

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

## Business Committee Meeting

At its 22 March 2023 meeting, the Business Committee was updated on:

- Governance matters including the Charters of the Business Committee and CHES Replacement Technical Committee, and the process for recommendations from the Business Committee to ASX Clear and ASX Settlement Boards;
- The operating performance of CHES for the March 2023 quarter (data to end February 2023), and work being done to support and maintain existing CHES;
- An update on all the activities currently being undertaken relating to CHES (e.g. assurance, regulatory expectations);
- An update and a discussion on T+1 settlement;
- The CHES replacement project, including Partnership Program and the CHES Replacement Technical Committee.

Owing to time constraints with a full agenda, an additional out-of-cycle meeting was scheduled for 6 April 2023 to facilitate further discussion on remaining CHES replacement project related agenda items and any other business.

### KEY ISSUES DISCUSSED

Key points from the discussion included:

- Stakeholder representation on the CHES Replacement Technical Committee, with requests for multiple attendees per an organisation to join the Committee;
- EY's assurance role across various elements of ASX's CHES Action Program;
- Understanding key risks associated with supporting and maintaining current CHES;
- Interest and further information sought on the CHES Replacement Partnership Program.

### AGREED ACTIONS

Four new actions were raised at the meeting:

1. ASX to survey members regarding T+1 settlement, with members to respond as requested, prior to the July meeting
2. ASX to communicate to eligible entities in mid to late April regarding details of the CHES Replacement Partnership Program
3. ASX to confirm details of consultation across the industry prior to the announcement of the CHES Replacement Partnership Program
4. ASX to review commentary from its FY23 half-year results investor briefing regarding the CHES Replacement Partnership Program to clarify ASX's position on whether ASX expects to pay out the full \$70 million.

Minutes from the meeting are attached.

# Agenda

## Business Committee

<b>Date</b>	22 March 2023	<b>Time</b>	12:00pm- 2:00pm
<b>Location</b>	ASX offices – Level 1, 20 Bridge Street, Sydney/MS Teams		

<b>1. Minutes and Actions</b>	12:00pm- 12:10pm
<ul style="list-style-type: none"> <li>a) Minutes from the 7 December 2022 and 30 January 2023 Business Committee Meetings</li> <li>b) Open actions</li> </ul>	
<b>2. Governance</b>	12:10pm- 12:25pm
<ul style="list-style-type: none"> <li>a) Business Committee Charter</li> <li>b) CHES Replacement Technical Committee draft Charter</li> <li>c) Process for recommendations from Business Committee to ASX Clear and ASX Settlement Boards</li> </ul>	
<b>3. Service Performance</b>	12:25pm- 12:35pm
<ul style="list-style-type: none"> <li>a) Cash Market Clearing and Settlement - Operating Performance</li> </ul>	
<b>4. Update on ASX's holistic management of all CHES related items</b>	12:35pm- 12:45pm
<b>5. Maintaining the stability of existing CHES</b>	12:45pm-12:55pm
<b>6. Current CHES priorities</b>	12:55pm-1:15pm
<b>7. T+1 settlement</b>	1:15pm-1:25pm
<b>8. CHES Replacement</b>	1:25pm- 1:55pm
<ul style="list-style-type: none"> <li>a) Project update including Partnership Program</li> <li>b) Update from CHES Replacement Technical Committee</li> </ul>	
<b>9. Other Matters</b>	1:55pm- 2:00pm
<ul style="list-style-type: none"> <li>a) Forward work program</li> <li>b) AOB</li> <li>c) Next meeting – 19 July 2023</li> </ul>	

## Action Items\*

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

Item number#	Action	Due date	Status	Owner
22-10-2	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)	Mar 2023	Completed	ASX
22-12-1	Members to provide feedback on the structure, membership, frequency and material to be discussed at the new industry forum	Jul 2023	Open - to occur as part of the review of the forum six months post its commencement (for discussion at July 2023 meeting)	ASX and BC Members
22-12-2	ASX to engage with members on the purpose and objectives of the CHES replacement project	July 2023	Open	ASX
22-12-3	ASX to provide any update from ACCC on whether the pricing review will be made public	Mar 2023	Completed	ASX
23-1-1	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	Completed	ASX
23-1-2	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	Completed	ASX and BC Members
23-1-3	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	Completed	ASX
23-3-1	ASX to survey members regarding T+1 settlement, with members to respond as requested, prior to the July meeting	July 2023	Open	ASX and BC Members
23-3-2	ASX to communicate to eligible entities in mid to late April regarding details of the CHES Replacement Partnership Program	April 2023	Open	ASX
23-3-3	ASX to confirm details of consultation across the industry prior to the announcement of the CHES Replacement Partnership Program	July 2023	Open	ASX
23-3-4	ASX to review commentary from its FY23 half-year results investor briefing regarding the CHES Replacement Partnership Program to clarify ASX's position on whether ASX expects to pay out the full \$70 million	July 2023	Open	ASX

## Business Committee Members

Company	Name	Job Title	Apologies
ABN AMRO CLEARING	*Matthew McMahon	Head of Operations	Adrian Rubin, CEO APAC
AFMA	Damian Jeffree	Senior Director of Policy	
ASX	Val Mathews	Business Committee Chair and Chief Customer and Operating Officer	
ASX	Jamie Crank	General Manager, Trading, Markets	
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	
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	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	*Carrie Barrack	Country Business Manager, Investment Banking Operations Office	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	
UBS	Conor Foley	Senior Business Manager	

\* 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, Regulatory Strategy and Executive Advisor	
Andrew Jones	General Manager, Issuer Services, Securities and Payments	
Suzy Munro	General Manager, Securities and Payments Operations	
Sabra Mott	General Manager, Securities and Payments Technology	
Nick Wiley	General Manager, Equity Post Trade and Payments	
Karen Webb	Senior Manager, Issuer Services, Securities and Payments	
Keith Purdie	Senior Manager, Equity Post Trade, Securities and Payments	Apology
Con Korkofigas	Senior Manager and Senior Legal Counsel	

## Ernst & Young

Name	Job Title	Apologies
Roberto Fitzgerald	Partner, Financial Services	
Mike Orman	Partner, APAC FS Technology Leader	

## Observers

Name	Job Title	Apologies
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)	Apology
Tatiana Moiseeva	Lead Analyst, Financial Market Infrastructure, Domestic and Payments (RBA)	
Elizabeth Kandelas	Manager, Financial Market Infrastructure, Domestic and Payments (RBA)	
Gordana Bloom	Senior Analyst, Financial Market Infrastructure, Domestic and Payments (RBA)	Apology

## AGENDA ITEM 1: MINUTES AND ACTIONS

The Chair welcomed members and delegates to the meeting and noted one recent membership change; Conor Foley was welcomed back as the member for UBS (replacing Scott Hanlon).

Toni Icevski (HSBC) was an apology. Adrian Rubin (ABN Amro Clearing) was represented by a delegate, Matthew McMahon. Rebecca Hill (Morgan Stanley) was represented by a delegate, Carrie Barrack.

Roberto Fitzgerald and Mike Orman from Ernst & Young (EY) attended the meeting as guests.

Attending as observers were ASIC representatives Dodie Green and Andia Petropoulos, and RBA representatives Tatiana Moiseeva and Elizabeth Kandelas.

The agenda and papers were distributed to all members in advance of the meeting.

### a) Minutes from the 7 December 2022 and 30 January 2023 Business Committee meetings

The Chair noted that ASX received no comments on the draft minutes circulated on 17 January and 15 February 2023 respectively. The minutes of the 7 December 2022 and 30 January 2023 meetings were approved without any further changes.

### b) Open actions

With regard to the seven open actions, the following updates were provided:

- **Action:** 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).

The ASX Markets member noted ASX had been engaging with customers for their feedback, undertaking an international comparison and examining the technical capabilities of the existing platform across two scenarios – a disruption prior to the expiry day (e.g. a late notification of a public holiday) and an ASX technology disruption on the expiry day. For the first scenario, the ETO expiry day will be pushed back by one business day, or to a day where the market will next be open. This will be communicated via ASX's system status webpage as soon as the public holiday has been announced and a decision has been made, and also via a formal ASX market notice as soon as the decision has been confirmed. For the second scenario (a full market outage, where the ASX options market and the underlying equity market cannot be reopened), options will subsequently be expired on that trading day, with the daily settlement price being set at the price of the underlying stock. This is a change to ASX's previously published policy ([February 2013](#)), and ASX would formally publish the new policy over the next 6-8 weeks. The action was closed.

- **Action:** Members to provide feedback on the structure, membership, frequency and material to be discussed at the new industry forum (i.e. new Technical Committee).

Discussed as part of agenda item 2b. The action remains open given feedback at the meeting regarding the need for sufficient governance and elevation of status and risks.

- **Action:** ASX to engage with members on the purpose and objectives of the CHES replacement project.

Discussed as part of agenda item 8a. Based on member feedback received subsequent to the meeting, the action will remain open for a further update at the next meeting.

- **Action:** ASX to provide any update from ACCC on whether the pricing review will be made public.

The ASX Group Executive, Securities and Payments noted that while the ACCC hasn't formally taken a decision on whether it will publish a document for the purpose of its consultation with ASX Clear and ASX Settlement customers, it is common practice for statutory ACCC pricing assessments to be published. The quantitative part of the pricing assessment is currently on pause while the CHES replacement solution redesign process is underway. ACCC's review would likely capture clearing, settlement and issuer services pricing. The action was closed.

- **Action:** 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.

Discussed as part of agenda item 2c. The action was closed.

- **Action:** 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.

Discussed as part of agenda item 2a. The action was closed.

- **Action:** 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).

The Chair noted ASX had distributed an updated draft Charter on 15 February 2023 to include a reference to scope in two sections. Discussed as part of agenda item 2b. The action was closed.

## AGENDA ITEM 2: GOVERNANCE

### a) Business Committee Charter

The Chair sought member feedback on making changes to the Business Committee Charter.

#### Member discussion:

Members did not suggest any changes.

### b) CHES Replacement Technical Committee draft Charter

The ASX Project Director, CHES Replacement Project noted a number of membership requests beyond what was currently contemplated in the draft Charter:

- AusPayNet to join as an observer industry association representing payment providers
- Automic to join as a share registry member
- SWIFT request to join as a third party software vendor member
- A number of clearing and settlement participants (and AMOs) had requested additional members to attend to represent a different part of their business for example, a wealth versus an institutional business

The demand for access to information was noted, while needing to balance running an effective forum. The ASX Project Director, CHES Replacement Project advised that Focus Groups would be used to facilitate more detailed discussions about specific topics (such as scope) with impacted stakeholders.

**Member discussion:**

Members did not suggest any further drafting changes to the Charter.

Specific topics discussed, and will be reviewed in June were:

- A member expressed concern that the formation of the CHES Replacement Technical Committee at this point in time, with the composition and size of membership did not mitigate against governance failings from the previous project. The Chair noted that it was agreed to initiate the CHES Replacement Technical Committee to ensure sufficient traction and highlighted that a review into the Technical Committee would be conducted around six months into its operation as previously agreed (in addition to any intermittent pulse surveys to consider any immediate improvements). The member undertook to contact ASX directly regarding their specific concerns.
- Several members noted the difficulty of finding one representative from their organisation, and requested additional attendees per a parent organisation in the spirit of achieving the best outcomes and being informed (noting it could be limited to one attendee in person, others virtual only). The importance of multiple members from within one organisation having access to meeting materials on a timely basis (such as presentations and minutes) was also noted by multiple members. The ASX Project Director, CHES Replacement Project confirmed they were supportive of this model, and ASX would review the effectiveness of the Technical Committee as agreed in six months.
- A member noted the importance of members committing to active participation, especially if the Technical Committee continues to grow in size, to avoid the risk of it becoming a reporting committee.
- A member asked what the practical level of interaction had been at the first two Technical Committee meetings. The ASX Project Director, CHES Replacement Project advised there had been a reasonable level of participation, including additional member input on two areas ASX had sought feedback on (scope and implementation planning).
- Feedback on the committee had been received via ASX's short 'pulse survey' of Technical Committee members and industry association observers, with positive feedback around the value of the content being shared. Other feedback from the pulse survey included that the Technical Committee is too large, others who wanted additional representation on the Technical Committee, as well as requests for meeting materials to be shared further in advance of the meeting. The ASX Project Director, CHES Replacement Project acknowledged the feedback and confirmed ASX will endeavour to provide more time for members to review material prior to the meeting. ASX intended to begin sharing meeting materials further in advance of meetings once topics had been introduced.
- A member raised concern that a governance oversight/accountability piece was missing from the Technical Committee and Business Committee in their current operation (acknowledging the demand for the information sharing and consultation components, which was currently in operation). The member suggested this would include assessment of major risks, how they are being mitigated, discussion around controls, discussion around whether the project is on time and whether the right stakeholders are being consulted. The member noted that they perceive this as an important element that is currently missing for the project. The ASX Project Director, CHES Replacement Project noted the difficulty of accountability for project delivery moving outside of ASX, and spoke to practical examples of how the Technical Committee would be used to elicit input from members. The Chair added that the monthly cadence of Technical Committee meetings was designed to provide high visibility of project status and risks.
- A member suggested a new category of participation in the Technical Committee whereby they receive the meeting minutes only (i.e. doesn't participate in the meetings but the minutes are shared for visibility).

**c) Process for recommendations from Business Committee to ASX Clear and ASX Settlement Boards**



The Chair outlined the context and process for the Business Committee to make recommendations to the Boards of ASX Clear and ASX Settlement.

**Member discussion:**

Referring to the process diagram and key ASX groups or committees, a member asked what had changed from the previous CHES replacement project. The Chair noted the new industry forum, the CHES Replacement Technical Committee, had been established, as well as the CHES Action Program Strategic Guidance Group, but that the process for recommendations from the Business Committee to the Boards was unchanged. The ASX Project Director, CHES Replacement Project added that the membership and charters of all project related internal committees had been reviewed as part of the new CHES replacement project.

A member noted the timing difference between the frequency of the Technical Committee and Business Committee meetings (monthly versus quarterly), and questioned whether the Business Committee needed the ability to meet more frequently to facilitate this process of recommendations. The Chair confirmed that Business Committee meetings would be convened out-of-cycle as needed.

### **AGENDA ITEM 3: SERVICE PERFORMANCE**

#### **a) Cash Market Clearing and Settlement – Operating Performance**

Referring to the paper distributed in advance, the ASX General Manager, Securities and Payments Operations provided an update on the operating performance of the cash market clearing and settlement services since the Committee last met (December 2022 to February 2023).

**Member discussion:**

Members did not raise any questions in respect of the update.

### **AGENDA ITEM 4: UPDATE ON ASX'S HOLISTIC MANAGEMENT OF ALL CHES RELATED ITEMS**

Referring to the paper and presentation materials distributed in advance, the ASX Chief Risk Officer provided an update on regulatory response work related to CHES and CHES replacement, the related assurance work being done, and when members would see related outputs. ASX had established projects to deal with each of the workstreams, and established an overarching governance body, the CHES Action Program Strategic Guidance Group. The workstreams include: RBA letter and CHES/FSS items; Current CHES operational resilience; Accenture report recommendations and Special Report; Customer/Stakeholder engagement; Solution Reassessment; Governance and conflicts review; Partnership Program; PJC response and planning; FMI Reporting; and PPPM (Project, Program and Portfolio Management) Special Report. The Business Committee will be provided an update at the meeting subsequent to each report being published.

**Member discussion:**

A member asked whether ASX anticipated any changes to current CHES prior to the go-live of CHES replacement, and if so, asked which workstream that would fall under. The ASX Chief Risk Officer noted this would fall under the RBA letter and CHES/FSS items workstream in relation to intraday margining and house and client account segregation. The ASX Group Executive, Securities and Payments added that ASX was also responding to the RBA on matters raised in relation to CHES replacement, including ISO 20022 messaging, and the feasibility of implementing it in current CHES. ASX had not frozen development in current CHES at this point in time. The member asked whether ASX would consult with the market to produce a business case regarding the benefits of any potential changes to current CHES. The ASX Group Executive, Securities and Payments confirmed feasibility assessments were underway for some potential changes, and should any changes be confirmed to be introduced, they would go through the usual processes including release cycles and consultation with the market.

A member asked about the level of involvement the CHES Replacement Technical Committee would have regarding the 'Solution Reassessment' workstream and the timeline, particularly around the business case before it goes to ASX's Boards. The ASX Chief Risk Officer and the ASX Project Director, CHES Replacement Project noted the CHES Replacement Technical Committee would be engaged throughout the process. EY were attending the CHES Replacement Technical Committee meetings, and a cross-section of EY staff (from a cross-section of teams) was observing the redesign process in parallel as it takes place.

A member asked about the level of independence across the EY teams doing separate bodies of assurance work. The EY Partner, Financial Services confirmed that at a firm level there was a large local and global ASX ringfenced team that remains conflict free. A member asked whether the current EY process differed from the past project (i.e. was it happening in real time or after the fact for the previous project). The EY Partner, Financial Services confirmed the previous work was also happening inflight and near real time, and confirmed that the 2021 licence conditions work is still ongoing, including six-monthly public reporting. The ASX Chief Risk Officer added that ASX is yet to design the assurance program for the new CHES Replacement project, with this to be designed by year end and to be discussed in this forum.

#### **AGENDA ITEM 5: MAINTAINING THE STABILITY OF EXISTING CHES**

Referring to the paper distributed in advance, the ASX General Manager, Securities and Payments Technology provided an update on ongoing work to support and maintain the existing CHES system.

##### **Member discussion:**

A member asked about the timeframe over which ASX would give assurance around current CHES (noting the timeline for CHES replacement was not yet known). The ASX General Manager, Securities and Payments Technology confirmed the planning timeframe was out to 2032 on current CHES. The ASX Group Executive, Securities and Payments noted there was a level of assumption built in beyond 2028 given some technology suppliers don't have programs of work for their products beyond 2025/2026.

A member enquired as to the greatest risks to current CHES. The ASX Group Executive, Securities and Payments noted the risk was not the technology per se, but its supportability from a resourcing and supplier product roadmaps perspective, as well as the continuous challenge of unlimited scalability. From a perimeter security perspective, the encrypted message traffic was noted as low risk.

#### **AGENDA ITEM 6: CURRENT CHES PRIORITIES**

Referring to the presentation materials shared during the meeting, the ASX General Manager, Equity Post Trade and Payments and the ASX General Manager, Securities and Payments Operations provided an overview of three continued priority areas for CHES, centred around operational resilience, regulatory compliance and appropriate functionality. Regulatory compliance priorities were noted to include the plan for implementation of system features that are required for compliance with the Financial Stability Standards and that were planned for CHES replacement (e.g. ISO 20022 messaging); the feasibility of implementing intraday margining of cash market positions; and the feasibility of implementing a segregated House/Client account structure. The Committee would be kept up to date, with the plans for further informal or in-depth consultation foreshadowed. In relation to the functionality of current CHES, the ASX General Manager, Equity Post Trade and Payments noted that ASX is committed to investing in the functionality of the system until it is replaced, and invited members to bring forward for the committee's consideration any requested or desired changes to functionality.

##### **Member discussion:**

Members did not raise any questions in respect of the update.

## AGENDA ITEM 7: T+1 SETTLEMENT

Referring to the paper and presentation materials distributed in advance and during the meeting respectively, the ASX Senior Manager, Issuer Services provided an update on considerations for T+1 settlement, including global adoption, potential benefits, challenges the Australian market may face as other markets move to T+1, and next steps. Noting this would be an industry-driven change and a consensus decision would need to be reached whether to progress to the next step of discussing a transition in further detail. ASX would elicit member feedback via a short survey for discussion at the next meeting.

### Member discussion:

A recent survey conducted by Citi was cited, and the Citi member provided some perspectives on the adoption of T+1 globally, including work Citi was doing as a US participant to prepare for the introduction of T+1 in the US as well as to support Australian clients who invest globally through Citi. The member expressed their interest in getting a better understanding of the appetite for change in the Australian market.

A member noted their involvement in the move from T+3 to T+2, and categorised it as (while supported) a very significant undertaking for their firm, their clients, ASX and the whole market. The member suggested an exercise to detail the pros and cons would be welcomed, as would any further information that could be provided around financial benefits (including but not limited to any material impact on clearing member capital or margins, on ASX's capital, and on costs). Given their preliminary view, there would need to be significant benefit to justify the change.

## AGENDA ITEM 8: CHESSE REPLACEMENT

### a) Project update including Partnership Program

The ASX Group Executive, Securities and Payments provided an overview of, and update on, the partnership program announced by ASX in recognition that ASX was not going to meet the April 2023 implementation and that this meant additional support and contribution would be required by the industry to successfully deliver CHESSE replacement. The interest in how the fund would be managed in a fair and equitable way was acknowledged and had been the subject of numerous bilateral engagements. The ASX Group Executive, Securities and Payments noted there was not an application process; ASX would determine and communicate the eligibility across a number of criteria for funding across three forms of payment;

1. A rebate pool of \$15 million will be paid to clearing and settlement (CS) participants based on their level of clearing and settlement revenue derived by ASX. The rebate pool will total \$15 million and be made to eligible participants in August 2023. The payment timing is consistent with the annual CS revenue growth rebate (if applicable for the year).
2. A payment in May 2023 for entities developing software to connect and interact with CHESSE (this would include third party software vendors and share registries). At this stage clearing and settlement participants who were developing proprietary technology would not be eligible for this payment, noting they would be eligible for the August rebate and the project milestone payments.
3. On commencement of the new CHESSE replacement project ASX will incentivise eligible entities to achieve critical path project milestones. Criteria, eligibility and assessment of each milestone is yet to be finalised and will depend on the final solution design recommendations but will be aimed at those entities developing software to connect and interact with CHESSE.

ASX would provide further communication to eligible entities in mid to late April.

Referring to the paper distributed in advance, the General Manager, Business Design, CHESSE Replacement Project provided a brief update regarding the redesign phase of the project, across the solution assessment stream, sourcing and commercial stream and testing and implementation stream. Six vendors were approached regarding an RFI, and ASX had received five RFI submissions. A key risk being managed for the sourcing and commercial stream is the

commercial arrangements with any partners and/or vendors (pending a decision on the solution option). The objectives for the project were briefly outlined.

**Member discussion:**

Regarding the \$15 million pool for clearing and settlement participants, an industry association member advised that nine (or one third) of their members had spent a total of \$69 million on CHES replacement to date. The ASX Group Executive, Securities and Payments noted the intention of the fund was forward-looking.

A member noted it didn't seem equitable for CS participants developing proprietary technology to be treated the same as CS participants that were not developing software and that eligibility for the May payment should be reconsidered. ASX's Group Executive Securities and Payments acknowledged the point made and while noting relevant clearing and settlement participants would be eligible for the milestones payments, would consider the point being made.

A member voiced their dissatisfaction as a vendor and clearing and settlement participant regarding the lack of backwards-looking compensation and the lack of partnership fostered and facilitated by the partnership program.

The member noted comments made by ASX at its appearance before the Parliamentary Joint Committee about some form of consultation across the industry prior to the announcement of the partnership program, and asked for further details on the consultation undertaken. The ASX Group Executive, Securities and Payments agreed to review this commentary and come back to the member, noting ASX had a number of bilateral conversations with customers.

The member also asked whether ASX had investigated the level of industry expense to date on the CHES replacement project. The ASX Group Executive, Securities and Payments noted that the partnership program was not backward-looking, but rather a forward looking program to work with the industry to complete the successful replacement of CHES. ASX was not yet in a position to confirm the scope for reuse of development to date.

The member asked for further details around the \$45 million incentive payments, including how that would be paid out. The ASX Group Executive, Securities and Payments confirmed it is likely to include milestones such as technical accreditation being achieved and participation in industry wide testing, depending on the final solution design.

The member noted comments from ASX at its FY23 half-year results investor briefing that ASX did not expect the \$70 million to grow, and that ASX may not expect to pay out the full \$70 million. The ASX Group Executive, Securities and Payments confirmed that ASX did not expect the \$70 million figure to grow and agreed to review the commentary referenced to clarify ASX's position on whether ASX may not expect to pay out the full \$70 million.

Regarding the RFI/RFP process, a member asked whether ASX expected vendors would be able to deliver RFPs in a timely manner to support ASX's deadline to propose the new solution in the December 2023 quarter, and suggested this was an aspirational timeframe. The ASX Project Director, CHES Replacement Project acknowledged this was a risk being closely managed, especially around achieving a fully contracted position which ASX would have the ability to announce, but suggested an ability to express a solution without conflicting any commercial obligations was the goal.

**b) Update from CHES Replacement Technical Committee**

Acknowledging discussion earlier in the meeting regarding CHES Replacement Technical Committee membership, the ASX Project Director, CHES Replacement Project proposed that Business Committee members delegated to the Chair of the CHES Replacement Technical Committee to allow interim membership changes in between Business Committee meetings.

**Member discussion:**

Owing to time constraints, there was no opportunity for further member discussion on this item.

## AGENDA ITEM 9: OTHER MATTERS

### a) Forward work program

Owing to time constraints, the forward work program was not discussed.

### b) Any other business

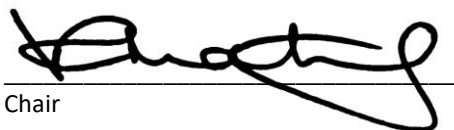
Owing to time constraints, no other business was raised.

### c) Next meeting – 19 July 2023

The next meeting is scheduled for 19 July 2023, and given the large agenda planned for that meeting the Chair confirmed the agenda for the meeting would be reviewed, and additionally as contingency the meeting would be extended by an additional 30 minutes to run from 12.00 to 2.30pm.

The meeting closed at 2.00 pm.

Signed as a correct record of the meeting.

A handwritten signature in black ink, appearing to be 'A. Smith', is written over a horizontal line. The signature is cursive and somewhat stylized.

Chair

20 July 2023

Date