope, the delivery timeline and stakeholder engagement.

The scope covers: delivery of the STP solution for the remaining corporate actions that ASX currently supports, delivery of an STP capability through to data capture for all announced issuer capital changes and requests for quotation that are sought from ASX, expanded solutions to cover other product types like ETFs and mFund, renewal and delivery of specific enhancements that have been raised by the market for the phase one events, and the requirements that have come from the replacement of CHESS.

The timeline is for a two-year delivery period through to the second quarter of 2020 to target implementation of the project before CHESS replacement goes live. It is likely the project will be delivered in two phases, the first in mid-2019 and the second in 2020. Stakeholder engagement has commenced through the corporate actions working group for CHESS. A similar group is expected to be convened this quarter which may include more representation from issuers. There may be more formal consultation around the project in a public consultation document.

The ASX Senior Manager, Equity Post Trade Services thanked members for their support for this project and noted it continues to be a high priority for, and is well supported by many customers.

A member asked whether corporate actions data would be provided via the data API or a separate interface and if the service would be offered to non-ASX affiliated AMOs or direct to their issuers. It was confirmed that a different interface would be used for the distribution of corporate action information and that any service would be offered to AMOs.

#### **c) ISO 20022 Technical Committee Report and Minutes**

Members received reports from the April & May 2018 Technical Committee meetings.

The ASX Senior Manager, Equity Post Trade Services provided an update. There are now over 80 members from 32 organisations, indicating strong representation across the industry. Those members are very well engaged in the process and participate well in the conversations.

The April meeting was a step change in the way ISO 20022 implementation had been approached. Up to that point, the focus was on developing a message set based on the as is or production CHES message set and translating that into ISO 20022. In March that piece of work concluded.

From April, the work brought to the Committee will focus on adjusting that base message set to meet the scope requirements for the day one CHES replacement.

Members of the Committee have also been advised ASX is moving away from EIS naming conventions.

In the May meeting, the architect provided an overview of how ISO 20022 fits in with the connectivity options following the consultation paper release.

The June meeting covered the international engagement on the adoption of ISO 20022.

The next meeting in July will provide a preliminary overview of a browser-based portal that is intended to allow early testing of 20022 message formats, as well as a high level overview of the CHES replacement technical documentation.

#### **AGENDA ITEM 4: Administration**

##### **a) Minutes from the 28 March 2018 Business Committee Meeting**

The minutes of the 28 March 2018 meeting were approved without further change.

##### **b) Forward work program and BC Meeting dates for 2018**

The Chair noted that the forward work program focused on CHES replacement and the Corporate Actions Project but that it remained open to members to suggest any other agenda items.

##### **c) Other matters**

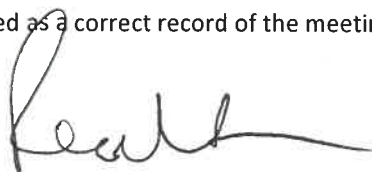
The Chair noted that ASX would have an exhibition stand at Sibos and would be organising some events during the conference. Members were encouraged to attend. It was noted that if members are hosting overseas visitors during that period and wished to organise meetings with ASX, they are encouraged to do so as soon as possible as scheduling will likely be tight.

#### **Next meeting**

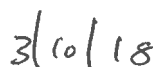
The next meeting is scheduled to be held on 19 September 2018.

The meeting closed at 1.30pm.

Signed as a correct record of the meeting.



Chairman



Date