

# Agenda

## Business Committee

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Date	20 March 2024	Time	12:00pm-2:00pm		
Location	ASX offices, 20 Bridge Street, Sydney/MS Teams				
<hr/>					
<b>1. Meeting Opening</b>	<b>Action</b>	<b>Presenter(s)</b>	<b>Time</b>	<b>Page</b>	
a. Welcome, apologies and Acknowledgement of Country	Noting	Chair	5 mins		
b. Minutes of 6 December 2023 meeting	Approval	Chair			<a href="#">6</a>
<b>ITEMS FOR PRESENTATION</b>			<b>100 mins</b>	<b>Page</b>	
<b>2. Clearing &amp; Settlement Services, Issuer Services</b>					
a. T+1 settlement <ul style="list-style-type: none"> <li>T+1 Working Group and Whitepaper</li> <li>Corporate action exception management</li> </ul>	Discussion	Andrew Jones, Karen Webb	35 mins		<a href="#">7</a>
b. CHES stress test and Market management scenarios	Discussion	Sabra Mott Suzy Munro	15 mins		<a href="#">41</a>
c. Australian Carbon Exchange initiative – overview	Discussion	Karen Webb	5 mins		<a href="#">43</a>
d. E-Statements take-up update (Q&A)	Discussion	Karen Webb, Ouafaa Daki	5 mins		<a href="#">46</a>
e. TNF Australasia Meeting 2024	Discussion	Andrew Jones	5 mins		<a href="#">52</a>
f. ASX Business Committee Charter update	Discussion	Con Korkofigas	5 mins		<a href="#">53</a>
g. ASX Stakeholder Impact Visibility roadmap	Discussion	Andrew Jones	10 mins		<a href="#">60</a>
<b>3. CHES replacement project</b>					
a. Project update	Discussion	Tim Whiteley	10 mins		<a href="#">62</a>
b. Independent Assessment of the Assurance Program for the CHES Replacement Project	Discussion	Roberto Fitzgerald (EY)	5 mins		<a href="#">68</a>
c. Independent Assessment of CHES Replacement ‘Define & Plan’ Phase Report	Discussion	Felicity Potter (EY)	5 mins		<a href="#">69</a>
<b>QUESTIONS SESSION – ITEMS NOT FOR PRESENTATION</b>			<b>10 mins</b>		
	<b>Action</b>	<b>Attendee(s)</b>	<b>Time</b>	<b>Page</b>	

<b>4. Clearing &amp; Settlement Services, Issuer Services</b>				
a. Operational Performance: Cash Market Clearing and Settlement	Noting	Suzy Munro		<b>70</b>
b. Maintaining the stability of existing CHES	Noting	Sabra Mott		<b>77</b>
c. Regulatory Expectations Audits – summary of actions taken to address prior findings	Noting	Clive Triance		<b>79</b>
d. Regulatory Expectations Audit – draft Terms of Reference FY24	Noting	Clive Triance		<b>96</b>
e. ASX Cash Equities Clearing and Settlement Code of Practice update	Noting	Con Korkofigas		<b>102</b>
<b>5. CHES replacement project</b>				
a. Partnership Program update	Noting	Andrew Jones		<b>108</b>
<b>6. Meeting closing</b>	<b>Action</b>	<b>Presenter(s)</b>	<b>5 mins</b>	<b>Page</b>
a. Open actions	Approval	BC Secretariat		<b>110</b>
b. Forward work program	Noting	BC Secretariat		<b>112</b>
c. Any other business	Discussion	Chair		
d. Next meeting – 26 June 2024	Noting	Chair		

### Business Committee Members (42)

Chair (1)

Company	Name	Job Title	Apologies
	Paul Rayson	Independent Chair	

Clearing & Settlement Participants (25)

Company	Name	Job Title	Apologies
ABN AMRO CLEARING	*Matthew McMahon	Head of Operations	Adrian Rubin
AUSIEX	Patrick Salis	Chief Executive Officer	
BANK OF AMERICA	Stephen Hacker	Director, Head of Operations	
BARRENJOEY MARKETS	Louise Boreham	Head of Operations	
BNP PARIBAS	Mark Wootton	Head of Custody Product Aust & NZ	
BURRELL & CO HOLDINGS	Saskia Jo	Associate Director – Finance	
CITI	Christopher Moore	Manager – Direct Custody & Clearing	
CMC	Andrew Rogers	Director of Broking Business	
COMMSEC	Sheridan Thompson	Executive Manager, Industry Engagement & Operational Resilience	
EUROZ HARTLEYS	Anthony Brittain	Executive Director, Chief Operating & Financial Officer	
FINCLEAR SERVICES	Leigh Conder	Chief Operating Officer	

FNZ CUSTODIANS (AUSTRALIA)	Paul Beal	Head of Capital Markets	
GOLDMAN SACHS	Yen Le	Executive Director	
INSTINET AUSTRALIA	Phil Penrose	Head of Australian Operations	
J.P. MORGAN	Craig Twentyman	Custody Product Head Australia & New Zealand, Executive Director	
MACQUARIE GROUP	James Indge	Cash Equities Business Manager	
MORGANS FINANCIAL	Daniel Spokes	Director, Client Support Services	
MORGAN STANLEY	Carrie Barrack	Country Business Manager	
MORRISON SECURITIES	William Slack	Chief Executive Officer	
OPENMARKETS AUSTRALIA	Rob Forbes	Chief Operating Officer	
RBC SECURITIES AUSTRALIA	Daniel Gray	Managing Director, Head of Business & Client Services, APAC	
STATE ONE STOCKBROKING	Geoff Reilly	Chief Executive Officer	
THIRD PARTY PLATFORM	Lee Muco	Chief Executive Officer	
UBS	Conor Foley	Senior Business Manager	
WEALTHHUB SECURITIES	Anita Mead	Head of High Networth, Investment Platforms	

#### Settlement Only Participants (3)

Company	Name	Job Title	Apologies
CERTANE CT	Rose O'Rourke	Operations Manager	
CHIMAERA CAPITAL	Rochelle Pattison	Director	
HSBC	Toni Icevski	Head of Client Services, Securities Services	

#### Approved Market Operators (4)

Company	Name	Job Title	Apologies
ASX	Jamie Crank	General Manager, Trading, Markets	
CBOE	John Williams	Director Australian Equity Operations	
NATIONAL STOCK EXCHANGE (NSX)	Chan Arambewela	Chief Operating Officer	
SYDNEY STOCK EXCHANGE (SSX)	Steven Larkins	General Manager, SSX Market Operations	

#### Industry Associations (6)

Company	Name	Job Title	Apologies
The Australian Financial Markets Association (AFMA)	Damian Jeffree	Senior Director of Policy	
Australasian Investor Relations Association (AIRA)	Ian Matheson	Chief Executive Officer	
Australian Custodial Services Association (ACSA)	Andrew Gibson	ACSA Director and Executive Sponsor, ACSA Operations Working Group	
Australian Shareholders' Association (ASA)	Fiona Balzer	Policy & Advocacy Manager	

Governance Institute of Australia (GIA)	Megan Motto	Chief Executive Officer	
Stockbrokers and Investment Advisers Association (SIAA)	Judith Fox	Chief Executive Officer	

Registries (3)

<b>Company</b>	<b>Name</b>	<b>Job Title</b>	<b>Apologies</b>
BOARDROOM	Martin Jones	General Manager Corporate Governance & Director	
COMPUTERSHARE	Scott Hudson	General Manager – Market Liaison	
LINK MARKET SERVICES	Peter Jackson	Chief Operating Officer	

\* Delegate

## ASX Management

Name	Job Title	Apologies
Clive Triance	Group Executive, Securities & Payments	
Andrew Jones	General Manager, Equities, Securities & Payments	
Hamish Treleaven	Chief Risk Officer	
Tim Whiteley	Chief Information Officer	
Sally Palmer	Deputy General Counsel	
Con Korkofigas	Senior Legal Counsel and Senior Manager	
Diane Lewis	General Manager, Regulatory Strategy and Executive Advisor	
Suzy Munro	General Manager, Securities & Payments Operations	
Sabra Mott	General Manager, Securities & Payments Technology	
Karen Webb	Head of Issuer Services, Securities & Payments	
Ouafaa Daki	Senior Manager, Issuer Services, Securities & Payments	

## Ernst & Young

Name	Job Title	Apologies
Roberto Fitzgerald	Partner, Financial Services	
Felicity Potter	Partner, Financial Services	
Laura West	Senior Manager, Business Consulting	

## Observers

Name	Job Title	Apologies
Benjamin Cohn-Urbach	Acting Senior Executive Leader, Market Infrastructure (ASIC)	
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)	
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)	

<b>Committee</b>	Business Committee
<b>Meeting date</b>	20 March 2024
<b>Agenda title</b>	<b>Minutes of 6 December 2023 meeting</b>
<b>Agenda Item No.</b>	1b
<b>Purpose</b>	To present the draft minutes of the previous meeting for approval of the Business Committee
<b>Prepared by</b>	Business Committee Secretariat
<b>Action</b>	For Approval
<b>Proposed recommendation to Boards of ASX Clear and ASX Settlement (if applicable):</b>	Not applicable

#### BACKGROUND

The draft minutes of the 6 December 2023 Business Committee meeting were distributed to members on 25 January 2024 for review. The draft minutes incorporating comments received by the deadline of 9 February 2024 are published at <https://www.asx.com.au/content/dam/asx/about/business-committee-agendas/2023/asx-business-committee-draft-minutes-6-december-2023.pdf>.

The Business Committee is requested to approve the draft minutes.

<b>Committee</b>	Business Committee
<b>Meeting date</b>	20 March 2024
<b>Agenda title</b>	<b>T+1 settlement</b>
<b>Agenda Item No.</b>	2a
<b>Purpose</b>	To provide members with an update on the work of the T+1 Working Group to prepare a draft Whitepaper, and an overview of corporate action exception management
<b>Prepared by</b>	Andrew Jones, General Manager, Equities, Securities & Payments Karen Webb, Head of Issuer Services, Securities & Payments
<b>Action</b>	For Discussion
<b>Proposed recommendation to Boards of ASX Clear and ASX Settlement (if applicable):</b>	Not applicable

### T+1 Working Group and Whitepaper

At its 6 December 2024 meeting, the Business Committee approved the below terms of reference for the T+1 Working Group.

*The T+1 Working Group is to consider the case for and against shortening the settlement cycle in the Australian cash equities market and prepare a document for public release ('Whitepaper') for the purpose of soliciting the views of a broad range of stakeholders.*

*The focus of the Whitepaper is to be on strategic considerations which should be taken into account in forming a view on whether shortening the settlement cycle promotes the interests of the Australian market as a whole. It is not expected that the Whitepaper should detail options for implementation of a shorter settlement cycle or consider implementation timing – these matters would be considered subsequently, if the strategic question is resolved in favour of shortening the settlement cycle.*

*The T+1 Working Group is requested to report back to the Business Committee with a draft Whitepaper at the Business Committee's March 2024 meeting, for consideration by the Committee prior to public release.*

The T+1 Working Group comprises 16 members, and is chaired by ASX's Andrew Jones. Membership is published on [ASX's website](#). The T+1 Working Group has met four times since the Business Committee's December meeting, with a summary of each meeting included below:

- 15 December 2023 – kick-off workshop. Topics of discussion included an overview of the global status of settlement cycle compression, the terms of reference for the working group, the whitepaper timeline, offshore jurisdictions and their reasons for moving to T+1 or T+0, working assumptions behind a move to T+1 for the Australian market, strategic considerations for the Australian market, and a discussion to setup future work around specific Australian market scenario analysis.
- 25 January 2024 – an informal question and answer session hosted by Barnaby Nelson (the ValueExchange), along with Dave Kirby (DTCC). The session was an informal discussion of the latest results from the ValueExchange's (ongoing) T+1 pulse survey, the impacts of T+1, surprises and insights from the US and Canadian experience.

- 2 February 2024 – the meeting was an opportunity for discussion around the draft whitepaper circulated in advance, and volunteers from the working group presented back on a number of Australian market scenarios, as analysed for the implications and pinch-points of a move to T+1.
- 23 February 2024 – the meeting was focused on working group member feedback on the next iteration of the draft whitepaper.

ASX thanks all members of the T+1 Working Group for their contributions to, and feedback on, the draft Whitepaper to date.

At the meeting on 20 March, ASX will provide an overview of the draft Whitepaper, contained in **Attachment A**. ASX requests that Business Committee members treat the draft Whitepaper in Attachment A as confidential.

ASX invites feedback from the Business Committee on the draft Whitepaper, both at the meeting on 20 March 2024, and in writing to [BC.Secretariat@asx.com.au](mailto:BC.Secretariat@asx.com.au) by 27 March 2024. After this date, ASX intends to meet with the T+1 Working Group to discuss Business Committee feedback, and then to distribute an updated version of the Whitepaper, for fatal flaw feedback only, to the Business Committee on 5 April 2024, for Business Committee feedback by 12 April 2024. It is anticipated that the Whitepaper will be published in May 2024.

### Corporate action exception management

Impact of US and Canada move to T+1 in May 2024:

At previous Business Committee meetings ASX has confirmed that the ASX set timetables for corporate actions align with a T+2 settlement regime (Ex Date and Record Date on sequential Business Days), and that ASX could not currently systemically support the scenario where Ex Date and Record Date were on the same Business Day (as would be the case for T+1 settlement in US and Canada).

ASX is now of the view that the number of corporate action exceptions will be minimal, or completely avoided following the T+1 settlement implementation in US and Canada in May 2024. ASX's preference is to systemically support a corporate action event where possible – which has the best outcome for issuer announcements, Trade, CHES, reference data support and market stakeholders. The ASX Listings Compliance and Securities & Payments Operations teams will monitor corporate action announcements post May 2024 for any exceptions.

The potential impact could be to the following types of issuers and their securities:

Type of issuer/security	Impact
ETF issuers with ETFs that have an underlying or basket of underlying securities that include US or Canadian securities or other references.	<b>None</b> ETF issuers have confirmed they will continue to follow Australian event timetables. As is the case now, there may be the occasional exception impacting timetables, such as misalignment of holidays across markets.
US or Canadian domiciled issuers with a listing in Australia (non exempt) (typically quoted as CDIs)	<b>None</b> For those issuers listed on ASX, they are obliged to follow the ASX listing rules, and therefore will continue to announce events per ASX corporate action event timetables.



US or Canadian domiciled issuers with an exempt foreign category of listing in Australia

**Potentially different Ex date, event supported**

There are currently 7 issuers listed on ASX that fit this category.

ASX Code	Entity Name	Country of Incorporation
CSC	CAPSTONE COPPER CORP.	Canada
LNW	LIGHT & WONDER INC.	US
NEM	NEWMONT CORPORATION	US
NXG	NEXGEN ENERGY (CANADA) LTD	Canada
RMD	RESMED INC	US
SQ2	BLOCK INC.	US
SSR	SSR MINING INC.	Canada

Of these issuers, only half regularly announce events such as distributions. To date they have followed ASX timetables and used the ASX Online forms to make these announcements. It is expected they will continue to do so.

For any events announced post May 2024 the record dates will still align - the key date to determine entitlement to an event.

It does potentially mean there may be a difference in the Ex date in two markets, but this is not considered an issue for event management in Australia, or the opportunity for 'double dipping' into a cum market, especially due to time zone differences. Refer tables below.

Post May 2024:

Date/Timetable view:

		Day 1	Day 2	Day 3
US	Announce event – Cum trading	Cum trading	Cum trading	Ex and Record date
Australia	Announce event – Cum trading	Cum trading	Ex date	Record date

Time zone view:

	Announce event*	Australia trade open	US trade open	Australia trade open	US trade open	Australia trade open	US trade open
		Day 1	Day 1	Day 2	Day 2	Day 3	Day 3
US	Announce event - late afternoon	US trade closed	Cum trading	US trade closed	Cum trading	US trade closed	Ex and Record date
Australia	Announce event – before market open	Cum trading	Australia trade closed	Ex date	Australia trade closed	Record date	Australia trade closed

\*Historic announcements suggest that an issuer will announce the event concurrently in markets (late afternoon in US/before market open in Australia).

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If ASX is unable to systemically support an event (for extreme exceptions) market stakeholders will be advised via ASX Market Notice.

ASX will communicate with its listed issuers and ETF issuers in April to raise awareness of the changes in the US and Canada and ASX's expectations of compliance with corporate action event timetables.

ASX is interested in member feedback on these points, particularly from listing exchanges other than ASX and participants.

**Attachment A**

**Draft Whitepaper**

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<b>Committee</b>	Business Committee
<b>Meeting date</b>	20 March 2024
<b>Agenda title</b>	<b>CHESStress test and Market management scenarios</b>
<b>Agenda Item No.</b>	2b
<b>Purpose</b>	To provide Guiding Principles to manage the CHESStesting environment in the event of extreme market volumes
<b>Prepared by</b>	Suzy Munro, General Manager, Securities & Payments Operations
<b>Action</b>	For Discussion
<b>Proposed recommendation to Boards of ASX Clear and ASX Settlement (if applicable):</b>	Not applicable

## BACKGROUND

CHESStesting will be provided as a verbal update.

Market management scenarios:

ASX Clear and ASX Settlement manage the clearing, settlement and other post-trade services for the Australian cash equities market and are responsible for reducing systemic risk, ensuring the facility's services are provided in a fair and effective way and have adequate arrangements for supervising the facility.

As part of the ASXs ongoing commitments within the 2023 CHESStesting Special Report and RBA Financial Stability Standards (FSS) assessment, ASX undertook an analysis of operational processes that may be used in the event that an exceptionally high volume trading day impacts the CHESStesting Operating environment with the aim to;

- Provide an enhanced understanding of the impact extreme trade volumes have on CHESStesting functions including Trade Registration, EOD Processing and Batch Settlement
- Provide ASX with a playbook of systematic actions for managing CHESStesting functions under extreme trade volumes
- Ensure due diligence and a transparent structured approach is in place for unforeseen market scenarios

The following six guiding principles are designed to *inform* decision making in the event of an extreme volume trading day where CHESStesting standard processing times extend beyond a tolerable threshold.

The guiding principles seek to manage the CHESStesting operating environment, with consideration across clearing, trading and settlement activities. Based on the circumstances and timing of the market activity, one or more of the guiding principles may be used together and will be managed within the existing ASX Incident Management processes.

## GUIDING PRINCIPLES

1. All trades will be registered in CHESStesting on the execution date & before CHESStesting End Of Day
2. ASX Clear will inform Approved Market Operators (AMOs) if it is possible that CHESStesting may not be available at the commencement of market operating hours.  
A decision to delay market open may be made to ensure a Fair Orderly & Transparent (FOT) marketplace.

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3. ASX Clear will inform Approved Market Operators (AMOs) if as a result of trading volumes, the forecast impact to the commencement of CHES EOD becomes Significant.  
A decision to pause trading for a period during the trading day may be made to reduce the impact to the Clearing & Settlement facility
  4. ASX Clear must initiate CHES Settlement Batch each settlement day
  5. If CHES Start of Day (SOD) is delayed, CHES Settlement Batch will commence at least 2 hours following CHES SOD
  6. ASX Settlement will endeavour to commence CHES Settlement Batch by 2pm

<b>Committee</b>	Business Committee
<b>Meeting date</b>	20 March 2024
<b>Agenda title</b>	<b>Australian Carbon Exchange initiative - overview</b>
<b>Agenda Item No.</b>	2c
<b>Purpose</b>	To provide members with an overview of the Australian Carbon Exchange initiative
<b>Prepared by</b>	Karen Webb, Head of Issuer Services, Securities & Payments
<b>Action</b>	For Discussion
<b>Proposed recommendation to Boards of ASX Clear and ASX Settlement (if applicable):</b>	Not applicable

## BACKGROUND

ASX is supportive of efforts to decarbonise the Australian economy and transform energy markets to work towards 2030 and 2050 emission reduction targets and is currently working on two key initiatives, the Australian Carbon Exchange and Environmental Futures. The discussion at the committee meeting will focus on the carbon exchange.

### Australian Carbon Exchange

In December 2023, ASX and the Clean Energy Regulator (CER)<sup>1</sup> announced we were working together to develop an effective model for a carbon exchange market to function in a similar way to a securities exchange, with the intention to initially trade, clear and settle on market transactions in Australian Carbon Credit Units (ACCUs)<sup>2</sup>. ASX's proposal is to utilise existing infrastructure including cash equities trade platforms, and CHES for holder and sub-register maintenance, clearing and settlement.

In December the CER also announced its selection of Trovio Group Ltd to develop and deliver the new Unit & Certificate Register for the Australian National Registry of Emissions Units (ANREU). The register will provide a customisable digital registry for tracking ACCUs (and flexibility to support various unit types), enhanced transparency, auditability and scalability to support carbon credit transactions, reduction in transaction and administrative costs, and integration to the various marketplaces including the new carbon exchange.

Trading of ACCUs is currently available via various providers, and the implementation of the exchange is considered a crucial enhancement to help Australia achieve its emissions reduction targets in a cost-effective manner, complimentary to current trading arrangements. The demand for ACCUs is expected to rise across a variety of investors – including safeguard emitters, government, voluntary investors and those that may look to trade speculatively based on price. The implementation of the carbon exchange would be dependent on a range of regulatory and approvals.

<sup>1</sup> The CER administers schemes legislated by the Australian Government for measuring, managing, reducing or offsetting Australia's carbon emissions, with its role determined by climate change law.

<sup>2</sup> An ACCU is a unit issued to a person by the CER, held in the ANREU and represents one tonne of carbon dioxide equivalent stored or avoided by a project. ACCUs are a financial product and the provision of financial services in relation to ACCUs may require an AFSL.

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*Objectives and benefits of a carbon exchange:*

Liquidity:

- Provide a centralised pathway to reach extensive buyer demand and a substantial supply pool
- Enhanced price discovery and standardised products facilitating transactions on a large scale
- Improved symmetry of information
- Exchange trading could expand to other types of carbon offsets

Transparency:

- Standardised products allowing for reduced complexity
- Improved transparency of pricing
- Access to benchmarks and mark to markets, market data, etc

Market Sophistication and access:

- Access to over 6 million current investors in the cash equities market
- Remove the need for individual deal contracts
- Standardised DvP settlement on T+2, seamless transactions (as for other securities)
- Facilitate the execution of advanced, high-volume trading strategies
- Enhanced responsiveness and accuracy in pricing for more frequent trading

*Next steps:*

ASX and the CER will continue to work on developing an effective model for the exchange and resolve some particular challenges, including fungibility of the products to be available for trading.

Engagement is also commencing with key industry stakeholders, including regulators on the feasibility of the exchange. The dimensions of engagement discussions will include:

- Producers and potential investors and the type of products available for trading
- Investment scenarios, including allowing for the relinquishment, surrender and cancelling of ACCUs
- Carbon market participants, and cash equities market participant interest
- Market making
- Clearing considerations
- Disclosure requirements and availability of information

Business Committee members are invited to contact the author if they would like to arrange a follow up discussion.

### **Environmental Futures products**

The second initiative led by ASX Markets is to develop a suite of Environmental Futures contracts, with three separate futures contracts listed over Australian Carbon Credit Units (ACCUs), Large Generation Certifications (LGCs) and New Zealand Emission Units (NZUs), which is targeting a go live of July 2024, subject to internal and external regulatory approval. Environmental futures will provide a transparent forward curve for the market to hedge and price the energy transition as the Australian economy moves closer toward crucial emission reduction targets.

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**More information:**

Clean Energy Regulator - <https://www.cleanenergyregulator.gov.au/About/About-the-Clean-Energy-Regulator>

Australian Carbon Exchange - <https://www.cleanenergyregulator.gov.au/Infohub/Markets/australian-carbon-exchange>

What is an ACCU - <https://www.cleanenergyregulator.gov.au/OSR/ANREU/types-of-emissions-units/australian-carbon-credit-units#WhatACCU>

ASX announcement 19 December 2023 – <https://www.asx.com.au/content/dam/asx/about/media-releases/2023/19-dec-asx-to-explore-development-of-australias-first-carbon-exchange.pdf>;

CER announcement 19 December 2023 – <https://www.cleanenergyregulator.gov.au/About/Pages/News%20and%20updates/NewsItem.aspx?ListId=19b4efbb-6f5d-4637-94c4-121c1f96fcfe&ItemId=1298>

Trovio Group Ltd announcement 18 December 2023 - <https://www.trovio.io/news/trovio-group-announces-milestone-collaboration-with-cer>

Environmental futures products - <https://www.asx.com.au/markets/trade-our-derivatives-market/futures-market/join-environmental-futures-community>



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<b>Committee</b>	Business Committee
<b>Meeting date</b>	20 March 2024
<b>Agenda title</b>	<b>E-Statements take-up update</b>
<b>Agenda Item No.</b>	2d
<b>Purpose</b>	To provide members with an update on current status of E-Statement take-up and facilitate a discussion on future initiatives
<b>Prepared by</b>	Ouafaa Daki, Senior Manager, Issuer Services, Securities & Payments Karen Webb, Head of Issuer Services, Securities & Payments
<b>Action</b>	For Discussion

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<b>Proposed recommendation to Boards of ASX Clear and ASX Settlement (if applicable):</b>	Not applicable
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#### **BACKGROUND**

ASX will provide an update at the Business Committee meeting in response to action 23-10-4 – “ASX to explore additional ways to encourage take-up of electronic statements.”, including arrangements already in place, the current status of take-up and facilitate member discussion on future initiatives.

#### **ATTACHMENT**

Attachment 1: Presentation



20 March 2024  
ASX Business Committee meeting –  
Agenda Item No. 2d

## E-Statements take-up

Ouafaa Daki  
20 March 2024

## Current State

Since December 2021, investors have had the option to opt-in to the electronic delivery of CHESS Holding Statements and notifications.

91%~

CHESS Holding Statements and notifications are **mailed** to investors.

4

Sponsoring participants have completed the transition of *majority or all* of their investors to electronic delivery.

9%~

CHESS Holding Statements and notifications are **electronic**.

5

Sponsoring participants are progressing the transition of their investors to electronic delivery.

3.2  
million~

Active holders in CHESS

12.5%~

Investors have chosen email for ASX communication preference.



# Moving forward

1.



## Investors

- Continued education of investors to request electronic delivery of their CHESS Holding Statements through their sponsoring participants.



- Communicate the list of sponsoring participants who support electronic delivery to investors if requested.

2.



## Sponsoring Participants

- Dedicated ASX team to support participants transition to electronic statements.
- Participant Sponsored HIN Creation and Maintenance: Introduction of a new optional pricing model – Q3 2024.
- HIN creation, modification and/or cancellation fee increased to \$1.50 to align with AusPost stamp cost increase.\*



- API Services to enable sponsoring participants to provide CHESS Holding Statements and notifications directly to their investors.
- Explore potential changes to ASX operating rules requirement for written authority from holder for changes to communication preferences.

3.



## Issuers

- Electronic statements now included in subscription fee.
- As of July 2022, new fee structure introduced to reduce cost of paper statements for Issuers from \$1.25 to \$0.50.



- Issuers will benefit from the increased adoption of electronic statements, as it will help to reduce their fees.

Milestones

Considerations

\*Will continue increase in proportion to future Australia Post stamp cost increases



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<b>Committee</b>	Business Committee
<b>Meeting date</b>	20 March 2024
<b>Agenda title</b>	<b>TNF Australasia Meeting 2024</b>
<b>Agenda Item No.</b>	2e
<b>Purpose</b>	To provide a verbal update on the industry conference
<b>Prepared by</b>	Business Committee Secretariat
<b>Action</b>	For Discussion

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<b>Proposed recommendation to Boards of ASX Clear and ASX Settlement (if applicable):</b>	Not applicable
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#### **BACKGROUND**

ASX will provide a verbal update on the inaugural TNF Australasia Meeting that was held at the Australian Securities Exchange on 5 March 2024.

<b>Committee</b>	Business Committee
<b>Meeting date</b>	20 March 2024
<b>Agenda title</b>	<b>Updated Business Committee Charter</b>
<b>Agenda Item No.</b>	2f
<b>Purpose</b>	To consider proposed amendments to the Charter for the Business Committee
<b>Prepared by</b>	Con Korkofigas, Senior Manager and Senior Legal Counsel
<b>Action</b>	For Discussion
<b>Proposed recommendation to Boards of ASX Clear and ASX Settlement (if applicable):</b>	Not applicable

## BACKGROUND

The ASX Business Committee Charter (**Charter**) covers how the Business Committee will function, including the roles and responsibilities of Business Committee members and the Chair and how the Business Committee interacts with ASX management and the boards of ASX Clear and ASX Settlement.

The Charter was last updated in April 2019.

Further changes to the Charter are now needed due to:

- the convening of the Cash Equities Clearing and Settlement Advisory Group (**Advisory Group**) in September 2023 as a further stakeholder forum for input to the Boards of ASX Clear and ASX Settlement on strategic matters related to cash equities clearing and settlement services and associated infrastructure; and
- regulatory expectations for the Advisory Group in an August 2023 letter from ASIC and RBA titled 'Regulatory Expectations for ASX Cash equities Clearing and Settlement Advisory Group',

which are not presently contemplated in the Charter (having been prepared prior to these 2023 developments).

Proposed updates to the ASX Cash Equities Clearing and Settlement Code of Practice in connection with the above changes are set out in a separate paper to the Business Committee for Noting.

## PROPOSED UPDATES TO THE CHARTER

Changes are proposed to the Charter to reflect its interaction with the Advisory Group.

Given the need for changes to the Charter, ASX has also taken the opportunity to update the Charter to:

- address recent changes to provide for an independent chair and allow a broader membership base across CS Participants
- provide a general refresh, including headings and numbering.

In preparing the changes to the Charter, ASX has also had regard to the Advisory Group and Technical Committee Charters implemented in 2023, including leveraging some additional relevant aspects from those documents:

- expectations for members to act honestly and in good faith and preserve confidentiality (subject to carve outs for engaging within their organisation or relevant stakeholder cohort)
- competition law prohibition regarding concerted practices lessening competition
- non-attribution of comments in written minutes and reports without member consent.

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The Business Committee is referred to as having been convened by ASX Limited under the existing Charter. Changes proposed to the Charter seek to make clearer that the Business Committee has been convened by ASX Clear and ASX Settlement for the purpose of providing stakeholder input to them, i.e. as the CS facilities providing the CS services.

The changes to the Charter also include the moving of a couple of paragraphs to sit more appropriately in another section. These movements are not shown in mark-up other than for any changes made to the moved content.

The changes are shown in mark-up in **Attachment 1**, other than for a couple of instances of movement of paragraphs as explained above.

#### **FEEDBACK SOUGHT**

The updated Charter is being tabled for feedback, with Business Committee members and their representatives invited to provide any comments or to raise any questions on the proposed updates to the Charter.

#### **NEXT STEPS**

It is proposed to seek approval for the updated Charter at the concurrent ASX Limited, ASX Clear and ASX Settlement Board Meeting on 17 April.

#### **ATTACHMENT(S)**

Attachment 1: Updated ASX Business Committee Charter

# ~~Charter of the~~ ASX Business Committee Charter

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## 1 Background to the Business Committee

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- 1.1 The ASX Business Committee was convened ~~by ASX Limited (ASX)~~ under the ASX Cash Equities Clearing and Settlement Code of Practice (its Code of Practice) in August 2013.
- 1.2 Subsequent updates to the Code of Practice were made in October 2016, July 2023 and [April 2024], ~~ASX updated its Code of Practice (the ASX Cash Equities Clearing and Settlement Code of Practice)~~ to set out ~~its~~ commitments of ASX Clear Pty Limited (ASX Clear) and ASX Settlement Pty Limited (ASX Settlement) (together referred to as ASX) to comply with the Regulatory Expectations for the Conduct of Cash Equity Clearing and Settlement Services in Australia (**Regulatory Expectations**) and, the Regulatory Expectations for ASX Cash Equities Clearing and Settlement Advisory Group (Letter of Expectations), and ~~their~~ commitments to users in managing clearing and settlement infrastructure and services for the Australian cash equities market.
- ~~1.1.3~~ Under the revised Code of Practice, the role of the Business Committee was updated as a mechanism for input in to ASX's governance framework alongside the ASX Cash Equities Clearing and Settlement Advisory Group.
- ~~1.2.1.4~~ This charter draws from the commitments made by ASX Clear and ASX Settlement in the Code of Practice, ~~and~~ the Regulatory Expectations and the Letter of Expectations. It sets out the role, membership and administrative matters for the effective functioning of the Business Committee.

## 2 Role of the Business Committee

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- ~~1.32.1~~ The role of the Business Committee is to provide:
- a. input for consideration by ASX Management and the Boards of ASX Clear and ASX Settlement on the ongoing operation of cash equities clearing and settlement infrastructure and services provided by ASX;
  - b. input for consideration by ASX Management and the Boards of ASX Clear and ASX Settlement on setting the ASX investment strategy for cash equities clearing and settlement infrastructure and services development, and the system design, operational arrangements and implementation plan for new cash equities clearing and settlement infrastructure and services provided by ASX;
  - c. advice to ASX Management to assist in progressing cash equities clearing and settlement

initiatives of interest to the industry, with the aim of facilitating service innovation and improving overall market efficiency; and

- d. a mechanism for ASX Management and the Boards of ASX Clear and ASX Settlement to consult clearing participants, settlement participants and other market operators regarding their strategic plans and investment decisions in relation to the design, operation and development of the core clearing and settlement infrastructure and services for the Australian cash equities market.

2.2 In some circumstances, it may be appropriate for the Business Committee to appoint and convene technical committees to assist in the performance of its role. Technical committees will report to the Business Committee. Members of the Business Committee and ASX Management may nominate technical committee members. The technical committees may comprise representatives of Business Committee members and/or other individuals with appropriate expertise.

2.3 The Business Committee will operate alongside other stakeholder forums, including the ASX Cash Equities Clearing and Settlement Advisory Group (Advisory Group), a high-level strategic stakeholder advisory group which may refer matters to the Business Committee or which may be referred matters by the Business Committee. The Chair of the Business Committee may be invited to attend Advisory Group Meetings, or the Chair of the Advisory Group may be invited to attend Business Committee meetings, as appropriate. If there are inconsistent recommendations of the Business Committee and the Advisory Group to the boards of ASX Clear and ASX Settlement, each is presented to the boards of ASX Clear and ASX Settlement for consideration.

2.4 The other stakeholder forums will remain separate from the Business Committee but may share information with or provide technical expertise to the Business Committee as appropriate.

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### 3 Membership of the Business Committee

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1.43.1 The Business Committee will comprise ~~representatives of~~ clearing participants ~~and~~ settlement participants that elect to participate in the Business Committee as well as representatives of, alternative market operators, other relevant stakeholders and their associated industry organisations.

3.2 ASX Clear and ASX Settlement will appoint and remove members of the Business Committee in accordance with the Membership Policy as determined and published by ASX Clear and ASX Settlement from time to time.

1.53.3 A member of the Business Committee may resign its membership by giving notice in writing to the Chair of the Business Committee.

3.4 ASIC and the Reserve Bank will not be members of the Business Committee but will have a standing invitation to attend Business Committee meetings as observers.

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### 4 Responsibilities of Business Committee members

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1.64.1 Each Business Committee member is expected to:

- a. nominate a representative to attend meetings of the Business Committee who has the authority to speak on its behalf and has the expertise to make a meaningful contribution



at such meetings;

b. represent the views and interests of its organisation or constituency, as the case may be, on matters being considered by the Business Committee; ~~and~~

c. act honestly and in good faith in the exercise of their role in the Business Committee;

d. share with the Business Committee appropriate and useful information relevant to the role of the Business Committee; and

e. treat as confidential any materials, information, views, opinions, recommendations, resolutions and minutes of meetings provided for or during meetings of the Business Committee or otherwise for the purpose of the Business Committee's operation, until made public by ASX, and not use them for any purposes other than for the exercise of their responsibilities as member of the Business Committee (unless expressly permitted by ASX).

4.2 This Charter does not prohibit a member from seeking input, in confidence, from within their organization or from the stakeholder cohort they form part of, to exercise their responsibilities as a member of the Business Committee.

4.3 The objective is for the Business Committee meetings to be comprised of executives with a deep understanding of clearing and settlement, for example, Chief Operating Officers.

1.74.4 Business Committee members are reminded to have regard to their obligations under competition law. The Competition and Consumer Act 2010 (Cth) prohibits a corporation from engaging with one or more persons in a concerted practice that has the purpose, effect or likely effect of substantially lessening competition.

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## **25 Chair of the Business Committee**

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5.1 ASX Clear and ASX Settlement shall appoint the Chair of the Business Committee (Chair).

5.2 The appointment of the Chair will be for an initial term of three years, with the potential for reappointment in accordance with clause 5.1.

5.3 The Chair will be independent and must not hold or have held in the past three years:

a. An executive position with ASX or a position as a director of an ASX Group Board; or

b. An executive position with any current member of the Business Committee.

5.4 Should the Chair be unable to attend a meeting of the Business Committee or to perform the Chair's functions generally, ASX may, in consultation with the Chair (if available), appoint another person from among the representatives of Business Committee members or from ASX management to act as chair for the purpose of such meeting or functions.

2.15.5 The role of the Chair is to:

a. convene, set the agenda for, and preside over meetings of the Business Committee;

b. take a leadership role in facilitating discussion and forging a consensus among Business Committee members on matters being considered by the Business Committee;

c. keep and approve the minutes of meetings of the Business Committee; and

d. report to, and from, the Boards of ASX Clear and ASX Settlement in relation to recommendations of the Business Committee and other matters raised by the Business Committee.

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## 36 Meetings of the Business Committee

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- ~~3.16.1~~ The Business Committee will meet at least four times a year.
- ~~3.26.2~~ The Chair may determine, in consultation with members of the Business Committee, that more than four meetings be held in a year.
- ~~3.36.3~~ The Chair may invite ASX management, or other organisations, to attend meetings of the Business Committee.
- ~~3.46.4~~ Draft meeting agendas will be electronically circulated to members prior to meetings of the Business Committee to provide members with an opportunity to contribute to the agenda setting process.
- ~~3.56.5~~ Meeting agendas and associated papers will be circulated to members one week prior to the relevant meeting.
- ~~3.66.6~~ A quorum for a meeting of the Business Committee is a majority of its members and the Chair. All recommendations of the Business Committee to ASX Management and the Boards of ASX Clear and ASX Settlement shall be made on the basis of a broad consensus of those members present at the relevant meeting of the Business Committee.
- ~~3.76.7~~ The Chair will determine whether a broad consensus has been achieved by confirming with each member present whether they support the proposed recommendation. In making this determination, unless notified to the contrary by the member concerned, the Chair shall be entitled to assume that a member who does not attend a meeting is prepared to accept any recommendation on a matter, of which notice was given in the agenda for the meeting, made by those members who are present at the meeting.
- ~~6.8~~ All meetings of the Business Committee are to be minuted. The minutes are to be approved by the Business Committee and signed by the Chair as a true and correct record.
- ~~3.86.9~~ The Draft minutes (together with a report from the Chair) in relation to a meeting of the Business Committee may be included in the agenda for the next meeting of the Boards of ASX Clear and ASX Settlement provided that they have previously been ~~will be~~ circulated to members electronically following each meeting for comment. ~~and approval to allow the minutes to be included in the agenda for the next meeting of the Boards of ASX Clear and ASX Settlement~~
- ~~3.9~~ Any reports from the Business Committee to the Boards of ASX Clear and ASX Settlement will be prepared by the Chair and will be circulated to members electronically following each meeting for comment and approval to allow the reports to be included in the agenda for the next meeting of the Boards of ASX Clear and ASX Settlement.
- ~~3.106.10~~ Comments provided in Business Committee meetings will not be attributed to a specific member for any written minutes and reports prepared, including reports to the Boards of ASX Clear and ASX Settlement, unless a member consents to the member's comments being attributed in any particular instance.

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## 47 Business Committee Secretariat

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4.17.1 ASX shall provide a secretariat service to the Business Committee, and will provide the facilities and services required to convene meetings of the Business Committee.

4.27.2 The secretariat will:

- a. arrange the venue and circulate notices for meeting of the Business Committee;
- b. prepare agendas, minutes and other documents for meetings of the Business Committee;
- c. maintain the pages of the ASX website dedicated to the Business Committee; and
- d. arrange the publication of meeting agendas, minutes and other relevant documents of the Business Committee.

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April ~~2019~~2024



<b>Committee</b>	Business Committee
<b>Meeting date</b>	20 March 2024
<b>Agenda title</b>	<b>ASX Stakeholder Impact Visibility roadmap</b>
<b>Agenda Item No.</b>	2g
<b>Purpose</b>	To provide more visibility across ASX work streams in response to a member's request at a Business Committee meeting
<b>Prepared by</b>	Andrew Jones, General Manager, Equities, Securities & Payments
<b>Action</b>	For Discussion
<b>Proposed recommendation to Boards of ASX Clear and ASX Settlement (if applicable):</b>	Not applicable

## BACKGROUND

At the Business Committee meeting on 6 December 2023, a member had requested more visibility over important work streams unfolding in tandem from a resourcing and business perspective.

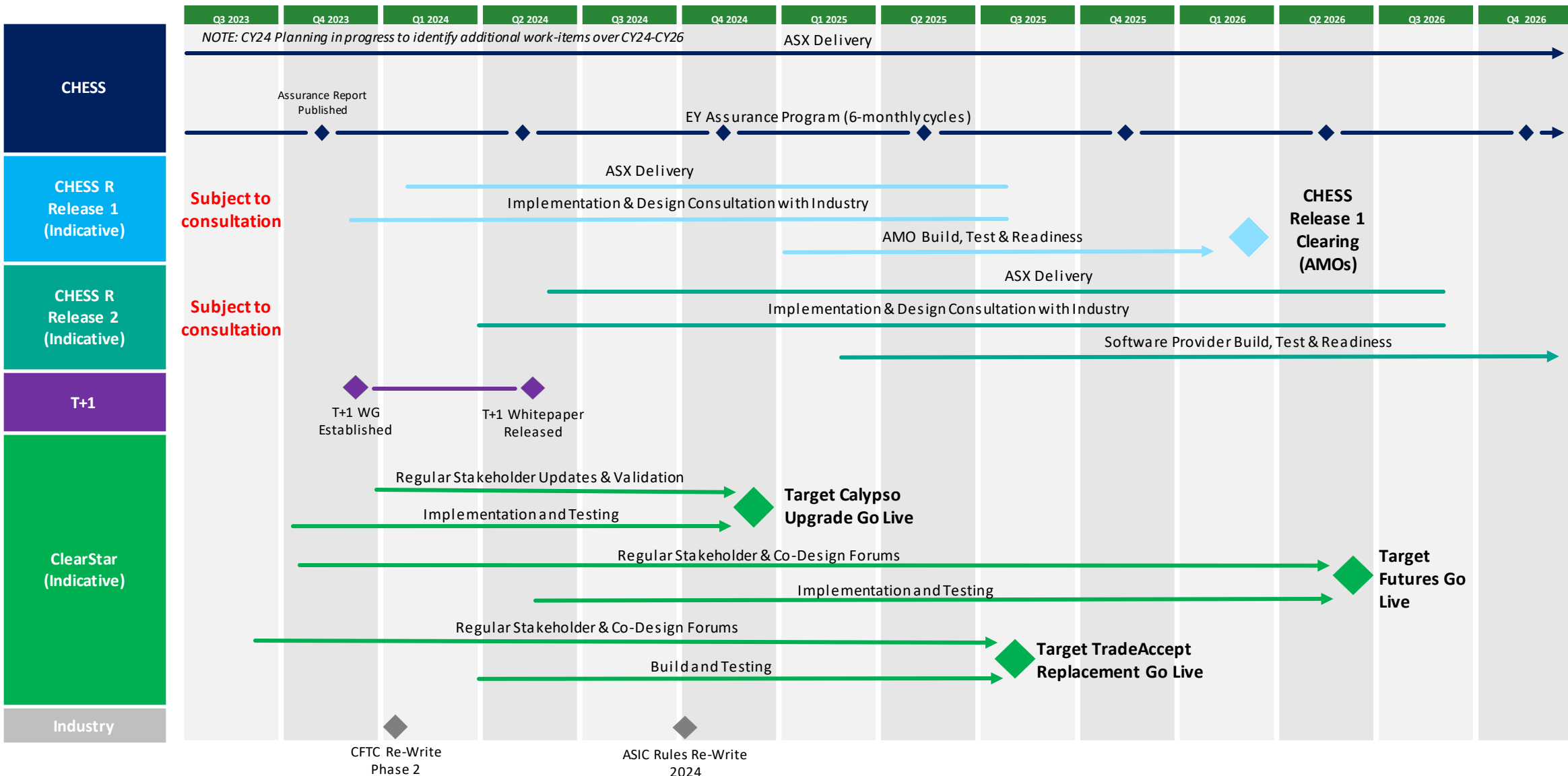
The roadmap is provided in response to open action item 23-12-2, containing information on current CHES, CHES R Release 1, CHES R Release 2, T+1, ClearStar, and Industry.

The entire roadmap is to be taken as merely indicative.

## ATTACHMENT(S)

Attachment 1: ASX Stakeholder Impact Visibility roadmap

# Proposed ASX initiatives





<b>Committee</b>	Business Committee
<b>Meeting date</b>	20 March 2024
<b>Agenda title</b>	<b>CHES Replacement – Project Update</b>
<b>Agenda Item No.</b>	3a
<b>Purpose</b>	To provide Business Committee members with a project update on CHES Replacement
<b>Prepared by</b>	Tim Whiteley, Chief Information Officer Clive Triance, Group Executive Securities & Payments
<b>Action</b>	For Discussion
<b>Proposed recommendation to Boards of ASX Clear and ASX Settlement (if applicable):</b>	Not applicable

## BACKGROUND

CHES is the core system that performs the processes of clearing, settlement, asset registration and other post trade services which are critical to the orderly functioning of the market. On 20 November 2023, ASX [announced](#) that it had entered into an agreement with Tata Consultancy Services (TCS) for the delivery of its TCS BaNCS for Market Infrastructure (MI) product. ASX has also engaged Accenture to act as a Solution Integrator to support project delivery.

## SUMMARY

Key project updates:

- The project has commenced onboarding resources from delivery partners Accenture and Tata Consultancy Services (TCS), with significant work completed to establish and facilitate the Project’s ways of working.
- On 8 March 2024, ASX released the first of two CY24 formal consultation papers designed to ensure stakeholder input adequately informs the project scope, timelines, and overall implementation plan.
- Since the last Business Committee, ASX hosted two CHES Replacement Technical Committee meetings. The next meeting is scheduled for 3 April 2024. Reporting to the Technical Committee, ASX has also hosted the following project working groups:
  - Three AMO Working Groups;
  - Three Business Design Working Groups; and
  - Two Implementation and Transition Working Groups

## Project Update

Following the solution announcement, the CHES Replacement Project commenced onboarding key personnel from delivery partners Accenture and TCS. The Project’s first Program Increment Planning (PIP) event took place over four days in early February and will occur every three months. The first PIP baselined the project plan for Release 1 and, at a more

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detailed level, the plan, and objectives for the next three months to the end of April. This entailed a series of structured workshops spanning business, technology, partners, and operations to refine and agree the collective ways of working for the Project and expand upon the ASX delivery framework. Over twenty workshops were facilitated by Accenture and covered topics including product backlog structure, project structure, roles and responsibilities, end to end delivery flow, tooling and change control.

The indicative timeframe for implementation of the first release (the clearing component) remains as 2026, and the scenarios being considered for the second release (the settlement and sub-register component) estimate implementation in 2028 or 2029 (refer to **Attachment 1**). The delivery timeframes are subject to factors including stakeholder consultation and detailed planning.

### Industry Consultation

In CY 2024, ASX will undertake two rounds of public consultation with the industry to ensure stakeholder input adequately informs the project scope, timelines, and overall implementation plan. In addition to providing market participants the information required to enable them to provide informed responses, it is also ASX's intention that Consultation Papers 1 and 2 provide industry stakeholders the information required to adequately plan, allocate and deploy the necessary resources to implement the CHES Replacement solution, noting however matters which are subject to consultation may change as a result of consultation process.

The first of two major industry consultation papers on implementing the CHES Replacement solution will be published in Q1 2024, with responses due late April. At a high level, the Release 1 Consultation will cover:

- The Release 1 proposed plan, scope and timeline;
- The implementation of Release 1 (which will implement the new clearing solution); and
- Financial Information eXchange (FIX) messaging for trade registration for all market operators, with backwards compatibility of all external message workflows, designed to limit the impact of Release 1 to Approved Market Operators (AMOs).

Parallel to the first consultation paper, ASX will also be consulting on the future milestones of the Development Incentive Pool of the Partnership Program.

Release 2 Consultation is scheduled for publication in Q3 2024 and will seek input from stakeholders on the design and implementation of the remaining clearing components, settlement and sub-register functionality, and messaging interfaces to Participants, Registries and Payment Providers. A similar consultation timeline is anticipated for Consultation Paper 2.

Separate to the CHES Replacement Project, ASX Clear and ASX Settlement Pty Limited is currently engaging the industry regarding the potential for the Australian financial market to transition to T+1 settlement (refer to agenda item 2a). Public consultation on this topic is also anticipated.

Refer to **Attachment 2** for the CHES Replacement public consultation timeline.

### Key Project Risks

The following risks are being managed by the Project:

Area	Description	Mitigation
T+1	If the market prioritises a move to T+1 settlement, significant replanning would be required for the CHES Replacement Project	The Project will monitor the market engagement and provide input as required regarding the optimum plan across CHES Replacement and a potential T+1 cutover.
Proof of Technology (PoT)	ASX is working with TCS to perform a Proof of Technology (PoT), to prove how the product and selected Cloud AWS technology services will scale. There is a risk that the PoT would change the technology platform design for the CHES Replacement solution.	TCS will execute a prioritised set of use cases to give an early indication if any changes in design are required.
Colocation of key resources	Delays in visa processing has resulted in TCS not being onsite which could lead to delays in solution analysis	ASX sent a team to travel to India for drop 1 solution analysis

### Technical Committee

Operating on a monthly cadence to a published timeline, the Technical Committee continues to act as the primary engagement channel to communicate information with CHES Users and software providers regarding project status and governance, key risks and issues, scope, implementation options, testing, cutover and migration and readiness activities.

Following the solution announcement, ASX introduced several working groups governed by the Technical Committee to support more targeted engagement activities on specific aspects of CHES Replacement. First socialised in the 8 November Technical Committee for feedback, these working groups include:

- Implementation and Transition Working Group, which is responsible for implementation planning, industry testing approach, market readiness and accreditation;
- Business Design Working Group, which is responsible for the design of any new/changing scope;
- ISO (International Organization for Standardization) 20022 Design Working Group, which is responsible for ISO 20022 message design and workflows; and
- AMO (Approved Market Operator) Working Group, which is responsible for the coordination of implementation and readiness activities of market operators for Release 1.

The intention of these working groups is to engage with and capture early feedback from industry subject matter experts. Currently, the Technical Committee and working group timings and agendas have been designed to support participants in responding to the consultations. The feedback captured from these working groups will also inform the formal consultation process.

Further details on the industry engagement and consultation approach can be found in **Attachment 2**.



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At the 7 February Technical Committee meeting an update was presented on progress against the previous milestone plan. Further to the standing agenda items, executive members from the Project's delivery partners Accenture and Tata Consultancy Services (TCS) were introduced to the Committee, with members able to ask questions and raise any concerns.

The impact of the Release 1 timing proposal on Trade Acceptance Service (TAS) was also discussed, with the following documents noted as subject to amendments as part of Release 1 to reflect the new message types and any changes involved in aligning all AMOs to the same set of terms and conditions.

- TAS legal terms;
- Product Service legal terms;
- Operational and Technical standards; and
- Other related operational and technical documents.

The prioritised scope objectives were played back for member input, along with a proposal on the management and inclusion of further scope items moving forward. The Q4 CY 2023 Technical Committee Pulse Survey results were also presented, indicating reduced member participation but an increase in survey results.

At the 7 March Technical Committee, members were provided an update on progress against the previous milestone plan. Following member feedback from the February meeting, ASX updated the standing project status agenda item to provide greater detail around project objectives, risks, and milestones. Members were also provided updates on the recent working groups conducted between Technical Committees, including the 20 February Implementation and Transition Working Group and the 28 February Business Design Working Group.

Previous Technical Committee agendas, presentation materials and minutes can be found [here](#).

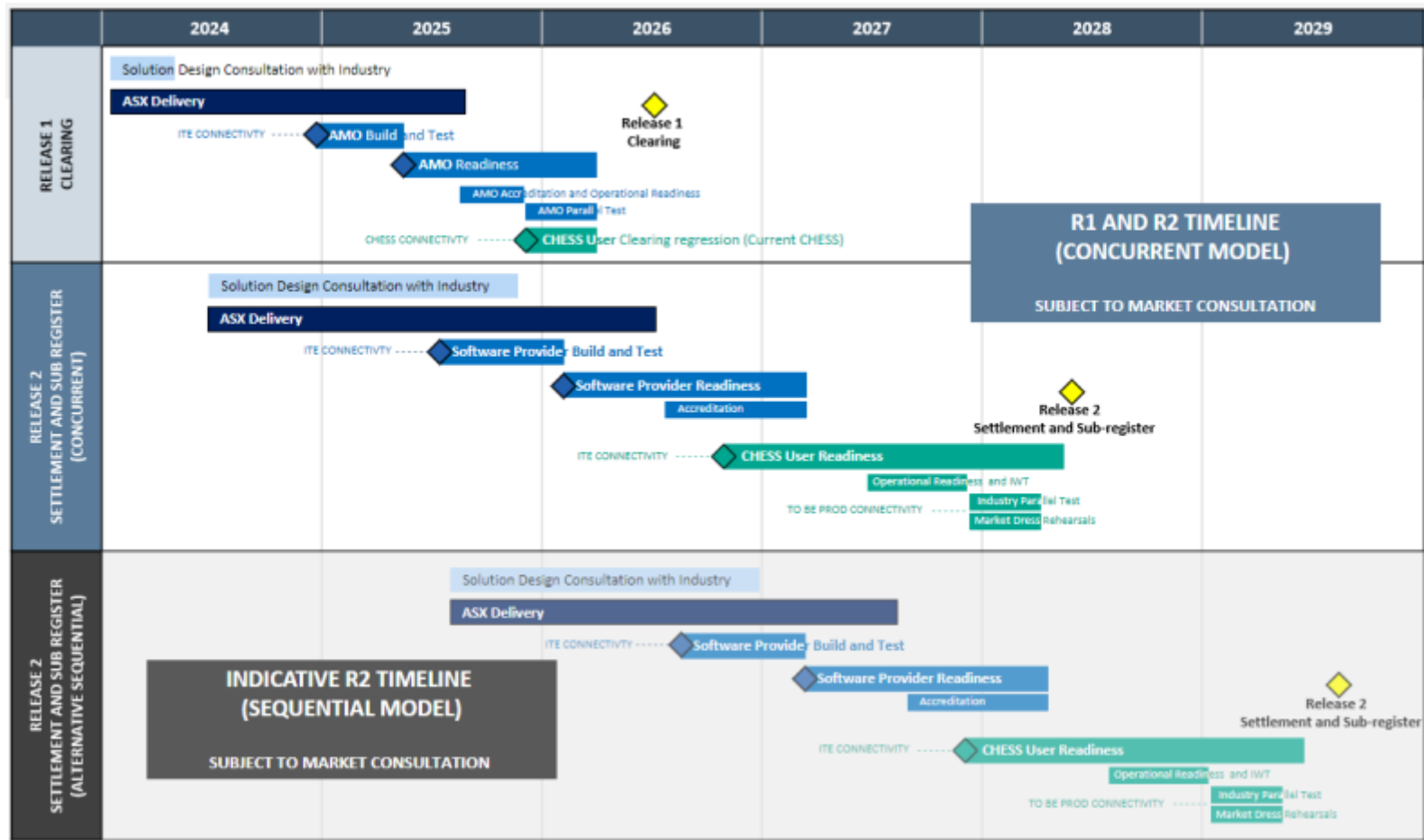
## **ATTACHMENTS**

Attachment 1: High Level Project Plan

Attachment 2: CY24 Public Consultation Timeline



Attachment 1: High Level Project Plan

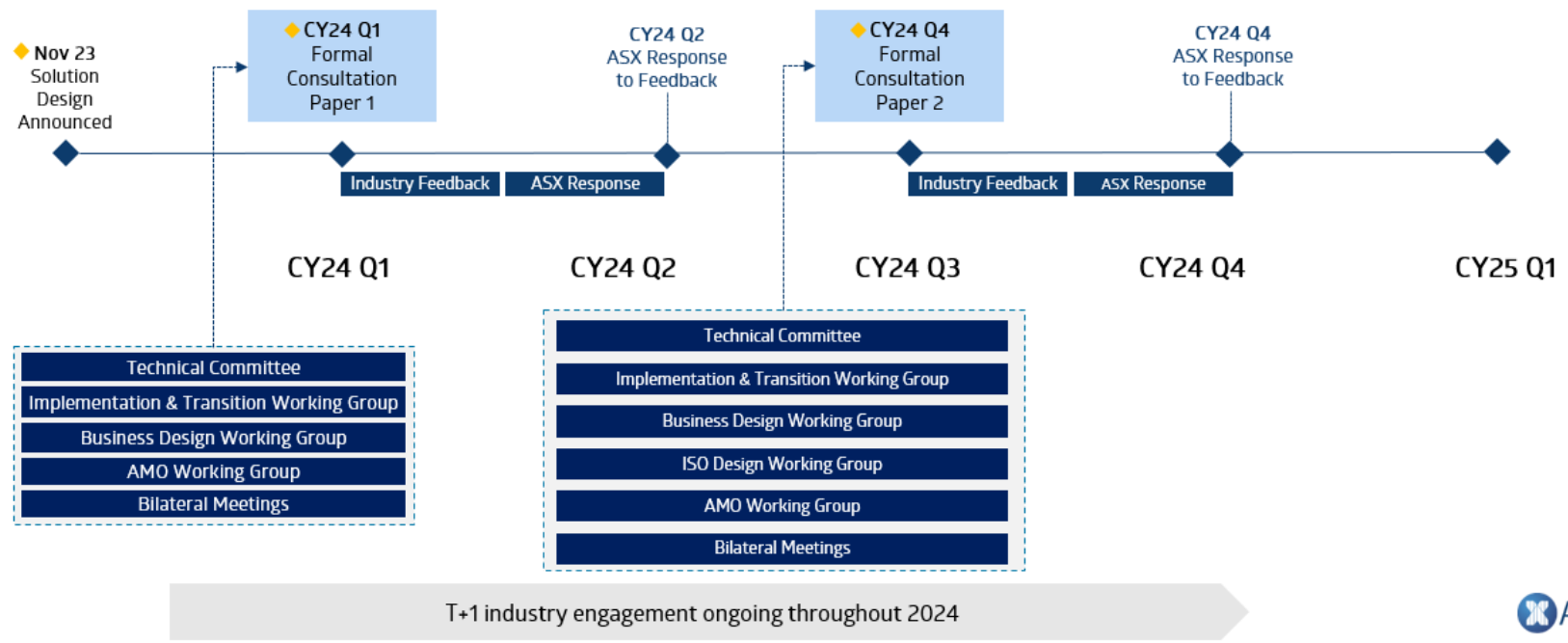


Attachment 2: CY24 Consultation Timeline

# Public consultation

## Consultation timeline

Formal consultation with stakeholders will commence in the first quarter of 2024 and cover the high-level project plan and an indicative timeline for the releases, including the design, scope, and timing for each of the releases.





<b>Committee</b>	Business Committee
<b>Meeting date</b>	20 March 2024
<b>Agenda title</b>	<b>Independent Assessment of the Assurance Program for the CHES Replacement Project</b>
<b>Agenda Item No.</b>	3b
<b>Purpose</b>	To advise the Business Committee that EY's independent expert assurance report has been published and for the EY Partner to answer any questions on the report
<b>Prepared by</b>	Diona Rae, Chief Operating Officer
<b>Action</b>	For Discussion
<b>Proposed recommendation to Boards of ASX Clear and ASX Settlement (if applicable):</b>	Not applicable

## BACKGROUND

Members can access EY's independent expert assurance report via ASX's website:

<https://www.asx.com.au/content/dam/asx/markets/clearing-and-settlement-services/31-december-23-report-asx-independent-assessment-of-chess-replacement-assurance-program.pdf>

This is the fifth independent expert report, and the fourth six-monthly progress report on the assessment of ASX's Assurance Program for the CHES Replacement Project.

The objective of this report is to provide an update on the status of the remedial actions from the previous (30 June 2023) Report and the progress of completed assurance activities in the period. The report also includes an update on the trade outage independent expert review recommendations relevant to the CHES Replacement Project.

The EY Partner will attend the meeting to answer any questions on the report.



<b>Committee</b>	Business Committee
<b>Meeting date</b>	20 March 2024
<b>Agenda title</b>	<b>Independent Assessment of CHES Replacement 'Define &amp; Plan' Phase Report</b>
<b>Agenda Item No.</b>	3c
<b>Purpose</b>	To advise the Business Committee that EY's independent assessment report has been published and for the EY Partner to answer any questions on the report
<b>Prepared by</b>	Hamish Treleaven, Chief Risk Officer
<b>Action</b>	For Discussion
<b>Proposed recommendation to Boards of ASX Clear and ASX Settlement (if applicable):</b>	Not applicable

## BACKGROUND

Members can access EY's independent assessment report via ASX's website:

[https://www.asx.com.au/content/dam/asx/markets/clearing-and-settlement-services/asx-independent-assessment-of-the-chess-replacement-project-\(define-plan-phase\)-final-report.pdf](https://www.asx.com.au/content/dam/asx/markets/clearing-and-settlement-services/asx-independent-assessment-of-the-chess-replacement-project-(define-plan-phase)-final-report.pdf)

ASX initiated an independent assessment of the 'Define & Plan' Phase of the CHES Replacement Project, performed by EY over the period from February to November 2023.

The 'Define & Plan' Phase of the CHES Replacement Project was focused on revisiting the solution design for CHES replacement leading up to the decision and the 20th November 2023 announcement of the solution design and indicative stages for a phased implementation.

The scope of the independent assessment covers the robustness of the assessment and selection processes relating to the solution options, product and solution vendor, and the solution integrator; as well as a quality review of key project deliverables and processes. In addition to these areas, the review provided an assessment relating to the deliverability of both the current phase of the project and of the proposed solution and delivery model; and an assessment of the implementation of CHES Replacement project actions to address the CHES Replacement Program External Review Report, published in November 2022.

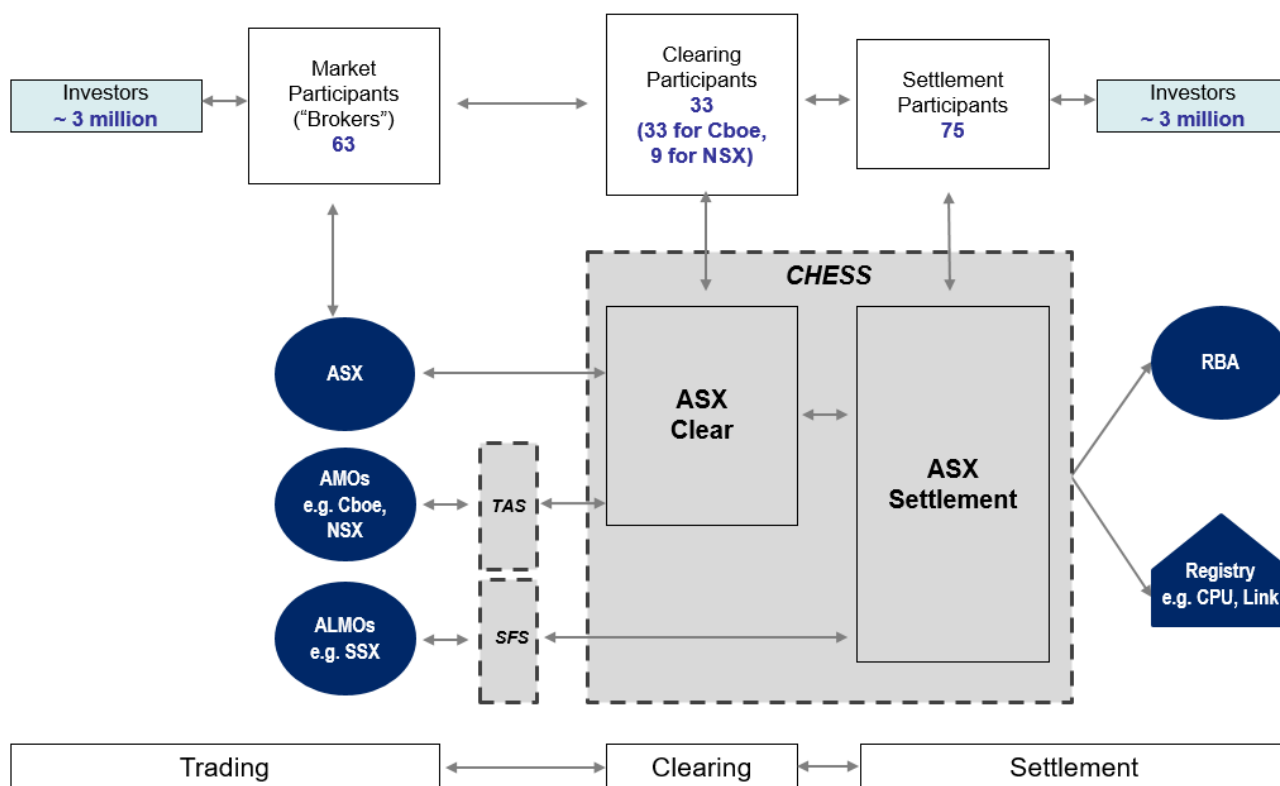
The overall conclusion in the independent assessment report was that ASX followed a robust process to select a solution and suppliers for the delivery of ASX's critical market infrastructure and that deliverables and processes reviewed were appropriate for the nature, scale and complexity of the CHES Replacement Project.

The EY Partner will attend the meeting to answer any questions on the report.

<b>Committee</b>	Business Committee
<b>Meeting date</b>	20 March 2024
<b>Agenda title</b>	<b>Operational Performance: Cash Market Clearing and Settlement</b>
<b>Agenda Item No.</b>	4a
<b>Purpose</b>	To report on key performance metrics for ASX's clearing and settlement services
<b>Prepared by</b>	Clive Triance, Group Executive Securities & Payments Suzy Munro, General Manager, Securities & Payments Operations
<b>Action</b>	For Noting
<b>Proposed recommendation to Boards of ASX Clear and ASX Settlement (if applicable):</b>	Not applicable

## Overview

# Market Structure Overview



The clearing and settlement of equities performs a critical role in the operation of Australia's financial markets, helping to reduce counterparty and systemic risk, and provide transaction efficiency and certainty for end investors.

Core processes that provide these benefits include novation, netting and settlement.

### Service availability

ASX's critical processes of novation, netting and settlement are supported in ASX's core system CHES. A key metric for monitoring systems availability is the percentage of systems uptime as measured against target availability times. The service availability target for CHES is 99.80%.

For the March 2024<sup>1</sup> quarter, the average monthly system availability was 100% for CHES. The average monthly availability of CHES has been 99.99% between December 2011 and February 2024.

### Trade Acceptance Service and Settlement Facilitation Service

The CHES system performs the clearing and settlement functions for the Trade Acceptance Service (TAS) for Cboe and NSX to submit trades into CHES and the Settlement Facilitation Service (SFS) and Settlement Facilitation Service (SFS) for SSX.

The Trade Acceptance Service and Settlement Facilitation Service availability target is 99.80% (the same as CHES).

For the March 2024<sup>1</sup> quarter, the average monthly system availability was 100% for the TAS and SFS. The average monthly availability of the TAS and SFS has been 99.99% between December 2011 and February 2024.

### Settlement Performance

A performance metric for monitoring the CHES settlement batch is the fail performance.

For the March 2024<sup>1</sup> quarter, the daily average fail performance has decreased to 0.117%, while maintaining a relatively low average of 0.187% across the previous twelve months.

The daily average fail performance was 0.243% over the 3-year period from March 2021 and February 2024.

ASX Settlement Operations review daily settlement data for recurring trends in the settlement failure rate to monitor and ensure that there are no systemic issues.

Month	February	January	December	November	October	September
Average Fail Rate	0.124%	0.109%	0.239%	0.318%	0.153%	0.230%
Maximum Fail Rate	0.198%	0.207%	1.005%	0.828%	0.260%	1.599%
Minimum Fail Rate	0.066%	0.062%	0.108%	0.135%	0.108%	0.061%
Average Value Based Fail Rate	0.060%	0.054%	0.080%	0.140%	0.079%	0.047%
Average Initial Fail Rate	0.020%	0.017%	0.029%	0.025%	0.022%	0.022%
Average Fail Rate (ex unilaterals)	0.099%	0.085%	0.199%	0.274%	0.129%	0.199%
# of days Fail rate > 0.50%	0	0	1	3	0	1
Batch Settlement Extensions	0	0	0	0	0	0
Fall back of Payment Provider	1	2	1	0	0	1

### Reporting on clearing and settlement service performance

The key metrics for novation, netting efficiency and settlement efficiency for the March 2024<sup>1</sup> quarter are reported in Attachment A. They are also supported by charts demonstrating a longer reporting period in Attachment B.

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<sup>1</sup> As of 29 February 2024

## ATTACHMENT A – SUMMARY METRICS RELATING TO THE PERFORMANCE OF THE ASX CLEARING AND SETTLEMENT SERVICE

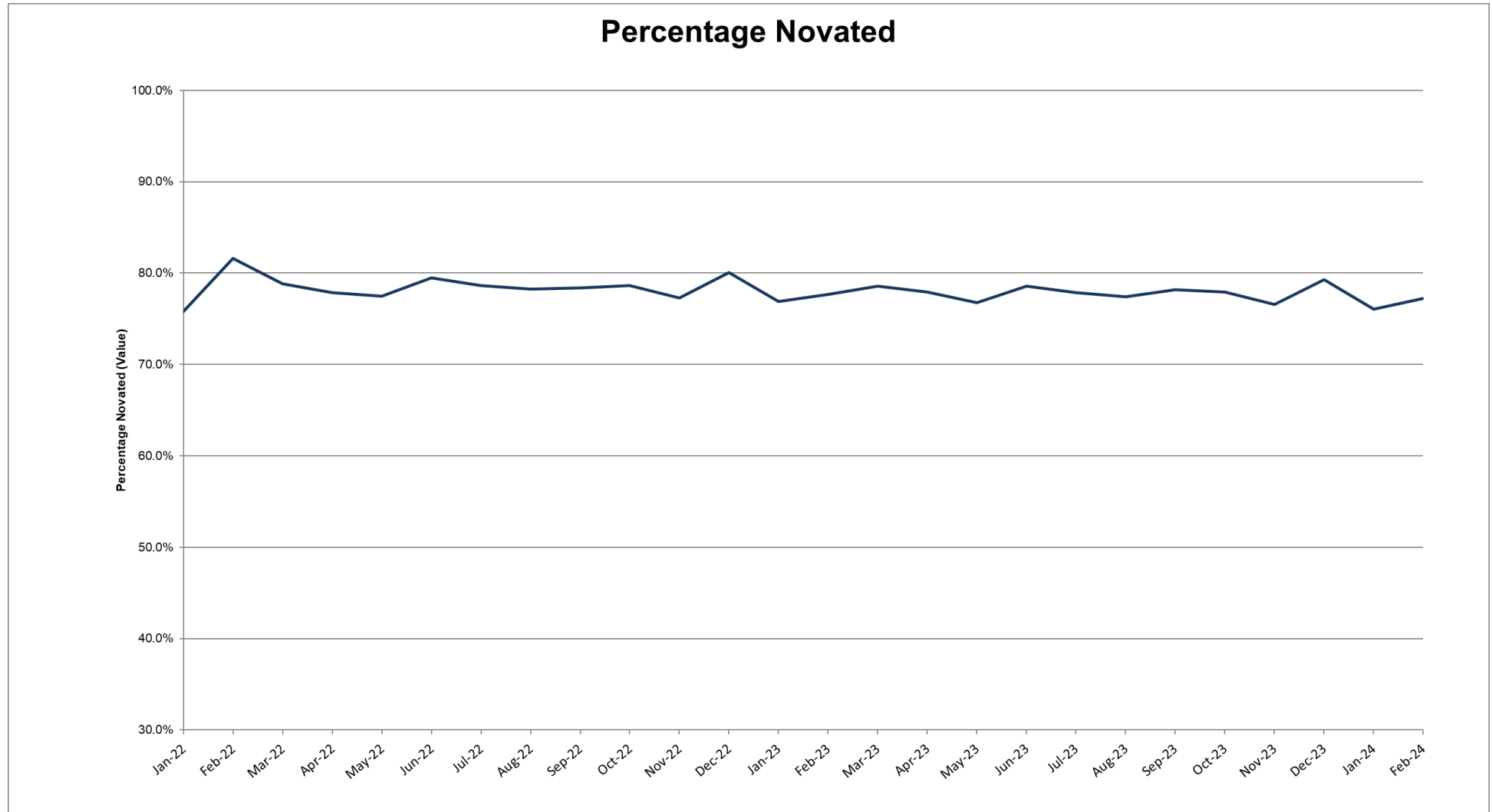
	March 2024 <sup>1</sup> Quarter	December 2023 Quarter	September 2023 Quarter
System Availability (CHESS)	100%	100%	100%
System Availability (TAS)	100%	100%	100%
<b>Trade registration</b>			
Total Trades Accepted (ASX)	62,346,058	90,750,915	92,439,576
Total Trades Accepted (Cboe)	22,532,594	30,265,461	29,664,794
Total Trades Accepted (NSX)	40	53	66
Daily Average Trades across all AMOs	1,973,923	1,920,896	1,878,530
Highest Daily Trade Registration across all AMOs	2,668,803	2,852,886	2,422,847
Highest Consecutive 2 Days Trade Registration across all AMOs	5,295,080	5,314,366	4,685,823
<b>Clearing</b>			
Daily Average Traded Value (On and Off Market) *	\$9.45 billion	\$10.09 billion	\$9.83 billion
Daily Average Cleared Value *	\$7.25 billion	\$7.88 billion	\$7.65 billion
Percentage Novated *	76.6%	77.9%	77.7%
Netting Efficiency (Value) *	69.5%	71.6%	71.4%
Netting Efficiency (Volume) *	98.8%	98.8%	98.8%
Daily Average Cleared Value Post-Netting	\$2.20 billion	\$2.22 billion	\$2.18 billion
<b>Settlement</b>			
Total Settlements (SSX)	0	0	0
Total Value of Settlements (SSX)	\$0	\$0	\$0
<b>Batch Settlement</b>			
Daily Average Settled Value (Including Non-Novated)	\$10.85 billion	\$12.38 billion	\$11.24 billion
Settlement Efficiency (Value)	99.94%	99.88%	99.94%
Average Daily CHESS Fail Rate (% Rescheduled to the next settlement date)	0.117%	0.237%	0.175%
Average Value Based Fail Rate (% Rescheduled to the next settlement date)	0.057%	0.117%	0.064%

Commencing March 2022 quarter, Traded Volume now includes transactions (for all AMOs) with settlement status "I" (e.g. crossings, informational)

<sup>1</sup> As of 29 February 2024

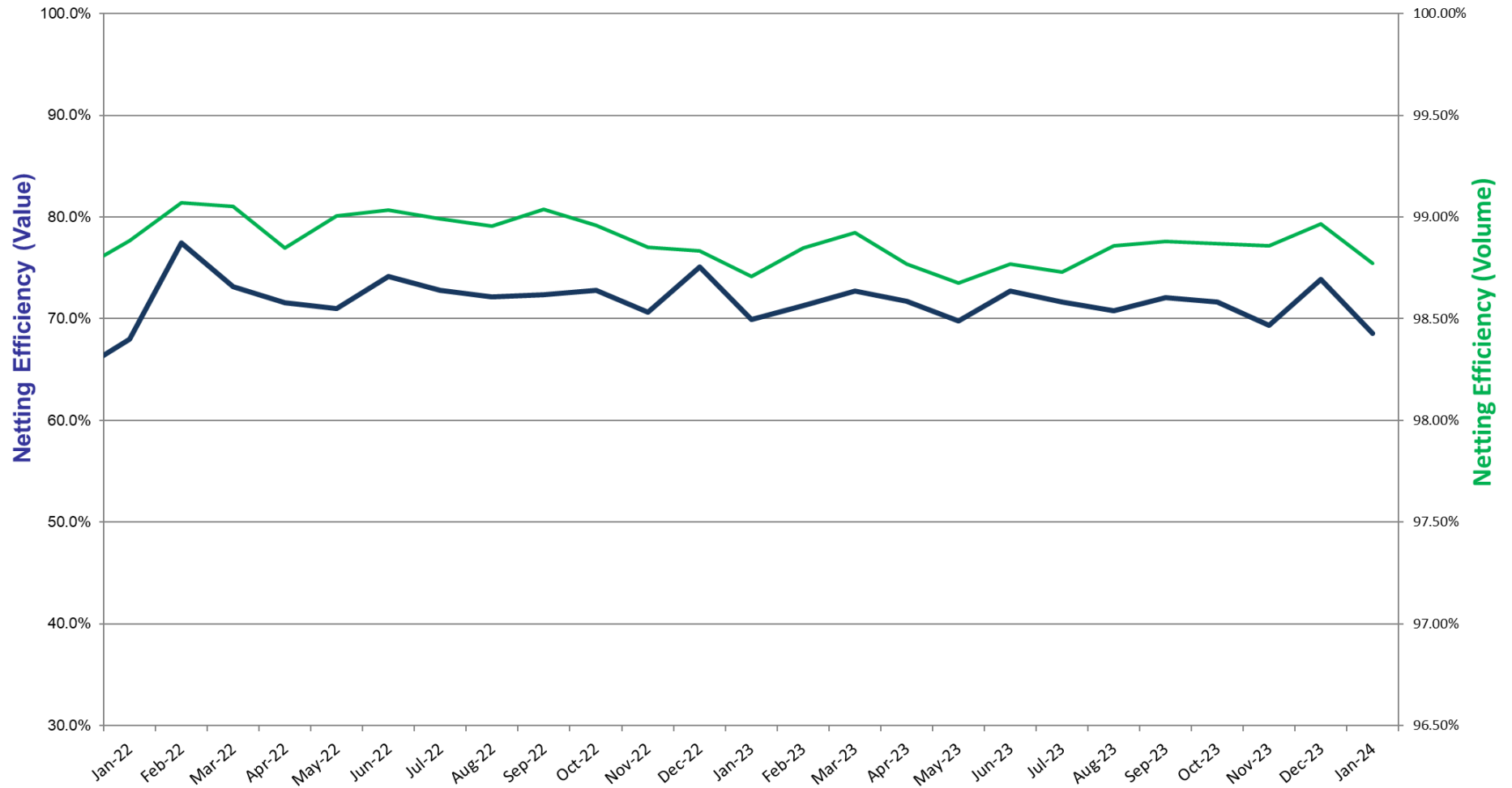


ATTACHMENT B – PERFORMANCE OF THE ASX CLEARING AND SETTLEMENT SERVICES FROM JANUARY 2022 TO FEBRUARY 2024

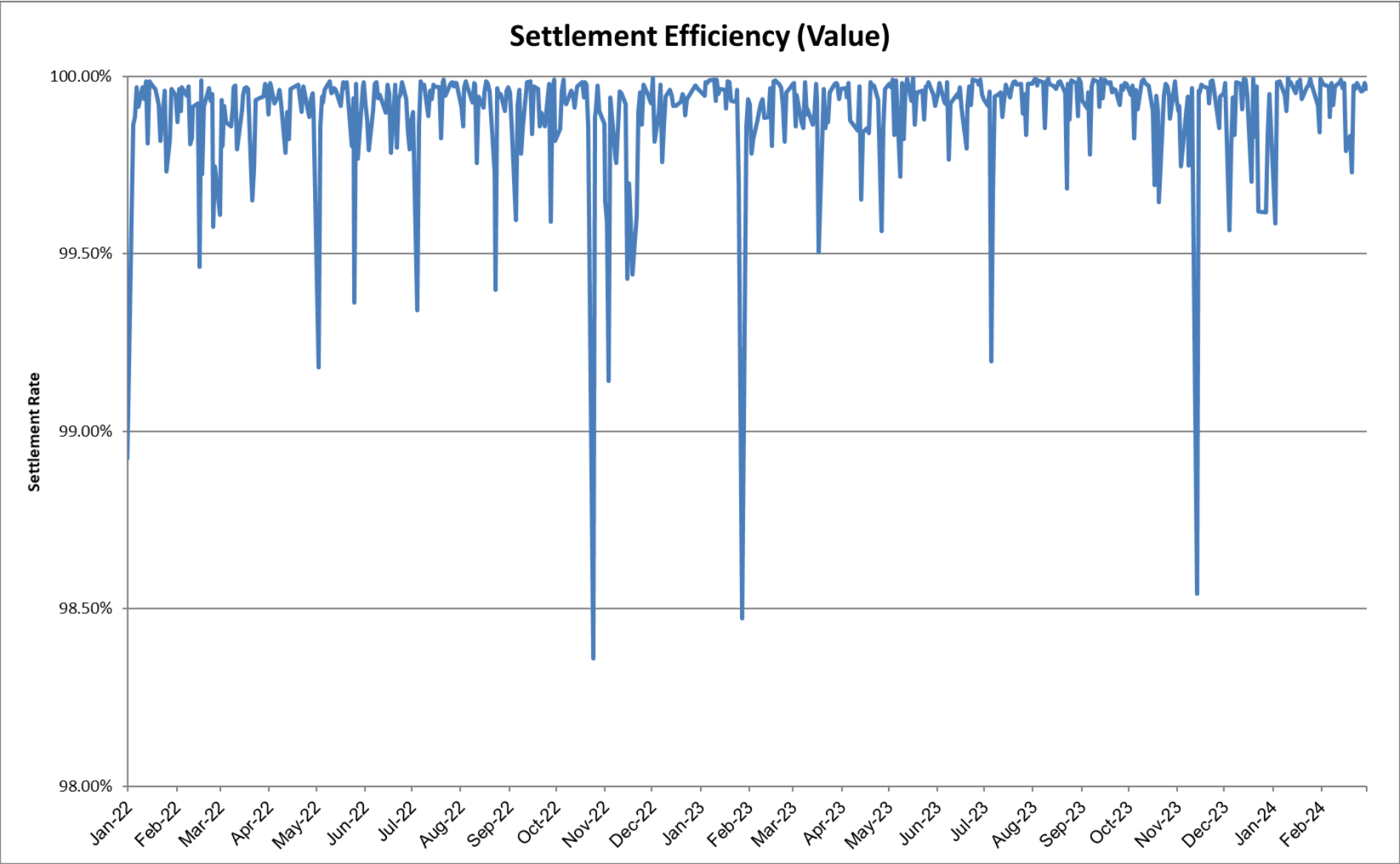


Commencing March 2022 quarter, Traded Volume now includes transactions (for all AMOS) with settlement status "I" (e.g. crossings, informational)

## Netting Efficiency (Value and Volume)

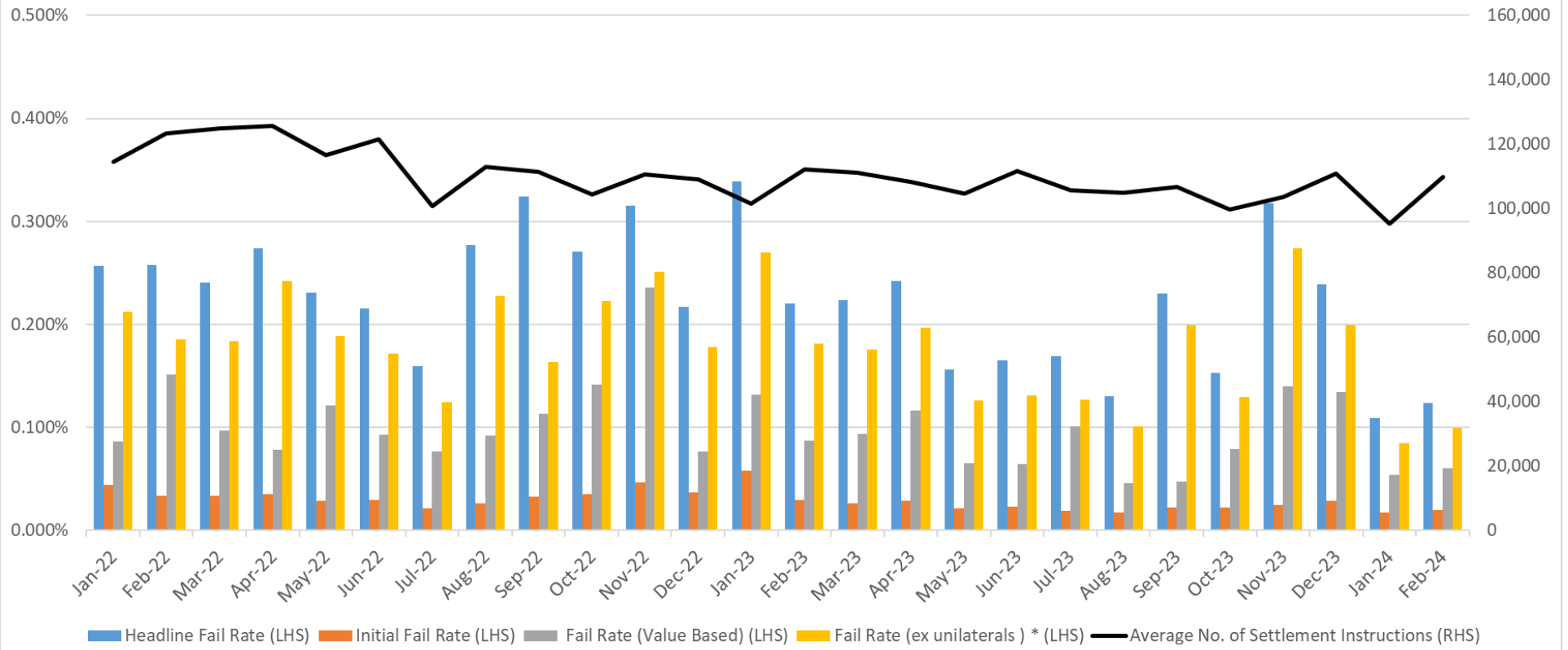


Commencing March 2022 quarter, Traded Volume now includes transactions (for all AMOS) with settlement status "I" (e.g. crossings, informational)



Commencing March 2022 quarter, Traded Volume now includes transactions (for all AMOS) with settlement status "I" (e.g. crossings, informational)

### Average Fail Rates % Vs Settlement Instructions



<b>Committee</b>	Business Committee
<b>Meeting date</b>	20 March 2024
<b>Agenda title</b>	<b>Maintaining the stability of existing CHES</b>
<b>Agenda Item No.</b>	4b
<b>Purpose</b>	To provide Business Committee members with an update on the programme of work to ensure existing CHES continues to provide the level of service, reliability and resilience required by the market until CHES replacement is implemented
<b>Prepared by</b>	Sabra Mott, General Manager, Technology, Securities & Payments
<b>Action</b>	For Noting
<b>Proposed recommendation to Boards of ASX Clear and ASX Settlement (if applicable):</b>	Not applicable

## OVERVIEW

The CHES service continues to operate within key performance indicators, achieving service level objectives for all of CY2024 to date:

- 100% availability
- No major incidents (Severity 1 or Severity 2)
- +100% headroom on 10 million tested trade registration capacity vs January peak of 2.2million; Trades per day (Cash Market) includes NSX and CBoE: 2,292,557 peak day volume in January 2024 (Recorded peak in CY 2022 at 4,586,844 and historical peak on 13 March 2020 at 7 million).
- No failed changes or changes resulting in incidents during January 2024
- Successful disaster recovery test completed on 13 May 2023 with next disaster recovery test planned for 11 May 2024.

The CS Facilities have established operational risk management frameworks with appropriate systems, policies, procedures and controls to identify, monitor and manage operational risk.

The objectives of the frameworks extend to, but are not limited to, targets for system availability, scalable capacity adequate to handle increasing volumes, physical and information policies that address potential vulnerabilities and threats, business continuity arrangements for timely recovery of operations and availability of well-trained and competent personnel.

Internal audits and independent external expert reviews are undertaken of operations, management processes and internal control mechanisms.

## Outlook

ASX continues to invest in the ongoing supportability and maintenance requirements of current CHES.

- The "Special Report" on prescribed matters relating to CHES was provided to ASIC on 28 April 2023 (accompanied by a CS Board attestation) and an Audit Report prepared by EY to ASIC on 31 May 2023. ASX's focus is to deliver the 27 initiatives outlined in the "Special Report". Seventeen out of 27 have completed as of 7 Feb 2024. EY has provided assurance with respect to the roadmap progress to date and ASX is in the process of refreshing the roadmap by June 2024.
- Initiatives planned in FY24 that would have customer impact considerations are:

Initiative Short Description	Customer Impact (Y/N)	Indicative Date
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CHES Access – upgrade the programming language and MQ series version	Y	May - June 2024 (rollout)
Migration of trade signals off CORE	Y (clearing participants)	14 May – 10 June (UAT)

Other initiatives are to ensure the scalability and useful life of current CHES continues until CHES replacement can be safely implemented.

- The stress test of current CHES has completed and a report sent to the Reserve Bank of Australia which details the bottlenecks identified during the breakpoint stress test on 25 January 2024. A verbal update will be provided at the Business Committee meeting.

Members are invited to raise any questions in respect of this paper either before the 20 March 2024 Business Committee meeting or during the Questions Session of that meeting.

<b>Committee</b>	Business Committee
<b>Meeting date</b>	20 March 2024
<b>Agenda title</b>	<b>Regulatory Expectations Audits – summary of actions taken to address prior findings</b>
<b>Agenda Item No.</b>	4c
<b>Purpose</b>	To respond to action item 23-10-5
<b>Prepared by</b>	Business Committee Secretariat
<b>Action</b>	For noting
<b>Proposed recommendation to Boards of ASX Clear and ASX Settlement (if applicable):</b>	Not applicable

### Purpose

At the October 2023 Business Committee meeting, ASX was requested to provide visibility over the status of findings from the past three regulatory expectations audits (FY23, FY22 and FY21) which arose as a general request from a Business Committee member (action item 23-10-5). Below is a summary of actions taken by ASX to address prior findings.

### Findings and status

Organised year by year for FY23, FY22 and FY21, the table below details findings and recommendations, ASX management response, and in the final column, a summary of actions taken and status (point in time).

Regulatory Expectation sections are displayed in headings in blue boxes, namely: (i) user input to governance, and (ii) transparent, non-discriminatory, and fair and reasonable pricing of CS services.

### FY23

Regulatory Expectation	PwC Findings	PwC Recommendation	ASX Management response	Summary of actions taken and Status
<b>1. User input to governance</b>				
<b>1a</b>	<b>Observation noted.</b> We have inspected a sample of Technical Committee meeting minutes which	The Technical Committee Chair should continue to endeavour to provide agendas and associated	Clause 8.2 of the Technical Committee Charter provides that The Chair will endeavour (ASX's emphasis) to provide	Since September 2023, with the exception of the ad hoc Technical Committee to support the solution

<p>ASX should make an explicit public commitment to investing promptly and efficiently in the design, operation and development of the core CS infrastructure for the Australian cash equity market, including the Clearing House Electronic Sub-register System (CHES) and any future replacement system. This commitment should be supported by governance processes that enable users to provide input on the setting of the investment strategy. Investments should ensure that, to the extent reasonably practicable, the performance, resilience, security and functionality of the core CS infrastructure meet the needs of users, recognising the diversity and differing needs of users. At a minimum, the core CS infrastructure should accommodate internationally accepted communication procedures and standards.</p>	<p>indicated that matters relating to CHES replacement were discussed, and members were able to ask questions and provide input. The agendas and associated presentation materials were shared between 0 - 5 days prior to each meeting despite the Charter requiring the Technical Committee Chair to endeavour to provide materials at least one week prior to each meeting. Through our follow up discussions with management, we understand the following circumstances contributed to the timing of agendas and papers being shared:</p> <ul style="list-style-type: none"> <li>• at times, the short timeframes between meetings</li> <li>• where presentation materials are dependent on the completion of another event</li> <li>• papers that are not for pre-reading purposes and are for discussion during the meeting.</li> </ul> <p>Management also noted that follow up actions from meetings were circulated and draft meeting minutes are</p>	<p>papers at least one week prior to meetings to allow members adequate time to review supporting materials ahead of meetings.</p>	<p>the agenda and presentation material or papers to all members at least one week prior to each meeting. Circumstances may arise where it is not possible, despite ASX's best endeavours, to provide agendas and associated papers at least one week prior to a meeting. If this is the case, ASX may consider postponing the meeting to accommodate the one week requirement but this will be dependent on the urgency of the subject matter, members' availability and other practical considerations.</p>	<p>announcement (which was subject to disclosure obligations), ASX has provided pre-read 1 week in advance of the Technical Committee meeting.</p> <p>ASX also brought forward the 4 October 2023 Technical Committee meeting to 28 September to accommodate extra feedback on the scope recommendation that went to the October Business Committee meeting.</p> <p><b>Status:</b> complete. Process changes have been implemented.</p>
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	formally signed off by members and the Technical Committee Chair at the subsequent meeting, allowing for additional member input if required.			
<p><b>1b</b></p> <p>ASX should ensure that the membership of its user governance arrangements is representative of the user base of its CS services, and that members are able to have a strong input into the agenda and format of meetings or other user governance mechanisms and the setting of priorities.</p>	<p><b>Observation noted.</b></p> <p>The Business Committee Charter states that “meeting agendas and associated papers will be circulated to members one week prior to the relevant meeting.” We inspected evidence for agendas and meeting papers being shared with Business Committee members seven days prior to the respective meeting. Our testing indicated that:</p> <ul style="list-style-type: none"> <li>• For two out of three sampled meetings, agendas and meeting papers were shared on average seven days prior to the Business Committee meeting, in line with the requirements of the Business Committee Charter. These two meetings were conducted as business-as-usual meetings.</li> <li>• For one out of three sampled meetings, the agenda and meeting paper was shared five days prior to the Business Committee</li> </ul>	<p>Agendas and associated papers for special purpose Business Committee meetings should be circulated to members in line with the timeframes set out in the Business Committee Charter.</p>	<p>ASX acknowledges that agendas and associated papers for special purpose Business Committee meetings should be circulated to members at least one week prior to the relevant meeting consistent with the Business Committee Charter. ASX will ensure that it adheres to this standard for future special purpose Business Committee meetings.</p>	<p>No special purpose Business Committee meetings have been convened since April 2023. ASX continues to note PwC’s finding and recommendation.</p> <p><b>Status:</b> not yet relevant.</p>

	<p>meeting. We noted that this meeting was a special meeting conducted with the purpose to discuss the proposed new industry forum, the CHES Replacement Technical Committee. This meeting was held in addition to the quarterly Business Committee meetings that are required to be held at a minimum under the Business Committee Charter. The associated paper that was shared five days prior to the meeting related to the draft Technical Committee Charter, a five-page document highlighting the purpose, role, responsibilities, and other matters relevant to the CHES Replacement Technical Committee.</p> <p>The Business Committee Charter does not delineate between Business Committee meetings that are held for a special purpose or are held as business-as-usual. The meeting agendas and associated papers for business-as-usual purposes were circulated to members in line with the Charter requirements. The meeting agendas and associated papers for special meetings</p>			
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	were not circulated to members within the timeframes set out in the Charter.			
<p><b>1b</b></p> <p>ASX should ensure that the membership of its user governance arrangements is representative of the user base of its CS services, and that members are able to have a strong input into the agenda and format of meetings or other user governance mechanisms and the setting of priorities.</p>	<p><b>Observations noted.</b></p> <p>A sample of Business Committee members were interviewed and noted they were invited to suggest additional agenda items for upcoming Business Committee meetings, and that they also had the opportunity to provide input during Business Committee meetings or through bilateral conversations with ASX.</p> <p>One Business Committee member noted that the amount of content varied between meetings, specifically noting that the July 2023 Business Committee meeting pack contained 153 pages of content and that review of this content ahead of the Business Committee meeting was strained under the one-week timeframe allowed by the Business Committee Charter and that Business Committee member’s competing priorities. Through our inspection of the July 2023 Business Committee meeting</p>	<p>While the Business Committee Charter requires agendas and papers to be shared at least one week prior to each meeting, consideration should be given to the amount of content within the packs, and if feasible shared earlier than the timeframes set by the Charter to allow for adequate review time.</p> <p>ASX should consider incorporating a contents page (or other mechanism) for Business Committee meeting packs to allow for easier navigation of reading material.</p> <p>Refer to 1(a)5 for additional recommendation in relation to Technical Committee meeting finding.</p>	<p><b>Contents of Business Committee meeting packs -</b> ASX acknowledges that large meeting packs do not promote a positive member experience. ASX intends to review, in consultation with members, the structure of the agenda, and to actively seek on an ongoing basis, member input on topics which they do or do not wish to be included in the agenda. ASX will endeavour to provide meeting packs (or significant papers) to members more than one week prior to each meeting date where feasible.</p> <p><b>Easier navigation of Business Committee meeting packs -</b> An additional column will be added to agendas which will detail the page number in the PDF meeting pack that an agenda item commences.</p>	<p><b>Agenda structure.</b> ASX continues to work to refine the structure of the agenda. Changes implemented include:</p> <p>(1) When issuing draft agenda to members, ASX calls for any removal, addition, or amendments of agenda items.</p> <p>(2) ASX has introduced a dedicated agenda item time slot for member-initiated items on draft agendas.</p> <p>(3) ASX has broken the agenda down to items for presentation and items not for presentation, which includes papers for noting and reading pre-meeting.</p> <p><b>Timing.</b> For the December 2023 meeting, ASX provided the final agenda and papers 6 business days in advance of the meeting. For the March 2024 meeting, ASX provided the final agenda and papers 7 business days in advance of the meeting.</p> <p><b>Easier navigation of the agenda:</b> from October 2023, ASX has introduced an</p>

	<p>pack, we noted that this pack included additional material relating to the agendas and minutes from previous Business Committee meetings, as well as CHES Replacement Technical Committee meetings.</p> <p>One Business Committee member who was also part of the CHES Replacement Technical Committee noted that the agenda and associated papers for the Technical Committee meeting held on 22 February 2022 was shared 30 minutes before the commencement of the meeting. The Technical Committee Charter states that "the Chair will endeavour to provide the agenda and presentation material or papers to all members at least one week prior to each meeting". We have raised an observation with respect to the timing of meeting agendas and papers being shared under 1(a)5.</p> <p>One Business Committee member raised concerns over their request to be included within an ASX workshop on CHES replacement which was subsequently denied by ASX. ASX stated that the</p>			<p>additional column displaying page numbers.</p> <p><b>Status:</b> complete.</p>
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	<p>Business Committee member was not included within the workshop as the workshop had a specific purpose, and the targeted audience involved CS users who had a direct impact from the matters discussed. We inspected workshop materials that indicated the outcomes of the workshop were tabled at the Technical Committee, which the respective member is a part of, as well as evidence that ASX had provided an explanation on its decision to deny the Business Committee member's request to join the workshop. Additional comments raised by the Business Committee members are reflected in 1(d)2.</p>			
<p><b>1c</b></p> <p>ASX should demonstrate that it has had regard to the views of members in setting the terms of reference for the external audits of its governance, pricing and access arrangements carried out in accordance with the Regulatory Expectations. This may take the form of members' non-objection of the proposed terms of</p>	<p><b>Observation noted.</b></p> <p>A sample of Business Committee members were interviewed, and the majority of respondents noted that the proposed terms of reference for the external audit had been presented to them during the year. Some Business Committee members noted that the proposed terms of reference had either not been presented to them</p>	<p>The proposed terms of reference for the external audit of ASX's governance, pricing and access arrangements carried out in accordance with the Regulatory Expectations should be presented to the Business Committee at a date earlier than the July Business Committee meeting, to allow adequate time for review and comment if applicable. The window of time where</p>	<p>ASX acknowledges that the proposed terms of reference for the external audit of ASX's governance, pricing and access arrangements carried out in accordance with the Regulatory Expectations should be presented to the Business Committee at a date earlier than the July Business Committee meeting.</p> <p>ASX will address this recommendation by seeking to bring the proposed terms</p>	<p>ASX has included agenda item 5d, that being draft Terms of Reference FY24, in the March 2024 agenda. This is an opportunity for members to provide feedback, with the feedback window specified in the agenda paper. Going forward, ASX will continue with this approach unless any contrary suggestions are received.</p> <p><b>Status:</b> In progress.</p>

<p>reference. These terms of reference may change following any review of the Regulatory Expectations.</p>	<p>or did not recall them being presented. We have inspected the July 2023 Business Committee meeting pack, which includes the proposed terms of reference for the external audit.</p> <p>Some Business Committee members also noted that while the terms of reference had been presented at the meeting, there was limited opportunity for comment on the proposed terms of reference. While the Regulatory Expectations states that members' views may take the form of non-objection, we note that the terms of reference were presented to the Business Committee subsequent to the commencement of audit planning and scoping procedures which could limit the ability for Business Committee members to provide comment.</p>	<p>comment can be made should be defined and formally communicated to Business Committee members.</p>	<p>of reference forward to the March Business Committee meeting. The window of time where comment can be made will be defined and formally communicated to members at the time of the relevant meeting.</p>	
<p><b>1d</b></p> <p>ASX should maintain accountability arrangements that provide for regular public attestations as to the effectiveness of its interactions with users. For</p>	<p><b>Observation noted.</b></p> <p>A sample of Business Committee members were interviewed and noted feedback had been shared with ASX at the Business Committee meetings, and</p>	<p>Business Committee survey results should be accompanied by details on the respondent cohorts (such as industry association, CS participant) to facilitate effective interpretation of results, except where to do so</p>	<p><b>Business Committee Survey results</b> - ASX acknowledges that these results should be accompanied by details on the respondent cohorts. ASX will include these details in future survey results.</p>	<p><b>Business Committee Survey results</b> – going forward, ASX has included such details, for example the results of the Business Committee member survey on a potential transition to T+1, which was originally presented at the</p>

<p>example, the following arrangements would be appropriate:</p> <p>(i) ASX’s user governance mechanisms operate on a ‘comply or explain’ basis; that is, the relevant Board would take actions in accordance with recommendations from the user governance mechanisms, or else explain why such actions had not been taken.</p> <p>(ii) ASX report, on at least an annual basis, the service developments and investment projects that it has progressed and how it has taken into consideration the views of users.</p>	<p>outside of the Business Committee meetings through bilateral conversations. These Business Committee members advised that ASX was responsive to the feedback that was provided. Other themes that were raised by Business Committee members in relation to its governance mechanisms include:</p> <ul style="list-style-type: none"> <li>• The large member base of the Business Committee has presented challenges in facilitating constructive and open discussion on existing CS services.</li> <li>• The composition and contribution of each Business Committee member varies, for example some members views are representative of a number of stakeholders, and the volume of CS activity also varies between members.</li> <li>• The desire for appointment of an independent chair to the Business Committee to enhance the objectivity and governance of ASX's CS services</li> </ul>	<p>would identify individual respondents.</p> <p>ASX should consider the appointment of an independent chair to the Business Committee to facilitate discussion, and to convene, set the agenda, and preside over meetings.</p>	<p><b>Independent Chair</b> - ASX expects to appoint an Independent Chair to the Business Committee by October 2023.</p>	<p>July 2023 meeting, was re-presented to the Business Committee at the October 2023 meeting with a breakdown by cohort.</p> <p><b>Independent Chair</b> – Paul Rayson was appointed as Independent Chair of the Business Committee in September 2023.</p> <p><b>Status:</b> complete.</p>
<p><b>1f</b></p> <p>ASX should establish governance structures and reporting lines at the</p>	<p><b>Exception noted.</b></p> <p>Some responsibilities relating to the Regulatory Expectations have been</p>	<p>There is an opportunity to further embed Regulatory Expectation accountabilities into the KPIs of staff members who are not accountable</p>	<p>ASX will seek to further embed responsibilities relating to the Regulatory Expectations in the KPIs or performance objectives of</p>	<p>ASX is reviewing and revising the document of responsibilities.</p> <p><b>Status:</b> in progress. Expected</p>

<p>management and operational levels that promote access to its CS services on commercial, transparent and non-discriminatory terms. These arrangements should ensure that the interests of users are upheld in accordance with Regulatory Expectation 3.</p> <p>This may be demonstrated, for example, through the key performance indicators set for relevant management.</p>	<p>discharged from the Group Executive of Securities and Payments to staff within the CS reporting line. We noted the following observations:</p> <p>ASX confirmed that due to an oversight, the KPIs of a sampled staff member within the CS reporting line did not include explicit arrangements for the provision of CS services on commercial, transparent, and non-discriminatory terms. We noted that other implicit arrangements relating to the provision of services to AMOs were provided for, and that the KPIs of this staff members' direct reports included explicit arrangements for the provision of CS services on commercial, transparent and non-discriminatory terms.</p> <p>The KPIs for another staff member with CS accountabilities relating to the provision of CS services did not explicitly capture the provision of CS services on commercial, transparent and non-discriminatory terms, however these accountabilities were captured in the CS Board Charter. We understand from</p>	<p>executives, as well as further formalise and document how responsibilities relating to the Regulatory Expectations have been disseminated to select staff within the CS reporting line.</p>	<p>relevant staff members who are not accountable executives. ASX will review and where necessary revise documentation of how responsibilities relating to the Regulatory Expectations should be disseminated to relevant staff within the CS reporting line.</p>	<p>time of completion is June 2024.</p>
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	ASX that this was by design, due to the nature of the reporting lines for this specific accountability.			
<b>2. Transparent, non-discriminatory, and fair and reasonable pricing of CS services</b>				
<p><b>2a</b></p> <p>ASX should ensure that all prices of individually unbundled CS services, including rebates, revenue-sharing arrangements and discounts applicable to the use of these services:</p> <p>i. are transparent to all users of the services (ii) do not discriminate in favour of ASX-affiliated entities, except to the extent that the efficient cost of providing the same service to another party was higher</p> <p>ii. are made available to stakeholders in a form such that the impact of pricing changes can be readily understood.</p>	<p><b>Observations noted.</b></p> <p>Business Committee members noted that fees were published and made available to them.</p> <p>Business Committee members noted that fees were published and made available to them.</p> <p>Some Business Committee members noted that at times, their eligibility for rebates, and understanding of their revenue-sharing contribution required further consultation with ASX. We have obtained from management an example of an email shared with a Business Committee member notifying them of their revenue-share for the 2022 financial year. We noted that the rebate awarded to the Business Committee member was stated within the email. The underlying calculation, or Business Committee member contribution to CS services</p>	<p>ASX should consider providing the underlying calculation of revenue-sharing rebates to its CS users.</p> <p>ASX should ensure that adequate time is given to CS users when seeking feedback on industry matters.</p>	<p><b>Revenue-sharing rebates -</b></p> <p>ASX acknowledges that more details on the calculation of the rebate should be provided to clearing and settlement participants. ASX intends to address this recommendation in future years in which a rebate is payable.</p> <p><b>Feedback on industry matters</b></p> <p>- ASX will endeavour to provide adequate time to CS users to respond to industry consultation matters.</p>	<p><b>Revenue-sharing rebates –</b></p> <p>not relevant at present. ASX will continue to acknowledge PwC’s finding and recommendation.</p> <p><b>Feedback on industry matters</b></p> <p>– ASX continues to acknowledge PwC’s finding and recommendation.</p> <p><b>Status:</b> not yet relevant.</p>

	<p>was not detailed within the email.</p> <p>One Business Committee member also raised concerns over eligibility for the CHES Replacement Partnership Program. We inspected evidence that ASX sought industry feedback to inform the final eligibility criteria for its Development Incentive Pool, and communicated its responses to this feedback through a CHES Replacement Industry webinar. We also inspected evidence that ASX responded to that Business Committee member’s feedback outside of the webinar.</p> <p>We noted that the initial request for industry feedback on the proposed Development Incentive Pool eligibility criteria was made on 28 April 2023, and feedback was due on 5 May 2023. We understand the short window for feedback was to honour ASX’s commitment to meet its initial development incentive payment date of 31 May 2023.</p>			
<p><b>2b</b></p> <p>ASX should maintain an</p>	<p><b>Observation noted.</b></p> <p>The Code of Practice provides that “ASX will maintain an</p>	<p>ASX should consider enhancing its existing pricing framework to clearly</p>	<p>ASX intends to develop and publish a pricing policy which will include ASX making an</p>	<p>Work on the pricing policy is under way.</p>

<p>appropriate method for determining the prices of its CS services so as to generate expected revenue that reflects the efficient costs of providing those services, including a return on investment commensurate with the commercial risks involved.</p>	<p>appropriate method for determining the prices of its cash equities clearing and settlement services so as to generate expected revenue that reflects the efficient costs of providing those services, including a return on investment commensurate with the commercial risks involved”.</p> <p>ASX’s method to determine the prices of its clearing and settlement services is documented in its Enterprise Wide Pricing Framework which has been effective since January 2017. ASX’s return on capital as well as costs of providing CS services are detailed within the ASX Clear Pty Limited and ASX Settlement Pty Limited management income statements, as published on the ASX website.</p> <p>While management have previously focused on delivering a revised pricing framework as part of the CHES replacement project, with the recent pause and reassessment of the CHES replacement project, it is increasingly important that ASX clearly articulates to its users how its existing pricing</p>	<p>articulate to its users how the current prices of CS services reflect the efficient cost of providing these services.</p>	<p>annual assessment of revenues earned and the efficient costs of service provision, with a mechanism for the management of any over/under earn. The outcomes of the annual assessment will be published.</p>	<p><b>Status:</b> in progress. Estimated date of completion is 31 December 2024.</p>
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	<p>framework continues to reflect the efficient cost of providing CS services. In respect of these events, as well as feedback obtained in 2(b)4 from Business Committee members, there is an opportunity for ASX to assess and provide further clarity on how the current prices of CS services reflect the efficient cost of providing these services.</p>			
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**FY22**

Regulatory Expectation	Detailed results	Agreed action	Summary of actions taken and Status
<b>2. Transparent, non-discriminatory, and fair and reasonable pricing of CS services</b>			
<p><b>2a</b></p> <p>ASX should ensure that all prices of individually unbundled CS services, including rebates, revenue-sharing arrangements and discounts applicable to the use of these services:</p> <ul style="list-style-type: none"> <li>(i) are transparent to all users of the services</li> <li>(ii) do not discriminate in favour of ASX-affiliated entities, except to the extent that the efficient cost of providing the same service to another party was higher</li> <li>(iii) are made available to stakeholders in a form such that the impact of pricing changes can be readily understood</li> </ul>	<p>Some Business Committee members raised concerns that they weren't fully aware of their eligibility for discounts. We note that the schedule of fees published by ASX on its website includes descriptions of discounts, and further details of discounts are shared with ASX users by ASX on an individual basis.</p>	<p>ASX will communicate to members the discounts available and eligibility criteria.</p>	<p>ASX addressed and communicated to members the discounts available and the eligibility criteria at the October 2022 Business Committee meeting.</p> <p><b>Status:</b> complete.</p>

FY21

Regulatory Expectation	Detailed Findings	Agreed action	Summary of actions taken and Status
<b>1. User input to governance</b>			
<p><b>1b</b></p> <p>ASX should ensure that the membership of its user governance arrangements is representative of the user base of its CS services, and that members are able to have a strong input into the agenda and format of meetings or other user governance mechanisms and the setting of priorities.</p>	<p>2. The Business Committee composition is reviewed on an annual basis to ensure it is representative of ASX's user base. The latest changes include the removal of one member following resignation as a clearing and settlement participant, the addition of one member as a clearing and settlement participant, and the rotation of two registry providers for two new registry providers.</p> <p>We noted the annual review of Business Committee Membership took place during the period. The membership recommendation was made and reviewed by the Business Committee Chair. The final updates to the Business Committee composition were approved verbally by the Business Committee Chair. The membership change was also discussed in the Business Committee meeting on 14 July 2021.</p> <p>A sample of Business Committee members were interviewed and noted that the basis for membership rotation was not clear. We understand from ASX that the tenure of members, size of the committee and previous expressions of interest are considered</p>	<p>ASX will formalise the annual review sign-off of the Business Committee composition.</p> <p>ASX will formalise the annual process for reviewing Business Committee membership and communicate the process and results to Business Committee members.</p>	<p><b>Formalised annual review sign-off</b> – in FY22 and FY23, the ASX Business Committee Chair signed off the outcomes of each year's annual review.</p> <p><b>Formalised process</b> – ASX has documented the process.</p> <p><b>Communication to Business Committee members</b> – annually, the results have been communicated to Business Committee members in July 2022, July 2023, October 2023, and December 2023.</p> <p><b>Status:</b> complete.</p>

	when assessing membership rotation, however this process is not formalised.		
<p><b>1b</b> ASX should ensure that the membership of its user governance arrangements is representative of the user base of its CS services, and that members are able to have a strong input into the agenda and format of meetings or other user governance mechanisms and the setting of priorities.</p>	<p>4. A sample of Business Committee members were interviewed and noted they were invited to suggest additional agenda items for upcoming Business Committee meetings. From our review of the Business Committee Meeting agendas throughout the period we note there is a standing agenda item “Forward Plan of Work” at every meeting for discussion of future developments.</p>	<p>Information shared with Business Committee members prior to meetings will be discussed on an exceptions basis.</p>	<p><b>Agenda structure</b> – ASX continues to work to refine the structure of the agenda. Changes implemented include:</p> <p>(1) When issuing the draft agenda to members, ASX calls for any removal, addition, amendments of agenda items.</p> <p>(2) ASX has introduced a dedicated agenda item time slot for member-initiated items on draft agendas.</p> <p>(3) ASX has broken the agenda down to items for presentation and items not for presentation, which includes papers for noting and reading pre-meeting.</p> <p><b>Status:</b> complete.</p>
<p><b>1b</b> ASX should ensure that the membership of its user governance arrangements is representative of the user base of its CS services, and that members are able to have a strong input into the agenda and format of meetings or other user governance mechanisms and the setting of priorities.</p>	<p>4. A sample of Business Committee members also noted that large amounts of information are presented at Business Committee meetings and the size of the committee can sometimes deter members from asking questions that are not necessarily relevant to all those present at the meeting.</p>	<p>ASX will implement processes to encourage questions by Business Committee members during meetings.</p>	<p>The Independent Chair has encouraged members to actively participate in the meetings on the basis that all Business Committee members play a key role in providing input and advice to ASX on all matters relating to clearing and settlement.</p> <p>The Independent Chair, who assumed the role in September 2023, has since included and emphasised pauses and invited questions and input from members during the meeting.</p> <p><b>Status:</b> complete. A combination of a revised meeting structure, procedural changes, such as the composition of</p>

			the Business Committee, improvements to the agenda, and giving prominence to and soliciting feedback and questions from members in relation to the agenda.
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<b>Committee</b>	Business Committee
<b>Agenda title</b>	<b>Regulatory Expectations Audit – Draft Terms of Reference FY24</b>
<b>Item</b>	4d
<b>Purpose</b>	To note the draft terms of reference for the FY24 Regulatory Expectations audit
<b>Meeting date</b>	20 March 2024
<b>Prepared by</b>	Chief Financial Officer (Andrew Tobin)

In the *Regulatory Expectations for Conduct in Operating Cash Equity Clearing and Settlement Services in Australia* there is a requirement for ASX to complete an annual external assurance engagement of its governance, pricing and access arrangements against the Regulatory Expectations. This engagement is designed to identify if there has been any evidence of non-compliance by ASX with its regulatory expectations obligations.

The FY24 external audit is due to commence in July 2024, once the draft engagement letter has been finalised.

The methodology to be applied by PwC for this year's engagement will be the same as in previous years.

As part of their engagement, PwC will select a group of Committee members and approach them directly to discuss their audit questions. ASX will not be involved in this process. This direct approach is intended to enable PwC to achieve a representative sample of stakeholders and to better understand the feedback received.

It is expected each discussion would generally involve no more than 15-30 minutes of a member's time. We would encourage members to contribute to this process.

Members can also indicate to PwC if they wish to be interviewed as part of the process. Please contact Sam Hinchliffe ([sam.hinchliffe@au.pwc.com](mailto:sam.hinchliffe@au.pwc.com)) or Lucy Dickens ([lucy.a.dickens@au.pwc.com](mailto:lucy.a.dickens@au.pwc.com)).

The draft Terms of Reference for the annual external audit set out the objectives, scope and approach and is provided in Attachment A.

The draft PwC Engagement Letter has been provided to ASX and will be provided in time for discussion at the meeting. Please subsequently forward any comments on the draft engagement letter to the Business Committee Secretariat by Friday, 5 April 2024. Following updates to the draft engagement letter from feedback received, the engagement letter will be signed by the engagement partner, Sam Hinchliffe, and the audit will commence in July 2024.

## ATTACHMENTS

Attachment A      Draft Terms of Reference



## Regulatory Expectations External Audit Draft Terms of Reference

### Background

In the 'Regulatory Expectations for Conduct in Operating Cash Equity Clearing and Settlement Services in Australia' (CFR Policy Statement), there is a requirement for ASX to commit to submitting an annual external audit of its governance, pricing and access arrangements against the Regulatory Expectations.

To meet this requirement, ASX will annually commission an external audit conducted by an independent assurance firm. ASX has appointed PwC to perform the audit. As ASX's external auditors, PwC is, under the requirements of the Corporations Act, independent of ASX.

The purpose of this document is to highlight the objectives, scope and approach for the external audit.

### Objective

The objective of the external audit is to assess ASX's governance, pricing and access arrangements for the provision of cash equities clearing and settlement services. To meet this objective, ASX's governance, pricing and access arrangements will be assessed against the requirements of the Regulatory Expectations outlined in the CFR Policy Statement.

### Scope

The external audit will assess whether ASX's policies and procedures are aligned with the Regulatory Expectations, i.e. it will assess the effectiveness of the design of the policies and procedures. In addition, it will assess if ASX's operations have been conducted in accordance with such policies and procedures during the review period, i.e. the operating effectiveness of the policies and procedures.

In accordance with the Regulatory Expectations, the external audit will not provide an opinion on subjective matters contained in the Regulatory Expectations, for example, on the promptness and efficiency of investments or the efficiency of prices.

Each of the Regulatory Expectations, against which ASX's governance, pricing and access arrangements will be assessed under the external audit, are set out in the following pages.

### Approach

The external audit is to be conducted in accordance with the Auditing Standard ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements*, issued by the Australian Auditing and Assurance Standards Board. In accordance with ASQM 1, the assurance report will provide an opinion on ASX's compliance with the Regulatory Expectations.

The approach will include, but not be limited to:

- performing a comparison of the compliance framework put in place by ASX against the requirements of the Regulatory Expectations;
- testing of policies on a sample basis to assess whether they were designed appropriately to meet the Regulatory Expectations and whether ASX has complied with those policies;
- testing of controls and other procedures on a sample basis to assess whether they were designed appropriately, are operating effectively, and in accordance with the policies as defined above;
- conducting interviews with a sample of the members of the Business Committee to seek feedback in relation with ASX's compliance with the Regulatory Expectations;
- providing management with a report of findings, and seeking responses where required; and
- tracking the progress of previous audit recommendations and management action

### **Timing and reporting**

The external audit subject to these Terms of Reference will commence in July 2024 and cover the period 1 July 2023 to 30 June 2024.

The external audit will be completed and the external auditor's report will be published within three months following the end of each financial year. The auditor's report will be provided to the relevant ASX Boards, the Council of Financial Regulators, the Australian Competition and Consumer Commission; and the Business Committee promptly after the report's completion.

ASX will publish the external auditor's report on the ASX website.

### **Commitment from the ASX**

To perform this audit, the auditor will have rights of access to the documents and resources it considers necessary to fulfil its responsibilities, including:

- relevant staff;
- IT systems, documentation and processes; and
- minutes and meeting documentation for the Business Committee, other relevant user governance arrangements and the relevant ASX Boards.

## Audit Scope - Regulatory Expectations

<p><b>1. User input to governance</b></p> <p>To ensure responsiveness to users' evolving needs, transparent formal mechanisms should be maintained within ASX's governance framework to give users a strong voice in strategy setting, operational arrangements and system design, and to make ASX's monopoly cash equity clearing and settlement (CS) services directly accountable to users. As part of this:</p>	
1(a)	ASX should make an explicit public commitment to investing promptly and efficiently in the design, operation and development of the core CS infrastructure for the Australian cash equity market, including the Clearing House Electronic Sub-register System (CHES) and any future replacement system. This commitment should be supported by governance processes that enable users to provide input on the setting of the investment strategy. Investments should ensure that, to the extent reasonably practicable, the performance, resilience, security and functionality of the core CS infrastructure meet the needs of users, recognising the diversity and differing needs of users. At a minimum, the core CS infrastructure should accommodate internationally accepted communication procedures and standards.
1(b)	ASX should ensure that the membership of its user governance arrangements is representative of the user base of its CS services, and that members are able to have a strong input into the agenda and format of meetings or other user governance mechanisms and the setting of priorities.
1(c)	ASX should demonstrate that it has had regard to the views of members in setting the terms of reference for the external audits of its governance, pricing and access arrangements carried out in accordance with the Regulatory Expectations. This may take the form of members' non-objection of the proposed terms of reference. These terms of reference may change following any review of the Regulatory Expectations.
1(d)	ASX should maintain accountability arrangements that provide for regular public attestations as to the effectiveness of its interactions with users. For example, the following arrangements would be appropriate: <ul style="list-style-type: none"> <li>i. ASX's user governance mechanisms operate on a 'comply or explain' basis; that is, the relevant Board would take actions in accordance with recommendations from the user governance mechanisms, or else explain why such actions had not been taken.</li> <li>ii. ASX report, on at least an annual basis, the service developments and investment projects that it has progressed and how it has taken into consideration the views of users.</li> </ul>
1(e)	ASX should formally commit to retaining a Board structure for ASX Clear and ASX Settlement that comprises a minimum of 50 per cent of non-executive directors that are also independent of ASX Limited, and where a subset of these independent directors can form a quorum.
1(f)	ASX should establish governance structures and reporting lines at the management and operational levels that promote access to its CS services on commercial, transparent and non-discriminatory terms. These arrangements should ensure that the interests of users are upheld in accordance with Regulatory Expectation 3. This may be demonstrated, for example, through the key performance indicators set for relevant management.

<p><b>2. Transparent, non-discriminatory and fair and reasonable pricing of CS services</b></p> <p>ASX should publicly commit to an appropriate minimum level of transparency of pricing across its range of monopoly cash equity CS services (including the provision of data). The pricing of these services should not discriminate in favour of ASX-affiliated entities (except to the extent that the efficient cost of providing the same service to another party was higher). Other than where pricing is anti-competitive or gives rise to financial stability or market functioning issues, the fees charged by ASX are a commercial matter for ASX and its customers. Nevertheless, to ensure that the fees charged by ASX for its cash equity CS services are transparent, non-discriminatory, and fair and reasonable:</p>	
2(a)	<p>ASX should ensure that all prices of individually unbundled CS services, including rebates, revenue-sharing arrangements and discounts applicable to the use of these services:</p> <ul style="list-style-type: none"> <li>i. are transparent to all users of the services</li> <li>ii. do not discriminate in favour of ASX-affiliated entities, except to the extent that the efficient cost of providing the same service to another party was higher</li> <li>iii. are made available to stakeholders in a form such that the impact of pricing changes can be readily understood.</li> </ul>
2(b)	<p>ASX should maintain an appropriate method for determining the prices of its CS services so as to generate expected revenue that reflects the efficient costs of providing those services, including a return on investment commensurate with the commercial risks involved.</p>
2(c)	<p>ASX should make an explicit public commitment that any changes in the prices of its CS services will not be implemented in a way that would materially shift revenue streams between aspects of its trading, clearing and settlement services.</p>
2(d)	<p>ASX should publish any increases in its CS fee schedules along with an attestation justifying their reasonableness. For the most material such increases, this attestation would be expected to refer to relevant metrics and other evidence, such as the calculated return on equity, benchmarked price lists, or an independent review of how ASX’s cash equity CS fees compare with those of CS facilities in other markets.</p>
2(e)	<p>ASX should maintain an appropriate model for the internal allocation of costs, including the cost of allocated capital, as well as policies to govern the transfer of prices between the relevant ASX Group entities. Compliance with the model and policies would be expected to be subject to internal audit review. The model and policies should be based on reasonable cost allocation principles. For example:</p> <ul style="list-style-type: none"> <li>i. where possible, costs should be directly allocated to the service(s) which give rise to those costs</li> <li>ii. shared costs should be allocated based on appropriate and transparent metrics.</li> </ul>
2(f)	<p>ASX should negotiate commercially and in good faith with unaffiliated market operators and CS facilities regarding fees and other financial contributions charged for any extensions to its monopoly CS services, and in particular those provided under the existing Trade Acceptance Service and the Settlement Facilitation Service.</p>

<p><b>3. Commercial, transparent and non-discriminatory access to CS services – service levels, information handling and confidentiality</b></p> <p>ASX should facilitate access to its cash equity CS services (including data) on commercial, transparent and non-discriminatory terms. Non-discriminatory terms in this context are terms that do not discriminate in favour of ASX-affiliated entities (except to the extent that the cost of providing the same service to another party is higher). As part of this:</p>	
3(a)	ASX should have objectives for its CS services that include an explicit public overarching commitment to supporting access to its CS services on commercial, transparent and non-discriminatory terms. ASX should maintain standard user terms and conditions that are consistent with these objectives, taking into account the legitimate business interests of ASX and any parties seeking access to its CS services.
3(b)	Service level agreements should commit ASX to providing access to its CS services for unaffiliated market operators and CS facilities on operational and commercial terms and service levels that are materially equivalent to those that apply to ASX as a market operator or CS facility.
3(c)	ASX should publish and adhere to protocols for dealing fairly and in a timely manner with requests for access. These protocols should include reasonable timeframes for responding to enquiries and arrangements for dealing with disputes. Nothing in the protocols should affect either party's right to refer a dispute to arbitration by the ACCC once the arbitration regime is implemented.
3(d)	ASX should make an explicit commitment to ensuring that any investments in the systems and technology that support its cash equity CS services do not raise barriers to access from unaffiliated market operators or CS facilities. Announcements of any material investments in the systems and technology that support ASX's cash equity CS services should be accompanied by a public attestation that those investments will be designed in a way that does not raise such barriers.
3(e)	ASX should retain, and periodically review, its standards for the handling of sensitive or confidential information. Consistent with governance arrangements that promote access on commercial, transparent and non-discriminatory terms (see Regulatory Expectation 1(e)), these arrangements should ensure that conflict sensitive information pertaining to the strategic plans of unaffiliated market operators or CS facilities is handled sensitively and confidentially, and cannot be used to advance the interests of ASX as a market operator or CS facility.

<b>Committee</b>	Business Committee
<b>Meeting date</b>	20 March 2024
<b>Agenda title</b>	<b>Updated Code of Practice</b>
<b>Agenda Item No.</b>	4e
<b>Purpose</b>	To notify of proposed amendments to the ASX Code of Practice
<b>Prepared by</b>	Con Korkofigas, Senior Manager and Senior Legal Counsel
<b>Action</b>	For Noting
<b>Proposed recommendation to Boards of ASX Clear and ASX Settlement (if applicable):</b>	Not applicable

## BACKGROUND

The ASX Cash Equities Clearing and Settlement Code of Practice (**Code**) set out ASX's commitments to comply with the Council of Financial Regulators' Regulatory Expectations for the Conduct of Cash Equity Clearing and Settlement Services in Australia, and its commitments to users in managing clearing and settlement infrastructure and services for the Australian cash equities market.

The Code was last updated in July 2023.

Further changes to the Code are now needed due to:

- the convening of the Cash Equities Clearing and Settlement Advisory Group (**Advisory Group**) in September 2023 as a further stakeholder forum for input to the Boards of ASX Clear and ASX Settlement on strategic matters related to cash equities clearing and settlement services and associated infrastructure; and
- regulatory expectations for the Advisory Group in an August 2023 letter from ASIC and RBA titled 'Regulatory Expectations for ASX Cash Equities Clearing and Settlement Advisory Group',

which are not presently contemplated in the Code (having been prepared prior to these 2023 developments).

Proposed updates to the Business Committee Charter in connection with the above changes are set out in a separate paper to the Business Committee for Discussion.

## PROPOSED UPDATES TO THE CODE

Changes are proposed to the Code to reflect the function of the new Advisory Group and associated regulatory expectations and the interaction of the new Advisory Group with the Business Committee.

Commitments under the existing Code are identified as being provided by 'ASX'. Changes proposed to the Code seek to make clearer that the Advisory Group and Business Committee are convened by ASX Clear and ASX Settlement for the purpose of providing stakeholder input to them, and that the related commitments to those stakeholder forums are being provided by ASX Clear and ASX Settlement, i.e. as the CS facilities providing the CS services.

Given the need for changes to the Code, ASX has also taken the opportunity to update the Code to address recent changes to the ASX management contact for matters relating to the Code.

The changes to the Code also include the moving of a couple of paragraphs so that points relating to the Advisory Group and Business Committee are grouped together. These movements are not shown in mark-up other than for any changes made to the moved content.

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Updates to the Code are in the Forward, Section 1 and Contact Us section of that document, and do not affect the other parts of the Code.

For convenience, the affected sections are contained within a new stand-alone document - **Attachment 1**, with any changes to those sections shown in mark-up in, other than for a couple of instances of movement of paragraphs as explained above.

#### **PAPER PROVIDED FOR NOTING**

While the proposed updates to the Code are provided to the Business Committee for noting, Business Committee members and their representatives can provide comments or raise questions on the proposed updates to the Code.

#### **NEXT STEPS**

It is proposed to seek approval for the updated Code at the concurrent ASX Limited, ASX Clear and ASX Settlement Board Meeting on 17 April.

#### **ATTACHMENT(S)**

Attachment 1: Updated ASX Code of Practice

# Customer and stakeholder commitments

~~In September 2017, the 'Regulatory Expectations for the Conduct of Cash Equity Clearing and Settlement Services in Australia' (Regulatory Expectations) were updated by the Council of Financial Regulators. This Code of Practice sets out ASX's commitments of ASX Clear Pty Limited and ASX Settlement Pty Limited (together referred to as ASX) to comply with the 'Regulatory Expectations for the Conduct of Cash Equity Clearing and Settlement Services in Australia' (Regulatory Expectations) and the letter setting out the 'Regulatory Expectations for ASX Cash Equities Clearing and Settlement Advisory Group' (Letter of Expectations). It also sets out ASX's ~~and its~~ commitments to customers and other stakeholders in managing cash equities clearing and settlement infrastructure and services for the Australian market.~~

ASX is committed to ensuring Australia's clearing and settlement infrastructure is efficient, well capitalised, and well regulated. ASX recognises the importance of working collaboratively with customers and other stakeholders to deliver world class financial infrastructure and clearing and settlement services that meet the needs of a diverse range of users in the Australian cash equities market.

## 1. Customer and stakeholder engagement

ASX is committed to meaningful engagement with customers and other stakeholders about the ongoing development of cash equity clearing and settlement infrastructure. ASX recognises the importance of engagement on the design and functionality of the infrastructure to ensure it continues to meet the needs of users and the market, and is consistent with relevant international best practice.

### Commitments

- ASX will invest in the ongoing operation and development of the core cash equities clearing and settlement infrastructure promptly and efficiently. Such investments will seek to meet the needs of users<sup>1</sup> and the market, recognising the diversity and differing needs of users.
- ASX will maintain two advisory forums for stakeholder input to Management and the Boards of ASX Clear and ASX Settlement in relation to cash equities clearing and settlement services and associated infrastructure, the ASX Cash Equities Clearing and Settlement Advisory Group (Advisory Group) and the ASX Business Committee (Business Committee).



- The Advisory Group will be a high-level strategic stakeholder advisory group consisting of a limited number of senior industry practitioners that collectively have a broad range of skills and experience to support that strategic advisory role.
- While drawn from different stakeholder sectors, Advisory Group members will be expected to act in their personal capacity and in the interests of the overall cash equities market, with a focus on delivering optimal outcomes for users of ASX's cash equities clearing and settlement services as a whole (including investors and issuers as ultimate end users of such services).
- ASX will consult the Advisory Group on key strategic issues in the provision of cash equity clearing and settlement services and associated infrastructure.
- Given the nature of the key strategic issues to be considered by the Advisory Group and the capacity in which its members are expected to act, the provision of information and discussion of issues through the Advisory Group will be subject to appropriate confidentiality arrangements being in place.
- ~~ASX will maintain an advisory~~ The Business Committee will provide a forum for broader industry input on the ongoing operation and development of cash equities clearing and settlement infrastructure and services by ~~consisting of~~ representatives of financial market issuers and intermediaries and/or their industry associations, other listing and trading markets, and other relevant stakeholders which connect to or use ASX's cash equities clearing and settlement infrastructure.
- Business Committee members will be expected to act in their organisational capacity, representing the interests of their individual organisation or constituency, as the case may be, on matters considered by the Business Committee.
- ASX will consult the Business Committee on its investment decisions in relation to the design, operation and development of new cash equities clearing and settlement infrastructure and services, including the development of a transition and implementation plan for new infrastructure.
- Although the Advisory Group and the Business Committee will operate separately, there will be a degree of overlap in the matters on which they may provide input to ASX. It is anticipated that they may over time develop different focusses which complement each other and may elect to refer matters to each other for consideration (including by sharing information or providing technical expertise), having regard to their specific expertise and the respective functions they perform.
- The Advisory Group and the Business Committee may provide separate recommendations to the Boards of ASX Clear and ASX Settlement in relation to the same subject matter, including inconsistent recommendations, each of which is to be considered by the Boards of ASX Clear and ASX Settlement.
- ~~ASX will hold quarterly Business Committee meetings of each of the Advisory Group and the Business Committee for the purpose of providing input to Management and the Boards of ASX Clear and ASX Settlement on the ongoing operation and development of cash equities clearing and settlement infrastructure and services.~~
- The Boards of ASX Clear and ASX Settlement will give ~~serious~~ consideration to the advice and any material matters raised by, or recommendations of, the Advisory Group and the Business Committee. The Boards of ASX Clear and ASX Settlement will receive recommendations of the Advisory Group and the Business Committee on a 'comply or explain' basis. If the Boards do not accept a recommendation, they will jointly provide a written explanation to the Advisory Group or Business Committee (as applicable).
- ASX will report annually to the Business Committee on the cash equities clearing and settlement service developments and investment projects progressed, and how it has taken into consideration the views of users.

- ASX will commission an annual independent review of its governance, pricing and access arrangements benchmarked against the Regulatory Expectations. ASX will submit the draft terms of reference for the annual independent review to the Business Committee. A report prepared by the reviewer will be provided to the Business Committee and the Agencies (ACCC, ASIC, RBA and Treasury).
- Any interested party may provide information to ASX Clear and ASX Settlement in respect of the operation and development of cash equities clearing and settlement infrastructure and services by sending a written submission to the Chair of the Business Committee or the ASX Group General Counsel.
- ASX will respond to any complaints relating to the provision of cash equities clearing and settlement services or this Code of Practice by users in a timely manner in accordance with its Customer Complaints Policy.

<sup>1</sup>The term 'users' in this document has the same meaning as that set out in the Regulatory Expectations. In the Regulatory Expectations, users are broadly defined 'to include participants of the ASX CS facilities; end users; unaffiliated market operators, central counterparties and settlement facilities; technology service providers; and other relevant stakeholders'. ASX takes the term 'end users' to include issuers and investors, and the term 'other relevant stakeholders' to include share registries and payment providers.

# Contact us

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As the sole licensed operator of clearing and settlement facilities for the Australian cash equities market, ASX Clear and ASX Settlement are committed to providing clearing and settlement services in accordance with the principles of meaningful customer and stakeholder engagement, transparent and non-discriminatory pricing, transparent and non-discriminatory access and the protection of commercially sensitive information. The commitments set out in this document build on the principles contained in the ASX Stakeholder Charter:

1. We will communicate honestly, accurately and in plain language, exercising best practice disclosure by providing important updates promptly
2. We will earn trust by maintaining high standards of corporate governance in accordance with all applicable regulation, policies and procedures, and by delivering systems and processes that are stable, secure, reliable and fair
3. We will engage all ASX key stakeholder groups and respond to enquiries respectfully and quickly
4. We will listen objectively and manage the differing priorities and needs of our diverse stakeholder groups
5. We will meet our legal and licence obligations using a balanced and transparent approach
6. We may not reach consensus every time and may adopt different positions when it comes to the best way to safely support the highest quality outcomes of availability, reliability and stability of ASX facilities for our financial community
7. We will actively communicate our strategy and approach for embracing innovative solutions to drive efficiency and create new opportunities for the market
8. We will focus on a shared vision for the future of Australian financial markets
9. We will develop strategy that places a high priority on the safety and stability of our facilities and systems

<b>Committee</b>	Business Committee
<b>Meeting date</b>	20 March 2024
<b>Agenda title</b>	<b>CHES Replacement Project – Partnership Program Update</b>
<b>Agenda Item No.</b>	5a
<b>Purpose</b>	To provide Business Committee members with an update on the CHES Replacement Partnership Program
<b>Prepared by</b>	Clive Triance, Group Executive, Securities & Payments Andrew Jones, General Manager, Equities, Securities & Payments
<b>Action</b>	For Discussion
<b>Proposed recommendation to Boards of ASX Clear and ASX Settlement (if applicable):</b>	Not applicable

## Background

The CHES Replacement Partnership Program (**Partnership Program**) is designed to recognise the important work that continues to be undertaken by key stakeholders as they work with ASX towards the successful completion of the CHES replacement project. Further information about the Partnership Program, including all eligibility criteria, can be found [here](#).

## Current Status

\$70 million has been allocated to the Partnership Program, which consists of two components: the Participant Rebate Pool and the Development Incentive Pool.

### **Participant Rebate Pool**

The Participant Rebate Pool comprises \$15 million, distributed proportionately to eligible clearing and settlement (**CS**) participants based on CS fees paid to ASX, via a one-off fee reduction.

Key updates:

- To date, ASX has issued rebates to the value of \$14.4<sup>1</sup> million from the \$15 million available.
- 52 of 60 entities have accepted the invitation to participate in the Participant Rebate Pool. Of the entities that have not accepted the invitation:
  - Five of these were awaiting the announcement of the CHES replacement solution decision before deciding whether to participate. ASX has engaged with these organisations following the solution announcement but have not received any responses to date.
  - Three organisations have indicated that they will not participate. The reasons for those decisions included:
    - perception of small reward compared to the effort required to participate; and
    - changing business models in 2024.

<sup>1</sup> Includes all payments made up to 31 January 2024, net of GST.

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- ASX expects to finalise any remaining payments in the next few months, which would complete its distribution of the Participant Rebate Pool to eligible Program Participants.

### ***Development Incentive Pool***

The Development Incentive Pool is a forward-looking incentive program, making up to \$55 million available to entities developing at least one technology application to connect to and interact with the CHES replacement solution. An initial \$20 million was allocated for the first instalment paid from the Development Incentive Pool, and the remaining \$35 million allocated to payments that will be tied to future program milestones. The timing and structure of these milestones will be confirmed following the industry consultations described below.

Key updates:

- To date, ASX has paid \$15.8 million<sup>2</sup> from the \$20 million allocation set aside for the initial payment.
- 20 of 23 eligible entities have accepted the invitation to participate in the Development Incentive Pool. Of the entities that have not accepted the invitation:
  - One organisation is yet to return their signed paperwork before their initial payment can be made.
  - Two organisations were awaiting the announcement of the CHES Replacement solution decision before deciding whether to participate. ASX is in the process of engaging with these organisations following the solution announcement.

### **Consultation on the proposed future Development Incentive Pool milestones**

At the time of the Partnership Program's inception, ASX was in the early stages of considering potential solution archetypes. ASX was yet to determine the level of industry impact that the new solution would involve, and the amount of industry work completed to date that would be available for reuse. As a result, ASX was not in a position to determine any future milestones for additional payments for the Development Incentive Pool, and such milestones were noted as a subject for future consultation.

Following the CHES Replacement solution [announcement](#) on 20 November 2023, ASX commenced a preliminary round of informal bilateral consultation with existing Program Participants regarding the proposed future payment milestones. Informed by this preliminary engagement, ASX released a formal consultation paper on the proposed future Development Incentive Pool milestones on 8 March 2024. The proposed milestones represent Release 2 critical path project milestones that require uplift from eligible Program Participants to support increased engagement and testing activities – noting that backwards compatibility is expected to significantly reduce the work required from CS participants in Release 1. The consultation paper invites feedback on the composition, timing, and structure of the proposed payment milestones.

ASX will consider all stakeholder feedback with the aim to publish a response to the consultation feedback in Q2 2024. That response will confirm the milestone structure and fund allocation for the remaining Development Incentive Pool payments (noting that the timing of those payments will be confirmed at a later stage, as set out below).

ASX will determine the timing of the future milestone payments following the industry consultation on the Project's implementation plan (refer to agenda item 3a CHES Replacement Project Update). ASX will inform existing Program Participants of the timing as soon as reasonably practicable after the publication of a revised project plan.

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<sup>2</sup> Includes all payments made up to 31 January 2024, net of GST.

<b>Committee</b>	Business Committee
<b>Meeting date</b>	20 March 2024
<b>Agenda title</b>	<b>Open actions</b>
<b>Agenda Item No.</b>	6a
<b>Purpose</b>	To provide responses to open actions and recommend their closure, where applicable
<b>Prepared by</b>	Business Committee Secretariat
<b>Action</b>	For approval
<b>Proposed recommendation to Boards of ASX Clear and ASX Settlement (if applicable):</b>	Not applicable

## BACKGROUND

Responses to the six action items due in March 2024 are included in the table below:

- One action item from the 19 July 2023 Business Committee meeting remains open, with an update provided in the table below.
- Two action items from the 11 October 2023 Business Committee meeting remains open, with an update provided in the table below.
- Three new action items were raised at the 6 December 2023 Business Committee meeting remains open, with an update provided in the table below.

The Business Committee is requested to approve the closure of action items 23-10-4, 23-10-5, 23-12-1, 23-12-2, and 23-12-3.

Item number	Action	Due date	Status	Owner	Response
23-7-2	ASX to perform further analysis to articulate benefits of moving to T+1 settlement, including margin and capital savings analysis	Jul 2024	Open	ASX (Colm Grace)	<p>Margin analysis was presented to the Business Committee as agenda item 3a on 6 December 2023.</p> <p>Capital savings analysis: Approach to assessing impact of move to T+1 on ASXCL default fund sizing currently being considered. Currently targeting December 24 Business Committee for update on the results of this analysis.</p>
23-10-4	ASX to explore additional ways to encourage take-up of electronic statements.	Mar 2024	Open	ASX (Karen Webb, Ouafaa Daki)	Refer to agenda item 2d

23-10-5	ASX to collate findings from previous 3 regulatory expectations audits (FY23, FY22 and FY21) to provide visibility over the status of the findings.	Mar 2024	Open	ASX (BC Secretariat )	Refer to agenda item 4c
23-12-1	ASX to consider how the entitlement claim process (related to failed settlements that coincide with corporate actions) could be improved and what additional role (if any) ASX may be able to perform in facilitating the claim process.	Mar 2024	Open	ASX (Suzy Munro)	Engaged with the relevant member. Agreed and noted that this is beyond ASX's remit and no further or appropriate action can be taken beyond what is already provided.
23-12-2	ASX to prepare a roadmap to provide stakeholder impact visibility across the major work streams running in tandem (such as current CHES initiatives, CHES Replacement, and T+1).	Mar 2024	Open	ASX (Andrew Jones)	Refer to agenda item 2g
23-12-3	ASX to determine the timing and method of communicating the results of the breakpoint stress testing scheduled for completion end January 2024, as well as a market scenario playbook being developed.	Mar 2024	Open	ASX (Suzy Munro, Sabra Mott)	Refer to agenda item 2b  Verbal update to be provided at the Business Committee meeting on the results of the CHES stress test, followed by Market Management on High Trading Volumes scenario.

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



<b>Committee</b>	Business Committee
<b>Meeting date</b>	20 March 2024
<b>Agenda title</b>	<b>Forward work program</b>
<b>Agenda Item No.</b>	6b
<b>Purpose</b>	To update the Business Committee on the Forward work program for 2024
<b>Prepared by</b>	Business Committee Secretariat
<b>Action</b>	For noting
<b>Proposed recommendation to Boards of ASX Clear and ASX Settlement (if applicable):</b>	Not applicable

## BACKGROUND

The Business Committee is scheduled to meet four times in 2024.

Other than the standard items (minutes of previous meeting etc.) and subject to input from members on additional items or items to be removed, the forward work program for 2024 Business Committee meetings is expected to be:

<b>Date</b>	<b>Topics</b>
<b>26 June 2024</b> 12.00-2.00pm	<ul style="list-style-type: none"><li>• Current CHES - service performance, maintaining stability</li><li>• T+1 settlement</li><li>• CHES Replacement including Technical Committee updates</li></ul>
<b>18 September 2024</b> 12.00-2.00pm	<ul style="list-style-type: none"><li>• Current CHES - service performance, maintaining stability</li><li>• T+1 settlement</li><li>• CHES Replacement including Technical Committee updates and Assurance Program report</li><li>• Regulatory Expectations audit</li><li>• Annual Report on Cash Equity Clearing and Settlement Services Developments</li><li>• FY25 Annual Growth Threshold and FY24 Management Accounts</li></ul>
<b>11 December 2024</b> 4.00-6.00pm	<ul style="list-style-type: none"><li>• Current CHES - service performance, maintaining stability</li><li>• T+1 settlement</li><li>• CHES Replacement including Technical Committee updates</li><li>• Forward work program for 2025</li><li>• End of year drinks</li></ul>

Members are invited to suggest topics for inclusion or removal in the forward work program at any time by contacting the Business Committee Secretariat at [BC.Secretariat@asx.com.au](mailto:BC.Secretariat@asx.com.au).