




Business Committee

Presentation materials

26 June 2024



Committee members are reminded to have regard to their obligations under competition law.

In particular, please note that the Competition and Consumer Act prohibits a corporation from engaging with one or more persons in a concerted practice that has the purpose, effect or likely effect of substantially lessening competition.





Draft minutes and
report, 20 March 2024



Member initiated items



T+1 Settlement – Working Group and Whitepaper

Global Updates

North America/Canada

- > Since the last working group, 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 indicate a smooth transition with trade affirmation rates reaching up to 95% and lower-than-expected fail rates, reflecting effective preparation and execution by stakeholders. Regulatory concerns linger over blind affirmations amidst broader discussions on accelerated settlement practices.
- > Margin requirements for clearing participants have decreased by 30-40%, and NSCC Clearing fund requirements have seen a 25% reduction, broadly aligning with forecasts.
- > The majority of organisations dedicated additional staff to manage the T+1 transition, enabling quicker and more effective issue resolution compared to normal operations.
- > 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 firms transition back to normal operations, sustainability concerns may arise due to the significant manual efforts still required to maintain operations, with extended work hours and late-night sessions becoming common.

Submissions Received

Overview

- > December 2023 – T+1 Working Group Established
- > April 2024 – T+1 Whitepaper published
- > June 18 2024 – T+1 Qualtrics Responses received
- > The ASX sought industry feedback on the whitepaper's considerations through Qualtrics, aiming to provide transparent insight into the market's stance on a potential move to T+1 settlement in Australia. The whitepaper was publicly accessible and open for extensive feedback. The responses received were diverse, as outlined below.
- > The ASX extends its gratitude to all who took the time to deliberate and discuss this important topic and provide their responses for consideration.

Submissions Received

High level view

Total Respondents

38
MARKET
RESPONDENTS

*38 individual entity responses were received however some responses cover multiple cohort types and will be counted accordingly in individual cohort view.

Cohort View on T+1



5 Payment Banks



2 Super Investment & Fund Managers



3 Software Providers



1 Approved Market Operators



2 Other



24 Brokers, Clearing & Settlement Participants



2 Securities Lenders



3 Listed Entities & Investment Product (ETF) Issuers



4 Industry Associations

Next steps

Next steps

- > ASX to circulate summary response document to Whitepaper to Business Committee and Working Group members and release it for publication
- > ASX is targeting an end July/early August publication
- > The responses collated will be used to provide an organisational position in the CP2 document published in August



Cash Equities Clearing and Settlement Services and Issuer Services Pricing Policy - Consultation



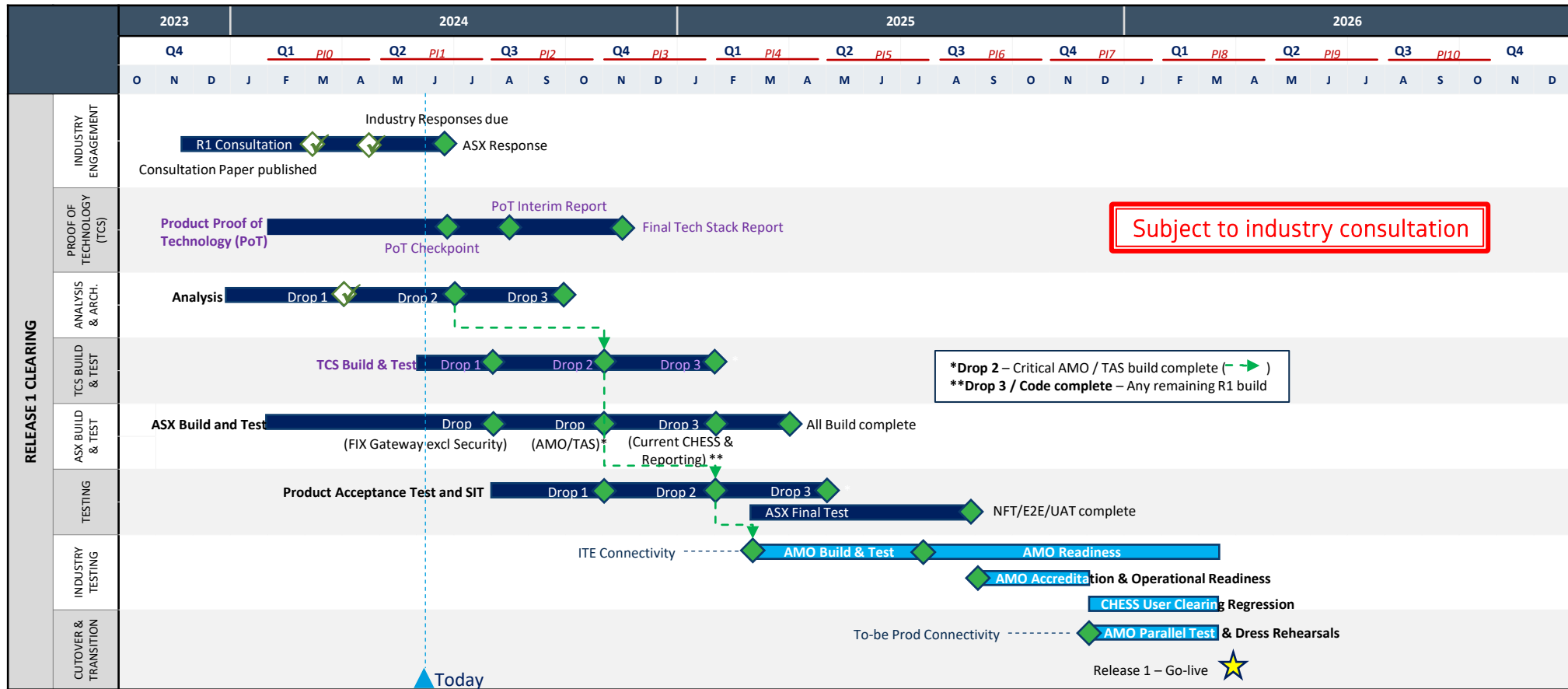
CHES Roadmap Update



CHES Replacement Project update

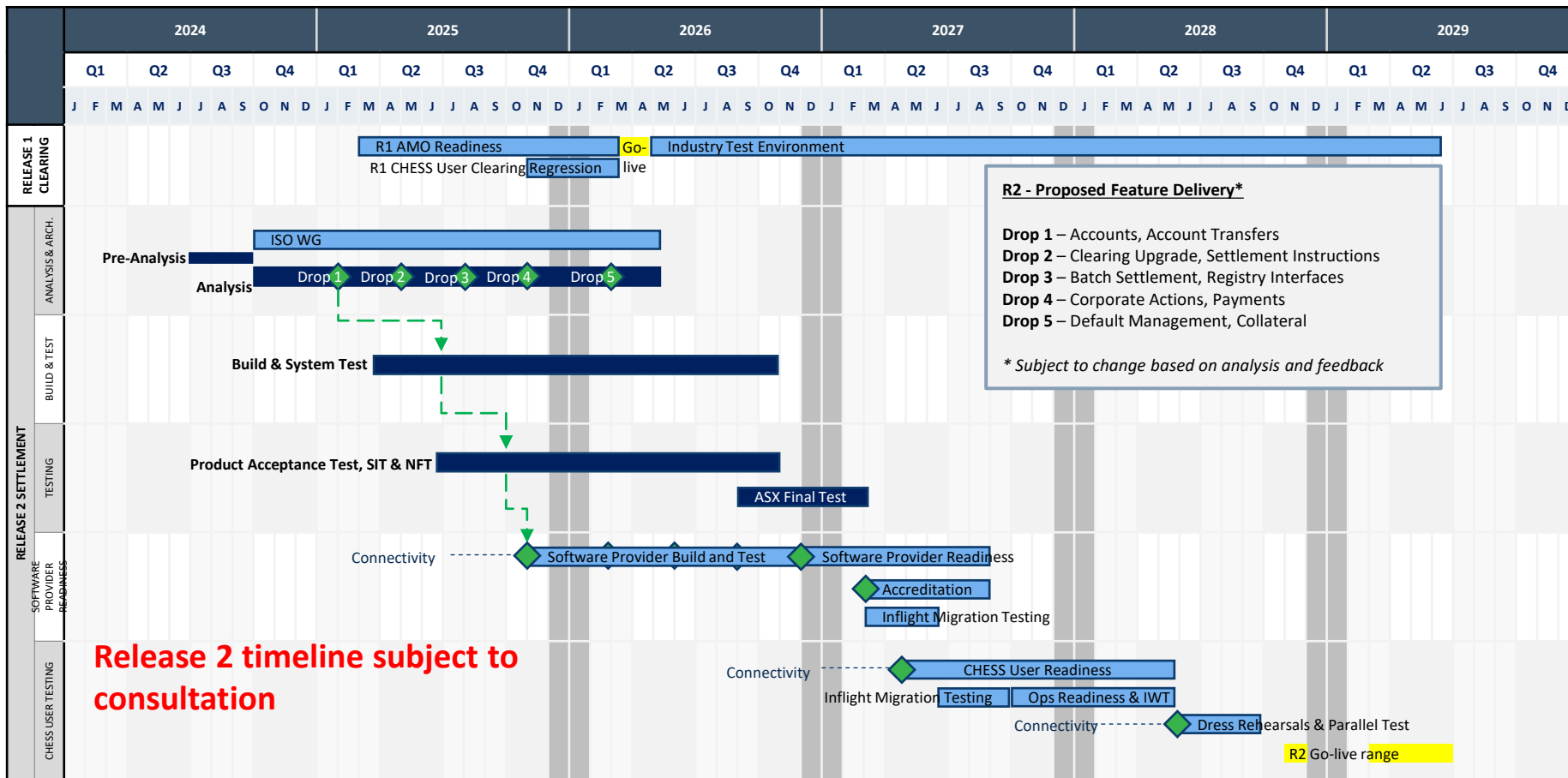
04a – CHESST Replacement Project Update

Attachment 1: Indicative Release 1 timeline



04a – CHES Replacement Project Update

Attachment : 2 Indicative Release 2 Timeline

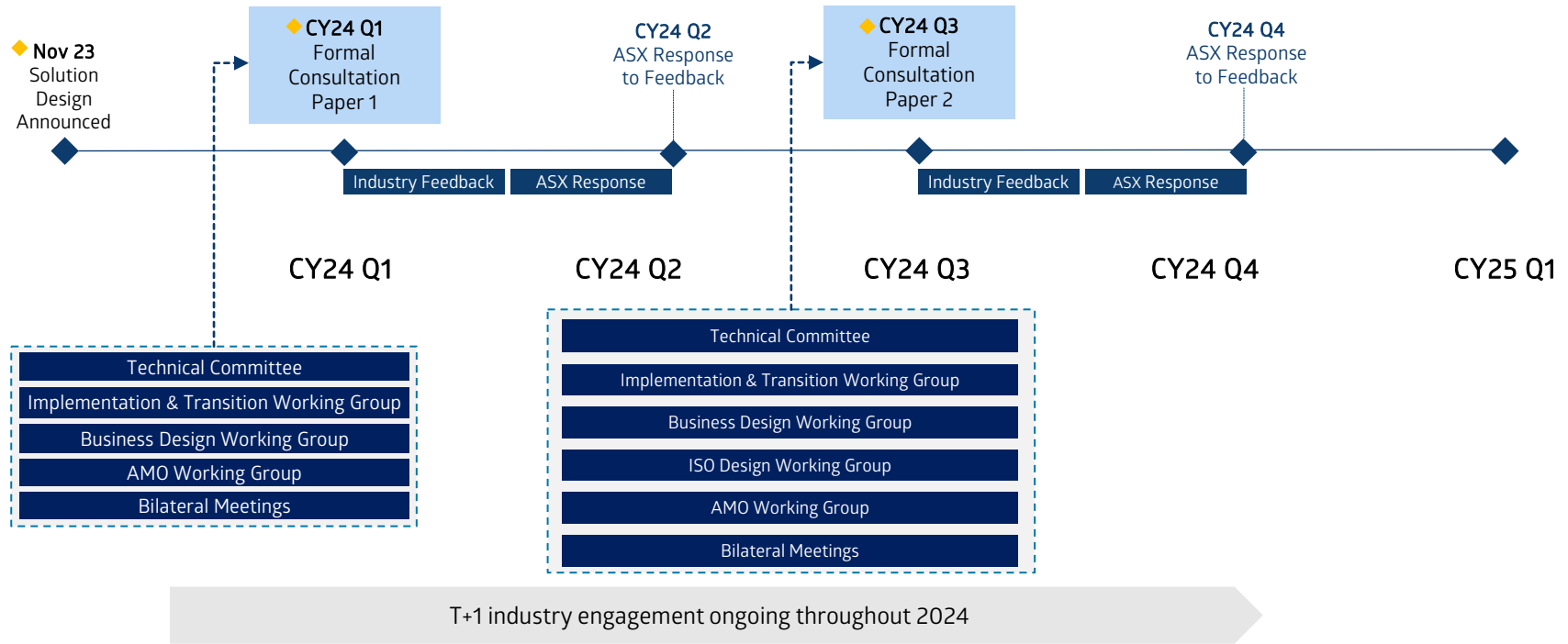




CHES Replacement Public Consultation Update

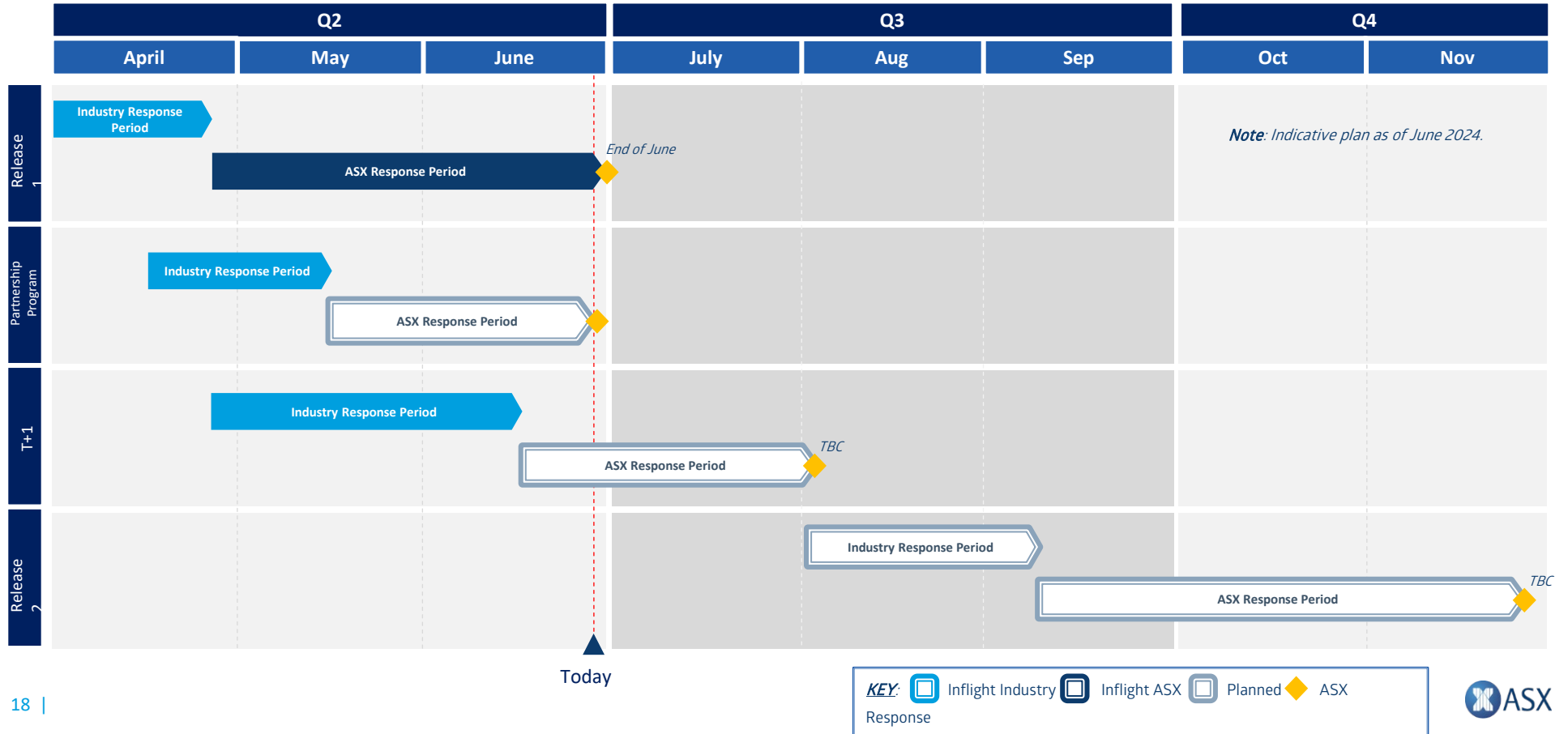
04b – CHESS Replacement public consultation update

Attachment 1 – Public Consultation Approach



04b – Public consultation

Attachment 2: Public Consultation Timeline





CHES Replacement Approach to Interoperability

04c – Interoperability Approach

Attachment 1: CHES Replacement solution design and scenario mapping

How does the CHES Replacement solution design provide foundations for interoperability?

- > A **modular architecture** that has separate components for clearing, settlement, depository and ancillary services (e.g. corporate actions processing);
- > A software solution (TCS BaNCS) that has **demonstrated support for interoperability** in other markets such as Euroclear Finland (as part of T2S) with interoperable clearing, external SSF (T2S) and cross-CSDs settlement (CSD links);
- > **ISO20022 support** meaning business processes are aligned to international best practice and can be common across competing facilities;
- > A solution architecture that can be **enabled to support third party data access** via API;

04c – Interoperability Approach

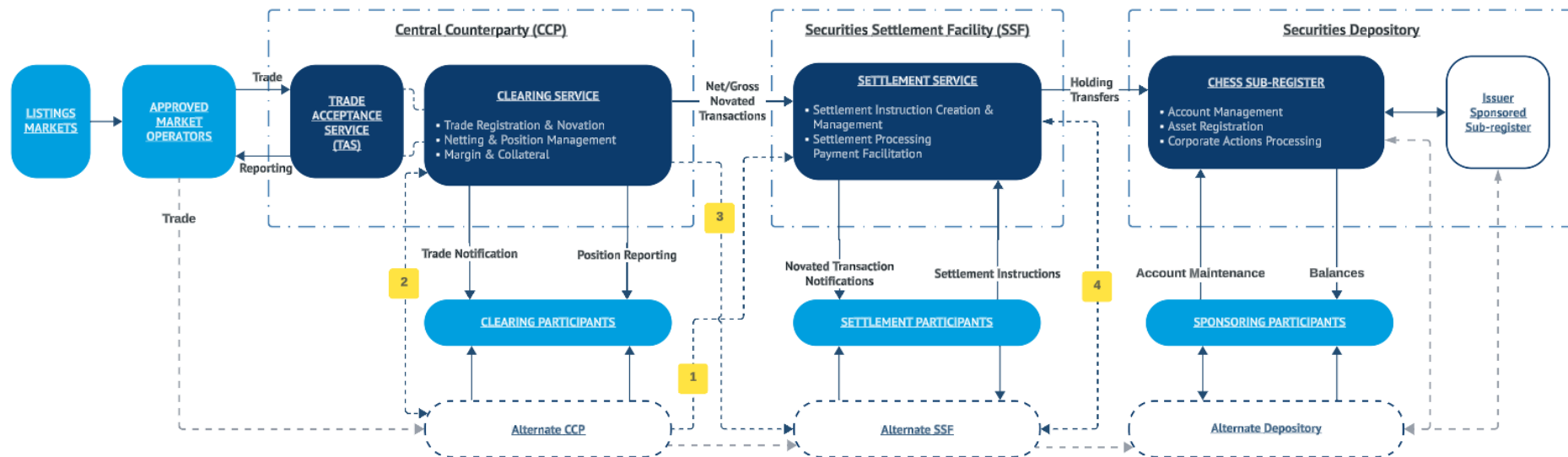
Attachment 1: CHES Replacement solution design and scenario mapping

What will the CHES Replacement project deliver to demonstrate interoperability?

- > **Release 1 will demonstrate the modular architecture** and ability for TCS BaNCS to connect to an external settlement facility (i.e. CHES).
- > **Release 2 will verify the solution** by testing specific scenarios to ensure the technology is enabled for interoperability.
- > Testing is planned to be limited to a separately configured version of the software, performed by ASX. This approach aims to reduce the additional testing risk & complexity in the core replacement project.
- > The **CHES Replacement design will ensure that competing services are considered throughout**:
 - Analysis artefacts and documentation will clearly delineate clearing, settlement and sub-register functions.
 - Clearing participant and settlement participant roles and responsibilities will be functionally segregated.
 - ISO20022 messaging will ensure there is the ability to specify the relevant clearing facility and/or settlement facility in the message.
- > ASX will also consider what rule changes may be necessary to support changes to clearing and settlement functionality and potentially enable any new participation models (e.g. clearing-only participant).

04c – Interoperability Approach

Attachment 1: CHES Replacement solution design and scenario mapping



#	Scenario	Detail	Technical Foundations For
1	Multi-CCP Settlement	Settlement Facility's ability to receive novated positions from multiple CCPs and process these for settlement in a single settlement batch	Preferred Clearing
2	Multi-CCP Clearing	Clearing Facility's ability to register trades and maintain positions against a competing CCP	Interoperable Clearing
3	External-SSF Clearing	Clearing Facility's ability to register trades and accumulate positions for settlement at an external SSF	Competing Settlement Facility (ASX Clear provides clearing)
4	Cross-SSF Settlement	Settlement Facility's ability to support settlement with an external SSF/CSD	Competing Settlement Facility / Cross Border Transactions

04c – Interoperability Approach

Attachment 1: CHES Replacement solution design and scenario mapping

Actions that may be required to enable interoperability after CHES Replacement?

- > **Clear definition of how a competing service plans to interoperate with ASX C&S**, including how customers plan to utilise the competing service;
- > **Clear understanding of what model is to be supported** (e.g. preferred clearing versus interoperable clearing);
- > **Definition of the technical interfaces** between ASX C&S and the competing service;
- > **Development of any additional functionality** required to support industry requirements in relation to the chosen interoperability model;
- > **Industry-wide testing** of interoperability including both ASX C&S and competitor;
- > **Possible rule changes** to facilitate operational arrangements between ASX C&S and the competitor
- > **Operational changes** and/or business structure changes;
- > **Risk management changes**, including changes in relation to the management of margin and/or collateral if required (systems currently outside CHES Replacement project scope);

Making assumptions in relation to the above as part of the replacement project there is a risk that the approach taken will not be compatible with, or increase the barrier, to a competitor entering the market.



Questions Session

Items not for presentation

Business Committee Chair

05 – Questions Session

Items for noting

- > **Agenda item 5a:** Operational Performance: Cash Market Clearing and Settlement
- > **Agenda item 5b:** Maintaining the stability of existing CHES
- > **Agenda item 5c:** eStatements take-up
- > **Agenda item 5d:** Australian Carbon Exchange initiative – update
- > **Agenda item 5e:** ASX Cash Equities Clearing and Settlement Code of Practice update
- > **Agenda item 5f:** ASX Business Committee Charter update
- > **Agenda item 5g:** BC Membership Policy Update
- > **Agenda item 6a:** Partnership Program update

07 – Open Actions

Page 1 of 2

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 a meeting in 2024.
23-10-4	ASX to explore additional ways to encourage take-up of electronic statements.	Mar 2024	Closed	ASX	Addressed in 20 March 2024 Business Committee (Agenda 2d).
23-10-5	ASX to collate findings from previous 3 regulatory expectations audits (FY23, FY22 and FY21) to provide visibility over the status of the findings.	Mar 2024	Closed	ASX	Addressed in 20 March 2024 Business Committee (Agenda 4c)
23-12-1	ASX to consider how the entitlement claim process (related to failed settlements that coincide with corporate actions) could be improved and what additional role (if any) ASX may be able to perform in facilitating the claim process.	Mar 2024	Closed	ASX	Addressed in 20 March 2024 Business Committee
23-12-2	ASX to prepare a roadmap to provide stakeholder impact visibility across the major work streams running in tandem (such as current CHES initiatives, CHES Replacement, and T+1).	Jun 2024	Open	ASX (Andrew Jones)	Noted : Consultation update and roadmap for CHES Replacement and T+1 presented as part of item 4 (a) and 4 (b). Action to remain open, ASX to complete development of ASX stakeholder impact document across all major work streams

07 – Open Actions

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Item number#	Action	Due date	Status	Owner	Response
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	Verbal update to be provided at BC meeting on the results of the CHESStress test (Sabra) followed by Market Management on High Trading Volumes scenario. Market management scenarios/CHESStesting environment playbook – Addressed in 20 March 2024 Business Committee (Agenda 2b)
24-3-1	ASX to provide semi-annual updates regarding electronic statements take-up	Sep 2024	Open	ASX	Noted - ASX provide a consolidated update for eStatements and Holding statements at each Business Committee meeting, alternating each meeting between an item for noting and an item for presentation with further detailed updates
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	Noted - ASX provide a consolidated update for eStatements and Holding statements at each Business Committee meeting, alternating each meeting between an item for noting and an item for presentation with further detailed updates
24-3-3	ASX to consider whether TCS and Accenture should attend Business Committee meetings to hear from the market directly on relevant topics.	June 2024	Open	ASX	TCS and Accenture to remain as observers at the CHESStesting Replacement Technical Committee.

07 – Keep In View items

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



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