

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

18 September 2024

At its September meeting, the Business Committee was updated on:

- The Advisory Group meeting on 28 August 2024 and the review of the Advisory Group membership.
- T+1 Settlement including:
 - Global developments and the increased operational impacts on global organisations that have already moved to T+1 settlement.
 - The four options for moving to T+1 settlement presented in the Consultation Paper for Release 2 and ASX's proposed option.
- The key themes of the Pricing Policy Consultation Paper that was published on 16 September 2024.
- The status of e-Statements take-up and the outcomes from the first two Statements Working Group meetings.
- The Customer Impact Plan and other key ASX projects that are market facing.
- The Business Committee Membership Policy.
- Proposed rule amendments for CHES batch settlement delay scenario.
- The CHES Replacement Project including:
 - Progress on the deliverables of Release 1.
 - Progress of the Proof of Technology tests and project risks.
 - Indicative views from the current submissions to the Consultation Paper for Release 2.
- Service performance of CHES for the September 2024 quarter and work performed to maintain the stability of existing CHES.
- Updates on the Australian Carbon Exchange initiative.

AGREED ACTIONS

Two of the four open actions were closed:

1. ASX to provide semi-annual updates regarding electronic statements take-up.
2. To consider establishing a working group to review impediments to, and incentivising take up of, holding statements and other investor updates in electronic form.

There were no new actions raised at the Meeting.

Minutes from the meeting are attached.

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	Page
a. Welcome, apologies and Acknowledgement of Country	Noting	Chair	5 mins	
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		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	Andrew Jones	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
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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	Andrew Jones		64
e. Australian Carbon Exchange initiative – update	Noting	Karen Webb		72

6. CHES replacement project

a. Partnership Program	Noting	Andrew Jones		73
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7. Meeting closing	Action	Presenter(s)	5 mins	Page
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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		

Action Items

Item number#	Action	Due date	Status	Owner
23-7-2	ASX to continue their analysis to articulate benefits of moving to T+1 settlement, including margin and capital savings analysis	Dec 2024	Open	ASX
23-12-2	ASX to prepare a roadmap to provide stakeholder impact visibility across the major work streams running in tandem (such as current CHES initiatives, CHES Replacement and T+1)	Sep 2024	Open	ASX
24-3-1	ASX to provide semi-annual updates regarding electronic statements ('eStatements') take-up	Sep 2024	Closed	ASX
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	Closed	ASX
23-10-4	ASX to explore additional ways to encourage take-up of eStatements	Mar 2024	Closed	ASX
23-10-5	ASX to collate findings from previous 3 regulatory expectations audits (FY23, FY22 and FY21) to provide visibility over the status of the findings	Mar 2024	Closed	ASX
23-12-1	ASX to consider how the entitlement claim process (related to failed settlements that coincide with corporate actions) could be improved and what additional role (if any) ASX may be able to perform in facilitating the claim process	Mar 2024	Closed	ASX
23-12-3	ASX to determine the timing and method of communicating the results of the breakpoint stress testing scheduled for completion end January 2024, as well as a market scenario playbook being developed	Mar 2024	Closed	ASX
24-3-3	ASX to consider whether TCS and Accenture should attend Business Committee meetings to hear from the market directly on relevant topics	Jun 2024	Closed	ASX

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	Lyll 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			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			Tony 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
		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 Adviser, General Counsel and Co Sec	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	
Triona Quinlan	General Manager, Technology Delivery	
Andrew Jones	General Manager, Equities, Securities & Payments	
Lisa Briggs	Senior Manager, Equities, Securities & Payments	
Steven Hannan	Senior Manager, Stakeholder Engagement, Securities & Payments	
Karen Webb	Head of Issuer Services, Securities & Payments	
Resan Ovat	Senior Manager, Issuer Services, Securities & Payments	

Invited Guests

Name	Job Title	Apologies
Alan Cameron AO	Independent Chair, Cash Equities Clearing and Settlement Advisory Group	

Auditors

Company	Name	Job Title	Apologies
ERNST & YOUNG	Roberto Fitzgerald	Partner, Financial Services	

ERNST & YOUNG	Laura West	Senior Manager, Business Consulting
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Observers

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	

AGENDA ITEM 1: MEETING OPENING

a) Welcome, apologies and Acknowledgement of Country

The Chair welcomed Members, delegates, ASX management, Ernst & Young and observers to the 18 September 2024 meeting.

It was noted that Craig Semmens had replaced Geoff Reilly as the representative for State One Stockbroking, Christopher Moore was now the representative for ACSA with Lyall Herron replacing him as the representative for Citi, and Felicity Potter had finished her engagement and was no longer representing EY.

The meeting attendance was recorded and is reflected in the tables provided.

An Acknowledgement of Country was made.

b) Minutes of 26 June 2024

The previous minutes from the Business Committee meeting on 26 June 2024 were approved and are now available on the ASX [website](#).

An overview of the agenda was provided, and members were reminded of their obligations under competition law and encouraged to actively participate, noting the purpose of the Committee was for stakeholders to provide input and feedback.

ITEMS FOR PRESENTATION

AGENDA ITEM 2: ADVISORY GROUP UPDATE

The Independent Chair of the Advisory Group provided an update on the Advisory Group and noted that:

- As detailed in the most recent public Advisory Group communique, ASX provided updates on CHES Replacement, T+1 and the Pricing Policy at the Advisory Group meeting on 28 August 2024. The Advisory Group did not provide any formal advice at this meeting.
- The Independent Chair of the Advisory Group is currently undertaking a review of the Advisory Group's membership as required under the terms of the Charter. Discussions will be held with the ASX Clearing and Settlement Boards and the regulators.
- The Independent Chair of the Business Committee will be invited to attend a future Advisory Group meeting to provide an update on the Business Committee.

Member discussion

A member sought information on whether the Advisory Group has received a demonstration of the TCS product. The Independent Chair of the Advisory Group responded that it has not sought nor received a demonstration. The Independent Chair of the Advisory Group will raise this with the Advisory Group members to determine whether a demonstration would still be useful in the context of the TCS decision being regarded as taken.

A member asked if the Advisory Group had opined on whether the current design of CHES Replacement was a suitable long-term solution for the industry. The Independent Chair of the Advisory Group noted that the Advisory Group was convened after decision-making on solution options for CHES Replacement had taken place. The ASX General Manager, Equities, Securities and Payments advised that industry change had always

been a significant focus and that the current model operates effectively based on the assessed metrics, and invited the member to further discussions via a bilateral.

A member queried whether the Business Committee could be added to the distribution list or be provided with the Advisory Group communiques ahead of each quarterly Business Committee meeting. The Chair of the Business Committee confirmed that the Advisory Group communiques can be distributed ahead of each meeting, where available.

AGENDA ITEM 3: CLEARING AND SETTLEMENT SERVICES, ISSUER SERVICES

a) T+1 Update

The ASX Senior Manager, Equities, Securities and Payments, provided an update on global developments regarding T+1, highlighting the key topics discussed:

- UK's Accelerated Settlement Taskforce has recommended a two-phased approach for shortening the settlement cycle, beginning with operational changes in 2025 and a full transition at the end of 2027.
- ESMA is preparing a cost benefit analysis and detailed plan of how transitioning to T+1 could be achieved in the EU. A report is expected to be submitted to the European Parliament in January 2025. AMF and Banque de France also released a joint paper proposing a two-phased approach for the EU move to T+1 settlement.
- Discussions are occurring in major Asian markets exploring a coordinated Asia-wide move to T+1.
- Post the US transition, ASX is continuing to review publications and documentation to seek understanding of the key themes, post-transition impacts and lessons learnt.

The ASX General Manager, Equities, Securities and Payments provided a general update on T+1 which outlined:

- The increased operational burden for global organisations to resolve T+1 related issues and the potential benefits of moving to T+1 at a later stage.
- The four options for moving to T+1 outlined in the Consultation Paper for Release 2 and ASX's proposed position to move to T+1 after CHES Replacement Release 2.
- The feedback received via industry engagement on T+1, which broadly supported the ASX position.

Member discussion

A member queried whether the UK and EU's two phased approach could be considered in Australia without delaying the current proposed CHES Replacement timeframes. The ASX General Manager, Equities, Securities and Payments noted that the UK and EU's implementation approach could be considered and will be monitored closely.

A member noted that dematerialisation was on the UK policy agenda and queried whether this should hold a higher priority than speeding up the settlement process. The ASX General Manager, Equities, Securities and Payments noted that dematerialisation could enable a reduced settlement fail rate and may provide for a better system for some securities.

b) Electronic statements take-up update

The ASX Head of Issuer Services, Securities and Payments provided an update on eStatements, highlighting the key topics discussed:

- The statistics of eStatements compared to the last meeting, which showed an increase to approximately 11% of statements being produced electronically.
- The arrangements put in place by industry to onboard new customers into electronic communications.
- Optional pricing for HIN maintenance was introduced in August 2024 to incentivise eStatements take up. Industry communications had been issued on the updated fee schedules and on how to opt in to the alternate fee process, together with bilateral discussions with participants to run through how the alternate pricing model would impact them.

The ASX Head of Issuer Services, Securities and Payments provided an update on the Statements Working Group which included (**action item 24-3-2**):

- The Statements Working Group held two meetings in August and September 2024 and currently consists of 15 members.
- Working Group discussions were held on the ASX electronic statement solution (including the fact that all sensitive information is provided to investors through the portal and not email), the scope and objectives of the Group and key issues impacting investors.
- Future meetings will be held twice a quarter with updates to be provided to the Business Committee on a quarterly basis.
- A key point agreed by working group members is to recognise the service is provided to investors and to continue to protect investor information.

Member discussion

A member provided an observation that the August and September Statement Working Group meetings had been very constructive and that the scope of the Working Group has been broadened in the interests of the industry.

c) Current Chess Roadmap

The ASX General Manager, Equities, Securities and Payments noted that the Current CHES Roadmap was published on the ASX website. EY had performed independent audit and assurance activities to validate that the finalised milestones in the Current CHES Roadmap had been fully completed.

Member discussion

No member feedback was recorded.

d) Customer Impact Plan

The ASX COO provided an update to the ASX Customer Impact Plan which was previously named the ASX Stakeholder Impact Visibility Roadmap. The key updates included (**action item 23-12-2**):

- An initial overview of the draft plan was presented at the 11 March 2024 Business Committee meeting and contained information on the key Clearing and Settlement projects. This has since been updated to include information on other key market facing projects.
- The Plan is not intended to replace any current work performed by individual projects, but to provide visibility on the key changes that will impact the market and relative timing of the changes.
- The updated Plan has been socialised with some industry participants and feedback has been received for consideration. ASX is open to receiving further feedback from industry.
- The Plan is proposed to be updated and republished in line with ASX's quarterly planning process, with any updated information clearly indicated in future iterations.

Member discussion

A member commented that some documentation expected from the Working Groups presented in the Customer Impact Plan had not been provided in a timely manner. The ASX COO noted the member's feedback.

e) Cash Equities Clearing and Settlement Services and Issuer Services Pricing Policy – Consultation

The ASX General Manager, Business Management & Planning, Securities and Payments, provided an update on the Consultation for the Pricing Policy, highlighting the key topics discussed:

- The draft Pricing Policy was published for industry consultation on 16 September 2024 for a period of six weeks, which will include two webinars to provide a more detailed overview.
- The key elements of the draft Pricing Policy which included revenue requirements, the annual review process, stability of pricing, and operation and review.
- The use of the building block method (**BBM**) in the draft Pricing Policy to ensure that ASX recovers no more than the efficient cost and a reasonable return on investment.
- The draft Pricing Policy will be reviewed by an independent expert to validate the methodology and input costs to ensure they're appropriate and responsible.

Member discussion

A member sought clarification on what would trigger ASX to change the underlying fees should variances being identified as part of the annual revenue review process outlined. The ASX General Manager, Business Management & Planning, Securities and Payments advised that a significant over or under recovery of fees will trigger a fee review.

Some members commented that they will need to digest the draft Pricing Policy to understand the broader impacts on their organisations.

A member queried what products and services would be impacted by these proposed changes and whether infrastructure costs were covered. The ASX General Manager, Business Management & Planning, Securities and Payments advised that all products and services that are covered by Clearing and Settlements will be impacted. The ASX General Manager, Business Management & Planning, Securities and Payments clarified that the BBM accounts for an appropriate allocation of shared infrastructure costs in accordance with the ASX Cost and Revenue Allocation Policy.

A member queried whether any modelling had been performed on whether ASX's revenue would increase due to the proposed changes. The ASX General Manager, Business Management & Planning, Securities and Payments advised that modelling had been performed, however, could not yet share that information in this forum. The ASX General Manager, Equities, Securities and Payments noted that these changes represent a fee cap and provides transparency to the industry in response to the commitments ASX has made under the Code of Practice.

f) Business Committee Membership Policy

The ASX Senior Legal Counsel & Senior Manager provided an update that the Business Committee Membership Policy was published on the ASX website. The ASX Senior Legal Counsel & Senior Manager noted that the Membership Policy:

- Reflects a number of the changes that were made to the Business Committee Charter in April 2024.
- Provides a framework for adding, removing or replacing members of the Business Committee, including a review of the Business Committee membership, which is expected to occur in Q4 of 2025.
- Supports transparency of the principles and processes for ASX Clear and ASX Settlement decisions on the constitution of the membership of the Business Committee.

Member discussion

No member feedback was recorded.

g) Proposed amendments to the settlement operating rules

The ASX Senior Legal Counsel & Senior Manager presented the proposed amendments to the settlement operating rules, which relate to the batch settlement process. The ASX Senior Legal Counsel & Senior Manager noted that:

- The RBA had requested ASX Settlement to amend its operating rules to impose obligations relating to the sequencing of settlement of overlapping batch instructions relating to consecutive settlement days.
- This follows a CHES processing issue during batch settlement in November 2020 which delayed the performance of securities transfers by about five hours after payments had occurred (whereas they normally occur contemporaneously).
- These amendments address a scenario where the transfer of securities arising from changes to holding balances recorded in CHES is not able to be achieved on the same day as cash transfers.

- Under the proposed rule amendments, ASX Settlement will be obliged to prevent processing settlement of batch instructions scheduled for settlement on a given day ahead of completion of settlement of the delayed delivery leg on batch instructions from the previous day.
- As is the case for other settlement rules, the obligations under the proposed rule amendments would be subject to contrary actions that may be taken by ASX Settlement using state of emergency powers.
- Business Committee members were invited to circulate the rule amendments to the relevant persons within their organisation and to contact the ASX Senior Legal Counsel and Senior Manager with any questions or comments. Any Business Committee comments or queries would assist ASIC and RBA's consideration of these rule amendments.

Member discussion

A member sought additional information on whether the proposed rule amendments had considered T+1 and queried the length of time of the proposed changes given the issue occurred in 2020. The ASX Senior Legal Counsel & Senior Manager advised that T+1 would not affect the operation of the proposed rule amendments. The ASX Senior Legal Counsel & Senior Manager noted that the proposed rule amendments were an outcome of a long assessment process with the regulator agencies working through analysis on legal certainty of powers where the delivery leg persisted past the normal settlement date.

A member sought information on whether downstream impacts to registries of this scenario had been considered. The ASX Senior Legal Counsel & Senior Manager advised that ASX Settlement was open to further feedback on dealing with specific downstream aspects, and also noted that consideration had been given to alternative actions available in the case of a CHES issue which prevented processing of the delivery leg - namely unwinding payments that had already occurred, but this was not seen to be feasible, with the only reasonable course of action being to perform the delayed delivery leg at the earliest opportunity, as reflected in these proposed rule amendments.

h) Securities Reporting Lending Review

The ASX General Manager, Participants Compliance provided an update on the Securities Reporting Lending review and highlighted:

- There were significant delays in the settlement of Australian equities in 2008, partly caused by a participant's failure to meet its delivery obligations due to its securities lending transactions.
- Financial Stability Standard for Securities Settlement Facilities were amended, and the securities lending disclosure regime was introduced into the ASX Settlement Rules.
- Several participants had indicated the operational complexities and regulatory burden due to these reporting requirements and noted that the information submitted was not used for its intended purpose.
- AFMA has engaged with the RBA and ASX on the challenges the industry faces and relevance of the current securities lending regulatory reporting framework.
- ASX is seeking member interest in joining the Securities Lending Working Group to conduct a deep dive into securities lending reporting, including ongoing relevance of current arrangements and drivers, and any alternative proposal to be put to regulatory agencies.

Member discussion

A member queried whether a Working Group was required given that the general feedback provided has been that there isn't a need to continue with these reporting requirements. The General Manager, Participants Compliance responded that there is a current obligation to collect this data under FSS requirements and there needs to be consideration on how to address the obligations going forward prior to putting a proposal to the regulatory agencies.

A member raised a concern on whether there would be less transparency around stock lending positions. The General Manager, Participants Compliance clarified that there are no proposed changes on short selling reporting at this stage, just the securities lending.

i) TNF Australasia meeting 2025

The ASX General Manager, Equities, Securities and Payments noted that the TNF Australasia meeting will be hosted at ASX on 4 and 5 March 2025 and that ASX is seeking corporate sponsors for the event through the provider, the Network Forum.

Member discussion

No member feedback was recorded.

AGENDA ITEM 4: CHESS REPLACEMENT PROJECT

a) Project Update

The ASX Technology Delivery General Manager provided an overall update of the Project including:

- The Proof of Technology (**PoT**) Cycle 4 testing has completed, successfully processing 15 million trades in 6 hours. This concludes PoT for clearing.
- KPMG has been appointed as the primary assurance provider. Onboarding activities have commenced with KPMG expecting to be onsite by September.
- With regard to Release 1:
 - The Project has deployed the Drop 1 code into the Product Acceptance Testing (**PAT**) environment where testing has commenced. There have been identified issues due to the environment setup, deployment and code defects. These issues have caused delays in the progress of testing and is being monitored very closely.
 - Drop 2 build is continuing and will target the completion of the scope required to facilitate the commencement of the AMO build and test phase in Q1 2025.
- The Project has commenced Release 2 planning and is aiming to publish the plan in November 2024.
- With regard to the key risks of the project:
 - T+1 risk continues to be monitored through Consultation Paper for Release 2.
 - The Project will continue to monitor and mitigate the risks associated with cloud deployment, including through control assurance activities.

- PoT has largely mitigated the risk of scalability of the solution from a clearing perspective. Testing will continue to progress from a fail over and settlement perspective.
- Industry engagement on the Consultation Paper for Release 2 is helping to address the risks which may emerge that lead to revisions in the business case timeline.
- Delay in the delivery of the Data Platform. Whilst the Data Platform is not critical for the AMO build and test phase, it's required for Release 1. Currently awaiting the key milestones of the Data Platform Plan.

Member discussion

No member feedback was recorded.

b) CHES Replacement Public Consultation Update

The ASX General Manager, Equities, Securities and Payments provided an early update on the Consultation Paper for Release 2, highlighting the key topics discussed:

- 25 submissions have been received on the Consultation Paper for Release 2 with 7 extensions granted.
- Key themes identified from the responses were on the Release 2 timeline, T+1 and scope objectives.
- A detailed response to the submissions will be provided in late-November 2024.

Member Discussion

A member sought information on how the industry could respond to Consultation Paper for Release 2 given that there were a number of ongoing design discussions. The ASX General Manager, Equities, Securities and Payments advised that there is already a broad consensus on most of the design documents. The aim is to progress these design documents first and to continue to engage on the remaining through 2025.

The member further queried whether this proposed approach posed additional delivery risk. The ASX General Manager, Equities, Securities and Payments clarified that the design documents that still require further input are significantly complex and are not on a critical path yet. The ASX General Manager, Equities, Securities and Payments noted that there is still adequate time to reach an industry consensus on these items and the proposed approach enables a timely response to most of the design documents.

c) CHES Replacement Assurance Plan

The ASX Assurance Senior Program Manager provided an update on the CHES Replacement Assurance Plan, highlighting the key topics discussed:

- 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 was completed by EY at the end of June 2024. The review 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.

- 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 EY Assurance Partner noted that EY's role in assuring the CHESSE Replacement assurance activities is to understand the current and emerging risks of the project. The EY Assurance Partner outlined that EY will be seeking direct industry feedback on the Project and will offer two windows for input, before and after Christmas.

Member Discussion

A member sought additional information on how EY will ensure that there is sufficient weighting of feedback from the various industry stakeholders. The EY Assurance Partner advised that EY will adopt a sampling approach and ensure that it has adequately engaged with the stakeholders most impacted by the changes.

A member commented that it was pleasing to see that the assurance team was engaging with the industry to seek feedback on the Project.

QUESTIONS SESSION – ITEMS NOT FOR PRESENTATION

AGENDA ITEM 5: CLEARING AND SETTLEMENT SERVICES, ISSUER SERVICES

a) Independent Assessment of the Assurance Plan for the CHESSE Replacement Project

The EY Assurance Partner noted that the sixth independent expert report on the assessment of ASX's Assurance Plan for the implementation of the CHESSE replacement project was published on the ASX website.

Member discussions

No member feedback recorded.

b) Operational Performance – Cash Market Clearing and Settlement Services

The Chair provided an overview on the operational performance of Cash Market Clearing and Settlement Services.

Member discussions

No member feedback recorded.

c) Maintaining the stability of existing CHESSE

The Chair noted that the statistics indicated that it was a reliable, high performing quarter.

Member discussions

No member feedback recorded.

d) Annual Report on Cash Equity Clearing and Settlement

The Chair noted that the Annual Report is quite comprehensive and will be provided to the Regulators.

Member discussions

No member feedback recorded.

e) Australian Carbon Exchange initiative – update

The ASX Head of Issuer Services, Securities and Payments noted the paper and outlined that CER is expected to publish the Consultation Paper mid-October.

Member discussions

No member feedback recorded.

AGENDA ITEM 6: CHESS REPLACEMENT PROJECT

a) Partnership Program update

The Chair noted the Partnership Program update and requested any comments.

Member discussions

A member sought additional information on why 5 organisations had chosen not to participate. The ASX General Manager, Equities, Securities and Payments advised that reasons have been provided, however, this was confidential.

AGENDA ITEM 7: MEETING CLOSE

a) Open actions

The Chair provided a brief update on open actions:

- Item 23-7-2: Analysis of benefits of T+1 will be an ongoing item until December 2024.
- Item 23-12-2: An overview of the Customer Impact Plan was provided in agenda item 3d. There continues to be ongoing refinement to ensure that the Plan was useful for participants.
- Item 24-3-1: An eStatements update was provided in agenda item 3b. This action will be closed.
- Item 24-3-2: The first meeting of the Holding Statements Working Group was convened on Wednesday, 28 August 2024. An update on Holding Statements was provided as part of agenda item 3b. This action will be closed

Member discussions

No member feedback recorded.

b) Forward work program and items to be kept in view

The Chair noted the final Business Committee meeting for 2025 will occur on 11 December 2024. This meeting will provide an update on the Pricing Policy consultation response, the Consultation Paper for Release 2 response, the FY24 management accounts and the standing agenda items.

Member discussions

No member feedback recorded.

c) Any other business

Member discussions

No member feedback recorded.

d) Next meeting – 11 December 2024

The meeting closed at 1:48 PM.

Signed as a correct record of the meeting.



Chair

_____ 12/12/2024

Date