

Agenda

Business Committee

Date 18 September 2024 **Time** 12:00pm-2:00pm

Location ASX offices, 20 Bridge Street, Sydney/MS Teams

1. Meeting Opening	Action	Presenter(s)	Time 5 mins	Page
a. Welcome, apologies and Acknowledgement of Country	Noting	Chair		
b. Minutes of 26 June 2024 meeting	Approval	Chair		7
ITEMS FOR PRESENTATION			100 mins	
2. BC Member initiated item(s)				
a. Advisory Group update	Noting	Alan Cameron AO	5 mins	8
3. Clearing & Settlement Services, Issuer Services				
a. T+1 update	Discussion	Andrew Jones, Lisa Briggs	5 mins	9
b. Electronic statements take-up update	Discussion	Karen Webb	10 mins	13
c. Current CHES Roadmap (verbal update)	Discussion	Andrew Jones	5 mins	16
d. ASX Customer Impact Plan	Discussion	Diona Rae	10 mins	17
e. Pricing Policy consultation	Discussion	Stephen Hammon	15 mins	19
f. BC membership policy	Discussion	Con Korkofigas	5 mins	21
g. Proposed rule amendments for CHES batch settlement delay scenario	Discussion	Con Korkofigas	5 mins	28
h. Securities Reporting Lending Review	Discussion	Nikki Swinson	5 mins	37
i. TNF Australasia meeting 2025	Discussion	Clive Triance	5 mins	38
4. CHES replacement project				
a. Project update	Discussion	Triona Quinlan	10 mins	39
b. CHES Replacement public consultation update	Discussion	Andrew Jones	10 mins	47

c. CHES Replacement Assurance Plan update	Discussion	Michelle dal Pozzo	10 mins	49
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QUESTIONS SESSION – ITEMS NOT FOR PRESENTATION			10 mins	
5. Clearing & Settlement Services, Issuer Services				
a. Independent Assessment of the Assurance Plan for the CHES Replacement Project	Noting	Roberto Fitzgerald (EY)		52
b. Operational Performance: Cash Market Clearing and Settlement	Noting	Suzy Munro		53
c. Maintaining the stability of existing CHES	Noting	Sabra Mott		62
d. Annual report on cash equity clearing and settlement services developments	Noting	Clive Triance		64
e. Australian Carbon Exchange initiative – update	Noting	Karen Webb		72
6. CHES replacement project				
a. Partnership Program	Noting	Andrew Jones		73
7. Meeting closing	Action	Presenter(s)	5 mins	Page
a. Open actions	Approval	BC Secretariat		75
b. Forward work program	Noting	BC Secretariat		78
c. Any other business	Discussion	Chair		
d. Next meeting – 11 December 2024	Noting	Chair		

Business Committee Members (42)
Chair (1)

Company	Name	Job Title	Apologies
	Paul Rayson	Independent Chair	

Clearing & Settlement Participants (25)

Company	Name	Job Title	Apologies
ABN AMRO CLEARING	*Matthew McMahon	Head of Operations	Adrian Rubin
AUSIEX	Patrick Salis	Chief Executive Officer	
BANK OF AMERICA 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)	*Benjamin Harrington-Lowe	Chief Operating Officer, FNZ Markets	Paul Beal
GOLDMAN SACHS	Yen Le	Executive Director	
INSTINET AUSTRALIA	Phil Penrose	Head of Australian Operations	
J.P. MORGAN	*Scott Oakland	Custody Product Manager	Craig Twentyman
MACQUARIE GROUP	James Indge	Cash Equities Business Manager	
MORGANS FINANCIAL		Director, Client Support Services	Daniel Spokes
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		Head of Client Services, Securities Services	Toni Icevski

Approved Market Operators (4)

Company	Name	Job Title	Apologies
ASX	Andrew Walton	Head of Product Management, Markets	
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	
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	*Catherine Maxwell	GM Policy and Research	Megan Motto
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	*Natalie Raynor	Director, Client Relationships	Peter Jackson

ASX Representatives

Name	Job Title	Apologies
	Group Executive, Securities & Payments	Clive Triance
Hamish Treleaven	Chief Risk Officer	
Tim Whiteley	Chief Information Officer	
Diona Rae	Chief Operating Officer	
Michelle Dal Pozzo	Senior Program Manager – Assurance, Enterprise Customer & Operations	
Sally Palmer	Deputy General Counsel	
Con Korkofigas	Senior Legal Counsel and Senior Manager	
Kate Rennick	Regulatory and Policy Advisory	Diane Lewis
Suzy Munro	General Manager, Securities & Payments Operations	
Sabra Mott	General Manager, Securities & Payments Technology	
Stephen Hammon	General Manager, Business Management & Planning, Securities & Payments	
Nikki Swinson	General Manager, Participants Compliance	
Andrew Jones	General Manager, Equities, Securities & Payments	
Lisa Briggs	Senior Manager, Equities, Securities & Payments	
Karen Webb	Head of Issuer Services, Securities & Payments	
Resan Ovat	Senior Manager, Issuer Services, Securities & Payments	

Auditors (3)

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

Observers (6)

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, Financial Market Infrastructure, Domestic and Payments	
RBA	Elizabeth Kandelas	Manager, Financial Market Infrastructure, Domestic and Payments	

RBA	Jordan Brell	Lead Analyst, Clearing and Settlement Supervision, Payments Policy Department
RBA	Alice Frank	Lead Analyst, Domestic Supervision and Resolution, Payments Policy Department

Committee	Business Committee
Meeting date	18 September 2024
Agenda title	Minutes of 26 June 2024 meeting
Agenda Item No.	1b
Purpose	To present the draft minutes of the previous meeting for approval of the Business Committee
Prepared by	Business Committee Secretariat
Action	For approval
Proposed recommendation to Boards of ASX Clear and ASX Settlement (if applicable):	Not applicable

BACKGROUND

The draft minutes of the 26 June 2024 Business Committee meeting was distributed to members on 01 August 2024 for review. The draft minutes incorporating comments received by the deadline of 12 August 2024 is published at <https://www.asx.com.au/content/dam/asx/markets/clearing-and-settlement-services/business-committee/draft-asx-business-committee-minutes-june-2024.pdf>

The Business Committee is requested to approve the draft minutes.



Committee	Business Committee
Meeting date	18 September 2024
Agenda title	Advisory Group update
Agenda Item No.	2a
Purpose	To present any topics to the Committee proposed by the members
Prepared by	Business Committee Secretariat
Action	For noting
Proposed recommendation to Boards of ASX Clear and ASX Settlement (if applicable):	Not applicable

A single member-initiated item was proposed seeking an update from the ASX on the Advisory Group.

Committee	Business Committee
Meeting date	18 September 2024
Agenda title	T+1 update
Agenda Item No.	3a
Purpose	To provide members with an update on the work of the T+1 Working Group to prepare a Whitepaper, collate feedback and provide an industry summary
Prepared by	Lisa Briggs, Senior Manager, Equities, Securities & Payments Andrew Jones, General Manager, Equities, Securities & Payments
Action	For discussion
Proposed recommendation to Boards of ASX Clear and ASX Settlement (if applicable):	Not applicable

T+1 WORKING GROUP, WHITEPAPER AND FEEDBACK SUMMARY

On 23 April 2024, ASX published a [Whitepaper](#) in consultation with the ASX Business Committee’s T+1 Working Group, to elicit wide-ranging industry feedback regarding the strategic case for a move to T+1 settlement for the Australian cash equities market. ASX received forty responses. The responses received were diverse and represented a broad selection of stakeholders. ASX published a [Summary](#) of Whitepaper Feedback on 2 August 2024. The paper includes an update on the global settlement landscape and a summary of feedback received in response to ASX’s Whitepaper.

Responses to the Whitepaper indicate that the market is supportive of a transition to a T+1 settlement cycle, however there is no feedback indicating that any such transition needs to be immediate. Respondents indicated they would like to continue to learn from overseas experiences and look to leverage processes and technologies that have been utilised as part of the transition. Most respondents indicated that they are not supportive of CHES replacement and T+1 being implemented at the same time, and the majority indicated that CHES replacement should be prioritised ahead of T+1.

KEY INDUSTRY FEEDBACK FROM THE WHITEPAPER INCLUDES:

- the vast majority of respondents are against CHES replacement and T+1 being run concurrently
- the majority think that CHES replacement should be prioritised ahead of T+1, however the timing implications of this were noted across responses
- a transition to T+1 needs to be done in an orderly and logical manner, underpinned by robust technological solutions and accompanied by extensive testing, training and education
- a transition to T+1 needs to solve for existing and anticipated operational risks, to ensure the stability of the ecosystem.

KEY CALL OUTS

Capital Flows - In the short-term stakeholders agree that there would unlikely be a material change to Australia’s competitiveness or volumes. Longer term, opinions varied between those indicating that investment decisions tend to be agnostic of settlement cycles and those indicating that this view could be challenged as other regions and markets continue to transition to T+1. Those advocating for T+1 argue that Australia’s reputation and competitiveness will be enhanced by aligning to other global markets.

Settlement Risk - Overall, while opinions vary, stakeholders generally agree that a move to T+1 settlement in Australia would necessitate significant adjustments in operational processes and technology to mitigate potential increases in settlement failure rates, especially considering offshore transactions and time-zone challenges. Further well planned and timely industry wide planning, education and communication will be critical.

Operational risk and processes - T+1 would be a large undertaking and would require a review of the entire post trade ecosystem. Any T+1 solution design would need to be underpinned by robust technological solutions, and extensive testing, training, and education. Importantly any transition to T+1 needs to solve for existing and anticipated operational risks to ensure stability of the ecosystem.

Trading Activity and middle office - The responses highlighted the need to strengthen trade matching and confirmation procedures through explicit operational guidelines and deadlines. Suggestions included introducing pre matching functionalities with enhanced identifiers and a hold-and-release mechanism to streamline middle office workflows and reduce errors, alongside advocating for standardised messaging and improved straight-through processing to enhance efficiency and minimize interruptions in dual-listed securities settlements.

ETF Management - The ETF industry accepts that over the long-term T+1 best fits the needs of the Australian market. However, any T+1 transition needs to be carefully managed and underpinned by the required level of operational and technological support. Optimal transition timing would need to be agreed to minimise challenges for both unit creations and redemptions. Clear communication, collaboration as well as technological and process enhancements will be key to ensuring that the Australian ETF market remains competitive and resilient.

Securities Lending - Various respondent perspectives regarding securities lending highlight complex challenges and underscore the necessity for enhanced infrastructure, technological upgrades, regulatory adjustments, and operational preparedness to ensure a smooth transition to T+1 settlement.

Batch Settlement - The journey towards implementing a T+1 settlement cycle in Australia necessitates a comprehensive re-evaluation of existing batch settlement processes. Stakeholder feedback emphasised the importance of carefully calibrated timing adjustments, robust process enhancements, and collaborative regulatory frameworks. These efforts are geared towards not only meeting immediate operational challenges but also positioning the Australian financial sector as a leader in global financial markets through enhanced efficiency and resilience.

Domestic and Global Investors - While there is recognition of potential benefits such as improved liquidity and reduced risk through T+1 settlement, concerns over operational readiness, cost implications, and the need for robust infrastructure are front of mind. Education and coordinated efforts among market participants are essential for a successful transition to T+1 settlement in Australia, balancing the interests and needs of various investor segments.

Issuers / listed companies and corporate actions - T+1 implementation considerations associated with Issuers, listed companies and corporate actions will be complex and will require a detailed review of rules and the associated operational processes supporting them.

Lead Time/timing - Feedback received indicated that CHES replacement should be prioritised ahead of T+1 and that respondents do not support running both programs concurrently. T+1 is anticipated to be a large-scale program for the industry, so it is vital that the solution method needs to be sustainable and avoid significant rework. Consensus on the need to align with New Zealand and Australian Debt markets is clear.

NEXT STEPS

Four potential options have been outlined in consultation paper 2, inviting consideration on our recommended approach, that if a decision is made to move to T+1, then ASX recommends 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.

ASX will carefully review and analyse industry feedback, aiming to deliver a comprehensive response by 25th November.

The T+1 working group met on the 8 August to discuss feedback and next steps. The group will continue to meet quarterly and will widen membership to consider industry actions to follow.

GLOBAL UPDATES

Since the last Committee meeting, six markets including Argentina, Canada, Peru, USA, Mexico, and Peru have successfully transitioned their settlement cycles from T+2 to T+1. In the US market, initial observations indicated a smooth transition with trade affirmation rates reaching up to 95% and lower-than-expected fail rates, reflecting effective preparation and execution by stakeholders. Stakeholders unanimously consider the T+1 migration highly successful, attributing the smooth implementation to extensive preparation, stress tests, and collaborative efforts across the industry. During the transition, firms operated in hyper-care mode, maintaining round-the-clock communication channels to address critical issues.

As the hyper care period winds down and T+1 reverts into business-as-usual modus, firms are focusing on projects to improve data visibility as well as re-launching projects that were delayed in the immediate run up to the May transition. ASX has noted reporting has diminished from the US and will continue to monitor global movements and domestic impacts.

Following on from the US transition, ASX recognise that thorough planning is key as well as an ardent and transparent communication plan. To ensure success we must work collaboratively with the market rather than dictate next steps. ASX is working closely with relevant regulatory bodies who are monitoring global movements and positions. We will engage with them consistently as they meet with regional counterparties.

Ongoing consultation and engagement, domestically, regionally, and globally will be a priority for ASX as we continue to plan and implement the CHES replacement system and consider the move to T+1.

UNITED KINGDOM

- The UK's Accelerated Settlement Taskforce has recommended a two-phase approach to shortening the settlement cycle beginning with operational changes in 2025 and a full transition before the end of 2027. The Task Force will report during the latter half of the year to confirm the dates for both phases of the transition.
- The intention is to mandate some operational and behavioural changes which would serve as a precursor to the formal move.
- The UK's stance is should the EU commit to move to T+1, within a timeframe that aligns with the UK's plans, simultaneous adoption should be considered.

EUROPE

- The European Securities and Markets Authority (ESMA) is working on a cost-benefit analysis and a detailed plan and will submit a report on T+1 to the European Parliament and the council by mid-January 2025.
- The EU's financial regulation chief has previously indicated that it's "no longer a question of if, but how and when" and latest media reports suggest that ESMA is lining up Q4 2027, Q1, 2028 or Q4, 2028 as potential targets.
- The transition in Europe is likely to be complex and costly due to the lack of a unified capital market.

FRANCE

- French Authorities - Autorite des Marches Financiers (AMF) and Banque de France - released a joint paper proposing a two-step approach to the EUs move to T+1 settlement. The first step involves all trades being confirmed / allocated "as soon as practicable and no later than on trade date". Step two, if the level of transactions confirmed/allocated on trade date is deemed as sufficient, then the settlement could be reduced to T+1.
- AMF and Banque de France have suggested a co-ordinated approach with the UK and the UK Accelerated Settlement Taskforce.

ASIA

- Discussions in major Asian markets like Hong Kong, Singapore, and Japan, with regulators exploring coordinated Asia-wide move to T+1.
- ASX and New Zealand have continued engagement to align with Australia in any eventual transition to T+1.

Committee	Business Committee
Meeting date	18 September 2024
Agenda title	Electronic statements take-up update
Agenda Item No.	3b
Purpose	To provide members with an update on current status of electronic statement take-up, optional HIN Pricing changes and the establishment of the working group
Prepared by	Resan Ovat, Senior Manager, Issuer Services, Securities & Payments Karen Webb, Head of Issuer Services, Securities & Payments
Action	For discussion
Proposed recommendation to Boards of ASX Clear and ASX Settlement (if applicable):	Not applicable

BACKGROUND

This paper is for the information of committee members in response to open action item 24-3-1 - “ASX to provide quarterly updates regarding electronic statements take-up”.

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 also met for the first time in August, with a follow up meeting scheduled in September. Further details are outlined in this paper.

ELECTRONIC STATEMENTS TAKE-UP AT 31 AUGUST 2024

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

At the end of August 2024, we note further opt ins to electronic statements, increasing by 55k~ which is attributed to the continuous uptake of electronic accounts by Sponsoring Participants.

For the month of August 2024, a total of 1.54~ million statements were generated, of which 11%~¹ were electronically generated statements.

	31 May 2024	31 Aug 2024	
	1.42~m	1.54~m	Total number of holding statements (paper and electronic)
	9%~	11%~	CHESS Holding Statements ¹ are electronically delivered to investors
	91%	89%	CHESS Holding Statements and notifications are mailed to investors

ASX will provide a further update at the December committee meeting.

¹ Refers to the CHESS Holding Statements generated at month end, as opposed to the weekly demand statement numbers.

OPTIONAL HIN PRICING SUBSCRIPTION MODEL – INTRODUCED EFFECTIVE 1 AUGUST 2024

The Optional HIN Pricing Subscription model has been implemented effective 1 August 2024, with sponsoring participants now able to opt into that model, should it make sense financially (i.e. reduce fees incurred in relation to EIS message 201 and 203 activity).

ASX provided the following communications to the market about the change:

Date	Communications
December 2023	Published the Issuer Services: HIN Pricing – Subscription model Information Paper
1 July 2024	<ul style="list-style-type: none">• Market notice regarding changes to the ASX Clearing & Settlement Schedule of Fees in relation to proposed effective date for introduction of new optional HIN pricing subscription model.• Published marked up version of the updated ASX Clearing & Settlement Schedule of Fees reflecting the new <i>HIN pricing - subscription model</i> product codes.
22 July 2024	<ul style="list-style-type: none">• Market notice and email regarding changes to the ASX Clearing & Settlement Schedule of Fees confirming the effective date for introduction of new optional HIN pricing subscription model.• Published final version of the ASX Clearing & Settlement Schedule of Fees reflecting the new <i>HIN pricing - subscription model</i> product codes.• Published an updated version of the Technical and Process Factsheet with instructions on how to opt-in to the new HIN pricing – subscription model.• Published the HIN pricing – subscription model opt-in/out form (refer to Appendix J on the ASX Settlement Procedure Guidelines).

Following ASX’s confirmation of the effective date for the optional HIN pricing subscription model ASX has:

- Received queries from:
 - 5 Issuers
 - 1 Share Registry
 - 2 Participants
- Initiated further engagement with Issuers and Participants to provide more detail:
 - 6 participants
 - 3 Issuers

ASX will continue to meet with participants to discuss statements and the optional pricing model.

STATEMENTS WORKING GROUP

In response to open action item 24-3-2 - “Holding statements – to consider establishing a working group to review impediments to, and incentivising take up of holding statements and other investor updates in electronic form”, ASX convened the first meeting of the working group on Wednesday 28 August 2024. ASX received several nominations from Business Committee members to join the group, and additionally reached out to a number of entities to ensure key stakeholder coverage.

The group includes representatives from the following organisations:

- ASX (Securities & Payments, Legal, Participant Compliance)
- 4 industry associations – AIRA, ASA, GIA, SIAA
- 2 AMOs – ASX and NSX
- 2 share registries – Computershare and MUFG

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- 6 sponsoring participants – Ausiex, Commsec, Finclear, Morgans Financial, Third Party Platform/Bell Direct, Wealthhub.

Since the first meeting, a representative of the Securities Exchange Guarantee Corporation (SEGC) has also agreed to be a member of the group.

The agenda for the first meeting was planned to set the scene and discuss where activities should be focused, including:

- An overview of ASX Settlement's and Issuers' obligations to provide notifications to investors
- An overview of ASX's electronic statement solution
- An open forum for all members to discuss the investor view, pain points and considerations on this topic
- Discuss and agree working group scope and objectives, including how to work together.

Members raised a few comments and questions about the current obligations and ASX's solution, including a comparison with share registry solutions, and issuers' key drivers for offering electronic rather than paper notifications.

ASX presented a list of the considerations it had heard from participants regarding electronic statements take-up, which were agreed by the members. Members raised additional comments and shared their organisation's experiences.

Members agreed to carry over the intended discussion on the scope and objectives of the group to another meeting, scheduled for Wednesday 11 September. That discussion would also include agreement on the frequency of meeting and consideration for sequencing of activities to achieve objectives. Noted considerations put forward include:

- Whether statements were still needed
- Review the need for granular electronic communications preferences (i.e., ASX Settlement and Issuer Communications, ASX Settlement Only Communications, or Issuer Only Communications) vs. one default option
- Offer investors the ability to opt-in or out of receiving CHES notifications
- Review fees charged by ASX and registries for producing notifications.

ASX will provide further detail on the meeting discussions at the Business Committee meeting.

ASX thanks members for making the time to join the group and attend meetings.



Committee	Business Committee
Meeting date	18 September 2024
Agenda title	Current CHES Roadmap
Agenda Item No.	3c
Purpose	To provide with an update on the current CHES Roadmap
Prepared by	Andrew Jones, General Manager, Equities, Securities & Payments
Action	For discussion

Proposed recommendation to Boards of ASX Clear and ASX Settlement (if applicable):	Not applicable
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BACKGROUND

ASX will provide a verbal update at the Business Committee meeting related to the current CHES Roadmap.

Committee	Business Committee
Meeting date	18 September 2024
Agenda title	ASX Customer Impact Plan
Agenda Item No.	3d
Purpose	To provide more visibility across ASX work streams in response to a member's request at a Business Committee meeting
Prepared by	Diona Rae, Chief Operating Officer
Action	For discussion
Proposed recommendation to Boards of ASX Clear and ASX Settlement (if applicable):	Not applicable

BACKGROUND

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

A roadmap containing information on current CHES, CHES R Release 1, CHES R Release 2, T+1, ClearStar, and other known industry initiatives was provided at the Business Committee meeting on 20 March 2024. This roadmap was characterised as draft and focused on clearing and settlement initiatives.

ASX is providing an update to the initial draft roadmap which outlines the context, approach, and next steps.

CONTEXT

Internal feedback from the initial draft was to be more customer centric and move beyond just an ASX Delivery Plan. This clarified the need to develop an ASX Customer Impact Plan that:

- informs our customers about when and where their participation in ASX projects is needed
- clearly indicates the type of activity/engagement required and frequency/duration
- shows the cumulative impact of scale project activity on customer segments
- can be operationalised (i.e. updated on a regular cadence and made accessible).

APPROACH

The approach was to work with our largest projects first to develop an agreed prototype. This involved working with project representatives from CHES, CHES R Release 1, CHES R Release 2, T+1, ClearStar and Trading projects (i.e. ASX24, ASX Trade, ASX 24 Replacement and Network). By concentrating our efforts on our largest and highest customer impact projects, we can develop and operationalise a draft template approach to allow for industry feedback and to include additional stakeholder impacting projects over time. A prototype has been reviewed by Program Directors and General Managers to confirm accuracy and relevant Group Executives have endorsed customer testing proceeding.

NEXT STEPS

1. Complete customer testing by the end of September 2024 and iterate the prototype based on customer feedback
2. Share the next iteration with this Business Committee to seek feedback from members
3. Incorporate Business Committee feedback and re-validate plan with each program to confirm no date changes and then publish final version internally for use by customer-facing teams – targeting mid-October
4. Published version then becomes the template for updating by the same programs each quarter. Cadence of updating to align with ASX Quarterly Planning schedule
5. Continuously improve expansion of this plan to include more initiatives throughout 2025.

Committee	Business Committee
Meeting date	18 September 2024
Agenda title	Pricing Policy Consultation
Agenda Item No.	3e
Purpose	To provide an update on the development of the cash equities clearing and settlement services pricing policy and consultation process.
Prepared by	Stephen Hammon, General Manager, Business Management & Planning
Action	For noting
Proposed recommendation to Boards of ASX Clear and ASX Settlement (if applicable):	Not Applicable

OVERVIEW

In June 2024, ASX provided the Business Committee a verbal update on the development of the draft cash equity clearing and settlement services pricing policy (**Policy**).

The purpose of the Policy is to build on the commitments ASX makes in the ASX Cash Equities Clearing and Settlement Code of Practice (the **Code**), published in response to the Council of Financial Regulators' Regulatory Expectations for the Conduct of Cash Equity Clearing and Settlement Services in Australia (**Regulatory Expectations**).

The Policy focuses on ensuring transparency and non-discriminatory pricing of CS services. A key element of the Policy is a new annual review process designed to ensure that ASX recovers no more than the efficient costs of service provision, including a reasonable rate of return.

ASX will consult stakeholders through public consultation, with a consultation paper seeking feedback on all elements of the proposed Policy, including the mechanism for addressing revenue shortfalls or excesses.

POLICY DETAILS

The key elements of the Policy include:

- **Revenue Requirement:** A new revenue cap mechanism designed to ensure that ASX recovers no more than the efficient costs of service provision. The Policy will apply the Building Block Method (BBM) to calculate the revenue required to cover the costs of service provision, including a reasonable return on investment.
- **Annual Review:** ASX will conduct an annual review of actual revenue generated compared to the BBM calculation. This review involves assessing the achieved revenue compared to the revenue requirement and reconciling any over or under-recovery through direct payments back to customers or through a recovery offset respectively.
- **Stability of Pricing:** ASX acknowledges the importance of stability and predictability in fees. There will be no immediate change to fees, and it is proposed that fee changes will only be considered if there is a significant amount in the recovery offset or if there is a significant over or under recovery within a financial year.
- **Operation and Review:** The Policy is intended to commence on 1 January 2025 and will be reviewed periodically, with necessary updates or amendments made to reflect changes in cost base, capital expenditure, service delivery, and market conditions.

PLANNED CONSULTATION

ASX will consult on the draft Policy, with a proposed six week consultation period commencing by the end of Q3 2024. ASX intends to publish a consultation paper accompanying the draft Policy that explains the background and proposed operation of the Policy, and seeks feedback from stakeholders who may be impacted by the Policy.

The consultation paper will request feedback from customers on key elements of the draft Policy, such as:

- How and when ASX should take action to recover or reimburse revenue shortfalls or excesses, respectively
- How and when ASX should take action to review the CS services fee schedules
- How and when ASX proposes to engage an external reviewer to independently review ASX's CS services management accounts, BBM and internal cost allocation and transfer pricing policy.

A summary of consultation feedback will be provided to the next Business Committee meeting in December 2024.

Committee	Business Committee
Meeting date	18 September 2024
Agenda title	Business Committee Membership Policy
Agenda Item No.	3f
Purpose	To update members on the ASX Business Committee Membership Policy published in August
Prepared by	Con Korkofigas, Senior Manager and Senior Legal Counsel
Action	For discussion
Proposed recommendation to Boards of ASX Clear and ASX Settlement (if applicable):	Not applicable

BACKGROUND

The Membership Policy is expressly contemplated in recent updates to the Business Committee Charter, with appointments and removal of Business Committee members to be made in accordance with the Membership Policy as determined and published by ASX Clear Pty Limited (**ASX Clear**) and ASX Settlement Pty Limited (**ASX Settlement**) from time to time.

On 4 September 2024, ASX Clear and ASX Settlement published the ASX Business Committee Membership Policy. <https://www.asx.com.au/content/dam/asx/markets/clearing-and-settlement-services/business-committee/business-committee-membership-policy.pdf>

The policy draws on various documents governing the Business Committee’s function and membership, including:

- The Regulatory Expectations
- The Code of Practice
- Business Committee Charter
- October 2023 Paper to the Business Committee on changes to the Business Committee membership structure.

OVERVIEW OF MEMBERSHIP POLICY

The Membership Policy is designed as a framework for adding, removing or replacing members of the Business Committee. It will support transparency of the principles and processes for ASX Clear and ASX Settlement decisions on the constitution of the membership of the Business Committee to ensure it continues to appropriately perform its function under the Code of Practice of providing a forum for broad industry input on the ongoing operation of ASX’s clearing and settlement infrastructure and services.

The categories of entities eligible for membership of the Business Committee under the policy aligns with the broad definition of ‘users’ of ASX’s clearing and settlement services under the Regulatory Expectations and Code of Practice. While an attempt has been made to future proof the stand-alone categories of eligible membership set out in the policy to allow for new participation models or a scenario of a competitor CS facility, the Membership Policy can also be updated by ASX Clear and ASX Settlement as required from time to time.

Decisions as to appointment and removal of members are to be taken by ASX Clear and ASX Settlement, in consultation with the Chair.

Clause 3.2 of the policy sets out the principles to be taken into account in appointing and removing members, including:

- That membership is to be representative of the user base of the clearing and settlement facilities operated by ASX Clear and ASX Settlement.
- That membership should facilitate proportionate representation of entities within each user group, which may require rotation of the entities appointed.
- That membership is to allow for appropriate diversity of expertise and thought across users of the clearing and settlement facilities operated by ASX Clear and ASX Settlement.
- That membership will reflect a workable number of members, noting that all clearing and settlement participants that apply to join will be appointed.

Recognising that some of these principles may be in competition (e.g. facilitating diverse representation across users while also maintaining a workable number of members), the policy also allows ASX Clear and ASX Settlement to determine how the relevant principles are to be balanced or preferred when determining member appointments and removals.

Addressing the two-year terms for Business Committee members that were introduced last year as part of allowing all clearing and settlement participants to elect to become members of the Business Committee, the current term for which is from December 2023 to December 2025, the membership policy outlines the nomination process to occur at the end of each two year term.

As part of that process, existing members can apply to renew their membership and other entities that are not existing members but are eligible for membership can also apply to become members. Applicants would be expected to make a commitment for a term of two years and to send a single qualified representative that regularly attends meetings of the business committee during that time, noting that in accordance with the Business Committee Charter, representatives of Business Committee members cannot also be members of the ASX Cash Equities Clearing and Settlement Advisory Group.

Appointments of members under each nomination process will involve a broad review against the principles for appointing and removing members specified in the policy, including for the membership of the Business Committee to continue to be representative of the users of ASX's cash equities clearing and settlement services. The Membership Policy will also provide for a check-in process by the BC Secretariat function and the Chair every interim year between nomination processes on certain practical aspects (e.g. changes to user groups and attendance), while also allowing for but not obliging them to consider matters relating to any other principles for appointing and removing members specified in the policy as part of that review.

While applications for membership will normally be considered as part of the two yearly nomination process, changes to the membership can also occur as part of the interim year review process referred to above, or on an ad-hoc basis, including for any clearing and settlement participant that is admitted during the two year term applicable between nomination processes and applies to join the Business Committee.

Changes to membership of the Business Committee will be communicated to the impacted member in writing and also advised to Business Committee members generally at the next Business Committee following that change.

ATTACHMENT(S)

Attachment 1: Business Committee Membership Policy 2024



ASX Business Committee Membership Policy

1 Background to the ASX Business Committee Membership Policy

- 1.1 The ASX Business Committee Charter (**Charter**) provides that ASX Clear and ASX Settlement will appoint and remove members of the Business Committee in accordance with the Membership Policy as determined and published by them from time to time.
- 1.2 This ASX Business Committee Membership Policy represents the Membership Policy for the purpose of the Charter.
- 1.3 The Membership Policy draws from the commitments made by ASX Clear and ASX Settlement in the ASX Cash Equities Code of Practice (**Code of Practice**), including for the Business Committee to provide a forum for broad industry input on the ongoing operation and development of cash equities clearing and settlement infrastructure and services.

2 Eligibility for membership of the Business Committee

- 2.1 The following entities are eligible for membership of the Business Committee.
 - a. clearing and settlement participants;
 - b. clearing participants that are not settlement participants (referred to as clearing only participants);
 - c. settlement participants that are not clearing participants (referred to as settlement only participants);
 - d. industry associations for clearing and settlement participants, clearing only participants or settlement only participants;
 - e. cash equities financial market issuers and investors and/or their industry associations;
 - f. cash equities listing and trading markets;
 - g. central counterparties and settlement facilities;
 - h. technology service providers; and
 - i. other relevant stakeholders which connect to or use ASX's cash equities clearing and settlement infrastructure and/or their industry organisations.
- 2.2 For the purpose of paragraph 2.1 i, other relevant stakeholders include:
 - a. share registries for cash equities financial market issuers; and
 - b. payments providers making and receiving payments in connection with the settlement of cash equities transactions on behalf of settlement participants;
- 2.3 Business Committee membership is optional and eligible entities may apply to participate in the Business Committee.

2.4 In accordance with the Charter:

- a. all clearing and settlement participants that apply to join the Business Committee; and
- b. representatives of the entities referred to in paragraphs 2.1 b to i that apply to join the Business Committee, as determined by ASX Clear and ASX Settlement in accordance with this Membership Policy,

will be appointed as members.

3 Principles in appointing and removing members of the Business Committee

3.1 ASX Clear and ASX Settlement will consult with the Chair of the Business Committee when determining the appointment and removal of members.

3.2 In appointing and removing members of the Business Committee, ASX Clear and ASX Settlement will take into account the following principles:

- a. that membership of the Business Committee is to be representative of the user base of the clearing and settlement facilities operated by ASX Clear and ASX Settlement;
- b. that membership of the Business Committee should facilitate proportionate representation of entities within each user group, which may require rotation of the entities appointed to the Business Committee from the user group;
- c. that membership of the Business Committee is to allow for appropriate diversity of expertise and thought across users of the clearing and settlement facilities operated by ASX Clear and ASX Settlement;
- d. that membership of the Business Committee will reflect a workable number of members, noting that all clearing and settlement participants that apply to join the Business Committee will be appointed as members;
- e. that where multiple clearing and settlement participants, clearing only participants and/or settlement only participants are part of the same corporate group, only one participant entity within the corporate group may apply to participate in the Business Committee as member;
- f. that membership of the Business Committee will reflect practical matters such as stakeholder changes (e.g. new participants) and new expressions of interest to join the Business Committee;
- g. that each member should ordinarily be provided with a minimum two year appointment to the Business Committee (noting that a shorter period may apply where the entity becomes a member during the two year term generally applicable between nomination processes as set out in section 5);
- h. that under the Charter, each member is expected to nominate an appropriate representative:
 - i. at executive or other senior management level at the member with a deep understanding of clearing and settlement;
 - ii. that has authority to speak on behalf of the member; and
 - iii. that has the expertise to make a meaningful contribution to meetings of the Business Committee;
- i. that under the Charter, each member and their nominated representative is expected to:

-
- i. share with the Business Committee appropriate and useful information relevant to the role of the Business Committee;
 - ii. represent the views and interests of its organisation or constituency (as the case may be); and
 - iii. act honestly and in good faith and maintain appropriate confidentiality of information provided in connection with the Business Committee;
 - j. that consistent with the expectations set out in paragraphs 3.2 h and i, a member's nominated representative is expected to regularly attend meetings of the Business Committee and contribute to meeting discussions.
- 3.3 Where a member nominates an alternative representative to attend a meeting of the Business Committee in the place of their nominated representative, the expectations set out in this Membership Policy of:
- a. the member in relation to their nominated representative; or
 - b. the member's nominated representative,
- will also extend to that alternative nominated representative.
- 3.4 Where the principles in clause 3.2 are in competition (e.g. facilitating diverse representation across users while also maintaining a workable number of members), ASX Clear and ASX Settlement will determine how the relevant principles are to be balanced or preferred when determining the relevant member appointment or removal.

4 Application for membership and resignation of Business Committee members

- 4.1 Entities that are eligible for membership (as set out in section 2) may apply for membership by way of expressions of interest in writing addressed to the Chair of the Business Committee, emailed to the Business Committee Secretariat (BC.Secretariat@asx.com.au).
- 4.2 All eligible entities wishing to apply to join the Business Committee or to apply to renew their membership are expected to:
- a. make a commitment to membership for a term of two years (or such other period as remaining or notified under the applicable nomination process in section 5); and
 - b. send a single qualified representative that regularly attends meetings of the Business Committee during that term.
- 4.3 Applications for membership will normally be considered as part of the nomination process to constitute the entire Business Committee membership occurring generally every two years as set out in section 5, but can also be considered:
- a. as part of the interim review of Business Committee membership occurring every other year as set out in section 6; or
 - b. on an ad-hoc basis (including for any clearing and settlement participant admitted as a participant of ASX Clear and ASX Settlement during the two year term generally applicable between nomination processes).
- 4.4 Applications for membership will be determined having regard to the principles set out in section 3.
- 4.5 A member of the Business Committee may resign its membership by giving notice in writing to the Chair of the Business Committee, emailed to the Business Committee Secretariat (BC.Secretariat@asx.com.au).

5 Nomination process every two years to constitute entire Business Committee membership

- 5.1 A nomination process to constitute the entire Business Committee membership will occur generally every two years (**nomination process**), with the first two year term under this nomination process being the period from December 2023 to December 2025. Entities may apply to join the Business Committee or existing members may apply to renew their memberships during this nomination process.
- 5.2 The nomination process does not involve an automatic vacating of existing Business Committee memberships, with any removal of existing members of the Business Committee under a nomination process to be determined by ASX Clear and ASX Settlement in accordance with this Membership Policy.
- 5.3 Appointments to the Business Committee (including reappointments of existing members) under a nomination process will be determined having regard to the membership of the Business Committee continuing to be representative of the users of ASX's cash equities clearing and settlement services and otherwise being in accordance with the principles set out in section 3.
- 5.4 An existing member of the Business Committee that fails to apply to renew its membership during the nomination process may be removed as a member of the Business Committee.

6 Interim review of membership of the Business Committee between nomination processes

- 6.1 In each calendar year that a nomination process is not occurring, the Business Committee Secretariat in consultation with the Chair of the Business Committee will conduct an interim review of:
- a. whether any changes have occurred in practice which should be reflected in the membership of the Business Committee so that it continues to be representative of the users of ASX's cash equities clearing and settlement services, such as any:
 - i. member resignations;
 - ii. new expressions of interest; or
 - iii. changes to any user group in the prior 12 months;
 - b. whether each member's nominated representative has attended meetings of the Business Committee in accordance with the principle set out in paragraph 3.2 j; and
 - c. any other matter they consider appropriate for review in connection with membership of the Business Committee being in accordance with the principles set out in section 3, and may recommend to ASX Clear and ASX Settlement that changes be made to the membership of the Business Committee as a result of such review.
- 6.2 The interim review will generally occur during the last calendar quarter of each year that a nomination process is not occurring (following the third Business Committee meeting in that year).

7 Notification of changes to membership of the Business Committee

- 7.1 Any changes to the membership of the Business Committee, including as part of a new application or resignation as set out in section 4, a nomination process as set out in section 5,

or an interim review as set out in section 6, will be:

- a. communicated to the impacted member in writing; and
- b. advised to Business Committee members generally at the next Business Committee meeting following that change.

August 2024

Committee	Business Committee
Meeting date	18 September 2024
Agenda title	Proposed rule amendments for CHES batch settlement delay scenario
Agenda Item No.	3g
Purpose	To update members on proposed rule amendments to apply in circumstances of a subsequent day delay to the delivery leg in CHES Batch Settlement
Prepared by	Con Korkofigas, Senior Manager and Senior Legal Counsel
Action	For discussion
Proposed recommendation to Boards of ASX Clear and ASX Settlement (if applicable):	Not applicable

BACKGROUND

On 17 November 2020, a CHES processing issue caused a delay to the performance of the delivery leg in Batch Settlement which resulted in the delivery leg in Batch Settlement being completed approximately 5:30pm on that day, notwithstanding that the payment leg had been completed approximately 5 hours earlier (**intraday delay**).

In a scenario where the delay in the movement of cash securities persisted and was not able to be achieved on the same day as the transfer of cash (**subsequent day delay**), the RBA has indicated that it would be beneficial that ASX Settlement Pty Limited (**ASX Settlement**) be obliged under its operating rules to prevent processing of settlement of Batch Instructions scheduled for inclusion in Batch Settlement on a given business day ahead of completion of settlement of the delayed DvP Batch Settlement for the previous business day.

OVERVIEW OF PROPOSED RULE AMENDMENTS

The current ASX Settlement Operating Rules regarding processing of messages to give effect to changes to Holding Balances in connection with Batch Settlement do not contemplate an overlapping on a given business day of:

- settlement of Batch Instructions whose performance has been delayed from the previous business day; with
- settlement of Batch Instructions scheduled for inclusion in Batch Settlement on that given business day, and could allow settlement of instructions scheduled on the given business day ahead of the delayed batch instructions.

The Settlement Rules are proposed to be amended to impose an express obligation on ASX Settlement to prevent settlement of Batch Instructions scheduled for inclusion in Batch Settlement on a given business day, ahead of completion of settlement of the delayed delivery leg for DvP Batch Settlement for the previous business day.

These amendments reflect the outcome which ASX Settlement would already, as its 'base case', look to avoid and expect to occur, and represent a technical legal enhancement to the Settlement Rules.

As is the case for other Settlement Rules, the obligation under the proposed rule amendments would be subject to actions that may be taken or authorised by ASX Settlement under Settlement Rule 1.3.1 if ASX Settlement determines that a State of Emergency (SoE) exists, including actions that are inconsistent with the Settlement Rules. ASX Settlement considers it necessary the proposed new rule be subject to such SoE powers to allow for circumstances where both:

- CHES can perform instructions scheduled for settlement on a given business day ahead of the delayed batch instructions, whilst preserving securities relating to the delayed delivery leg; and

- it is preferable to do so for compliance with ASX Settlement's obligations as a CS facility licensee, including compliance with the Financial Stability Standards or to reduce systemic risk.

Further detail on the proposed rule amendments is set out below.

EFFECT OF THE EXISTING RULES

Settlement Rule 10.12.1 provides that once payment has been effected under Settlement Rule 10.12.1(d), ASX Settlement "will" Transfer Financial Products in accordance with those Batch Instructions under Settlement Rule 10.12.1(e).

Under the Settlement Rules, the ability of ASX Settlement to delay processing the delivery of securities in Batch Settlement, post the effecting of payment, depends on the duration of that delivery delay. This is because pursuant to Settlement Rule 10.12.8, ASX Settlement must, on each business day, settle Batch Instructions included in Batch Settlement on that day.

1. Intraday delay

As long as performance of the delivery of securities for Batch Instructions included in Batch Settlement for a given day occurs on that day, this meets the requirements of Settlement Rule 10.12.8.

2. Subsequent Business Day delay

Where however the delay to the processing of the delivery of securities results in the delivery of securities taking effect on a subsequent business day to the day on which the Batch Instructions were included in Batch Settlement, this is only permitted under the Settlement Rules if a SoE exists under Settlement Rule 1.3.

That rule allows ASX Settlement to take or authorise any action it considers necessary for the purpose of dealing with the SoE, including where inconsistent with the Settlement Rules. For example, and notwithstanding Settlement Rule 10.12.8, to delay the processing of the delivery of securities under Batch Instructions that are included in Batch Settlement for a given day resulting in the delivery of securities taking effect on a subsequent business day. To take or authorise such action in reliance on the SoE rules:

- (a) a relevant SoE must actually exist or there are reasonable grounds for considering that it does.
- (b) ASX Settlement must honestly and reasonably consider that taking or authorising the action to delay the processing of the delivery of those securities was necessary for the purpose of dealing with that SoE.

The Settlement Rules require ASX Settlement to restrict changes to Holdings of securities pending delivery of those securities under Batch Instructions, until that Transfer is made, even if the Transfer is delayed. This is because Settlement Rule 16.22.1 provides that ASX Settlement will not process CHES messages during the Settlement Processing Phase that either:

- (a) request a Report; or
- (b) would effect a change to the Holding Balance of any CHES Holding *other than messages that initiate a Settlement Transfer*.

The 'Settlement Processing Phase' in relation to Batch Settlement refers to the time period commencing after Settlement Cut-off (which is 11:30am or such other time as ASX Settlement may from time to time determine) during which Settlement Transfers are processed by ASX Settlement against CHES Holdings.

A 'Settlement Transfer' refers to a transfer of securities that gives effect to a Batch Instruction in Batch Settlement.

WHY THERE IS A NEED TO AMEND THE RULES

As the concept of Settlement Transfers could relate to Batch Settlement scheduled across different business days, Settlement Rule 16.22 may be viewed as permitting the processing of settlement of Batch Instructions scheduled for inclusion in Batch Settlement on a given business day ahead of completion of settlement of the delayed DvP Batch Settlement for the previous business day.

While ASX Settlement's 'base case' approach to a subsequent day delay would be to effect unresolved transfers before moving on to the next day's batch settlement (expecting this would be the only available course of action), the RBA has indicated it would be beneficial for the ASX Settlement Operating Rules to be supplemented so that ASX Settlement is obliged to prevent processing of settlement of Batch Instructions scheduled for inclusion in Batch Settlement on a given business day ahead of completion of settlement of the delayed DvP Batch Settlement for the previous business day.

HOW THE RULE AMENDMENTS ADDRESS THE NEED

Proposed new Settlement Rule 10.12.9 ('Settlement Transfer delay to subsequent Business Day'):

- (a) applies in the case of the payment leg having occurred, but there is a subsequent day delay to the delivery leg, for batch instructions included in Batch Settlement on that day (i.e. 'S'); and
- (b) imposes an express obligation on ASX Settlement to prevent settlement of Batch Instructions scheduled for inclusion in Batch Settlement on a subsequent day (e.g. 'S+1') ahead of completion of settlement of the delayed delivery leg for Batch Settlement for 'S'.

The note to the proposed new Settlement Rule 10.12.9 also reflects on the mechanisms available to ASX Settlement to support such delay to settlement of Batch Instructions scheduled for inclusion in Batch Settlement on a subsequent day (e.g. 'S+1'), i.e.:

- (a) intraday: by delaying the settlement cut off-time for Batch Settlement scheduled for 'S+1'; and
- (b) subsequent day: by cancelling Batch Settlement on 'S+1' for Batch Instructions scheduled for settlement on 'S+1'.

As is the case for other Settlement Rules, the obligation under the proposed new rule is subject to the exercise of the SoE powers by ASX Settlement.

An ancillary change is also being made to Settlement Rule 2.13 to introduce a definition which ties back to new Settlement Rule 10.12.9.

EFFECT OF RULE AMENDMENTS

Technical legal enhancement

Proposed new Settlement Rule 10.12.9 represents a technical legal enhancement to the Settlement Rules.

The processing restrictions in Settlement Rule 16.22.1(b) do not appear to contemplate a scenario where Settlement Transfers could be processed in respect of overlapping Settlement Processing Phases relating to multiple Batch Settlement dates due to a delay to the delivery leg from the previous day's Batch Settlement which persists post the ordinary commencement of Batch Settlement on a subsequent business day.

Proposed new Settlement Rule 10.12.9 expressly prevents an outcome that could otherwise be viewed to be permitted under Settlement Rule 16.22.1(b), but which ASX Settlement would already, as its 'base case', look to avoid utilising powers under the existing Settlement Rules in the circumstances of a prolonged Batch Settlement processing delay (e.g. by way of delay or cancellation of Batch Settlement for the subsequent settlement date).

It does this by imposing an express obligation on ASX Settlement to prevent settlement of Batch Instructions scheduled for inclusion in Batch Settlement on a given business day (which could otherwise be viewed to be a 'Settlement Transfer' permitted by Settlement Rule 16.22.1(b)), ahead of completion of settlement of the delayed delivery leg for DvP Batch Settlement for the previous business day.

Rule amendments subject to SoE powers

As is the case for other Settlement Rules, the proposed new Settlement Rule 10.12.9 (and ASX Settlement's obligation under that rule) is subject to the exercise of ASX Settlement's SoE powers under Settlement Rule 1.3.1.

For example, this may be justified/warranted in circumstances where the performance of settlement of subsequent day Batch Instructions affecting holdings that are not subject to the outstanding (delayed) Settlement Transfers (**Unaffected Batch Instructions**):

- (a) could be achieved in CHESS, whilst preserving securities relating to the delayed delivery leg; and
- (b) was seen as preferable for the purpose of ASX Settlement complying with its obligations as a CS facility licensee, including to:
 - (i) comply with the RBA's Financial Stability Standards (**FSS**);
 - (ii) do all other things necessary to reduce systemic risk; and
 - (iii) to the extent reasonably practicable to do so, do all things necessary to ensure the CS facility's services are provided in a fair and effective way.

Relevantly, under Standard 7 (Settlement Finality) of the FSS for securities settlement facilities (**SSF**), we note the:

- (a) expectation for final settlement of instructions accepted into the facility to be completed on the intended value date; and
- (b) guidance that the deferral of final settlement to the next business day could otherwise create both credit and liquidity pressures for a SSF's participants and other stakeholders, and potentially be a source of systemic risk.

Accordingly, where the Unaffected Batch Instructions represented the vast majority of subsequent day batch instructions and CHESS could support settlement of such Unaffected Batch Instructions whilst preserving securities relating to the delayed delivery leg, the performance of settlement of the Unaffected Batch Instructions may be viewed as preferable for compliance with FSS 7, and to reduce systemic risk, and therefore the exercise by ASX Settlement of its SoE powers in order to do so as consistent with those settlement finality and systemic risk obligations.

Given that under the above scenario the performance of settlement of the Unaffected Batch Instructions continues to preserve securities relating to the delayed delivery leg, this would also be consistent with the objective of eliminating principal risk through DvP settlement mechanisms under FSS 10 (Exchange of Value Settlement Systems) for SSFs, notwithstanding that, as a result of the SoE event, the delayed delivery leg was not occurring 'simultaneously' with the previously effected payment leg.

Proposed new Settlement Rule 10.12.9 (which does not preclude the operation of the SoE powers which could override the obligations under that new rule) therefore allows ASX Settlement to be able to properly balance the knock-on effects to the market of a delay in Batch Settlement (financial stability) versus the importance of completing DvP from the previous day, in a scenario where there is an operationally or technically available path to work-around (i.e. a path to proceed with the next day's batch without prejudice to the unresolved transfers).

Conversely, if new Settlement Rule 10.12.9 precluded the operation of the SoE powers, this could prevent ASX Settlement from being able to properly balance such financial stability and DvP outcomes in the manner indicated above, which may lead to sub-optimal outcomes when faced with a relatively small number of unresolved transfers and there is otherwise an available path to work-around.

FEEDBACK SOUGHT

The proposed draft rule amendments are tabled for feedback. Noting the technical nature of the changes, Business Committee members and their representatives are also invited to circulate the paper and draft rule amendments to relevant persons within their organisation who can contact the paper's author Con Korkofigas (on 9227 0433 or con.korkofigas@asx.com.au) to provide any comments or to raise any questions on the proposed rule amendments directly. Any such feedback is requested by 2 October 2024.

ATTACHMENT(S)

Attachment 1: Draft ASX Settlement Operating Rule Amendments for CHESS Batch Settlement delay

Attachment 1

Draft ASX Settlement Operating Rule Amendments for CHESB Batch Settlement delay scenario

2.13 DEFINITIONS

2.13.1 Definitions used in the Rules

In these Rules, unless the context otherwise requires:

...

“Delayed Settlement Batch Instruction” has the meaning given in Rule 10.12.9.

...

10.12 SETTLEMENT

10.12.1 Settlement

If, within the Scheduled Time, ASX Settlement is satisfied, having regard to Batch Instructions that have Failed, that:

- (a) (i) each Source Holding; and
- (ii) during an Ex Period, each Cum Entitlement Balance for a Source Holding,

specified in a Batch Instruction included in Batch Settlement on that Business Day will not give rise to a Financial Products Shortfall;

- (b) each Payment Facility identified in a Batch Instruction included in Batch Settlement on that Business Day will not give rise to a Payment Shortfall;

- (c) each Payments Provider has registered payment instructions in the CHESB Payments Provider User Group in accordance with the terms of the Standard Payments Provider Deed; and

- (d) DvP Declaration has been given to ASX Settlement by:

- (i) the Bank; or

- (ii) where ASX Settlement any time acts in the capacity of Bank, by the Reserve Bank of Australia as administrator of RITS,

for that Business Day,

ASX Settlement will:

- (e) Transfer Financial Products in accordance with those Batch Instructions by:
 - (i) in the case of a Batch Instruction other than a CCP Net Batch Instruction, simultaneously generating Communications that:
 - A. deduct the number of Financial Products specified in each Batch Instruction from the Source Holding specified in each Batch Instruction; and
 - B. enter the number of Financial Products specified in each Batch Instruction into the Target Holding specified in each Batch Instruction; and
 - (ii) unless an Approved Clearing Facility notifies ASX Settlement that it is entitled to acquire title in the Financial Products, in the case of a CCP Net Batch Instruction, simultaneously generating Communications that transfer title directly from Source Holdings controlled by delivering Settlement Participants to those Target Holdings controlled by Receiving Settlement Participants in the manner contemplated by Rule 10.12.4(b);
- (f) record the net effect of those Transfers by:
 - (i) offsetting the number of Financial Products, if any, that are entered into a Holding by virtue of a Communication against the number of Financial Products, if any, that are deducted from the same Holding by virtue of a Communication; and
 - (ii) recording the offsetting number as a movement of Financial Products against that Holding; and
- (g) cause a DvP Notification to be sent to each Payments Provider that operates a Payment Facility identified in a Batch Instruction settled on that Business Day.

Note: A Communication generated by ASX Settlement under Rule 10.12.1(e) in relation to quoted financial products is a proper ASTC transfer for the purposes of the Corporations Act.

Introduced 11/03/04 Origin SCH 7.29.1 Amended 23/10/09

10.12.2 Settlement Transfer attributable to Settlement Participants

A Settlement Transfer in respect of each Batch Instruction included in Batch Settlement for a particular Business Day:

- (a) is taken to be effected in respect of each Batch Instruction by the Communication generated by ASX Settlement under Rule 10.12.1(e);
- (b) is taken to be effected in respect of each Batch Instruction when ASX Settlement generates that Communication under Rule 10.12.1(e); and

- (c) is taken to be effected by:
 - (i) in the case of a CCP Net Batch Instruction which specifies a net number of Financial Products to be delivered by a Settlement Participant to CCP, that Settlement Participant;
 - (ii) in the case referred to in Rule 10.12.3, by each Settlement Participant identified by that Rule;
 - (iii) in any other case, the delivering Settlement Participant.

Introduced 11/03/04 Origin SCH 7.29.2

10.12.3 When transfer of Financial Products is effected

Where:

- (a) a CCP Net Batch Instruction requires that a specified net number of Financial Products in a class of Financial Products be delivered by CCP to a receiving Settlement Participant on a particular Business Day is effected in accordance with Rule 10.12.1(e); and
- (b) ASX Settlement deducts, or is taken by virtue of Rule 10.12.4 to have deducted, Financial Products of the same class from a Source Holding of one or more delivering Settlement Participants on the same Business Day in satisfaction of the delivering Settlement Participants' respective obligations to deliver Financial Products of that class on that Business Day under CCP Net Batch Instructions,

a transfer of the number of Financial Products deducted from each delivering Settlement Participant's Source Holding is taken to have been effected by the delivering Settlement Participant when ASX Settlement generates the Communication which deducts the Financial Products from that Source Holding.

Introduced 11/03/04 Origin SCH 7.29.3

10.12.4 CCP Net Batch Instructions

Where a CCP Net Batch Instruction is effected under Rule 10.12.2(c)(ii):

- (a) CCP's obligation is discharged by effecting settlement in accordance with these Rules;
- (b) title is taken to pass to Target Holdings controlled by receiving Settlement Participants directly from those Source Holdings controlled by delivering Settlement Participants from which Financial Products are deducted (or taken under Rule 10.12.1(e) to be deducted), and CCP is not taken to acquire title at any stage; and
- (c) each Communication by which a Transfer of Financial Products is taken to be effected under Rules 10.12.1(e), 10.12.2 and 10.12.3 is deemed to include, in respect of the Transfer of the Financial Products specified in those Rules, the PID of the delivering Settlement Participant who is taken by virtue of those Rules to have effected the Transfer.

Introduced 11/03/04 Origin SCH 7.29.4 Amended 31/03/04

10.12.5 Claims that the Transfer of Financial Products has not been properly effected

If ASX Settlement becomes aware of any claim that the Transfer of Financial Products effected under Rule 10.12.2(c)(ii) has not been properly effected, because of lack of authority or for any other reason, then:

- (a) ASX Settlement must:
 - (i) ascertain whether, in its opinion, the claim is justified, and if so,
 - (ii) nominate from the class of Settlement Participants who are delivering Settlement Participants under Rule 10.12.3 the Settlement Participant or Settlement Participants who, in its opinion, is or are responsible for the ineffective transfer; and
- (b) for the purposes of Division 4 of Part 7.11 of the Corporations Regulations, the Settlement Participant or Settlement Participants so nominated are taken to have purported to Transfer the Financial Products to the Target Holding.

Introduced 11/03/04 Origin SCH 7.29.5

10.12.6 Claims under the Corporations Regulations

If a claim is made on a delivering Settlement Participant ("the First delivering Settlement Participant") under Division 4 of Part 7.11 of the Corporations Regulations by virtue of the operation of Rule 10.12.5 and ASX Settlement nominates another delivering Settlement Participant ('the Second delivering Settlement Participant') under Rule 10.12.5, then the Second delivering Settlement Participant indemnifies the First delivering Settlement Participant against all loss or damage which the First delivering Settlement Participant may suffer arising out of the claim.

Introduced 11/03/04 Origin SCH 7.29.6 Amended 19/08/09

10.12.7 Effect of Settlement Transfers

Transfers effected or taken to be effected under Rules 10.12.2 and 10.12.3 constitutes performance of the obligations owing by Settlement Participants and CCP to one another, whether or not those obligations have been legally set off.

Introduced 11/03/04 Origin SCH 7.29.7

10.12.8 Settlement on each Business Day

On each Business Day, ASX Settlement must settle Batch Instructions included in Batch Settlement on that day under this Rule 10.12.

Introduced 01/05/07

10.12.9 Settlement Transfer delay to subsequent Business Day

If payments in respect of one or more DvP Batch Instructions included in DvP Batch Settlement on a particular Business Day have been effected but any

Settlement Transfer in respect of those Batch Instructions (each such Batch Instruction a “**Delayed Settlement Batch Instruction**”) has not been effected on that day under Rule 10.12.8, ASX Settlement must not settle any Batch Instructions scheduled for inclusion in Batch Settlement for a subsequent Business Day until after the Settlement Transfers in respect of the Delayed Settlement Batch Instructions have been effected.

Introduced xx/xx/xx

Note: Rule 10.12.8 provides that, on each Business Day, ASX Settlement must settle Batch Instructions included in Batch Settlement on that day.

However, if ASX Settlement determines that a State of Emergency exists under Rule 1.3.1, ASX Settlement may take or authorise any action it considers necessary for the purpose of dealing with the State of Emergency under Rule 1.3.1, including action that is inconsistent with these Rules. Where, in respect of one or more DvP Batch Instructions included in DvP Batch Settlement on a Business Day for which payments have been effected, ASX Settlement takes or authorises action so that any Settlement Transfer in respect of those Batch Instructions has not been effected on that day, Rule 10.12.9 provides that ASX Settlement must not settle any Batch Instructions scheduled for inclusion in Batch Settlement for a subsequent Business Day until after the Settlement Transfers in respect of the Delayed Settlement Batch Instructions have been effected.

ASX Settlement could give effect to Rule 10.12.9 by exercising its powers to, for example:

- (a) determine a delay to the usual 11:30am “Settlement Cut-off” on the subsequent Business Day, which would result in a delay to the commencement of the Settlement Processing Phase in respect of Batch Instructions scheduled for inclusion in Batch Settlement for the subsequent Business Day; or*
- (b) cancel Batch Settlement under Rule 10.14.1 for the subsequent Business Day in respect of Batch Instructions scheduled for inclusion in Batch Settlement for the subsequent Business Day.*



Committee	Business Committee
Meeting date	18 September 2024
Agenda title	Securities Reporting Lending Review
Agenda Item No.	3h
Purpose	To discuss the proposal to form a working group to conduct a deep dive into securities lending reporting.
Prepared by	Business Committee Secretariat
Action	For discussion

Proposed recommendation to Boards of ASX Clear and ASX Settlement (if applicable):	Not applicable
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BACKGROUND

ASX and members to discuss the proposal to form a working group to conduct a deep dive review into securities lending reporting.



Committee	Business Committee
Meeting date	18 September 2024
Agenda title	TNF Australasia Meeting 2025
Agenda Item No.	3i
Purpose	To provide an update on the industry conference
Prepared by	Business Committee Secretariat
Action	For discussion

Proposed recommendation to Boards of ASX Clear and ASX Settlement (if applicable):	Not applicable
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BACKGROUND

ASX will provide an update on the upcoming TNF Australasia Meeting planned to be held at the Australian Securities Exchange on Tuesday 4 and Wednesday 5 March 2025.

Committee	Business Committee
Meeting date	18 September 2024
Agenda title	CHES Replacement – Project Update
Agenda Item No.	4a
Purpose	To provide Business Committee members with a project update on CHES Replacement
Prepared by	Triona Quinlan, General Manager, Technology Delivery
Action	For noting
Proposed recommendation to Boards of ASX Clear and ASX Settlement (if applicable):	Not applicable

BACKGROUND

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

SUMMARY

Key project updates:

- The Project has successfully deployed the Drop 1 code into the Product Acceptance Testing (PAT) environment where testing has commenced.
- Drop 2 Analysis is complete, and build has commenced to deliver critical Approved Market Operator (AMO) and Trade Acceptance Service (TAS) functionality, targeting delivery at the end of October
- Proof of Technology (PoT) has completed 4 cycles of testing, with results in line with expectations. This concludes the PoT for clearing.
- KPMG has been appointed as the primary assurance provider. Onboarding activities have commenced with KPMG expecting to be onsite by September.
- The Project is tracking five key risks through the CHES Replacement Technical Committee (Technical Committee) related to; scope, cloud deployment, technology and schedule.
- Since the last Business Committee meeting, ASX has hosted two CHES Replacement Technical Committee meetings. The next meeting is scheduled for 11 September 2024.
- ASX has also hosted the following project working groups, all which report to the Technical Committee:
 - Two AMO Working Groups
 - Two Business Design Working Groups
 - Three Implementation and Transition Working Groups.



RELEASE 1 UPDATE

Release 1 is planned to be delivered over three quarterly code drops by January 2025, with a fourth contingency drop (February to March 2025) available to accommodate any remaining Release 1 build.

Drop 1 has been delivered to ASX and has been deployed successfully into the PAT environment and testing has commenced. Drop 1 delivers the interface between AMO's and ASX, the BaNCS foundational system setup, trade registration and novation within BaNCS and an interface to current CHES.

Build for Drop 2 has commenced. Drop 2 aims to deliver all critical Approved Market Operator (**AMO**) and Trade Acceptance Service (**TAS**) functionality to enable AMO build and test activities to commence in Q1 2025.

Four test cycles of the PoT, covering clearing scenarios, have now been completed. Test results were in line with expectations and summarised below.

Cycle	Objective	Date	Results
Cycle 1	Throughput test for 10,000 messages	22 April – 13 May	10,000 messages in 5 minutes
Cycle 2	Throughput test for 1,000,000 messages	14 May – 10 June	1,000,000 messages in 30 minutes
Cycle 3	Throughput test for peak of peaks (loading trades based on the peak trading time extrapolated to a peak volume day of 15,000,000 trades)	11 June – 8 July	4,000,000 messages in 60 minutes
Cycle 4	Process load of 15,000,000 messages	9 July – 1 August	15,000,000 messages over 6 hours with 2,100,000 trades loaded in the final 30 minutes.

INDUSTRY CONSULTATION

Release 1 Consultation – Public consultation on Release 1 of CHES Replacement was undertaken throughout March – April 2024. It focused on the staged approach and timing for replacing CHES in two separate releases (Release 1 and Release 2), the design, scope, testing approach and schedule for Release 1. ASX received 22 written responses from industry stakeholders and released a [response paper](#) summarising the feedback received and ASX's response to the feedback on 28 June 2024.

Release 2 Consultation – On 2 August 2024, ASX published a consultation paper for Release 2 of CHES Replacement. The consultation paper outlines ASX's proposed plan for Release 2 of the CHES Replacement system, seeking feedback on design, scope, schedule, and transition for Release 2, a plan for timing and approach on a potential shift to T+1 settlement cycle, as well as interoperability, testing and industry readiness approaches. The consultation paper has also been complimented with a supporting Engagement Plan to meet with the potentially impacted organisations across the response window to address and respond to any points of clarification prior to response submission. Industry feedback on the consultation paper for Release 2 is due by 13th September.

KEY RISKS

At the 26 June 2024 Business Committee, the Project noted five key risks being managed by the project relating to; scope, cloud deployment, technology and schedule. The risk relating to shared critical resources supporting Release 1 and 2 has now been resolved. The Project is now managing the following key risks.

Area	Description	Mitigation	Impact Date	Inherent Exposure	Residual Exposure
Technology	Scalability of the solution on the chosen AWS Technology Stack (PoT).	ASX is working with TCS to perform a PoT. The purpose is to prove how the product and selected underlying technology services will scale. There is a risk that the PoT may change elements of the technology platform design for the CHES Replacement solution. The PoT will enable ASX to confirm the solution, delivery timeframe, related risks and costs.	10 September 2024	High	Medium
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.	15 Sept 2024	High	Medium

Cloud deployment	Elements of the CHES Replacement schedule may be impacted if the decision is made not to progress with AWS Hosting for licensed services.	The Cloud Foundations Project is delivering the Cloud Platform and a Cloud Assurance Framework to ensure the ongoing compliance with technology general controls.	29 Nov 2024	High	Medium
Schedule	Revised Business case timeline may be impacted by Release 2 consultation response	High priority engagement topics to be discussed in the relevant Industry working groups to ensure Industry feedback is considered prior to publishing the Release 2 consultation paper. Manage and appropriately communicate the timeframe for the Release 2 consultation paper to ensure responses are met for input into the revised Release 2 plan	22 Nov 2024	High	Medium
Schedule	Delays in delivery of Data Platform	External parties have been engaged to provide data platform expertise to ASX. Conduct Proof of Concept (PoC) to assess the data ingestion capabilities for near real time data replication for CHESR use cases	17 Sept 2024	High	Medium

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 (AMO WGs), and the Implementation and Transition Working Groups (I&TWGs).

Since the last Business Committee there have been two Technical Committee meetings held on 10 July 2024 and 07 August 2024 with next meeting expected to be held on 11 September 2024.

At the 10 July 2024 Technical Committee, updates were presented on

- Progress against the project milestone plan
- Working group progress across the BDWG, I&TWG and AMO WG topics
- Scope objectives and backlog progress
- Release 1 consultation response themes

At the 07 August 2024 Technical Committee, updates were presented on

- Progress against the project milestone plan
- CHES Replacement assurance plan
- Release 2 implementation risks and mitigants
- Working group progress across the BDWG, I&TWG and AMO WG topics
- Scope objectives and backlog progress

At the 11 September 2024 Technical Committee, updates will be presented on

- Progress against the project milestone plan
- Working group progress across the BDWG, I&TWG and AMO WG topics for feedback and member input
- Scope objectives and backlog progress
- Release 1 and 2 industry testing approaches

Since the last Business Committee ASX has conducted the following working groups:

- Two BDWGs covering; Corporate Actions, Cum Entitlement balances, and settlement design
- Two AMO WGs covering; FIX messaging specifications, FIX gateway failover options, Release 1 industry test approach, and trade condition codes

- Three I&TWGs covering; Staged implementation, Release 2 timeline and industry test approach, deferred settlement, Release 2 implementation risks and mitigants, and the B3 case study.

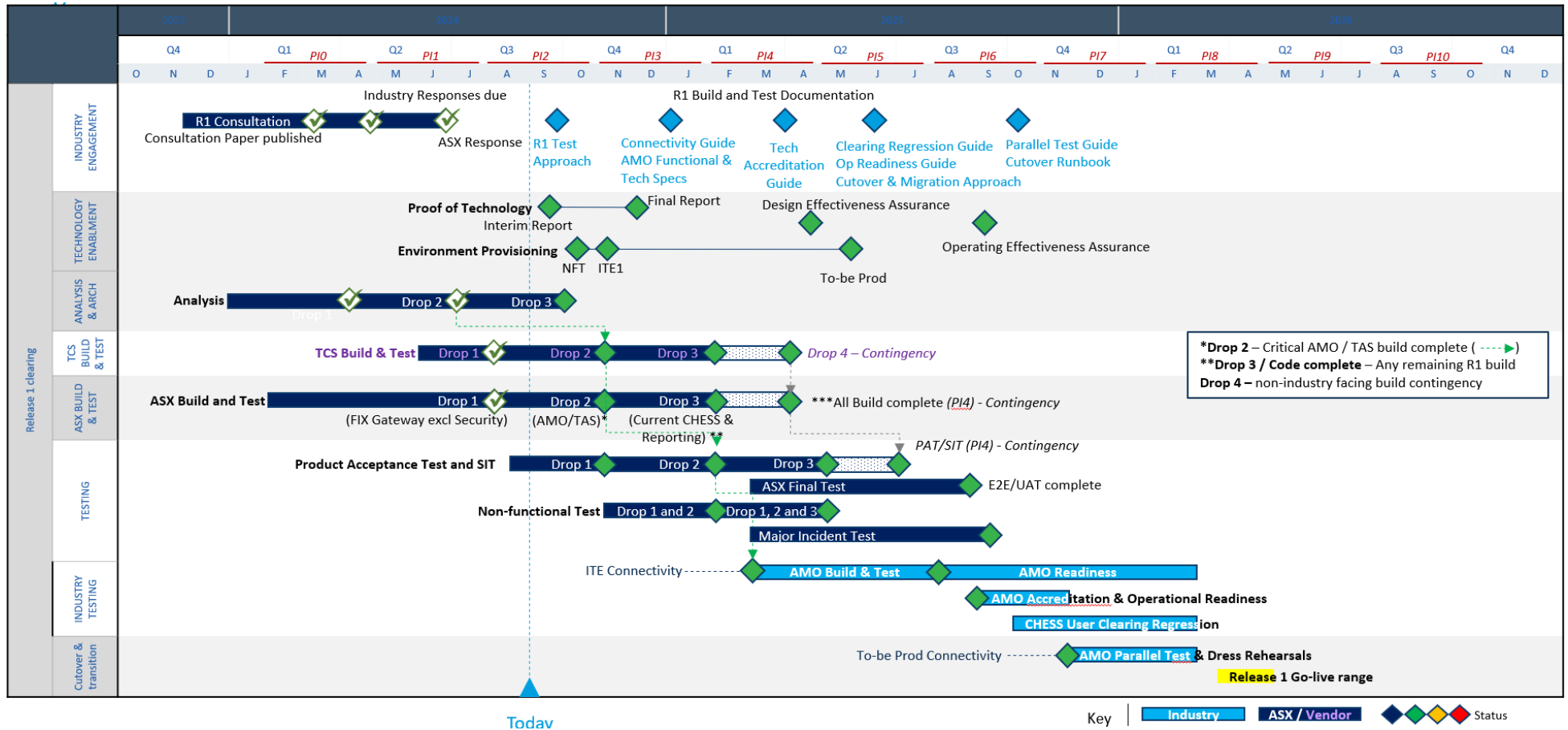
Previous Technical Committee agendas, presentation materials and minutes can be found [here](#).

ATTACHMENTS

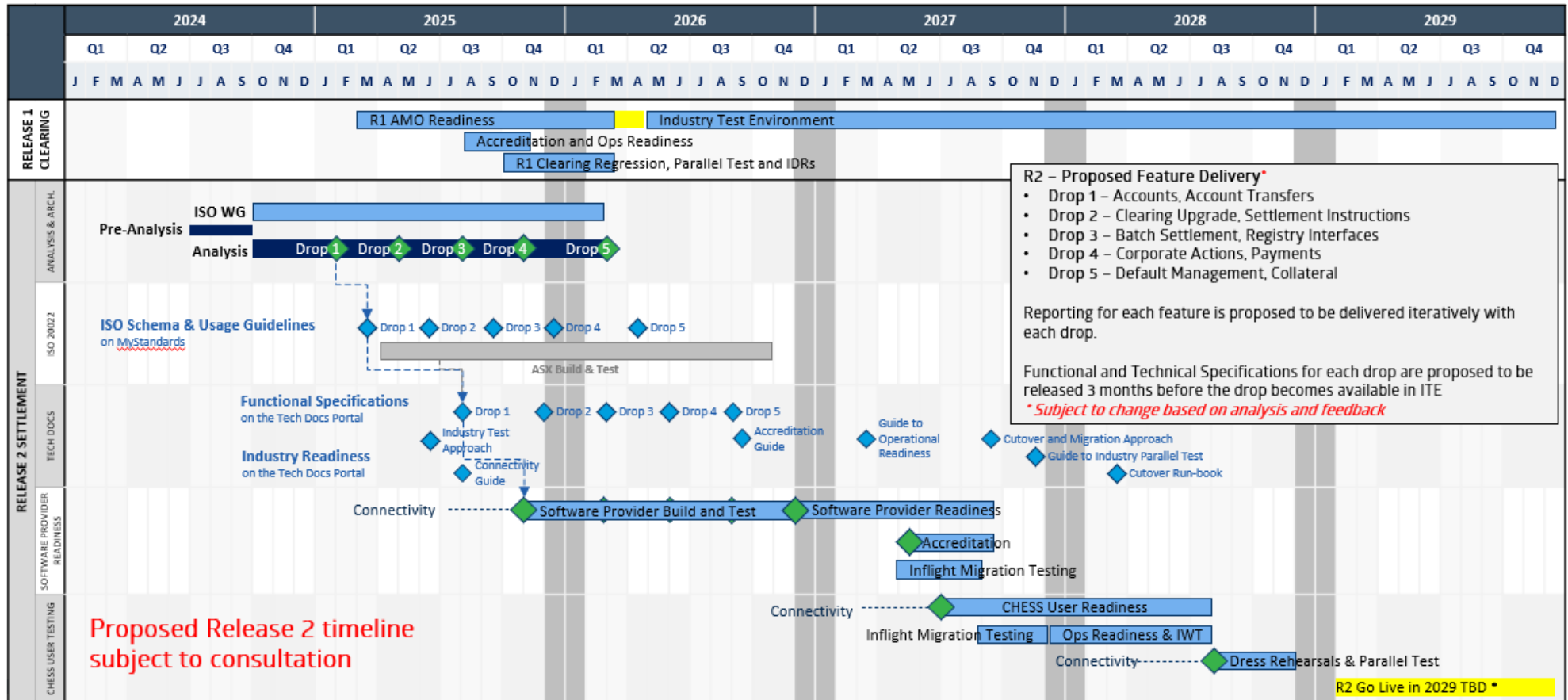
Attachment 1: Updated Release 1 Indicative Project Timeline – September 2024

Attachment 2: Proposed Release 2 Timeline

Attachment 1: Updated Release 1 Indicative Project Timeline – September 2024



Attachment 2: Proposed Release 2 Timeline



Committee	Business Committee
Meeting date	18 September 2024
Agenda title	CHES Replacement Public Consultation Update
Agenda Item No.	4b
Purpose	To provide Business Committee members with an update on CHES replacement public consultations
Prepared by	Andrew Jones, General Manager, Equities, Securities & Payments
Action	For discussion
Proposed recommendation to Boards of ASX Clear and ASX Settlement (if applicable):	Not applicable

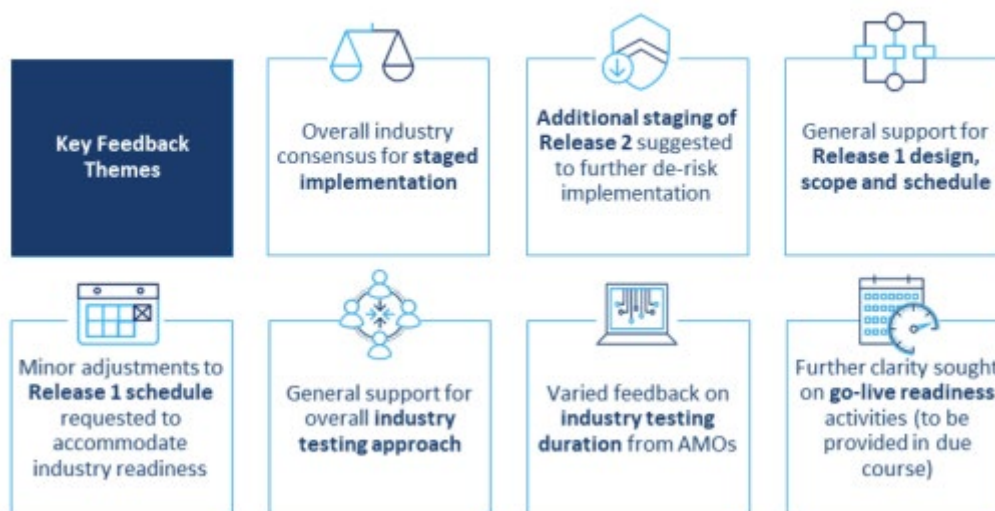
OVERVIEW

In support of the detailed design stage of the CHES replacement project, ASX is undertaking a number of formal consultations to capture industry and stakeholder feedback. These consultations encompass the two proposed releases for the CHES replacement project, the future milestones for the Development Incentive Pool component of the Partnership Program and the potential for T+1 settlement. Updates on T+1 and Partnership Program consultations are contained in agenda items 3a and 6a respectively.

CONSULTATION PAPER ON STAGED IMPLEMENTATION APPROACH AND IMPLEMENTATION OF RELEASE 1 (CLEARING SERVICES)

On 14 March 2024 ASX published a [consultation paper](#) on a staged implementation approach, and the implementation of clearing services in Release 1. ASX received 22 written submissions to the consultation paper, and published a [response to consultation feedback](#) on 28 June 2024. Key themes from the feedback are outlined in Figure 1 below.

Figure 1: Key Feedback Themes from Consultation



CONSULTATION PAPER ON SCOPE AND IMPLEMENTATION OF CHESSE REPLACEMENT RELEASE 2 (SETTLEMENT AND SUBREGISTER)

On 2 August 2024, ASX published a [consultation paper](#) on the scope and implementation of CHESSE replacement Release 2 (settlement and subregister). The paper invites feedback on the proposed:

- functional and technical scope of Release 2, as developed in consultation to date with industry;
- implementation timeline for testing and industry readiness, and proposed approach for mitigating key risks, taking into account feedback received from consultation feedback on Release 1;
- approach to T+1 in the context of CHESSE replacement, informed by responses to the recent Whitepaper on T+1;
- plans to enable the technical foundations for interoperability;
- industry testing approach, including phases;
- Release 2 go-live readiness;
- details of industry readiness documentation; and
- context on operating rule and fee changes.

The functional scope was informed by a comprehensive industry engagement, and relates to clearing, settlement, subregister, corporate action services and connectivity interfaces and data access.

Responses to the consultation paper are requested by 13 September 2024. ASX will provide a verbal update at the meeting on 18 September on preliminary themes emerging from the responses.

ASX aims to respond to the feedback received in this paper in Q4 2024. ASX will then progressively release detailed timelines, functional specifications, messaging requirements and other documentation related to the implementation of Release 2.

Committee	Business Committee
Meeting date	18 September 2024
Agenda title	CHES Replacement Assurance Plan update
Agenda Item No.	4c
Purpose	To provide an update on the Assurance Plan for the CHES replacement project; and timing for EY's engagement with industry stakeholders as part of its role related to assurance activities
Prepared by	Michelle Dal Pozzo, Senior Program Manager Assurance - CHES replacement
Action	For discussion
Proposed recommendation to Boards of ASX Clear and ASX Settlement (if applicable):	Not applicable

BACKGROUND

The assurance plan for the delivery phase of the CHES replacement project was provided to the Advisory Group meeting in May 2024 and was approved through ASX governance meetings in June 2024.

An independent expert review has been completed by EY to assess whether the design of the assurance plan is fit-for-purpose. The review was finalised at the end of June 2024 and concluded that the assurance plan is fit-for-purpose and no recommendations for improvement were made. The report was publicly released on 26 July 2024. The review was part of the six monthly independent expert reviews performed over CHES replacement assurance activities under licence conditions.

SCOPE OF THE ASSURANCE PLAN

The scope of the assurance plan covers Release 1 (Clearing) activities to go live and key Release 2 (Settlement and Sub-Register) activities to December 2024.

ANNUAL REVIEW PROCESS

An annual review process will be used to evolve coverage of the assurance plan as Release 1 progresses and project plans for Release 2 advance as a result of industry consultation. The next annual review of the assurance plan will occur in the first half of CY2025. This will ensure review topics remain relevant, timely and aligned to key risks.

DESIGN APPROACH

A risk based approach was applied to develop the assurance plan with a mix of reviews linked to key milestones to build confidence in key stages and support decision making.

A top down and bottom up process was used in designing the assurance plan:

- The top down design was based on the project's macro plan and anchor milestones, industry practices and assurance frameworks, as well as topics from previous assurance program
- The bottom up design considered the detailed project schedule and release plan, project identified risks and findings from prior reviews.

REVIEW TOPICS

Review topics on the assurance plan fall into 6 broad groupings:

- **Project governance and project management reviews** over key processes and controls for managing the project schedule, scope, resources, costs, quality, risks, progress, reporting, decision making and communication
- **Review of delivery processes** covering key activities within the systems development and delivery lifecycle
- **Technical solution reviews** on key areas relating to infrastructure, technical components and non-functional aspects of the solution
- **Process and control reviews** on operational and technology processes and new or changed business processes
- **Change, readiness and implementation reviews** covering organisational change management, industry engagement activities and readiness activities
- **Regulatory reviews** that cover assurance activities required under licence conditions.

A summary view of the assurance plan is included in Attachment 1.

USE OF ASSURANCE PROVIDERS

Assurance providers will comprise a small mix of independent internal and external assurance parties, including a primary assurance provider for a wide range of review topics and for continuity of oversight.

EY ENGAGEMENT WITH INDUSTRY STAKEHOLDERS

An important element of EY's role in assuring the CHES replacement assurance activities is to understand current and emerging risks of the project.

EY will seek the voice of the customer for their views on risks, readiness and project health over the period of the license condition by meeting with AMO, custodian, registry, and broker stakeholders directly.

EY will perform this work in staged samples each six-month reporting period.

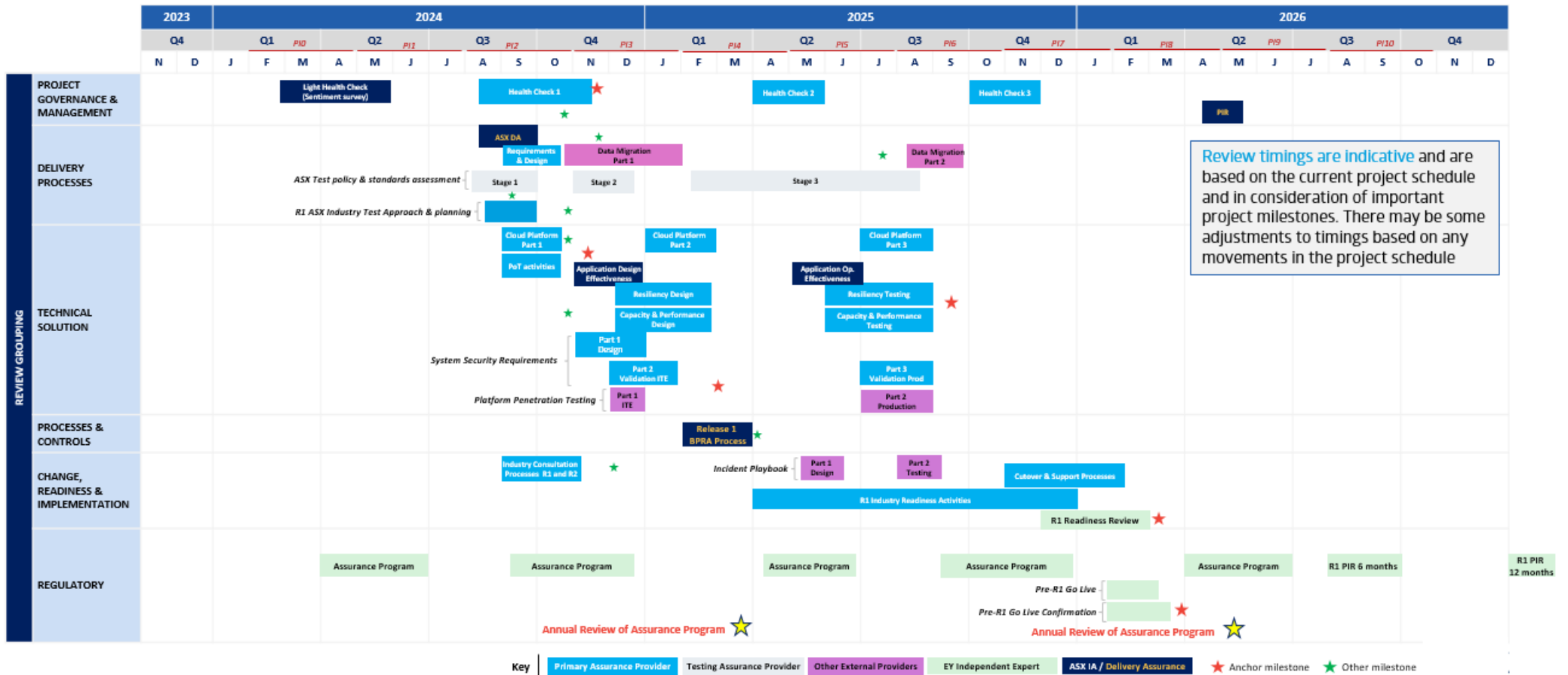
The EY partner will attend the meeting to discuss and offer two windows before and after the Christmas period to commence this engagement with industry stakeholders. You can contact EY directly at roberto.fitzgerald@au.ey.com

ATTACHMENT

Attachment 1: CHES replacement assurance plan on a page



ATTACHMENT 1: CHES replacement assurance plan on a page



Review timings are indicative and are based on the current project schedule and in consideration of important project milestones. There may be some adjustments to timings based on any movements in the project schedule



Committee	Business Committee
Meeting date	18 September 2024
Agenda title	Independent Assessment of the Assurance Plan for the CHES Replacement Project
Agenda Item No.	5a
Purpose	To advise the Business Committee that EY's independent expert assurance report has been published and for the EY Partner to answer any questions on the report
Prepared by	Michelle Dal Pozzo, Senior Program Manager Assurance - CHES replacement
Action	For noting
Proposed recommendation to Boards of ASX Clear and ASX Settlement (if applicable):	Not applicable

BACKGROUND

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

[30-june-2024-report-asx-independent-assessment-of-chess-replacement-assurance-program.pdf](#)

This is the sixth independent expert report on the assessment of ASX's Assurance Plan for the implementation of the CHES replacement project.

The objective of the June 2024 independent assessment was to evaluate whether the design of the Assurance Plan for the CHES replacement project is "fit for purpose". The independent expert defines "fit for purpose" as the extent to which the coverage, nature, timing, extent and governance of the Assurance Plan is suitable for the size and complexity of the project.

The independent expert report concluded that the Assurance Plan is "fit for purpose". No improvement recommendations were identified.

This report is a continuation of the six monthly independent expert reviews performed over CHES replacement assurance activities, with assessment outcomes reported publicly.

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

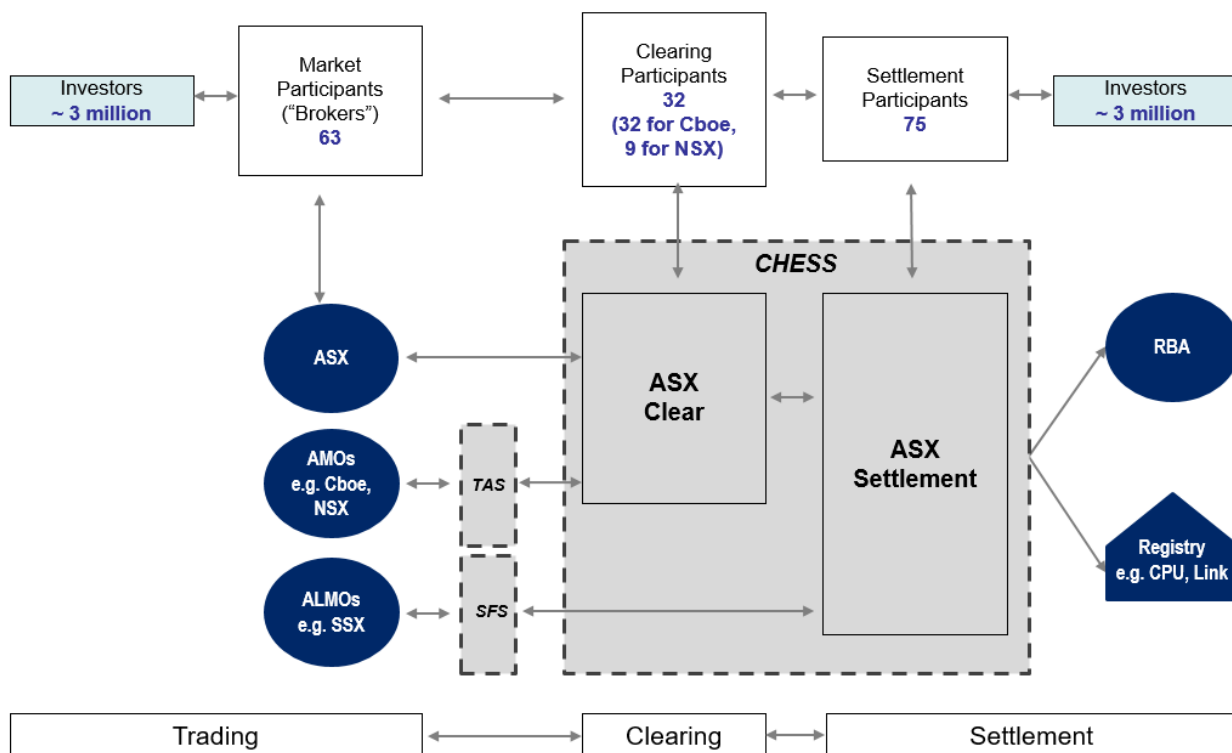


Committee	Business Committee
Meeting date	18 September 2024
Agenda title	Operational Performance - Cash Market Clearing and Settlement Services
Agenda Item No.	5b
Purpose	To report on key performance metrics for ASX's clearing and settlement services
Prepared by	Suzy Munro, General Manager, Securities & Payments Operations
Action	For noting
Proposed recommendation to Boards of ASX Clear and ASX Settlement (if applicable):	Not applicable

OVERVIEW



Market Structure Overview



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

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

SERVICE AVAILABILITY

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

For the September 2024 quarter¹, the average monthly system availability was 100% for CHES. The average monthly availability of CHES has been 100% between August 2014 and August 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).

For the September 2024 quarter¹, the average monthly system availability was 100% for the TAS and SFS. The average monthly availability of the TAS and SFS has been 100% between August 2014 and August 2024.

SETTLEMENT PERFORMANCE

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

For the September 2024 quarter¹, the daily average fail performance has decreased to 0.093% compared to the previous quarter, while maintaining a relatively low average of 0.16% for the previous twelve months, between September 2023 and August 2024.

The daily average fail performance was 0.22% over the 3-year period from September 2021 and August 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.

Month	August	July	June	May	April	March
Average Fail Rate	0.085%	0.102%	0.132%	0.156%	0.130%	0.149%
Maximum Fail Rate	0.170%	0.228%	0.420%	0.752%	0.354%	0.347%
Minimum Fail Rate	0.038%	0.049%	0.048%	0.054%	0.045%	0.056%
Average Value Based Fail Rate	0.028%	0.104%	0.035%	0.068%	0.041%	0.056%
Average Initial Fail Rate	0.015%	0.017%	0.018%	0.019%	0.022%	0.020%
Average Fail Rate (ex unilaterals)	0.062%	0.075%	0.105%	0.121%	0.102%	0.119%
# of days Fail rate > 0.50%	0	0	0	1	0	0
Batch Settlement Extensions	1	2	1	2	0	2
Fall back of Payment Provider	0	1	0	1	1	0

REPORTING ON CLEARING AND SETTLEMENT PERFORMANCE

The key metrics for novation, netting efficiency and settlement efficiency for August 2024 are reported in Attachment A. They are also 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 August 2024

¹ As of 30 August 2024

ATTACHMENT 1– SUMMARY METRICS RELATING TO THE PERFORMANCE OF THE ASX CLEARING AND SETTLEMENT SERVICE

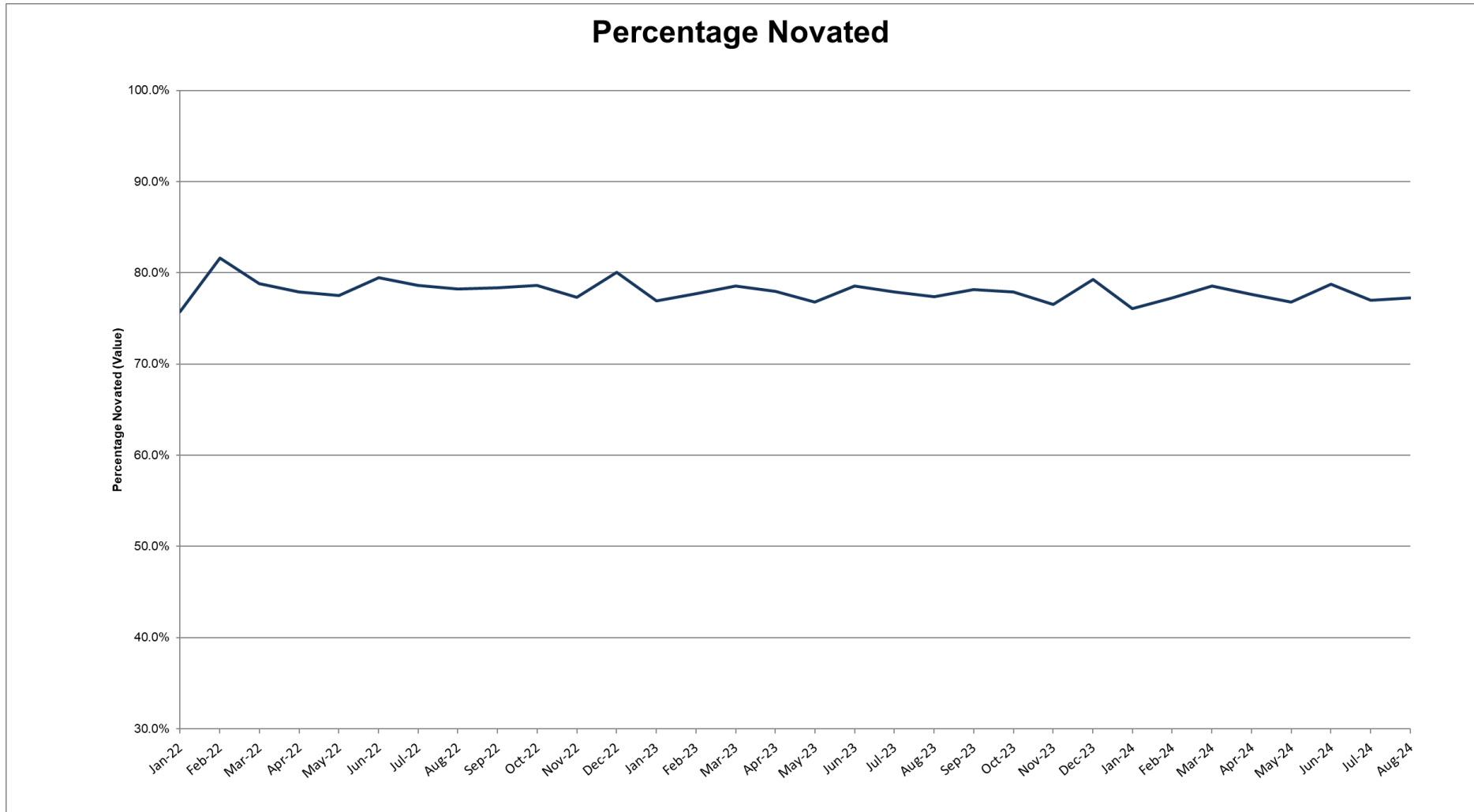
	September 2024 Quarter ¹	June 2024 Quarter	March 2024 Quarter
System Availability (CHES)	100%	100%	100%
System Availability (TAS)	100%	100%	100%
Trade registration			
Total Trades Accepted (ASX)	74,820,635	102,395,388	95,086,739
Total Trades Accepted (Cboe)	26,865,298	35,601,546	34,337,101
Total Trades Accepted (NSX)	104	68	62
Daily Average Trades across all AMOs	2,259,690	2,225,758	2,087,482
Highest Daily Trade Registration across all AMOs	3,077,393	2,724,243	2,690,270
Highest Consecutive 2 Days Trade Registration across all AMOs	6,042,187	5,194,929	5,295,080
Clearing			
Daily Average Traded Value (On and Off Market) *	\$10.66 billion	\$10.82 billion	\$10.41 billion
Daily Average Cleared Value *	\$8.22 billion	\$8.42 billion	\$8.06 billion
Percentage Novated *	77.1%	77.7%	77.2%
Netting Efficiency (Value) *	70.2%	71.3%	70.5%
Netting Efficiency (Volume) *	99.0%	98.9%	98.9%
Daily Average Cleared Value Post-Netting	\$2.44 billion	\$2.41 billion	\$2.35 billion
Settlement			
Total Settlements (SSX)	0	0	0
Total Value of Settlements (SSX)	\$0	\$0	\$0
Batch Settlement			
Daily Average Settled Value (Including Non-Novated)	\$12.88 billion	\$13.82 billion	\$12.69 billion
Settlement Efficiency (Value)	99.93%	99.95%	99.94%

Average Daily CHES Fail Rate (% Rescheduled to the next settlement date)	0.093%	0.140%	0.127%
Average Value Based Fail Rate (% Rescheduled to the next settlement date)	0.066%	0.048%	0.056%

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

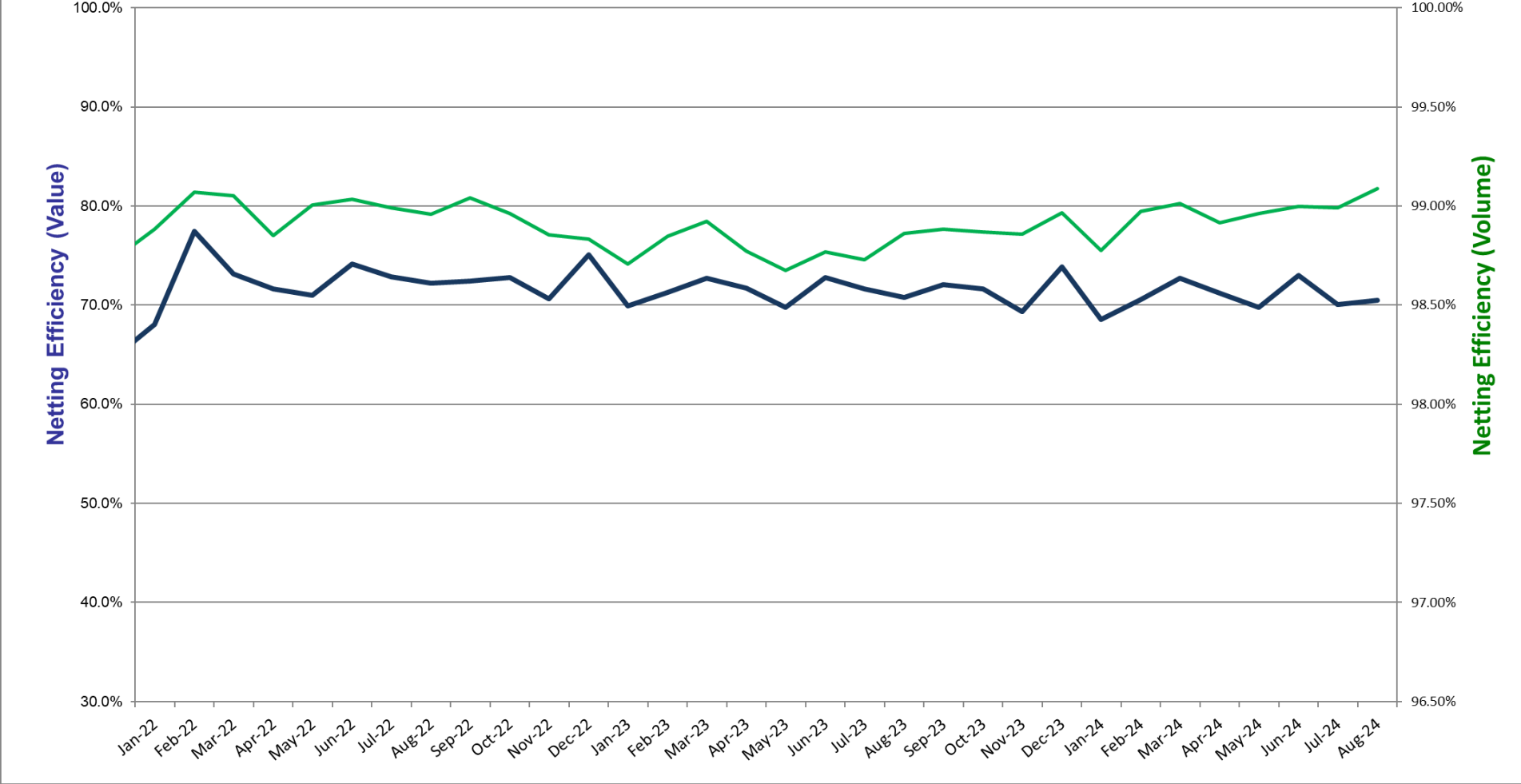
¹ As of 30 August 2024

ATTACHMENT 2 – PERFORMANCE OF THE ASX CLEARING AND SETTLEMENT SERVICES FROM JANUARY 2022 TO AUGUST 2024



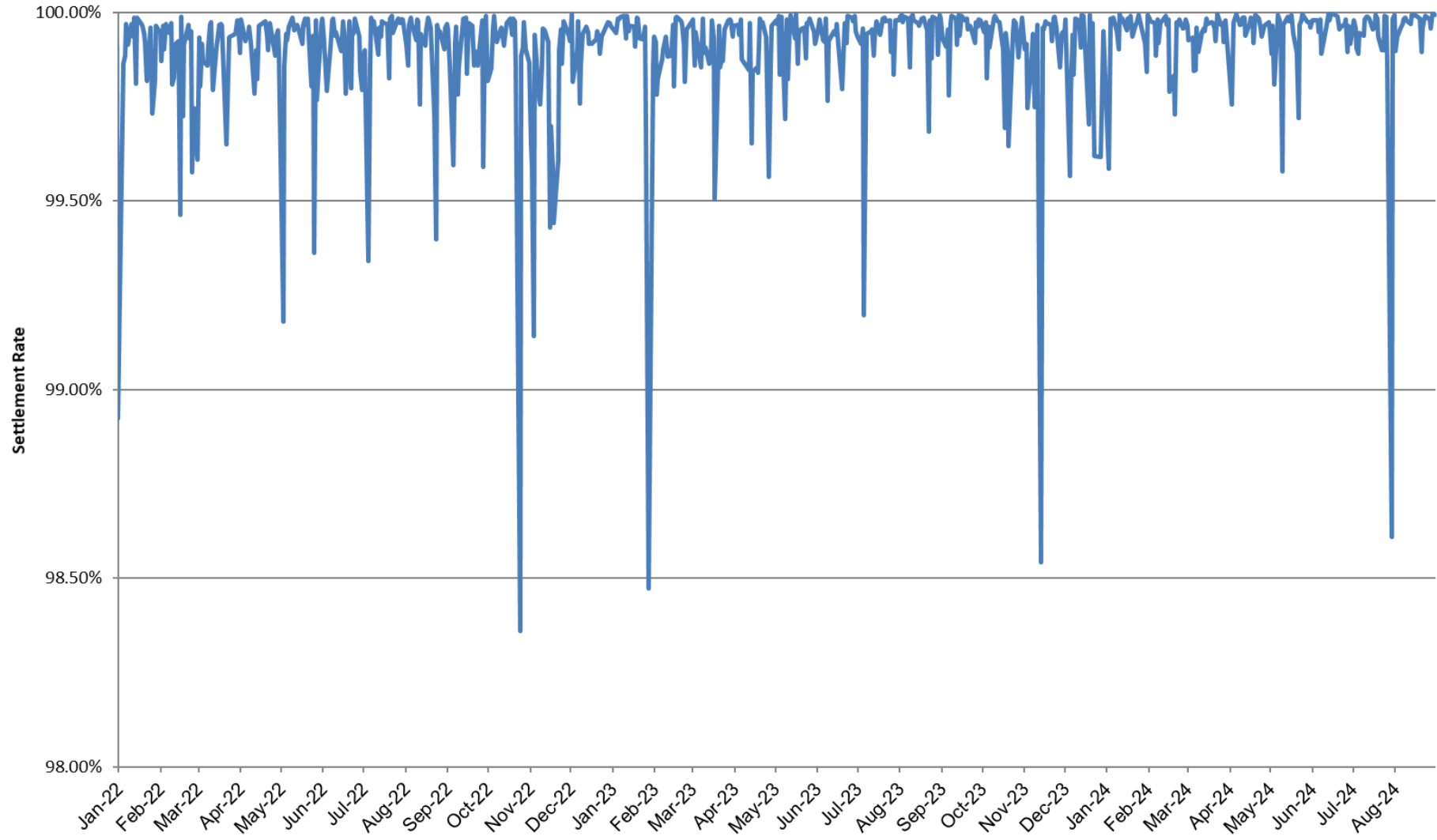
Commencing March 2022 quarter, Traded Volume now includes transactions (for all AMOS) with settlement status "I" (e.g. crossings, informational)

Netting Efficiency (Value and Volume)



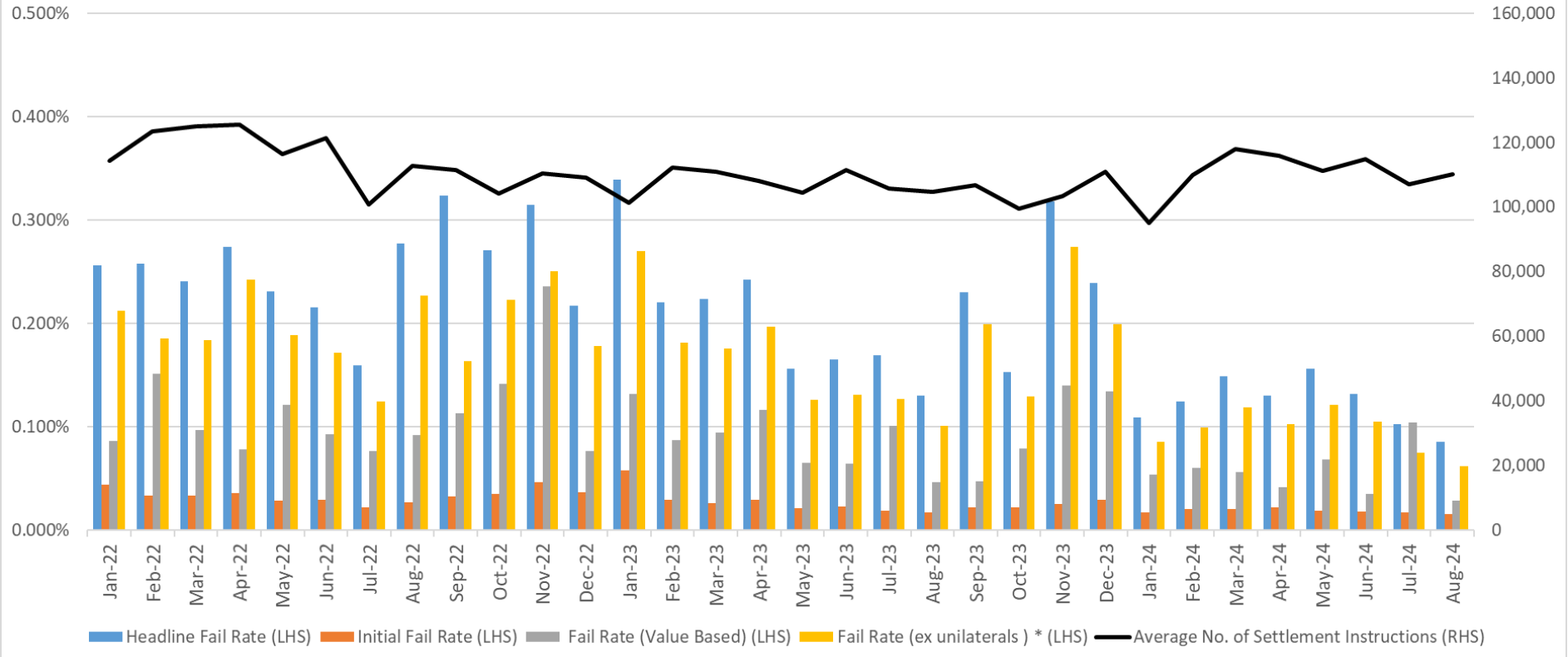
Commencing March 2022 quarter, Traded Volume now includes transactions (for all AMOS) with settlement status "I" (e.g. crossings, informational)

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





Committee	Business Committee
Meeting date	18 September 2024
Agenda title	Maintaining the stability of existing CHES
Agenda Item No.	5c
Purpose	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
Prepared by	Sabra Mott, General Manager, Technology, Securities & Payments
Action	For noting
Proposed recommendation to Boards of ASX Clear and ASX Settlement (if applicable):	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 July 2024 to date:

- 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 May of 2.72M (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.

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”. 25 out of the 34 have been completed as of 07 August 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
Migration of trade signals off CORE	Y (clearing participants)	Completed successfully on 05 August 2024

Members are invited to raise any questions in respect of this paper either before the 18 September 2024 Business Committee meeting or during the Questions Session of that meeting.



Committee	Business Committee
Meeting date	18 September 2024
Agenda title	Annual Report on Cash Equity Clearing and Settlement Service Developments
Agenda Item No.	5d
Purpose	To share the Cash Equity Clearing & Settlement Service Developments Annual Report with the Business Committee
Prepared by	Andrew Jones, General Manager, Equities
Action	For noting
Proposed recommendation to Boards of ASX Clear and ASX Settlement (if applicable):	Not applicable

BACKGROUND

As part of ASX's commitment to customer and stakeholder engagement, under the ASX Cash Equities Clearing and Settlement Code of Practice, ASX has committed to report annually to the Business Committee on the cash equities clearing and settlement service developments and investment projects progressed, and how it has taken into consideration the views of users.

ANNUAL REPORT

The Cash Equity Clearing & Settlement Service Developments Annual Report for the period 1 July 2023 to 30 June 2024 is provided in **Attachment 1**.

Members are invited to raise any questions in respect of the report either before the 18 September 2024 Business Committee meeting or during the Questions Session of that meeting.

ATTACHMENT(S)

Attachment 1: Cash Equity Clearing & Settlement Service Developments Annual Report



Cash Equity Clearing & Settlement Services Developments

Annual Report

September 2024



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Cash Equity Clearing & Settlement Service Developments

Annual Report

September 2024

Executive Summary

This annual report has been prepared to provide an overview of the service developments and investment projects ASX has undertaken during the 12-month period to 30 June 2024 (FY24) for cash equity clearing and settlement services.

Section 1 of this report summarises and outlines current status of the CHES Replacement project and the next phase ahead. **Section 2** of this report summarises investments to core cash equity clearing and settlement services that have been delivered during the period. Planned future enhancements are outlined in **Section 3**.

1. CHES Replacement project

The CHES Replacement project aims to support the market's dynamic nature and respond to its evolving needs for scalability, flexibility, and innovation. After pausing the project in November 2022, ASX assessed a number of solution designs and potential technologies. In November 2023 ASX announced the selection of the BaNCS for Market Infrastructure (BaNCS MI) product delivered by TATA Consultancy Services (TCS) to replace CHES, signifying a move towards a cutting-edge, resilient and secure CS platform.

The project has proposed a staged implementation of the new solution, comprising two major releases. The first stage (Release 1) replaces CHES' clearing components and introduces Financial Information eXchange (FIX) messaging for trade registration for all Approved Market Operators (AMOs). The second stage (Release 2) will enhance settlement and sub register functionality and messaging interfaces for participants, registries and payment providers.

Both Release 1 and Release 2 have been subject to consultation during CY2024.

1.1. CHES Replacement Stakeholder Engagement

The CY2024 period has been focused on engaging with stakeholders to ensure that the proposed approach to the CHES Replacement project has been informed by significant input from the CHES Replacement Technical Committee (TC) and the ASX Business Committee (BC). These committees have played a key role in providing stakeholder input into the initial planning and subsequent public consultations undertaken by the project. The Cash Equities Clearing and Settlement Advisory Group (Advisory Group) has also provided high-level stakeholder input on strategic matters related to the project.

The TC, BC and Advisory Group inputs have been supported by extensive industry engagement through new working groups including the; Business Design Working Group (BDWG), Implementation and Transition Working Group (I&TWG), and the AMO Working Group (AMO WG). These working groups are focused on capturing industry perspectives and input across, the project scope, design and timelines and informing recommendations made to ASX Management and the TC, BC and Advisory Group.

1.2. Consultation Paper on Staged Implementation Approach and Implementation of Release 1 (Clearing)

On 14 March 2024, ASX released the first of two consultation papers seeking feedback on the proposed staged implementation approach to CHES replacement across two main releases and the proposed staged implementation strategy for CHES replacement. It also seeks feedback on the proposed design, scope and schedule for Release 1 and the testing approach for Release 1. The consultation paper is available [here](#), and the media release is available [here](#).

On 28 June 2024, ASX released a response paper summarising feedback received to the 14 March 2024 consultation paper and ASX's response to the feedback. The response paper can be found [here](#).

1.3. Partnership Program Development Incentive Pool

On 17 April 2024, ASX released a consultation paper on the CHES Replacement Partnership Program Development Incentive Pool Future Milestones. The consultation paper outlines ASX's proposed approach to the funding milestones for the CHES Replacement Partnership Program Development Incentive Pool. The consultation paper is available [here](#) and the media release is available [here](#).

ASX plans to release a response to the feedback from the consultation paper in Q4 CY2024 once it has completed its consultation on Release 2 of the CHES Replacement system. ASX considers that the timing of this publication will be able to better address the Consultation Paper feedback and provide further clarity on the Partnership Program's design, milestones and timing.

1.4. Consultation on the Scope and Implementation of CHES Replacement Release 2 (Settlement and Subregister)

On 2 August 2024, ASX released a consultation paper on the scope and implementation of CHES replacement Release 2 (Settlement and Subregister). The consultation paper outlines ASX's proposed plan for Release 2 of the CHES replacement system, seeking feedback on design, scope, schedule, and transition for Release 2, a plan for timing and approach on a potential shift to T+1 settlement cycle, as well as interoperability, testing and industry readiness approaches. The consultation paper is available [here](#), and the media release is available [here](#).

1.5. Looking Forward

ASX will continue its internal build and test activities for Release 1 through 2024 and into 2025 in line with the indicative Release 1 Project Timeline and will update industry on progress through the AMO working group and TC across 2024 and 2025.

In relation to Release 1 industry readiness activities, ASX published the Industry Test Approach for Release 1 in Q3 2024. The Industry Test Approach provides industry with a high-level understanding of the industry connectivity, readiness and testing activities and milestones planned as part of the Release 1 Industry Build and Test phases. The commencement of the Release 1 industry build and test phases are planned for Q3 2024.

ASX is planning to release its indicative Release 2 project timeline as part of its response to the Consultation on the Scope and Implementation of CHES Replacement Release 2 (Settlement and Subregister) in Q4 2024. This forward plan will include the indicative approaches for; design, scope and schedule for Release 2, a shift to the T+1 settlement cycle, interoperability, testing, industry readiness and the Partnership Program.

ASX plans to continue its comprehensive stakeholder engagement and consultation approach through 2024 and into 2025. The TC, BC and Advisory Group will continue to provide important forums to capture strategic, operational and tactical input and perspectives from industry and stakeholders. The existing working group activities (BDWG, I&TWG, AMO WG) will continue and be supported by the addition of the ISO Design Working Group (ISO WG), planned for commencement in October 2024.

2. Other service developments and investment projects

2.1. Current CHES Roadmap Update Report of ASX Clear Pty Limited and ASX Settlement Pty Limited

The CHES Roadmap is the ongoing program of work to support and maintain CHES until the implementation of CHES replacement.

To address the RBA's recommendations, this CHES Roadmap Report outlines the updates to the CHES Roadmap since it was published in April 2023. As at August 2024, following the completion of the annual review process for updating the CHES Roadmap, ASX confirms that:

- CHES remains adequately supported from a financial, technological, and human capital perspective based on current projections of future growth.
- Services provided by CHES continue to operate within key performance indicators, meeting or exceeding all service level objectives.
- The current CHES program of work has completed 24 of the 27 initiatives in the April 2023 CHES Roadmap (including all planned FY23 initiatives).
- The CHES Roadmap has been updated to track and monitor seven new initiatives. 2 of these 7 new initiatives have already been completed in early 2024.
- ASX will continue to undertake independent audit and assurance activities over the progress and completion of Roadmap initiatives.
- ASX will continue to provide appropriate transparency to regulators and market stakeholders through standard communication channels.

On 30 July 2024, ASX released the ASX CHES Public Roadmap Update Report of ASX Clear Pty Limited and ASX Settlement Pty Limited. The report is available [here](#).

The CHES Roadmap continues to evolve as ASX identifies and addresses the risks associated with maintaining the operational reliability of CHES. This report summarises CHES Roadmap initiatives that have been completed in the year since the Special Report, and outlines the revised CHES Roadmap as at August 2024 following the completion of the annual process of updating the CHES Roadmap. The initiatives in the updated CHES Roadmap are categorised under three themes (Continuity, Security, Operations) and include new initiatives that have been identified as a result of the annual process. While the planning horizon for the CHES Roadmap extends to 2032, the initiatives detailed in the roadmap update report are defined across FY24-26 in line with the annual process for updating the Roadmap. ASX's ongoing assessment of existing and any new risks associated with the continued supportability of CHES will continue to inform decisions regarding new initiatives as required over time.

As at August 2024, the CHES Roadmap details 8 initiatives to maintain and upgrade CHES. These initiatives are comprised of five new initiatives and three initiatives from the previous iteration of the CHES Roadmap which remain either inflight or scheduled for delivery. The new initiatives are a result of an assessment of the current CHES risks and existing business processes and are planned for delivery through to the end FY 2026.

ASX will continue to support its customers and provide confidence in the continued performance, resilience, and supportability of the CHES system, including its ability to meet and comply with the FSS.

3. Future planned enhancements and other initiatives

3.1. T+1 Settlement

In December 2023, ASX established the T+1 Working Group, comprised of volunteers from the ASX Business Committee. The purpose of the T+1 Working Group was to carry out focused analysis and to provide insights to the ASX Business Committee on settlement cycle compression. The Working Group is not a decision making forum and will report to the ASX Business Committee on its deliberations.

Initially, the T+1 Working Group had been tasked to consider the case for and against shortening the settlement cycle in the Australian cash equities market and prepare a document for public release) for the purpose of soliciting the views of a broad range of stakeholders. The focus of the Whitepaper was on strategic considerations which should be taken into account in forming a view on whether shortening the settlement cycle promotes the interests of the Australian market as a whole.

On 23 April 2024, ASX published an industry whitepaper following on from the establishment of the T+1 Working Group. Working group members had provided input into this paper. The [paper Considerations for accelerating cash equities settlement in Australia to T+1](#) explores strategic considerations for a potential transition to T+1. Stakeholders were encouraged to provide written feedback by 18 June 2024.

On 2 August 2024, ASX published a [feedback summary document](#) resulting from the publication of the whitepaper on [Considerations for accelerating cash equities settlement in Australia to T+1](#). ASX sought industry feedback on a potential move to T+1 settlement in Australia, and received responses from a broad range of stakeholders. ASX thanks all stakeholders who took the time to provide a response.

ASX engaged the industry through forums, conferences, and one-on-one discussions to address key considerations and gather insights. We used Qualtrics to collect feedback on the whitepaper, receiving 40 responses from a diverse range of stakeholders. In response to contemplating a transition in settlement cycle for cash equities from T+2 to T+1, respondents noted that while promising greater efficiency and alignment with global standards, the move does present challenges and varied perspectives from stakeholders across the industry.

Our objective

ASX's Whitepaper, developed with input from the T+1 working group, endeavoured to gather stakeholder feedback on transitioning Australia to T+1 settlement, focusing on strategic, market-specific factors, and global alignment. Although it did not detail implementation steps, the accompanying CHES Replacement consultation paper 2 integrates industry feedback and ASX analysis to steer the market's direction forward.

Respondent feedback

The whitepaper feedback identifies two primary market sentiments: a preference for Australia to adopt a T+1 settlement cycle to align with global standards, but caution against implementing it simultaneously with replacing CHES due to significant industry effort required. While immediate adoption isn't urgent, balancing the safe rollout of CHES Replacement with global alignment is crucial.

Market responses underscore the prioritisation of the CHES Replacement project in the near term. Successful migration to T+1 hinges on a comprehensive review of the post-trade ecosystem to achieve operational synergies and minimise disruption, necessitating clear direction and implementation timelines for the T+1 solution. Concurrent implementation with CHES Replacement risks straining stakeholders due to costs, resource allocation, and conflicting project priorities, potentially jeopardising the primary focus on CHES Replacement success. Ongoing consultation on solution design, along with meticulous planning, coordination, communication, and stakeholder education, are essential for a smooth transition.

Next Steps

Feedback on Consultation Paper 2, detailing our perspective on potentially transitioning to T+1 settlement, including its implications within the context of the CHESS Replacement project, project timelines, scope, and implementation options, will be accepted until 13th September. ASX will carefully review and analyse industry feedback, aiming to deliver a comprehensive response by 25th November.

This, coupled with continuous engagement with the T+1 Working Group, will enable us to establish a definitive position and path forward regarding T+1 settlement.



Committee	Business Committee
Meeting date	18 September 2024
Agenda title	Australian Carbon Exchange initiative - update
Agenda Item No.	5e
Purpose	To provide members with an update on the Australian Carbon Exchange initiative
Prepared by	Karen Webb, Head of Issuer Services, Securities & Payments
Action	For noting
Proposed recommendation to Boards of ASX Clear and ASX Settlement (if applicable):	N/A

ASX and the Clean Energy Regulator (CER) are continuing to work on developing an effective model for the carbon exchange, including trading, clearing and settlement and to resolve some particular challenges, including fungibility of the products to be available for trading.

The CER is continuing its work to draft and finalise a consultation paper, with expected publication Q3-Q4 2024. The ASX team are available to meet with any interested parties to discuss the exchange, noting we have already held a number of meetings with participants.

We expect to increase engagement with key industry stakeholders once the consultation paper is published by CER and note a number of upcoming industry events discussing the Australian carbon market.

ASX ENVIRONMENTAL AND GAS 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). Environmental futures provide customers with the tools to price and manage the risk of Australia's energy transition. More information on Environmental Futures is available on the ASX website here: <https://www.asx.com.au/markets/trade-our-derivatives-market/environmental-futures>

To further extend the portfolio of transitional energy and carbon derivatives, ASX has also launched the **new Wallumbilla Natural Gas Futures contract** in conjunction with the Australian Energy Market Operator (AEMO) to support Australia's east coast gas market by providing a transparent 3 year forward price curve. More information is available on the ASX website here: <https://www.asx.com.au/markets/trade-our-derivatives-market/overview/energy-derivatives/gas>.

The new contracts are complimentary to existing Electricity Futures and Victorian Gas Futures available for trade on the ASX24 market.

Committee	Business Committee
Meeting date	18 September 2024
Agenda title	CHES Replacement Project – Partnership Program Update
Agenda Item No.	6a
Purpose	To provide Business Committee members with an update on the CHES Replacement Partnership Program
Prepared by	Andrew Jones, General Manager, Equities, Securities & Payments
Action	For noting
Proposed recommendation to Boards of ASX Clear and ASX Settlement (if applicable):	Not applicable

BACKGROUND

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

CURRENT STATUS

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

PARTICIPANT REBATE POOL

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

Key updates:

- To date, ASX has issued rebates to the value of \$14.99¹ million from the \$15 million available
- 55 of 60 entities have accepted the invitation to participate in the Participant Rebate Pool
- ASX expects to finalise any remaining payments in the next few months, which would complete its distribution of the Participant Rebate Pool to eligible participants of the Partnership Program (**Program Participants**).

DEVELOPMENT INCENTIVE POOL

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

Key updates:

- To date, ASX has paid \$17.5 million² from the \$20 million allocation set aside for the initial payment

¹ Includes all payments made up to August 2024.

² Includes all payments made up to August 2024.

-
- 22 of 23 eligible entities have accepted the invitation to participate in the Development Incentive Pool.

CONSULTATION ON THE PROPOSED FUTURE DEVELOPMENT INCENTIVE POOL MILESTONES

On 17 April 2024, ASX released a [consultation paper](#) on the future milestones of the Development Incentive Pool component of the Partnership Program. Feedback on this consultation closed on 15 May 2024. ASX received 11 written submissions, nine of which were confidential.

As stated in the consultation paper, the proposed milestone structure and allocation of funds are designed to support eligible participants of the Partnership Program ('Program Participants') to undertake the requisite technological and associated development activities to successfully interface with Release 2 of the CHES replacement system.

An important theme of the feedback to this consultation paper was that respondents felt that further information was required from ASX, including details on:

- the final size of, and number of Program Participants in, the Development Incentive Pool
- the design, scope and schedule, and associated build for the CHES replacement project (particularly as they relate to Release 2).

Given this feedback, ASX communicated with impacted stakeholders directly in July 2024, to advise that ASX will publish its response to the feedback received on the consultation paper in Q4 2024, once it has completed its consultation on Release 2 of the CHES replacement project.

ASX considers that it will be in a better position at that point to address the feedback and provide further clarity on the partnership program's design, milestones and timing.



Committee	Business Committee
Meeting date	18 September 2024
Agenda title	Open actions
Agenda Item No.	7a
Purpose	To provide responses to open actions and recommend their closure, where applicable
Prepared by	Business Committee Secretariat
Action	For approval
Proposed recommendation to Boards of ASX Clear and ASX Settlement (if applicable):	Not applicable

BACKGROUND

No new actions were raised at the 26 June 2024 meeting. Responses to three action items due in September 2024 are included in the table below.

One action item from the 19 July 2023 Business Committee meeting remains open with an update to be provided in the December 2024 meeting.

The Business Committee is requested to approve the closure of action items 24-3-1 and 24-3-2.



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 (Karen Webb, Hamish Treleaven)	The analysis to identify default fund capital savings is more complex and will be provided at the December 2024 meeting. No update to provide in the September 2024 meeting.
23-12-2	ASX to prepare a roadmap to provide stakeholder impact visibility across the major work streams running in tandem (such as current CHESSE initiatives, CHESSE Replacement, and T+1).	Sep 2024	Open	ASX (Andrew Jones)	The ASX Customer Impact Plan will be provided as part of agenda item 3d.
24-3-1	ASX to provide semi-annual updates regarding electronic statements take-up	Sep 2024	Open	ASX	An update on eStatements will be provided as part of agenda item 3b.
24-3-2	Holding statements – to consider establishing a working group to review impediments to, and incentivising take up of, holding statements and other investor updates in electronic form	Sep 2024	Open	ASX	The first meeting of the Holding Statements Working Group was convened on Wednesday, 28 August 2024. An update on Holding Statements will be provided as part of agenda item 3b.

KEEP IN VIEW ITEMS

Topic	Action	Due date	Status	Owner
eStatements and Holding Statements	ASX 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	September 2024	Open	ASX
Australian Carbon Initiative	ASX provide an update at each Business Committee meeting on the Australian Carbon Initiative.	September 2024	Open	ASX

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



Committee	Business Committee
Meeting date	18 September 2024
Agenda title	Forward work program
Agenda Item No.	7b
Purpose	To update the Business Committee on the forward work program for 2024
Prepared by	Business Committee Secretariat
Action	For noting
Proposed recommendation to Boards of ASX Clear and ASX Settlement (if applicable):	Not applicable

BACKGROUND

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

The fourth and last Business Committee meeting for 2024 is scheduled on 11 December 2024. Other than the standard items (minutes of previous meeting etc.) and subject to input from members on additional items or items to be removed, the forward work program for 2024 Business Committee meetings is expected to be:

Date	Topics
11 December 2024 4.00-6.00pm	<ul style="list-style-type: none">• Current CHES - service performance, maintaining stability• T+1 settlement• CHES Replacement including Technical Committee updates• Release 2 Consultation Response themes• Forward work program for 2025• End of year drinks

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.

Note that the 11 December 2024 Business Committee meeting will be followed by the traditional end of year drinks to thank members for their participation throughout 2024.