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| Description | Please complete the details below |
|---|-----------------------------------|
| Your Organisation Name | Financial Services Council |
| Do you want your response to be treated as confidential? | No |
| What role does your organisation play in the Australian market? | Other (Please specify) |
| What role does your organisation play in the Australian market? - Other (Please specify) - Text | Industry Body |

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| Question Reference | Case for T+1 (reasons) | Response (free format) | Guidance Notes |
|--------------------|---|--|--|
| Q1 | Would a decision to adopt, or not adopt, T+1 settlement affect the Australian market's international competitiveness as a destination for foreign investment? (refer to section 3.2 of Whitepaper) | | (free text) Topic: Capital Flows |
| Q2 | Would Australia staying on T+2 pose any restrictions on trading volumes for trading participants? (refer to section 3.2 of Whitepaper) | | (free text) Topic: Capital Flows |
| Q3 | Can you quantify the likely impact to your organisation's fail rate of a move to T+1 (for example, based on your organisation's experience in other markets)? (refer to section 3.3.2 of Whitepaper) | | (free text) Topic: Settlement Risk |
| Q4 | What is the scale of investment and technology change required for your organisation to support a move to T+1 settlement, from both a cost and lead time perspective (for those organisations involved in overseas transitions would you estimate Australia to be more/less work than specific overseas markets)? (refer to section 3.4 of Whitepaper) | | (free text) Topic: Operational Risks and Processes |
| Q5 | What technology upgrades would your organisation (and clients) need to do to support T+1? (refer to section 3.4 of Whitepaper) | | (free text) Topic: Operational Risks and Processes |
| Q6 | What market-wide technology or infrastructure adoption would be needed to support a move to T+1? (refer to section 3.4 of Whitepaper) | | (free text) Topic: Operational Risks and Processes |
| Q7 | What could impact your organisation's capacity to move to T+1? (refer to section 3.4 of Whitepaper) | | (free text) Topic: Operational Risks and Processes |
| Q8 | To ensure all investors have time to match instructions, what options/solutions do you consider viable, or necessary, to be in place prior to any transition to T+1, such as trade matching confirmation platforms, system/rule changes etc? (refer to section 3.4.1 of Whitepaper) | | (free text) Topic: Trading Activity and Middle Office Processes |
| Q9 | From the perspective of ETF issuers which scenario best fits the needs of the Australian ETF market? (refer to section 3.4.2 of Whitepaper) | | select the applicable response from the drop down Topic: ETF Management |
| QID17 | Can you tell us why? | ETF issuers agree that Australia should eventually transition to a shorter settlement cycle to lower settlement failure risks and improve market liquidity. However, there mixed views among ETF issues as to which scenario best fits the needs of the Australian ETF Market in the short term. It is important to take into account Australia's operational and technological readiness. Many FSC members are supportive of Australia remaining on T+2 for now and observing how T+1 works in the US, learning any lessons that arise from their experience. Australia should also not rush the transition to T+1 ahead of other large global markets such as Europe. The ASX should prioritise a robust CHES replacement solution because a modern and technologically advanced clearing system will be a key infrastructure to enable shortened settlement cycle. Post successful CHES upgrade, as soon as practically possible, ASX should look to move to T+1 cycle. This will ensure that industry can employ appropriate resources to each program, not over stretch and threaten successful implementation. Once large global financial markets like US, EU, UK, China, India etc move to T+1 cycle, consequentially it will be critical for Australia to keep in sync to ensure smooth flow of global investments. | (free text) as to why you responded as you did for question 9 Topic: ETF Management |

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| Q10 | In the event that Australia adopts T+1, what potential measures need to be considered to alleviate the challenges for ETF issuers? (refer to section 3.4.2 of Whitepaper) | <p>The Australian market is already functionally T+1.5, with matching occurring at 11:30AM. The key challenge for ETF issuers is the limited time to arrange settlement prior to 11:30AM on a T+1 settlement time.</p> <p>With the 11:30AM constraint, creations of ETFs that have underlying exposure to US securities need to be settled on an estimate, and a 'true up' subsequently applied. This is due to the constrained timeframe for calculating the NAV price and the settlement amount for the ETF after the close of the US market in the Australian morning of T+1. This means an increased risk of failed settlement.</p> <p>We have previously submitted that this risk can be mitigated by the ASX if the ASX:</p> <ul style="list-style-type: none"> a) Offered real time matching through the settlement day or b) Provided additional batch settlement points. In addition to the existing 11:30 one, there is another one at 13:30 and another at 16:30. This would significantly reduce the risk of failure. <p>We note that in the US, the T+1 conversion was a multi-year industry collaboration group across buy-side, sell-side, and the broader capital markets ecosystem (vendors, custodians, etc). We recommended that ASX undertake a robust industry consultation lasting at least 12-18 months to agree on various operational flows, milestone timings between trade execution and settlement, including FX funding etc.</p> | (free text) Topic: ETF Management |
| Q11 | In the event that Australia remains on T+2, what potential measures need to be considered to alleviate the challenges for ETF issuers? (refer to section 3.4.2 of Whitepaper) | <p>We reiterate our previous proposal to move the settlement cut off from 11:30AM to later in the day. This would provide ETF administrators with more time to value the ETF, calculate the settlement amounts and settle on a T+1 basis, and serve as a pilot to consider T+1 settlement for the Australian market in the future. It would also reduce the risk of settlement failures.</p> <p>The current 11:30 am CHES settlement cut off means there is a compressed settlement period. Feedback from member ETF issuers is that it is operationally challenging to undertake the required steps to achieve settlement matching by 11:30AM in order to get valuations done in only a few hours after the US market closes or settlement on an estimated valuation. There is a concern that there will be an increased risk of settlement failures for investors (as the market maker will not have the shares to deliver), and increased costs for market makers that ultimately feed through into spreads and total cost of ownership.</p> <p>Therefore, for an Australian listed ETF with exposure to the US market, primary market creation units will need to be settled on a T+1 basis in order to settle the US securities. Issuers may need to consider arranging internal funding facilities in order to have money available to fund the purchase of US stocks prior to receiving the proceeds from the ETF unit application or settling the ETF using an estimate NAV. Both of these options reduce the market efficiency and increase costs that ultimately need to be passed on to end investors by via a management fee or increased spread.</p> <p>Moving the settlement cut off from 11:30am to later in the day would provide Australian ETF issuers and their 3rd party administrators with more time to value the ETF, calculate the settlement amounts and settle on a T+1 basis. It also reduces the risk of settlement failures. For ETF issuers, remaining on T+2 means the need to make portfolio management adjustments to account for non-standard settlement times across jurisdictions.</p> <p>We note that alignment by Australia to T+1 with other markets such as the USA and Canada (also moving to T+1 next year) but before the majority of other markets (including Europe) would mean that settlements on redemptions of ETFs at T+1 would also be constrained with similar settlement mismatch risks and cash management issues as with creations if Australia remains on T+2.</p> | (free text) Topic: ETF Management |
| Q12 | What changes would be required to the securities lending market to facilitate/enable a move to T+1 (e.g. centralised, regulatory changes)? Would the changes need to be in place prior to a move to T+1? (refer to section 3.4.3 of Whitepaper) | | (free text) Topic: Securities Lending |
| Q13 | What are the key changes that would need to be made to the CHES batch settlement process to facilitate T+1 settlement (including potentially moving the batch settlement in RITS to later in the day)? (refer to section 3.4.4 of Whitepaper) | | (free text) Topic: Australian Banking System |
| Q14 | In the broader banking eco-system, what (if any) changes would be required to facilitate post-CHES batch settlement processes? (refer to section 3.4.4 of Whitepaper) | | (free text) Topic: Australian Banking System |
| Q15 | Please provide perspectives from investors (both retail and institutional) regarding demand to move to T+1? (refer to section 3.5.2 of Whitepaper) | | (free text) Topic: Investors Domestic and Global |

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| Q16 | Please provide information on the impacts of a move to T+1 in Australia on global investors (including investors who use intermediaries), and what pre-conditions or tools would need to be in place to support a move to T+1? (refer to section 3.5.2 of Whitepaper) | | (free text) Topic: Investors Domestic and Global |
| Q17 | For investors requiring foreign exchange to fund trades, if Australia moved to T+1 would you be able to fund AUD bank accounts in time for daily settlement, and if not, what changes or solutions would be required to make this viable? (refer to section 3.5.2 of Whitepaper) | | (free text) Topic: Investors Domestic and Global |
| Q18 | Please provide further information on the impacts of a move to T+1 on issuers, including changes that would be required to support issuers in a move to T+1? (refer to section 3.5.3 of Whitepaper) | | (free text) Topic: Issuers / listed companies, corporate actions |
| Q19 | How much lead-time would your organisation (including service providers) require before implementation if a decision was made to move to T+1 in Australia? | | (free text) Topic: Other |
| Q20 | Is there any other feedback or information you would like to share? | | (free text) Topic: Other |