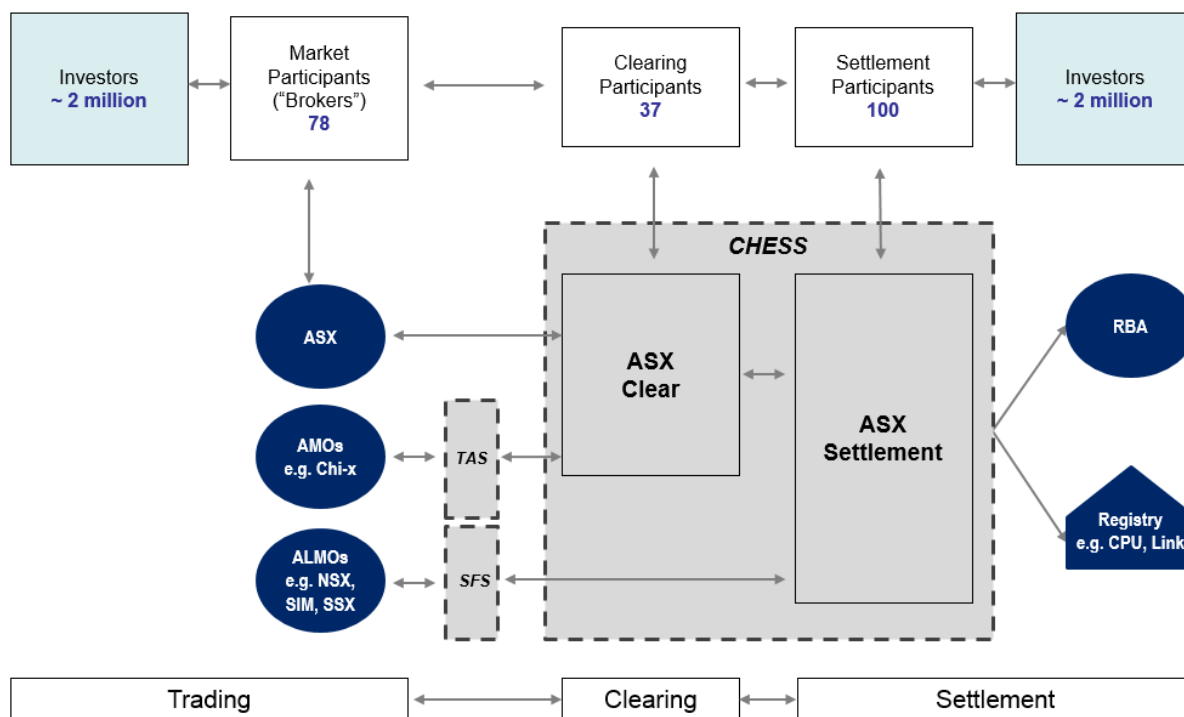


# BUSINESS COMMITTEE MEETING PAPER AGENDA ITEM 2A

Topic	Report on the operational performance of cash market clearing and settlement services
Date of the Meeting	4 May 2017
Purpose of this paper	To report on key performance metrics for ASX's clearing and settlement services.
Action required	To note the agenda paper.

## BACKGROUND

### 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.

### Novation

Through a contractual process known as novation, ASX Clear becomes the seller to every buyer and the buyer to every seller, making it liable for completing all cleared transactions on the relevant market. Novation performs two important functions:

- it replaces the clearing participants' credit exposures to other clearing participants by substituting the clearing house as the central counterparty; and

- it maximises capital efficiency for clearing participants by permitting a single net exposure to be calculated and collateralised between the clearing house and each clearing participant.

Through novation, ASX Clear provides protection to non-defaulting clearing participants (and, indirectly, their clients) from the inability of a defaulting clearing participant to meet its obligations.

A key metric for monitoring novation is the percentage of on and off market trading that is novated.

Trades submitted for clearing and settlement by any market operator are verified prior to registration by ASX Clear. If the verification conditions are not satisfied then trades are rejected. Once a trade is registered it is novated. Novation is deemed to be effective from the matching of bid/offer (on market trades) or recording of the trade (reported trades) for all trade execution venues

## **Netting**

ASX Clear is approved as a 'netting market', and ASX Settlement is an 'approved netting arrangement', for the purposes of the Payment Systems and Netting Act. This gives legal certainty to the netting of settlement obligations. Settlement on a multilateral net basis maximises market efficiency by reducing participant transaction and funding costs.

A key metric for monitoring netting is the percentage by which novated value is netted down for settlement. This metric is termed "netting efficiency".

## **Settlement**

ASX's model for settlement maximises efficiency, while minimising the risk of settlement failure. It does this by simultaneously transferring the legal ownership of shares and facilitating the transfer of money for those shares. This is done through a Model 3 multilateral net batch settlement mechanism with irrevocable settlement finality at the end of the processing cycle. The transfer of money occurs across the Exchange Settlement Accounts of payment providers in the RBA's Information and Transfer System (RITS).

A key metric for monitoring settlement is the percentage of scheduled settlement that successfully settles (i.e. the opposite of the "fail rate"). This metric is termed "settlement efficiency".

## **Service availability**

ASX's critical processes of novation, netting and settlement and are supported in ASX's core system CHES. It is critical for market operations, that CHES remains stable and available for processing. 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 March 2017 quarter, the average monthly system availability was 100% for CHES. The average monthly availability of CHES has been 99.99% between November 2011 and March 2017.

## **Trade Acceptance Service**

ASX Clear and ASX Settlement's Trade Acceptance Service (TAS) provides a mechanism for Chi-X to submit trades into CHES. The CHES system performs the clearing and settlement functions.

The Trade Acceptance Service availability target for TAS is 99.80% (the same as CHES).

For the March 2017 quarter, the average monthly system availability was 100% for the TAS. The average monthly availability of the TAS has been 99.99% between November 2011 and March 2017 (which is the same as CHES).

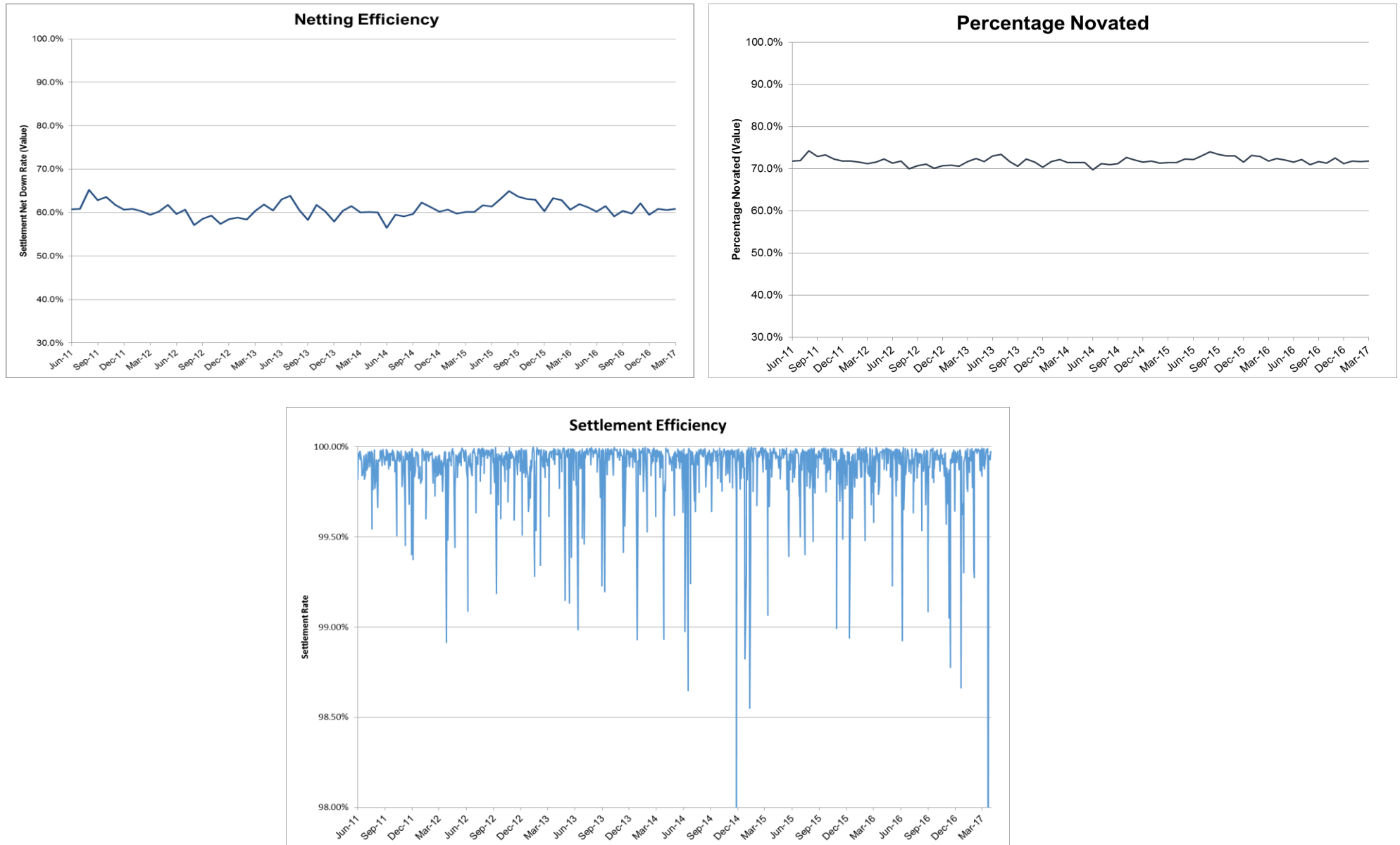
## **REPORTING ON CLEARING AND SETTLEMENT SERVICE PERFORMANCE**

The key metrics noted above on novation, netting efficiency and settlement efficiency for the March 2017 quarter are reported in Attachment A. They are also supported by charts demonstrating a longer reporting period in Attachment B.

**ATTACHMENT A – SUMMARY METRICS RELATING TO THE PERFORMANCE OF ASX'S CLEARING AND SETTLEMENT SERVICES**

	<b>March 2017 Quarter</b>	<b>December 2016 Quarter</b>
<b>System Availability (CHESS)</b>	100%	100%
<b>System Availability (TAS)</b>	100%	100%
<b>Total Trades Accepted (ASX)</b>	68,291,241	66,042,882
<b>Total Trades Rejected (ASX)</b>	4	0
<b>Total Trades Accepted (Chi-X)</b>	23,179,261	21,957,234
<b>Total Trades Rejected (Chi-X)</b>	0	2
<b>Total Settlements (SSX)</b>	9	8
<b>Total Value of Settlements (SSX)</b>	\$0	\$0
<b>Total Settlements (NSX)</b>	573	402
<b>Total Value of Settlements (NSX)</b>	\$2,041,890	\$2,099,543
<b>Daily Average Traded Value (On and Off Market)</b>	\$6.2 billion	\$6.9 billion
<b>Daily Average Cleared Value</b>	\$4.45 billion	\$4.95 billion
<b>Percentage Novated</b>	71.8%	71.7%
<b>Daily Average Cleared Value Post-Netting</b>	\$1.74 billion	\$1.95 billion
<b>Netting Efficiency</b>	60.8%	60.5%
<b>Daily Average Settled Value (Including Non-Novated)</b>	\$9.2 billion	\$9.9 billion
<b>Settlement Efficiency</b>	99.83%	99.84%

## ATTACHMENT B – PERFORMANCE OF ASX'S CLEARING AND SETTLEMENT SERVICES FROM JUNE 2011 TO MARCH 2017



# BUSINESS COMMITTEE MEETING PAPER AGENDA ITEM 3A

<b>Topic</b>	<b>Supplementary Business Requirements Questionnaire - Feedback</b>
<b>Date of the Meeting</b>	4 May 2017
<b>Purpose of this paper</b>	Members will be provided with an overview of the Supplementary Questionnaire feedback
<b>Action required</b>	To note the agenda paper.

---

## Executive Summary

ASX received 12 responses to its CHES Replacement Business Requirements Supplementary Questionnaire of which 9 were marked as confidential. A majority were from Participants, with two from industry associations and one alternate market operator (AMO).

A summary of the questionnaire responses are as follows, many of which were consistent with the findings from the responses to the original CHES Replacement Consultation Paper:

- Near universal identification of the batch settlement process (BIS Model 3 DvP) and the associated protection of CCP novation as key services
- The importance of delivering lower direct and indirect costs, improved efficiencies and reduced operational risk
- The priority placed upon the enhancement of corporate actions, transfers and conversions
- A focus on suggestions and/or business requirements regarding the CHES and Issuer sub-registers
- No negative views expressed, to adopt ISO 20022 as a replacement for proprietary CHES messaging

The following provides further detail of the summary of the views expressed including a number of high quality business requirements. A sample of these are categorised by the related supplementary questionnaire topic and summarised below.

All of the detailed material collected through the supplementary questionnaire has been fed into the working groups where these topics will be worked through in detail.

## High Priority Requested Change Areas

More effective registry maintenance capabilities and reducing or removing paper based processes between the sub-registers were identified as the main priority areas to address. A vast majority of respondents also supported the work ASX has already commenced on the specification of ISO 20022 standard messages.

The following high level business requirement from one respondent captured the majority sentiment for the highest priority desired change.

*"An asset servicing solution which including end to end corporate actions/income event interfacing to a single provider of all announcements (participation eligibility, tax). Electronic lodgement of voluntary elections – eventually extending to voting at company meetings."*

## Account Structures

There were two significantly differing views expressed in regard to the account structures for holding securities.

There was significant support expressed by a majority of non-custody business respondents for retaining the existing legal name on title structure.

In contrast, custody service providers cited a number of efficiencies they felt a move to a custody/depository CSD model could deliver in areas such as corporate action processing (referencing examples of how this works in some European jurisdictions). For example, one respondent stated:

*“CHESS replacement should not offer sponsored HIN solutions but instead should require participants to utilise their own platforms to reach the same level of security for their clients’ assets.”*

Another respondent stated they believed that regulatory requirements should guide the nature of account structures being mindful of the house/client split at both the clearing house and clearing participant levels. ASX notes the RBA has cited concerns in the wake of omnibus failures such as BBY and Lehman’s.

Some respondents noted that a harmonisation of account structures across different product markets might facilitate cross-product margining and collateral management in the future.

### **Market Wide Client Identifiers**

Most responses were neutral to negative on the net benefit that a unique client identifier could offer their businesses.

However, some acknowledged the potential advantages flowing to retail clients from a unique identifier being applied including in areas such as tax compliance/administration. Another respondent noted that issuers and registries may also benefit from an enhanced ability to track ownership changes and a more central ability to update investor personal details.

The main reasons cited as negatives related to the set-up, administration and maintenance costs for participant. Some respondents also noted privacy concerns around the protection of client data.

### **Optimised Settlement Batch**

All respondents felt the current settlement batch process was efficient and should be maintained. Some suggested adding a second batch, at ‘late day T+0’, but most saw limited room for efficiency improvement in the current process. There was some interest from a few respondents in consideration of line by line post-batch bilateral settlement functionality (if it was made available on a cost-effective basis).

Respondents expressed mixed views on shortening the settlement cycle from T+2. Those who have significant dealings with offshore clients typically cited the need to seek instructions across different time-zones as a reason to keep the current settlement timeframe at T+2. Others saw benefit with maintaining alignment with settlement timeframes in other global markets.

However, other submissions identified that moving to, at least, T+1 settlement over the medium term could reduce post-trade costs and risks.

### **Clearing & Settlement Efficiencies**

While respondents largely supported the existing batch settlement model they also identified a range of measures that could be considered to improve settlement efficiency, including:

- Compressing timeframes for ASX batch processes and cash and securities flows associated with both the batch settlement cycle and EOD processing.
- Introducing enhanced data fields in bilateral settlement instruction matching, with BIC codes seen as potential mandatory matching criteria
- Considering a shorter downtime during CHESS processing, including the functionality to allow participants to process/schedule bilateral DVP transactions
- Allowing underlying client information to be submitted to allow detailed settlement allegements to counterparties
- Integrating the New Payments Platform (NPP) with CHESS to facilitate payment efficiencies in corporate actions

## **ASX as “Golden Source” of Corporate Action Information in an ISO 20022 Format**

There was unanimous support for ASX to act as a single provider of corporate action information in a standard format such as ISO 20022.

For example a respondent stated:

*“ASX should be a golden source of corporate action actions. All relevant information must be included (tax, restrictions on non-resident holders)”*

## **Primary Market Facility Improvements**

A number of suggestions were offered to improve the operation of ASX’s Primary Market Facility (PMF), including:

- Reviewing the temporary participant application process and pricing to encourage greater take-up from issuers for DVP capital raising
- Centralising the electronic facility to manage allocations could be beneficial but it was acknowledged that there would need to be significant industry consultation before considering moving down this path
- Eliminating deferred trading and settlement of newly issued securities (this can also relate to secondary issuance of securities)
- More efficient ISIN code issuance and conversion process between parent and newly issued securities

## **Risk Management**

Most respondents indicated that they currently relied on a third party systems to calculate and quantify their risk exposures. As such, most respondents expressed limited appetite for ASX providing additional stress testing tools or reporting functionality.

Some respondents requested the ability to see ASX’s risk algorithms and have access to ASX calculators. Others stated that gaining access system data through an ASX-supported API would be beneficial.

## **Other Desired Post Trade Services**

Respondents identified a suite of other possible services that could be provided as part of CHESS replacement, including:

- Providing registries with the ability to load issuer sponsored registers into the system
- Allowing for TFN and banking details to be captured and recorded centrally and applied per holding, irrespective of the share registry
- Allowing participants to instruct shunts (for New Zealand) directly via the system
- Broadening the mFunds product with a view to facilitating institutional (i.e. non-sponsored) participation
- Single settlement platform for both equity and debt products.

## **Multi-Asset Clearing House**

There was little support for a single entity multi-asset clearing house. A majority of respondents indicated they had already optimised their clearing house membership arrangements to minimise their capital requirements. Other respondents indicated the question was not applicable to them as they did not currently clear both cash equities and futures products.

## **Exploration of emerging financial technologies**

Most respondents indicated they were either exploring or open to exploring emerging financial technologies including Distributed Ledger Technologies (DLTs).

# BUSINESS COMMITTEE MEETING PAPER AGENDA ITEM 3B

<b>Topic</b>	<b>Business Requirements Working Groups</b>
<b>Date of the Meeting</b>	4 May 2017
<b>Purpose of this paper</b>	To update members on the working group process.
<b>Action required</b>	To note the agenda paper.

---

## Executive Summary

As part of the process of understanding what users want from the system that will ultimately replaces CHESS, ASX has designed a series of working groups (WG) focussing on those areas and requests from the consultation feedback relating to the business requirements of users.

Six WGs with one or more workshops each are being planned to elicit and capture users' business requirements for the replacement of CHESS. These have been scheduled from May to December 2017.

The first WG workshop meeting on Account Structures & Participant Models will be held at 2.30pm Wednesday 3<sup>rd</sup> May. The invited attendees to the meeting are included in Attachment A.

The Business Committee will be provided with a summary of each WG's findings at the Business Committee meeting following the conclusion of each working group. Given the close proximity of the first WG meeting to the Business Committee (being the day before), a summary will be provided verbally at this meeting.

## Purpose

The purpose of the working groups is two-fold:

1. To discuss, elicit and capture users (high level) business requirements on the system to replace CHESS.
2. To rank the relative priority of these business requirements.

## Structure

All the consultation paper, supplementary questionnaire and bi-lateral meeting feedback from users has been collated and categorised into the six planned WGs (a schedule of these is included in Attachment B).

WGs have been structured so that topic groupings are sequenced to maximise the benefit of the learnings from the prior WG in the next WG. For example, security holding structures is likely to be a pre-requisite for a discussion on corporate action efficiencies and related business requirements.

To address the demands on workshop attendees' time we have attempted to avoid the paralleling of WGs as much as possible.

Discussions within each WG will be facilitated by ASX to guide the development and capture of business requirements. The facilitator will seek to steer group discussion towards the clear articulation of relevant problem statement(s) in a business requirement format. The working groups will not be required to design the solutions to these problems.

ASX has assembled an internal team with the following skills to manage the WGs. Roles in this team include: subject matter expert(s), a dedicated business analyst, WG facilitator, manager and administrative assistant and equity post trade management support.

An example of a well-structured problem statement, associated business requirement and the process to facilitate each workshop session is outlined below.



## Problem Statement

The problem statement should cover the following questions:

- What is the problem? A brief description of the problem, opportunity or challenge.
- Who is impacted by the problem?
- Where does the problem occur?
- When does the problem occur and how often?
- What causes the problem?
- What is the impact of the problem?

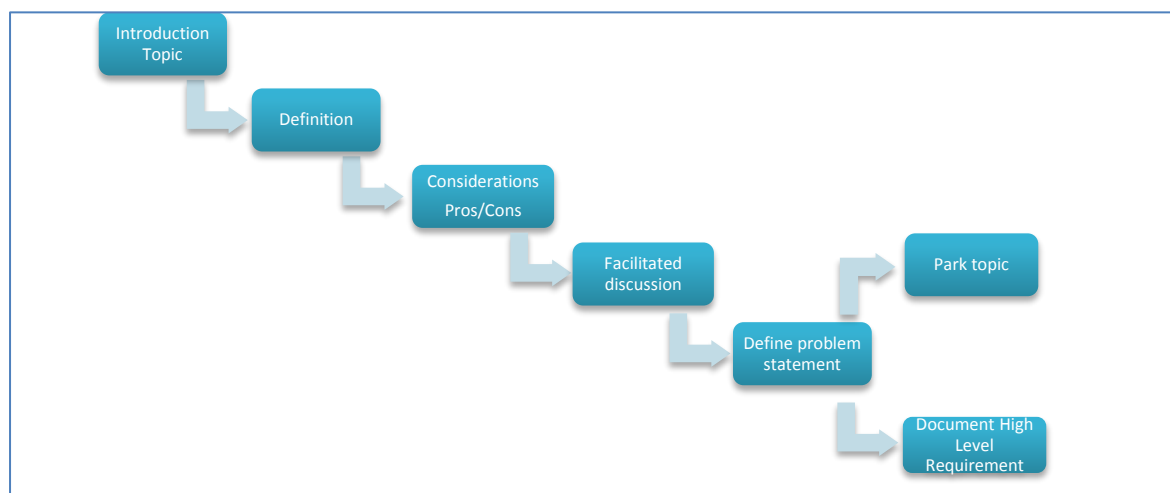
The problem statement should be SMART:

- Specific
- Measurable
- Attainable (Achievable, Actionable, Appropriate)
- Realistic
- Time-bound (Timely, Traceable)

## Business Requirement

Req #	Priority	Description	Impacted stakeholders	Raised by
1	Populate with value 1-4	<u>Name</u> <Short description of the business requirement> Pre-conditions: <List the pre-conditions required for the business requirement to be valid> Requirement: <Description of the business requirement> Rational: <List the reason why this requirement is needed>	Eg. Holders, Issuers, Clearing Participant, Custodians	ABC

## Facilitation Process



**Creating Effective Working Groups**

The success of the working groups hinges on the relevant subject matter expertise and active participation of the attendees. There has been considerable demand from users to attend WGs meaning it is likely that some WGs may be oversubscribed. ASX has and will ask for nominations of suitable qualified WG attendees from users and from these will select a group of around 12 – 18 attendees to try to keep the workshop discussion and process manageable.

**ATTACHMENTS**

Attachment A – Account Structures & Participant Models Working Group Attendees

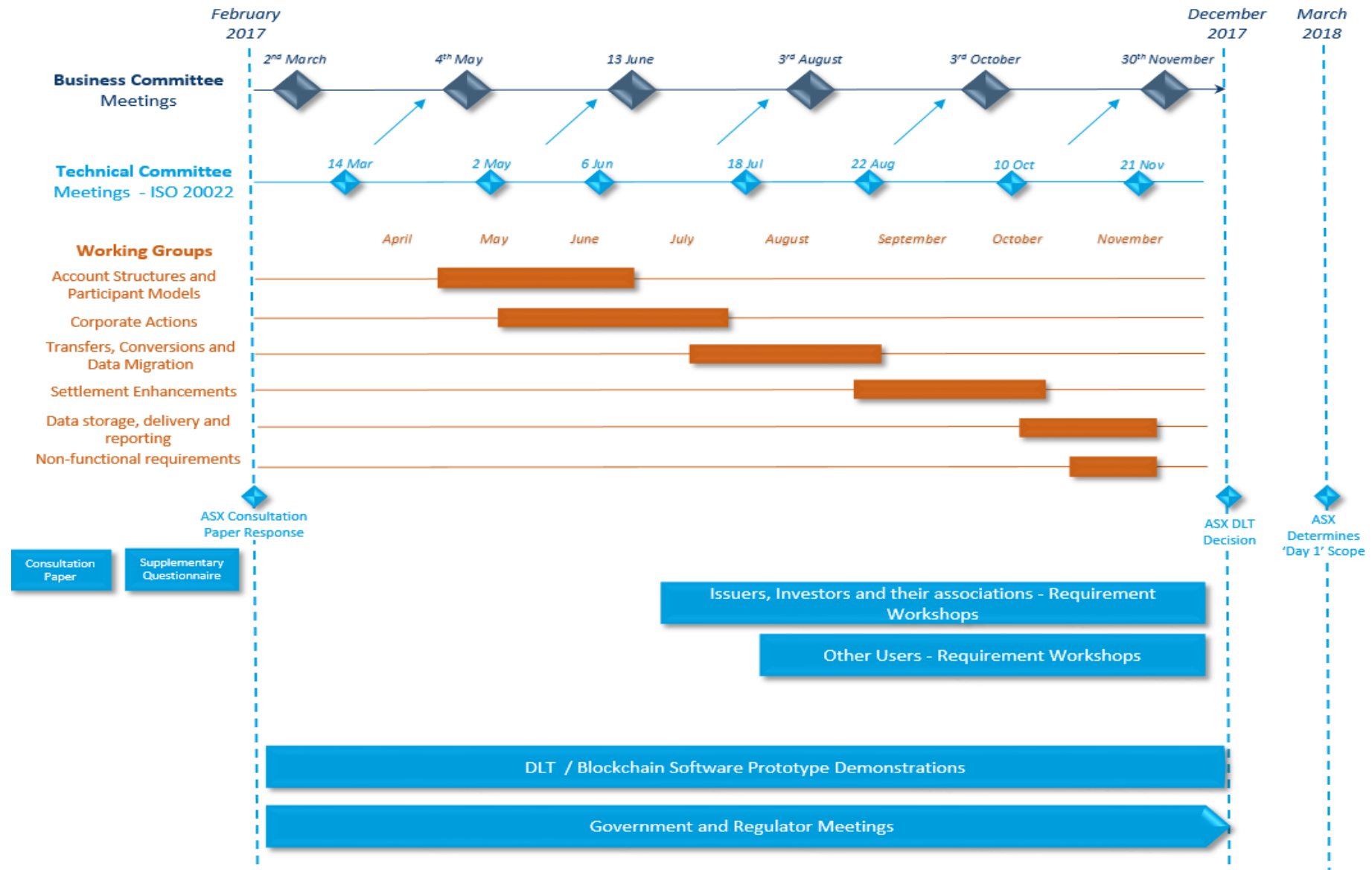
Attachment B – Working Group Schedule

Attachment C – Account Structures & Participant Models Working Group Pre-Reading Materials

## Attachment A – Account Structures & Participant Models Working Group Attendees

Organisation Name	Person nominated
ABN Amro Clearing Sydney Pty Ltd	Mr Matt McMahon
AIRA (Australasian Investor Relations Association)	Mr Ian Matheson
Australian Investment Exchange (Ausix)	Mr Sheridan Thompson
BNP Paribas Securities Services	Mr Luc Renard
Boardroom	Mr Martin Jones
Citicorp Nominees Pty Limited	Mr Miles O'Connor
Computershare	Mr Greg Dooley
Deutsche Securities Australia Limited	Mr David McKay
Goldman Sachs Australia Pty Ltd	Ms Yen Le
HSBC Custody Nominees (Australia) Limited	Mr Greg Wilkin
JP Morgan Nominees Australia Limited	Mr Scott Oakland (Noms)
Link Registries	Ms Sue Julian
Macquarie Bank Limited	Mr Nathan Bradley
Morgan Stanley Wealth Management Australia Pty Limited	Mr Craig McGuire
Morgans Financial Limited	Mr Daniel Spokes
National Australia Bank Limited; National Margin Services Pty Ltd; National Australia Trustees Limited	Mr James Channon
Pershing Securities Australia Pty Ltd	Mr Rob Forbes
SAFAA/AFMA	Ms Danielle Henderson
Share Investing Limited (ANZ)	Mr Andrew Shade
UBS Securities Australia Ltd	Mr Scott Hanlon

## Attachment B – Working Group Schedule



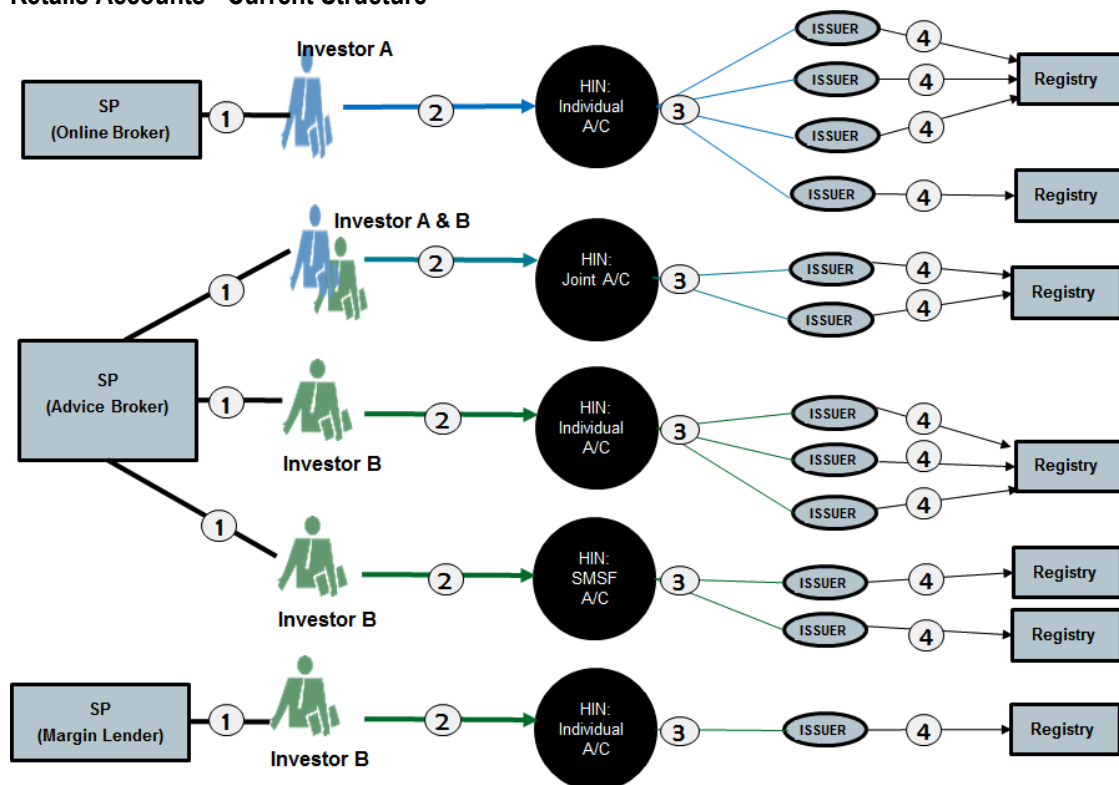
# Account Structures

<b>Topic</b>	Account Structures to Register Ownership of Securities
<b>Date</b>	3 May 2017
<b>Purpose of this paper</b>	In response to the feedback on the Consultation Paper and Supplementary Questionnaire, ASX will facilitate further industry discussion on account structures to register the ownership of securities

## BACKGROUND

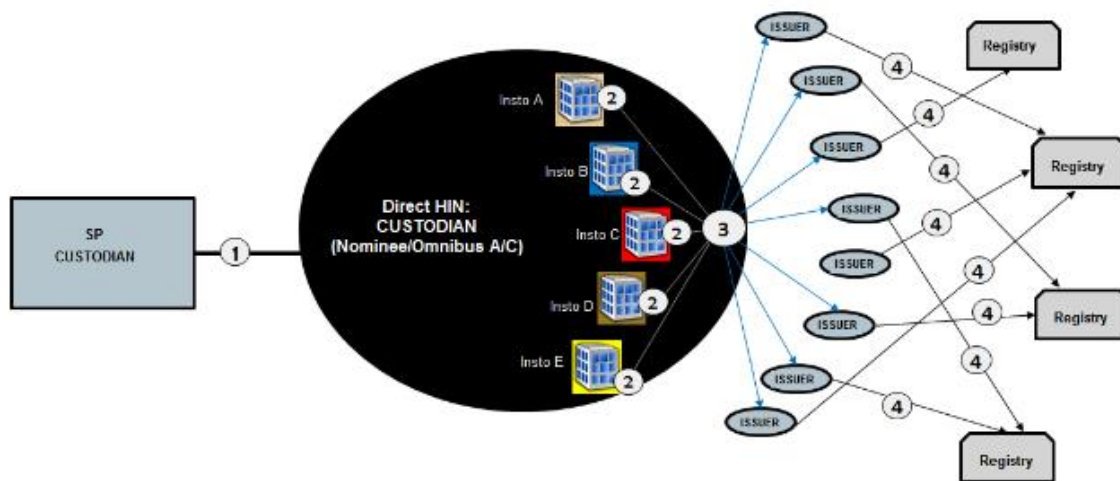
The following diagrams illustrate the current CHESS account structures for both retail and institutional clients.

### Retails Accounts - Current Structure



1. An Investor must apply to a Settlement Participant (SP), for example a broker or a margin lender, to set up an account by providing the relevant identification documentation and signing a CHESS Sponsorship Agreement with the SP.
2. The account is then created (requested by messaging) on CHESS by the SP and a HIN is assigned. A HIN is assigned to every separate account the investor creates and a separate Sponsorship Agreement is signed each time.
3. All the holdings relating to different security transactions for an account are consolidated under the HIN.
4. The issuers' securities held on the CHESS subregister are serviced by a share registry, which acts as an agent for the issuer on CHESS. The share registry is responsible for reconciling the entire registry at the end of each day, paying dividends, and processing corporate actions directly with the investor.

### Institutional Accounts – Current Structure



1. The Custodian is established in the system as a Settlement Participant (SP) and sets up a Direct HIN in CHESS in its own name to hold assets on behalf of its clients. It becomes the registered owner in CHESS and on the issuer's register.
2. The Custodian will set up 'sub-accounts' for each of its clients in its own system.
3. The Custodian's various CHESS nominee holdings are held on its Direct HIN. These holdings are reconciled against the client's sub-accounts in its own system.
4. Each issuer's securities held on the CHESS subregister are serviced by a share registry, which acts as an agent for the issuer on CHESS. The share registry is responsible for reconciling the entire register at the end of each day, paying dividends, and processing corporate actions directly with the Custodian as a registered owner.

## KEY ISSUES WITH THE CURRENT STATE

- Multiple account numbers across subregisters (CHESS and Issuer)
- Fragmentation of investor holdings i.e. same stock can be under a HIN and SRN
- Limited portability for investors regarding trading and consolidation of holdings
- Inefficient process for managing investors shareholding details e.g. TFN, bank account details
- Under an omnibus structure in CHESS, the centralisation of units in a single holding may cause the following issues:
  - o Timely distribution of corporation info e.g. annual reports, proxy voting, resolutions
  - o Corporate action processing is complex e.g. rounding issues, multiple touch points
  - o Identification of underlying beneficial owner for both regulatory and corporate purposes

## KEY POINTS FOR DISCUSSION AT THE WORKING GROUP

As part of the consultation process, the questionnaire asked some very specific questions on account structure. As a reminder, the questions posed were as follows:

Please identify account structures that would support your business

- a) What other account structures do you require – other than those already available?
- b) What other account structures or additional information can we offer to facilitate an efficient client asset management and reconciliation in your firm in equity clearing and settlement operations? What other benefits can these changes bring about?
- c) Can you describe the impact (all pros and cons) of adopting a common account structure (e.g. HIN, SRN, name on title, omnibus)?

Also, to help in the preparation for this topic, we have outlined below some of the following **unattributed** comments on the possible future state account structure considerations received to date through the consultation process.

Q1. Please identify account structures that would support your business

**a) What other account structures do you require – other than those already available?**

- If strategic vision targets harmonisation objectives and systems integration for clearing multi-product C&S – would need standardised models and account structures. A moderately important strategic priority
- Individual client account is important for retail – transparent and provide ownership protections – allow participant to control stock and enforce trading limits and margin lending
- Regulation should guide account structures- house/client split at CCP & CP; option to elect out of increased protection models for client positions; portability in the event of default
- ASX should use DLT, including ownership detail being incorporated into the node used to confirm settlement of the transaction, to identify the owner of the position, rather than a model that requires segregated market accounts in the name of the underlying beneficial owner
- ASIC requires custodians to maintain full records of all client transactions and positions for 7 years and client assets must be completely segregated from proprietary assets of the custodian. To meet these obligations, the custodian segregates client assets into individual accounts within its book of records and provides appropriate reporting to the client on their individual transactions and end of day positions

**b) What other account structures or additional information can we offer to facilitate an efficient client asset management and reconciliation in your firm in equity clearing and settlement operations? What other benefits can these changes bring about?**

- Explore the ability to legally segregate clients' securities whilst maintaining operational control and efficiencies provided through an omnibus holding
- Less reliance of entrepot accounts. Ability to maintain beneficial ownership through settlement cycle including SRN's with the appropriate levels of validation. Assist in reconciliation and processing of CA events
- Should be non-discriminatory, equal and open access to this information by issuers, Market Operators, Participants and other stakeholders (including registries) to allow for the mechanisms of competition to drive innovation in product development and customer solutions. Any enhancement to settlement services should be assessed with a view to reduce costs for both the facility operator and users

**c) Can you describe the impact (all pros and cons) of adopting a common account structure (e.g. HIN, SRN, name on title, omnibus)?**

- Name on title: simple to maintain; easy for clients to understand and to move stock (vulnerable to fraud, disruption to existing business models, less control of stock by broker)
- Omnibus: ability to provide tax and performance reporting (requires sub-registers; brokers to become custodians; investors face a fee on accounts; major change, less transparent, more risk)
- Having all issued securities on a single electronic platform would benefit all participants
- The benefits of a common account structure lie with an open access model where the investor and asset registration functions, along with settlement, are provided as utility services on non-discriminatory, equal and open terms. This is what will drive innovation, by Market Operators, Participants, Fintechs, other technologists and stakeholders to develop and deliver overlay services to Investors, Issuers, Participants, Regulators and new unforeseen consumers of content
- A common account structure of one single omnibus account is in the best interests of the entire market. A benefit is that it will reduce the number of SWIFT messages (no account setup or maintenance)
- Reducing the current complexity of the Australian market around Omnibus HIN/SRN/Broker Sponsored HIN creates complexity which creates inefficiencies and cost. Simplification of this model will increase efficiency and reduce complexity

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# Name on Register versus Centralised Securities Depository (CSD) Custody Model

<b>Topic</b>	Continue with Name on Register model versus moving to a more traditional Centralised Securities Depository (CSD) Custody Model
<b>Date</b>	3 May 2017
<b>Purpose of this paper</b>	Some users wanted to explore the continued viability of a name on register approach to security ownership and whether a more traditional central securities depository model should be considered

## BACKGROUND

The two primary reasons ASX (Cash Equity) does not consider it operates a traditional CSD model are:

- ASX does not operate a depository nominee
- ASX does not operate via central register

By way of further background, some of the reasons why ASX implemented a name on register model in 1992 are as follows:

- Legal ownership: initial consultation to move towards a CSD was met with opposition from Listed Entities, driven by concern of a central nominee being prohibitive to transparency of ownership
- Corporate Actions: risks in determining entitlements and potential delays in receipt of entitlements
- Change appetite: the move from a physical paper ownership at a legal title level to an electronic system of ownership was a significant change for shareholders, the adoption of a CSD model at the same time would have presented a different set of challenges

## KEY CHARACTERISTICS OF NAME ON REGISTER VS CENTRAL SECURITIES DEPOSITORY

<b>Name on Register</b>	<b>Central Securities Depository (CSD)</b>
Investors' holdings are registered directly in their name	Investors' holdings are not registered directly in their name
Investors can choose to manage their holdings on the issuer sponsored subregister or the CHESS subregister <ul style="list-style-type: none"><li>- Balances of issuer sponsored holdings are maintained directly by issuers' registries via Shareholder Reference Number (SRN)</li><li>- An investor and a participant enter into a sponsorship agreement in order for the investor to hold financial products on the CHESS subregister via a Holder Identification Number (HIN)</li></ul>	The custodian manages client accounts, which may reside outside of the CSD, and is responsible for recording transfers to/from the nominee account (omnibus account)
A HIN supports multiple holdings across multiple assets. An SRN supports one holding per asset	One account number (managed by custodian) supports multiple holders and holdings across multiple assets
An investor can "convert" their holdings between the issuer sponsored subregister and the CHESS subregister	Does not offer the choice of two subregisters
The issuers' nominated share registry manages the principal register for a financial product (an amalgamation	Provides and maintains the principal register for a financial product, the omnibus account (top tier) is the

<b>Name on Register</b>	<b>Central Securities Depository (CSD)</b>
of the CHESS subregister and the issuer sponsored subregister)	only holder on the register of members. The total holding of each underlying investor (maintained by custodian) will sum up to the omnibus holding balance
Custodians can choose to manage institutional investor holdings via a nominee structure or by name on register	All investor holdings are managed via a nominee structure
There is a distribution of responsibilities for issuance, principal register and operating settlement service	Centralised responsibility for issuance, principal register and operating settlement service (by a third party)
Corporate actions entitlements determined at underlying investor level	Corporate actions entitlements determined at first level omnibus account (by a third party)

## KEY POINTS FOR DISCUSSION AT THE WORKING GROUP

For each model, working group is asked to consider the following. This includes the impact on retail and institutional investors, issuers, custodians, registries, brokers and system vendors:

- a. Operational benefits including cost and risk reduction, with a specific focus on corporate actions processing
  - i. Can you identify the benefits to your organisation of continuing with Name on Register vs moving to a CSD model?
  - ii. Do you see any merit in having one model for retail clients e.g. name on register, and a different model for institutional clients e.g. CSD?
- b. Legal framework including the impact of any changes to direct legal title ownership
- c. Any newly introduced operational, technology or financial risks
  - i. What is the impact to client protection?
  - ii. What is the effect when a default scenario occurs?
- d. Implementation costs including technology and operations resourcing
  - i. Do you anticipate any significant cost savings or synergies if the Australian market was to move to a CSD model?
- e. Other considerations as identified by the working group
- f. The relative priority of any proposed changes

# APPENDIX

## Appendix A – Centralised Securities Depository (CSD) Custody Model

A traditional CSD is responsible for keeping the records of the register of members of an issuer, it effectively performs the role of a share registrar. Typically there is only one shareholder, the CSD legal entity. Participant entities, such as broker/dealers and custodial service providers maintain accounts with the CSD which represent the first level of sub ownership in the style of an omnibus nominee. Each sub ownership omnibus participant keeps further records at another level down, usually the details of the beneficial owner, an individual in the case of a private investor or the trustee entity of an investment fund.

The CSD provides services such as asset management, settlement, transfer, issuance and registration of assets. Security movements between sellers and buyers are recorded using book entries at the lower levels of ownership which are managed by the participant entities that hold accounts with the CSD.

These accounts hold securities that are owned by several different investors in tree style structures below the top CSD account level.

The issuer sees one shareholder, the legal entity of the CSD. The CSD sees the holdings of every participant entity that has an account with the CSD at the omnibus level. Participant entities are responsible for maintaining the holding records of their clients under their omnibus accounts at the CSD using book entries on record keeping system that are not necessarily part of the CSD framework.

The register of members of an issuer is made up as follows:

1. The total holdings of each individual investor in each nominee structure will sum up to the holding at the omnibus level of each participant entity that has an account at the CSD. The CSD only sees the omnibus holdings.
2. The total holdings of each omnibus account will sum up the number of securities on issue which is equal to the single shareholding of the CSD. The issuer only sees the single shareholding of the CSD.

Corporate actions, asset servicing activities and corporate events are notified by the issuer to the CSD who in turn notifies the participant entities that have accounts with the CSD. The CSD manages these events at the omnibus level for its account holders and the accounts holders manage these events for their underlying investors.

## Appendix B – Name on Register

In the Australian market, share ownership is recorded directly in the name of the registered holder (investor). Investors can choose to hold securities either on the CHESS subregister (HIN), which is maintained by ASX and sponsored by the investor's broker, or on the Issuer Sponsored subregister (SRN), maintained by the issuer's agent, the nominated share registrar.

The issuer's nominated share registrar is responsible for the maintenance of the entire register of members of an issuer which is made up as follows:

1. The sum of all of the holdings of each registered holder (investor) recorded on the CHESS subregister
2. The sum of all of the holdings of each individual registered holder (investor) recorded on the Issuer Sponsored subregister.

The nominated share registrar is able to manage the entire register of members because, on a daily basis, ASX advises each share registrar the details of the holdings that are recorded in the CHESS subregister for every security.

Custodial service providers are able to maintain omnibus style nominee structures within both the CHESS subregister and the Issuer Sponsored subregister. In these circumstances the underlying beneficial owners (investors) holdings are recorded in record keeping systems which are not part of either subregister framework.

Corporate actions, asset servicing activities and corporate events are notified directly to each registered holder of the entire register of members by the issuer's agent, the share registrar. These events are managed directly between the share registrar and the registered holder and, in the majority of cases, there is no need for an intermediary to become involved.

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# Participation Structures

<b>Topic</b>	Trading, Clearing & Settlement Participant Relationships
<b>Date</b>	3 May 2017
<b>Purpose of this paper</b>	To explore the different participant relationships between trading, clearing and settlement including the potential separation of clearing and settlement participants

---

## BACKGROUND

This paper outlines both current and future state diagrams and the relationships between trading, clearing and settlement participants.

The current state diagrams depict the relationships that exist today between trading, clearing and settlement participants. It is not for review or discussion per se, instead it is being included as the base line for considering what the future state may look like.

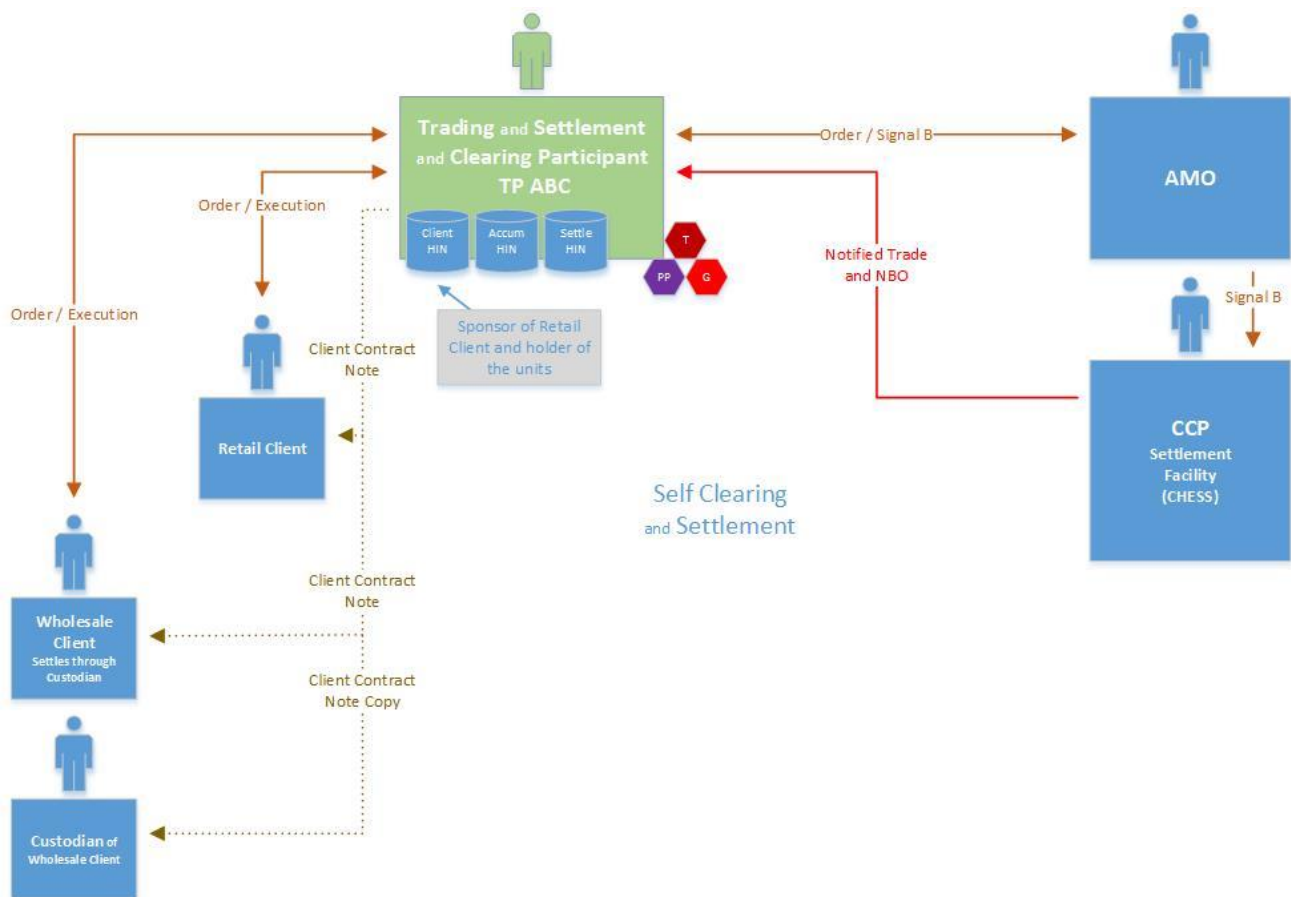
The future state diagrams depict the relationships that could exist between trading, clearing and settlement participants. This is for further review during the workshops as well as considering any alternative options.

## KEY POINTS FOR DISCUSSION AT THE WORKING GROUP

For the potential future states for clearing participant models, the working group is asked to consider any impacts on retail and institutional investors, issuers, custodians, registries, brokers and system vendors:

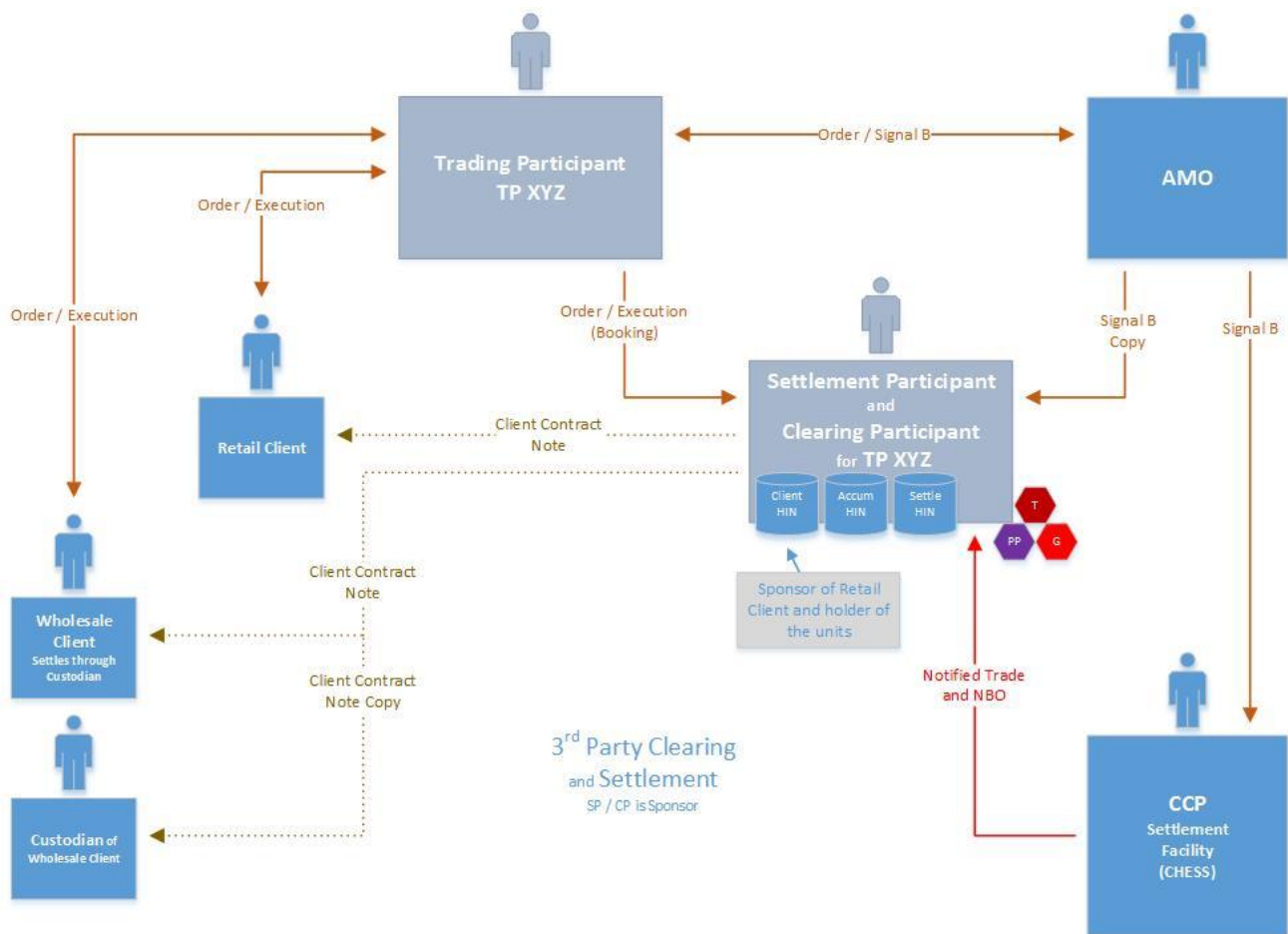
- a. Operational benefits including cost and risk reduction
  - i. Including the benefits of separating clearing and settlement participants
- b. Any newly introduced operational, technology or financial risks
  - i. Do you have any preference for trading and settlement participants being one entity versus the trading and settlement participants being two separate entities? If yes, can you outline the reasons why?
- c. Implementation costs including technology and operations resourcing
- d. Other considerations as identified by the working group
  - i. Are new agreements required and how will they operate?
  - ii. Are investors protected by the National Guarantee Fund?
  - iii. Are investors protected under the Financial Stability Standards?
  - iv. Are cash market margin/rule 1A requirements considered?
  - v. Are there any other participant models that the working group should consider? If yes, please be prepared to share
- e. The relative priority of any proposed changes

**Current State 1 of 3 – Trading Participant, Settlement Participant (Sponsor) and Clearing Participant are one entity**  
**E.g. Macquarie Equities Limited is TP + SP + CP**

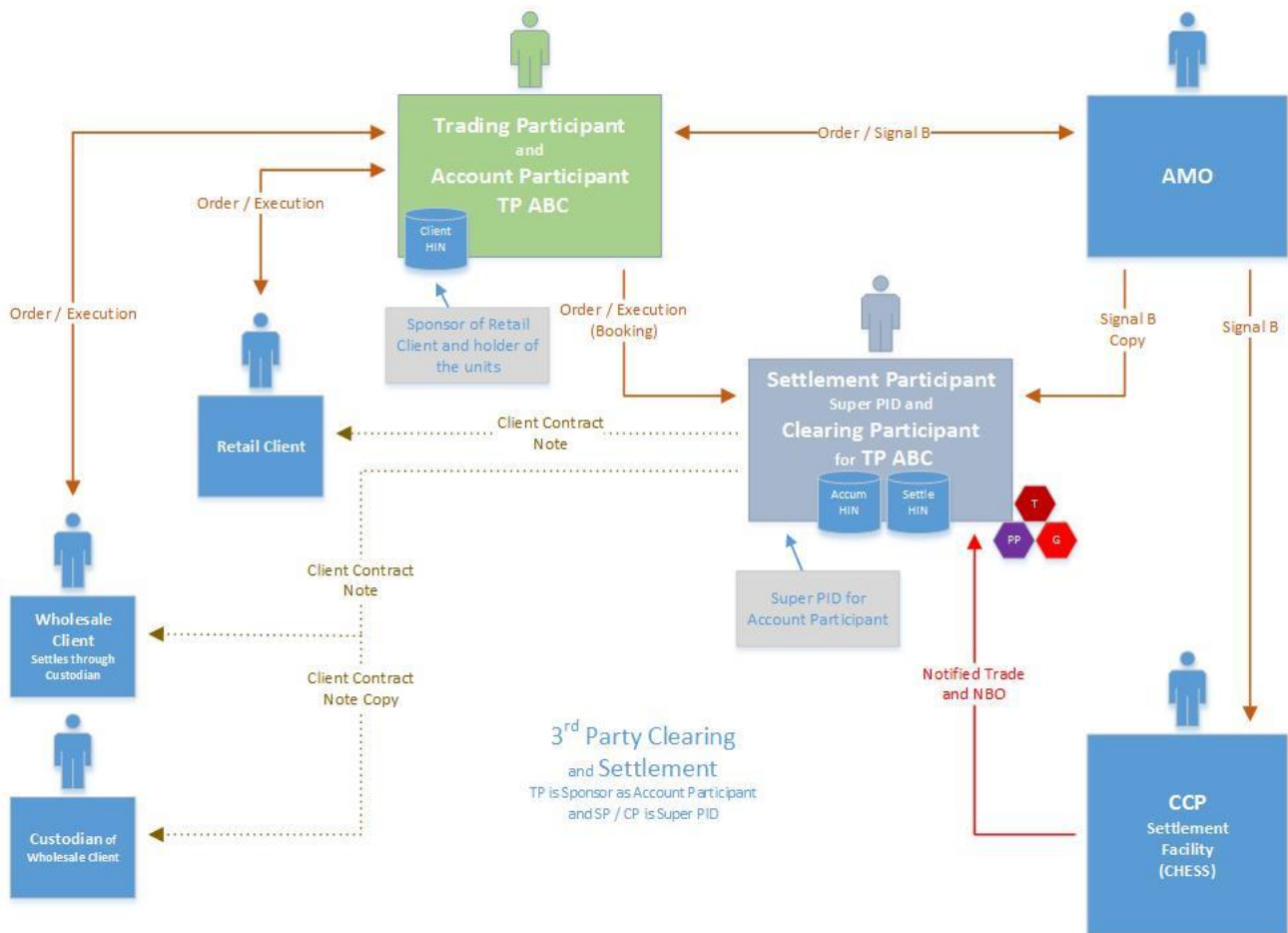


**Current State 2 of 3 – Trading Participant is one entity and Settlement Participant (Sponsor) together with Clearing Participant are another entity**

**E.g. ETIG Australia Limited is TP and ABN Amro Clearing Sydney Pty Limited is SP + CP**



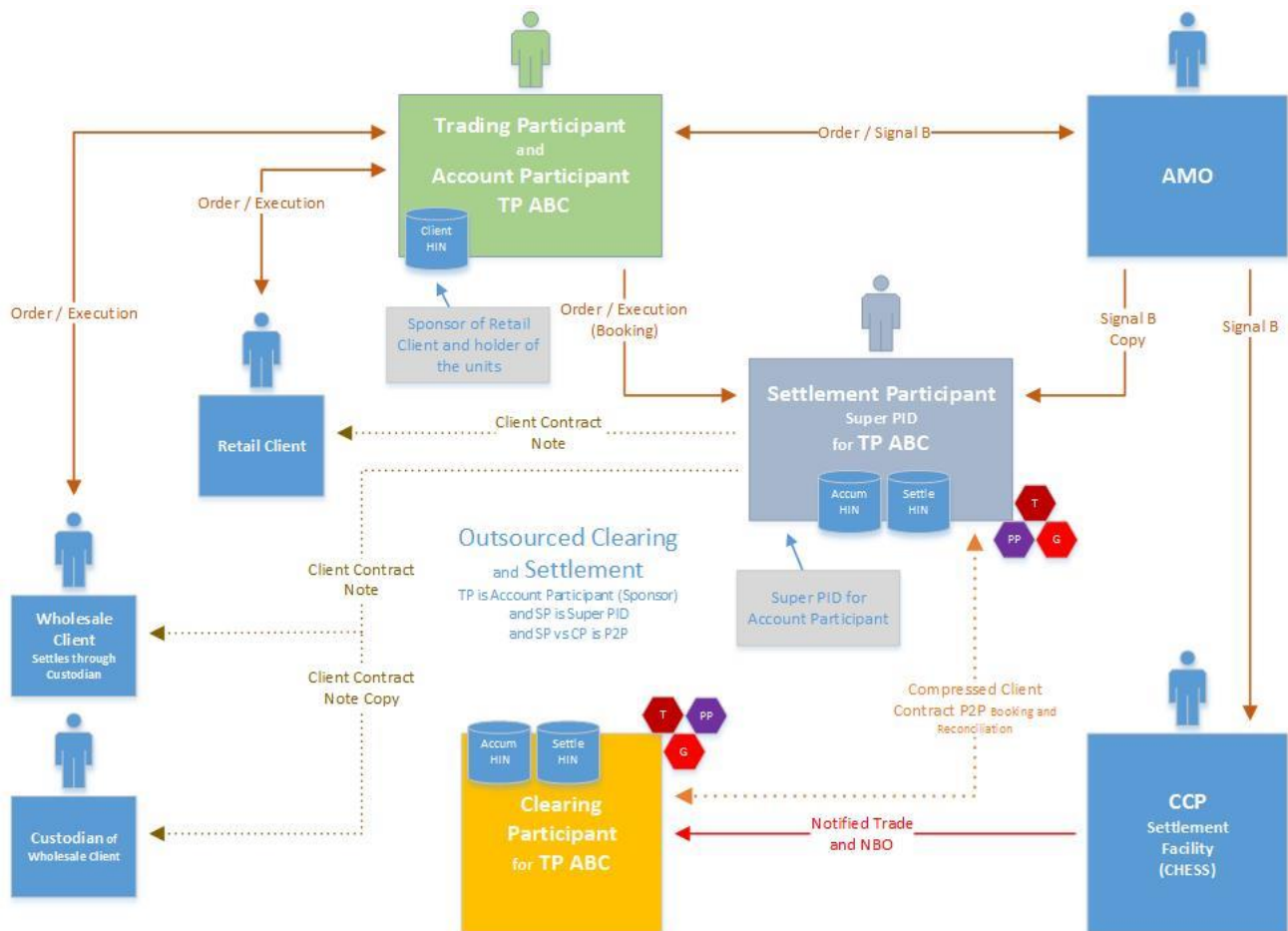
**Current State 3 of 3 – Trading Participant (Account Participant Sponsor) is one entity and Settlement Participant (Super PID) together with Clearing Participant are another entity**  
**E.g. Bridges Financial Services Limited is TP + AP and Pershing Securities Australia Pty Limited is CP**



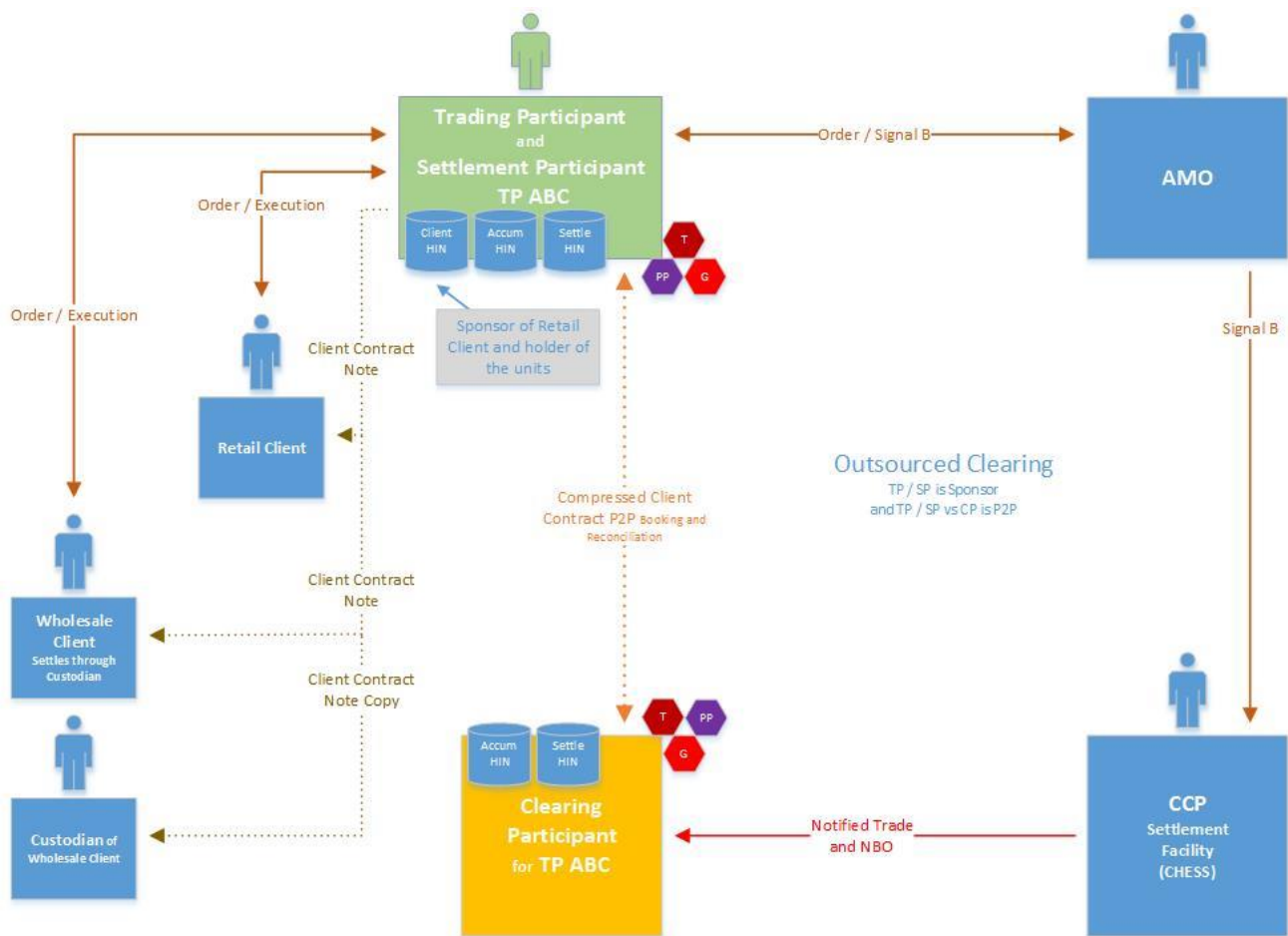


## POTENTIAL FUTURE STATE

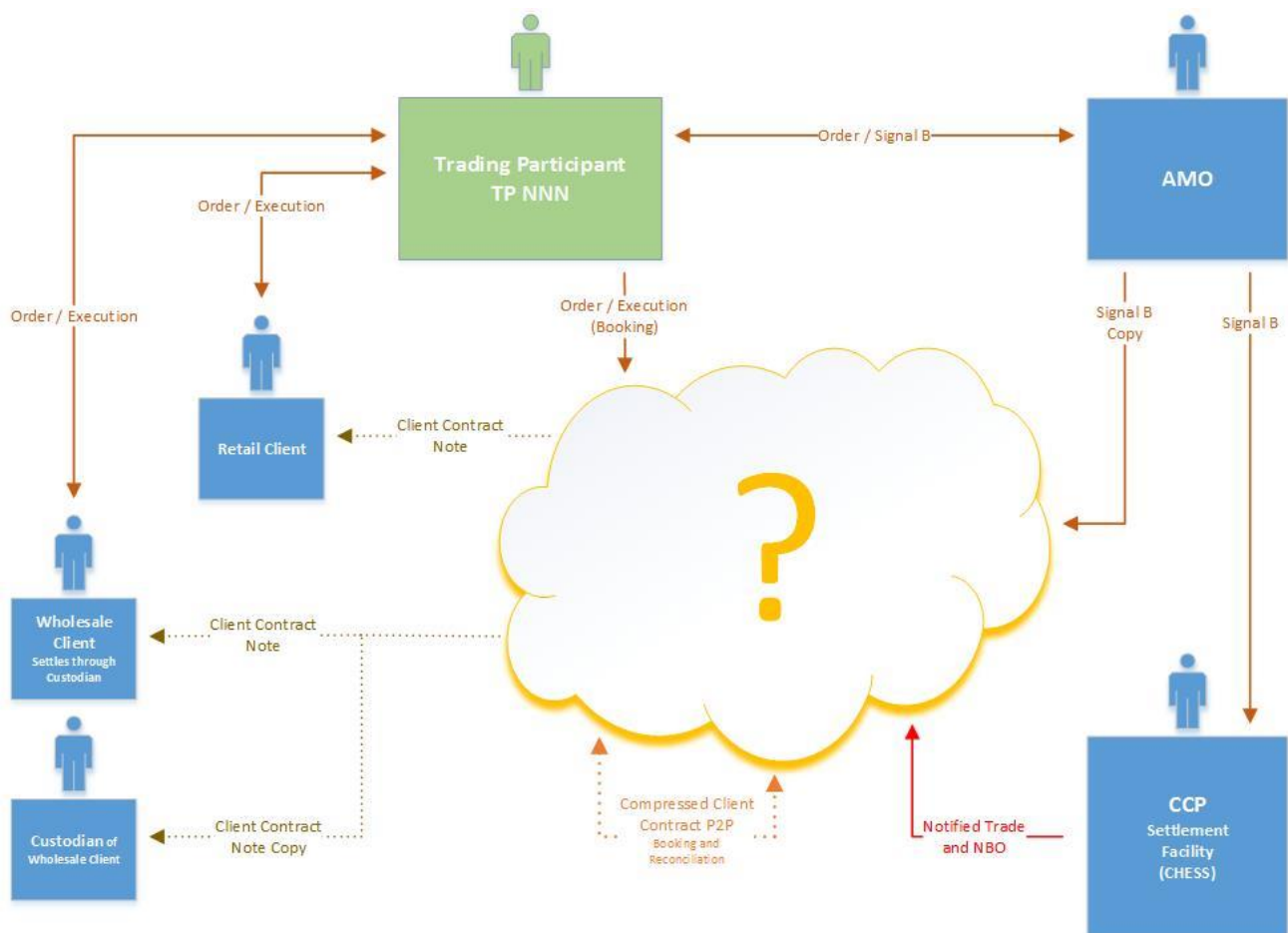
**Future State 1 of 3 – Trading Participant (Account Participant Sponsor) is one entity, Settlement Participant (Super PID) is another entity and Clearing Participant is a third entity**



**Future State 2 of 3 – Trading Participant and Settlement Participant (Sponsor) are one entity and Clearing Participant is another entity**



### Future State 3 of 3 – To be discussed



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## BUSINESS COMMITTEE MEETING PAPER AGENDA ITEM 4A

<b>Topic</b>	<b>Response from the Boards of ASX Clear and ASX Settlement</b>
<b>Date of the Meeting</b>	4 May 2017
<b>Purpose of this paper</b>	To inform the Business Committee of the response from the Boards of ASX Clear and ASX Settlement to the recommendations made at the 2 March 2017 meeting.
<b>Action required</b>	To note the agenda paper.

At the meeting held on 2 March 2017, the Business Committee requested that ASX Management present the recommendations set out below on proposed changes to the Business Committee Charter and Code of Practice to the Boards of ASX Clear and ASX Settlement.

The Boards of ASX Clear and ASX Settlement carefully considered the recommendations put forward by the Business Committee at its 2 March 2017 meeting, and their response to the Business Committee is provided in Attachment A.

A summary of the specific responses is provided below.

<b>Business Committee Recommendations</b>	<b>Summary of the CS Boards' Response</b>
<b><i>Business Committee Charter</i></b>	
BC Meeting Procedure <i>That the Charter be amended so that if decisions or recommendations are tabled that the Chair seek a vote from Members in order to establish "broad consensus". The Chair's determination on "broad consensus" should be verbalised in the meeting and validated by Members.</i>	The recommendation is accepted in principle. The Business Committee Charter (clause 4.7) will be changed.
<b><i>Code of Practice</i></b>	
CS Board obligations with respect to BC Recommendations <i>That the Code be amended to specifically address the obligations to "comply" and recognise that "the Board will take actions in accordance with recommendations made by the governance committees".</i>	The recommendation is not accepted as it is not consistent with the Regulatory Expectations. However, the Code of Practice will be changed to more closely align with the wording in the Regulatory Expectations (that is, to specifically include the words 'comply or explain').
Audit Terms of Reference <i>That the Business Committee review the terms of reference for the Audit of ASX's compliance with the Code.</i>	The recommendation is accepted in principle, and reflects the process that was to be undertaken. The Code of Practice will be changed.
References to 'users' and similar terms <i>That the Code be amended to ensure changes in infrastructure continue to meet the needs of "Users" and not "market users".</i>	The recommendation is accepted in principle. The Code of Practice already defines 'users' as having the same meaning as that set out in the Regulatory Expectations. The Code of Practice will be changed to

Business Committee Recommendations	Summary of the CS Boards' Response
<p><i>That consistent language be used clearly defining "customers", "users", "Key Users" "end users".</i></p>	<p>ensure appropriate and consistent use of the terms 'users' and 'customers'.</p>
<p>Scope of 'users'</p> <p><i>Business Committee members take the term "Users" of CHES and ASX Clear and ASX Settlement Facilities to be:</i></p> <ul style="list-style-type: none"> <li>• <i>Clearing &amp; Settlement Participants</i></li> <li>• <i>Approved Market Operators</i></li> <li>• <i>Clearing &amp; settlement facilities</i></li> </ul> <p><i>"That after the Code is updated, the CHES replacement objectives be aligned, noting that CHES replacement sets as its highest priority to 'meet the needs of Users'."</i></p>	<p>The recommendation is not accepted as it is not consistent with the Regulatory Expectations.</p> <p>The Regulatory Expectations contains a broader definition of 'users' than that recommended by the Business Committee.</p> <p>As set out above, the Regulatory Expectations requires ASX to consider the interests of a broad set of users in the replacement of CHES. It is not appropriate for ASX to systematically prioritise one set of users over another.</p>
<p>Scope of 'other relevant stakeholders'</p> <p><i>Business Committee members take the term "other relevant stakeholders" to be:</i></p> <ul style="list-style-type: none"> <li>• <i>Service providers for Users, namely Vendors</i></li> <li>• <i>Registries as Agents for Issuers</i></li> <li>• <i>Payment Providers</i></li> </ul>	<p>The recommendation is not accepted.</p> <p>The recommended change is unnecessary as the Code of Practice already identifies technology service providers (which would include vendors) as 'users', and states that "ASX takes the term 'other relevant stakeholders' to include share registries and payment providers."</p>
<p>Consideration of Investors</p> <p><i>Business Committee members believe Investors are not "users" or "end users" in the same way as Market Participants because they do not have access to the CHES system.</i></p>	<p>The recommendation is not accepted as it is not consistent with the Regulatory Expectations.</p> <p>The Code of Practice identifies issuers and investors as 'users', consistently with the Regulatory Expectations. ASX Clear and ASX Settlement must have regard to the interests of listed companies and investors.</p>

## ATTACHMENTS

Attachment A – Letter to the Business Committee from the Boards of ASX Clear and ASX Settlement



27 April 2017

Mr Peter Hiom  
Chairman  
ASX Code of Practice Business Committee

By email [Peter.Hiom@asx.com.au](mailto:Peter.Hiom@asx.com.au)

Dear Peter

**BUSINESS COMMITTEE RECOMMENDATIONS**

I refer to the recommendations of the Business Committee to the Boards of ASX Clear and ASX Settlement (together, the **CS Boards**) made at the Committee's meeting on 2 March 2017.

On behalf of the CS Boards I wish to thank Business Committee members for their input.

The CS Boards have considered carefully all of the recommendations, and have endeavoured to accommodate recommendations where this can be done consistently with regulatory agencies' expectations and ASX Clear and ASX Settlement's licence obligations and commercial interests.

The CS Boards' joint response to the recommendations is attached, together with an explanation of the response to each recommendation. Also attached are the Business Committee Charter and Code of Practice, each marked to show the changes resulting from the CS Boards' consideration.

I have copied this letter to the Australian Securities and Investments Commission, the Reserve Bank and Treasury for information.

Yours sincerely

A handwritten signature in purple ink, appearing to read 'Ian McGaw', is written over a light blue horizontal line.

Ian McGaw  
Chairman, ASX Clear Pty Limited and ASX Settlement Pty Limited

	Business Committee Recommendation	CS Boards' Response
	<b><i>Business Committee Charter</i></b>	
1	<p>BC Meeting Procedure</p> <p><i>"That the Charter be amended so that if decisions or recommendations are tabled that the Chair seek a vote from Members in order to establish "broad consensus". The Chair's determination on "broad consensus" should be verbalised in the meeting and validated by Members."</i></p>	<p>The Recommendation is accepted in principle.</p> <p>Change Business Committee Charter (clause 4.7 – extracted below):</p> <p><i>4.6 A quorum for a meeting of the Business Committee is a majority of its members and the Chair. All recommendations of the Business Committee to ASX Management and the Boards of ASX Clear and ASX Settlement shall be made on the basis of a broad consensus of those members present at the relevant meeting of the Business Committee.</i></p> <p><i>4.7 The Chair will determine whether a broad consensus has been achieved <u>by confirming with each member present whether they support the proposed recommendation. If a member represents an industry association, the member will confirm which of its members support the recommendation. In making this determination, unless notified to the contrary by the member concerned, the Chair shall be entitled to assume that a member who does not attend a meeting is prepared to accept any recommendation on a matter, of which notice was given in the agenda for the meeting, made by those members who are present at the meeting.</u></i></p>
	<b><i>Code of Practice</i></b>	
2	<p>CS Board obligations with respect to BC Recommendations</p> <p><i>"That the Code be amended to specifically address the obligations to "comply" and recognise that "the Board will take actions in accordance with recommendations made by the governance committees"."</i></p>	<p>The Recommendation is not accepted.</p> <p>However, the Code of Practice will be changed to more closely align with the wording of the Regulatory Expectations. The Regulatory Expectations state that "ASX's user governance mechanisms operate on a 'comply or explain' basis; that is, the relevant Board would take actions in accordance with recommendations from the user governance mechanisms, or else explain why such actions had not been taken."</p> <p>Change Code of Practice (Section 1 – extracted below):</p> <p><i>The Boards of ASX Clear and ASX Settlement will give due consideration to any material matters raised by, or recommendations of, the Business Committee. The Boards of ASX Clear and ASX Settlement will <u>receive recommendations of the Business Committee on a 'comply or explain'</u></i></p>

	Business Committee Recommendation	CS Boards' Response
		<i>basis. If the Boards do not accept a recommendation, they will jointly provide a written explanationresponse to the Business Committee recommendations, including an explanation of why any recommendations had not been followed</i>
3	<p>Audit Terms of Reference</p> <p><i>"That the Business Committee review the terms of reference for the Audit of ASX's compliance with the Code."</i></p>	<p>The Recommendation is accepted in principle, and reflects the process that was to be undertaken.</p> <p>Change Code of Practice (Section 1 – extracted below):</p> <p><i>ASX will commission an annual independent review of its governance, pricing and access arrangements benchmarked against the Regulatory Expectations. <u>ASX will submit the draft terms of reference for the annual independent review to the Business Committee.</u> A report prepared by the reviewer will be provided to the Business Committee and the Agencies (ACCC, ASIC, RBA and Treasury)</i></p>
4	<p>References to "users" and similar terms</p> <p><i>"That the Code be amended to ensure changes in infrastructure continue to meet the needs of "Users" and not "market users"."</i></p> <p><i>"That consistent language be used clearly defining "customers", "users", "Key Users" "end users"."</i></p>	<p>The Recommendation is accepted in principle.</p> <p>The Code of Practice already defines "users" by stating that <i>"The term 'users' in this document has the same meaning as that set out in the Regulatory Expectations."</i></p> <p>Change Code of Practice: refer attachment.</p>
5	<p>Scope of "users"</p> <p><i>"Business Committee members take the term "Users" of CHES and ASX Clear and ASX Settlement Facilities to be:</i></p> <ul style="list-style-type: none"> <li><i>• Clearing &amp; Settlement Participants</i></li> <li><i>• Approved Market Operators</i></li> <li><i>• Clearing &amp; settlement facilities"</i></li> </ul>	<p>This is a statement of opinion rather than a recommendation. However, taken as a recommendation to change the Code of Practice, the recommendation is not accepted.</p> <p>The Regulatory Expectations contains a broader definition of "users" than recommended by the Business Committee: <i>"The Regulatory Expectations apply to ASX's engagement with, and provision of services to, users of its monopoly cash equity CS services for both ASX-listed and non-ASX-listed securities. <b>Users are broadly defined to include participants of the ASX CS facilities; end users; unaffiliated market operators, central counterparties and settlement facilities; technology service providers; and other relevant stakeholders.</b>"</i></p>



	Business Committee Recommendation	CS Boards' Response
	<i>"That after the Code is updated, the CHES replacement objectives be aligned, noting that CHES replacement sets as its highest priority to 'meet the needs of Users'."</i>	As set out above, the Regulatory Expectations requires ASX to consider the interests of a broad set of users in the replacement of CHES. It is not appropriate for ASX to systematically prioritise one set of users over another.
6	<p>Scope of "other relevant stakeholders"</p> <p><i>"Business Committee members take the term "other relevant stakeholders" to be</i></p> <ul style="list-style-type: none"> <li><i>• Service providers for Users, namely Vendors</i></li> <li><i>• Registries as Agents for Issuers</i></li> <li><i>• Payment Providers"</i></li> </ul>	<p>This is a statement of opinion rather than a recommendation. However, taken as a recommendation to change the Code of Practice, the recommended change is unnecessary.</p> <p>The Code of Practice already identifies technology service providers (which would include vendors) as "users", and states that <i>"ASX takes the term 'other relevant stakeholders' to include share registries and payment providers."</i></p>
7	<p>Consideration of Investors</p> <p><i>"Business Committee members believe Investors are not "users" or "end users" in the same way as Market Participants because they do not have access to the CHES system."</i></p>	<p>This is a statement of opinion rather than a recommendation. However, taken as a recommendation to change the Code of Practice, the recommendation is not accepted.</p> <p>The Code of Practice already identifies issuers and investors as "users", consistently with the Regulatory Expectations. ASX Clear and ASX Settlement will have regard to the interests of listed companies and investors.</p>

# CHARTER OF THE ASX BUSINESS COMMITTEE

The ASX Business Committee was convened by ASX Limited (ASX) under its Code of Practice in August 2013. In October 2016, ASX updated its Code of Practice (the ASX Cash Equities Clearing and Settlement Code of Practice) to set out its commitment to comply with the Regulatory Expectations for the Conduct of Cash Equity Clearing and Settlement Services in Australia (Regulatory Expectations), and its commitments to users in managing clearing and settlement infrastructure and services for the Australian cash equities market. Under the revised Code of Practice, the role of the Business Committee was updated as a mechanism for input in to ASX's governance framework.

This charter draws from the commitments made by ASX in the Code of Practice and the Regulatory Expectations. It sets out the role, membership and administrative matters for the effective functioning of the Business Committee.

## 1. Role of the Business Committee

1.1. The role of the Business Committee is to provide:

- input for consideration by ASX Management and the Boards of ASX Clear and ASX Settlement on the ongoing operation of cash equities clearing and settlement infrastructure and services provided by ASX;
- input for consideration by ASX Management and the Boards of ASX Clear and ASX Settlement on setting the ASX investment strategy for cash equities clearing and settlement infrastructure and services development, and the system design, operational arrangements and implementation plan for new cash equities clearing and settlement infrastructure and services provided by ASX;
- advice to ASX Management to assist in progressing cash equities clearing and settlement initiatives of interest to the industry, with the aim of facilitating service innovation and improving overall market efficiency; and
- a mechanism for ASX Management and the Boards of ASX Clear and ASX Settlement to consult clearing participants, settlement participants and other market operators regarding their strategic plans and investment decisions in relation to the design, operation and development of the core clearing and settlement infrastructure and services for the Australian cash equities market.

## 2. Membership

2.1. The Business Committee will comprise representatives of clearing participants, settlement participants, alternative market operators and relevant industry organisations. ASX Clear and ASX Settlement will appoint members of the Business Committee.

2.2. Each Business Committee member is expected to:

- nominate a representative to attend meetings of the Business Committee who has the authority to speak on its behalf and has the expertise to make a meaningful contribution at such meetings;
- represent the views and interests of its organisation or constituency, as the case may be, on matters being considered by the Business Committee; and
- share with the Business Committee appropriate and useful information relevant to the role of the Business Committee.

2.3. The objective is for the Business Committee to comprise executives with a deep understanding of clearing and settlement, for example, Chief Operating Officers. In some circumstances, it may be appropriate for the Business Committee to appoint and convene technical committees to assist in the

performance of its role. Technical committees will report to the Business Committee. Members of the Business Committee and ASX Management may nominate technical committee members. The technical committees may comprise representatives of Business Committee members and/or other individuals with appropriate expertise.

- 2.4. A member of the Business Committee may resign its membership by giving notice in writing to the Chair of the Business Committee.

### **3. Chair of the Business Committee**

- 3.1. ASX shall appoint the Chair of the Business Committee.

- 3.2. The role of the Chair is to:

- convene, set the agenda for, and preside over meetings of the Business Committee;
- take a leadership role in facilitating discussion and forging a consensus among Business Committee members on matters being considered by the Business Committee;
- keep and approve the minutes of meetings of the Business Committee; and
- report to, and from, the Boards of ASX Clear and ASX Settlement in relation to recommendations of the Business Committee and other matters raised by the Business Committee.

### **4. Meetings of the Business Committee**

- 4.1. The Business Committee will meet at least four times a year.
- 4.2. The Chair may determine, in consultation with members of the Business Committee, that more than four meetings be held in a year.
- 4.3. The Chair may invite ASX management, or other organisations, to attend meetings of the Business Committee.
- 4.4. Draft meeting agendas will be electronically circulated to members prior to meetings of the Business Committee to provide members with an opportunity to contribute to the agenda setting process.
- 4.5. Meeting agendas and associated papers will be circulated to members one week prior to the relevant meeting.
- 4.6. A quorum for a meeting of the Business Committee is a majority of its members and the Chair. All recommendations of the Business Committee to ASX Management and the Boards of ASX Clear and ASX Settlement shall be made on the basis of a broad consensus of those members present at the relevant meeting of the Business Committee.
- 4.7. The Chair will determine whether a broad consensus has been achieved by confirming with each member present whether they support the proposed recommendation. If a member represents an industry association, the member will confirm which of its members support the recommendation. In making this determination, unless notified to the contrary by the member concerned, the Chair shall be entitled to assume that a member who does not attend a meeting is prepared to accept any recommendation on a matter, of which notice was given in the agenda for the meeting, made by those members who are present at the meeting.
- 4.8. All meetings of the Business Committee are to be minuted. The minutes will be circulated to members electronically following each meeting for comment and approval to allow the minutes to be included in the agenda for the next meeting of the Boards of ASX Clear and ASX Settlement.

- 4.9. Any reports from the Business Committee to the Boards of ASX Clear and ASX Settlement will be prepared by the Chair and will be circulated to members electronically following each meeting for comment and approval to allow the reports to be included in the agenda for the next meeting of the Boards of ASX Clear and ASX Settlement.

## **5. Business Committee Secretariat**

- 5.1. ASX shall provide a secretariat service to the Business Committee, and will provide the facilities and services required to convene meetings of the Business Committee.
- 5.2. The secretariat will:
- arrange the venue and circulate notices for meeting of the Business Committee;
  - prepare agendas, minutes and other documents for meetings of the Business Committee;
  - maintain the pages of the ASX website dedicated to the Business Committee; and
  - arrange the publication of meeting agendas, minutes and other relevant documents of the Business Committee.

# ASX Cash Equities Clearing and Settlement Code of Practice

## ASX CLEAR AND ASX SETTLEMENT

### Customer and stakeholder commitments

In October 2016, the 'Regulatory Expectations for the Conduct of Cash Equity Clearing and Settlement Services in Australia' (Regulatory Expectations) were released by the Council of Financial Regulators. This Code of Practice sets out ASX's commitment to comply with the Regulatory Expectations, and its commitments to customers and other stakeholders in managing cash equities clearing and settlement infrastructure and services for the Australian market.

ASX is committed to ensuring Australia's clearing and settlement infrastructure is efficient, well capitalised, and well regulated. ASX recognises the importance of working collaboratively with customers and other stakeholders to deliver world class financial infrastructure and clearing and settlement services that meet the needs of a diverse range of users in the Australian cash equities market.



# 1

## Customer and stakeholder engagement

ASX is committed to meaningful engagement with customers and other stakeholders about the ongoing development of cash equity clearing and settlement infrastructure. ASX recognises the importance of engagement on the design and functionality of the infrastructure to ensure it continues to meet the needs of ~~market~~ users and the market, and is consistent with relevant international best practice

# 2

## Transparent and non-discriminatory pricing

ASX's group structure supports the efficient delivery of services to all ~~of its customers~~ users. ASX is committed to the principles of transparency and non-discrimination in pricing its cash equities clearing and settlement services

## Code of Practice

# 3

## Transparent and non-discriminatory access

ASX is committed to providing access to clearing and settlement services on transparent and non-discriminatory terms, and will respond to requests for access in a fair and timely manner

# 4

## Protection of confidential information

ASX Clear and ASX Settlement will not misuse any confidential information acquired in the course of providing clearing and settlement services



# 1. Customer and stakeholder engagement

ASX is committed to meaningful engagement with customers and other stakeholders about the ongoing development of cash equity clearing and settlement infrastructure. ASX recognises the importance of engagement on the design and functionality of the infrastructure to ensure it continues to meet the needs of market users and the market, and is consistent with relevant international best practice

## Commitments

- ASX will invest in the ongoing operation and development of the core cash equities clearing and settlement infrastructure promptly and efficiently. Such investments will seek to meet the needs of users<sup>1</sup> and the market, recognising the diversity and differing needs of users
- ASX will maintain an advisory Business Committee consisting of representatives of financial market intermediaries and their industry associations, and other listing and trading markets, which connect to or use ASX's key users of cash equities clearing and settlement infrastructure services
- ASX will hold quarterly Business Committee meetings for the purpose of providing input to Management and the Boards of ASX Clear and ASX Settlement on the ongoing operation and development of cash equities clearing and settlement infrastructure and services
- The Boards of ASX Clear and ASX Settlement will give due consideration to any material matters raised by, or recommendations of, the Business Committee. The Boards of ASX Clear and ASX Settlement will receive recommendations of the Business Committee on a 'comply or explain' basis. If the Boards do not accept a recommendation, they will jointly provide a written explanation response to the Business Committee recommendations, including an explanation of why any recommendations had not been followed
- ASX will consult the Business Committee on its investment decisions in relation to the design, operation and development of new cash equities clearing and settlement infrastructure and services, including the development of a transition and implementation plan for new infrastructure
- ASX will 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
- ASX will commission an annual independent review of its governance, pricing and access arrangements benchmarked against the Regulatory Expectations. ASX will submit the draft terms of reference for the annual independent review to the Business Committee. A report prepared by the reviewer will be provided to the Business Committee and the Agencies (ACCC, ASIC, RBA and Treasury)
- Any interested party may provide information to ASX Clear and ASX Settlement in respect of the operation and development of cash equities clearing and settlement infrastructure and services by sending a written submission to the Chair of the Business Committee or the ASX Group General Counsel
- ASX will respond to any complaints relating to the provision of cash equities clearing and settlement services or this Code of Practice by users in a timely manner in accordance with its Complaints Handling Procedures.

<sup>1</sup> The term 'users' in this document has the same meaning as that set out in the Regulatory Expectations. In the Regulatory Expectations, users are broadly defined 'to include participants of the ASX CS facilities; end users; unaffiliated market operators, central counterparties and settlement facilities; technology service providers; and other relevant stakeholders'. ASX takes the term 'end users' to include issuers and investors, and the term 'other relevant stakeholders' to include share registries and payment providers.



## 2. Transparent and non-discriminatory pricing

ASX's group structure supports the efficient delivery of services to all ~~of its customers~~ users. ASX is committed to the principles of transparency and non-discrimination in pricing its cash equities clearing and settlement services

### Commitments

- ASX will publish on its website fee schedules for all clearing and settlement services, including a brief description of each service
- The published fee schedules will set out the details, including eligibility criteria, of any rebates, revenue-sharing arrangements and discounts applicable to each service
- ASX Clear and ASX Settlement will not implement price changes with the purpose of materially shifting revenue streams between other trading, clearing and settlement services
- ASX will publish any increases in its fee schedules for clearing and settlement services, and attest to their reasonableness
- ASX will provide customers with information to assist them to assess the expected cost impacts of pricing changes and the expected cost impacts associated with new products and initiatives
- ASX will annually publish management accounts in respect of the clearing and settlement of cash equities in Australia. The management accounts will be subject to review by an external auditor
- ASX will publish a cost allocation and transfer pricing policy that describes the methodology used for allocating revenue, directly attributable costs, indirect and common shared costs and capital that relates to the clearing and settlement of cash equities in Australia. This policy will be reflected in the published management accounts
- ASX will maintain an appropriate method for determining the prices of its cash equities clearing and settlement services so as to generate expected revenue that reflects the efficient costs of providing those services, including a return on investment commensurate with the commercial risks involved
- ASX Clear and ASX Settlement will provide non-discriminatory pricing to all customers, including ASX-affiliated entities, and potential users of clearing and settlement services
- ASX Clear and ASX Settlement will charge all ~~users~~ customers, including ASX-affiliated entities, non-discriminatory prices for materially equivalent services
- ASX will negotiate on commercial grounds and in good faith with other market operators regarding fees and other financial contributions charged for any extensions to the Trade Acceptance Service and the Settlement Facilitation Service.





### 3. Transparent and non-discriminatory access

ASX is committed to providing access to clearing and settlement services on transparent and non-discriminatory terms, and will respond to requests for access in a fair and timely manner

#### Commitments

- ASX is committed to ensuring its investments in the systems and technology that support its cash equities clearing and settlement infrastructure are not designed in such a way as to raise barriers to access to other market operators or clearing and settlement facilities
- ASX Clear and ASX Settlement will publish transparent standard terms and conditions for access to cash equities clearing and settlement services by participants, and access to clearing and/or settlement arrangements for cash equities to other market operators through either the Trade Acceptance Service or the Settlement Facilitation Service
- ASX Clear and ASX Settlement will provide access to clearing and settlement services on a non-discriminatory basis
- ASX Clear and ASX Settlement will not unreasonably prohibit, condition or limit (directly or indirectly) access by a person or company to clearing and settlement services
- ASX Clear and ASX Settlement will consider requests for access to clearing and settlement services by other market operators, including requests for changes to clearing and settlement services, in a timely manner
- ASX Clear and ASX Settlement will provide access to clearing and settlement services to other market operators on operational and commercial terms and service levels that are materially equivalent to those that apply to ASX's market
- Where a request for a change in the clearing and/or settlement services provided under the Trade Acceptance Service or Settlement Facilitation Service has been agreed, ASX Clear and/or ASX Settlement will provide in writing to the customer the scope of any technical development and any changes to the ASX operating rules and procedures required. An indicative cost and timeline for implementing the change and the internal project priority will also be provided in writing
- ASX Clear and ASX Settlement will consult other market operators on the service levels under the Trade Acceptance Service and the Settlement Facilitation Service from time to time
- ASX Clear and ASX Settlement will publish protocols which set out target timeframes for responding to requests for access to cash equities clearing and settlement services
- ASX Clear and ASX Settlement will publish protocols for dispute resolution processes for other market operators regarding pre-access disputes. Post-access dispute processes will be provided in the legal terms for the Trade Acceptance Service and the Settlement Facilitation Service.



## 4. Protection of confidential information

ASX Clear and ASX Settlement will not misuse any confidential information acquired in the course of providing clearing and settlement services

### Commitments

- ASX Clear and ASX Settlement will comply with ASX's published Conflict Handling Arrangements policy
- ASX Clear and ASX Settlement will comply with the published Information Handling Standards for the protection of confidential and competitively sensitive information acquired by ASX Clear and ASX Settlement in the course of providing the Trade Acceptance Service and the Settlement Facilitation Service
- ASX Clear and ASX Settlement will periodically review the Information Handling Standards to ensure that they remain effective
- ASX Clear and ASX Settlement will not use any confidential or competitively sensitive information acquired in the course of providing clearing and settlement services for any other purpose than that for which it was provided
- ASX Clear and ASX Settlement will not use any confidential or competitively sensitive information acquired in the course of providing clearing and settlement services to provide an advantage to an affiliated entity of ASX Clear or ASX Settlement
- ASX Clear and ASX Settlement **Boards** will be comprised of at least 50 per cent ~~of~~ non-executive directors that are not also directors of ASX Limited
- ASX will ensure that a quorum for the Boards of ASX Clear and ASX Settlement can be constituted by directors that are not also directors of ASX Limited to consider competitively sensitive information provided by another market operator.

**For general enquiries,  
please contact:**

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Regulatory & Public Policy

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**Agenda Item 4A - Attachment A**

As the sole licensed operator of clearing and settlement facilities for the Australian cash equities market, ASX Clear and ASX Settlement are committed to providing clearing and settlement services in accordance with the principles of meaningful customer and stakeholder engagement, transparent and non-discriminatory pricing, transparent and non-discriminatory access and the protection of commercially sensitive information. The commitments set out in this document build on the principles contained in the Customer Charter of ASX in which ASX commits to:

1. Work with customers to deliver products and services that meet their needs and that provide them with choice
2. Support Australia's aspiration to be globally competitive and become one of the leading financial centres in the Asia Pacific region
3. Make its products and services available on a non-discriminatory basis and on reasonable commercial terms
4. Manage its businesses and operations on a commercial basis to benefit its customers and provide appropriate returns to ASX shareholders
5. Recognise its role as a provider of critical financial infrastructure to the Australian financial markets, and make the necessary investments to ensure it can fulfil this role and provide confidence to market participants, investors and regulators
6. Run its operations in compliance with all legal and regulatory obligations
7. Maintain conflict handling arrangements that provide assurance and transparency about the way ASX conducts its business.

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**Visit [asx.com.au/cs/](http://asx.com.au/cs/)**

ASX has a section of its website dedicated to providing customers and other stakeholders information on its cash equities clearing and settlement infrastructure and services. This information can be obtained by visiting [asx.com.au/cs/](http://asx.com.au/cs/).



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# BUSINESS COMMITTEE MEETING PAPER AGENDA ITEM 4B

<b>Topic</b>	<b>Regulatory Expectations – Audit Terms of Reference</b>
<b>Date of the Meeting</b>	4 May 2017
<b>Purpose of this paper</b>	To provide the Business Committee with a draft Terms of Reference for the annual external audit against the Regulatory Expectations.
<b>Action required</b>	To consider and provide feedback on the draft Terms of Reference for the annual external audit.

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In the ['Regulatory Expectations for Conduct in Operating Cash Equity Clearing and Settlement Services in Australia'](#) (CFR Policy Statement), there is a requirement for ASX to commit to submitting an annual external audit of its governance, pricing and access arrangements against the Regulatory Expectations included in the CFR Policy Statement.

ASX is seeking to finalise the Terms of Reference for the annual external audit following the meeting to allow for the commencement of preparations for the first audit. The first audit subject to the Terms of Reference will cover the period from the commencement of the Regulatory Expectations on 12 October 2016 to 30 June 2017. Thereafter, the review period will be each subsequent full financial year ending 30 June.

The Terms of Reference set out the objectives, scope and approach for the external audit. The draft Terms of Reference are provided in Attachment A.

## ATTACHMENTS

Attachment A – Regulatory Expectations External Audit Terms of Reference (Draft)

# Regulatory Expectations External Audit Terms of Reference (Draft)

## Background

In the [‘Regulatory Expectations for Conduct in Operating Cash Equity Clearing and Settlement Services in Australia’](#) (CFR Policy Statement), there is a requirement for ASX to commit to submitting an annual external audit of its governance, pricing and access arrangements against the Regulatory Expectations.

To meet this requirement, ASX will annually commission an external audit conducted by an independent assurance firm. ASX has appointed PwC to perform the audit. As ASX’s external auditors, PwC is, under the requirements of the Corporations Act, independent of the ASX

The purpose of this document is to highlight the objectives, scope and approach for the external audit.

## Objective

The objective of the external audit is to assess ASX’s governance, pricing and access arrangements for the provision of cash equities clearing and settlement services. To meet this objective, ASX’s governance, pricing and access arrangements will be assessed against the requirements of the Regulatory Expectations outlined in the CFR Policy Statement.

## Scope

The external audit will assess whether ASX’s policies and procedures are aligned with the Regulatory Expectations (that is, it will assess the effectiveness of the design of the policies and procedures). In addition, it will also assess if ASX’s operations have been conducted in accordance with the policies and procedures during the review period (that is, it will assess the operating effectiveness of the policies and procedures).

In accordance with the Regulatory Expectations, the external audit will not provide an opinion on subjective matters contained in the Regulatory Expectations, for example, on the promptness and efficiency of investments or the efficiency of prices.

Each of the Regulatory Expectations, against which ASX’s governance, pricing and access arrangements will be assessed under the external audit, are set out in Attachment A.

## Approach

The external audit is to be conducted in accordance with the *Australian Standard on Assurance Engagements 3100 – Compliance Engagements* (ASAE 3100) issued by the Australian Auditing and Assurance Standards Board. In accordance with ASAE 3100, the assurance report will provide an opinion on ASX’s compliance with the Regulatory Expectations.

The external audit will be performed using a range of subject matter professionals.

The approach will include, but not be limited to:

- a comparison of the compliance framework put in place by ASX against the requirements of the Regulatory Expectations;
- testing of policies and procedures on a sample basis to assess whether they were designed appropriately and are operating effectively in accordance with the Regulatory Expectations;
- consultation with members of the Business Committee and other relevant user governance arrangements on the design and operating effectiveness of the policies and procedures;
- providing management with a report of findings, and seeking responses where required; and

- annually, track the progress of previous audit recommendations and management action.

### **Timing and reporting**

The first external audit subject to these Terms of Reference will be undertaken in 2017. It will cover the period from the commencement of the Regulatory Expectations on 12 October 2016 to 30 June 2017. Thereafter, the review period will be each subsequent full financial year ending 30 June.

The external audit will be completed and the external auditor's report will be published within three months following the end of each financial year. The auditor's report will be provided to the relevant ASX Boards, the Agencies and the Business Committee promptly after the report's completion.

ASX will publish the external auditor's report on the ASX website.

### **Commitment from the ASX**

To perform this audit, the auditor will have rights of access to the documents and resources it considers necessary to fulfil its responsibilities, including:

- relevant staff;
- IT systems, documentation and processes; and
- minutes and meeting documentation for the Business Committee, other relevant user governance arrangements and the relevant ASX Boards.

## Audit Scope - Regulatory Expectations

### 1. User input to governance

To ensure responsiveness to users' evolving needs, transparent formal mechanisms should be maintained within ASX's governance framework to give users a strong voice in strategy setting, operational arrangements and system design, and to make ASX's monopoly cash equity CS services directly accountable to users. As part of this:

1(a)	ASX should make an explicit public commitment to investing promptly and efficiently in the design, operation and development of the core CS infrastructure for the Australian cash equity market, including the Clearing House Electronic Sub-register System (CHES) and any future replacement system. This commitment should be supported by governance processes that enable users to provide input on the setting of the investment strategy. Investments should ensure that, to the extent reasonably practicable, the performance, resilience, security and functionality of the core CS infrastructure meet the needs of users, recognising the diversity and differing needs of users. At a minimum, the core CS infrastructure should accommodate internationally accepted communication procedures and standards.
1(b)	ASX should ensure that the membership of its user governance arrangements is representative of the user base of its CS services, and that members are able to have a strong input into the agenda and format of meetings or other user governance mechanisms and the setting of priorities.
1(c)	ASX should demonstrate that it has had regard to the views of members in setting the terms of reference for the external audits of its governance, pricing and access arrangements carried out in accordance with the Regulatory Expectations. This may take the form of members' non-objection of the proposed terms of reference. These terms of reference may change following any review of the Regulatory Expectations.
1(d)	ASX should maintain accountability arrangements that provide for regular public attestations as to the effectiveness of its interactions with users. For example, the following arrangements would be appropriate: <ul style="list-style-type: none"> <li>(i) ASX's user governance mechanisms operate on a 'comply or explain' basis; that is, the relevant Board would take actions in accordance with recommendations from the user governance mechanisms, or else explain why such actions had not been taken.</li> <li>(ii) ASX report, on at least an annual basis, the service developments and investment projects that it has progressed and how it has taken into consideration the views of users.</li> </ul>
1(e)	ASX should formally commit to retaining a Board structure for ASX Clear and ASX Settlement that comprises a minimum of 50 per cent of non-executive directors that are also independent of ASX Limited, and where a subset of these independent directors can form a quorum.
1(f)	ASX should establish governance structures and reporting lines at the management and operational levels that promote access to its CS services on commercial, transparent and non-discriminatory terms. These arrangements should ensure that the interests of users are upheld in accordance with Regulatory Expectation 3. This may be demonstrated, for example, through the key performance indicators set for relevant management.

### 2. Fair, transparent and non-discriminatory pricing of CS services

ASX should publicly commit to an appropriate minimum level of transparency of pricing across its range of monopoly cash equity CS services. The pricing of these services should not discriminate in favour of ASX-affiliated entities (except to the extent that the efficient cost of providing the same service to another party was higher). Other than where pricing is anti-competitive or gives rise to financial stability or market functioning issues, the fees charged by ASX are a commercial matter for ASX and its customers. Nevertheless, to ensure that the fees charged by ASX for its cash equity CS services are fair, transparent and non-discriminatory:



2(a)	<p>ASX should ensure that all prices of individually unbundled CS services, including rebates, revenue-sharing arrangements and discounts applicable to the use of these services:</p> <ul style="list-style-type: none"> <li>(iii) are transparent to all users of the services</li> <li>(iv) do not discriminate in favour of ASX-affiliated entities, except to the extent that the efficient cost of providing the same service to another party was higher</li> <li>(v) are made available to stakeholders in a form such that the impact of pricing changes can be readily understood.</li> </ul>
2(b)	ASX should maintain an appropriate method for determining the prices of its CS services so as to generate expected revenue that reflects the efficient costs of providing those services, including a return on investment commensurate with the commercial risks involved.
2(c)	ASX should make an explicit public commitment that any changes in the prices of its CS services will not be implemented in a way that would materially shift revenue streams between aspects of its trading, clearing and settlement services.
2(d)	ASX should publish any increases in its CS fee schedules along with an attestation justifying their reasonableness. For the most material such increases, this attestation would be expected to refer to relevant metrics and other evidence, such as the calculated return on equity, benchmarked price lists, or an independent review of how ASX's cash equity CS fees compare with those of CS facilities in other markets.
2(e)	<p>ASX should maintain an appropriate model for the internal allocation of costs, including the cost of allocated capital, as well as policies to govern the transfer of prices between the relevant ASX Group entities. Compliance with the model and policies would be expected to be subject to internal audit review. The model and policies should be based on reasonable cost allocation principles. For example:</p> <ul style="list-style-type: none"> <li>(i) where possible, costs should be directly allocated to the service(s) which give rise to those costs</li> <li>(ii) shared costs should be allocated based on appropriate and transparent metrics.</li> </ul>
2(f)	ASX should negotiate commercially and in good faith with unaffiliated market operators and CS facilities regarding fees and other financial contributions charged for any extensions to its monopoly CS services, and in particular those provided under the existing Trade Acceptance Service and the Settlement Facilitation Service.
<p><b>3. Commercial, transparent and non-discriminatory access to CS services – service levels, information handling and confidentiality</b></p> <p>ASX should facilitate access to its cash equity CS services on commercial, transparent and non-discriminatory terms. Non-discriminatory terms in this context are terms that do not discriminate in favour of ASX-affiliated entities (except to the extent that the cost of providing the same service to another party is higher). As part of this:</p>	
3(a)	ASX should have objectives for its CS services that include an explicit public overarching commitment to supporting access to its CS services on commercial, transparent and non-discriminatory terms. ASX should maintain standard user terms and conditions that are consistent with these objectives, taking into account the legitimate business interests of ASX and any parties seeking access to its CS services.
3(b)	Service level agreements should commit ASX to providing access to its CS services for unaffiliated market operators and CS facilities on operational and commercial terms and service levels that are materially equivalent to those that apply to ASX as a market operator or CS facility.
3(c)	ASX should publish and adhere to protocols for dealing fairly and in a timely manner with requests for access. These protocols should include reasonable timeframes for responding to enquiries and



	arrangements for dealing with disputes. Nothing in the protocols should affect either party's right to refer a dispute to arbitration by the ACCC once the arbitration regime is implemented.
3(d)	ASX should make an explicit commitment to ensuring that any investments in the systems and technology that support its cash equity CS services do not raise barriers to access from unaffiliated market operators or CS facilities. Announcements of any material investments in the systems and technology that support ASX's cash equity CS services should be accompanied by a public attestation that those investments will be designed in a way that does not raise such barriers.
3(e)	ASX should retain, and periodically review, its standards for the handling of sensitive or confidential information. Consistent with governance arrangements that promote access on commercial, transparent and non-discriminatory terms (see Regulatory Expectation 1(e)), these arrangements should ensure that conflict sensitive information pertaining to the strategic plans of unaffiliated market operators or CS facilities is handled sensitively and confidentially, and cannot be used to advance the interests of ASX as a market operator or CS facility.

## BUSINESS COMMITTEE MEETING PAPER AGENDA ITEM 5A

<b>Topic</b>	<b>Minutes from 7 February 2017 and 14 March 2017 ISO20022 Technical Committee meetings</b>
<b>Date of the Meeting</b>	4 May 2017
<b>Purpose of this paper</b>	To provide Business Committee members with a copy of the report and minutes from the recent meetings of the ISO 20022 Technical Committee.
<b>Action required</b>	To not agenda paper.

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The ISO 20022 Technical Committee met on 7 February 2017 and 14 March 2017.

A copy of the Technical Committee's report and meeting minutes are provided in Attachments A and B.

### ATTACHMENTS

Attachment A – ISO 2022 Technical Committee Report and Minutes 7 February 2017 meeting.

Attachment B – ISO 2022 Technical Committee Report and Minutes 14 March 2017 meeting.



# ISO 20022 TECHNICAL COMMITTEE REPORT TO THE BUSINESS COMMITTEE

## ISO 20022 TECHNICAL COMMITTEE MEETING 7 FEBRUARY 2017

The Technical Committee met on 7 February 2017, with the member group expanded to include an additional share registry and additional software vendor, and additional representatives from a number of organisations.

### MEETING AGENDA

The agenda for the meeting held on 7 February 2017 included:

- An overview of the Technical Committee's standing and forward agendas;
- Update from the Business Committee;
- Update on the ASX ISO 20022 project;
- SWIFT overview of ISO 20022 – the basics;
- Discussion on market education and training on ISO 20022;
- Key principles and recommendations for adoption in relation to key fields present in the ISO 20022 format and standard references, for example:
  - identification of key parties including the issuer (e.g. ASX) of a proprietary code (e.g. UIC), identification of the depository, consistent identification of parties (such as participants, accounts), and identification of markets for trade related messages;
  - format and size of field valid values that are normally represented as codes; and
  - the use of ISO standard references where available, e.g. ISIN for financial instrument, currency codes, country codes.
- Discussion on noted actions and overview of agenda for the next meeting.

### KEY ISSUES DISCUSSED

- Members agreed that an initial training webinar by SWIFT should be arranged, to allow for an assessment of its effectiveness for future training requirements, noting that a number of training models were available, depending on an organisation's own circumstances.



- The ASX presented a number of key principals and recommendations for the adoption of ISO 20022. These principles were key items identified during the High Level Gap Analysis and were also common themes identified by ASX and SWIFT during detailed mapping that should be brought to the committee's attention. Of seven key topics presented to the committee, five were endorsed by the committee members. Two items were held over, pending further information to be provided by ASX for future discussion.
- A member also requested that the standing agenda for the committee meetings include a general update from ASX on the CHESSE Replacement project.
- The Chair also noted that ASX would provide members with statistical data on CHESSE reporting for review and response prior to the next meeting.

#### **AGREED ACTIONS**

Eleven new action items were noted from the meeting. Two action items from the previous meeting were closed, with one item held over to the March meeting. The action items are detailed in full in the Minutes from the meeting.

Minutes from the meeting are attached.



## **MINUTES OF THE TECHNICAL COMMITTEE**

### **CHESS messaging & ISO 20022 Project**

Tuesday 7 February 2017

ASX offices, 20 Bridge Street, Sydney, conference call

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- 1. Agenda overview**
- 2. Minutes from last meeting, actions**
- 3. Update from Business Committee**
- 4. ISO 20022 project update by ASX**
- 5. Market education and training on ISO 20022**
- 6. Key principles and recommendations for adoption**
- 7. Next meeting, more information**



## ATTENDEES

MEMBERS		
Company	Name	Job Title
Australian Payments & Clearing Association (APCA)	Paul Creswick	Security Standards Manager
Bank of America Merrill Lynch	Andree Hindmarsh	Head of GMOT Australia
Bell Potter Securities	Dean Surkitt	Managing Director Retail
BNP Paribas Securities	Narelle Rutter	Head of Local Custody & Clearing Operations
BNP Paribas Securities	Wayne Murphy	Project Manager
Boardroom Limited	Jeff Sadler	General Manager, IT
Boardroom Limited	Paul Timms	COO
Broadridge (Australia)	John Greenhow	General Manager, Australia
Broadridge (Australia)	Manoj Mathew	Business Analyst
CBA Equities	Joel Cox	Technical Business Analyst
CBA Equities	Carolyn Webb	Test Manager
CBA Equities	Ben Lowe	Manager Settlements
Chi-X Australia	Mike Aikins	Head of Solution Development
Chi-X Australia	Suketu Adhvaryu	Senior Solution Architect
Citicorp	Miles O'Connor	Director, Direct Custody & Clearing Securities Markets & Securities Services
Citicorp	Brett Dennis	Head of Operations – Party Clearing
Citicorp	Vlad Medvedev	
Citicorp	Lyall Herron	
Computershare	Paul Walton	Senior Manager, Corporate Actions & New Business Development – Investor Services
Computershare	Leanne Bailey	Senior Business Analyst Product & Innovation
Dion Global Solutions	Craig Gray (by phone)	Product Manager – Australia and New Zealand
GBST	Andrew Murdoch	Product Specialist, GBST Capital Markets
GBST	Sue Schafer	Product Owner
Goldman Sachs	Darrel Schwarz	Technology Vice President
Goldman Sachs	Nichole Alexander	Operations Vice President
HSBC Securities Services	Gregory Wilkin	Head of HSBC Operations
JP Morgan	Ed Lawson	Settlements Manager
JP Morgan	Danny Ng	Middle and Back office AD Manager
JP Morgan	Scott Oakland	Direct Custody Product Manager Australia
JP Morgan	Daniel Smith	VP, Network Management
JP Morgan	Lesley Henderson	Technology Product team
Link Group	Ian Batterham	Business Applications Architect
Macquarie Group	Paul Bragg	Senior Manager Equities Clearing ANZ
Macquarie Group	Merrilyn Auton	Manager Operations
Morgans Financial	Matt Neaubauer	Team Leader, Service Management Team



MEMBERS		
Company	Name	Job Title
Morgan Stanley	Dorothy Wilson	Executive Director Morgan Stanley Wealth Management, ISG Technology
Morgan Stanley	Oscar Dela Cruz	
Morgan Stanley	Andrew Fielder	
Morgan Stanley	Gordon Davies	VP/Firmwide Ops
Morgan Stanley	Kirsty Venters	VP, Prime Brkrgr Funding & Fin Tech
NAB Asset Management	Suresh Chinnappa	Head of Custody Service Operations
National Stock Exchange	Scott Evans By phone	General Manager & Company Secretary
National Stock Exchange	Lina Lim	Head of Technology
Nomura Research Institute	John Ryan	Senior Consultant
Securitease	Anton Smith	Director
Share Investing	Phil Barnes	Senior Manager, Platforms
Stockbrokers & Financial Advisers Association Limited (SAA)	Danielle Henderson	Chair of SAA CHESS working group
SWIFT Standards	Mieko Morioka (by phone)	Senior APAC Standards consultant
SWIFT Standards	Nicole Jolliffe	Senior APAC Standards consultant
SWIFT	Chermaine Lee	SWIFT Project Coordinator
Sydney Stock Exchange	David Lawrence	Company Secretary
Sydney Stock Exchange	Jadeah Dogias	Supervisor – Market Control
Sydney Stock Exchange	Leo Zhang	Business Analyst
UBS	Phillip Drury	Phillip Drury, Executive Director, Equities IT
UBS	Duncan Earl	Executive Director, Head of Change, UBS Group Operations
Wealthhub Securities	James Channon	Manager, Capital Markets Trading

ASX Management	
Name	Job Title
Tim Hogben	Chief Operating Officer (Chair of the Technical Committee)
Cliff Richards	General Manager, Equity Post Trade Services
Karen Webb	Manager, Equity Post Trade Services
Rodd Kingham	Senior Manager, Equity Post Trade Services
Russell Eyre	Enterprise Architect
Anne-Marie Fisher-Taylor	Architect CSD Development
Darcy Wright	Senior Business Analyst, Equity Post Trade
Gary Hobourn	Senior Economic Analyst, Regulatory and Public Policy

**APOLOGIES**

<b>MEMBERS</b>		
<b>Company</b>	<b>Name</b>	<b>Job Title</b>
Australian Payments & Clearing Association (APCA)	Andy White	General Manager, Payments Community
Link Market Services	Sue Julian	National Manager, Corporate Actions
Stockbrokers & Financial Advisers Association Limited (SAA)	Andrew Green	Chief Executive





The meeting commenced at 3.00pm.

#### **Agenda item 1: Agenda overview**

The Chair welcomed Technical Committee members to the meeting including members attending by telephone.

The Chair noted an increased participation in the Technical Committee – up 20% leading to better preparedness for the adoption of ISO 20022. The Chair asked the Technical Committee to consider broader perspective thinking and industry business needs.

The Chair outlined the Agenda for this meeting, referring to the presentation slides prepared by ASX. The agenda included an overview of the proposed forward plan of meeting topics. Highlighted was the proposed review of reporting requirements during the upcoming March meeting.

#### **Agenda item 2: Minutes from last meeting, actions**

The Chair noted that the minutes from the last meeting held on 13 December 2016 had been finalised, following one response from a member to make an amendment to the draft minutes. The minutes have been published on the ASX CHESS Replacement web page. The Chair noted the actions from the last meeting, and that Action 1 had been closed, Action 3 was for discussion this meeting. Action 2 was proposed for deferral to the March 2017 meeting when the timing was more appropriate. The meeting confirmed this was acceptable.

#### **Agenda item 3: Update from Business Committee**

The Chair noted that a Business Committee meeting had not been held since the last Technical Committee meeting. The next Business Committee meeting is scheduled for 2 March 2017 with a key focus to discuss the vision for CHESS Replacement. The meeting will also consider a revised Charter, as the Forum had now been dissolved. The Business Committee is now the central point for ASX and customers to discuss cash equities post trade matters.

#### **Agenda item 4: ISO 20022 project update by ASX**

The Chair referred to slide 5 of the ASX presentation and provided an overview of the work ASX had been progressing on ISO 20022 mapping.

A member asked how feedback on new/changed requirements coming through consultation would work. The Chair noted a key benefit of ISO 20022 standard was the flexibility in the maintenance process for data descriptions, data models and the data repository. ASX was completing some baseline analysis and work at this point.

A member asked if the CHESS EIS messages 101 and 005 were included in the current mapping tranche. ASX confirmed these messages were in scope. A member asked if the full list of messages currently being mapped could be made available to the Technical Committee members. The Chair agreed that ASX will provide the list to members. **[Matters Arising 1/Action item 4]**

A member asked ASX to confirm that stock lending was out of scope? The Chair confirmed that ASX had de-scoped stock lending in its current (single lender) form (i.e. last used in early 2000's). ASX was still interested to explore stock lending business models.



A member asked if all messages will be discussed in the Technical Committee. The Chair confirmed that it was the intention to share all draft messages with the Technical Committee.

#### **Agenda item 5: Market education and training on ISO 20022**

The Chair presented a list of education and training options that had been prepared by ASX and SWIFT, per slide 7 of the ASX presentation.

A member asked if it was possible to have classroom style training sessions instead of webinars. The Chair responded that while the options could be reviewed, the plan was to proceed with webinars as they offered the broadest level of access.

A member asked if the webinars offered would allow question and answer interaction by attendees. The Manager for Equity Post Trade Services responded to confirm Q&A was included in the format, but to note that the webinars were 2 hours in duration so high level.

A member asked if it would be possible to test the approach after the 1<sup>st</sup> webinar. The Chair confirmed that ASX would seek and review feedback after the initial webinar. [**Matters Arising 2/Action item 5**]

A member asked if there were any self-training options. A representative from SWIFT responded that the "ISO 20022 for Dummies" booklet had already been made available for download from the CHES Replacement web page, or hard copies were available from ASX. The Chair confirmed relevant links to ISO 20022 information would be made available on the CHES Replacement web page. [**Matters Arising 3/Action item 6**] The representative from SWIFT also noted that SWIFT users can access the online education portal SWIFTSmart at [www.swift.com](http://www.swift.com). SWIFT can provide more details. [**Matters Arising 4/Action item 7**]

The Chair confirmed that education would remain an open agenda item for further discussion.

The Chair invited a representative from SWIFT to provide an introductory presentation on ISO 20022 for the information of the members. (refer to separate SWIFT presentation)

A member asked if ISO message extensions would be used to support CHES EIS data requirements. ASX confirmed this may be the case but would be assessed on a case-by-case basis, and that Data Source Schemes, External Code Lists or Supplementary data block may also be used. It was also possible to request a change to existing ISO messages or request a new ISO message for messages with limited existing mapping potential. Members would be involved in key decisions on the appropriate options.

#### **Agenda item 6: Key principles and recommendations for adoption**

The Manager, Equity Post Trade Services referred to the key recommendations from the High Level Gap Analysis (slide 9), and that ASX and SWIFT had spent some time in January to review this list and to identify key concepts or principles to bring to the Technical Committee for awareness, discussion and decisions. It was important that such principles were agreed to ensure a consistent approach through the process – and could be general in nature or specific to certain messages. For this meeting the focus would be on standard reference identifiers including codes – with 7 key topics.



1. *Identify the issuer of a proprietary code (slide 10)*

**Recommendation:** ASX presented the recommendation that where the issuer of a proprietary code needs to be identified in a message (e.g. the issuer of UIC codes), the issuer is identified by the Operating MIC – for example XASX to represent ASX as the issuer, XNEC to represent NSX as the issuer etc.

**Outcome:** The Technical Committee endorsed this recommendation, to be used where appropriate.

A member asked ASX to circulate the list of Market Infrastructure Codes (MICs). **[Matters Arising 5/Action item 8]**

2. *Party identification (slide 11)*

**Recommendation:** ASX presented the recommendation to standardise the code used to identify parties such as participants, issuers, payment banks in messages, rather than use a mix of identifiers such as PID (Participant Id), UIC (User Identification Code), and BIC (Business Identifier Code). ASX recommended the use of the proprietary code UIC, as issued by ASX. ASX further noted that it considered the BIC more appropriate for message routing information.

A number of members suggested that the BIC was an international identifier and would be more appropriate to use – this would remove any global confusion, improve potential interoperability with other service providers. ASX noted that if BIC were to be used all users of the system would require one – e.g. UIC is currently assigned to each issuer.

**Outcome:** The Chair agreed that this topic would be held for a decision, and that ASX and SWIFT would provide more information on the use of BIC vs. UIC to assist that decision, including whether all current parties in CHES would be eligible for receipt of a BIC, any impact to clearing and settlement business processes to provide a BIC for notifications and instructions. **[Matters Arising 6/Action item 9]**

3. *Identify place of trade – market (slide 12)*

**Recommendation:** ASX presented the recommendation that depending upon the usage definition, Place of Trade is either “VARI” (e.g. netting messages), or the “Operating MIC” identifier – e.g. use XASX for ASX Trades.

A member noted that the Operating MIC may not be the appropriate reference and could a market operator nominate the appropriate code. ASX noted that would be possible, and guidance could be provided within the usage guidelines as to the appropriate code to be used. The market operators could nominate which MIC to use.

A member asked if VARI was used in netting messages, could a participant ‘unpick’ that set of trades to determine the place of trade on the underlying trades. ASX confirmed underlying gross trades that made up “netted positions” would be able to be reconciled back to.

**Outcome:** The Technical Committee endorsed this recommendation, with the Place of Trade information to be determined via market operator code preference. **[Matters Arising 7/Action item 10]**

4. *Identification of a financial instrument – (security) (slide 13)*

**Recommendation:** ASX presented the recommendation to continue the current CHES practice where either ISIN or the proprietary ASX code could be used as identifiers for financial instruments. The type of code used could be nominated by the user. Where the proprietary ASX code is used, the issuer of the proprietary code would be identified by the Operating MIC – e.g. XASX.



A member suggested that XASX may not be suitable as the identification of the issuer, as other market operators issue codes for their own listed products.

**Outcome:** The Chair confirmed a further analysis would be required to determine if a fixed value or true value of the proprietary code issuer should be used. **[Matters Arising 8/Action item 11]**

5. *Identification of safekeeping account (slide 14)*

**Recommendation:** ASX presented the recommendation to continue to use the proprietary code Holder Identification Number (HIN) as the identifier for a safekeeping account. ASX noted that the inclusion of the safekeeping account id was mandatory on all relevant messages.

Members sought clarification about what this equated to in CHES messages. ASX confirmed this equates to the HIN field (e.g. receiving HIN, delivering HIN) in current messages. Members discussed whether this was the appropriate identifier.

**Outcome:** The Technical Committee endorsed the recommendation. The Chair noted previous feedback from some members on the future of account structures and that this would be a topic for further consultation as part of the business requirements gathering process.

6. *Identification of depository in delivering/receiving settlement parties (slide 15)*

**Recommendation:** ASX presented a recommendation to mandate a standard reference to represent the depository (e.g. ASX Settlement) in relevant messages. Per market practice the field value is normally the BIC of the depository. For ASX Settlement this would be BIC XASXAU2S.

**Outcome:** The Technical Committee endorsed the recommendation.

7. *CHES proprietary field values vs. ISO 20022 code format (slide 16 and 17)*

**Recommendation:** ASX noted that the ISO 20022 convention for codes was a 4 character code, vs. the CHES 1 to 3 character conventions (e.g. for basis of quotation, condition codes etc.). ASX recommended that:

- ASX to review current CHES EIS code lists and descope any codes not in use
- Not to mix proprietary and ISO codes within one element/field usage
- Use ISO codes where available and publish into a Data Source Scheme (DSS) list
- Start with a registered DSS list, then once definitions are mature, move to registration in External Code Lists.

A member asked if the adoption of the ISO 20022 format should be applied to trading platforms and ReferencePoint products that share similar code lists. The Chair confirmed this could be taken into consideration.

A member asked if the richness of fields in an ISO message (for example using multiple codes like Basis of Movement), will have an impact to latency / performance? ASX responded that message sizes, system performance formed part of the significant non-functional aspect of this work and would be monitored accordingly.

**Outcome:** The Technical Committee endorsed the recommendation. ASX to provide proposed code lists for further review. **[Matters Arising 9/Action item 12]**

**Agenda item 7: Next meeting, more information**

The Chair summarised the key action items from the meeting and noted that draft minutes from the meeting would be circulated to members for review.

The Chair provided an overview of the planned topics for the next Technical Committee meeting (slide 18), and that the meeting would likely be held as a webinar to allow all members to view live content. A member asked if members could still attend the meeting at the ASX office. The Chair confirmed that would be possible.

The Chair noted that on the topic of reporting, ASX will make available statistical data prior to next meeting, and members are requested to review statistics, assess their use of the reports to assist in discussion. That will include whether the reports are to be carried forward, de-scoped as well as if any new reporting requirements should be considered.

A member requested an opportunity to schedule a demonstration of ASX's distributed ledger technology. The Chair asked members to indicate via email if they had an interest in attending a demonstration in order to manage as efficiently as possible.

A member asked if the standing agenda for the meetings could include a general CHES Replacement update. The Chair agreed that this item would be added to the agenda. **[Matters Arising 10/Action item 13]**

A member noted that the next Technical Committee meeting was proposed for 13 March and that was a public holiday in Melbourne. The Chair confirmed ASX would check the next meeting date and advise of any change. **[Matters Arising 11/Action item 14]**

The Chair thanked members for their input, and for participating in the meeting. The meeting closed at 5.10pm.

Signed as a correct record of the meeting.

A handwritten signature in blue ink, appearing to read 'W. Singh'.

Technical Committee Chair

3 March 2017

Date



## ACTION ITEMS

No.	Meeting Date	Open Action Items	Owner	Due Date
2	13 December 2016	Provide members with information on how to access SWIFT MyStandards.	ASX	Deferred to 14 March 2017
4	7 February 2017	Provide members with list of current scope of messages for detailed mapping during first half 2017.	ASX	14 March 2017
5	7 February 2017	Schedule training webinar for the attendance by members and seek and review feedback after the initial webinar.	ASX / SWIFT	14 March 2017
6	7 February 2017	Add link to relevant ISO 20022 information websites to the CHES Replacement web page.	ASX	14 March 2017
7	7 February 2017	Provide more details on access to online education available at swift.com.	SWIFT	14 March 2017
8	7 February 2017	Provide members with the current list of Market Identification Codes (MICs)	ASX	14 March 2017
9	7 February 2017	Provide members with more information on the use of BIC vs. UIC as the party identification code.	ASX / SWIFT	14 March 2017
10	7 February 2017	Market Operators to advise the preferred MIC to be presented in trade related messages as the "Place of Trade".	ASX, Chi-X, NSX, SSX	14 March 2017
11	7 February 2017	ASX to conduct analysis on whether the identification of a financial instrument is a fixed value or true value of the proprietary code issuer.	ASX	14 March 2017
12	7 February 2017	Provide list of proposed code (i.e. condition or BOM) in ISO 20022 format (4 character) mapped against CHES codes.	ASX	14 March 2017
13	7 February 2017	Add a general CHES Replacement update to the standing agenda for meetings.	ASX	14 March 2017
14	7 February 2017	Check the next Technical Committee meeting date planned for March and advise members of any change.	ASX	14 March 2017



No.	Meeting Date	Closed Action Items	Owner	Closed Date
1	13 December 2016	Amend the Charter to reflect that the Chair “will” (instead of “may”) forward copies of the minutes to the Business Committee for endorsement. ASX to publish and distribute final Charter.	ASX	13 December 2016
3	13 December 2016	Provide members with an overview of ISO 20022 training options.	ASX/SWIFT	7 February 2017





# ISO 20022 TECHNICAL COMMITTEE REPORT TO THE BUSINESS COMMITTEE

## ISO 20022 TECHNICAL COMMITTEE MEETING 14 MARCH 2017

The Technical Committee met on 14 March 2017, with an additional clearing and settlement participant joining the member group. The meeting was held at ASX offices and by webinar for the first time allowing for a live demonstration of meeting information.

### MEETING AGENDA

The agenda for the meeting held on 14 March 2017 included:

- Review of outstanding and closed action items;
- CHES Replacement project update by ASX;
- ASX's update from the 2 March 2017 Business Committee meeting;
- ISO 20022 project update by ASX;
- Overview of the SWIFT MyStandards online portal, including access information for members, review of a sample ISO 20022 message, and to discuss how feedback will be sought from members on the published draft ISO 20022 messages.
- Discussion regarding noted action items and next steps for the Committee.

### KEY ISSUES DISCUSSED

- The Chair noted that of twelve open action items, eleven had been completed by ASX and were noted as closed, or for discussion at the meeting and subsequently closed. One action item remained open. The publication of a number of reference items on the CHES Replacement web page with regard to ISO 20022 satisfied a number of action items.
- ASX provided additional information on the relative features of BIC (Business Identification Code) vs UIC/PID as a party/actor identifier, and potential costs associated with obtaining a BIC. Members agreed that the BIC would be used in ISO 20022 messages to identify key parties/actors such as participants instead of the PID or UIC. Members agreed to defer the decision about the appropriate identifier for issuers to a later date.
- ASX agreed to establish a separate register of impacts to upstream and downstream systems, compatibility and potential transition and translation issues based on the decisions made by the committee for the adoption of ISO 20022.





- The Chair provided an overview of the key discussion points from the SWIFT High Level Gap Analysis on the current CHES reporting messages. The Chair noted that ASX had distributed a paper to members on CHES Demand Reporting with specific questions for member response. Members were asked to provide feedback on the report by 28 March 2017.

#### **AGREED ACTIONS**

Four new action items were noted from the meeting, with a total of five open action items. The action items are detailed in full in the Minutes from the meeting.

Minutes from the meeting are attached.

#### **TECHNICAL COMMITTEE MEETING 2 MAY 2017**

The agenda for the meeting on 2 May 2017 included:

- Review of outstanding and closed action items;
- CHES Replacement project update by ASX;
- ASX's update on the Business Committee;
- ISO 20022 project update by ASX;
- Review of the trial training webinar on ISO 20022 provided by SWIFT on 27 April 2017 and discussion of next steps;
- Review of responses by members to the ASX paper and questions on CHES Demand Reporting;
- Review of member feedback on the SWIFT MyStandards portal and comments on the draft ISO 20022 equivalents of CHES EIS 164 and EIS 101 messages;
- Overview of the Business Application Header (BAH), and ASX's proposed use of the BAH;
- Overview of the draft ISO 20022 equivalents and key concepts for CHES EIS 134 and EIS 138 messages.

A report and minutes from the 2 May 2017 meeting will be provided at the next Business Committee meeting.



## **MINUTES OF THE ISO 20022 TECHNICAL COMMITTEE**

Tuesday 14 March 2017

ASX offices, 20 Bridge Street, Sydney; Webinar

- 
- 1. Welcome, Agenda**
  - 2. Minutes from last meeting, actions**
  - 3. CHES Replacement project update by ASX**
  - 4. Update from Business Committee**
  - 5. ISO 20022 project update by ASX**
  - 6. SWIFT MyStandards, usage guideline review**
    - a) Overview of SWIFT MyStandards and how to access**
    - b) Review recommended ISO 20022 mapping: CHES 164 message – Notified Trade**
    - c) Providing and collating feedback on usage guidelines**
  - 7. Review of CHES reporting messages**



## ATTENDEES

MEMBERS		
Company	Name	Job Title
Australian Payments & Clearing Association (APCA)	Paul Creswick	Security Standards Manager
Bank of America Merrill Lynch	Andree Hindmarsh	Head of GMOT Australia
Bell Potter Securities	Dean Surkitt	Managing Director Retail
BNP Paribas Securities	Narelle Rutter	Head of Local Custody & Clearing Operations
BNP Paribas Securities	Wayne Murphy	Project Manager
Boardroom Limited	Tony Robinson	Senior Software Engineer
Boardroom Limited	Michael Mullins	CIO
Broadridge (Australia)	John Greenhow	General Manager, Australia
Broadridge (Australia)	Manoj Mathew	Business Analyst
CBA Equities	Joel Cox	Technical Business Analyst
CBA Equities	Carolyn Webb (by phone)	Test Manager
CBA Equities	Ben Lowe	Manager Settlements
Chi-X Australia	Mike Aikins	Head of Solution Development
Chi-X Australia	Suketu Adhvaryu	Senior Solution Architect
Citicorp	Miles O'Connor	Director, Direct Custody & Clearing Securities Markets & Securities Services
Citicorp	Brett Dennis	Head of Operations – Party Clearing
Citicorp	Vlad Medvedev	
Citicorp	Lyall Herron	
Citicorp	Janice O'Brien (by phone)	Markets & Securities Services Technology
Citicorp	Matthew Warner	
Citicorp	Ashok Kumar Balusa	
Citicorp	Glenn Pahilan	
Computershare	Paul Walton	Senior Manager, Corporate Actions & New Business Development – Investor Services
Computershare	Leanne Bailey	Senior Business Analyst Product & Innovation
Deutsche Securities	Luke McLeod	VP, Securities Operations Technology, Program Manager
Dion Global Solutions	Craig Gray (by phone)	Product Manager – Australia and New Zealand
Dion Global Solutions	Nikki Gleisner	Account Manager
GBST	Andrew Murdoch	Product Specialist, GBST Capital Markets
GBST	Sue Schafer (by phone)	Product Owner
Goldman Sachs	Darrel Schwarz	Technology Vice President
Goldman Sachs	Nichole Alexander	Operations Vice President
HSBC Securities Services	Gregory Wilkin	Head of HSBC Operations
JP Morgan	Ed Lawson	Settlements Manager



MEMBERS		
Company	Name	Job Title
JP Morgan	Danny Ng	Middle and Back office AD Manager
JP Morgan	Scott Oakland	Direct Custody Product Manager Australia
JP Morgan	Daniel Smith	VP, Network Management
JP Morgan	Lesley Henderson	Technology Product team
Link Group	Ian Batterham	Business Applications Architect
Link Market Services	Sue Julian	National Manager, Corporate Actions
Macquarie Group	Paul Bragg	Senior Manager Equities Clearing ANZ
Macquarie Group	Merrilyn Auton	Manager Operations
Morgans Financial	Matt Neaubauer	Team Leader, Service Management Team
Morgans Financial	Ed Strike	IT Manager
Morgan Stanley	Oscar Dela Cruz	
Morgan Stanley	Andrew Fielder	
Morgan Stanley	Gordon Davies	VP/Firmwide Ops
Morgan Stanley	Kirsty Venters (by phone)	VP, Prime Brkrgr Funding & Fin Tech
NAB Asset Management	Suresh Chinnappa	Head of Custody Service Operations
National Stock Exchange	Scott Evans	General Manager & Company Secretary
National Stock Exchange	Lina Lim	Head of Technology
Nomura Research Institute	John Ryan	Senior Consultant
Securitease	Anton Smith	Director
Share Investing	Phil Barnes	Senior Manager, Platforms
Stockbrokers & Financial Advisers Association Limited (SAA)	Andrew Green	Chief Executive
Stockbrokers & Financial Advisers Association Limited (SAA)	Danielle Henderson	Chair of SAA CHESS working group
SWIFT Standards	Mieko Morioka (by phone)	Senior APAC Standards consultant
SWIFT Standards	Nicole Jolliffe	Senior APAC Standards consultant
SWIFT	Chermaine Lee	SWIFT Project Coordinator
Sydney Stock Exchange	Jadeah Dogias	Supervisor – Market Control
Sydney Stock Exchange	Leo Zhang	Business Analyst
UBS	Phillip Drury	Phillip Drury, Executive Director, Equities IT
UBS	Duncan Earl	Executive Director, Head of Change, UBS Group Operations
Wealthhub Securities	James Channon	Manager, Capital Markets Trading

ASX Management	
Name	Job Title
Tim Hogben	Chief Operating Officer (Chair of the Technical Committee)
Cliff Richards	General Manager, Equity Post Trade Services
Karen Webb	Manager, Equity Post Trade Services



ASX Management	
Name	Job Title
Rodd Kingham	Senior Manager, Equity Post Trade Services
Russell Eyre	Enterprise Architect
Anne-Marie Fisher-Taylor	Architect CSD Development
Darcy Wright	Senior Business Analyst, Equity Post Trade
Gary Hobourn	Senior Economic Analyst, Regulatory and Public Policy

## APOLOGIES

MEMBERS		
Company	Name	Job Title
Australian Payments & Clearing Association (APCA)	Andy White	General Manager, Payments Community
Morgan Stanley	Dorothy Wilson	Executive Director Morgan Stanley Wealth Management, ISG Technology
Sydney Stock Exchange	David Lawrence	Company Secretary



The meeting commenced at 3.05pm.

#### **Agenda item 1: Agenda overview**

The Chair welcomed Technical Committee members to the meeting including members attending by webinar.

The Chair outlined the Agenda for this meeting, referring to the presentation slides prepared by ASX. The agenda included an overview of the proposed forward plan of meeting topics.

#### **Agenda item 2: Minutes from last meeting, actions**

The Chair noted that the minutes from the last meeting held on 7 February 2017 had been finalised, and that there had been no feedback from members on the circulated draft minutes. The minutes have been published on the ASX CHES Replacement web page.

The Chair noted the outstanding actions from the last meeting as outlined on slides numbered 4 and 5 from the ASX presentation.

**Action item 2** was for ASX to provide members with information on how to access SWIFT MyStandards. The Chair noted that there was an agenda item on MyStandards later in the meeting. **This item was closed.**

**Action item 4** was for ASX to provide members with the list of the current scope of messages scheduled for detailed mapping during the first half of 2017. The list was provided to members with the meeting documents on Monday 13 March 2017. **This item was closed.**

**Action item 5** was for ASX and SWIFT to schedule a training webinar for the attendance by members. The Chair noted this item would be discussed later in the meeting. **This item was closed.**

**Action item 6** was for ASX to add a link on the CHES Replacement web page to relevant ISO 20022 information websites. **This item was closed.**

**Action item 7** was for SWIFT to provide more details on access to online education available at swift.com. This information prepared by SWIFT was provided to members with the meeting documents on Monday 13 March 2017. **This item was closed.**

**Action item 8** was for ASX to provide members with the current list of Market Identification Codes (MICs). ASX has provided a link to this list from the CHES Replacement web page. **This item was closed.**

**Action item 9** was for ASX and SWIFT to provide members with more information on the use of BIC vs. UIC as the party identification code. ASX provided a summary document on this matter to members on Monday 13 March 2017. The Chair summarised the key points from the document and asked the ASX Enterprise Architect to provide an overview of the key points. The ASX Enterprise Architect described the current use of PID or UIC, and provided an overview of the various BIC types and how they are issued. The overview emphasised the distinction between party identification for routing (e.g. connected BIC for SWIFTNet) vs. identification of a party within a message (could be a non-connected BIC). In conclusion either BIC or UIC could be used for identification within a message, selection of BIC would mean some form of migration for go live.

The Chair reiterated the group's wish to adopt global standards, and asked for member's input on using BIC vs. UIC.



A member confirmed their preference as a global bank to use BIC, as they do use it as a common identifier. They also had a preference to use BIC as the single identifier from day 1 implementation. The use of the free of charge (non-connected) BIC seemed a desirable solution.

A member asked what the cost for obtaining a BIC was (vs. UIC) and when would this be paid? A SWIFT representative confirmed the relative cost for connected (recurring EUR1,250 pa fee per BIC, and additional network charges) vs. non-connected (free), and where there is a charge it is applied by SWIFT as the registration authority. The member asked what the example would be for a user to pay for a BIC. The SWIFT representative replied you need to pay for a BIC if connected and use the SWIFT Network.

The Chair noted that there was no decision yet re the transport network, and that ASXNet was an option. Consultation responses indicated that SWIFTNet would be desirable for some participants, and that if SWIFTNet was used, a connected BIC would be applicable for routing.

A member asked if connected BIC was similar to the AIC concept used in CHES. The ASX Enterprise Architect confirmed this was similar, AIC identifies access points, and UIC identifies party. BIC allows for identification of both.

A member asked should the summary document say “will be” additional charges for a connected BIC rather than “maybe”. The Chair confirmed that was correct. [Note this depends on each participants own circumstances]

A member noted general support for the move to global standards including identifiers and asked how the transition arrangements would work for a move to BIC. The ASX Enterprise Architect noted that there were several approaches. Firstly, a big bang, where we turn off UIC one day, and turn on BIC the next day. Secondly, ASX could allow CHES message backward compatibility and ASX would manage the translation for CHES to ISO 20022 messages. Noted that there were broader discussions required on the go live approach, and this also depends on migration tools available to ASX and vendors/participants. The meeting agreed there was a need for future discussion on the options for transition, including identifiers. The Chair noted that a future agenda item would be scheduled on this point. **[Matters Arising 1/Action item 15]**

The Chair asked a SWIFT representative how the naming convention for BIC worked. The SWIFT representative confirmed the number was sequentially allocated but could have some approximate institution name representation. A member shared their own BIC example and that is was usually the case for international organisations that the BIC had some representation of their name. Brokers could have a similar convention. The member drew a comparison to the proposed ASX ISIN changes, and that it would be a matter of getting reference tables in place. The member confirmed that the BIC was a one off set up and once set up it operated very smoothly.

A member asked if the different BIC types looked the same for one entity. SWIFT confirmed that the names can look similar or different and noted that a non-connected BIC (BIC 1) always ends in a 1. A member noted the PID was a known unique identifier and recognisable, and asked if the use of BIC had the potential to create confusion. The Chair noted that mapping tables could be provided.

A member asked if there would be any impact on broker ids (trade). The Chair confirmed this would potentially need mapping between broker id and BIC or development on the front end. The Chair noted that discussions in this group could have potential consequences elsewhere. The Chair noted that upstream and downstream impacts should be tracked to remain cognisant of changes, and to engage with the relevant groups. **[Matters Arising 2/Action item 16]**

A member asked if the change to BIC was just in relation to participants, and didn't include issuers. The Chair confirmed that was correct.





The ASX Enterprise Architect noted that with respect to issuers using a BIC, the unconnected BIC registration allowed for a third party to apply, so depending on operational logistics ASX could apply on behalf of issuers. It was likely that if participants had a BIC8 (for connectivity) that the same BIC could be used in the message content, and that an additional unconnected BIC would not be required.

**The meeting agreed to the use of BIC as an identifier for participants in ISO 20022 message content, in place of PID or UIC.** The Chair confirmed that the decision regarding the identification of issuers was pending further discussion, and would remain at UIC for now. ASX will provide the committee with further information on the potential process to register and use BIC in place of UIC for issuers. **This item was closed with a new action item raised to track the decision for the identification of issuers. [Matters Arising 3/Action item 17]**

**Action item 10** was for Market Operators to advise the preferred MIC to be presented in trade related messages as the "Place of Trade". ASX had not received any information from Market Operators and **this item remains open.**

**Action item 11** was for ASX to conduct analysis on whether the identification of a financial instrument is a fixed value or true value of the proprietary code issuer. ASX provided a summary document on this matter to members on Monday 13 March 2017. The Chair summarised the key points from the document, and the ASX recommendation to adopt a standard default identifier for the issuer of a financial instrument proprietary code – as "INFO", rather than identifying the individual market operator applicable to each security code.

A member asked if this default identifier applied across all Market Operators. The Chair confirmed that would be the case, and that the market would not be identified. A member asked what would happen if a user put another value in this field? The ASX Senior Business Analyst confirmed that the message would be rejected by ASX if a value other than "INFO" was populated in this field.

A member asked what the treatment would be for securities that are dual listed. The Chair confirmed the same approach would apply.

A member asked more generally if there was a place to find the operator/issuer associated with a security. The Manager Equity Post Trade Services confirmed this information was available in reference data provided by ASX.

**The meeting confirmed agreement with the use of the default value "INFO". This action item was closed.**

**Action item 12** was for ASX to provide a list of proposed codes (for example, condition codes and basis of movement codes) in ISO 20022 format (4 character) mapped against CHES codes. ASX provided a summary document on this matter to members on Monday 13 March 2017, and the Chair summarised the key points from the document.

A member agreed that 4 character codes should be used if there was good mapping with external code list. The Chair noted the proposed condition codes are not mapped to ISO external code list – they are new.

A member agreed that global codes should be used where possible with the resulting globalisation benefits, but there was a need to appreciate the upstream and downstream impact.

A member also asked how ASX would circulate the impact of code changes. The Chair noted that it did not have the information applicable to assess the impact to each participant's systems.

A member asked what happens if there were differences between the ASX and registered codes and the process for registration? The ASX Senior Business Analyst re-stated the registration process for codes – the use of codes in extensions and to publish an external code list (DSS).





A member asked about the impact for members that used ISO 15022 in their own operations – should the committee be cognisant of backward translation issues and promote any related change requests to 15022? The Chair agreed this matter should be discussed further. **[refer Matter Arising 2/Action item 16]**

A member asked what would happen if a Market Operator wanted to add new condition codes for example? ASX confirmed the codes would be added to the DSS, and that there were existing processes to review and change code lists for the CHES EIS. The Chair noted an action to document a process for future change requests. **[Matters Arising 4/ Action item 18]**

As discussed for Action item 9, the Chair proposed that a new register of items be developed to track and discuss upstream and downstream compatibility. **[refer Matter Arising 2/Action item 16]**

**The members agreed with the principle to adopt 4 character codes and publish these codes in a DSS. The action item was closed,** with the noted action to track upstream/downstream impacts.

**Action item 13** was for ASX to add a general update on the CHES Replacement project to the standing agenda for Technical Committee meetings. **This has been actioned and was closed.**

**Action item 14** was for ASX to check the date for this Technical Committee meeting and advise members of any change. **This has been actioned and was closed.**

### **Agenda item 3: CHES Replacement project update by ASX**

The Chair invited the General Manager, Equity Post Trade Services to provide an update on the CHES Replacement project. The General Manager provided an overview of ASX's published Public Consultation Feedback Summary on the CHES Replacement business requirements.

In summary, the key themes of consistent market feedback were:

- Support for the adoption of international standard messaging;
- Support for 'Day 1' functional changes that reduce intermediaries operating costs;
- No significant concerns with Distributed Ledger Technology (DLT).

Mixed feedback was received on a number of points including:

- The transition from CHES messaging to ISO 20022 messaging and the coexistence period, with further work to be done on designing effective transitional arrangements;
- Settlement period choices, with the need for more information;
- Account structures and participation models;
- Priorities on potential functional system enhancements.

In its response, ASX had outlined six action plans to address consultation feedback, and as outlined on slide number 6 of the ASX presentation, ASX has prepared the 2017 CHES Replacement Business Requirements Forward Work Program including additional working groups to discuss 6 key topics. ASX would provide external documentation by March 2018 on the determined 'Day 1' scope for CHES Replacement.

A member queried the working groups' focus on articulation of the business requirement and not the solution – The General Manager confirmed that ASX would provide a summary of the solution to the group at the appropriate time. A member asked if the Business Committee decides what's in scope for day 1. The Chair confirmed this was ASX's decision but would take into account the priorities of the broad stakeholder group. A member asked how nominations



for membership of the working groups would work. The General Manager confirmed invitations would go to Business Committee members for nominations, and to other relevant organisations.

#### **Agenda item 4: Update from Business Committee**

The Chair noted that the last Business Committee meeting held in early March included an update on CHES Replacement and the Forward Work Plan.

The meeting also touched on the vision for CHES Replacement and views shared amongst the Business Committee members. Key themes expressed during the meeting included a general endorsement to move to global standards, a desire to lower direct costs, a reluctance to invest in the replacement if there was no significant change, and a general interest to move forward.

#### **Agenda item 5: ISO 20022 project update by ASX**

The Chair referred to slide number 7 of the ASX presentation and noted that ASX and SWIFT work continues on the ISO 20022 mapping. The team were focused on technical and business delivery.

#### **Agenda item 6: SWIFT MyStandards, usage guideline review**

##### **a) Overview of MyStandards, access**

The Chair invited a representative from SWIFT to provide an introductory presentation on the SWIFT MyStandards portal for the information of the members. (refer to the separate SWIFT presentation)

##### **b) Review recommended ISO 20022 mapping – CHES EIS 164 – Notified Trade**

The Chair invited the ASX Senior Business Analyst to present with SWIFT an overview of the current EIS description of the 164 – Notified Trade message, with a walkthrough of the ISO 20022 excel schema document, identifying key themes.

The presentation noted key areas for members' awareness that would be important reference for their own review of the ISO 20022 usage guidelines. These included the annotations noting the mapping to current CHES EIS fields, the ability to filter removed elements, examples of Data Source Scheme Extensions (e.g. code lists), the view of multiplicity, where multiple EIS fields may map to a single ISO 20022 element (e.g. date and time), credit and debit indicators, schema elements and the view of a supplementary data extension. Refer to ASX slides number 10-17 for this overview.

##### **c) Providing and collating feedback**

ASX noted that it would initially provide two draft ISO 20022 usage guidelines for members to review in the newly created CHES Replacement community in SWIFT MyStandards. The usage guidelines would describe the ISO 20022 equivalents of the CHES EIS 164 and 101. Feedback could be provided by using the comments functionality in the portal, with a summary provided in slides numbered 18 and 19 in the ASX presentation.

A member asked how to gain access to the community? The Manager, Equity Post Trade Services confirmed that instructions would be provided to members as soon as possible following the meeting.

#### **Agenda item 7: Review of CHES Reporting messages**

The Chair introduced the agenda item to review CHES Reporting messages, and the document that had been provided to members prior to the meeting. Referring to slide # 20 in the ASX presentation, the Chair discussed the key strengths, weaknesses and opportunities of the current CHES reporting messages function, as identified by SWIFT in the High



Level Gap Analysis. As a result ASX was keen to review the reporting requests and output and had provided statistics on usage and recommendations for reports to carry forward or descope. ASX had only received one response prior to the meeting. **The Chair asked for members to review the document and provide responses by 28 March.**

A member asked if there was any view regarding providing API access, other forms of reporting besides messaging? The member also asked if this was worth considering in line with the working group discussion later this year. The Chair confirmed that this review and feedback was not wasted effort and would assist ASX to refine scope and prepare for further discussions.

#### **Next meeting, more information**

The Chair summarised the key action items from the meeting and noted that draft minutes from the meeting would be circulated to members for review.

The Chair confirmed that ASX would provide instructions on how to access MyStandards, and requested members review messages 164 and 101 (due date 18 April).

The Chair noted that ASX and SWIFT could schedule the initial training webinar on 26, 27 or 28 April and asked for any preferences from the members. As no preferences were provided, the Chair suggested that ASX would set the date and confirm this to members.

The Chair provided an overview of the planned topics for the next Technical Committee meeting including, the Business Application Header, Transaction ids, review of the feedback received on the 164 and 101 mapping, and review of the 134 and 138 mapping.

The Chair confirmed that subsequent meetings would provide the webinar format, and ASX would provide further information on scheduling one of the meetings in Melbourne.

The Chair thanked members for their input, and for participating in the meeting. The meeting closed at 5.00pm.

Signed as a correct record of the meeting.

A handwritten signature in black ink, appearing to be 'A. J. ...', written over a horizontal line.

Technical Committee Chair

The date '24 April 2017' handwritten in black ink, positioned above a horizontal line.

Date



## ACTION ITEMS

No.	Meeting Date	Open Action Items	Owner	Due Date
10	7 February 2017	Market Operators to advise the preferred MIC to be presented in trade related messages as the "Place of Trade".	ASX, Chi-X, NSX, SSX	14 March 2017
15	14 March 2017	Schedule future agenda item to discuss transition arrangements, including any changed values (e.g. party identifiers).	ASX	2 May 2017
16	14 March 2017	Create register of matters that may impact upstream, downstream systems or processes, including codes, identifiers and ISO 15022.	ASX	2 May 2017
17	14 March 2017	Provide further information on party identification for issuers – UIC or BIC and proposed process.	ASX	2 May 2017
18	14 March 2017	ASX to draft procedures for change requests to usage guidelines and code lists.	ASX	implementation

No.	Meeting Date	Closed Action Items	Owner	Closed Date
1	13 December 2016	Amend the Charter to reflect that the Chair "will" (instead of "may") forward copies of the minutes to the Business Committee for endorsement. ASX to publish and distribute final Charter.	ASX	13 December 2016
2	13 December 2016	Provide members with information on how to access SWIFT MyStandards.	ASX	14 March 2017
3	13 December 2016	Provide members with an overview of ISO 20022 training options.	ASX/SWIFT	7 February 2017
4	7 February 2017	Provide members with list of current scope of messages for detailed mapping during first half 2017.	ASX	14 March 2017
5	7 February 2017	Schedule training webinar for the attendance by members and seek and review feedback after the initial webinar.	ASX / SWIFT	14 March 2017
6	7 February 2017	Add link to relevant ISO 20022 information websites to the CHESS Replacement web page.	ASX	14 March 2017



No.	Meeting Date	Closed Action Items	Owner	Closed Date
7	7 February 2017	Provide more details on access to online education available at swift.com.	SWIFT	14 March 2017
8	7 February 2017	Provide members with the current list of Market Identification Codes (MICs)	ASX	14 March 2017
9	7 February 2017	Provide members with more information on the use of BIC vs. UIC as the party identification code.	ASX / SWIFT	14 March 2017
11	7 February 2017	ASX to conduct analysis on whether the identification of a financial instrument is a fixed value or true value of the proprietary code issuer.	ASX	14 March 2017
12	7 February 2017	Provide list of proposed code (i.e. condition or BOM) in ISO 20022 format (4 character) mapped against CHES codes.	ASX	14 March 2017
13	7 February 2017	Add a general CHES Replacement update to the standing agenda for meetings.	ASX	14 March 2017
14	7 February 2017	Check the next Technical Committee meeting date planned for March and advise members of any change.	ASX	14 March 2017

# BUSINESS COMMITTEE MEETING PAPER AGENDA ITEM 6A

<b>Topic</b>	<b>Forward Work Program</b>
<b>Date</b>	4 May 2017
<b>Purpose of this paper</b>	To update Members on the forward work program of the Business Committee for 2017.
<b>Action Required</b>	To consider and provide feedback on the topics for discussion, and their relative prioritisation, in the forward work program.

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## OVERVIEW

The forward work program of the Business Committee for calendar year 2017 is provided in Attachment A. Attachment B outlines the forward work program for the Technical Committee on CHES Messaging and ISO 20022 from December 2016 to November 2017.

The forward work program has been updated to reflect recent requests for the Business Committee to be updated at each meeting on the CHES replacement project, the CHES replacement working groups being held over the course of 2017 to discuss business requirements, Code of Practice developments and Technical Committee (ISO20022) reporting.

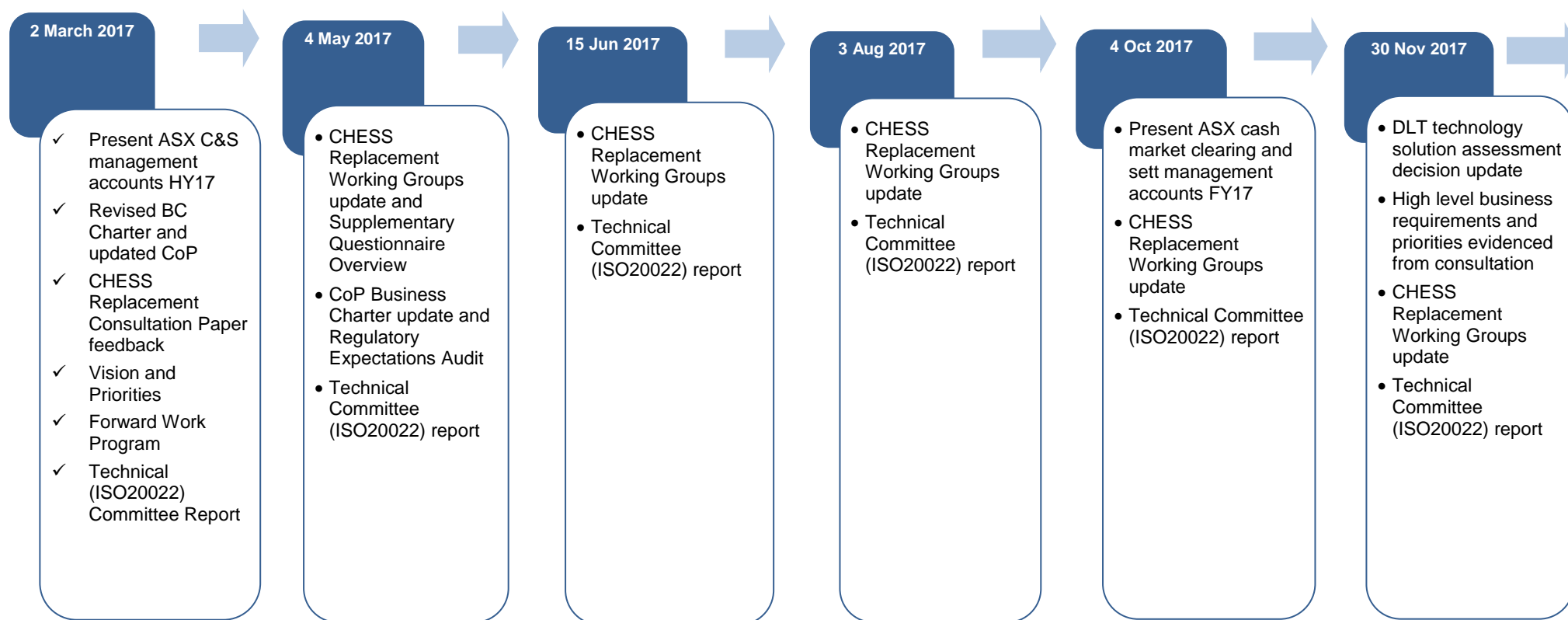
Members of the Business Committee are invited to provide feedback on, or suggest topics for inclusion in, the forward work program for 2017. Business Committee Members also have the on-going ability to provide input on the forward work program between meetings by emailing the Secretariat.

## ATTACHMENTS

Attachment A: Business Committee 2017 Forward Work Program

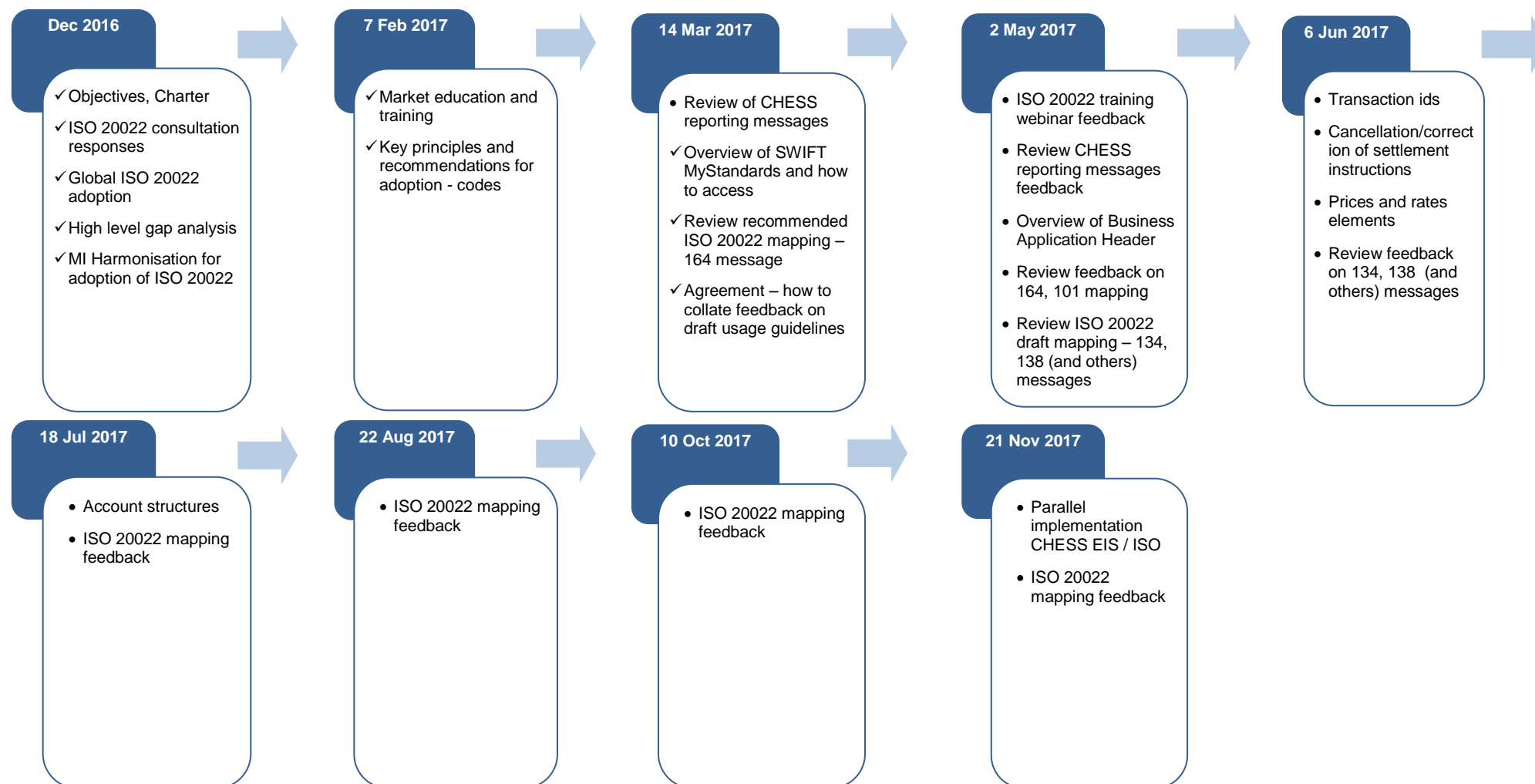
Attachment B: Technical Committee on CHES Messaging and ISO 20022 Forward Work Program

## Attachment A: Business Committee 2017 Forward Work Program



Note: the forward work program does not include the standing agenda items for each meeting. The Forward Work Program is an evolving document and is presented above as at April 2017.

## Attachment B: Technical Committee on CHES Messaging and ISO 20022 Forward Work Program



**Note:** Items with a 'tick' have been discussed and all actions have been completed. Items from previous meetings that do not have a 'tick' have been discussed, but there are outstanding actions. The Forward Work Program is an evolving document and is presented above as at April 2017.



## BUSINESS COMMITTEE MEETING PAPER AGENDA ITEM 6B

<b>Topic</b>	<b>Minutes from 2 March 2017 meeting</b>
<b>Date of the Meeting</b>	4 May 2017
<b>Purpose of this paper</b>	To provide Business Committee members with a copy of the minutes and Business Committee report to the ASX Clear and ASX Settlement Boards from the 2 March 2017 meeting.
<b>Action required</b>	To approve the minutes and report to the Boards from the 2 March 2017 meeting.

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Draft minutes and the draft report to the Boards of ASX Clear and ASX Settlement from the 2 March 2017 Business Committee meeting were emailed to all members of the Business Committee on 4 April 2017 for comments by 13 April 2017. The Secretariat did not receive any comments on the draft minutes or report to the Boards of ASX Clear and ASX Settlement.

The Business Committee report and minutes will be formally presented to the next meeting of the ASX Clear and ASX Settlement Boards on 10 May 2017.

### ATTACHMENTS

Attachment A – Business Committee Report and Minutes from the 2 March 2017 Meeting.



# BUSINESS COMMITTEE REPORT TO THE BOARDS of ASX CLEAR AND ASX SETTLEMENT

## BUSINESS COMMITTEE MEETING

At its 2 March 2017 meeting, the Business Committee was updated on:

- market activity and settlement performance in during November 2016 to January 2017;
- the management accounts of ASX Clear and ASX Settlement for the six months to December 2016;
- the revised Business Committee charter and ASX code of Practice; and
- CHES replacement including the summary of responses received to ASX's consultation paper, the forward work plan for 2017, and members' vision for future clearing and settlement infrastructure.

## BUSINESS COMMITTEE RECOMMENDATIONS TO THE ASX CLEARING AND SETTLEMENT BOARDS

The Committee requested that ASX Management present the following resolutions on proposed changes to the Business Committee Charter and Code of Practice to the ASX Clear and ASX Settlement Boards.

### The Business Committee Charter

- That the Charter be amended so that if decisions or recommendations are tabled that the Chair seek a vote from Members in order to establish "broad consensus". The Chair's determination on "broad consensus" should be verbalised in the meeting and validated by Members.

### The Code of Practice

- That the Code be amended to ensure changes in infrastructure continue to meet the needs of "Users" and not "market users".
- That the Code be amended to specifically address the obligations to "comply" and recognise that "the Board will take actions in accordance with recommendations made by the governance committees".
- That the Business Committee review the terms of reference for the Audit of ASX's compliance with the Code.
- That consistent language be used clearly defining "customers", "users", "Key Users" "end users".
- That after the Code is updated, the CHES replacement objectives be aligned, noting that CHES replacement sets as its highest priority to "meet the needs of Users".
- Business Committee members take the term "Users" of CHES and ASX Clear and ASX Settlement Facilities to be:
  - Clearing & Settlement Participants
  - Approved Market Operators
  - Clearing & settlement facilities



- Business Committee members take the term “other relevant stakeholders” to be
  - Service providers for Users, namely Vendors
  - Registries as Agents for Issuers
  - Payment Providers
- Business Committee members believe Investors are not “users” or “end users” in the same way as Market Participants because they do not have access to the CHES system.

#### **KEY ISSUES DISCUSSED**

- Code of Practice – Committee members requested that a formal vote of members be taken when the Chair is determining a ‘broad consensus’ of views on an issue.
- CHES replacement – the Committee discussed the document CHES Replacement - Public Consultation Feedback Summary. It was noted that the feedback:
  - confirmed an appetite for greater Day 1 system enhancements, support for ISO 20022 messaging, and acceptance of ASX examining DLT as a possible base technology;
  - Identified differences in views on the appropriate transitional arrangements for the move to global messaging standards, settlement period optionality, account structures, and priorities for future business enhancements.
- 2017 work plan for CHES replacement – the Committee was advised that ASX proposed establishing six working groups to further develop and prioritise detailed business requirements: Account Structures and Participant Models; Corporate Actions; Transfers, Conversions and Data Migrations; Settlement Enhancements; Data Storage Delivery and Related Reporting; and Non-functional Requirements.
- Vision for CHES replacement – the Committee indicated that they Members placed the highest priority on the system delivering significant cost (a 20 per cent reduction in ASX fees and participant’s operational costs) and operational risk reductions for participants and enhanced business opportunities. There was also strong support for the system representing global best practice with the scale and stability to accommodate future market growth.

#### **AGREED ACTIONS**

1. That the resolutions on proposed changes to the Business Committee Charter and Code of Practice, as tabled, be submitted to the Boards as recommendations of the Business Committee.
2. ASX will contact Business Committee members for nominations of suitably qualified representatives as part of the process of putting together the working groups. Invitations would also be extended to other relevant stakeholders.

Minutes from the meeting are attached.



# MINUTES (DRAFT)

## BUSINESS COMMITTEE MEETING

Date	Time	Location
Thursday , 2 March 2017	2.00pm – 6.00pm	ASX offices – Level 1, 20 Bridge Street, Sydney

Agenda Item	
1.	<b>Introduction</b>
2.	<b>Service and Financial Performance</b> <ul style="list-style-type: none"><li>a) Operating Performance Report</li><li>b) Management Accounts for Cash Market Clearing and Settlement</li></ul>
3.	<b>Code of Practice</b> <ul style="list-style-type: none"><li>a) Revised Business Committee Charter and updated Code of Practice</li></ul>
4.	<b>Forward Work Program</b> <ul style="list-style-type: none"><li>a) CHESS replacement - ASX consultation</li><li>b) Forward work plan for post-trade service infrastructure</li><li>c) CHESS replacement - Vision and priorities (Verbal)</li></ul>
5.	<b>Committee Reports</b> <ul style="list-style-type: none"><li>a) Technical Committee Report (meeting 13 December 2016)</li></ul>
6.	<b>Administration</b> <ul style="list-style-type: none"><li>a) Minutes from the 1 December 2016 meeting</li><li>b) Proposed 2017 Business and ISO 20022 Technical Committee meeting dates</li><li>c) Other matters</li></ul>

**NEXT MEETING: Thursday 4 May 2017**

Members		
Company	Name	Job Title
ABN AMRO Clearing	Mr Tapos Thakur	Chief Risk Officer
AFMA	Mr David Lynch	Chief Executive Officer
ANZ	Mr Andrew Shade (delegate for P. Mullin)	Head of Distribution ANZ SI, Wealth Australia
ASX	Mr Peter Hiom	Business Committee Chair, Deputy CEO
Bank of America Merrill Lynch	Mr Rhys Cahill	Global Markets COO
Bell Potter Securities	Mr Dean Surkitt	Managing Director Retail
BNP Paribas	Mr Luc Renard	Head of Clearing & Custody
Chi-X Australia	Mr Mike Aikins	Chief Operating Officer
Citi	Mr Miles O'Connor	Director, Direct Custody & Clearing Securities & Funds Services
CBA	Mr Sheridan Thompson	Head of Strategic Development, CommSec
Credit Suisse	Mr Winston Loke	Australia Equities COO
Deutsche Bank AG	Mr Geoffrey Plaisted	Chief Operating Officer, Equities
Goldman Sachs	Mr Jeremy Follett	Executive Director Operations
HSBC	Mr Peter Snodgrass	Head of Direct Custody and Clearing
J.P. Morgan	Mr Jonathan Evans	Head of Custody and Markets Operations
Macquarie Group	Mr James Indge	Cash Equities Business Manager
Morgans	Mr Peter Chisholm	Chief Operating Officer
Morgan Stanley	Mr Craig McGuire	Head of Operations
National Australia Bank	Mr Greg Bowrey (delegate for N. Walsh)	Head of Markets & Regulatory Management
NSX	Ms Anne Bowering	Managing Director
Pershing Securities	Mr Rob Forbes	Chief Executive Officer
Stockbrokers and Financial Advisers Assoc	Mr Andrew Green	Chief Executive Officer
Sydney Stock Exchange	Mr Tony Sacre	Chief Executive Officer
UBS	Mr Conor Foley	Chief Operating Officer
<b>Apologies:</b> Winston Locke (Credit Suisse)		



ASX Management	
Name	Job Title
Ms Amanda Harkness	Group General Counsel & Company Secretary
Mr Tim Hogben	Chief Operating Officer
Ms Eloise Wett	Executive General Manager, Operations
Mr Cliff Richards	General Manager, Equity Post Trade Services
Mr Nick Wiley	Deputy General Counsel, Post-Trade
Ms Diane Lewis	Senior Manager, Regulatory and Public Policy
Mr Gary Hobourn	Senior Economic Analyst, Regulatory and Public Policy
Mr Rodd Kingham	Senior Manager, Equity Post Trade Services
Mr Stephen Hammon	General Manager, Finance

**AGENDA ITEM 1: INTRODUCTION**

The Chair formally opened the meeting at 2pm and welcomed members and delegates and noted changes in the representatives for three members since the last meeting: Jonathan Evans (JP Morgan), Tony Sacre (Sydney Stock Exchange) and Geoffrey Plaisted (Deutsche Bank). The Chair also welcomed a new member David Lynch, representing the Australian Financial Markets Association (AFMA).

**AGENDA ITEM 2: SERVICE PERFORMANCE****a. Operating Performance Report**

The ASX Chief Operating Officer spoke to the agenda paper covering the period from November 2016 to end January 2017 noting that:

- For the December quarter trades accepted into the settlement facility from the ASX trading platform were in line with the previous quarter while those from Chi-X were up about 7%, and there was also increased trading from NSX and SSX. Both ASX and Chi-X saw a fall in activity in January while SSX and NSX continued to experience increased activity.
- Both CHES and the Trade Acceptance Service had 100% availability over the period.
- Netting remained at historically high levels, about 99.92% on volume and 60% on value.
- Fail rates were very low (0.31%) despite increased trading and market volatility over the period. This equates to around 261 fails in an average batch of 84,000 settlements a day.

There was one extension (30 minutes) to the settlement cut off time throughout the period. This was due to a technical issue affecting a large participant.

Daily cash market margin held by ASX Clear remained around levels of the previous quarter, an average of around \$163 million a day, ranging between \$90 million and \$261 million.

The mFund Settlement Service experienced a rise in activity over the period. In January there were around 1,150 application and redemption requests and about \$18 million in value invested. The platform now services 177 funds across 57 fund managers, with funds under management of around \$256 million.

There were no questions on the Operating Report.

**b. Management Accounts for Cash Market Clearing and Settlement**

The General Manager, Finance noted that in line with past practice, ASX released (on 17 February) the management accounts for Cash Market Clearing and Cash Market Settlement alongside the release the ASX group financial results. The key points were:

- Cash market clearing - a reduction in gross revenue, largely reflecting the 10 per cent reduction in ASX clearing fees effective from 1 July 2016.
- Cash market settlement - a rise in revenue related to the increased market activity over the period.
- There was a \$20 million increase over the previous year to \$238 million in total capital allocated to the clearing house. This amount was initially reported at the time of the full year financial results. It reflects a change to the European Securities and Markets Authority (ESMA) methodology impacting on the



business risk capital required to be held in the clearing house. ASX contributes all the regulatory capital to the clearing house

A member asked whether the issuer administration services fees, paid by issuers listed on other venues (e.g. NSX and SSX), are reflected in the settlement accounts. The General Manager, Finance advised that these fees are not included under cash market settlement as they are paid by issuers and not participants. They are reflected in ASX's accounts under issuer services.

A member asked if it were possible to get a breakdown of the composition of the capital held in the clearing and settlement facilities. The Chair noted that such a breakdown is competitively and commercially sensitive information.

The Group General Counsel noted that the level of disclosure ASX provides around the makeup of the capital is far more transparent than any other CS facility and there are strategic commercial and other reasons why further detail is not provided. She noted that ASX makes more detailed disclosure on these matters to the regulators.

### **AGENDA ITEM 3: CODE OF PRACTICE**

#### **a. Revised Business Committee Charter and updated Code of Practice**

The Group General Counsel noted that members had received a copy of a revised Business Committee Charter and Code of Practice. The latter included some small revisions made in response to issues raised at the December 2016 Business Committee meeting.

She noted that the role of the Committee is to provide a formal mechanism for input to both ASX management and the Boards of ASX Clear and ASX Settlement. There is a process for the Chair to determine a broad consensus and for those views to be put for to the ASX Boards.

The Chair noted that the Stockbrokers and Financial Advisers Association (SAFAA) had tabled a set of resolutions on behalf of SAFAA members for the Committee's consideration in relation to this agenda item. These resolutions are at Appendix A.

The Committee discussed the background to the resolutions which were prepared by SAFAA's CHES Replacement Working Group. The SAFAA representative confirmed that membership of that Working Group included most of the organisations represented at the Business Committee. The resolutions proposed a change to the Charter and a number of changes to the Code of Practice.

The Chair asked each member to confirm if they agreed with the proposals contained in the resolutions.

All members indicated that they agreed with the proposed change to the Business Committee Charter to require the Chair to seek a vote from members when establishing a 'broad consensus' of views and that the outcome should be confirmed at the meeting.

All members agreed with the objectives of the proposed changes to the Code of Practice. A broad consensus of members also agreed with the specific draft resolutions relating to these changes. A few members who were supportive of the proposal indicated that the precise drafting of some of the points may need more work.



Committee members expressed the clear desire for changes to clarify the definition of users under the Code as they believed there was some uncertainty in the existing drafting. The Group General Counsel noted that the definition of users used in the Code of Practice is in direct response to the requirement in the Council of Financial Regulators Regulatory Expectations that ASX consider the views of all users including listed companies and investors.

There was also broad support for the recommendation that the highest priority for CHES replacement should be to meet the needs of users (defined to include clearing and settlement participants, approved market operators, and clearing and settlement facilities). A few members expressed a view that further consideration could be given to the precise drafting around the definitions of users and the priority of different user groups.

One member expressed some concern with the drafting requiring the ASX Boards to “take actions in accordance with recommendations made by the governance committees” given the advisory nature of the group. Although that member indicated that they were more comfortable with a ‘comply or explain’ requirement.

Based on the discussion, the Chair determined that there was a broad consensus that the resolutions on proposed changes to the Business Committee Charter and Code of Practice, as tabled, be submitted to the Boards as recommendations of the Business Committee. **[Matter Arising 1]**

The Group General Counsel confirmed that the Boards would reply in writing to the Committee’s recommendation.

#### **AGENDA ITEM 4: FORWARD WORK PROGRAM**

##### **a. CHES replacement - ASX consultation**

The General Manager, Equity Post-Trade Services spoke to the *CHES Replacement- Public Consultation Feedback Summary* document circulated prior to the meeting on an embargoed basis. This document is available at <http://www.asx.com.au/services/ches-replacement.htm>.

There were 36 submissions received, 23 provided on a confidential basis. Workshops with participants and others were also used to gather additional views to confirm the views provided in written submissions. In response to a question from a member it was noted that around 12 responses to the Supplementary Questionnaire had been received.

The themes of the feedback received included:

- An appetite for more information on some proposals put forward in the original consultation paper.
- There was consistent support for, or at least understanding of, the move to adopt ISO 20022 message standards. Global banks expected to get the largest benefit from the move while domestically-focused operations saw minimal benefit for their organisations.
- There was a larger appetite for ‘Day 1’ functional change, particularly those that would deliver significant operational efficiencies to participants.

- There were no major concerns about ASX investigating Distributive Ledger Technology (DLT), although many indicated they need additional information to understand the potential impact of the new technology.
- There were different views expressed about the best approach to transitioning from CHES to ISO 20022 messages. Some favoured a 'big bang' switchover, while others preferred a period of time during which CHES and ISO messages would operate in parallel. While some respondents indicated that they would be ISO-ready from Day 1, many indicated they would require a period of between six months to three years to prepare.
- In relation to settlement period choice around one-third of responses indicated support, one-third expressed interest in understanding more, and one-third had no interest.
- On account structures there was significant support for retaining the name on register model, however a number of respondents believed there could be benefit from changing to a custody model of account structures.
- There were a wide range of views expressed about the relative priorities the large list of possible functional system enhancements. These views typically varied according to the type of operational model or business model that a particular business was operating.

The discussion was opened up to questions and comments from members.

A member suggested that ASX should have engaged an independent party to prepare the consultation summary document given that ASX's interpretation of submissions might reflect a bias towards particular pathways it is looking to take. In contrast, another member mentioned that he had gone through the paper and thought his organisation's views were well reflected in the summary document, and he thought many other members may have the same view.

The Group General Counsel noted that all submissions have been provided to the regulators, including those provided on a confidential basis.

There was a question from a member on account structures and whether the statement in the paper that "ASX notes that such changes extend beyond the functionality of the CHES system and its replacement" should be interpreted as excluding further discussion of that issue.

The Chair responded that a working group was being established with a broad range of interested stakeholders to discuss account structures but that it had to be acknowledged that there are very significant impacts on existing market practice and business models of a diverse group of stakeholders if the structure of registers are changed. These matters go beyond the replacement of CHES and would require a broad consensus across industry. That said, ASX would not foreclose any discussion about the existence of the account structures that sit within the system. In fact, discussion of account structures are scheduled at the beginning of the working group process because the outcome is fundamental to later discussions around issues such as corporate actions.

The Group General Counsel noted that in addition to the workshop discussions there will also be a regulatory process where a much broader range of interests will be taken into consideration (e.g. RBA in relation to financial stability, ASIC with regard to its remit and the ACCC with competition).

**b. Forward work plan for post-trade service infrastructure**

The Chair introduced this agenda item by noting that the CHES replacement work plan for 2017 aims to determine a prioritised and well-defined set of business requirements to be discussed at the 30 November Business Committee meeting. The Boards of ASX Clear and ASX Settlement will take these final business requirements and will make a final decision on Day 1 target scope for CHES replacement in March 2018.

The Business Committee will be provided with updates during the year on how the working groups are progressing. There may also be an opportunity for the Committee to have a more substantive discussion on topics where necessary.

The General Manager, Equity Post-Trade Services indicated that based on the information received through the consultation process ASX is establishing six working groups to explore a range of issues in greater detail:

- Account Structures and Participant Models;
- Corporate Actions;
- Transfers, Conversions and Data Migrations;
- Settlement Enhancements;
- Data Storage Delivery and Related Reporting; and
- Non-functional Requirements.

Each working group will draw on the views already captured during the initial phase of consultation (written submissions, supplementary questionnaires, face-to-face discussions) as a base for it to define and prioritise the detailed business requirements of users. The meetings should be attended by subject matter experts who have detailed knowledge on these topics. The aim is to make the work of the groups manageable by ensuring the groups are representative of interested stakeholders (including issuers and investors where appropriate) but also small enough that they allow productive discussions.

ASX will appoint working group members, convene, set the agenda for, and chair meetings for each working group. The number of meetings and their frequency will be determined by ASX on a case by case basis. A summary of key actions from the meetings will be minuted.

The next step will be for ASX to formulate the working groups, agree a timetable with the members and then provide the documentation necessary to facilitate conversation. Business Committee members will also be invited to provide nominations to ASX to participate in the working groups.

The General Manager, Equity Post-Trade Services spoke to the diagram in the papers setting out the high level work plan and which provides an indication of when we're engaging with other users.

In addition to the working group there will be ongoing education sessions on the investigation into DLT, including keeping government and regulators informed of the process.

He noted in response to a member's question that software development to build base level DLT functionality is ongoing to assess the non-functional characteristics of the system are capable of supporting the necessary market infrastructure (e.g. throughput, capacity, scalability, resiliency, redundancy, etc.).



In response to a question about what approach would be taken should ASX not proceed with a DLT-based solution the General Manager, Equity Post-Trade Services noted that CHESS was expected to continue to perform well and has sufficient processing capacity for some time into the future. That said, ASX operates a number of clearing and settlement systems across its post-trade facilities and is familiar with them and their vendors as well as other vendors in this space. The business requirements being developed can be used regardless of the final technology chosen.

The Chair noted that there are a range of options that will need to be considered once the detailed business requirements are understood. It may be that some high priority enhancements could be delivered through another CHESS release in advance of implementing any new technology solution – although he acknowledged that there would need to be careful consideration of the costs involved for all stakeholders in such an approach.

A member asked about the proposed pricing arrangements for the new post-trade system and sought assurances that any reductions in ASX costs will be passed on to users. The Chair responded that pricing will be a function of what changes to the current service offering are implemented. Further, ASX will be making a significant investment on a new system to replace an existing system that is fully depreciated. When final decisions are taken it will be clearer how the economics of the business will change. If ASX can reduce its costs, then consideration will be given to the best way to can share those benefits across the market, whether those savings relate to reduced capital in the clearing houses or lower costs.

The Committee discussed the potential scope for service enhancements or new technology to generate operational cost savings for participants. ASX's initial investigation suggest that there are real opportunities for industry to reduce costs, but this assessment will need to be tested.

Members representing institutional brokers indicated that they thought the scope for reducing their own operational costs was limited but they hoped that CHESS replacement would allow for a reduction in clearing and settlement fees. Members representing retail brokers saw greater scope for CHESS replacement to reduce their operational costs.

In response to a question on enhanced settlement services the General Manager, Equity Post Trade Services stated that the working group would start with the assumption that the default remains in place (i.e. a T+2, Model 3 settlement arrangement). However, a number of users have asked ASX to provide more information on how additional settlement choices would work. ASX will provide a hypothetical model for the group to examine.

A member asked if it was possible for the Business Committee or an independent third-party to validate the ASX's selection of DLT. The Chair responded that ASX will make the decision on its technology as it is subject to licence obligations and is accountable to regulators and its shareholders to justify its investment choice. That decision will not be outsourced. He indicated that ASX will provide greater information to explain the decision made at the end of this year.

There was a question about whether there were areas where ASX had already determined its final position in advance of starting the working group process to streamline unproductive discussion. The Chair indicated ASX is keeping a very open mind about what is possible, although acknowledging that some matters touch on fundamental aspects of existing market practice.

The Group General Counsel added that one non-negotiable factor for the working group processes is that the business requirements cannot, at any level, preclude competition through the way in which ASX deploys new technology.

A member asked how much visibility and input regulators would have into the workshop process, particularly where regulatory requirements can impact on system design. The Chair confirmed that the working groups will assume existing policy settings unless regulators indicate otherwise. Regulators are unlikely to participate in working groups whose objective is to define users' business requirements.

A member asked if ASX's investment in Digital Asset Holdings created a conflict in relation to the DLT decision at the end of the year. The Chair responded that it is an investment decision that will not influence the final choice of technology and noted it is not unusual for customers to take stakes in technology vendors, particularly in developing new solutions.

The Chair asked members if there were any issues/working groups that haven't been identified in the work plan or if they had comments on the groups. No issues were raised during the meeting.

The General Manager, Equity Post-Trade Services indicated that ASX would be reaching out to contact Business Committee members for nominations of suitably qualified representatives as part of the process of putting together the working groups. Invitations would also be extended to other relevant stakeholders. **[Matter Arising 2]**

#### **c. CHES replacement - Vision and priorities (Verbal)**

The December 2016 Business Committee meeting requested that this meeting set aside time to exchange views on the vision for CHES replacement.

The General Manager, Post-Trade Services noted that the CHES replacement team's vision could be distilled into four high-level themes.

- CHES replacement should be based on contemporary technology.
- It needs to deliver a safe, secure, and internationally competitive infrastructure.
- It has to be for the benefit of the Australian market.
- It could not preclude competition at any level.

The Chair went around the table seeking member's vision of what a new clearing and settlement system should deliver over the next few years. These views included:

- Members placed the highest priority of the system delivering significant cost savings (at least 20 per cent) and operational risk reductions for participants and enhanced business opportunities. It was argued this was important given the implementation will be hard and consume a lot of time and resources.
- A member argued that the overriding consideration should be the efficiency of the capital markets in Australia, how well they operate and serve the participants in the economy. This goes to issues, such as costs, competition, the ability to take risk out of the system. The vision should be to drive the system hard to see what efficiencies and cost savings can be achieved. It will broaden the range of participants in markets and it will make Australia more attractive as a venue for investors to participate.

- There was general agreement that the new system should represent international best practice.
- A better end-customer experience, particularly for retail investors (e.g. processing corporate actions, account structures, etc.)
- Some members expressed an interest in the possibilities that different participant models might unlock, although others doubted the demand existed for different structures.
- The system must have the ability to meet the scale and stability criteria to support the market well into the future.
- Rationalising the number of clearing and settlement platforms across different product groups to create a number of efficiencies and opportunities in front, middle and back offices.
- The new system should enable and support competition including through replacing bundled clearing and settlement services and establishing open interface access. A member stated that Australia's relatively small market may not be conducive to competition at all layers of the architecture, but it should not be precluded.
- Some members noted an appetite to consider a move to T+1 or T+0 settlement.

The Chair asked members if there were any 'zero value-added' functions that they currently perform (e.g. some regulatory functions) which they thought the new system may be able to assist with. The General Manager, Equity Post-Trade Services noted that it might be possible to design an optional service that could assist participants facilitate things like CRS, FATCA, ATO, AML type reporting, through a structure that could facilitate holdings at the beneficial ownership level.

Some members saw little direct benefit for them for such a service as they are currently seeking global (or financial sector wide) solutions as the obligations apply across different jurisdictions and/or product types. Other members expressed some interest in exploring ways to reduce the compliance burdens associated with functions such as substantial shareholder reports and ATO reporting.

## **AGENDA ITEM 5: COMMITTEE REPORTS**

### **Technical Committee Report (Meeting 13 December 2016)**

The Chief Operating Officer advised members that two meetings of the ISO 20022 Technical Committee have been held since the last Business Committee meeting. He noted that:

- Both meetings were extremely well attended, representing a good cross-section of expertise.
- Work has commenced to examine 130 specific CHES messages around the business lines of clearing settlement holder management and holding movements and reporting.
- The Committee has begun to consider principles around key design features such as appropriate identifiers (e.g. local PIDs vs global BICS), as well as product and condition codes.
- Decisions around design issues will not only influence the post-trade environment but also potentially trading front ends and data products.
- Education and training will be an important element in the transition to ISO 20022.



- ASX accepts it has a role to play in educating the market around ISO, both technically and in relation to business functions and logic can it bring to operational processes. It is proposed to make training and education as flexible as possible to suit the needs of different groups.
- Around 10% of CHES messages don't map to existing ISO 20022 messages. The Committee will consider the pros and cons of seeking certification for new ISO messages or using 'ISO-like' message types in these cases.
- There will be a total of eight Technical Committee meetings this year.

#### **AGENDA ITEM 6: ADMINISTRATION**

##### **a. Minutes from the 1 December 2016 meeting**

The Chair noted that the minutes of the December Business Committee meeting were attached and reflected edits in response to one member's comments on the draft minutes. The Chair mentioned an error on page 9 of the minutes where a reference to 'November 2017' should have been 'December 2017'. No further changes to the minutes were requested.

##### **b. Proposed 2017 Business Committee meeting dates**

The Chair noted the proposal to increase the number of Business Committee meetings for 2017 from four to six. He asked members to note the proposed dates and indicate as soon as possible if there are any issues with the specific dates.

##### **c. Other matters**

There were no other matters.

#### **NEXT MEETING**

The next meeting is scheduled to be held on Thursday, 4 May 2017.

The meeting closed at 5.10pm.

Signed as a correct record of the meeting.

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Chairman

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Date

## Appendix A

### RESOLUTIONS TABLED BY STOCKBROKERS AND FINANCIAL ADVISERS ASSOCIATION – BUSINESS COMMITTEE MEETING 2 MARCH 2017

#### Agenda 3A: The Business Committee Charter

- That the Charter be amended so that if decisions or recommendations are tabled that the Chair seek a vote from Members in order to establish “broad consensus”. The Chair's determination on “broad consensus” should be verbalised in the meeting and validated by Members.

#### Agenda 3A: The Code

- That the Code be amended to ensure changes in infrastructure continue to meet the needs of “Users” and not “market users”.
- That the Code be amended to specifically address the obligations to “comply” and recognise that “the Board will take actions in accordance with recommendations made by the governance committees”.
- That the Business Committee review the terms of reference for the Audit of ASX’s compliance with the Code.
- That consistent language be used clearly defining “customers”, “users”, “Key Users” “end users”.
- That after the Code is updated, the CHES replacement objectives be aligned, noting that CHES replacement sets as its highest priority to “meet the needs of Users”.
- Business Committee members take the term “Users” of CHES and ASX Clear and ASX Settlement Facilities to be:
  - Clearing & Settlement Participants
  - Approved Market Operators
  - Clearing & settlement facilities
- Business Committee members take the term “other relevant stakeholders” to be
  - Service providers for Users, namely Vendors
  - Registries as Agents for Issuers
  - Payment Providers
- Business Committee members believe Investors are not “users” or “end users” in the same way as Market Participants because they do not have access to the CHES system.