T+2 Settlement
Market Implementation Group (MIG)

ASX

Rodd Kingham & Karen Webb

11 December 2014

1. Introductions

ASX

1a) Welcome and Presenters

Rodd Kingham

Senior Manager
Clearing Services

Karen Webb

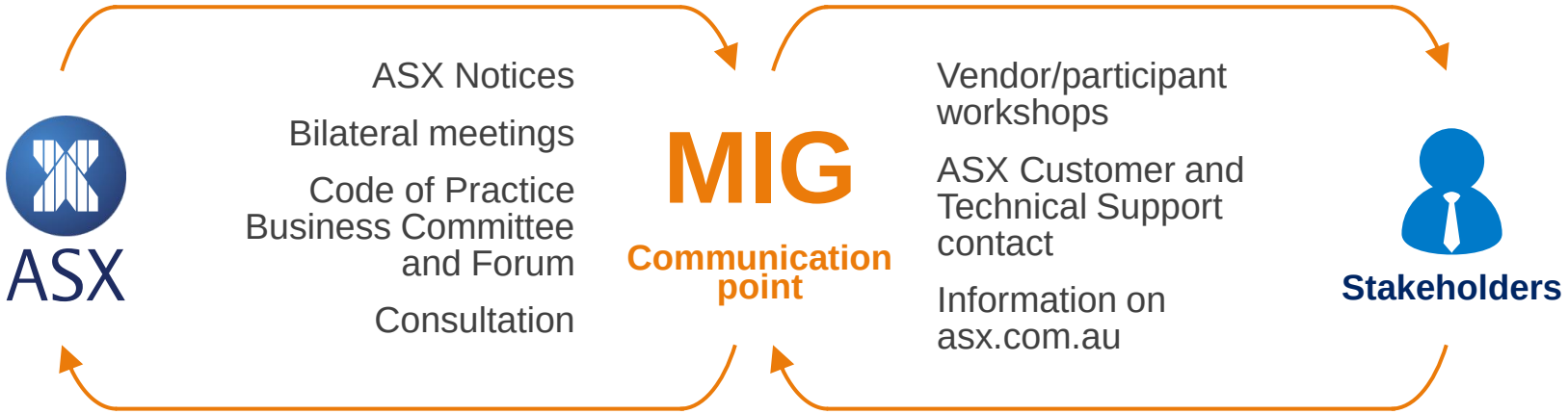
Manager
Settlement Services

Agenda

1. Introductions
   a) Welcome & presenters
   b) Overview of MIG
2. Background
   a) Batch cut-off extension
   b) Scope of changes
3. Project Timeline
   a) Project Roadmap
   b) Proposed go live date
4. Readiness Update
   a) Attestation on readiness
   b) Development of Readiness checklist/feedback
5. Topics of Interest
6. Q&A

1a) Welcome and Presenters

Market Implementation Group



ASX will work with stakeholders, ensuring customer readiness and implementation of T+2 Settlement

1b) Overview of the MIG

Objective

Provide a regular forum to meet with and present to industry stakeholders

Format

Webinar presentation

- Webinar recorded for view at any time – no minutes, actions recorded by ASX

Q&A and polling opportunity

1b) Overview of the MIG

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Attendees

Who should attend?

Open forum

Frequency and notice

Approximately quarterly, aligned with key milestones

ASX Notice of upcoming MIG & registration information – 4 weeks in advance

Standing agenda items

Review actions from last meeting

Project timeline and roadmap

Key Decisions by ASX

Readiness Update

Topics of Interest

Q&A

2. Background

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2a) Background

Strong industry support

Consultation Q1 2014

Benefits:

- **Expected** capital and margin savings
- **Reduced** systemic risk
- **Improved** processing efficiencies
- **Alignment** with global settlement practices

Extension of batch cut-off advocated by majority of participants to:

- **Reduce** potential for settlement failure
- **Accommodate** better operations, clients and custodians
- **Provide** more resolution time for missing/incorrect settlement instructions
- **Provide** more processing time for securities lending on settlement day

Range of views

received on optimum cut-off time ≈ ranging from 11.30am-12.30pm

2a) Equity Settlement Batch Cut-off

Participant Considerations

Additional settlement preparation time
– DvP matching, instruction exception management, stock lending, priming of stock, sub register conversions, obtaining client instructions

Improved time-zone alignment
with Asian and Perth counterparts and operational resources

Country	Sydney Non Daylight Saving Time 10.30am	Sydney Non Daylight Saving Time 11.30am
Perth	8.30am	09.30am
Hong Kong	8.30am	09.30am
Singapore	8.30am	09.30am
New York	8.30pm	09.30pm
London	1.30am	02.30am

2a) Equity Settlement Batch Cut-off

Participant Considerations

Maintain current market
- settlement efficiency

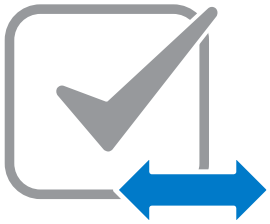
Reduction in time to manage a funding issue

Avoid potential higher costs
- fail fees and securities lending
- allow more time to manage exceptions

Less time to manage post settlement processes - trust, treasury and stock and cash allocation requirements

2a) Equity Settlement Batch Cut-off

Industry endorsed changes to the Batch Settlement Cut-Off times

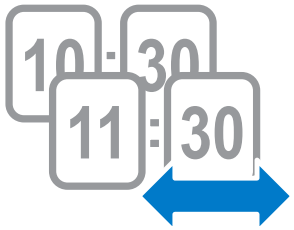


Optimal shared customer and ASX outcome through:

Protecting current settlement efficiency for the market

ASX having sufficient time to manage a potential default

Users of the facility having certainty in the settlement cycle



Extend the CHESS batch cut-off time from 10:30am to 11:30am

Supported by:

Maintaining the CHESS batch cut-off extension option of 30 minutes

Reducing Payment Authorisation Cut-off from 90 minutes to 60 minutes

Retaining the 2:30pm final payment settlement

Changes will take effect from the Q1 2016 T+2 implementation date

2a) Equity Settlement Batch Cut-off

Current vs. Proposed Process

Current process (with batch extension)

10:30am	11:00am	12:00pm	12:30pm	2:30pm
Settlement Cut-Off + Authorisations issued	Extension Cut-Off	ASX Settlement may request credit event Information from Payment Provider	Authorisation Cut-off = 2.0 hours	Authorisation Cut-off Payment Providers

90 min PP Auth window

Proposed process (with batch extension)

11:30am	12:00pm	12:45pm	1:00pm	2:30pm
Settlement Cut-Off + Authorisations issued	Extension Cut-Off	ASX Settlement may request credit event Information from Payment Provider	Authorisation Cut-off = 1.5 hours	Authorisation Cut-off Payment Providers

60 min PP Auth window

2a) Equity Settlement Batch Cut-off

Minimal impact from proposal based on 12 months data:

Average payment approval time:

<14min

Settlement completion time:

Earliest
10:40pm

Average
11:23pm

Latest
1.14pm

Payment providers completed

99.8%

within proposed 60 min authorisation timeframe

4 exceptions:

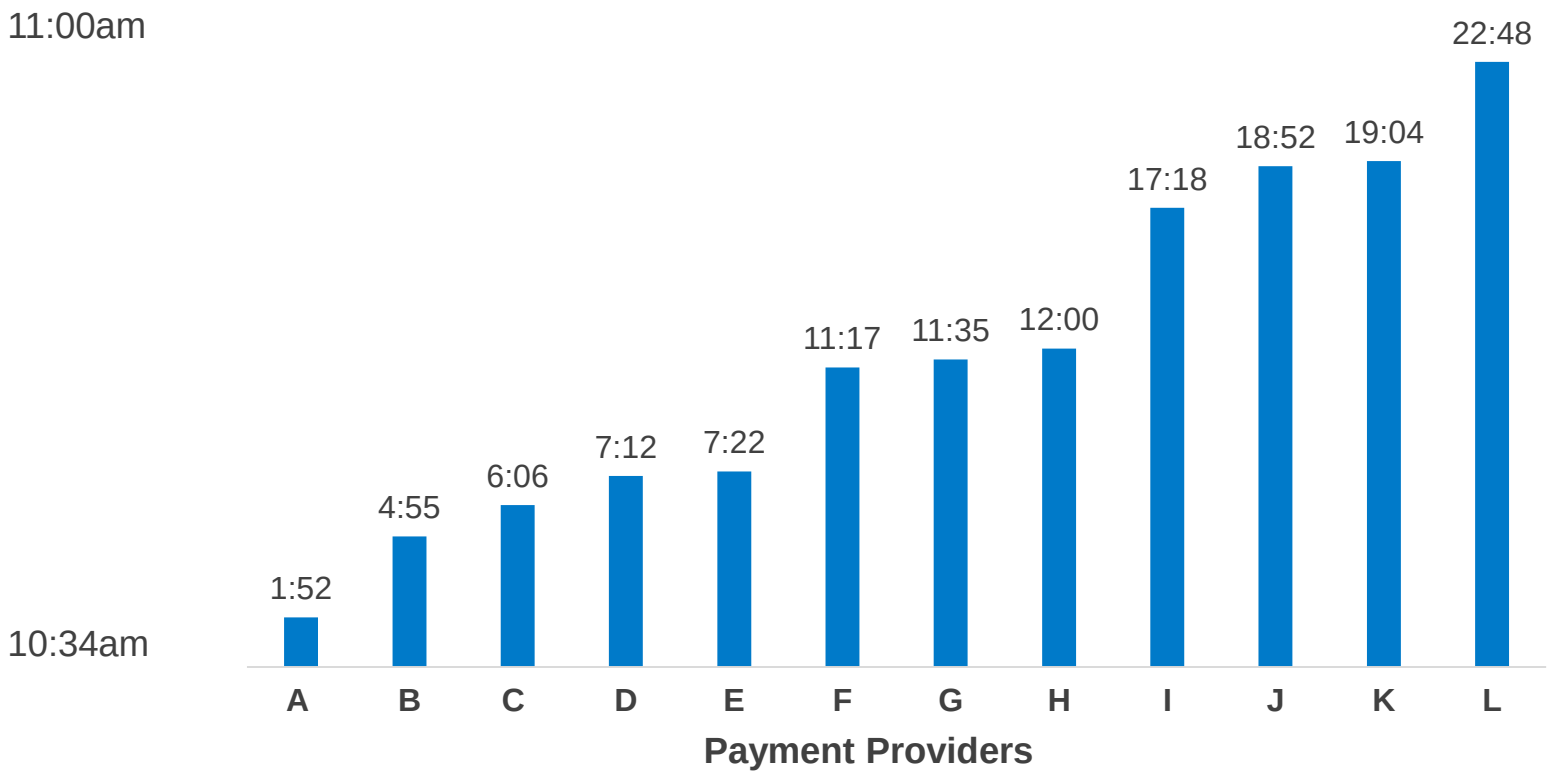
- 2 technical related issues
- 2 client queries on funding

Payment deadline

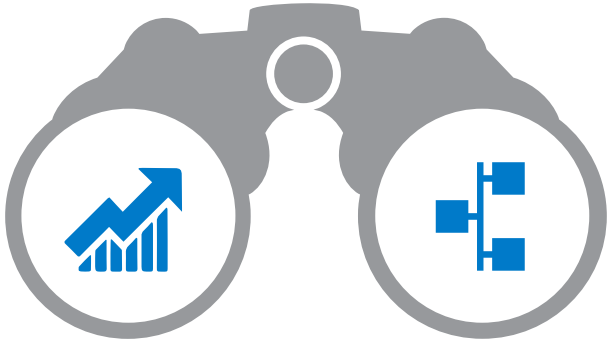
- 2.30pm

2a) Payment Provider Statistics (Sept 13 – Sept 14)

Average time taken to send MT311 in min:sec



2b) Scope of changes



Cash equity markets, includes:

Equity products

Warrants/ structured products

ETFs

ASX systems/ products:

ASX Trade

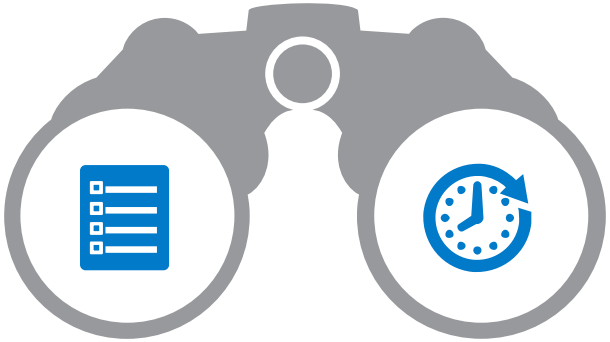
TAS

CHESS

ASX Online (online forms)

Market Data

2b) Scope of changes



ASX Rules and procedures:

Listings

Market

Settlement

Clearing

Corporate action ex period

Shorten the ex period for corporate actions (similar to changes made in April 2014)

Process timing

Netting, cancellations

Failure, automatic close out

Batch – payment deeds

Reporting

3. Project timeline and roadmap

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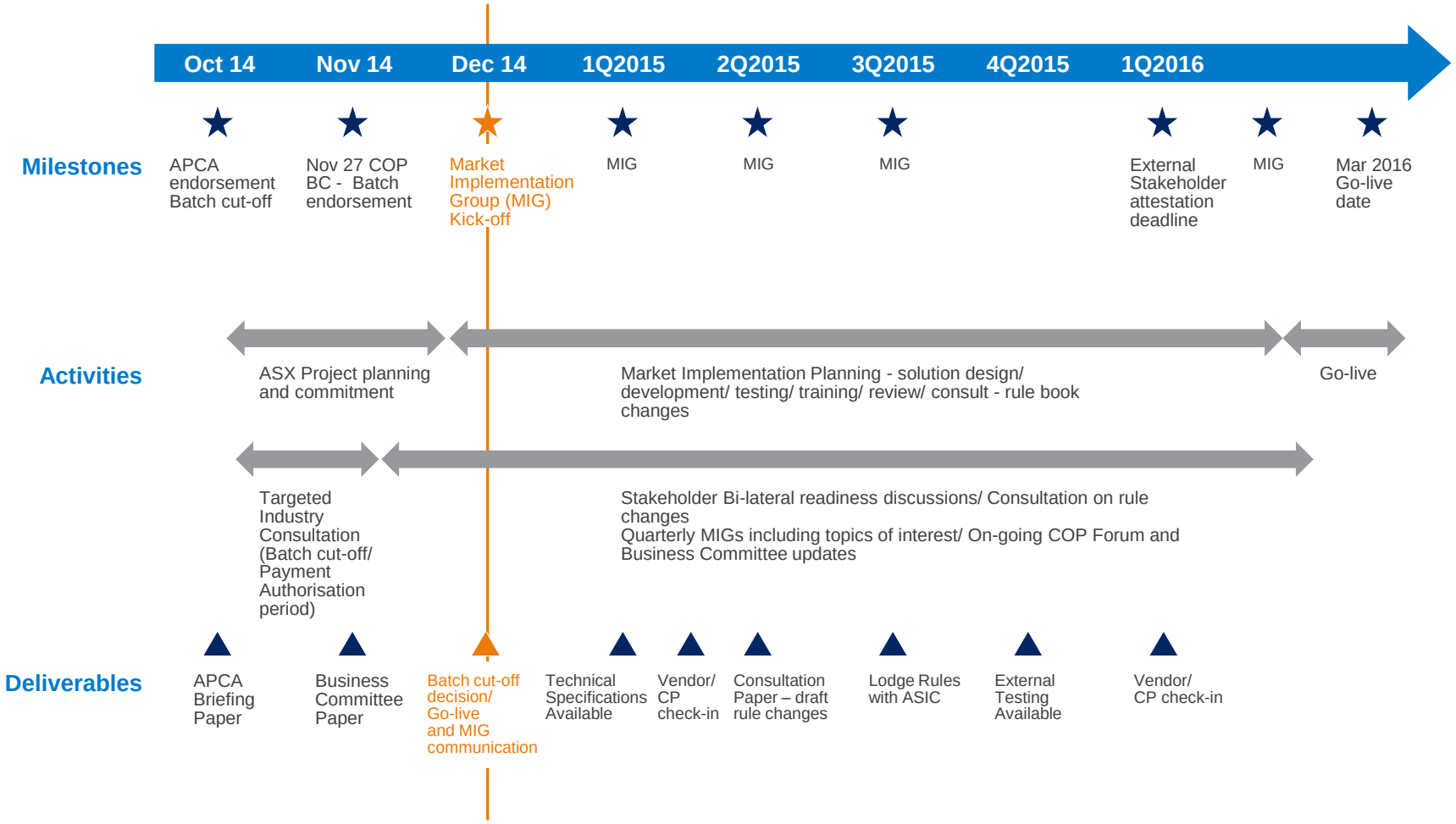
3a) Proposed Stakeholder Roadmap



3b) Proposed go live

March 2016

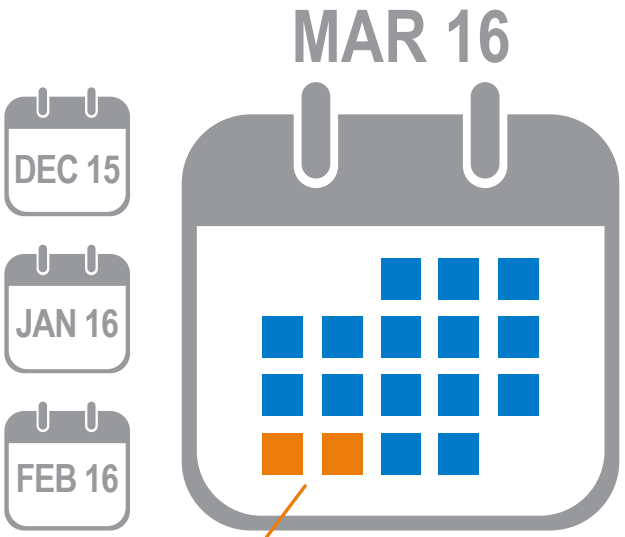
CONSIDERATIONS

Q1 2016
commitment

December/January
change freeze and staff availability over holiday period

February
corporate action reporting period

Easter holiday
period in late March



Exact date to be confirmed

4. Readiness Update

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4a) Attestation on readiness

No CHESS Accreditation for changes

February 2016 -

ASX will seek attestation from all clearing and settlement participants, key stakeholders and vendors regarding operational and technical readiness for T+2 Settlement

Testing and readiness communications to be managed via ASX Customer and Technical Support team

4b) Development of Readiness checklist

ASX proposes to develop a **Readiness checklist & educational material** for stakeholder groups

Questions and considerations around key themes and scope, for example:

Regulation:
Do ASX Market Rule amendments impact you?

Customer readiness:
Does the change impact your customers/members?
Do you have a communication plan for customers about the change?

Operations:
Do the changes impact your operational systems?

ASX is also planning to develop educational material regarding T+2 Settlement implementation – available for internal use and to pass to retail customers

5. Topics of interest

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5) Topics of interest – forward agendas

December 14 (Kick-off)	March 15	June 15	October 15	December 15	February 16
Engagement Plan/ Roadmap/ go live period Batch cut-off endorsement and impacts Attestation on readiness Proposed forward topics and timing Other Markets	**Milestone:** Technical specs for ASX changes including Transition Readiness Checklist **Special Topics:** Update on European experience Debt markets – equivalent changes	**Milestone:** ASX Rule changes – overview/ consultation **Special Topics:** Corporate Actions overview ETF's Matching on T+1 Clearing (margins, calls and collateral management)	**Milestone:** Testing readiness **Special Topics:** Corporate Action testing Fails management Monitoring pre matching Settlement Calendars 2016 NZ market	**Milestone:** Testing progress **Special Topics:** Trade cancellations Common concerns tracked Readiness attestation	**Final Milestones:** Project update Last Readiness Check Go live readiness – including re-cap on transition

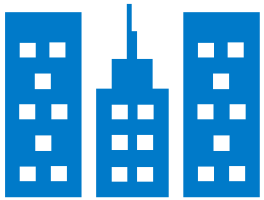
Outside of the standing agenda, the forward agenda for MIGs includes:

Key milestone topics per project plan

Proposed list of topics of interest for presentation at future MIGs

Your feedback re topics, timing via email to T2Settlement@asx.com.au

5) Other Markets



T+2 implemented or planned

Europe

Majority of countries live Oct 2014; final target Q12016

Australia

Cash equities: Q12016

Debt market tba

NZ

Target Q12016

Consultation refer https://www.nzx.com/market-regulation/rules-consultation

Asia

HK, India, Korea, Pakistan, Taiwan live

Singapore – proposed 2016

US

No Target yet

DTCC – refer http://www.ust2.com/

6. Q&A

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6) Q&A

Please use

webinar facility to post questions

We will allow 10min for questions

Thank you

Internationally competitive

Customer driven

Globally connected

World class

ASX