

# Agenda

## Business Committee

<b>Date</b>	11 December 2024	<b>Time</b>	4:00pm-6:00pm
<b>Location</b>	ASX offices, 20 Bridge Street, Sydney/MS Teams		

1. Meeting Opening	Action	Presenter(s)	Time	Page
a. Welcome, apologies and Acknowledgement of Country	Noting	Chair	5 mins	
b. Minutes of 18 September 2024 meeting	Approval	Chair		<a href="#">7</a>
<b>ITEMS FOR PRESENTATION</b>			<b>100 mins</b>	
<b>2. BC Member initiated item(s)</b>				
a. [Placeholder for member-initiated items]			5 mins	
<b>3. Clearing &amp; Settlement Services, Issuer Services</b>				
a. T+1 Working Group	Discussion	Lisa Briggs	15 mins	<a href="#">8</a>
b. Pricing Policy consultation update	Discussion	Stephen Hammon	15 mins	<a href="#">12</a>
c. The Network Forum Australasia	Discussion	Catherine Michael	5 mins	<a href="#">13</a>
<b>4. CHES replacement project</b>				
a. Project update	Discussion	Triona Quinlan	10 mins	<a href="#">14</a>
b. Scope objectives update	Discussion	Chris Boyes	20 mins	<a href="#">22</a>
c. Consultation paper for Release 2	Discussion	Andrew Jones	20 mins	<a href="#">30</a>
d. Partnership Program	Discussion	Andrew Jones	10 mins	<a href="#">33</a>
<b>QUESTIONS SESSION – ITEMS NOT FOR PRESENTATION</b>			<b>10 mins</b>	
<b>5. Clearing &amp; Settlement Services, Issuer Services</b>				
a. Operational performance: cash market clearing and settlement	Noting	Suzy Munro		<a href="#">35</a>
b. Maintaining the stability of existing CHES	Noting	Andrew Jones		<a href="#">44</a>
c. FY24 management accounts	Noting	Stephen Hammon		<a href="#">46</a>

d. Australian Carbon Exchange initiative – update	Noting	Karen Webb		<a href="#">47</a>
e. Electronic statement take-up update	Noting	Karen Webb		<a href="#">48</a>
f. Customer Impact Plan	Noting	Andrew Jones		<a href="#">52</a>
g. Margin and capital considerations for T+1 update	Noting	Andrew Jones		<a href="#">53</a>
h. FY25 annual growth threshold	Noting	Stephen Hammon		<a href="#">54</a>
<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		<a href="#">55</a>
b. Forward work program	Noting	BC Secretariat		<a href="#">58</a>
c. Any other business	Discussion	Chair		
d. Next meeting – 12 March 2025	Noting	Chair		
<b>End of Year Drinks</b>				
Business Committee members are invited to stay for drinks to thank members for their participation throughout 2024				

**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	Adrian Rubin	Chief Executive Officer, APAC	
AUSIEX	Patrick Salis	Chief Executive Officer	
BANK OF AMERICA MERRILL LYNCH	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	Lyall Herron	Custody & Clearing Product Manager, Australia & New Zealand	
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 Net Worth, 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	Andrew Walton	General Manager, Trading	
CBOE	John Williams	Director, Australian Equity Operations	
NATIONAL STOCK EXCHANGE	Chan Arambewela	Chief Operating Officer	
SYDNEY STOCK EXCHANGE	Steven Larkins	General Manager, SSX Market Operations	

### Industry Associations (6)

Company	Name	Job Title	Apologies
THE AUSTRALIAN FINANCIAL MARKETS ASSOCIATION	Damian Jeffree	Senior Director of Policy	Damian Jeffree
AUSTRALASIAN INVESTOR RELATIONS ASSOCIATION	Ian Matheson	Chief Executive Officer	
AUSTRALIAN CUSTODIAL SERVICES ASSOCIATION	Christopher Moore	ACSA Executive Sponsor	
AUSTRALIAN SHAREHOLDERS' ASSOCIATION	Fiona Balzer	Policy & Advocacy Manager	
GOVERNANCE INSTITUTE OF AUSTRALIA	Megan Motto	Chief Executive Officer	
STOCKBROKERS AND INVESTMENT ADVISERS ASSOCIATION	Judith Fox	Chief Executive Officer	

### Registries (3)

Company	Name	Job Title	Apologies
BOARDROOM	Kornel Toth	Senior Risk, Risk & Compliance	
COMPUTERSHARE	Scott Hudson	General Manager, Market Liaison	
MUFG PENSION & MARKET SERVICES	Peter Jackson	Chief Operating Officer	

### ASX Representatives (16)

Name	Job Title	Apologies
Clive Triance	Group Executive, Securities & Payments	
Tim Whiteley	Chief Information Officer	
Diona Rae	Chief Operating Officer	
Sally Palmer	Deputy General Counsel	
Con Korkofigas	Senior Legal Counsel and Senior Manager	
Kate Rennick*	Regulatory and Policy Adviser, General Counsel and Co Sec	Diane Lewis
Suzy Munro	General Manager, Securities & Payments Operations	
Sabra Mott	General Manager, Securities & Payments Technology	Sabra Mott
Stephen Hammon	General Manager, Business Management & Planning, Securities & Payments	
Triona Quinlan	General Manager, Technology Delivery	
Andrew Jones	General Manager, Equities, Securities & Payments	
Lisa Briggs	Senior Manager, Equities, Securities & Payments	
Catherine Michael	Stakeholder Communications and Events Manager, Equities, Securities & Payments	
Karen Webb	Head of Issuer Services, Securities & Payments	
Resan Ovat	Senior Manager, Issuer Services, Securities & Payments	
Steven Hannan	Senior Manager, Stakeholder Engagement, Securities & Payments	

### Observers (8)

Company	Name	Job Title	Apologies
ASIC	Benjamin Cohn-Urbach	Acting Senior Executive Leader, Market Infrastructure	
ASIC	Dodie Green	Senior Manager, Market Infrastructure	
ASIC	Liang Chen	Analyst, Market Infrastructure	
ASIC	Derek Scott	Senior Specialist, Market Infrastructure	
RBA	Kylie Stewart	Senior Manager, Domestic Supervision and Resolution, Payments Policy Department	
RBA	Elizabeth Kandelas	Manager, Domestic Supervision and Resolution, Payments Policy Department	
RBA	Jordan Brell	Lead Analyst, Clearing and Settlement Supervision, Payments Policy Department	
RBA	Alice Frank	Lead Analyst, Domestic Supervision and Resolution, Payments Policy Department	



**Auditors (2)**

<b>Company</b>	<b>Name</b>	<b>Job Title</b>	<b>Apologies</b>
ERNST & YOUNG	Roberto Fitzgerald	Partner, Financial Services	
ERNST & YOUNG	Laura West	Senior Manager, Business Consulting	



<b>Committee</b>	Business Committee
<b>Meeting date</b>	11 December 2024
<b>Agenda title</b>	<b>Minutes of 18 September 2024 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 18 September 2024 Business Committee meeting were distributed to members on 17 October 2024 for review. The draft minutes incorporating comments received by the deadline of 28 October 2024 are published [here](#).

The Business Committee is requested to approve the draft minutes.



<b>Committee</b>	Business Committee
<b>Meeting date</b>	11 December 2024
<b>Agenda title</b>	<b>T+1 Working Group</b>
<b>Agenda item no.</b>	3a
<b>Purpose</b>	To provide members with an update on the work of the T+1 Working Group, collate feedback and provide an industry summary
<b>Prepared by</b>	Lisa Briggs, Senior Manager, Equities, 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

#### WORKING GROUP UPDATE

ASX will host the final T+1 Working Group meeting for 2024 on 4 December continuing our ongoing engagement to discuss potential transitioning to a shorter settlement cycle. This session will serve as a platform to review key feedback received during the recent CHES Replacement consultation.

The agenda will also include an update on ASX's current recommendation regarding the timing of a potential implementation of T+1, outlining the progress made to date and addressing any remaining challenges or concerns.

In addition, attendees will receive a global update on T+1, with insights into developments in other major markets, following on from the U.S. and India, as well as the implications for regional changes from Japan, Hong Kong and Singapore.

#### CHES REPLACEMENT CONSULTATION RESPONSE PAPER – T+1

On 2 August 2024, ASX released a consultation paper on the proposed approach to Release 2 of the Clearing House Electronic Subregister System (**CHES**) replacement system.

In the consultation paper, ASX recommended that, if a decision is made to move to a T+1 settlement cycle, T+1 should be sequenced after Release 2. ASX also proposed that a T+1 go-live date be at least 12 months after the CHES replacement Release 2 go-live date, and at a minimum 18 months after a decision to transition to T+1. This recommendation was informed by industry responses to the ASX's whitepaper on Considerations for accelerating cash equities settlement in Australia to T+1 (published in April 2024), a comprehensive evaluation of industry risks and benefits, global experiences with transitioning to T+1 settlement, domestic developments, and an assessment of the potential impacts to the CHES replacement project.

ASX's proposed scope for Release 2, set out in the August 2024 consultation paper on Release 2, included functional changes relevant to enable a transition to a T+1. However, ASX acknowledges there are additional scope items that are required for the implementation of T+1 that are currently outside the scope of the CHES replacement project (such as ETO exercise process review, CMM introduction of intraday margining and timing).

In the August 2024 consultation, ASX sought feedback on its recommended approach, as well as any other factors to be considered on approach and timeline for a transition to T+1 settlement cycle.



## FEEDBACK SUMMARY

Responses were almost entirely supportive that a T+1 implementation should occur after Release 2. One submission did advocate for a faster timeline to implement T+1 prior to Release 2. A small number of submissions, while supportive of sequencing CHES replacement before T+1, noted that their preference was to transition to T+1 sooner than 12 months after CHES replacement Release 2. Conversely, a number of submissions called out that the suggested minimum 12-month gap between CHES replacement Release 2 go-live and T+1 may come under pressure and carry delivery risk, in the event that there are issues with Release 2 go-live. They believed that there would need to be a period of stabilisation post go-live, with some submissions calling for a period of 15 or 18 month between Release 2 and T+1. Another submission suggested a period of 18-24 months after a decision to transition to T+1 would be required.

From a global perspective, a number of submissions referred to international monitoring and learnings, both within the Asia-Pacific region and broader afield. Specifically, the importance of aligning to New Zealand was noted. It was also acknowledged that Australia could become an outlier amongst global peers the longer it stays on T+2.

Consistent feedback was received across submissions noting the importance of Release 2 including all functional upgrades required to support T+1, to minimise re-work, re-testing and delivery risk (acknowledging that respondents have previously indicated that T+1 should be implemented in CHES replacement and not in current CHES). One submission also called out the importance of CHES replacement being ready for T+1 from a non-functional perspective (such as agreement on batch settlement timing and operating hours). This was on the basis of wanting to minimise re-build and requirements for further testing. Respondents to the consultation acknowledged resourcing constraints, as well as the importance of aligning to Australia's debt market. A number of submissions noted challenges for ETF issuers where Australia's settlement cycle (currently T+2) is mis-matched compared to global markets such as USA. Should a decision be made to move to T+1, one submission noted their expectation of a reduction in capital required to be held at the clearing house and reduced clearing fees.

ASX notes the responses received to the consultation paper aligned to earlier [feedback received in response to the Whitepaper](#).

## ASX RESPONSE

Based on feedback received in response to the August 2024 consultation paper, ASX intends to proceed on the basis that if a decision is made to move to T+1, it should occur after implementation of CHES Replacement Release 2, with the T+1 go-live date to be:

- **at least** 12 months after the CHES replacement Release 2 go-live date
- **at a minimum** 18 months after a decision to transition to T+1.

ASX notes that both of these time parameters are minimum timeframes, and timing could extend based on appropriate consideration of stability/after care for Release 2 of CHES replacement. Industry engagement and assessment of industry readiness will also be considered as part of determining these timeframes.

ASX will engage with all relevant industry stakeholders before any decision is made regarding a transition to T+1.

ASX published a [response to the feedback](#) received on 26 November 2024. ASX's response will be further discussed in agenda item 4c.

ASX will continue to work with industry regarding functionality required to support a transition to T+1. Where this can be progressed through the CHES replacement project, ASX will continue to develop and test to be ready for Release 2 go-live. For functionality that requires progress outside of the CHES replacement project, or where further consideration and engagement is required, ASX proposes to continue to work with industry (through the ASX Business Committee's T+1 Working Group, the Business Design Working Group and focus groups) to support development, testing and readiness.

ASX will also continue to monitor global developments regarding settlement cycle compression, as well as closely engage with New Zealand Stock Exchange (**NZX**). Both NZX and ASX acknowledge the importance of close alignment.

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## TNF ASIA 2024

ASX representatives participated in the recent TNF Conference Asia meeting held in Singapore this November, a key industry event that brought together financial and market infrastructure leaders to discuss post-trade and custody developments in the region. One of the primary topics of discussion over the two-day conference was the transition to T+1 settlement cycles.

Lisa Briggs, representing ASX, took part in a panel focused on settlement cycle optimisation in Asia in light of recent T+1 transitions in the U.S. and India. The panel delved into critical considerations surrounding the regional move to a shorter settlement cycle, including operational, technical, and regulatory challenges. Insights were shared on lessons learned from the U.S. and India's experiences, providing valuable frameworks for mitigating risks and aligning industry practices.

The discussions also explored the broader implications of this shift for market participants, including liquidity, technology upgrades, and cross-border harmonisation efforts. The positive exchange of ideas encouraged a holistic examination of the transition, offering panel members and conference attendees an opportunity to discuss potential obstacles while identifying the benefits.

This conference underscored the growing regional momentum toward adopting T+1 settlement cycles and highlighted the importance of collaboration across jurisdictions.

## GLOBAL UPDATES

A summary of recent developments in key markets considering a transition to T+1 is provided below.

### Hong Kong & Singapore

Both Singapore and Hong Kong are currently exploring the move to a T+1 settlement cycle, but both face unique challenges and considerations.

Whilst both have yet to make a definitive announcement, both are closely monitoring the operational and logistical outcomes of the U.S.'s T+1 transition in May 2024. The Singapore Exchange (SGX) is engaging stakeholders to evaluate the feasibility of such a change and would look to potential transition by end 2027.

In Hong Kong, the situation is similar. The Hong Kong Stock Exchange (HKEX) has focused on enhancing infrastructure and automation to prepare for potential shifts in settlement practices.

Both exchanges are balancing the advantages of reduced counterparty risk and increased liquidity against the operational challenges posed by compressed timelines and global time zone differences. Their decisions and roadmap will likely be impacted by the move in the UK and EU and a potential regional collective shift.

### Japan

Japan is closely monitoring the global trend toward T+1 settlement cycles but faces unique challenges due to its market structure and regulatory environment. Operational adjustments, such as aligning allocation and confirmation processes, will be essential to ensure readiness. While Japan has not yet announced a formal transition plan, the regional push for a move to T+1 settlement is a primary focus.

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## United Kingdom

- The T+1 technical group (TGT) of the UK Accelerated Settlement taskforce (AST) has published [its proposed recommendations for a transition to T+1](#) in the UK.
- The report outlines 43 ‘principal recommendations’, covering critical post-trade activities that firms must be able to complete efficiently in a T+1 environment. They cover the areas of success criteria, settlement, FMIs, static data, corporate actions, securities financing and FX.
- There is also 14 ‘additional recommendations’, which assess environmental issues that need to be addressed if the UK is to maximise the efficiency gains that T+1 could deliver – but are not essential to successful implementation.
- The draft recommendations will be open for consultation with all participants in the UK equity market until 31 October 2024.

## Europe

- The European Securities and Markets Authority (ESMA), the EU’s financial markets regulator and supervisor, in collaboration with the European Commission and the European Central Bank, has expressed support for accelerating preparations to transition Europe to a T+1 settlement cycle, aligning with global trends. ESMA sees this move as essential for reducing risks, lowering costs, and maintaining competitiveness, especially following the shift to T+1 in North America. ESMA published their [Final Report](#) on 19 November presenting an evaluation of the shortening of the settlement cycle in the European Union (EU).
- ESMA recommends that the migration to T+1 occurs simultaneously across all relevant instruments and that it is achieved in Q4 2027. Considering the different elements assessed by ESMA, in particular the difficulties linked to the go-live of such a big project in November and December, and the challenges linked to the first Monday of October (just after the end of a quarter), ESMA recommends 11 October 2027 as the optimal date for the transition to T+1 in the EU. ESMA also suggests following a coordinated approach with other jurisdictions in Europe.



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<b>Committee</b>	Business Committee
<b>Meeting date</b>	11 December 2024
<b>Agenda title</b>	<b>Pricing Policy consultation update</b>
<b>Agenda item no.</b>	3b
<b>Purpose</b>	To provide an update on the development of the cash equities clearing and settlement services pricing policy and consultation process.
<b>Prepared by</b>	Stephen Hammon, General Manager, Business Management & Planning, 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 a verbal update on the key themes of the Pricing Policy Consultation feedback at the Business Committee meeting.



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<b>Committee</b>	Business Committee
<b>Meeting date</b>	11 December 2024
<b>Agenda title</b>	<b>The Network Forum Australasia</b>
<b>Agenda item no.</b>	3c
<b>Purpose</b>	To provide an 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 an update on The Network Forum Australasia at the Business Committee meeting.

<b>Committee</b>	Business Committee
<b>Meeting date</b>	11 December 2024
<b>Agenda title</b>	<b>CHES replacement – project update</b>
<b>Agenda item no.</b>	4a
<b>Purpose</b>	To provide Business Committee members with a project update on CHES Replacement
<b>Prepared by</b>	Triona Quinlan, General Manager, Technology Delivery, ASX Technology
<b>Action</b>	For noting
<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 is tracking amber due to the flow on impacts from the delays in testing and the delays in finalising the Data and Reporting build for CHES replacement.
- Testing for Drop 1 was completed on 13 November 2024, two weeks behind schedule. Testing for Drop 2 commenced on 14 November.
- Non-functional testing has commenced with performance and resilience testing for the FIX Gateway.
- The project is targeting mid December to baseline the integrated Data and Reporting plan. The Data & Reporting Steel Thread build has commenced with targeted completion by mid Dec 2024.
- Build for the AMO security details report is scheduled to start in January 2025 and is targeting AMO Readiness for availability.
- As of November 2024, 9 assurance reviews have been completed with 2 medium and 5 low rated findings open.
- The Project is tracking four key risks and one issue through the CHES Replacement Technical Committee related to; scope, cloud deployment, and schedule.
- Since the last Business Committee meeting, ASX has hosted three CHES Replacement Technical Committee meetings. The next meeting is scheduled for 05 February 2025.

## RELEASE 1 UPDATE

The project is tracking amber due to the flow on impacts from the delays in testing and the delays in finalising the Data and Reporting build for CHES replacement.

### Testing

Drop 1 testing was completed on the 13 November, two weeks behind schedule. Testing was delayed due to issues with the environment setup, deployment and code defects.

Drop 2 testing commenced on 14 November. Scope for Drop 2 has increased due to defects and blocked test cases carried over from Drop 1 testing.

The project continues to prioritise scope and defects critical to AMO Build and Test and will have project resources progressing Drop 2 testing over the holiday period in late December/early January.

### Data and Reporting Build

Replanning of the CHES Replacement Data and Reporting Plan is in progress, including the prioritisation of reporting and internal system integrations essential to Release 1 go-live. The Plan is targeted to be baselined by early-December 2024.

The build of the data and reporting steel thread has commenced with targeted completion in mid-December 2024. The purpose of the data and reporting steel thread is to prove out the end-to-end flow of data from BaNCS to the Data Platform, identify any early defects and obtain learnings that can be used for future build.

The delay in the Data and Reporting build will not impact commencement of AMO Build and Test. However, is critical for Release 1 go-live.

## RELEASE 2 UPDATE

ASX's response to the Consultation Paper for Release 2 was published on 26 November 2024. Key themes of ASX's response will be discussed in agenda item 4b.

Release 2 planning continues with a focus on pre-analysis activities including requirements for Release 2 Drop 1 and ISO20022 messaging. Resources from the Project team have now been allocated to Release 2 activities.

## KEY RISKS

At the 18 September 2024 Business Committee, the Project noted five key risks being managed by the project relating to; technology, scope, cloud deployment and schedule. The risk relating to the scalability of the solution on the chosen AWS Technology Stack (Proof of Technology) and impacts of the Consultation Paper for Release 2 on the revised business case have been resolved. The Project is now managing the following key risks and issues.

Area	Description	Mitigation	Impact Date	Inherent Exposure	Residual Exposure
Scope	Market prioritisation of T+1 would impact the current program timeline and / or costs.	The project will monitor the market engagement and provide input as to the optimum plan across CHES Replacement and a T+1 cutover.	29 Nov 2024	High	Medium
Cloud deployment	Schedule may be impacted if Cloud Foundations Project deliverables do not meet CHES replacement requirements	Track key dependencies through an integrated plan between Cloud Foundations and CHES Replacement Project. External assurance to validate CHES replacement cloud controls are designed and operating effectively in line with the ASX Cloud Controls Framework.	29 Nov 2024	High	Medium
Delivery	Delays in testing may impact AMO Build and Test	Prioritise resourcing and testing activities to minimise potential impact to the critical path for commencement of AMO Build and Test Prioritise delivery of scope and bring forward open defect fixes critical to AMO Build and Test	07 Jan 2025	High	Medium
Schedule	The Release 2 timeline may be impacted due to Release 1 delivery priority	Minimise overlap between Release 1 and Release 2 to manage impact on resources required to support both releases. Accelerate Release 2 analysis following completion of Release 1 analysis	30 June 2025	High	Medium
Schedule	<b>(Issue)</b> Delays in finalising the CHES Replacement Data and Reporting Plan	Replan and baseline the Enterprise Data Platform Delivery Plan Update the CHES Replacement Data and Reporting Plan in line with the Enterprise Data Platform Delivery Plan Identify an end-to-end scenario to build to identify any potential challenges			



## ASSURANCE PLAN UPDATE

A summary of assurance reviews completed this calendar year and status of findings is provided below. As at the end of November 2024, 9 reviews have been completed, with 2 medium and 5 low rated findings open.

Review (Assurance Provider)	Month Completed	Number of Findings raised	Number of Findings closed	Open Findings
<b>Cloud Platform Part 1 Review</b> (KPMG) focused on project management processes between the CHES Replacement and the Cloud Foundation project in relation to AWS cloud delivery	Nov 24	3	-	2 Med 1 Low
<b>Review of Proof of Technology Activities</b> (KPMG) focused on key management and governance processes relating to the PoT activities for Release 1	Nov 24	1	-	1 Low
<b>Project Health Check 1 Review</b> (KPMG) focused on vendor management, progress measurement and reporting, governance effectiveness, schedule management, and key processes supporting the revised business case	Nov 24	2	-	2 Low
<b>Industry Consultation Process Review</b> (KPMG) focused on ASX's engagement approach and processes relating to the industry consultation process for Release 1 and Release 2 including decision governance	Nov 24	2	1 Low	1 Low
<b>Release 1 ASX Industry Test Approach and Planning Review</b> (KPMG) focused on the quality of ASX's approach and planning for the Release 1 industry test phase, including consideration of industry feedback in developing the approach and plan	Nov 24	0	-	-
<b>ASX Delivery Assurance Inflight Review 1 - Release 1</b> (ASX Delivery Assurance) focused on adherence of Release 1 mandatory project deliverables to the ASX delivery framework	Oct 24	0	-	-
<b>ASX Test policy and standards assessment for Release 1 - Stage 1 Review</b> (TTC Global) focused on compliance of ASX Release 1 test practises (relating to the project's test strategy and test planning activities) against ASX test policies and international standards	Oct 24	0	-	-
<b>June 2024 Licence Condition Review</b> (EY) focused on the design effectiveness of the assurance plan	Jun 24	0	-	-
<b>Light Health Check - Sentiment survey</b> (Internal Audit) survey to internal project stakeholders focused on project governance, behaviours and team performance	May 24	1	1 Low	-

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The following reviews are in progress and due to complete in December 24:

- Release 1 Requirements and Design Process Review (KPMG)
- December 2024 Licence Condition Review (EY) which is focused on the operational effectiveness of the assurance plan, with public report to be issued in early 2025.

## **TECHNICAL COMMITTEE AND WORKING GROUPS**

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. The Technical Committee governs several working groups which provide targeted engagement activities on specific aspects of CHES Replacement. The working groups currently operating are the Business Design Working Groups (BDWGs), AMO Working Groups (AMOWGs), Implementation and Transition Working Groups (I&TWGs) and the ISO Design Working Groups (ISOWGs). The ISOWG is a recently convened working group to communicate, understand and collaborate on the implementation of ISO 20022 in Australia's equity post trade environment.

Since the last Business Committee there have been three Technical Committee meetings held on 09 October 2024, 06 November 2024 and 03 December 2024.

At the 09 October 2024 Technical Committee, updates were presented on:

- Progress against the project milestone plan
- Indicative response themes from the Consultation Paper for Release 2
- Working group progress across the BDWG, I&TWG and AMOWG topics
- Scope objectives and backlog progress
- Pulse Survey Results for H1 2024.

At the 06 November 2024 Technical Committee, updates were presented on:

- Progress against the project milestone plan
- Indicative Revised Release 2 drop roadmap
- Working group progress across the BDWG, I&TWG and ISOWG
- Proposed next steps for the CHES Replacement scope objectives.

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At the 03 December 2024 Technical Committee, updates were presented on:

- Progress against the project milestone plan
- ASX's Response to Consultation Paper 2
- Working group progress across the BDWG, I&TWG, AMOWG and ISOWG
- Proposed next steps for the CHES Replacement scope objectives.

Since the 18 September Business Committee ASX has conducted the following working groups:

- Two BDWGs covering; Cum Entitlement balances, market claims, and a deep dive on ETF creation and redemption processes
- Two AMOWGs covering; Trade condition codes, security details report, account segregation in FIX, AWS to AWS connectivity, ITE readiness, and network design and failover
- Two I&TWGs covering; Release 1 deferred settlement, Release 1 readiness progress, Release 2 industry test approach, key response themes to the Consultation Paper for Release 2 and the 2025 forward engagement plan
- One ISOWG covering; ISO schema and guidelines, and an introduction to MyStandards and ISO messages.

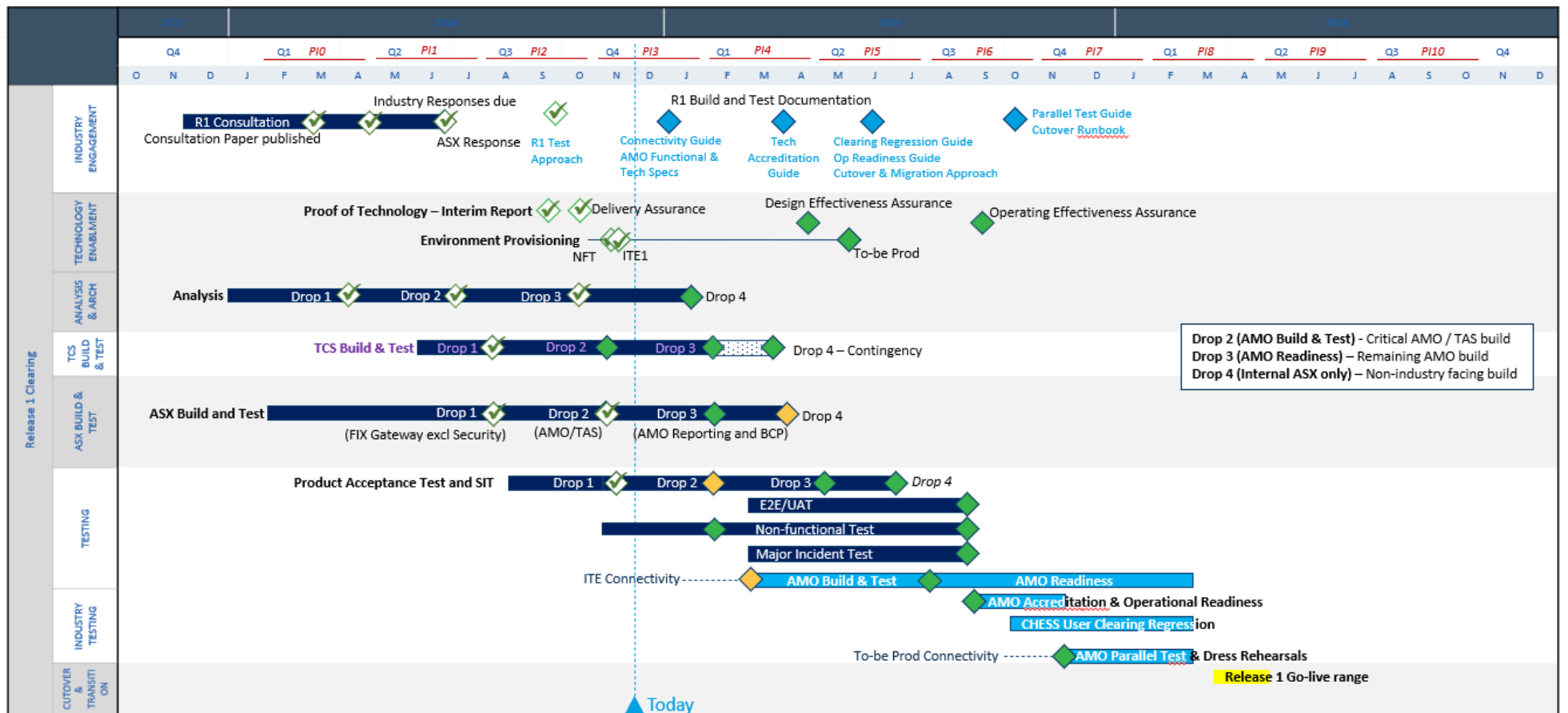
Previous Technical Committee agendas, presentation materials and minutes can be found [here](#). Previous Working Group presentation materials can be found [here](#).

## ATTACHMENTS

**Attachment 1:** Updated Release 1 Indicative Project Timeline

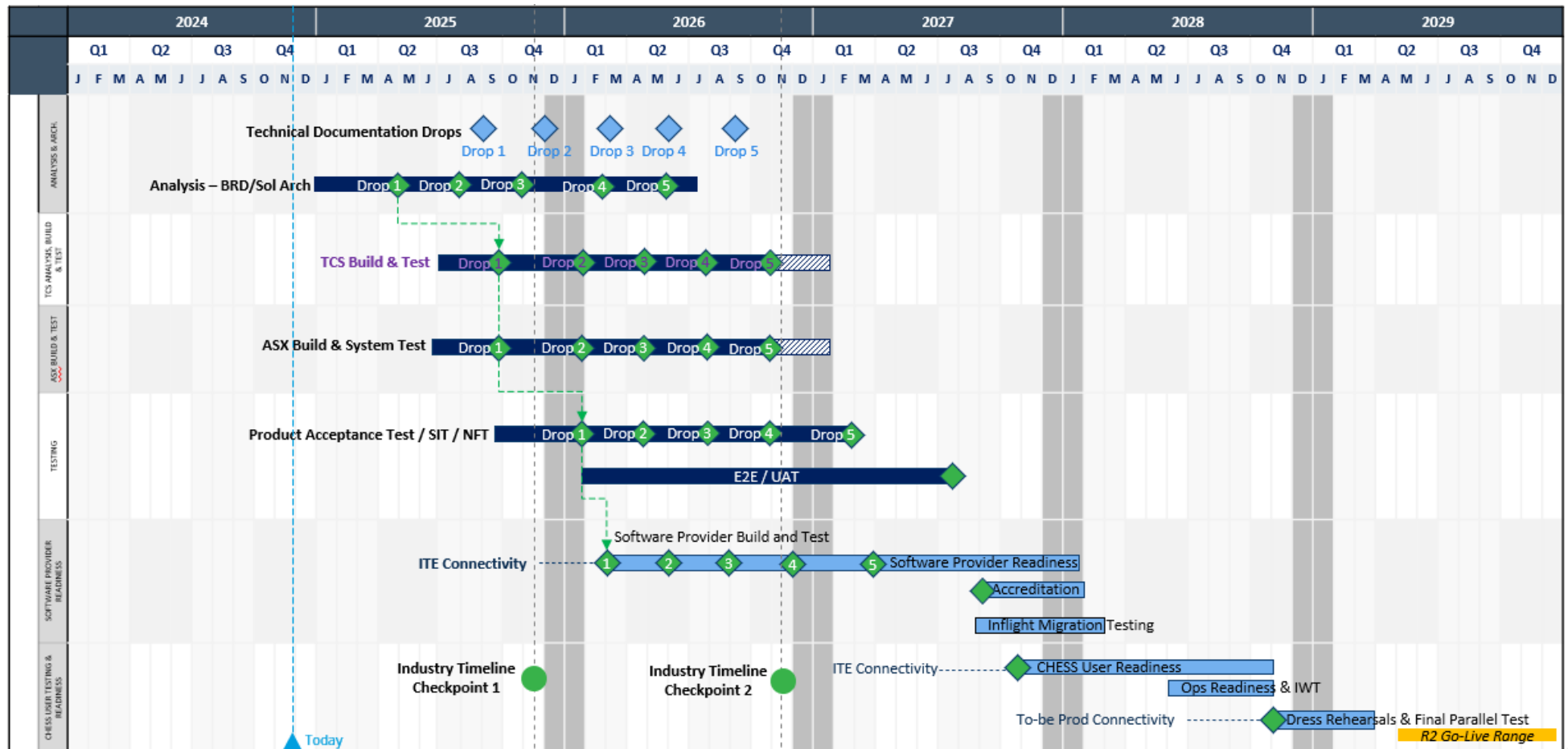
**Attachment 2:** Updated Release 2 Indicative Project Timeline

# Attachment 1: Updated Release 1 Indicative Project Timeline



Drop 2 (AMO Build & Test) - Critical AMO / TAS build  
 Drop 3 (AMO Readiness) - Remaining AMO build  
 Drop 4 (Internal ASX only) - Non-industry facing build

**Attachment 2: Updated Release 2 Indicative Project Timeline**





<b>Committee</b>	Business Committee
<b>Meeting date</b>	11 December 2024
<b>Agenda title</b>	<b>Scope objectives update</b>
<b>Agenda item no.</b>	4b
<b>Purpose</b>	To provide an update on the proposed next steps for the CHES replacement scope objectives that ASX plans to progress to develop detailed design and specifications or that require further industry engagement before progressing further.
<b>Prepared by</b>	Chris Boyes, Senior Product Manager, Equities, Securities & Payments Andrew Jones, General Manager, Equities, Securities & Payments
<b>Action</b>	For recommendation
<b>Proposed recommendation to Boards of ASX Clear and ASX Settlement (if applicable):</b>	Not applicable

## BACKGROUND

The Technical Committee is seeking Business Committee endorsement on the recommendation to progress with the proposed next steps for the CHES replacement scope objectives as set out in [Appendix 1](#).

At its 11 October 2023 meeting, the Business Committee recommended to the Boards of ASX Clear and ASX Settlement the inclusion of 15 scope objectives (as set out in a paper to that meeting on the Technical Committee scope recommendations) be included in the design evaluation and consultation of the CHES replacement project.

The proposed next steps as set out in Appendix 1 cover the above 15 scope objectives as well as an additional:

- 7 scope objectives that were previously identified as requiring further consideration by the Technical Committee before being brought back to the Business Committee
- 8 scope objectives that were carried forward from the previous project or noted as design considerations for CHES replacement
- 4 scope objectives identified from the design evaluation and consultation processes as contemplated above.

For completeness, this paper also provides an overview of the process for refining and approving the CHES replacement scope objectives to date.

## CHES REPLACEMENT SCOPE OBJECTIVES REFINEMENT AND APPROVAL PROCESS

The initial CHES replacement project scope was designed with input and feedback from the industry. Following the pause in November 2022, the CHES replacement project has utilised the previously developed scope and 106 existing ISO 20022 messages as the baseline for commencing solution analysis for the continuation of the project.

In March 2023, ASX provided Technical Committee members the opportunity to refine the existing CHES replacement scope. Industry feedback was played back to members at the April 2023 Technical Committee meeting, with three key functional areas of improvement emerging. Consequently, ASX facilitated three scope refinement workshops independently moderated by industry bodies Australian Financial Markets Association (**AFMA**) and Australian Custodial Services Association (**ACSA**):

1. Sub-Register and Issuer Sponsored enhancements and process improvements (25 May 2023)
2. Settlement improvements and enhancements (19 June 2023)
3. Corporate Action processing efficiencies (12 July 2023).

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The output of these workshops identified initial scope objectives for CHES replacement's consideration. ASX issued a Scope Recommendation Survey (**survey**) in August 2023 to all Technical Committee Members to ascertain an understanding of the support for each CHES replacement scope objective. The results of the survey were presented to Technical Committee members at the September 2023 meetings and included an initial proposal that recommended the inclusion of 15 CHES replacement scope objectives into the design consultation of the CHES replacement project, with a subset of these also proposed for evaluation for inclusion in existing CHES. In addition, there were also 7 scope objectives that were proposed to remain with the Technical Committee for further consideration until a time when they can be brought back to the Business Committee for recommendation to ASX Clear and ASX Settlement Boards.

The initial proposal for the 15 CHES replacement scope objectives was endorsed at the Business Committee in October 2023 by way of a recommendation to the Boards of ASX Clear and ASX Settlement that those scope objectives be included in the design evaluation and consultation of the CHES replacement project. The Boards of ASX Clear and ASX Settlement accepted the Business Committee's recommendation in November 2023.

In conjunction to this process, ASX engaged with Technical Committee members on scope objectives carried forward from the previous project or noted as design considerations to include an additional 6 to the design evaluation and consultation phase and 2 for further consideration.

Commencing Q1 2024, ASX facilitated a series of Business Design Working Group meetings with the industry to discuss the design details in specific functional areas with monthly updates provided to the Technical Committee. The output of these sessions identified 4 additional scope objectives, captured the industry design considerations in relation to any new or changing functionality in publicly available [Business Design Documents](#), and informed the proposals outlined in ASX's [Consultation on the Scope and Implementation of CHES Replacement Release 2 \(Consultation Paper for Release 2\)](#).

ASX has subsequently assessed all industry feedback received in relation to the Consultation Paper for Release 2 to determine the proposed next steps for the CHES replacement scope objectives. Key industry feedback is summarised and ASX's response (including intended next steps) is set out in ASX's [response to consultation feedback](#) published on 26 November 2024.

The November 2024 Technical Committee meeting was used to validate the proposed next steps and ensure members had an opportunity to provide any further feedback.

The proposal to seek Business Committee endorsement on the recommendation to progress with the proposed next steps of the CHES replacement scope objectives as set out in Appendix 1 to the Business Committee was accepted at the December 2024 Technical Committee meeting.

The proposed next steps of the CHES replacement scope objectives as set out in [Appendix 1 were approved](#) by the Boards of ASX Clear and ASX Settlement on 21 November 2024, noting that certain aspects of Release 2 scope are yet to be finalised.

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## SCOPE RECOMMENDATION DEFINITIONS

The proposed next steps of the CHES replacement scope objectives are categorised under one of the following:

1. **Include in project scope and proceed to further detailed design**
  - ASX plans to progress to develop detailed design and specifications with industry via BDWGs, ISOWGs & I&TWGs.
  - Electronic notification of payment advice and CUM entitlement balances will progress to further detailed design and specifications with adjusted approaches to address industry feedback.
2. **Further engagement required**
  - There are some aspects of the scope items that may require further engagement before proceeding to detailed design.
  - These topics are planned to be taken forward via the Technical Committee and Business Committee in December 2024 and onwards into 2025.
3. **Not In scope**
  - These objectives have not received sufficient support and will not be brought forward through CHES replacement at this time.



## Appendix 1 - CHES Replacement Scope Objectives – Proposed Next Steps

Topic	Functionality	Ref	Scope Objective	Source	Proposed Next Steps
Sub-register and issuer sponsored	Registration Details and Investor Information	1.1	Standardise, improve and better synchronise the data sharing between participants and share registries	Business Committee endorsed to proceed to design evaluation and consultation	Include in project scope and proceed to further detailed design
		1.2	Foreign restricted securities - review and simplify the current processes for holdings and transfers	Identified by the Technical Committee for further consideration	Include in project scope and proceed to further detailed design
	SRN Enquiry & Validation	1.3	Implement a faster and more efficient SRN enquiry process	Business Committee endorsed to proceed to design evaluation and consultation	Include in project scope and proceed to further detailed design
	Issuer Sponsored Holding Locks	1.4	Reduce settlement risk in relation to issuer sponsored sales	Business Committee endorsed to proceed to design evaluation and consultation	Include in project scope and proceed to further detailed design
	ETF Creations & Redemptions	1.5	Reduce operational risk in relation to the current ETF creation/redemption workflow	Business Committee endorsed to proceed to design evaluation and consultation (and evaluate the opportunity to make improvements in current CHES)	Include in project scope and proceed to further detailed design
	Continuous Holding Balance	1.6	Provide more efficient, reliable and faster access to holding information	Business Committee endorsed to proceed to design evaluation and consultation	Include in project scope and proceed to further detailed design
	Registry HIN validation	1.7	Provide the ability for Share Registries to validate account details to facilitate CHES allotment of investor accepted offers	New scope objective identified as part of the design evaluation and consultation phase	Include in project scope and proceed to further detailed design
Settlement	Bilateral Matching Improvements	2.1	Reduce operational risk by ensuring participants are able to submit and match transactions in the system as	Business Committee endorsed to proceed to design evaluation and consultation	Include in project scope and proceed to further detailed design

			soon as practical whilst minimising the likelihood of incurring a failed settlement (e.g. being able to separately match and schedule a transaction)		
		2.2	Reduce operational risk by minimising mismatches and failed matches by increasing the data sharing and matching fields available and/or making use of information available in upstream systems	Business Committee endorsed to proceed to design evaluation and consultation	Include in project scope and proceed to further detailed design
	Standing Instructions	2.3	Reduce operational overhead in relation to payment provider authorisations by allowing for automated approvals in the system within cash limits.	Identified by the Technical Committee for further consideration	Further engagement required
	Preliminary Payment Notifications	2.4	Provide more certainty by enabling more frequent and/or configurable access to preliminary payment data.	Identified by the Technical Committee for further consideration	Further engagement required
	Bilateral Matching Improvements	2.5	Bilateral Matching – use of Transaction Basis (on and off-market)	Identified by the Technical Committee for further consideration	Further engagement required
	Settlement Improvements	2.6	Scheduled Settlement CHES to CHES Transfer Request (MT107) - support usage within a participant group structure	Business Committee endorsed to proceed to design evaluation and consultation (and evaluate the opportunity to make improvements in current CHES)	Include in project scope and proceed to further detailed design
		2.7	Deferred settlement securities – review process to ensure/improve settlement efficiencies	Identified by the Technical Committee for further consideration	Not in scope

	Payments	2.8	Payment processes for corporate actions, batch and non-batch DvP settlement processes	New scope objective identified as part of the design evaluation and consultation phase	<b>Further engagement required</b>
<b>Corporate Actions</b>	Electronic Dividend Claims	3.1	Review and enhance the current processes for automated claims (diary adjustments) to ensure it continues to meet the market needs.	Business Committee endorsed to proceed to design evaluation and consultation	<b>Include in project scope and proceed to further detailed design</b>
	Corporate Action Election and Acceptance Processing	3.2	Provide standardised straight through processing capability for corporate action elections and cost effective associated payments.	Business Committee endorsed to proceed to design evaluation and consultation	<b>Further engagement required</b>
		3.3	Reduce operational risk in relation to DRP standing instructions.	Business Committee endorsed to proceed to design evaluation and consultation	<b>Further engagement required</b>
	Cum Entitlement Balance Transfer	3.4	Evaluate opportunities to facilitate the transfer of entitlements (pre and/or post Record Date) ensuring this does not impact issuer schedules.	Identified by the Technical Committee for further consideration	<b>Not in scope</b>
	Electronic Notification of Payment Advice	3.5	Provide standardised electronic transmission of corporate action distribution information to create opportunities for automation and process improvement.	Business Committee endorsed to proceed to design evaluation and consultation	<b>Include in project scope and proceed to further detailed design. Scope will be reduced (additional fields associated with a holding adjustment only).</b>
	Other Corporate Action Efficiencies	3.6	Evaluate whether ASX can help with the transmission of bank account information in relation to bid offers	Business Committee endorsed to proceed to design evaluation and consultation (and evaluate the opportunity to make improvements in current CHES)	<b>Include in project scope and proceed to further detailed design</b>

	Other Corporate Action Efficiencies	3.7	Ensure holding adjustment reason codes are up to date and being used correctly	Business Committee endorsed to proceed to design evaluation and consultation (and evaluate the opportunity to make improvements in current CHES)	Include in project scope and proceed to further detailed design
	Other Corporate Action Efficiencies	3.8	Make sub-register state more readily available to participants to help improve processes in relation to de-listings	Business Committee endorsed to proceed to design evaluation and consultation (and evaluate the opportunity to make improvements in current CHES)	Include in project scope and proceed to further detailed design
	Other Corporate Action Efficiencies	3.9	Standardised electronic proxy voting	Identified by the Technical Committee for further consideration	Not in scope
	Bid Offeror Automation	3.10	Provide an electronic Bid Offeror finalisation process in relation to takeovers and buybacks	New scope objective identified as part of the design evaluation and consultation phase	Include in project scope and proceed to further detailed design
<b>Settlement Improvement</b>	Changes to Netting Process	4.1	Review the design for netting in the context of the solution	Carried forward from the previous project for design evaluation and consultation	Include in project scope and proceed to further detailed design
	Changes to settlement process	4.2	Review the design for settlement in the context of the solution	Carried forward from the previous project for design evaluation and consultation	Include in project scope and proceed to further detailed design
	Linking Bilateral Settlements	4.3	Settlement linking – review and evaluate solution design	Carried forward from the previous project for design evaluation and consultation	Include in project scope and proceed to further detailed design
	Settlement Lock for CHES Holdings	4.4	Settlement locking – review and evaluate solution design	Carried forward from the previous project for design evaluation and consultation	Include in project scope and proceed to further detailed design
	Non-batch DvP Bilateral Improvement	4.5	Bilateral non-batch DvP settlement – review and evaluate in the context of payment processes	Carried forward from the previous project for design evaluation and consultation	Include in project scope and proceed to further detailed design

<b>Additional Scope Items</b>	T+1 settlement	<b>5.1</b>	T+1 consultation and potential impacts to the CHES replacement project	Identified for further design consideration in CHES replacement	<b>Not in scope</b>
	House/Client Segregation	<b>5.2</b>	House/client segregation consultation and potential impacts to the CHES replacement project	Identified for further design consideration CHES replacement	<b>Include in project scope and proceed to further detailed design</b>
	Interoperability	<b>5.3</b>	Ensure the solution is designed to enable potential future interoperability between CCPs, SSFs and/or Subregisters	Identified for further design consideration in CHES replacement	<b>Include in project scope and proceed to further detailed design</b>
	Cum entitlement balances	<b>5.4</b>	Review use cases for Cum Entitlement Balances and assess its continued effectiveness for the Australian market	New scope objective identified as part of the design evaluation and consultation phase	<b>Include in project scope and proceed to further detailed design. Simplified solution</b>

<b>Committee</b>	Business Committee
<b>Meeting date</b>	11 December 2024
<b>Agenda title</b>	<b>Consultation paper for Release 2</b>
<b>Agenda item no.</b>	4c
<b>Purpose</b>	Update on consultation paper for Release 2, including submissions and ASX's response paper
<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

On 2 August 2024, ASX released a [consultation paper](#) on the proposed approach to Release 2 of the CHES replacement system. Release 2 will replace the settlement and subregister functionality, deliver improved corporate action functionality and make further enhancements to clearing. Release 2 will also introduce global standard ISO 20022 messaging interfaces for Participants, Share Registries and Payment Providers.

The consultation paper invited feedback on the proposed:

- **design, scope, and schedule** for Release 2
- high level plan for the timing and approach for a transition to a **T+1 settlement cycle**
- approach to **interoperability** for CHES replacement
- **testing and industry readiness approach** for Release 2.

Feedback was requested by 13 September 2024.

## CONSULTATION OUTCOMES

ASX received 37 written submissions to the consultation paper, 25 of which were confidential submissions. All 12 non-confidential submissions are published on ASX's [website](#).

On 26 November 2024, ASX published its [response to consultation on the scope and implementation of CHES replacement Release 2 \(settlement and subregister\)](#)

Feedback was generally supportive of ASX's proposals and while ASX intends to proceed as proposed on most of the items outlined in the consultation paper, there are several areas where ASX has adjusted its approach to address industry feedback. Further industry engagement is required to establish an agreed approach on several other items.

An overview of how ASX has responded to the key items subject to consultation is provided in Table 1 below.

**Table 1: Overview of feedback and proposed changes resulting from consultation on Release 2**

Items proceeding as planned	Items adjusted to incorporate consultation feedback	Items requiring further industry engagement
<ul style="list-style-type: none"> <li>• Clearing scope</li> <li>• Settlement scope*</li> <li>• Subregister scope*</li> <li>• Connectivity and data interfaces*</li> <li>• Technical scope including de-scoping ISO 20022 message signing</li> <li>• Implementation of Release 2 as a single release</li> <li>• Approach to interoperability</li> <li>• T+1 in the context of CHES replacement</li> </ul>	<ul style="list-style-type: none"> <li>• Release 2 timeline: <ul style="list-style-type: none"> <li>– adjustment to commencement of Software Build and Test phase (by 3 months)</li> <li>– introduction of industry timeline checkpoints</li> <li>– adjustment to commencement and duration of the Operational Readiness phase (by 6 months)</li> <li>– adjustment to the Dress Rehearsal and Parallel Test phases (by 3 months)</li> </ul> </li> <li>• Simplification of Cum Entitlement Balances (CEBs)</li> </ul>	<ul style="list-style-type: none"> <li>• Timing for roll-out of new business processes</li> <li>• Optional or mandatory nature of new functionality</li> <li>• Provision of additional investor information</li> <li>• Corporate actions scope and business model</li> <li>• Use cases for data API</li> </ul>

\* Generally proceeding as planned, with related items subject to further changes or engagement.

### Key feedback themes

There were mixed responses regarding the delivery of the scope, including what should form part of Release 2 go-live. Some respondents recommended that enhancements to functionality be included as part of Release 2 go-live, while others suggested that Release 2 should focus on delivering core and critical functionality required to replace CHES to ensure safe delivery of Release 2, and that enhancements be delivered post go-live.

Additionally, respondents queried whether new proposed functionality would be mandatory or optional. This included whether they would be mandatory for use (to be detailed in the ASX Clear and ASX Settlement Operating Rules and Procedures), or mandatory for build (for Software Providers to achieve accreditation). Some respondents also queried the potential impact to costs associated with the proposed new functionality and sought further information on the implications of these changes on pricing.

An updated timeline for Release 2 is included in ASX's response to consultation. Two new industry timeline checkpoints have been introduced to reflect industry feedback in relation to the proposed Release 2 build and test phases. ASX continues to work towards a potential go-live for Release 2 during 2029, noting that the go-live range is subject to a range of factors, including industry readiness which will continue to be monitored as the project progresses.

### Next steps

ASX plans to continue to provide further information in line with the scheduled documentation to allow the industry to appropriately plan and prioritise during the build and test phases. ASX will work towards communicating the target go-live date with at least 12 months' notice.

Based on the feedback received, ASX intends to proceed with the implementation of CHES replacement Release 2 on the basis that if a decision is made to move to T+1, it should occur after Release 2. ASX proposes that at the earliest, a T+1 go-live date be at least 12 months after the CHES replacement Release 2 go-live date, and at a minimum 18 months after a decision to transition to T+1.

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ASX will continue to engage with stakeholders to progress items through current channels including:

- the ASX Business Committee\_
- the ASX CHES Replacement Technical Committee, including pulse surveys
- Industry working groups, including:
  - Implementation and Transition Working Group
  - Business Design Working Group
  - ISO 20022 Design Working Group
  - AMO Working Group
- Bilateral engagement.



<b>Committee</b>	Business Committee
<b>Meeting date</b>	11 December 2024
<b>Agenda title</b>	<b>Partnership Program</b>
<b>Agenda item no.</b>	4d
<b>Purpose</b>	To provide members with an update on the CHESS Replacement Partnership Program
<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

On 17 April 2024, ASX published a [consultation paper](#) seeking industry feedback on proposed milestones for payments and allocation of funds under the final tranche of the Development Incentive Pool of the CHESS Replacement Partnership Program (**Partnership Program**), valued at up to \$35 million. Following a four-week consultation period, ASX received nine responses (eight of which were confidential), from clearing and settlement participants, registries and vendors.

The consultation paper indicated that ASX's response to consultation feedback would be published in Q2 2024. However, aligning the publication of this response to ASX's response to consultation on Release 2 enabled further clarity to be provided regarding the expected timing of Development Incentive Pool payments. On 18 July, industry stakeholders were advised that ASX's response to consultation on the Partnership Program would be published in Q4 2024.

ASX published its response to consultation feedback along with the non-confidential responses to the consultation on 22 November, concurrently with the response to the consultation paper on Release 2. The response confirms the milestone structure, allocation of funds and expected timing for the remaining Development Incentive Pool payments. The response can be found [here](#).

This paper also provides an update on the payments made under the Partnership Program as at August 2024 and a summary of the outcomes of the consultation on the Partnership Program.

## PARTNERSHIP PROGRAM – STATUS UPDATE

As announced on 16 February 2023, ASX has committed up to \$70 million for the Partnership Program. Where possible, ASX plans to use the full \$70 million allocation towards the Partnership Program, subject to other considerations, in particular all eligible entities accepting their invitation to participate in the Partnership Program.

### Participant Rebate Pool

ASX has issued rebates to the value of \$14.99<sup>1</sup> million from the \$15 million available, with 55 of 60 eligible entities having accepted the invitation to participate in the Participant Rebate Pool. Of the remaining five entities, three have decided not to participate, one has indicated that it is awaiting further information before making a decision and one has yet to provide a response to ASX.

<sup>1</sup> Includes all payments made up to August 2024.

All payments under the Participant Rebate Pool have now been made to eligible Program Participants who have accepted the Partnership Program terms.

### Development Incentive Pool

ASX has paid \$17.5 million<sup>2</sup> from the \$20 million allocation set aside for the initial payment, with 22 of 23 eligible entities having accepted the invitation to participate in the Development Incentive Pool. The remaining entity has indicated that it is not in a position to be able to accept or decline the invitation at this point but may be able to do so after ASX has advised the market on the solution design and any possible timeframes for implementation.

### CONSULTATION OUTCOMES

The finalised milestone structure, allocation of funds and expected timing for the remaining Development Incentive Pool payments are outlined in Table 1 below.

Given the broad support received through this consultation and previous bilateral engagements with existing Program Participants, ASX is proceeding with the payment milestones as proposed. In response to feedback received in suggesting a heavier weighting of the first payment milestone, ASX has increased the allocation of funds for the first milestone to 60% of the remaining Development Incentive Pool.

The expected timing of payments aligns to the timing of the milestones as reflected in the Release 2 Project Timeline, which has been informed by feedback received in response to the Consultation Paper on Release 2. Further information regarding the outcomes of the consultation on Release 2 is provide in Agenda Item 3(c) – Outcome of consultation on Release 2.

**Table 1: Development Incentive Pool Milestones and Payments**

Milestone	Description	Allocation of Funds	Expected Timing*
1	Entry into the equivalent of the previous CHES replacement Industry Test Environment 1 (ITE1) – Release 2 ITE – and successful completion of a specified subset of test scenarios prior to completion of technical accreditation	60% of the remaining Development Incentive Pool funds	Q1 2026
2	Successful completion of technical accreditation of eligible Program Participants' technology application(s) by ASX	40% of the remaining Development Incentive Pool funds	Phase commencing in Q3 2027

\* This timing is based on the CHES Replacement Release 2 timeline and may be subject to change due to a range of factors as implementation progresses.

### NEXT STEPS

ASX will work with Program Participants to define and communicate the subset of test scenarios which will need to be completed as part of the qualification criteria for Milestone 1 (as noted above in Table 1).

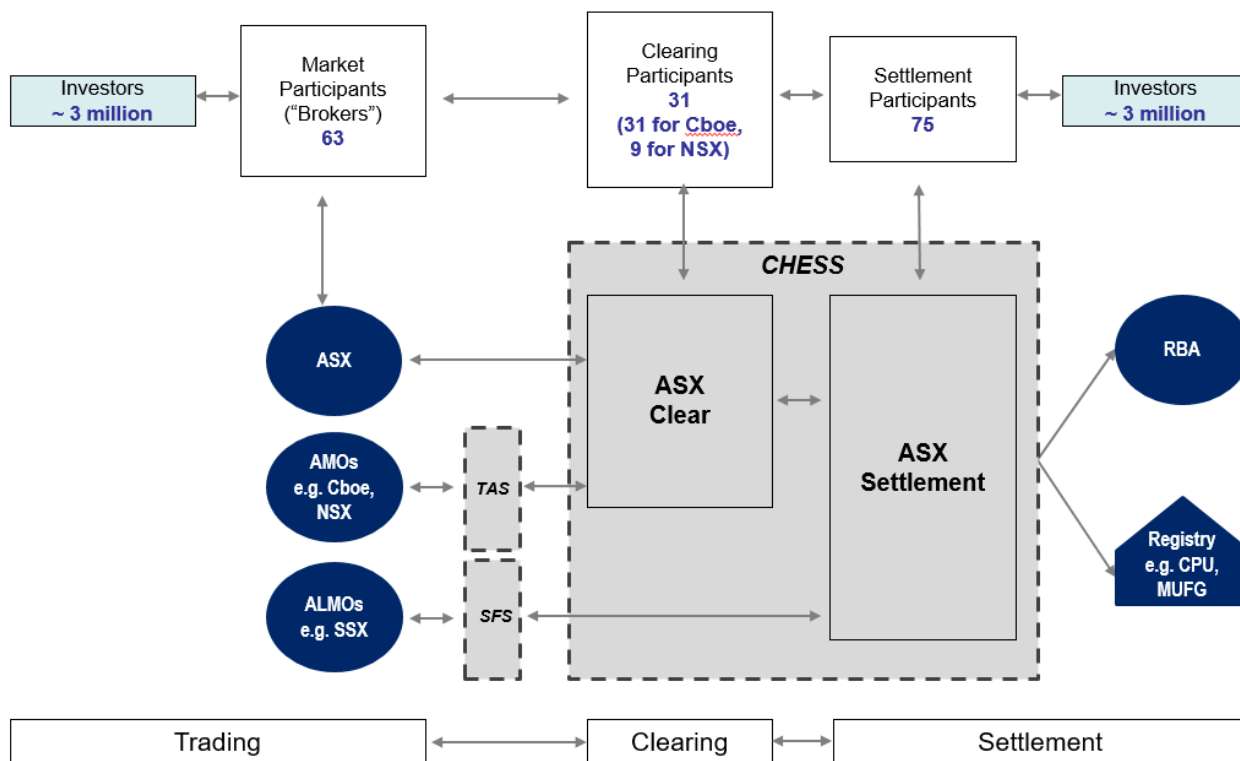
ASX will continue to engage with Program Participants and communicate further updates on the Partnership Program through existing industry engagement forums.

<sup>2</sup> Includes all payments made up to August 2024.

<b>Committee</b>	Business Committee
<b>Meeting date</b>	11 December 2024
<b>Agenda title</b>	<b>Operational performance - cash market clearing and settlement services</b>
<b>Agenda item no.</b>	5a
<b>Purpose</b>	To report on key performance metrics for ASX's clearing and settlement services
<b>Prepared by</b>	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



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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 system availability is the percentage of system uptime as measured against target availability times. The service availability target for CHES is 99.80%.

The average monthly system availability for CHES was 100% during the September 2024 quarter and December 2024 quarter<sup>1</sup>.

The average monthly availability of CHES has been 100% between November 2014 and November 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) for SSX.

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

The average monthly system availability for the TAS and SFS was 100% during the September 2024 quarter and December 2024 quarter<sup>2</sup>.

The average monthly availability of the TAS and SFS has been 100% between November 2014 and November 2024.

### **SETTLEMENT PERFORMANCE**

A performance metric for monitoring the CHES settlement batch is the fail performance, which is a measure of the failed settlement instructions that occurred during Batch.

The daily average fail performance remains low at 0.109% in November 2024, compared to the 0.132% average for the previous twelve months, between December 2023 and November 2024.

The daily average fail performance was 0.202% over the 3-year period from December 2021 and November 2024.

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

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

<sup>2</sup> As of 29 November 2024

Month	November	October	September	August	July	June
Average Fail Rate	0.109%	0.154%	0.108%	0.085%	0.102%	0.132%
Maximum Fail Rate	0.169%	0.408%	0.274%	0.170%	0.228%	0.420%
Minimum Fail Rate	0.043%	0.053%	0.026%	0.038%	0.049%	0.048%
Average Value Based Fail Rate	0.050%	0.050%	0.053%	0.028%	0.104%	0.035%
Average Initial Fail Rate	0.018%	0.021%	0.017%	0.015%	0.017%	0.018%
Average Fail Rate (ex unilaterals)	0.082%	0.101%	0.079%	0.062%	0.075%	0.105%
# of days Fail rate > 0.50%	0	0	0	0	0	0
Batch Settlement Extensions	0	0	1	1	2	1
Fall back of Payment Provider	0	0	0	0	1	0

#### REPORTING ON CLEARING AND SETTLEMENT SERVICE PERFORMANCE

The key metrics for novation, netting efficiency and settlement efficiency for the three consecutive quarters to November 2024 are reported in Attachment A. This is supported by charts demonstrating a longer reporting period in Attachment B.

#### RISKS OR ISSUES

The information above does not raise any specific risks of issues. The AMO risk profile is reported in the separate Business Update paper.

#### ATTACHMENTS

**Attachment 1:** Summary metrics relating to the performance of the ASX Clearing and Settlement service

**Attachment 2:** Performance of the ASX Clearing and Settlement services from January 2022 to October 2024

**ATTACHMENT 1 – Summary metrics relating to the performance of the ASX Clearing and Settlement service**

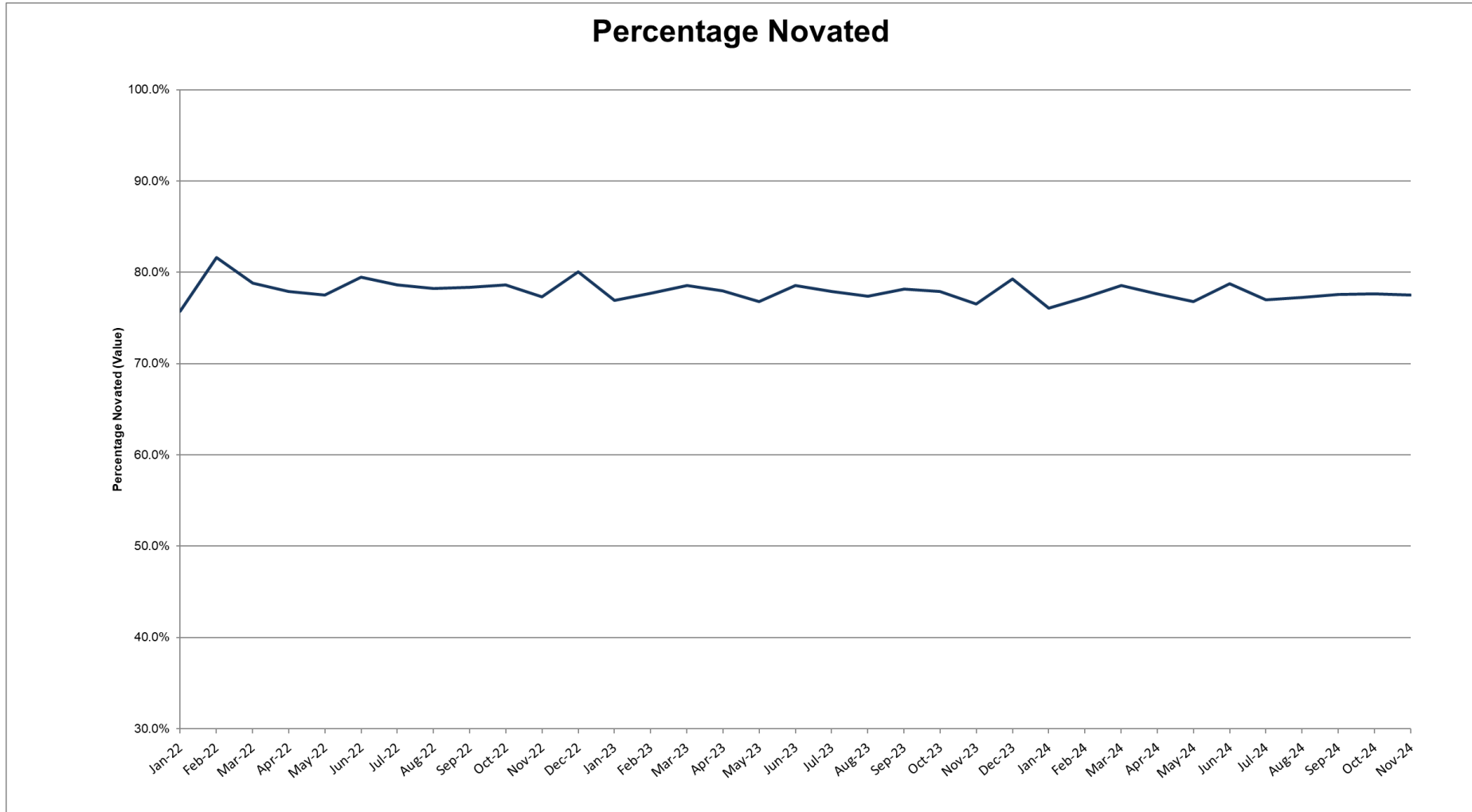
	December 2024 Quarter <sup>1</sup>	September 2024 Quarter	June 2024 Quarter
System Availability (CHESS)	100%	100%	100%
System Availability (TAS)	100%	100%	100%
<b>Trade registration</b>			
Total Trades Accepted (ASX)	74,837,974	114,451,772	102,395,388
Total Trades Accepted (Cboe)	26,644,882	40,626,003	35,601,546
Total Trades Accepted (NSX)	56	121	68
Daily Average Trades across all AMOs	2,306,430	2,314,595	2,225,758
Highest Daily Trade Registration across all AMOs	2,772,829	3,077,393	2,724,243
Highest Consecutive 2 Days Trade Registration across all AMOs	5,203,601	6,042,187	5,194,929
<b>Clearing</b>			
Daily Average Traded Value (On and Off Market) *	\$10.85 billion	\$11.44 billion	\$10.82 billion
Daily Average Cleared Value *	\$8.42 billion	\$8.84 billion	\$8.42 billion
Percentage Novated *	77.5%	77.2%	77.7%
Netting Efficiency (Value) *	71.1%	70.5%	71.3%
Netting Efficiency (Volume) *	99.0%	99.0%	98.9%
Daily Average Cleared Value Post-Netting	\$2.44 billion	\$2.60 billion	\$2.41 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)	\$13.29 billion	\$14.19 billion	\$13.82 billion
Settlement Efficiency (Value)	99.95%	99.94%	99.95%

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

Average Daily CHES Fail Rate (% Rescheduled to the next settlement date)	0.133%	0.098%	0.140%
Average Value Based Fail Rate (% Rescheduled to the next settlement date)	0.050%	0.062%	0.048%

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

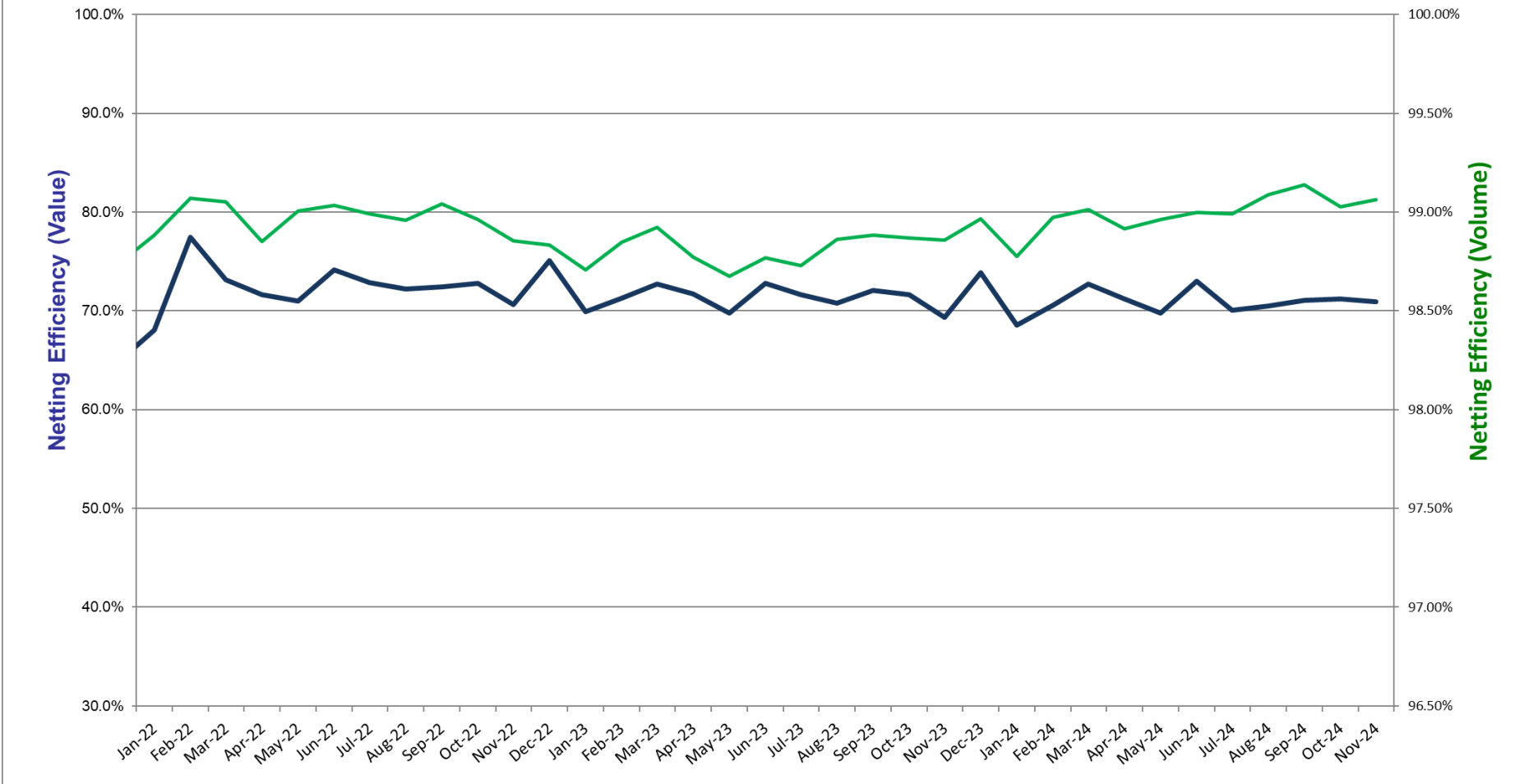
**Attachment 2: Performance of the ASX Clearing and Settlement Services from January 2022 to November 2024**



Commencing March 2022 quarter, Traded Volume now includes transactions (for all AMOS) with settlement status "1" (e.g. crossings, informational)

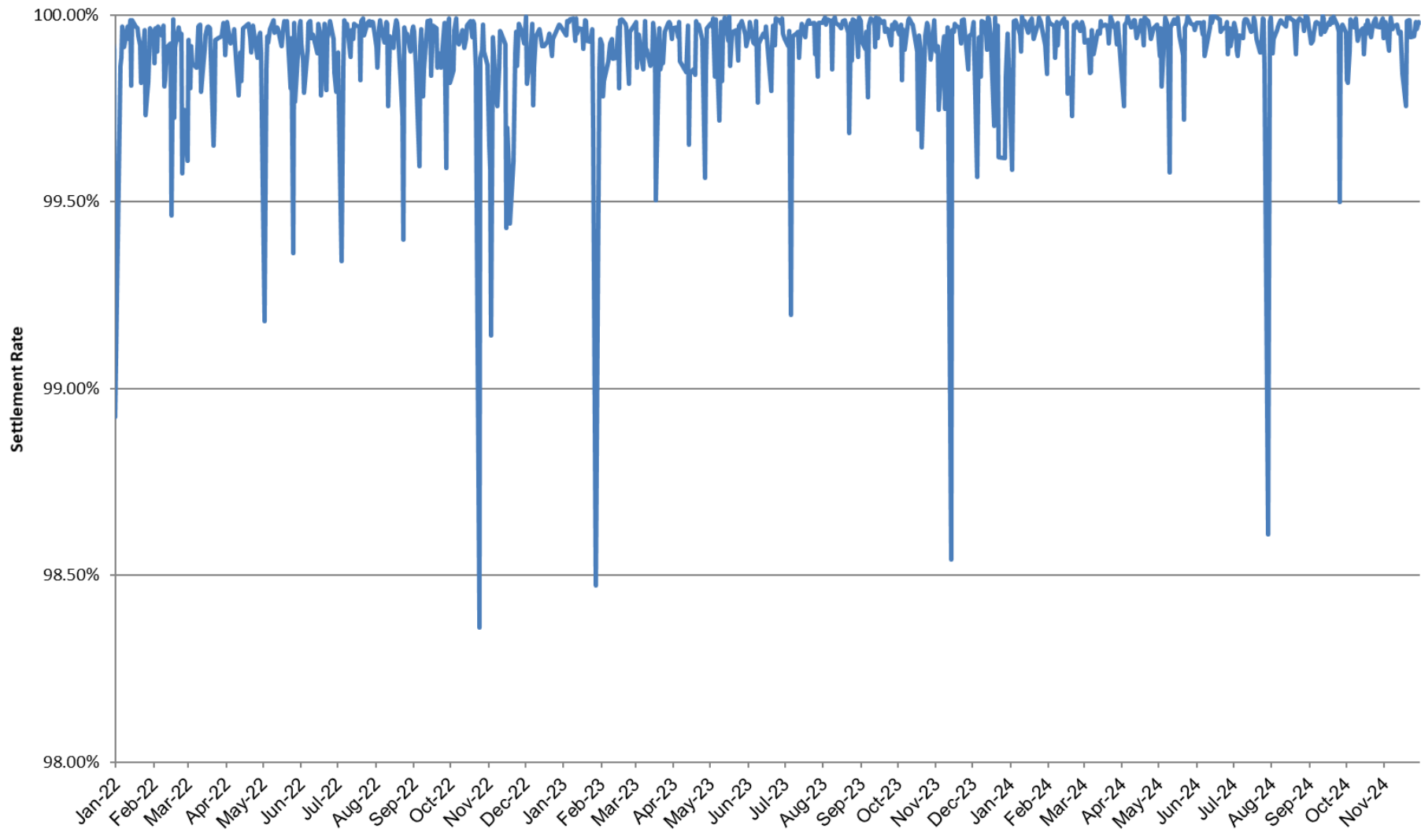


## Netting Efficiency (Value and Volume)



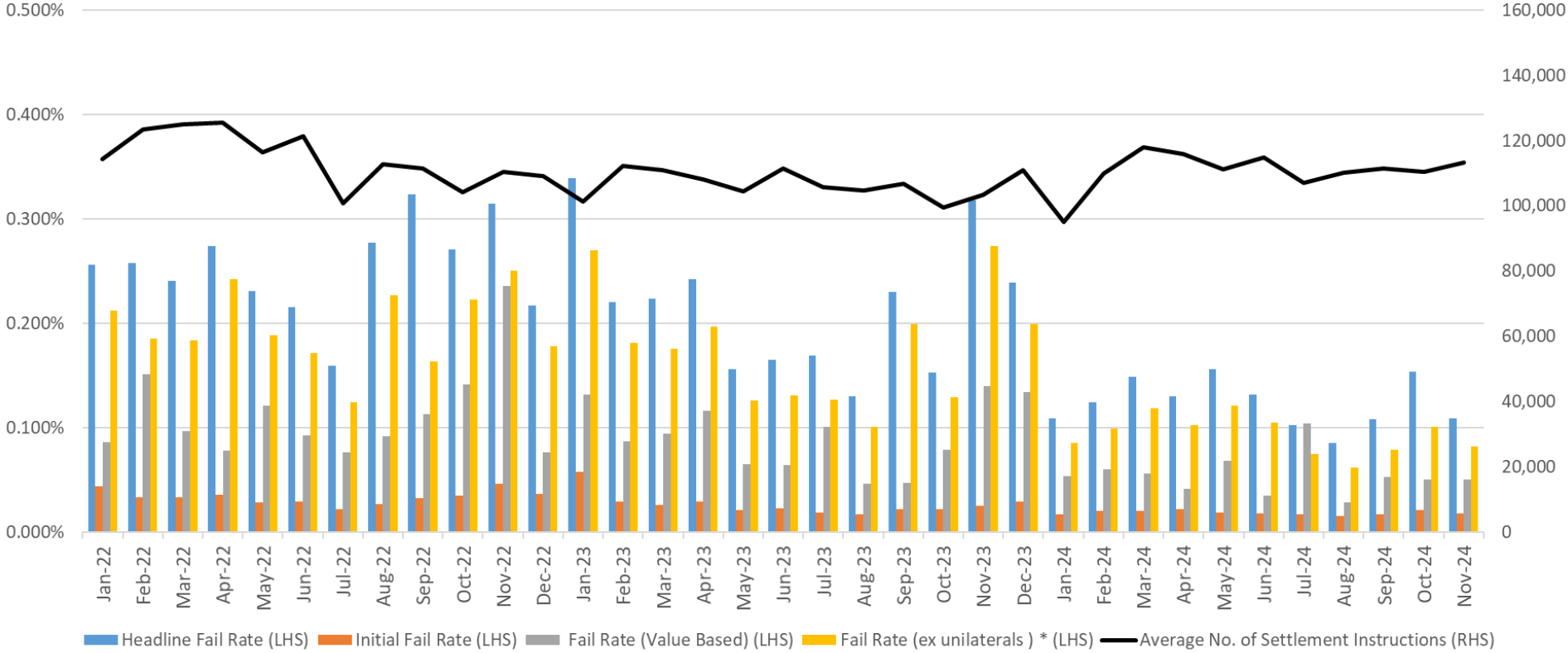
Commencing March 2022 quarter, Traded Volume now includes transactions (for all AMOS) with settlement status "I" (e.g. crossings, informational)

# Settlement Efficiency (Value)



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>	11 December 2024
<b>Agenda title</b>	<b>Maintaining the stability of existing CHES</b>
<b>Agenda item no.</b>	5b
<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, Securities & Payments Technology
<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 CY24 and up to end of Oct 2024:

- 100% availability
- No major incidents (Severity 1 or Severity 2)
- +100% headroom on 10M (million) tested trade registration capacity; CY24 peak trades per day volume in Oct of 3.00M (recorded peak in CY22 at 4.58M and historical peak on 13 March 2020 at 7M)
- No unsuccessful changes or changes resulting in major incidents
- Successful disaster recovery test completed on 20 April 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.

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## Outlook

- ASX continues to invest in the ongoing supportability and maintenance requirements of current CHES.
- The Annual “Special Report” roadmap related to CHES was refreshed for FY25-26 and provided to ASIC on 24 June 2024, and an Audit Report prepared by EY. ASX’s focus is to deliver the 34 initiatives outlined in the “Special Report”. 28 out of the 34 have been completed as of 07 November 2024. EY continues to provide assurance with respect to the roadmap related to CHES.
- Initiatives planned in FY25 that would have customer impact considerations are:

Initiative Short Description	Customer Impact (Y/N)	Indicative Date
ASX Trade Service Release 15.  No functional change introduced to CHES.  Introduction of new condition code “SC” will be available for optional testing in CHES customer test environment prior to the ASX Trade release.	N	Q2 2025
The CHES Backend Operating system will be upgraded	N	In planning stage

Members are invited to raise any questions in respect of this paper either before the 11 December 2024 Business Committee meeting or during the Questions Session of that meeting.



<b>Committee</b>	Business Committee
<b>Meeting date</b>	11 December 2024
<b>Agenda title</b>	<b>FY24 management accounts</b>
<b>Agenda item no.</b>	5c
<b>Purpose</b>	To draw the Business Committee's attention to the Management Accounts for ASX Cash Market Clearing and Settlement for FY24
<b>Prepared by</b>	Stephen Hammon, General Manager, Business Management & Planning, Securities & Payments
<b>Action</b>	For noting
<b>Proposed recommendation to Boards of ASX Clear and ASX Settlement (if applicable):</b>	Not applicable

## BACKGROUND

As part of ASX's commitment to transparent and non-discriminatory pricing under the ASX Cash Equities Clearing and Settlement Code of Practice (**Code of Practice**), ASX has committed to annually publish management accounts in respect of the clearing and settlement of cash equities in Australia. The management accounts are to be subject to review by an external auditor.

### Management Accounts

The audited management accounts for the period 1 July 2023 to 30 June 2024 are published on ASX's website at <https://www.asx.com.au/about/regulation/clearing-and-settlement-of-cash-equities-in-australia/financial-statements>.

Members are invited to raise any questions in respect of the management accounts either before the 11 December 2024 Business Committee meeting or during the Questions Session of that meeting.

<b>Committee</b>	Business Committee
<b>Meeting date</b>	11 December 2024
<b>Agenda title</b>	<b>Australian Carbon Exchange initiative - update</b>
<b>Agenda item no.</b>	5d
<b>Purpose</b>	To provide members with an update on the Australian Carbon Exchange initiative
<b>Prepared by</b>	Karen Webb, Head of Issuer Services, Securities and Payments
<b>Action</b>	For noting
<b>Proposed recommendation to Boards of ASX Clear and ASX Settlement (if applicable):</b>	N/A

The Clean Energy Regulator (CER) released its [discussion paper “Enabling deep, liquid, transparent and accessible carbon markets in Australia”](#) on 11 October 2024. The paper provides background on the environmental and carbon markets and the Australian carbon marketplace and infrastructure, including the work underway by CER to develop a new unit and certificate registry. The paper also covers the potential benefits of implementing a new carbon exchange, including trading, clearing and settlement and the proposed exchange model. Stakeholders were invited to provide feedback to the questions outlined in the paper, with submissions due by 22 November 2024.

During the six-week consultation period, the CER, Trovio (registry provider) and ASX engaged with stakeholders across 8 distinct categories and presented to 14 industry groups, offering opportunities for questions and additional insights.

Following the consultation period, it is expected the CER and ASX will review the responses before determining next steps.

#### ASX ENVIRONMENTAL FUTURES PRODUCT UPDATE

ASX’s new Environmental Futures contracts were launched on Monday 29 July 2024. Three Environmental Futures contracts are available covering Australian Carbon Credit Units (ACCUs), Large Generation Certifications (LGCs) and New Zealand Emission Units (NZUs). Since launch the ASX Markets team offered a temporary fee waiver for trading in all environmental futures ending on 31 October 2024. Effective 1 November the fee schedule was revised, reducing trading fees across all contracts to \$15/lot (vs. \$50 original fees).

Total volumes traded at end November for each product:

Product	Volume	Open Interest
ACCUs	167 lots	15 lots
LGCs	15 Lots	15 lots
NZUs*	431 lots	336 lots

\*255 lots traded in NZUs in November 2024

#### OTHER NEWS

ASX recently hosted the ISDA/AFMA Derivatives Trading Forum, where market experts came together for a Carbon themed panel discussion. More information about the key talking points published here <https://www.asx.com.au/blog/carbon-markets-emerging-themes-and-challenges>.

<b>Committee</b>	Business Committee
<b>Meeting date</b>	11 December 2024
<b>Agenda title</b>	<b>Electronic statements take-up update</b>
<b>Agenda item no.</b>	5e
<b>Purpose</b>	To provide members with an update on current status of electronic statement take-up, and the Statements Working Group
<b>Prepared by</b>	Resan Ovat, Senior Manager, Issuer Services, Securities and Payments Karen Webb, Head of Issuer Services, Securities and Payments
<b>Action</b>	For noting
<b>Proposed recommendation to Boards of ASX Clear and ASX Settlement (if applicable):</b>	Not applicable

## BACKGROUND

ASX continues to observe an increase in investors that have opted in to electronic communications, with participants further incentivised through the availability of the optional HIN pricing model effective 1 August 2024. The new Statements Working Group has met four times since August. Further details are outlined in this paper.

## ELECTRONIC STATEMENTS TAKE-UP AT 31 OCTOBER 2024

ASX presented take-up statistics (@end August 2024) to the Business Committee meeting in September.

Take-up statistics has been a key topic of discussion at the Statements Working Group, including a request to align the statistics provided to the working group and the Business Committee. The statistics presented below replicate those shared with the Statements Working Group at its latest meeting on 25 November, including some additional enhancements requested at that meeting. December 2024 statistics can be shared verbally at the meeting.

Statistic Description	31 Aug 2024	30 Sep 2024	31 Oct 2024			
Total number of holding statements (paper and electronic)	1.54m	1.78m	1.80m			
# CHESS Holding Statements <sup>1</sup> electronically delivered to investors	10.5%	8.7%	10%			
# CHESS Holding Statements mailed to investors	89.5%	91.3%	90%			
# additional investors opted into electronic communications (compared to end of previous month) - zero and non-zero holdings	21,199	19,110	20,978			
	487,773 (6.7%)	506,883 (6.9%)	527,861 (7.2%)			
Total # HINs - zero and non-zero holdings - opted into electronic communications from ASX Settlement (incl. zero and non-zero breakdown)						
	<b>Non-Zero</b>	<b>Zero</b>	<b>Non-Zero</b>	<b>Zero</b>	<b>Non-Zero</b>	<b>Zero</b>
	169,951	317,822	174,846	332,037	181,286	346,575
Total # HINs - zero and non-zero holdings	7,267,738	7,296,223	7,345,978			

Total number of holding statements refers to the CHESS Holding Statements generated at month end, excluding the weekly demand statement numbers.

Breakdown of electronic communications preference (email purpose) as at 31 Oct 2024	#HINs - zero and non-zero holdings	Breakdown %
Email Purpose 'A' - Preference for electronic communications from ASX Settlement and Issuers	298,027	55%
Email Purpose 'B' - Preference for electronic communications from ASX Settlement only	229,834	43%
Email Purpose 'C' - Preference for electronic communications from Issuers only	8,553	2%



ASX has met with a number of participants during the past few months to discuss both electronic statements take up and the benefits of the HIN pricing model. One participant has opted into the HIN pricing model effective December – given the current % take-up of electronic communications by their clients will result in a fee saving to the participant.

At least two additional participants have confirmed their implementation of opt-in capabilities to their investors late this year.

ASX has also made changes to information documents available to investors. The first document has also been shared with a number of participants and the members of the Statements Working Group.

- published a new guide for investors on how to opt in to electronic communications and the process - available here <https://www.asx.com.au/content/dam/asx/investors/start-investing/asx-electronic-chess-holding-statements-and-notifications-opt-in.pdf> (refer Attachment A)
- User Guide: ASX CHESS Statements Portal <https://www.asx.com.au/content/dam/asx/investors/asx-chess-statements-portal-user-guide.pdf>

ASX has also recently provided a clarificatory change to the ASX Settlement Operating Rule procedure dealing with holder details shared with issuers across electronic communication preference options. A market notice was issued to advise participants and other stakeholders of the change. The Market Notice can be found here: <https://www.asxonline.com/public/notices/2024/october/1321.24.11.html>.

## STATEMENTS WORKING GROUP

The Statements Working Group has now met four times this year. Since its inaugural meeting, the Financial Services Council (FSC), Automic Group and Securities Exchange Guarantee Corporation (SEGC) have joined the group. The current list of members includes:

Stakeholder group	Members
<b>Chair:</b>	ASX
<b>Industry Associations:</b>	AIRA, ASA, GIA, SIAA, FSC
<b>Share Registries:</b>	Computershare, MUFG, Automic Group
<b>Participants:</b>	Ausiex, Commsec, Finclear, Morgans Financial, Third Party Platform/Bell Direct; Wealthhub
<b>Market Operators:</b>	ASX, NSX
<b>Other:</b>	SEGC

At the suggestion of members, regulators ASIC and RBA were invited to join the group. Both ASIC and RBA confirmed a preference to not be standing members. ASIC agreed to attend quarterly or attend for specific agenda items at the request of the group; RBA also asked to be kept informed of any important developments or recommended changes where they related to financial stability or the Financial Stability Standards and could attend for specific agenda items if requested.

The last two meetings of the group have focused on agreeing the scope, guiding principles and objectives of the group. At the October meeting, an additional topic was discussed regarding fraud prevention, at the request of SIAA. ASX and the SIAA member provided background on recent reports of increase share sale frauds involving identity theft, and that ASIC had published an investor alert on 15 October. A number of options were put to the group on whether and how the item could be addressed by the working group, with a focus on standardising practices on disclosure of SRNs and HINs on communications as well as possible redaction of SRN and HINs on statements sent by mail. Members agreed to add this item to the objectives of the group. ASX notes this recent increase in share sale fraud is also an agenda item

for the SIAA Registries Forum, as well as a newly established SIAA fraud risk working group facilitating consideration of this topic across different forums.

At the 25 November meeting, the group agreed to the scope, guiding principles and objectives of the group, as shown in the table below. The group also prioritised the objectives, with electronic communications ranked as highest priority. While Fraud Prevention was ranked as 2nd priority, it was agreed to progress some preliminary analysis on that item - members were asked to respond to a number of questions to understand the practical impact and appropriateness of suggested changes (such as HIN and SRN redaction), ready for the first meeting in 2025.

<b>Scope:</b>	ASX and Issuer notifications required under the ASX Settlement Operating Rules, ASX Listing Rules, and ASX Operating Rules		
<b>Guiding Principles:</b>	<b>Investor experience</b>	Guided by investor/customer outcomes	
	<b>Transparency/Data Protection</b>	Clarity on use of investor registration details	
<b>Objectives:</b>	<b>Electronic communications</b>	Increase take-up of electronic communications across ASX Settlement and Issuers	Priority 1
	<b>Ongoing communications</b>	Review need for holder notifications going forward, including any unnecessary duplication of communications	Priority 3
	<b>Fraud Prevention</b>	Standardising practices on disclosure of SRNs and HINs on communications, including review whether SRNs and HINs on statements sent by mail should be redacted	Priority 2

The group discussed and agreed a process proposed by ASX for approaching each prioritised objective:

- Explore considerations on appropriateness of any change
- Explore and verify problems
- Seek potential solutions
- Assess solution feasibility
- Prioritise and implement solutions.

ASX is also actively noting new, open and closed actions of the group.

The group will meet again twice before the March 2025 Business Committee meeting, with a planned schedule of 8 meetings during 2025, subject to group activities.

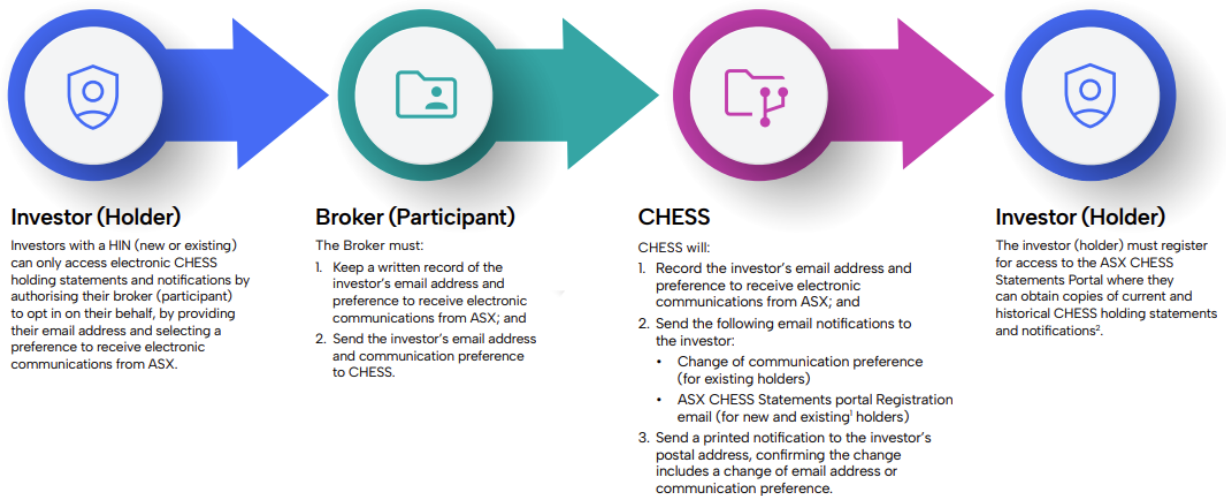
# How to opt into electronic CHES holding statements and notifications



CHES is the system that ASX uses to keep track of investors' holdings and personal details.

ASX sends a CHES holding statement in the mail to investors at the end of the month if there has been a change to a security they hold – one for each security (for example if the investor has bought or sold securities). CHES notifications are also sent to investors shortly after they inform their broker of changes to their details, such as name and address.

The diagram below explains the process if you want to opt in to access your CHES holding statements and notifications electronically rather than in the mail.



1. Existing holders will receive the ASX CHES Statements Portal Registration email when their next CHES holding statement or notification is available.

2. Holders will continue to receive an email notification alert when CHES holding statements or notifications are available for access through the ASX CHES Statements portal. All email communications from CHES will come from the email domain '@statements.asx.com.au'. NOTE: CHES holding statements or notifications are not contained in or attached to email notifications.

<b>Committee</b>	Business Committee
<b>Meeting date</b>	11 December 2024
<b>Agenda title</b>	<b>ASX Customer Impact Plan</b>
<b>Agenda item no.</b>	5f
<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 18 September 2024, ASX presented and sought member feedback on the draft Customer Impact Plan. The draft Customer Impact Plan outlined the most significant customer impacting programs and projects, and provided information on CHESS, CHESS R Release 1, CHESS R Release 2, T+1, ClearStar, and other known industry initiatives.

Member feedback indicated that the draft Customer Impact Plan provided an adequate level of detail over the most significant customer-impacting projects across Trading and Derivatives, and CHESS Replacement.

The Customer Impact Plan was published mid-October 2024, and will be updated quarterly in line with ASX Quarterly Planning schedule. The next iteration of the Customer Impact Plan is anticipated for January 2025.

<b>Committee</b>	Business Committee
<b>Meeting date</b>	11 December 2024
<b>Agenda title</b>	<b>Margin and capital considerations for T+1</b>
<b>Agenda item no.</b>	5g
<b>Purpose</b>	To update the Business Committee with the proposed actions to continue analysis on benefits of moving to T+1
<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

At the Business Committee meeting on 19 July 2023, members were interested in understanding the benefits of moving to T+1 settlement, including margin and capital savings analysis. ASX presented its initial analysis of the impact on Cash Market Margining (**CMM**) of moving from T+2 to T+1 at the Business Committee meeting on 06 December 2023, indicating reductions in margins of approximately 40%.

Industry further requested for ASX to consider whether moving from T+2 to T+1 would result in any other capital savings that could be passed onto the market as cost savings. In response, ASX undertook further work to understand whether there would be a reduction in capital held by ASX Clear as a result of moving to T+1.

This work and further consultations with the industry over the last 12 months have lead ASX to work towards a strategic approach to capital as there are a number of factors that drive participant costs. In particular, ASX has held discussions with the industry both on a bi-lateral basis and via the Risk Consultative Committee on:

- the extent of the reliance on offsetting transaction arrangements (OTAs) as a source of liquidity in the event of a Cover 2 default scenario and possible alternative sources of liquidity to reduce this reliance
- calculation of Participant stress test exposure limits (**STELs**) and Additional Initial Margins (**AIMs**).

In addition, ASX is developing its thinking in the following two areas:

- developing a dynamic (i.e. non-static) default fund structure where the amount of money contributed to a default fund would fluctuate based on market conditions and risk levels (this has been flagged at the Risk Consultative Committee)
- intraday margin collection.

In light of these discussions, ASX proposes to approach this analysis strategically in conjunction with the market. To facilitate this, ASX proposes to pursue this strategic discussion through the Participant Risk Consultative Committee, with a representative from the RCC to report back to ASX once this work is complete.



<b>Committee</b>	Business Committee
<b>Meeting date</b>	11 December 2024
<b>Agenda title</b>	<b>FY25 annual growth threshold</b>
<b>Agenda item no.</b>	5h
<b>Purpose</b>	To draw the Business Committee's attention to the Annual Growth Threshold under ASX's Cash Market Clearing and Settlement Revenue Sharing Scheme
<b>Prepared by</b>	Stephen Hammon, General Manager, Business Planning & Management
<b>Action</b>	For noting
<b>Proposed recommendation to Boards of ASX Clear and ASX Settlement (if applicable):</b>	Not applicable

## BACKGROUND

ASX operates a cash market clearing and settlement revenue sharing scheme, under which all cash market clearing and settlement revenue earned by ASX above an annual growth threshold will be shared 50/50 between ASX and its cash market clearing and settlement participants. The annual growth threshold will be reviewed periodically and advised to participants.

### Annual Growth Threshold FY24

The annual growth threshold for the period 1 July 2023 to 30 June 2024 (**FY24**) was 0%. As provided in ASX's Annual Report for FY24, no revenue share rebate was applicable for FY24:

***Cash market clearing revenue** was \$64.5 million, down 5.8%. The average daily on-market value cleared was \$5.6 billion, down 5.7%, which was consistent with lower volumes in cash market trading. A revenue share rebate was not applicable for FY24 due to the lower volumes compared to pcp.*

***Cash market settlement** revenue was \$64.9 million, down 2.1%. The number of messages was down on the pcp, including Transfer and Conversion messaging and dominant settlement messages, down 2.5% and 1.5% respectively. As a result of the lower year-on-year activity, a revenue share rebate to customers was not applicable, consistent with the pcp where no profit share was payable.*

The above commentary excludes payments made under the rebate pool component of the CHES Replacement Partnership Program.

### Annual Growth Threshold FY25

The annual growth threshold for the period 1 July 2024 to 30 June 2025 (**FY25**) will remain at 0% over FY24 actual revenue, as provided in the market notice published via ASX Online here:

<https://asxonline.com/public/notices/2024/september/0997.24.09.html>

Members are invited to raise any questions in respect of this paper either before the 11 December 2024 Business Committee meeting or during the Questions Session of that meeting.



<b>Committee</b>	Business Committee
<b>Meeting date</b>	11 December 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**

No new actions were raised at the 18 September 2024 meeting.

Responses to two action items from the 19 July 2023 and 2 December 2023 Business Committee meetings due in December 2024 have been included in the table below.

The Business Committee is requested to approve the closure of action item 23-7-2 and 23-12-2.

## ACTION ITEMS

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.	Dec 2024	Open	ASX (Andrew Jones)	An update to the capital savings analysis will be provided as part of agenda item 5g. Further updates will be provided following consultation with the Risk Consultative Committee.
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).	Dec 2024	Open	ASX (Andrew Jones)	An update to the ASX Customer Impact Plan will be provided as part of agenda item 5f.



## KEEP IN VIEW ITEMS

Topic	Action	Due date	Status	Owner
eStatements and Holding Statements	ASX to provide an update at each Business Committee meeting, alternating each meeting between an item for noting and an item for presentation with further detailed updates	December 2024	Open	ASX
Australian Carbon Initiative	ASX to provide an update at each Business Committee meeting on the Australian Carbon Initiative.	December 2024	Open	ASX
Customer Impact Plan	ASX to provide the Customer Impact Plan to the Business Committee after it's been updated following ASX's Quarterly Planning	December 2024	Open	ASX

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

<b>Committee</b>	Business Committee
<b>Meeting date</b>	11 December 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 2025
<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

ASX proposes four meetings of the Business Committee in 2025. Calendar invitations will be issued after the 11 December 2024 meeting.

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 2025 Business Committee meetings is expected to be:

<b>Date</b>	<b>Topics</b>
<b>12 March 2025</b> 12.00-2.00pm	<ul style="list-style-type: none"> <li>• Current CHES - service performance, maintaining stability</li> <li>• CHES Replacement including Technical Committee updates and Assurance Program report</li> <li>• Pricing Policy Consultation Update</li> <li>• eStatements Update</li> </ul>
<b>18 June 2025</b> 12.00-2.00pm	<ul style="list-style-type: none"> <li>• Current CHES - service performance, maintaining stability</li> <li>• CHES Replacement including Technical Committee updates</li> </ul>
<b>17 September 2025</b> 12.00-2.00pm	<ul style="list-style-type: none"> <li>• Current CHES - service performance, maintaining stability</li> <li>• CHES Replacement including Technical Committee updates and Assurance Program report</li> <li>• eStatements Update</li> <li>• Annual Report on Cash Equity Clearing and Settlement Services Developments</li> </ul>
<b>10 December 2025</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>• FY26 Annual Growth Threshold and FY25 Management Accounts</li> <li>• Review terms of reference</li> <li>• Forward work program for 2026</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).