

Business Committee Report to the Boards of ASX Clear and ASX Settlement

Business Committee Meeting

At its 30 January 2023 special meeting, the Business Committee was updated on a proposed draft Charter for a new industry forum, a CHES Replacement Technical Committee.

KEY ISSUES DISCUSSED

Key points from the discussion about the draft Charter circulated in advance of the meeting included:

- i. Mixed views on whether a smaller group would be more conducive to the purpose and role of the Committee, versus a larger group for greater inclusion.
- ii. Acknowledgement of the need to progress with pace to establish the forum, and in parallel refine the membership as needed going forward, with support for the suggestion to perform a review into the operation of the Technical Committee some months into its establishment.
- iii. Interest to understand the governance aspects of the Technical Committee, including the relationship to the Business Committee and the Boards of ASX Clear and ASX Settlement, as well as a broader interest in what other changes are being introduced with ASX's governance of the project.

AGREED ACTIONS

Three new actions were raised at the meeting:

1. ASX to provide an update regarding the process for recommendations from the Business Committee to the Boards of ASX Clear and ASX Settlement, including where a recommendation is not adopted.
2. ASX and members to review the Charter of the Business Committee in light of the new CHES Replacement Technical Committee and queries about the making of recommendations.
3. ASX to amend the draft Charter of the CHES Replacement Technical Committee to include that the forum will provide input on the scope of the CHES replacement project (i.e. whether the project would be a like-for-like replacement of CHES, or the scope could be changed so as to, for example, extend to additional functionality).

Minutes from the meeting are attached.



Agenda

Business Committee – Special Meeting

Date	30 January 2023	Time	1:30pm- 3:00pm
Location	Virtual (MS Teams)		

1. Welcome and housekeeping		1.30pm-1.40pm
2. CHESS Replacement Technical Committee – draft Charter		1.40pm- 2.55pm
a) Introduction		
b) Draft Charter		
c) Worked examples		
3. Other Matters		2.55pm- 3.00pm
a) AOB		
b) Next meeting – 22 March 2023		

Action Items*

*For historical action items please refer to archived minutes [here](#).

Item number#	Action	Due date	Status	Owner
2022 Apr (1)	ASX to consider forums in which non-cash equity conversations can be undertaken, including Austraclear and recent issues and challenges for market repo transactions	July 2022	Completed	ASX
2022 Oct (1)	ASX to amend the draft minutes from 13 July 2022 meeting to reflect the status of the 17 streams of CHES replacement work	Dec 2022	Completed	ASX
2022 Oct (2)	ASX to consider publishing a policy regarding treatment of ETO expiry on a closure day (e.g. late announced public holiday, core technology outage etc)	Dec 2022	Open	ASX
2022 Oct (3)	ASX to discuss with ASIC demands on the industry, in the context of the potential concurrency of consultation on ASIC Report 708 and CHES replacement	Dec 2022	Completed	ASX
2022 Oct (4)	ASX to review the wording in its Clearing and Settlement Fee Schedule describing the discount available	Dec 2022	Completed	ASX
2022 Dec (1)	Members to provide feedback on the structure, membership, frequency and material to be discussed at the new industry forum	Mar 2023	Open	ASX and BC Members
2022 Dec (2)	ASX to engage with members on the purpose and objectives of the CHES replacement project	Mar 2023	Open	ASX
2022 Dec (3)	ASX to provide any update from ACCC on whether the pricing review will be made public	Mar 2023	Open	ASX
2023 Jan (1)	ASX to provide an update regarding the process for recommendations from the Business Committee to the Boards of ASX Clear and ASX Settlement, including where a recommendation is not adopted.	Mar 2023	Open	ASX
2023 Jan (2)	ASX and members to review the Charter of the Business Committee in light of the new CHES Replacement Technical Committee and queries about the making of recommendations.	Mar 2023	Open	ASX and BC Members
2023 Jan (3)	ASX to amend the draft Charter of the CHES Replacement Technical Committee to include that the forum will provide input on the scope of the CHES replacement project (i.e. whether the project would be a like-for-like replacement of CHES, or the scope could be changed so as to, for example, extend to additional functionality).	Mar 2023	Open	ASX

Business Committee Members

Company	Name	Job Title	Apologies
ABN AMRO CLEARING	Adrian Rubin	Chief Executive Officer, APAC	
AFMA	Damian Jeffree	Senior Director of Policy	
ASX	Val Mathews	Business Committee Chair and Chief Operating Officer	
ASX	Jamie Crank	Acting Co-Group Executive, Markets and General Manager, Trading	
AIRA	Ian Matheson	Chief Executive Officer	
ACSA	David Travers	Chief Executive Officer	
ASA	Fiona Balzer	Policy & Advocacy Manager	
AUSIEX	Patrick Salis	Chief Executive Officer	
BANK OF AMERICA	Stephen Hacker	Director, Head of Operations	
BELL POTTER SECURITIES	Robert Tesoriero	Settlements Manager	Apology
BNP PARIBAS	Mark Wootton	Head of Custody Product Aust & NZ	
BOARDROOM	Martin Jones	General Manager Corporate Governance & Director	
CBOE	Mike Aikins	Chief Operating Officer, APAC	
CITI	*Andrew Gibson	Director – Head of Custody and Clearing Australia & NZ	Christopher Moore - Manager – Direct Custody & Clearing
CMC	Andrew Rogers	Director of Broking Business	
COMMSEC	Sheridan Thompson	Head of Industry Engagement & Process Improvement	
COMPUTERSHARE	Scott Hudson	General Manager – Market Liaison	
CREDIT SUISSE	Winston Loke	Australian Equities COO	
FINCLEAR SERVICES	David Ferrall	Founder, Managing Director & CEO	
GOLDMAN SACHS	Yen Le	Executive Director	
GIA	Megan Motto	Chief Executive Officer	
HSBC	Toni Icevski	Head of Client Services, Securities Services	Apology
J.P. MORGAN	Jonathan Evans	Head of Custody & Markets Operations	
LINK MARKET SERVICES	Peter Jackson	Chief Operating Officer	
MACQUARIE GROUP	James Indge	Cash Equities Business Manager	
MORGAN STANLEY	*Rebecca Collins	Head of Operations, Institutional Equities	Rebecca Hill, Chief Operating Officer
MORGANS	Daniel Spokes	Director, Client Support Services	
NAB	Anita Mead	Head of Business Management, Self- Directed Wealth	
NSX	Chan Arambewela	Chief Operating Officer	

SIAA	Judith Fox	Chief Executive Officer
SYDNEY STOCK EXCHANGE	Steven Larkins	General Manager, SSX Market Operations Apology
UBS	Scott Hanlon	Head of Operations, Executive Director

* Delegate

ASX Management

Name	Job Title	Apologies
Tim Hogben	Group Executive, Securities and Payments	
Hamish Treleaven	Chief Risk Officer	
Dan Chesterman	Group Executive, Technology and Data, and CIO	
Tim Whiteley	Project Director, CHES Replacement Project	
Sally Palmer	Deputy General Counsel	
Katie McDermott	General Manager, Business Design, CHES Replacement Project	
Diane Lewis	General Manager, Head of Regulatory Affairs	
Keith Purdie	Senior Manager, Equity Post Trade, Securities and Payments	
Con Korkofigas	Senior Legal Counsel and Senior Manager	

Observers

Name	Job Title	Apologies
Greg Yanco	Executive Director, Markets (ASIC)	
Nathan Bourne	Senior Executive Leader, Market Infrastructure (ASIC)	Apology
Dodie Green	Senior Manager, Market Infrastructure (ASIC)	
Andia Petropoulos	Senior Analyst, Market Infrastructure (ASIC)	
Kylie Stewart	Senior Manager, Financial Market Infrastructure, Domestic and Payments (RBA)	
Stephanie Bolt	Manager, Financial Market Infrastructure, Domestic and Payments (RBA)	Apology
Tatiana Moiseeva	Lead Analyst, Financial Market Infrastructure, Domestic and Payments (RBA)	

AGENDA ITEM 1: WELCOME AND HOUSEKEEPING

The Chair welcomed members and delegates to the special meeting, convened out of cycle. One recent membership change was noted; Adrian Rubin was welcomed as the member for ABN AMRO Clearing (replacing Barry Parker).

Robert Tesoriero (Bell Potter Securities), Toni Icevski (HSBC) and Steven Larkins (Sydney Stock Exchange) were apologies. Christopher Moore (Citi), was represented by a delegate, Andrew Gibson. Rebecca Hill (Morgan Stanley), was represented by a delegate, Rebecca Collins.

Attending as observers were ASIC representatives Greg Yanco, Dodie Green and Andia Petropoulos (Nathan Bourne was an apology), and RBA representatives Kylie Stewart and Tatiana Moiseeva (Stephanie Bolt was an apology).

The agenda and draft Charter were distributed to all members a few days in advance of the meeting.

The minutes and actions from the December 2022 meeting would be carried forward to the next meeting.

The Chair acknowledged feedback to date regarding the new industry forum, including:

- It was important that the forum provides a mechanism for more frequent and regular updates regarding the CHES replacement project, recognising that there can be a time lag with the standard quarterly schedule of Business Committee meetings.
- The need for greater visibility and transparency regarding the interaction between the Business Committee, stakeholder feedback and the ASX Boards.
- The need to keep the new forum right sized and having the right technical people, potentially reducing the number of members (relative to the Business Committee) so that that is a fast-moving and efficient forum.

AGENDA ITEM 2: CHES REPLACEMENT TECHNICAL COMMITTEE – DRAFT CHARTER

a) Introduction

The Chair provided background and context to ASX's suggestion that the new industry forum, the CHES Replacement Technical Committee, be a sub-committee of the Business Committee. The new Technical Committee was intended to supplement, not replace, existing engagement channels including re-establishing CHES replacement working groups at the appropriate time. Key points included:

- All aspects of the draft Charter were open for debate and discussion.
- ASX had engaged external legal counsel (King & Wood Mallesons) to provide input and review on setting out a framework.
- AFMA and SIAA provided constructive feedback and revision to an early version of the draft Charter.
- GIA had provided some feedback in advance regarding the size of the new forum and governance while noting the short timeframe between receiving the draft Charter and this meeting.
- ASX explained the relationship between the Business Committee and the CHES Replacement Technical Committee, and the pathway to the Boards of ASX Clear and ASX Settlement to give consideration to any material matters that are raised or any recommendations that come through from the Business Committee.
- ASX had given consideration to a number of options regarding the Chair of the CHES Replacement Technical Committee, and on balance recommended an ASX Chair of Tim Whiteley. Points for consideration included consistency with how ASX currently chairs the Business Committee, consistency with the previous ISO 2022 Technical Committee (also a sub-committee of the Business Committee, chaired by ASX), as well as to provide synergies with ASX providing secretarial services.

b) Draft Charter

The ASX Project Director, CHES Replacement Project stepped through each section of the draft Charter, and noted ASX's preference to move quickly in establishing the Technical Committee.

Member discussion:

Section 1 - Purpose

- An industry association member confirmed they were supportive of the intent and drafting of Section 1 (Purpose).
- Another industry association member questioned the broader purpose of this new industry forum and strengthening governance and accountability arrangements. Clarity around whether the new industry forum was a steering/governing group or an expert advisory technical group was key, noting their reading of Accenture's report that it needed to be a steering group. If the purpose of the group was an expert advisory technical group, the industry association member was comfortable with the drafting of Section 1 (Purpose). The Chair noted that they considered the CHES Replacement Technical Committee to address both governance and technical detail, and to allow for reporting up to the Business Committee and Boards of ASX Clear and ASX Settlement.
- Another industry association member confirmed they considered the CHES Replacement Technical Committee sufficiently addressed governance and technical detail, and the purpose was right.
- Regarding the relationship between the Technical Committee and the Business Committee, a participant member noted that it would be helpful to gain a better understanding of the process (from an impact, ongoing capability and governance perspective) when the Business Committee makes a recommendation to ASX's Boards and in an instance where ASX's Board does not accept the recommendation. The Chair confirmed ASX would provide greater clarity on this.
- An industry association member recommended a review of the Business Committee charter, specifically in relation to its role and queries about the making of recommendations.

Section 2 – Roles of the CHES Replacement Technical Committee

- A share registry member questioned the relationship between this new Committee and formal industry consultation, noting there was no decision making authority built into the role of the new Committee. The Chair confirmed that industry consultation would occur where consideration of wider input was necessary, given this new forum could not necessarily represent the views of the entire market.
- A participant member recommended an insertion to the draft Charter to address this forum providing input on the scope of the CHES replacement project (i.e. whether the project would be a like-for-like replacement of CHES, or the scope could be changed so as to, for example, extend to additional functionality). The ASX Project Director, CHES Replacement Project confirmed ASX would amend the draft Charter to reflect this feedback.

Section 3 – Membership

- An industry association member expressed concern at the size of the Technical Committee, recommending a purposely small solutions-oriented group and the Business Committee having (as it currently does) broader industry representation. The member suggested a stakeholder mapping exercise to identify key stakeholders and a rationalisation of members who represent the same segment of the market. Another industry association member believed the practical benefits of a smaller Committee was outweighed by concerns of exclusion, and supported the proposed membership structure in the Charter based on the importance of ensuring a broad range of impacted stakeholders have the ability to review, debate and provide input, as well as the benefit of members hearing perspectives from other impacted stakeholders to come to solutions that work for the market overall. A participant member added that it should not be assumed that the same types of participants would have the same views, and that it would be challenging to nominate one representative to adequately represent a shared

view of their cohort. The participant member also echoed concerns about being excluded from the Committee. The ASX Project Director, CHES Replacement Project noted there were challenges with both a smaller or larger Technical Committee and on balance ASX recommended the larger membership.

- There was general consensus that industry associations would attend the meetings as observers.
- Regarding the skill-set or type of representative for the Technical Committee, a share registry member noted difficulty in having one representative that is sufficiently technically-minded as well as bringing a governance perspective. They raised concerns that this could be detrimental to project governance. The ASX Project Director, CHES Replacement Project suggested an SME who can understand impacts and provide input regarding how things work in their business would be valued, rather than needing to be deeply technically minded. Also as noted previously the representative could change as the topics covered and project phase adjusted.
- The share registry member also asked if ASX was reviewing its own governance arrangements, noting concerns with past arrangements. The ASX Project Director, CHES Replacement Project confirmed that project governance was being re-shaped based on the current redesign phase of the project, and this would again change when the project moves into the implementation phase.

Section 7 – Chair of the CHES Replacement Technical Committee

- An industry association member questioned whether it was appropriate for ASX to Chair the Technical Committee from a governance and accountability perspective, and asked whether an independent Chair might be valuable to strengthen the governance arrangements and avoid any situation in which ASX might be perceived to be unduly influenced by one party over another. Another industry association member noted that given the new Technical Committee was charged with providing input, not decision making, this decreased any risk of perception of impartiality from an ASX Chair. The (Business Committee) Chair acknowledged it was a fine balance in appointing a Chair with sufficient depth of understanding to run the meetings.

Section 8 – Meetings of the CHES Replacement Technical Committee

- A market operator member noted that with a monthly cadence of meetings, it would be critical that members receive information (such as agendas, papers, minutes etc) in a timely fashion to facilitate their effective contribution.
- A share registry member asked when ASX proposed to convene the first meeting, noting there had been little time to consult within their own organisation. The Chair acknowledged this feedback and challenges in appropriately engaging with Business Committee members on the new industry forum and taking action that demonstrates its commitment to listening to that feedback, whilst moving forward with convening the forum. ASX hoped to convene the Technical Committee towards the end of February, noting this might not be in a finalised state and may require further refinement. A participant member was supportive of convening with speed, and fine-tuning over time.

The Chair acknowledged the feedback and discussion from members, and to move forward proposed to convene a first meeting of the Technical Committee in late February, on the basis of the membership structure proposed in the draft Charter, acknowledging that the structure may need adjustment as it evolved.

- An industry association member was supportive of progress over perfection, and suggested a review six months into the operation of the Technical Committee to ensure its effectiveness. Another industry association member and a participant also supported this approach.

c) Worked examples

The General Manager, Business Design, CHES Replacement Project stepped through an example – phasing the implementation of the CHES replacement solution – and the interplay between the CHES Replacement Technical Committee, Business Committee and ASX Boards.

Work at the Technical Committee level would include reviewing and discussing the implementation options to understand the risks of each option, how the risks could be mitigated, and different challenges for different segments of the market. The Chair of the Technical Committee will report the outcomes to the Business Committee, and where relevant, also to the Boards of ASX Clear and ASX Settlement when there is a need to provide a timely update (all things being equal, the Technical Committee is expected to meet monthly in contrast to the Business Committee meeting quarterly).

The Business Committee would be provided with a summary of the options and how the Technical Committee decide on a preferred option or recommendation. Business Committee members will have an opportunity to discuss the Technical Committee's input and recommendation, provide any additional advice as further input for consideration by ASX management and the Boards of ASX Clear and ASX Settlement, and provide feedback to the Technical Committee. The Business Committee can also then make a recommendation to ASX management and the Boards of ASX Clear and ASX Settlement.

The chair of the Business Committee will take a leadership role in facilitating discussions and forging a consensus among members on matters being considered by the Business Committee and report to and from, the Boards of ASX Clear and ASX Settlement in relation to a recommendation and any other matters raised by the Business Committee.

ASX management and the Boards of ASX Clear and ASX Settlement will consider the input provided from the Technical Committee and the Business Committee. Consideration will also be given to whether further input is required from the market and if the matter should form part of a formal consultation process.

ASX management and the Boards of ASX Clear and ASX Settlement will make a decision that is in the best interest of the market and provision of clearing and settlement infrastructure and services. ASX will also report back the decision and the reasons for the chosen outcome via the chair of the Business Committee and the chair of the Technical Committee.

AGENDA ITEM 3: OTHER MATTERS

a) Any other business


An industry association member asked whether ASX's full year results on 16 February was the impetus for scheduling a first meeting of the Technical Committee soon after. The Chair clarified the timing of the first meeting was to progress with the right level of engagement to support ASX's timeline for revisiting the solution design and seeking stakeholder input.

b) Next meeting – 22 March 2023

The next meeting is scheduled for 22 March 2023, from 12.00 to 2.00pm.

The meeting closed at 2.45 pm.

Signed as a correct record of the meeting.

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

24 March 2023

Chair

Date