

Agenda

Business Committee

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|---|--|------------|----------------------------|----------------|------|
| Date | 26 June 2024 | | Time | 12:00pm-2:00pm | |
| Location | ASX offices, 20 Bridge Street, Sydney/MS Teams | | | | |
| 1. Meeting Opening | | Action | Presenter(s) | Time | Page |
| a. Welcome, apologies and Acknowledgement of Country | | Noting | Chair | 5 min | |
| b. Minutes of 20 March 2024 meeting | | Approval | Chair | | 6 |
| ITEMS FOR PRESENTATION | | | | 95 min | Page |
| 2. BC Member initiated item(s) | | | | | |
| a. Call for member initiated items | | Discussion | BC members | 15 min | 20 |
| 3. Clearing & Settlement Services, Issuer Services | | | | | |
| a. T+1 Update | | Discussion | Andrew Jones, Lisa Briggs | 20 min | 21 |
| b. Cash Equities Clearing and Settlement Services and Issuer Services Pricing Policy - Consultation | | Discussion | Stephen Hammon | 10 min | 23 |
| c. CHES Roadmap Update | | Discussion | Andrew Jones | 5 min | 24 |
| 4. CHES replacement project | | | | | |
| a. Project update | | Discussion | Andrew Jones, Tim Whiteley | 15 min | 25 |
| b. CHES Replacement Public Consultation Update | | Discussion | Andrew Jones | 15 min | 33 |
| c. Approach to Interoperability | | Discussion | Chris Boyes | 15 min | 37 |
| QUESTIONS SESSION – ITEMS NOT FOR PRESENTATION | | | | 10 min | |
| | | Action | Attendee(s) | Time | Page |
| 5. Clearing & Settlement Services, Issuer Services | | | | | |
| a. Operational Performance: Cash Market Clearing and Settlement | | Noting | Suzy Munro | | 41 |
| b. Maintaining the stability of existing CHES | | Noting | Sabra Mott | | 49 |
| c. eStatements take-up | | Noting | Karen Webb | | 51 |

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|--|---------------|---------------------|---------------|
| d. Australian Carbon Exchange initiative – update | Noting | Karen Webb | 53 |
| e. ASX Cash Equities Clearing and Settlement Code of Practice update | Noting | Con Korkofigas | 54 |
| f. ASX Business Committee Charter update | Noting | Con Korkofigas | 55 |
| g. BC Membership policy update | Noting | Andrew Jones | 56 |
| 6. CHESS replacement project | | | |
| a. Partnership Program update | Noting | Andrew Jones | 57 |
| 7. Meeting closing | Action | Presenter(s) | 10 min |
| a. Open actions | Approval | BC Secretariat | 59 |
| b. Forward work program and items to be kept in view | Discussion | BC Secretariat | 63 |
| c. Any other business | Discussion | Chair | |
| d. Next meeting – 18 September 2024 | Noting | Chair | |

Business Committee Members (42)

Chair (1)

| Company | Name | Job Title | Apologies |
|---------|-------------|-------------------|-----------|
| | Paul Rayson | Independent Chair | |

Clearing & Settlement Participants (25)

| Company | Name | Job Title | Apologies |
|----------------------------|-------------------|---|--|
| ABN AMRO CLEARING | Adrian Rubin | Head of Operations | |
| AUSIEX | *Peter Robinson | Head of Operations | Patrick Salis, Chief Executive Officer |
| BANK OF AMERICA | *Neal Stringer | Chief Operating Officer, Global Markets | Stephen Hacker, Director, Head of Operations |
| BARRENJOEY MARKETS | Louise Boreham | Head of Operations | |
| BNP PARIBAS | Mark Wootton | Head of Custody Product Aust & NZ | |
| BURRELL & CO HOLDINGS | Saskia Jo | Associate Director – Finance | |
| CITI | Christopher Moore | Manager – Direct Custody & Clearing | |
| CMC | Andrew Rogers | Director of Broking Business | |
| COMMSEC | Sheridan Thompson | Executive Manager, Industry Engagement & Operational Resilience | |
| EUROZ HARTLEYS | Anthony Brittain | Executive Director, Chief Operating & Financial Officer | |
| FINCLEAR SERVICES | Leigh Conder | Chief Operating Officer | |
| FNZ CUSTODIANS (AUSTRALIA) | Paul Beal | Head of Capital Markets | |
| GOLDMAN SACHS | Yen Le | Executive Director | |
| INSTINET AUSTRALIA | Phil Penrose | Head of Australian Operations | |

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|--------------------------|-----------------|--|---|
| J.P. MORGAN | Craig Twentyman | Custody Product Head Australia & New Zealand, Executive Director | |
| MACQUARIE GROUP | *Paul Bragg | Operations Analyst | James Indge, Cash Equities Business Manager |
| MORGANS FINANCIAL | Daniel Spokes | Director, Client Support Services | |
| MORGAN STANLEY | Carrie Barrack | Country Business Manager | |
| MORRISON SECURITIES | William Slack | Chief Executive Officer | |
| OPENMARKETS AUSTRALIA | Rob Forbes | Chief Operating Officer | |
| RBC SECURITIES AUSTRALIA | Daniel Gray | Managing Director, Head of Business & Client Services, APAC | |
| STATE ONE STOCKBROKING | Geoff Reilly | Chief Executive Officer | |
| THIRD PARTY PLATFORM | Lee Muco | Chief Executive Officer | |
| UBS | Conor Foley | Senior Business Manager | |
| WEALTHHUB SECURITIES | Anita Mead | Head of High Networth, Investment Platforms | |

Settlement Only Participants (3)

| Company | Name | Job Title | Apologies |
|------------------|-------------------|--|-----------|
| CERTANE CT | Rose O'Rourke | Operations Manager | |
| CHIMAERA CAPITAL | Rochelle Pattison | Director | |
| HSBC | Toni Icevski | Head of Client Services, Securities Services | |

Approved Market Operators (4)

| Company | Name | Job Title | Apologies |
|-------------------------------|-----------------|--|-----------|
| ASX | Jamie Crank | General Manager, Trading, Markets | |
| CBOE | John Williams | Director Australian Equity Operations | |
| NATIONAL STOCK EXCHANGE (NSX) | Chan Arambewela | Chief Operating Officer | |
| SYDNEY STOCK EXCHANGE (SSX) | Steven Larkins | General Manager, SSX Market Operations | |

Industry Associations (6)

| Company | Name | Job Title | Apologies |
|---|----------------|--|-----------|
| The Australian Financial Markets Association (AFMA) | Damian Jeffree | Senior Director of Policy | |
| Australasian Investor Relations Association (AIRA) | Ian Matheson | Chief Executive Officer | |
| Australian Custodial Services Association (ACSA) | Andrew Gibson | ACSA Director and Executive Sponsor, ACSA Operations Working Group | |
| Australian Shareholders' Association (ASA) | Fiona Balzer | Policy & Advocacy Manager | |
| Governance Institute of Australia (GIA) | Megan Motto | Chief Executive Officer | |

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|---|------------|-------------------------|--|
| Stockbrokers and Investment Advisers Association (SIAA) | Judith Fox | Chief Executive Officer | |
|---|------------|-------------------------|--|

Registries (3)

| Company | Name | Job Title | Apologies |
|----------------------|---------------|-----------------------------------|---|
| BOARDROOM | *Kornel Toth | Senior Manager, Risk & Compliance | Tharun Kuppanda, Head of Risk, Compliance and Regulatory Partnerships |
| COMPUTERSHARE | Scott Hudson | General Manager – Market Liaison | |
| LINK MARKET SERVICES | Peter Jackson | Chief Operating Officer | |

* Delegate

ASX Management

| Name | Job Title | Apologies |
|------------------|---|-----------|
| Clive Triance | Group Executive, Securities & Payments | |
| Andrew Jones | General Manager, Equities, Securities & Payments | |
| Hamish Treleaven | Chief Risk Officer | |
| Tim Whiteley | Chief Information Officer, Chair CHES Replacement Technical Committee | |
| Sally Palmer | Deputy General Counsel | |
| Con Korkofigas | Senior Legal Counsel and Senior Manager | |
| Diane Lewis | General Manager, Regulatory Strategy and Executive Advisor | |
| Suzy Munro | General Manager, Securities & Payments Operations | |
| Sabra Mott | General Manager, Securities & Payments Technology | |
| Karen Webb | Head of, Issuer Services, Securities & Payments | |
| Stephen Hammon | General Manager, Business Management, Securities & Payments | |
| Triona Quinlan | General Manager, Technology Delivery, ASX Technology Delivery | Apology |
| Chris Boyes | Senior Product Manager, Equities, Securities & Payments | |
| Lisa Briggs | Senior Manager, Equities, Securities & Payments | |

Ernst & Young

| Name | Job Title | Apologies |
|--------------------|-------------------------------------|---|
| Juan Carlos Martin | Director, Technology Risk | Roberto Fitzgerald, Partner, Financial Services |
| Laura West | Senior Manager, Business Consulting | |

Observers

| Name | Job Title | Apologies |
|----------------------|--|-----------|
| Benjamin Cohn-Urbach | Acting Senior Executive Leader, Market Infrastructure (ASIC) | |
| Dodie Green | Senior Manager, Market Infrastructure (ASIC) | |
| Liang Chen | Analyst, Market Infrastructure (ASIC) | |
| Derek Scott | Senior Specialist, Market Infrastructure Markets (ASIC) | |
| Kylie Stewart | Senior Manager, Financial Market Infrastructure, Domestic and Payments (RBA) | |
| Elizabeth Kandelas | Manager, Financial Market Infrastructure, Domestic and Payments (RBA) | |

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|---|---|
| Committee | Business Committee |
| Meeting date | 26 June 2024 |
| Agenda title | Minutes of 20 March 2024 meeting |
| Agenda Item No. | 1b |
| Purpose | To present the draft minutes of the previous meeting for approval of the Business Committee |
| Prepared by | Business Committee Secretariat |
| Action | For approval |
| Proposed recommendation to Boards of ASX Clear and ASX Settlement (if applicable): | Not applicable |

BACKGROUND

The draft minutes of the 20 March 2024 Business Committee meeting were distributed to members on 7 May 2024 for review. Comments from two members on the draft minutes were received by the deadline of 21 May 2024. One comment was duly amended in the draft minutes.

Citi provided one comment to add an additional agenda item to meetings for monitoring by the Committee that would be captured under the topic of “Keep in View” to continue to regularly track topics of interest to members. Citi requested the Australian Carbon Exchange Initiative and eStatements take up to be the first items to be captured on the Keep In View list and this has been duly updated. ASX will create a Keep In View list as part of the Open Actions and will provide an update on both of these topics at the June meeting.

No further feedback from members was received.

The Business Committee is requested to approve the draft minutes.

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

Business Committee Meeting

At its 20 March 2024 meeting, the Business Committee was updated on:

- T+1 settlement, including
 - An overview of the work of the Business Committee's T+1 Working Group since the last meeting, including the status of the draft Whitepaper.
 - The impact of T+1 in the US and Canada on corporate action exception management in Australia.
- Recent CHES stress testing results and newly established market management scenarios (six guiding principles for managing extreme trade volumes events).
- The inaugural Network Forum Australasia Meeting held in March 2024 and the Australian Carbon Exchange initiative, which was a panel discussion at the meeting.
- The status of e-Statements take-up, and discussion around barriers to take-up.
- Proposed changes to the Business Committee Charter and the ASX Cash Equities Clearing and Settlement Code of Practice.
- An ASX clearing and settlement specific stakeholder impact roadmap, for members to use for planning, resourcing and funding purposes.
- An update on the CHES replacement project, including the Partnership Program and the results of two recent independent assurance reports prepared by EY, on both the assurance program for the CHES replacement project, and of the CHES replacement 'Define and Plan' phase.
- Service performance of CHES for the March 2024 quarter and work being done to maintain the stability of existing CHES.
- The draft Terms of Reference for the FY24 Regulatory Expectations Audit, and a summary of actions taken to address prior findings from previous Regulatory Expectations Audits.

AGREED ACTIONS

Four of the six open actions were closed. Three new actions were raised at the meeting:

1. ASX to provide semi-annual updates regarding electronic statements take-up.
2. Holding Statements – to consider establishing a working group to review impediments to, and incentivising take up of, holding statements and other investor updates in electronic form.
3. ASX to consider whether TCS and Accenture should attend Business Committee meetings to hear from the market directly on relevant topics.

RECOMMENDATIONS

No recommendations were made at the Business Committee's March 2024 meeting.

Draft minutes from the meeting are attached.

Agenda

Business Committee

| | | | | | |
|--|--|------------|--------------------------|----------------|--------------------|
| Date | 20 March 2024 | | Time | 12:00pm-2:00pm | |
| Location | ASX offices, 20 Bridge Street, Sydney/MS Teams | | | | |
| | | | | | |
| 1. | Meeting Opening | Action | Presenter(s) | Time 5 mins | Page |
| | a. Welcome, apologies and Acknowledgement of Country | Noting | Chair | | |
| | b. Minutes of 6 December 2023 meeting | Approval | Chair | | 6 |
| ITEMS FOR PRESENTATION | | | | 100 mins | Page |
| 2. Clearing & Settlement Services, Issuer Services | | | | | |
| | a. T+1 settlement <ul style="list-style-type: none">T+1 Working Group and WhitepaperCorporate action exception management | Discussion | Andrew Jones, Karen Webb | 35 mins | 7 |
| | b. CHES stress test and Market management scenarios | Discussion | Sabra Mott Suzy Munro | 15 mins | 41 |
| | c. Australian Carbon Exchange initiative – overview | Discussion | Karen Webb | 5 mins | 43 |
| | d. E-Statements take-up update (Q&A) | Discussion | Karen Webb, Ouafaa Daki | 5 mins | 46 |
| | e. TNF Australasia Meeting 2024 | Discussion | Andrew Jones | 5 mins | 52 |
| | f. ASX Business Committee Charter update | Discussion | Con Korkofigas | 5 mins | 53 |
| | g. ASX Stakeholder Impact Visibility roadmap | Discussion | Andrew Jones | 10 mins | 60 |
| 3. CHES replacement project | | | | | |
| | a. Project update | Discussion | Tim Whiteley | 10 mins | 62 |
| | b. Independent Assessment of the Assurance Program for the CHES Replacement Project | Discussion | Roberto Fitzgerald (EY) | 5 mins | 68 |

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|--|------------|----------------------|--------|--------------------|
| c. Independent Assessment of CHES Replacement 'Define & Plan' Phase Report | Discussion | Felicity Potter (EY) | 5 mins | 69 |
|--|------------|----------------------|--------|--------------------|

QUESTIONS SESSION – ITEMS NOT FOR PRESENTATION

10 mins

| | Action | Attendee(s) | Time | Page |
|--|------------|----------------|--------|---------------------|
| 4. Clearing & Settlement Services, Issuer Services | | | | |
| a. Operational Performance: Cash Market Clearing and Settlement | Noting | Suzy Munro | | 70 |
| b. Maintaining the stability of existing CHES | Noting | Sabra Mott | | 77 |
| c. Regulatory Expectations Audits – summary of actions taken to address prior findings | Noting | Clive Triance | | 79 |
| d. Regulatory Expectations Audit – draft Terms of Reference FY24 | Noting | Clive Triance | | 96 |
| e. ASX Cash Equities Clearing and Settlement Code of Practice update | Noting | Con Korkofigas | | 102 |
| 5. CHES replacement project | | | | |
| a. Partnership Program update | Noting | Andrew Jones | | 108 |
| 6. Meeting closing | | | | |
| | Action | Presenter(s) | 5 mins | Page |
| a. Open actions | Approval | BC Secretariat | | 110 |
| b. Forward work program | Noting | BC Secretariat | | 112 |
| c. Any other business | Discussion | Chair | | |
| d. Next meeting – 26 June 2024 | Noting | Chair | | |

Action Items*

*For historical action items please refer to archived minutes [here](#).

| Item number | Action | Due date | Status | Owner |
|-------------|--|----------|--------|-------|
| 23-7-2 | ASX to perform further analysis to articulate benefits of moving to T+1 settlement, including margin and capital savings analysis | Dec 2024 | Open | ASX |
| 23-10-4 | ASX to explore additional ways to encourage take-up of electronic statements. | Mar 2024 | Closed | ASX |
| 23-10-5 | ASX to collate findings from previous 3 regulatory expectations audits (FY23, FY22 and FY21) to provide visibility over the status of the findings. | Mar 2024 | Closed | ASX |
| 23-12-1 | ASX to consider how the entitlement claim process (related to failed settlements that coincide with corporate actions) could be improved and what additional role (if any) ASX may be able to perform in facilitating the claim process. | Mar 2024 | Closed | ASX |
| 23-12-2 | ASX to prepare a roadmap to provide stakeholder impact visibility across the major work streams running in tandem (such as current CHES initiatives, CHES Replacement, and T+1). | Jun 2024 | Open | ASX |
| 23-12-3 | ASX to determine the timing and method of communicating the results of the breakpoint stress testing scheduled for completion end January 2024, as well as a market scenario playbook being developed. | Mar 2024 | Closed | ASX |
| 24-3-1 | ASX to provide semi-annual updates regarding electronic statements take-up. | Sep 2024 | Open | ASX |
| 24-3-2 | Holding statements – to consider establishing a working group to review impediments to, and incentivising take up of, holding statements and other investor updates in electronic form. | Sep 2024 | Open | ASX |
| 24-3-3 | ASX to consider whether TCS and Accenture should attend Business Committee meetings to hear from the market directly on relevant topics. | Jun 2024 | Open | ASX |

Business Committee Members (42)

Chair (1)

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|---------|-------------|-------------------|-----------|
| | Paul Rayson | Independent Chair | |

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| GOLDMAN SACHS | Yen Le | Executive Director | |
| INSTINET AUSTRALIA | Phil Penrose | Head of Australian Operations | |
| J.P. MORGAN | Craig Twentyman | Custody Product Head Australia & New Zealand, Executive Director | |
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| MORGAN STANLEY | Carrie Barrack | Country Business Manager | |
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| RBC SECURITIES AUSTRALIA | Daniel Gray | Managing Director, Head of Business & Client Services, APAC | |
| STATE ONE STOCKBROKING | Geoff Reilly | Chief Executive Officer | |

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| THIRD PARTY PLATFORM | Lee Muco | Chief Executive Officer | |
| UBS | Conor Foley | Senior Business Manager | |
| WEALTHHUB SECURITIES | Anita Mead | Head of High Networth, Investment Platforms | |

Settlement Only Participants (3)

| Company | Name | Job Title | Apologies |
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| CERTANE CT | Rose O'Rourke | Operations Manager | |
| CHIMAERA CAPITAL | Rochelle Pattison | Director | |
| HSBC | Toni Icevski | Head of Client Services, Securities Services | |

Approved Market Operators (4)

| Company | Name | Job Title | Apologies |
|-------------------------------|----------------|--|-----------------|
| ASX | Jamie Crank | General Manager, Trading, Markets | |
| CBOE | John Williams | Director Australian Equity Operations | |
| NATIONAL STOCK EXCHANGE (NSX) | *Yemi Oluwi | Head of Operations & Technology | Chan Arambewela |
| SYDNEY STOCK EXCHANGE (SSX) | Steven Larkins | General Manager, SSX Market Operations | |

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| Company | Name | Job Title | Apologies |
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| Australian Custodial Services Association (ACSA) | Andrew Gibson | ACSA Director and Executive Sponsor, ACSA Operations Working Group | |
| Australian Shareholders' Association (ASA) | Fiona Balzer | Policy & Advocacy Manager | |
| Governance Institute of Australia (GIA) | Megan Motto | Chief Executive Officer | |
| Stockbrokers and Investment Advisers Association (SIAA) | Judith Fox | Chief Executive Officer | Judith Fox |

Registries (3)

| Company | Name | Job Title | Apologies |
|----------------------|---------------|---|-----------|
| BOARDROOM | Martin Jones | General Manager Corporate Governance & Director | |
| COMPUTERSHARE | Scott Hudson | General Manager – Market Liaison | |
| LINK MARKET SERVICES | Peter Jackson | Chief Operating Officer | |

* Delegate

ASX Management

| Name | Job Title | Apologies |
|------------------|--|-----------|
| Clive Triance | Group Executive, Securities & Payments | |
| Andrew Jones | General Manager, Equities, Securities & Payments | |
| Hamish Treleaven | Chief Risk Officer | |
| Tim Whiteley | Chief Information Officer | |
| Sally Palmer | Deputy General Counsel | |
| Con Korkofigas | Senior Legal Counsel and Senior Manager | |
| Diane Lewis | General Manager, Regulatory Strategy and Executive Advisor | |
| Suzy Munro | General Manager, Securities & Payments Operations | |
| Sabra Mott | General Manager, Securities & Payments Technology | |
| Karen Webb | Head of Issuer Services, Securities & Payments | |
| Ouafaa Daki | Senior Manager, Issuer Services, Securities & Payments | Apology |

Ernst & Young

| Name | Job Title | Apologies |
|--------------------|-------------------------------------|-----------|
| Roberto Fitzgerald | Partner, Financial Services | |
| Felicity Potter | Partner, Financial Services | |
| Laura West | Senior Manager, Business Consulting | |

Observers

| Name | Job Title | Apologies |
|----------------------|--|-----------|
| Benjamin Cohn-Urbach | Acting Senior Executive Leader, Market Infrastructure (ASIC) | |
| Dodie Green | Senior Manager, Market Infrastructure (ASIC) | |
| Liang Chen | Analyst, Market Infrastructure (ASIC) | |
| Jonathan Jones | Lead Analyst, Clearing & Settlement Facilities Supervision (RBA) | |

AGENDA ITEM 1: MEETING OPENING

a) Welcome, apologies and Acknowledgment of Country

Members, delegates, ASX management, Ernst & Young and observers were welcomed to the meeting. One new settlement only participant was welcomed onto the Committee: Certane CT (represented by Rose O'Rourke). An acknowledgement of country was made.

b) Minutes of 6 December 2023 meeting

The Chair noted that no member comments were received on the draft minutes of the 6 December 2023 meeting, which were approved without any changes.

AGENDA ITEM 2: CLEARING & SETTLEMENT SERVICES, ISSUER SERVICES

a) T+1 settlement

T+1 Working Group and Whitepaper

ASX thanked members of the T+1 Working Group for their collaborative, candid and productive contributions. The Working Group had met four times, had other information sessions, and many attended the Network Forum Australasia conference.

ASX provided an overview of the purpose and structure of the draft Whitepaper (which was provided to members prior to the meeting). The purpose of the paper is not to draw conclusions or discuss potential timing, rather to raise issues and ensure consistent understanding in assessing whether T+1 would promote the interests of the Australian market as a whole. The draft Whitepaper had been provided to members prior to the meeting to facilitate discussion and feedback (both at the meeting and in writing after the meeting). A further fatal-flaw version of the draft Whitepaper would be shared with members after the meeting for further feedback.

Member questions and discussion included:

- That participation in the T+1 Working Group had been productive and useful.
- Noting the reference to settlement in Australia being effectively T+1.5, whether ASX currently calculates capital based on 1.5 or 2 days. ASX confirmed the calculations are currently based on 2 days.
- Should the market decide T+1 is inevitable, likely timing for Australia, having regard to known CHES replacement timelines. ASX and the T+1 Working Group was closely monitoring global developments regarding T+1. The importance of foreign investment into Australia was noted. ASX intends to use the responses to the Whitepaper to inform consideration of timing, noting a mixture of binary and hybrid options regarding timing. The importance of cohesive planning for both industry and ASX was noted; noting that both CHES replacement and any move to T+1 would result in sizeable work.
- Whether a potential implementation of T+1 after CHES replacement release 2 (indicative timing 2028/29) would put Australia at a competitive disadvantage.

The Chair thanked the T+1 Working Group for their efforts to date.

Corporate action exception management

ASX provided an update on the impact of the move to T+1 in the US and Canada on corporate actions in Australia. ASX would endeavour to minimise the impact of US corporate action timetables having ex and record date on the same day, and support corporate action exceptions where possible, with a view to reaching the best outcome for the industry.

ASX outlined potential impacts across three categories of issuers/securities (noting this was based on ASX issuers, and ASX welcomed views from other market operators regarding impacts to their issuers):

- ETF issuers with underlying securities (or baskets with underlying securities) based in US/Canada – noting this was a sizeable group at around 150 – characterised as minimal to no impact. ETF issuers have advised they will follow Australian event timetables post the North American move to T+1 in May 2024, and where exceptions arise these will be managed.
- Non-exempt category (issuers listed in Australia that are domiciled in US/Canada, where they may also be listed) – characterised as minimal to no impact. Will continue to be required to follow ASX Listing Rules and Australian timetables post-May 2024.
- Exempt foreign category – noting this is a small group of issuers, of which a smaller sub-set regularly announce distributions – characterised as minimal impact. This group have exemptions from some ASX Listing Rules, however historically have tended to comply with such rules and timetables.

ASX had considered timetable and time-zone perspectives (noting time-zone differences for dual-listed stocks is not a new concept), and would operate under the premise going forward that if the issuer is applying the same record date in one or more markets, that record date would be the key date for ASX to support the event and ASX would apply its own ex-date per current Australian corporate action timetables. ASX's Listings Compliance and Structured Products teams would be contacting impacted issuers in April 2024 to outline potential implications and ASX's expectations going forward.

Member questions and discussion included:

- The number of US/Canadian issuers in the non-exempt category – approximately 40.
- Practicalities for the exempt foreign category, such as timing for announcements across time-zones.

b) CHESS stress test and Market management scenarios

CHESS stress test – results update

ASX undertook the stress test arising from commitments made in the CHESS special report in 2023 and some RBA Financial Stability Standard assessment recommendations, designed to evaluate the system's performance under stressed market trade volumes with the objective of identifying the capacity measures that might result in a technical breakpoint or the service failing to meet its service availability target.

ASX shared the test scenarios, peak volumes tested and the results. ASX continues to monitor its key performance indicators against its lead times to improve capacity and performance of CHESS until it is safely replaced; the capacity of CHESS currently planned with release 1 will go live with compliance to our forecast volume metrics with 100% headroom.

Member questions and discussion included:

- Clarity regarding impact to downstream users (such as share registries) of any delays caused by extreme volumes, noting delays in getting messages from CHESS to, for example, share registries, would cause knock-on impacts for other parties' processing and activities. ASX noted it was engaging bilaterally.
- Comparison to the record-volume day of just over 7 million trades in March 2020, acknowledgement of the progress to enhance capacity to date, and clarification whether ASX would formally publish the results of the recent stress testing, which ASX acknowledged it had shared with the RBA.

Market management scenarios – guiding principles for managing extreme trade volume events

Complementary to the technical stress testing activities, ASX provided an overview of six guiding principles that had been developed to inform decision making in the event of an extreme volume trading day where CHESS standard

processing times extend beyond a tolerable threshold. The principles had been developed to consider the management of the event from three angles (clearing, trading and settlement activities), and one or more guiding principle may be used depending on the circumstances and timing of the market activity. Principle 1 relates to clearing, Principles 2 and 3 trading, and Principles 4, 5 and 6 settlement. ASX had commenced bilateral engagement regarding the principles.

c) Australian Carbon Exchange initiative – overview

ASX referred to its panel discussion at the Network Forum Australasia Meeting 2024 in relation to the work ASX is undertaking with the Clean Energy Regulator to determine the viability of introducing a carbon exchange, an on-market centralised avenue to trade, clear and settle Australian carbon credit units (ACCUs). Existing infrastructure would be used where possible, including trade platforms, clearing and settlement through CHESS, as well as supporting investors who are interested in holding ACCUs. The Clean Energy Regulator was in the process of preparing a consultation paper with ASX's input, and ASX will commence bilateral engagements with stakeholders.

Members did not raise any questions.

d) E-Statements take-up update (Q&A)

ASX provided an update on e-Statements take-up to date, just over two years into its availability, with around 12.5% of active holders in CHESS having opted in to e-Statements. Monthly, this currently equates to around 91% of holding statements being sent in paper form, and around 9% electronically. Four sponsoring participants had transitioned a majority of their holders, and five sponsoring participants' transition to electronic delivery was in progress.

Having regard to presentation slide 11, ASX stepped through existing and possible additional mechanisms to encourage take-up, such as investor education, a dedicated ASX team to support participant transitions to electronic statements, introduction of an optional pricing model, work to support an API service for sponsoring participants, exploration of further operating rule changes and fee waivers/changes. ASX continued to waive the fee for the message sent to CHESS to opt-in a holder to include their email address details.

The update generated substantive member discussion and questions, including:

- Barriers to take-up, noting that 12.5% take-up was lower than might reasonably be expected in this electronic age. A member noted they expected to be ready for July 2024 when ASX's new optional pricing model took effect, that provision of an API service was highly desirable, and future bulk-migrations of existing customers who chose to opt-in would further bolster take-up.
- Discussion around the incentives for brokers and participants, with one member noting it was the issuers who were facing the cost of the slow take-up, and their firm view that the incentive structure does not support take-up. ASX noted that the new optional pricing model which would become effective in July 2024 does provide an incentive, and in some instances for brokers who are yet to provide the service, it was being assessed against all other items on their existing workplans. Another member noted that they had been close to implementation but the change of approach regarding CHESS replacement meant they needed to re-do and re-prioritise the work on their end.
- A member asked for specific information they could share amongst their organisation regarding savings/discount, which ASX would follow-up offline with the member.
- Discussion around whether the need for holding statements is still valid, and whether an API service could be made available to issuers via their share registries.

The Chair agreed to revisit this topic at the September 2024 Business Committee meeting, and noted two new actions arising from the discussion: ASX to provide semi-annual updates to the Committee regarding take-up of electronic holding statements (**action item 24-3-1**), and ASX to consider establishing a working group to review impediments to,

and incentivising take up of, holding statements and other investor updates in electronic form (**action item 24-3-2**). The existing open action **23-10-4** was closed.

e) TNF Australasia Meeting 2024

ASX thanked those who attended/sponsored the conference and noted the intention to hold the conference annually. On timing, The Network Forum prefers a longer preparation period in future, and ASX invited member ideas and feedback now in anticipation of next year's conference. The Chair commented that the conference was well-received.

f) ASX Business Committee Charter update

Referring to the paper and the attachment in mark-up, ASX noted the proposed changes to the Charter. The proposed changes result from the formation of the Advisory Group in September 2023 and associated regulatory expectations issued by ASIC and RBA, updates for the appointment of an Independent Chair, as well as general updates to align with recently introduced charters (including the CHES Replacement Technical Committee and Advisory Group). One further drafting change not included in the paper was noted based on feedback from RBA and ASIC, that representatives of Business Committee members (i.e. specific individuals) cannot also be members of the Advisory Group.

g) ASX Stakeholder Impact Visibility roadmap

ASX provided an overview of the roadmap prepared in response to open action 23-12-2, containing information on current CHES, CHES replacement Release 1, CHES replacement Release 2, T+1, ClearStar, and other known industry initiatives. The roadmap was characterised as 'draft' and focused on clearing and settlement initiatives; ASX Limited would release a more comprehensive roadmap. The Chair invited feedback direct to ASX, members did not raise any questions, and **action item 23-12-2** will remain open as the document evolves.

AGENDA ITEM 3: CHES REPLACEMENT PROJECT

a) Project update

ASX provided a delivery status update regarding the onboarding of the project partners, TCS and Accenture. ASX thanked those members involved in the various working groups for their active engagement.

ASX had published the consultation paper for release 1 on 14 March 2024, and invited feedback. The consultation paper for release 2 would be published in Q3 2024, and ASX intended to respond to industry in November 2024, including around high-level decisions on T+1. ASX was considering two timelines for release 2, and the timeline implications for impacted stakeholders such as software providers was noted.

Member discussion included:

- The split across release 1 and 2 from a market perspective. ASX had split the project into two phases based on feedback from the original project. Cost and time information for release 1 had been published, and cost and time information for release 2 would be published once the consultation process was completed (acknowledging it would be greater from both a time and cost perspective). Work for release 1 is heavily weighted towards Approved Market Operators (AMOs).
- Whether the project partners (TCS and Accenture) should attend Business Committee meetings to hear directly from the market, noting they did attend other forums which was a positive development from the previous project. ASX noted that the ultimate outcome and accountability for delivering the CHES replacement project lies with ASX, and ASX would work closely with its project partners regarding industry

feedback. ASX took an action to consider whether its project partners (TCS and Accenture) should attend future Business Committee meetings (**action item 24-3-3**).

b) Independent Assessment of the Assurance Program for the CHES Replacement Project

ASX noted this was the fifth six-monthly-review that EY had undertaken.

The EY partner noted that the December report closed out the prior assurance program, and some of the learnings from that program improved the program itself. Having regard to the design of a new assurance program for the new version of the project, EY would be assessing whether the new program is fit for purpose with a report published in June 2024 upon completion of the work. EY will be looking for learnings baked into the new program, as well as the breadth, depth, coverage, sequencing, timing, and the degree of consultation in the process.

Members did not raise any questions.

c) Independent Assessment of CHES Replacement 'Define and Plan' Phase Report

ASX noted that the report covered the nine months of work under the 'define and plan' phase, to redesign the CHES replacement project. The EY partner noted the report was published in December 2023, and concluded that ASX had followed a robust and appropriate process to select a solution and supplier for the delivery of CHES replacement. The deliverables and processes were appropriate for the nature, scale and complexity of the project.

Members did not raise any questions.

AGENDA ITEM 4: QUESTIONS SESSION - ITEMS NOT FOR PRESENTATION - CLEARING AND SETTLEMENT SERVICES, ISSUER SERVICES

a) Operational Performance: Cash Market Clearing and Settlement

Members did not raise any questions in respect of the paper.

b) Maintaining the stability of existing CHES

Members did not raise any questions in respect of the paper.

c) Regulatory Expectations Audits – summary of actions taken to address prior findings

Members did not raise any questions in respect of the paper.

d) Regulatory Expectations Audit – draft Terms of Reference FY24

Members did not raise any questions in respect of the paper. The draft terms of reference had been circulated to members, and members were invited to provide input on the terms of reference by 5 April 2024 to the Business Committee Secretariat. Members were also invited to indicate directly to PwC or via the Business Committee Secretariat whether they wished to be interviewed as part of the upcoming annual regulatory expectations audit.

e) ASX Cash Equities Clearing and Settlement Code of Practice update

ASX noted one additional change to the Code of Practice, based on feedback from the RBA and ASIC; a reference to “well regulated” would be changed to “well governed” given the document outlines commitments from ASX. Members had no objections to the proposed updates, but a member sought clarification as to ASX’s commitment under its Code of Practice to commission an annual independent review of its pricing arrangements. ASX confirmed the commitment related to an annual independent review of its governance, pricing and access arrangements benchmarked against the Regulatory Expectations, and a copy of the annual report would be shared with the Business Committee.

AGENDA ITEM 5: QUESTIONS SESSION - ITEMS NOT FOR PRESENTATION – CHESS REPLACEMENT PROJECT

a) Partnership Program update

ASX would shortly release its consultation paper, seeking input on the milestones for the development program. Members did not raise any questions in respect of the update.

AGENDA ITEM 6: MEETING CLOSING

a) Open actions

As recorded in the action items table:

- Action items 23-10-4, 23-10-5, 23-12-1, and 23-12-3 were closed.
- Action items 23-7-2 (capital savings analysis only, with a response due back to the Committee in December 2024 owing to the complex nature of extracting the data to enable running calculations) and 23-12-2 remain open.
- Three new actions were raised in the meeting (24-3-1, 24-3-2 and 24-3-3).

b) Forward work program

Referring to the forward work program included in the papers, the Chair welcomed feedback and suggestions for agenda items for future meetings.

c) Any other business

No other business was raised.

d) Next meeting – 26 June 2024

The next meeting is scheduled for 26 June 2024. The meeting closed at 1:57 pm.

Signed as a correct record of the meeting.

Chair

Date

| | |
|---|--|
| Committee | Business Committee |
| Meeting date | 26 June 2024 |
| Agenda title | Member initiated items |
| Agenda Item No. | 2a |
| Purpose | To present any topics to the Committee proposed by the members |
| Prepared by | Business Committee Secretariat |
| Action | For Noting |
| Proposed recommendation to Boards of ASX Clear and ASX Settlement (if applicable): | Not applicable |

A single member initiated item was proposed by Citigroup seeking updates from ASX on its approach to interoperability of the CHES Replacement solution. This will be addressed as part of Agenda 4c.

| | |
|---|--|
| Committee | Business Committee |
| Meeting date | 26 June 2024 |
| Agenda title | T+1 Update |
| Agenda Item No. | 3a |
| Purpose | To provide members with an update on the work of the T+1 Working Group to prepare a draft Whitepaper, and an overview of corporate action exception management |
| Prepared by | Andrew Jones, General Manager, Equities, Securities & Payments Karen Webb, Head of Issuer Services, Securities & Payments |
| Action | For discussion |
| Proposed recommendation to Boards of ASX Clear and ASX Settlement (if applicable): | Not applicable |

T+1 Working Group and Whitepaper

On 23 April 2024, ASX published a whitepaper titled "[Considerations for accelerating cash equities settlement in Australia to T+1](#)." This whitepaper was prepared with substantial input from the T+1 Working Group and the ASX Business Committee. The primary objective is to gather stakeholder feedback on the potential impacts of reducing the settlement cycle from T+2 to T+1 in Australia. The whitepaper detailed the expected benefits, challenges, and implementation considerations associated with this transition. Stakeholders have been invited to submit their responses by 18 June 2024.

In early August 2024, ASX will publish a document that summarises the feedback received and outlines the next steps in the process. This document will be shared in draft form with the T+1 Working Group and members of the Business Committee for review prior to its official publication. Concurrently, ASX will release the second CHES replacement consultation paper, focusing on Release 2, which addresses settlement and the sub-register components. This paper will include ASX's proposal for implementing T+1 within the broader CHES replacement project, leveraging insights gained from the whitepaper consultation process. The feedback from market participants will be crucial in shaping the lowest risk sequencing option for implementing both CHES replacement and T+1. To date we have 71 responses in flight within the qualtrics system which is being used to obtain industry feedback.

Industry Engagement

ASX has proactively engaged the industry in discussions about the potential shift to T+1 settlement and its implications for the Australian market. Over the past six months, the team has sought to understand the benefits and challenges through various industry forums and conferences. These engagements have included:

- The Network Forum Australasia
- SWIFT Innovation Forum
- SIAA Conference
- ASX Advisory Group
- Global Trading Roundtable with HKEX & BNP

In these forums, ASX has spoken to key considerations and facilitated discussions on the proposed shift to T+1 settlement. Additionally, the topic has been included in all bilateral engagements with customers, where the ASX team has been available to answer questions and delve into specific points of interest. This comprehensive engagement strategy aims to ensure that the industry's perspectives are thoroughly considered in determining the industry position on the settlement cycle change.

Global Updates

ASX has been monitoring the impact of a change to T+1 across various global markets. We recognise the importance of staying informed and collaborating closely with other exchanges to understand the details, transition status, and the ultimate impact of this change.

Since the last Business Committee meeting, six markets (Argentina, Canada, Peru, USA, Mexico and Peru) have transitioned their settlement cycles from T+2 to T+1. The ASX has separately provided a "T+1 – Transition in North America" update to members of the Business Committee. Initial observations on the US market suggest a generally smooth transition with trade affirmation rates up to 95% and fail rates, anticipated to be a concern during the transition, lower than expected. Both metrics indicating effective preparation and execution by stakeholders. Further, margin requirements for clearing participants have been reduced by 30-40%, within the forecasted range, and there has been a 25% decrease in the NSCC Clearing fund requirements which was also broadly in line with the forecasted range.

It was noted that the majority of firms had additional staff dedicated to the T+1 transition indicating that issues were managed and dealt with faster and more effectively than in a true business-as-usual environment. Moving forward, ASX continues to monitor global movements and will attend a weekly "T+1 War Room" hosted by the ValueExchange which will provide deeper industry insights on key T+1 developments to lessons learned.

For more detailed insights, please refer to the **attached document**.

Corporate action exception management

Impact of US and Canada move to T+1 in May 2024.

At previous Business Committee meetings ASX confirmed that the ASX set timetables for corporate actions that align with a T+2 settlement regime (Ex Date and Record Date on sequential Business Days), and that ASX could not currently systemically support the scenario where Ex Date and Record Date were on the same Business Day (as would be the case for T+1 settlement in US and Canada). At the March 2024 meeting, ASX confirmed that guidance would be provided to listed entities and investment product issuers, particularly those entities that may be domiciled or have underlying products in those markets.

ASX confirms that the following communications were provided to issuers:

- To ASX listed entities in the Listed@ASX Compliance update published 1 May 2024 – available here <https://www.asx.com.au/content/dam/asx/documents/listings/compliance-updates/2024/listed-at-compliance-update-01-may-2025.pdf>. A reference to the T+1 whitepaper was also included in the update, highlighting the section relevant to issuers.
- To ASX Investment Product (AQUA) Issuers in the April 2024 ETP update – available here <https://www.asx.com.au/content/dam/asx/issuers/asx-investment-products-reports/etp-update/etp-update-april-2024-requirements-for-corporate-action-announcements.pdf>, including a reference to the T+1 whitepaper.

| | |
|---|---|
| Committee | Business Committee |
| Meeting date | 26 June 2024 |
| Agenda title | Cash Equities Clearing and Settlement Services and Issuer Services Pricing Policy - Consultation |
| Agenda Item No. | 3b |
| Purpose | Cash Equities Clearing and Settlement Services and Issuer Services Pricing Policy - Consultation |
| Prepared by | Stephen Hammon, General Manager, Business Management & Planning, Securities & Payments |
| Action | For discussion |
| Proposed recommendation to Boards of ASX Clear and ASX Settlement (if applicable): | Not applicable |

ASX and members to discuss Cash Equities Clearing and Settlement Services and Issuer Services Pricing Policy – Consultation in meeting.

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|---|--|
| Committee | Business Committee |
| Meeting date | 26 June 2024 |
| Agenda title | CHES Roadmap Update |
| Agenda Item No. | 3c |
| Purpose | CHES Roadmap Update |
| Prepared by | Andrew Jones, General Manager, Equities, Securities & Payments |
| Action | For discussion |
| Proposed recommendation to Boards of ASX Clear and ASX Settlement (if applicable): | Not applicable |

ASX and members to discuss the CHES Roadmap update in meeting.



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|---|---|
| Committee | Business Committee |
| Meeting date | 26 June 2024 |
| Agenda title | CHESS Replacement – Project Update |
| Agenda Item No. | 4a |
| Purpose | To provide Business Committee members with a project update on CHESS Replacement |
| Prepared by | Tim Whiteley, Chief Information Officer Clive Triance, Group Executive Securities & Payments |
| Action | For noting |
| Proposed recommendation to Boards of ASX Clear and ASX Settlement (if applicable): | Not applicable |

BACKGROUND

CHESS is the core system that performs the processes of clearing, settlement, asset registration and other post trade services which are critical to the orderly functioning of the market. On 20 November 2023, ASX [announced](#) that it had entered into an agreement with Tata Consultancy Services (TCS) for the delivery of its TCS BaNCS for Market Infrastructure (MI) product. ASX has also engaged Accenture to act as a Solution Integrator to support project delivery.

SUMMARY

Key project updates:

- The Project onboarding of resources from delivery partners Accenture and Tata Consultancy Services (TCS) continues.
- The Project successfully completed its first Program Increment (PI) and it is anticipated that the next PI will be completed at the end of July 2024.
- The Proof of Technology (PoT) Cycle 1 testing has completed, successfully processing 100,000 trades in 6 minutes. Cycle 2 has commenced testing throughput of 1 million messages.

- The Project is tracking five key risks through the CHES Replacement Technical Committee (Technical Committee) related to; scope, cloud deployment, technology and schedule.
- The Project is continuing to gather feedback on the proposed delivery timeline for Release 2, now based on a single option that aims to minimise overlap with Release 1.
- A detailed assurance program has been developed and presented to the Regulators and the Clearing and Settlement Advisory Group on 29 May 2024.
- Since the last Business Committee meeting, ASX has hosted three CHES Replacement Technical Committee meetings. The next meeting is scheduled for 10 July 2024.
- ASX has also hosted the following project working groups, all of which report to the Technical Committee:
 - Three AMO Working Groups;
 - Three Business Design Working Groups; and
 - Two Implementation and Transition Working Groups

Project Update

Visa issues for TCS have now been resolved and all expected TCS resources have relocated to Sydney. The project continues to onboard onshore and offshore resources from both TCS and Accenture.

For Release 1, the project now has a total of 105 resources onboard and this will continue to a peak of 155 by October 2024. The current resource mix is ASX (68), Accenture (25) and specialist consultant resources (12).

The project completed its initial Program Increment (PI0) in the first week of May. PI0 delivered the detailed designs and requirements for code release Drop 1, which is due in early August. Across PI1 (May – July 2024) and PI2 (August – October 2024), all critical Approved Market Operator (AMO) and Trade Acceptance Service (TAS) functionality will be built, with testing to be completed by the end of PI3 (November – January 2025). This will allow AMOs to commence their build and test activities in Q1 CY 2025. The planning, analysis and build are on track to the project Release 1 milestones plan (Refer **Attachment 1**).

ASX is working with TCS on a PoT, which will confirm how the product and AWS technology services will scale. The PoT is being conducted on the un-customised (as-is) TCS BaNCS MI in the AWS cloud environment. The PoT will establish an early technology benchmark providing an indication into how the TCS BaNCS MI product will perform and scale, and highlight any risks or issues that may require further focus.

The first PoT test cycle completed on 13 May and achieved a throughput of 100,000 trades in 6 minutes.

Testing will be incrementally built up over four test cycles.

| Cycle | Objective | Date |
|---------|--|--------------------|
| Cycle 1 | Throughput test for 10,000 messages | 22 April – 13 May |
| Cycle 2 | Throughput test for 1,000,000 messages | 14 May – 10 June |
| Cycle 3 | Throughput test for peak of peaks (loading trades based on the peak trading time extrapolated to a peak volume day of 15,000,000 trades) | 11 June – 8 July |
| Cycle 4 | Process load of 15,000,000 messages | 9 July – 12 August |

Release 1 Consultation – Public consultation on Release 1 of CHES replacement was undertaken throughout March – April 2024. It focused on the staged approach and timing for replacing CHES in two separate releases (Release 1 and Release 2), the design, scope, testing approach and schedule for Release 1. The paper was informed by industry feedback received through the Technical Committee (TC) and three industry working groups: the Business Design Working Group (BDWG), the Implementation and Transition Working Group (I&TWG) and the AMO Working Group. A range of bilateral meetings with the stakeholders most impacted by the changes in Release 1 were also undertaken to inform the preparation of the consultation paper.

Feedback received from stakeholders is being considered and ASX’s proposed response to this feedback is underway.

Release 2 Consultation – The public consultation paper for Release 2 of CHES replacement is being prepared and will focus on the scope, approach, and timeline for Release 2. The Release 2 consultation will also include proposals on T+1 and interoperability considerations. The target timing for the consultation paper on Release 2 is Q3 2024. Stakeholder feedback received through consultation on Release 1 and Release 2 is a key input to the revised business case for the CHES replacement project, which will be considered by ASX Clear and ASX Settlement in November 2024.

Key Risks

At the 20 March 2024 Business Committee, the Project noted three key risks being managed by the project relating to; T+1, PoT, and colocation of key resources between TCS and ASX. The risk relating to the colocation of resources has now been resolved. The Project is now managing the following key risks.

| Area | Description | Mitigation | Impact Date | Inherent Exposure | Residual Exposure |
|------------------|--|--|-------------------|-------------------|-------------------|
| Scope | Market prioritisation of T+1 would impact the current program timeline and / or costs | The Project will monitor the market engagement and provide input as to the optimum plan across CHESS replacement and a T+1 cutover. | 15 September 2024 | High | Medium |
| Cloud Deployment | Elements of the CHESS R schedule may potentially be impacted if the decision is made not to progress with AWS Hosting for licence services | The Cloud Foundations Project is delivering the Cloud Platform and a Cloud Assurance Framework to ensure the ongoing compliance with technology general controls and regulatory compliance. | 30 June 2024 | High | Medium |
| Technology | Scalability of the solution on the chosen AWS Technology Stack (POT) | We are working with TCS to perform a Proof of Technology (POT). The purpose is to prove how the product and selected underlying technology services will scale. There is a risk that the POT may change elements of the technology platform design for CHESS Replacement solution. The POT will enable us to confirm the solution, delivery timeframe, related risks and costs. | 13 June 2024 | High | Medium |
| Schedule | Revised Business case timeline may be impacted by Release 2 consultation response. | High priority engagement topics to be discussed in the relevant Industry working groups to ensure Industry feedback is considered prior to publishing the R2 consultation paper. Manage and appropriately communicate the timeframe for the Release 2 consultation paper to ensure responses are received in line with the overall plan for the updated business case approval. | 2 August 2024 | High | Medium |

| | | | | | |
|----------|--|--|-----------|------|--------|
| Schedule | If Release 2 project ramp up commences as proposed in June, there may be an impact to shared and critical resources supporting Release 1 | Re ie Release 2 ti eline and ini ise critical Release 1 resource contention. | July 2024 | High | Medium |
|----------|--|--|-----------|------|--------|

Technical Committee and Working Groups

Operating on a monthly cadence to a published timeline, the Technical Committee continues to act as the primary engagement channel to communicate information with CHES Users and software providers regarding project status and governance, key risks and issues, scope, implementation options, testing, cutover and migration and readiness activities. The Technical Committee governs several working groups which provide targeted engagement activities on specific aspects of CHES Replacement. The working groups currently operating are the Business Design Working Groups (BDWGs), AMO Working Groups (AMO WGs), and the Implementation and Transition Working Groups (I&TWGs).

Since the last Business Committee there have been three Technical Committee meetings held on 03 April 2024, 08 May 2024, 06 June 2024.

At the 03 April 2024 Technical Committee, updates were presented on

- Progress against the project milestone plan
- The Proof of Technology testing for the TCS BaNCS for MI platform including peak volumes, hardware sizing and failover scenarios
- Working group progress across the BDWG, I&TWG and AMO WG topics
- Scope objectives and backlog progress

At the 08 May 2024 Technical Committee, updates were presented on

- Progress against the project milestone plan
- Expanded details regarding project risks and mitigations
- Working group progress across the BDWG, I&TWG and AMO WG topics
- Scope objectives and backlog progress

At the 06 June 2024 Technical Committee, updates were presented on

- Progress against the project milestone plan
- Key industry feedback themes captured in the first formal consultation paper for The Project
- Working group progress across the BDWG, I&TWG and AMO WG topics for feedback and member input
- Scope objectives and backlog progress

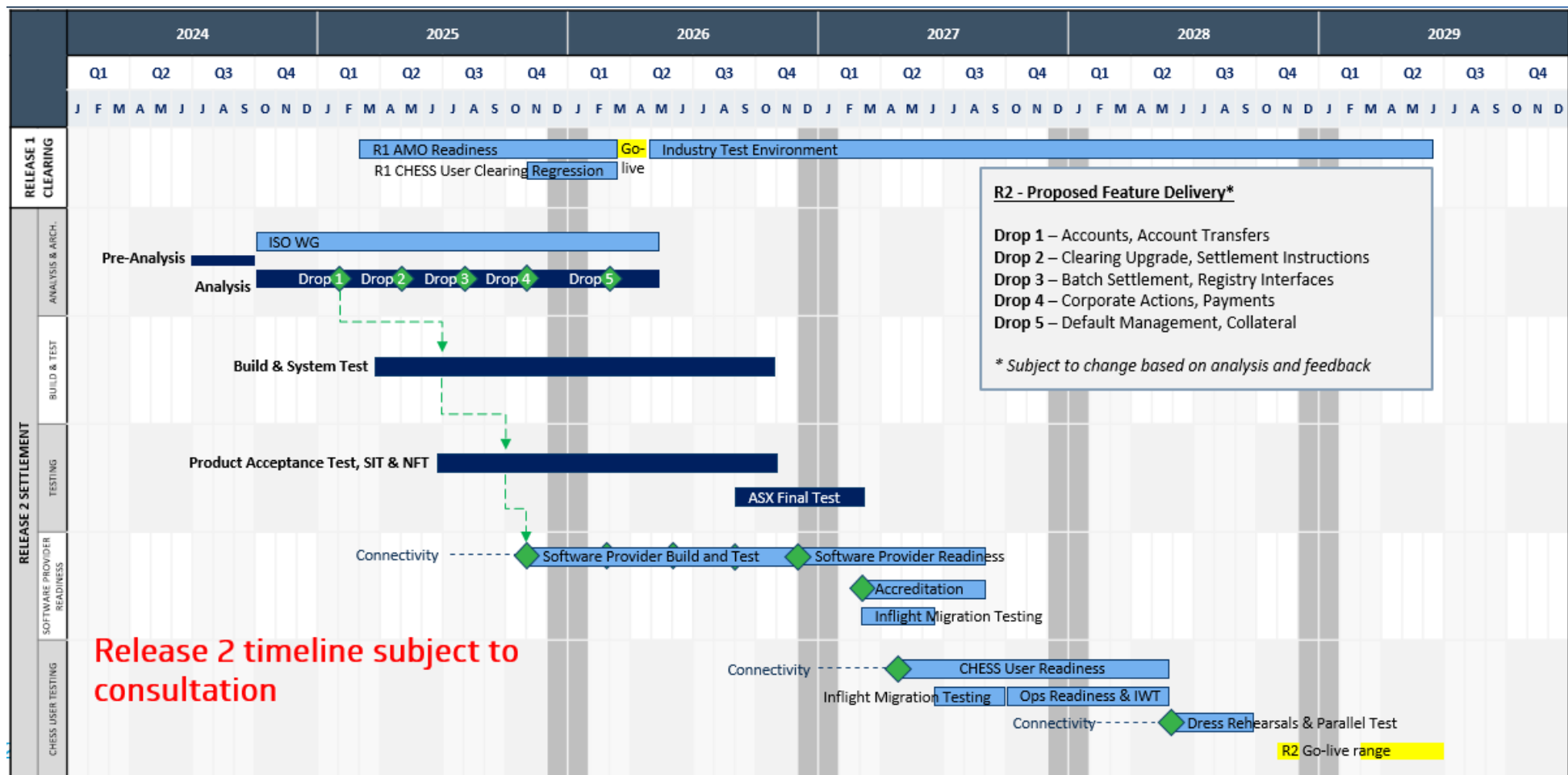
Since the last Business Committee ASX has conducted the following working groups:

- Three BDWGs covering; Data & Connectivity, T+1 scope considerations for CHES Replacement scope, Settlement Design, and Investor Information.
- Two AMO WGs covering; FIX messaging specifications, failover processes, and validation rules for pending trades
- Two I&TWGs covering; Release 2 timeline and Industry Test phases, opportunities for staged implementation and Release 1 scope updates.

Previous Technical Committee agendas, presentation materials and minutes can be found [here](#).

ATTACHMENTS

Attachment 1: Indicative Release 1 Project Timeline



| | |
|---|--|
| Committee | Business Committee |
| Meeting date | 26 June 2024 |
| Agenda title | CHESS Replacement Public Consultation Update |
| Agenda Item No. | 4b |
| Purpose | To provide Business Committee members with an update on CHESS Replacement public consultations |
| Prepared by | Andrew Jones, General Manager, Equities, Securities & Payments |
| Action | For discussion |
| Proposed recommendation to Boards of ASX Clear and ASX Settlement (if applicable): | Not applicable |

BACKGROUND

In support of the detailed design stage of the CHESS Replacement Project (Project), ASX is undertaking a number of formal consultations to capture industry and stakeholder feedback in relation to the CHESS Replacement Project and T+1 Settlement.

These consultations encompass the two proposed releases for the CHESS Replacement Project, the future milestones for the Development Incentive Pool component of the Partnership Program and the potential for T+1 settlement. An update on T+1 consultation has been provided in Agenda item 3 (a).

INDUSTRY CONSULTATION APPROACH

The CHESS Replacement Project has committed to formal consultation on key project topics during the detailed design phase of the Project plan to ensure that it has considered industry feedback and perspectives before committing to a finalised project plan.

The consultation process is designed to combine existing project requirements with inputs from industry through various industry committees, working groups and bilateral meetings to develop the basis on which formal consultation is then undertaken (Refer **Attachment 1**).

Consultation Paper on Staged Implementation and Release 1

On 8 March 2024, ASX released the first of two CY24 formal consultation papers designed to ensure stakeholder input adequately informs the project scope, timelines, and overall implementation plan. The paper closed for feedback on 24 April 2024, capturing 22 responses, of which 12 were confidential.

The key themes captured in the feedback to the first consultation paper are:

- Overall industry consensus for the staged implementation approach to CHESS Replacement.

-
- Respondents were generally supportive of design, scope and schedule for the Release 1 in Q1 2026, however several respondents noted the substantial scope of Release 2 and associated implementation risk;
 - Respondents were generally supportive of overall approach to industry testing; and
 - Varied feedback on the proposed industry test duration including whether the timeframe could be shortened, requirements of a 12-month build and test window incorporating any potential challenges with vendor scheduling and constraints on bringing AMO parallel testing forward by more than four months.

This feedback will be factored into Release 1 design and implementation planning currently underway. The Project also sought feedback from the Cash Equities Clearing and Settlement Advisory Group at its 29 May 2024 meeting and plans to release its response to feedback by the end of June 2024.

Future Milestones for the Development Incentive Program

On 17 April 2024, ASX released a consultation paper on the future milestones of the Development Incentive Pool component of the Partnership Program. Feedback on this consultation closed on 15 May 2024. ASX received 11 responses, of which nine were confidential. ASX is undertaking analysis to capture the themes and plans to release its response to feedback by the end of June 2024.

Consultation Paper on Implementation of Release 2

The consultation paper on Implementation of Release 2 will address:

- Release 2 functional and technical scope;
- Proposed project timetable and implementation approach for Release 2;
- Recommended timeline for T+1 in the context of the Project;
- An outline of the approach to industry interoperability; and
- Release 2 Industry testing and readiness.

It is anticipated the consultation paper will be released in Q3 CY 2024 with a six-week window for industry to respond.

NEXT STEPS

The Project will continue to inform Business Committee members of the progress of the consultation process in line with the Project plan, to deliver the responses to the Consultation Paper on Staged Implementation and Release 1, the Future Milestones for the Development Incentive Program, and release the Consultation Paper on Implementation of Release 2.

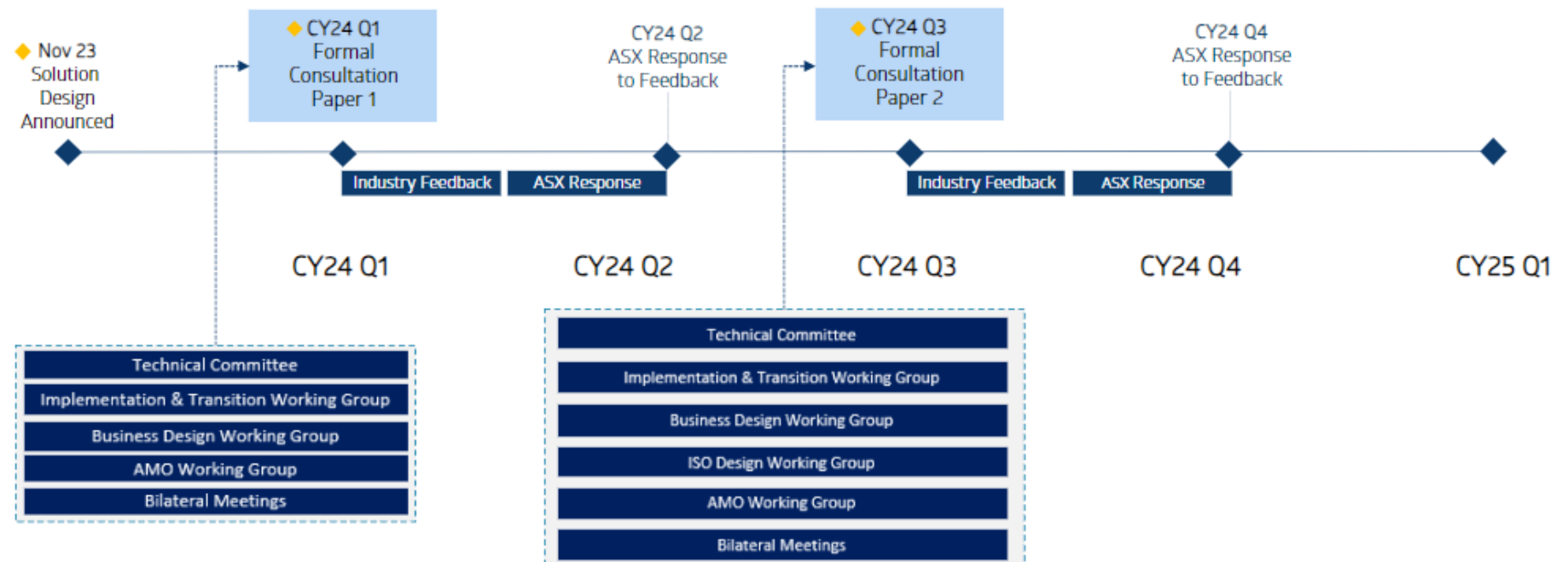
ATTACHMENTS

Attachment 1: Proposed Public Consultation Approach

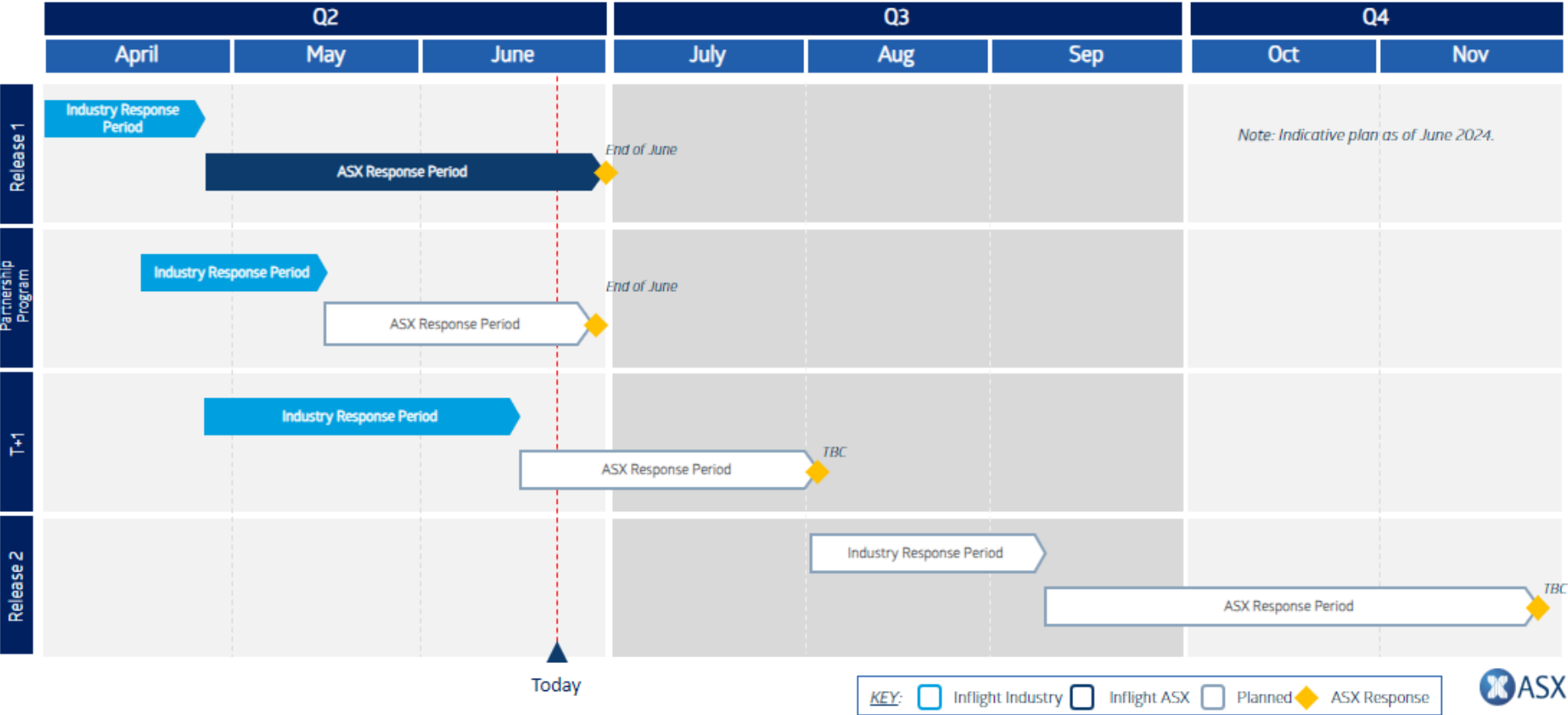
Attachment 2: Proposed C 24 Public Consultation i eline



Attachment 1: Proposed Public Consultation Approach



Attachment 2: Proposed CY24 Consultation Timeline



| | |
|---|---|
| Committee | Business Committee |
| Meeting date | 26 June 2024 |
| Agenda title | CHES Replacement Project – approach to interoperability |
| Agenda Item No. | 4c |
| Purpose | To inform Business Committee members of the CHES Replacement Project approach to interoperability |
| Prepared by | Chris Boyes, Senior Manager, Equities, Securities and Payments |
| Action | For noting |
| Proposed recommendation to Boards of ASX Clear and ASX Settlement (if applicable): | Not applicable |

BACKGROUND

Interoperability in the context of a clearing and settlement system refers to the ability of different clearing houses and settlement systems to work together seamlessly. This means that transactions can be processed efficiently across multiple platforms, allowing for the smooth transfer of securities and funds between different market participants. An interoperable clearing and settlement system promotes competition amongst clearing and settlement facilities. As there are several ways competition can arise in cash equities markets, there are a number of possible models that can be considered for interoperability in the CHES Replacement system.

Interoperability is a design requirement for CHES replacement and was a key consideration in the selection of TCS BaNCs MI as the new product-based solution. The product's modular architecture means that it can provide the technical foundations for interoperability with unaffiliated clearing, settlement and sub-register services.

TECHNICAL FOUNDATIONS FOR INTEROPERABILITY IN CHES REPLACEMENT

The CHES Replacement Project (Project) plans to deliver the technical foundations to prepare for interoperability in the context of the current Australian cash equities market.

Solution elements enabling future interoperability include:

- A modular architecture that has separate components for clearing, settlement, depository and ancillary services (e.g. corporate actions processing);
- A software solution (TCS BaNCs for MI) that has demonstrated support for interoperability in other markets such as Euroclear Finland (as part of T2S) with interoperable clearing, external SSF (T2S) and cross-CSDs settlement (CSD links);
- ISO 20022 support business processes that are aligned to international best practice and can be common across competing facilities; and
- A solution architecture that can be enabled to support third party data access via API.

In project delivery, a number of activities across both Release 1 and Release 2 are designed to support interoperability.

INTEROPERABILITY IN RELEASE 1

It is expected that Release 1 of the CHES Replacement Project will move the clearing component out of the current CHES system, demonstrating the modular architecture and ability for TCS BaNCS MI to register trades, build positions and provide these to a separate system (i.e. CHES), and for CHES to receive novated positions from a separate system (i.e. BaNCS MI).

In addition, it is proposed that Release 1 will provide all Approved Market Operators (AMOs) access to clearing and settlement services through the same standardised interface, in a non-proprietary format (using FIX messages). We anticipate that it will also be designed to be multi-CCP/multi-SSF compatible by specifically indicating the intended CCP/SSF in the AMO trade registration message (noting this would be limited to ASX Clear and ASX Settlement in the absence of another facility).

INTEROPERABILITY IN RELEASE 2

The expectation is that Release 2 will verify the solution by testing four specific scenarios that ensure the technology can support interoperability (Refer **Attachment 1**). These are the key scenarios to test in demonstrating that the CHES Replacement system provides the technical foundations for interoperability in the absence of a new entrant. Note that currently, interoperability effectively exists between depositories given there is existing functionality in CHES to move assets between registers (issuer sponsored to CHES transfers and conversions).

To reduce the additional testing risk and complexity in the Project, and to insulate the market from these changes, ASX plans to limit testing to a separately configured version of the software, which will be performed by ASX and not made available to customers. This approach may be revisited in the event that a new entrant emerges. The testing performed by ASX will be subject to review by an external party. ASX can report on the results and/or demonstrate these tests via the Technical Committee or other forum as agreed.

Additionally, in Release 2 it is proposed that:

- All technical documentation and artefacts will clearly delineate clearing, settlement and sub-register functionality;
- All ISO 20022 messaging will be functionally segregated, and where applicable, ensuring there is the ability to specify the relevant clearing facility and/or settlement facility in the message;
- Clearing participant, settlement participant and sponsoring participant roles and responsibilities will be functionally segregated; and
- The current clearing and settlement rules will be reviewed to ensure they support the effective segregation of clearing and settlement functionality.

ACHIEVING INTEROPERABILITY WITH A COMPETING CLEARING AND SETTLEMENT FACILITY

While the CHES Replacement Project plans to deliver the technical foundations for interoperability, additional work outside the scope of the Project will be required to enable a competing facility and ASX Clear and ASX Settlement facilities to interoperate.

At a high level, this work would include (among other things):

- Clear definition of how a competing service plans to interoperate with ASX Clear and ASX Settlement facilities, including how customers plan to utilise the competing service;
- Clear understanding of what model is to be supported (e.g. preferred clearing versus interoperable clearing);

-
- Potential changes to the technical interfaces between ASX Clear and ASX Settlement facilities and the competing service
 - Development of any additional functionality required to support industry requirements in relation to the chosen interoperability model;
 - Industry-wide testing of interoperability including both ASX Clear and ASX Settlement facilities and another facility;
 - Rule changes to consider how ASX Clear and ASX Settlement facilities and the new facility will operate together;
 - Potential further regulatory changes (e.g. CS services rules and guidance);
 - Operational changes and/or business structure changes; and
 - Risk management changes, including changes in relation to the management of margin and/or collateral if required (these systems are currently not within the scope of the CHES Replacement project).

If a new entrant emerges during the period the CHES Replacement system is being built and implemented, the proposed approach outlined above could be expanded or refined to prioritise more specific requirements for interoperability in the context of the entrant's business model. However, this would need to be assessed against the broader CHES Replacement plan, timelines and scope.

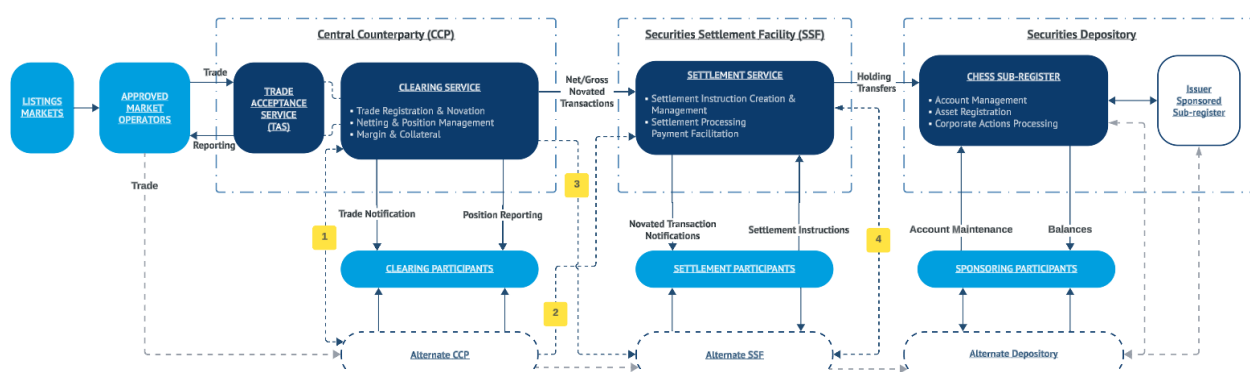
NEXT STEPS

The Project will seek industry feedback on the proposed approach to interoperability as a component of the Consultation Paper on Implementation of Release 2, planned for publication during Q3 CY24.

ATTACHMENT(S)

Attachment 1: **CHES Replacement solution design and scenario mapping**

Attachment 1: CHESS Replacement solution design and scenario mapping



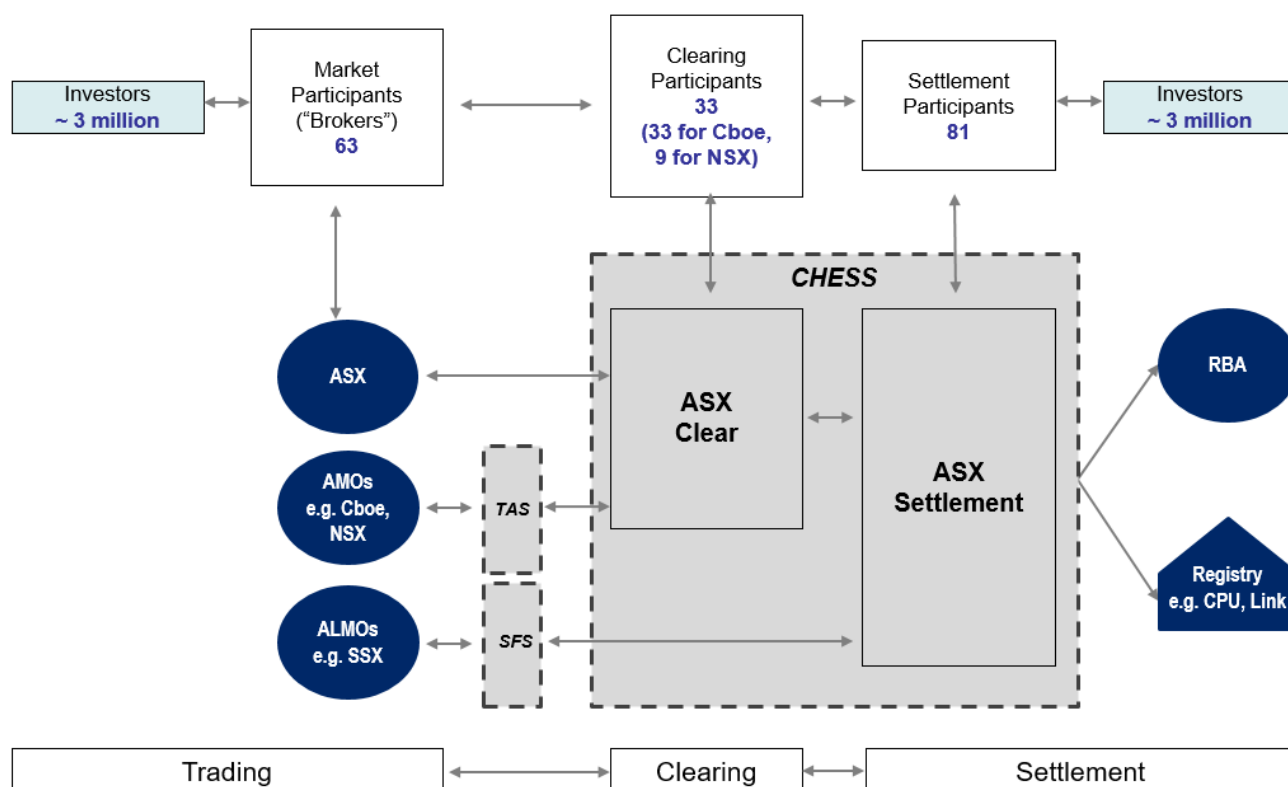
| # | Scenario | Detail | Technical Foundations For |
|---|-----------------------|--|---|
| 1 | Multi-CCP Settlement | Settlement Facility's ability to receive novated positions from multiple CCPs and process these for settlement in a single settlement batch ¹ | Preferred Clearing |
| 2 | Multi-CCP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

¹ This assumes a “preferred clearing” model, where an AMO routes trades to a specified CCP based on the preferences of the buyer and seller at trade execution time.

| | |
|---|---|
| Committee | Business Committee |
| Meeting date | June 2024 |
| Agenda title | Cash market clearing and settlement services - Operational performance |
| Agenda Item No. | 5a |
| Purpose | To report on key performance metrics for ASX's clearing and settlement services |
| Prepared by | Group Executive Securities and Payments (Clive Triance) General Manager, Securities and Payments Operations (Suzy Munro) |
| Date | June 2024 |
| Action | For noting |
| Proposed recommendation to Boards of ASX Clear and ASX Settlement (if applicable): | Not applicable |

Overview

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.

Service availability

ASX's critical processes of novation, netting and settlement are supported in ASX's core system CHES. 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 June 2024 quarter¹, the average monthly system availability was 100% for CHES. The average monthly availability of CHES has been 100% between May 2014 and May 2024.

Trade Acceptance Service and Settlement Facilitation Service

The CHES system performs the clearing and settlement functions for the Trade Acceptance Service (TAS) for Cboe and NSX to submit trades into CHES and the Settlement Facilitation Service (SFS) for SSX.

The Trade Acceptance Service and Settlement Facilitation Service availability target is 99.80% (the same as CHES).

For the June 2024 quarter¹, the average monthly system availability was 100% for the TAS and SFS. The average monthly availability of the TAS and SFS has been 100% between May 2014 and May 2024.

Settlement Performance

A performance metric for monitoring the CHES settlement batch is the fail performance.

For the June 2024 quarter¹, the daily average fail performance has slightly increased to 0.143% compared to the previous quarter, while maintaining a relatively low average of 0.172% for the previous twelve months, between June 2023 and May 2024.

The daily average fail performance was 0.231% over the 3-year period from June 2021 and May 2024.

ASX S&P Operations review daily settlement data for recurring trends in the settlement failure rate to monitor and ensure that there are no systemic issues.

| Month | May | April | March | February | January | December |
|------------------------------------|--------|--------|--------|----------|---------|----------|
| Average Fail Rate | 0.156% | 0.130% | 0.149% | 0.124% | 0.109% | 0.239% |
| Maximum Fail Rate | 0.752% | 0.354% | 0.347% | 0.198% | 0.207% | 1.005% |
| Minimum Fail Rate | 0.054% | 0.045% | 0.056% | 0.066% | 0.062% | 0.108% |
| Average Value Based Fail Rate | 0.068% | 0.041% | 0.056% | 0.060% | 0.054% | 0.080% |
| Average Initial Fail Rate | 0.019% | 0.022% | 0.020% | 0.020% | 0.017% | 0.029% |
| Average Fail Rate (ex unilaterals) | 0.121% | 0.102% | 0.119% | 0.099% | 0.085% | 0.199% |
| # of days Fail rate > 0.50% | 1 | 0 | 0 | 0 | 0 | 1 |
| Batch Settlement Extensions | 2 | 0 | 2 | 0 | 0 | 0 |
| Fall back of Payment Provider | 1 | 1 | 0 | 1 | 2 | 1 |

¹ As of 31 May 2024

Reporting on clearing and settlement service performance

The key metrics for novation, netting efficiency and settlement efficiency for the June 2024 quarter¹ are reported in Attachment A. They are also supported by charts demonstrating a longer reporting period in Attachment B.

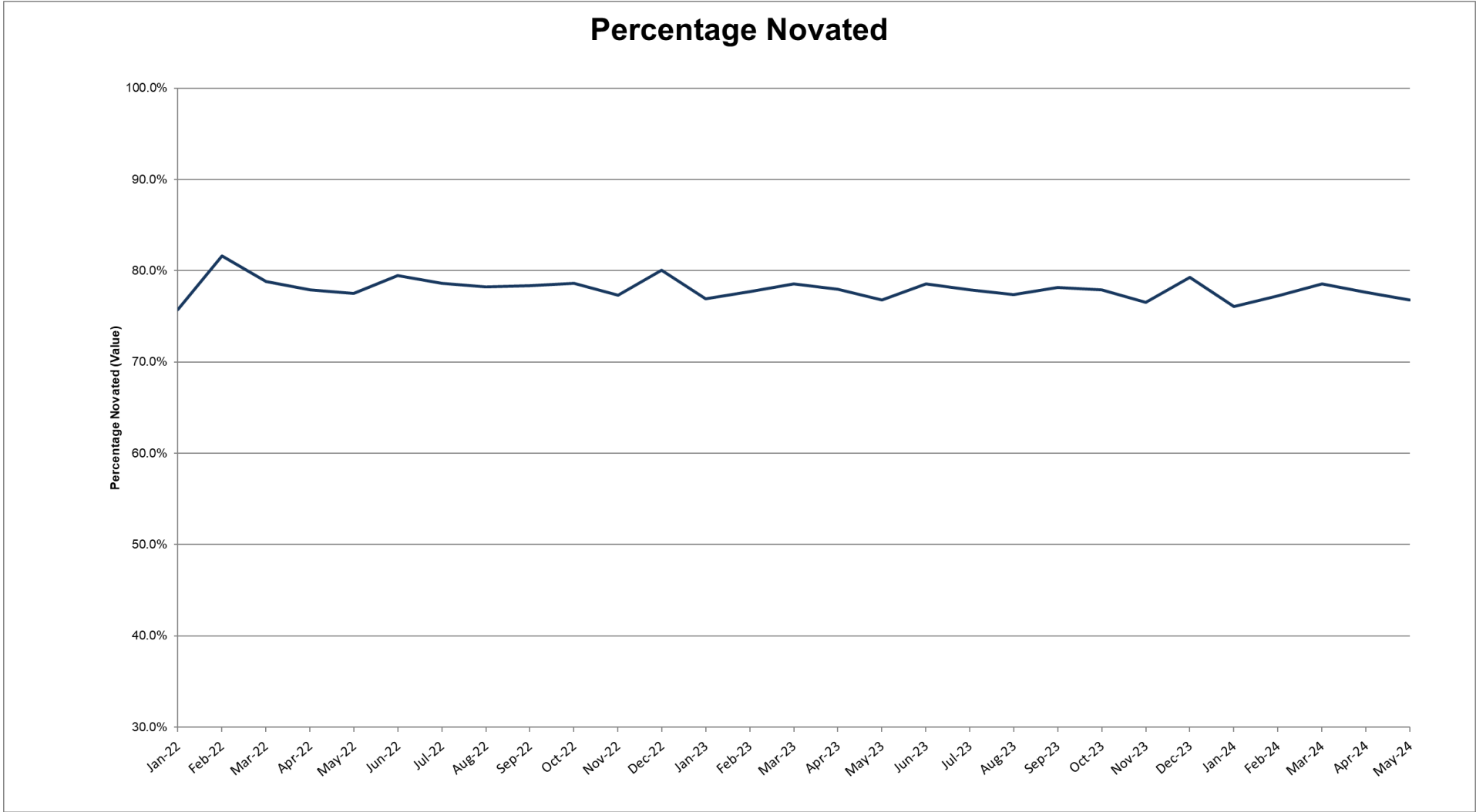
ATTACHMENT A – SUMMARY METRICS RELATING TO THE PERFORMANCE OF THE ASX CLEARING AND SETTLEMENT SERVICE

| | June 2024 Quarter ¹ | March 2024 Quarter | December 2023 Quarter |
|---|--------------------------------|--------------------|-----------------------|
| System Availability (CHESS) | 100% | 100% | 100% |
| System Availability (TAS) | 100% | 100% | 100% |
| Trade registration | | | |
| Total Trades Accepted (ASX) | 70,280,814 | 95,086,739 | 90,750,915 |
| Total Trades Accepted (Cboe) | 24,030,370 | 34,337,101 | 30,265,461 |
| Total Trades Accepted (NSX) | 37 | 62 | 53 |
| Daily Average Trades across all AMOs | 2,193,284 | 2,087,482 | 1,920,896 |
| Highest Daily Trade Registration across all AMOs | 2,724,243 | 2,690,270 | 2,852,886 |
| Highest Consecutive 2 Days Trade Registration across all AMOs | 5,177,148 | 5,295,080 | 5,314,366 |
| Clearing | | | |
| Daily Average Traded Value (On and Off Market) * | \$10.36 billion | \$10.41 billion | \$10.09 billion |
| Daily Average Cleared Value * | \$8 billion | \$8.06 billion | \$7.88 billion |
| Percentage Novated * | 77.2% | 77.2% | 77.9% |
| Netting Efficiency (Value) * | 70.5% | 70.5% | 71.6% |
| Netting Efficiency (Volume) * | 98.9% | 98.9% | 98.8% |
| Daily Average Cleared Value Post-Netting | \$2.36 billion | \$2.35 billion | \$2.22 billion |
| Settlement | | | |
| Total Settlements (SSX) | 0 | 0 | 0 |
| Total Value of Settlements (SSX) | \$0 | \$0 | \$0 |
| Batch Settlement | | | |
| Daily Average Settled Value (Including Non-Novated) | \$13.08 billion | \$12.69 billion | \$12.38 billion |
| Settlement Efficiency (Value) | 99.94% | 99.94% | 99.88% |
| Average Daily CHESS Fail Rate (% Rescheduled to the next settlement date) | 0.143% | 0.127% | 0.237% |
| Average Value Based Fail Rate (% Rescheduled to the next settlement date) | 0.055% | 0.056% | 0.117% |

Commencing March 2022 quarter, Traded Volume now includes transactions (for all AMOs) with settlement status "I" (e.g. crossings, informational)

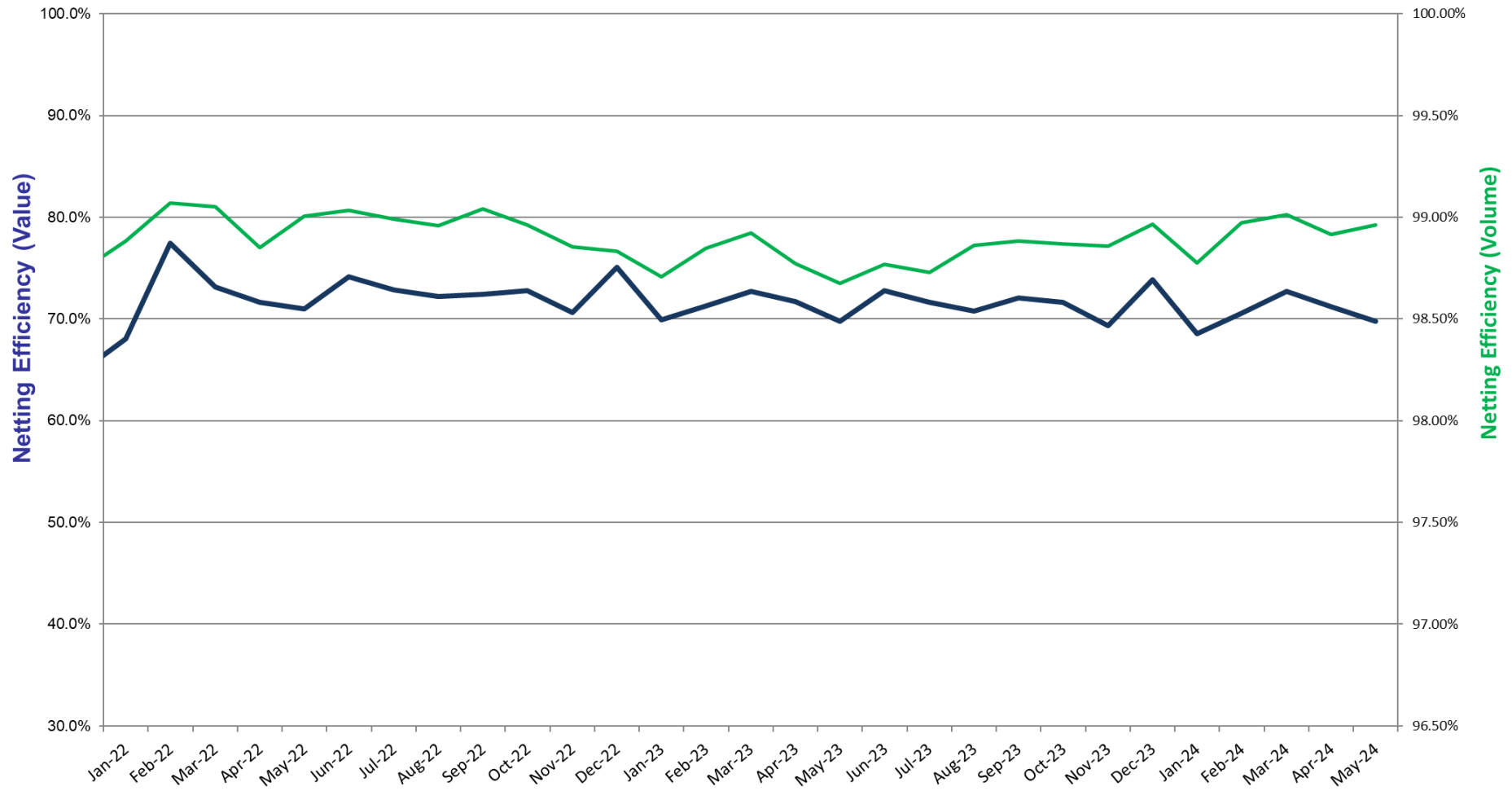
1. As of 31 May 2024

ATTACHMENT B – PERFORMANCE OF THE ASX CLEARING AND SETTLEMENT SERVICES FROM JANUARY 2022 TO MAY 2024

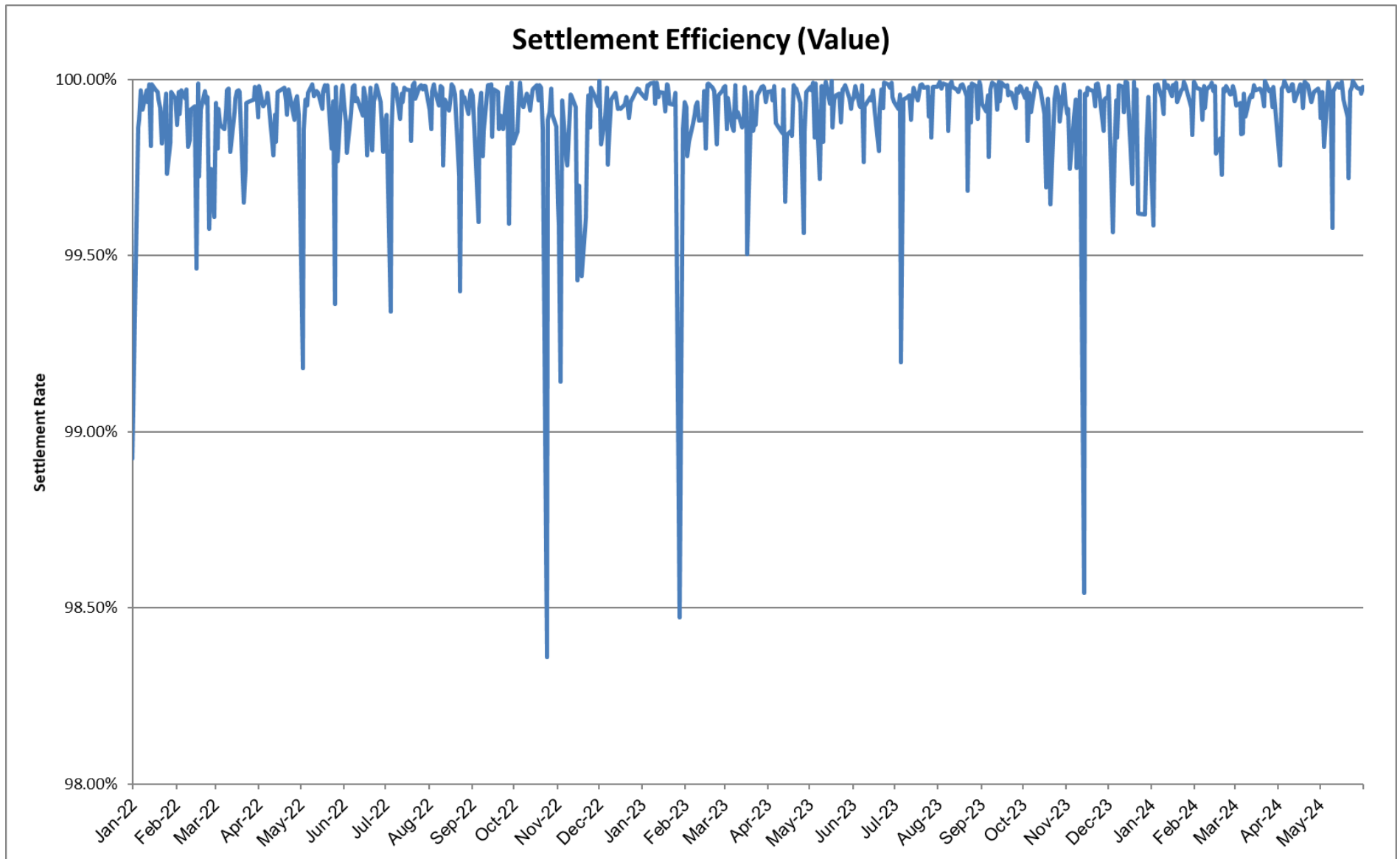


Commencing March 2022 quarter, Traded Volume now includes transactions (for all AMOS) with settlement status "I" (e.g. crossings, informational)

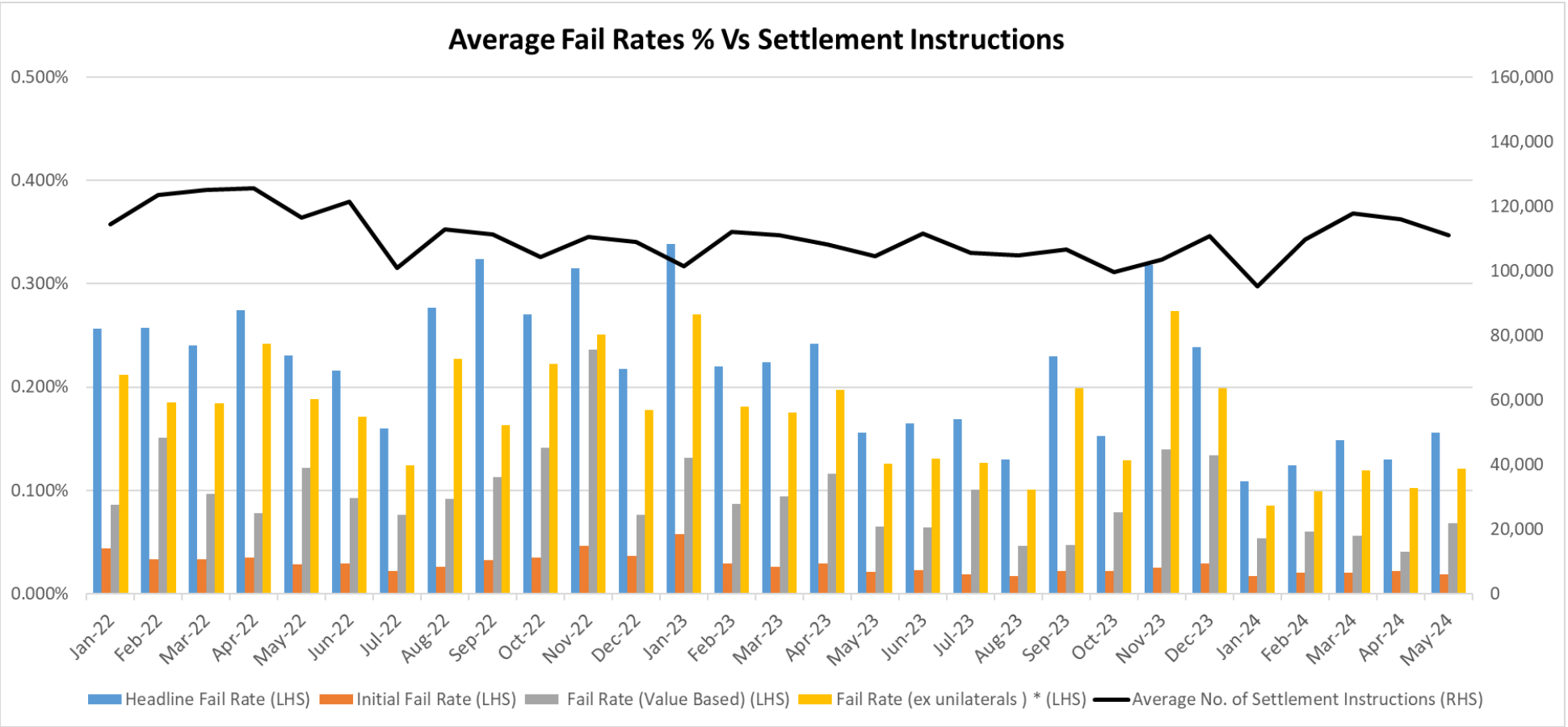
Netting Efficiency (Value and Volume)



Commencing March 2022 quarter, Traded Volume now includes transactions (for all AMOS) with settlement status "I" (e.g. crossings, informational)



Commencing March 2022 quarter, Traded Volume now includes transactions (for all AMOS) with settlement status "I" (e.g. crossings, informational)



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| Committee | Business Committee |
| Meeting date | 26 June 2024 |
| Agenda title | Maintaining the stability of existing CHES |
| Agenda Item No. | 5b |
| Purpose | To provide Business Committee members with an update on the programme of work to ensure existing CHES continues to provide the level of service, reliability and resilience required by the market until CHES replacement is implemented |
| Prepared by | Sabra Mott, General Manager, Technology, Securities & Payments |
| Action | For noting |
| Proposed recommendation to Boards of ASX Clear and ASX Settlement (if applicable): | Not applicable |

OVERVIEW

The CHES service continues to operate within key performance indicators, achieving service level objectives for all of CY2024 to date:

- 100% availability
- No major incidents (Severity 1 or Severity 2)
- +100% headroom on 10 million tested trade registration capacity; CY24 peak trades per day volume in March of 2.69M (Recorded peak in CY22 at 4,586,844 and historical peak on 13 March 2020 at 7 million).
- No unsuccessful changes or changes resulting in incidents during April 2024
- Successful disaster recovery test completed on 20 April 2024.

The CS Facilities have established operational risk management frameworks with appropriate systems, policies, procedures and controls to identify, monitor and manage operational risk.

The objectives of the frameworks extend to, but are not limited to, targets for system availability, scalable capacity adequate to handle increasing volumes, physical and information policies that address potential vulnerabilities and threats, business continuity arrangements for timely recovery of operations and availability of well-trained and competent personnel.

Internal audits and independent external expert reviews are undertaken of operations, management processes and internal control mechanisms.

Outlook

- ASX continues to invest in the ongoing supportability and maintenance requirements of current CHES.
- The “Special Report” on prescribed matters relating to CHES was provided to ASIC on 28 April 2023 (accompanied by a CS Board attestation) and an Audit Report prepared by EY to ASIC on 31 May 2023. ASX’s focus is to deliver the 27 initiatives outlined in the “Special Report”. Eighteen out of 27 have completed as of 29 May 2024. EY has provided assurance with respect to the roadmap progress to date and ASX is in the process of refreshing the roadmap by June 2024.

- Initiatives planned in FY24 that would have customer impact considerations are:

| Initiative Short Description | Customer Impact (Y/N) | Indicative Date |
|---|---------------------------|------------------------------------|
| CHESS Access – upgrade the programming language and MQ series version | Y | Completed successfully and on-time |
| Migration of trade signals off CORE | Y (clearing participants) | 3 June – 14 June (UAT) |

Members are invited to raise any questions in respect of this paper either before the 26 June 2024 Business Committee meeting or during the Questions Session of that meeting.

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| Committee | Business Committee |
| Meeting date | 26 June 2024 |
| Agenda title | eStatements take-up |
| Agenda Item No. | 5c |
| Purpose | To provide members with an update on current status of electronic statement take-up |
| Prepared by | Resan Ovat, Senior Manager, Issuer Services, Securities and Payments Karen Webb, Head of Issuer Services, Securities and Payments |
| Action | For noting |
| Proposed recommendation to Boards of ASX Clear and ASX Settlement (if applicable): | Not applicable |

Background

This paper is for the information of committee members in response to open action item 24-3-1 - “ASX to provide quarterly updates regarding electronic statements take-up”.

Electronic statements at 31 May 2024

ASX presented take-up statistics (@end February 2024) to the Business Committee meeting in March. At the end of May 2024, we note further opt ins to electronic statements, increasing by 37k~ which is attributed to the continuous uptake of electronic accounts by Sponsoring Participants, including bulk converting existing HINs to electronic in a staggered manner. 13.6% of active HINs have now opted in to electronic statements.

| | 29 Feb 2024 | 31 May 2024 | |
|--|-------------|-------------|---|
| | 3.2~m | 3.2~m | Active CHESS holders (non-zero holdings) |
| | 9%~ | 9%~ | CHESS Holding Statements and notifications are electronic . |
| | 91% | 91% | CHESS Holding Statements and notifications are mailed to investors. |
| | 4 | 5 | Sponsoring participants have completed the transition of <i>majority or all</i> of their investors to electronic delivery |
| | 5 | 5 | Sponsoring participants are progressing the transition of their investors to electronic delivery |
| | 12.5% | 13.6% | Holders have chosen email for communication preference |

The introduction of the Optional HIN Pricing Subscription model remains on track for availability in Q3 2024. ASX will provide communications via Market Notice and direct email to sponsoring participants at least 1 month in advance, with follow up reminders to confirm availability and the opt in process. ASX has commenced bilateral meetings with sponsoring participants to provide an overview of the potential financial benefits from the optional fees. Members are invited to contact the authors of the paper for follow up discussions.

ASX will provide a further update at the September committee meeting, as well as a response to the following additional open action item:

| | |
|--------|--|
| 24-3-2 | Holding statements – to consider establishing a working group to review impediments to, and incentivising take up of holding statements and other investor updates in electronic form. |
|--------|--|

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| Committee | Business Committee |
| Meeting date | 26 June 2024 |
| Agenda title | Australian Carbon Exchange initiative - update |
| Agenda Item No. | 5d |
| Purpose | To provide members with an update on the Australian Carbon Exchange initiative |
| Prepared by | Karen Webb, Head of Issuer Services, Securities and Payments |
| Action | For noting |
| Proposed recommendation to Boards of ASX Clear and ASX Settlement (if applicable): | N/A |

ASX and the Clean Energy Regulator (CER) are continuing to work on developing an effective model for the carbon exchange, including trading, clearing and settlement and to resolve some particular challenges, including fungibility of the products to be available for trading.

A CER consultation paper is in drafting, with expected publication Q3 2024. We expect to increase engagement with key industry stakeholders once the consultation paper is published on the feasibility of the exchange. The dimensions of engagement discussions will include:

- Producers and potential investors and the type of products available for trading
- Investment scenarios, including allowing for the relinquishment, surrender and cancelling of ACCUs
- Current carbon market participants, and cash equities market participant interest
- Market making
- Clearing considerations
- Disclosure requirements and availability of information

ASX Environmental Futures products update

The initiative led by ASX Markets to launch a suite of Environmental Futures contracts, with three separate futures contracts listed over Australian Carbon Credit Units (ACCUs), Large Generation Certifications (LGCs) and New Zealand Emission Units (NZUs), remains on track for go live of July 2024, subject to internal and external regulatory approval. Environmental futures will provide a transparent forward curve for the market to hedge and price the energy transition as the Australian economy moves closer toward crucial emission reduction targets.

More information on environmental futures is available on the following web pages:

- <https://www.asx.com.au/markets/trade-our-derivatives-market/futures-market/join-environmental-futures-community>
- <https://www.asx.com.au/content/asx/home/blog/australian-derivatives-and-decarbonisation.html>

Additionally, an [ASX article](#) referring to the Carbon Markets panel discussion at the recent Network Forum event has been published on pages 42 to 47 of the [2024 CMI-Westpac Carbon Market Report](#) issued in April 2024.

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|---|--|
| Committee | Business Committee |
| Meeting date | 26 June 2024 |
| Agenda title | ASX Cash Equities Clearing and Settlement Code of Practice update |
| Agenda Item No. | 5e |
| Purpose | To update on implementation of amendments to the ASX Code of Practice |
| Prepared by | Con Korkofigas, Senior Manager and Senior Legal Counsel |
| Action | For noting |
| Proposed recommendation to Boards of ASX Clear and ASX Settlement (if applicable): | Not applicable |

BACKGROUND

At the Business Committee meeting on 20 March, a paper was provided for noting on proposed updates to the ASX Cash Equities Clearing and Settlement Code of Practice (**Code**).

The Code sets out ASX's commitments to comply with the Council of Financial Regulators' Regulatory Expectations for the Conduct of Cash Equity Clearing and Settlement Services in Australia, and its commitments to users in managing clearing and settlement infrastructure and services for the Australian cash equities market.

UPDATES TO THE CODE

The updated Code was approved at the concurrent ASX Limited, ASX Clear and ASX Settlement Board Meeting on 17 April, with the changes coming into effect at that time.

The updates to the Code were in the form presented to the March Business Committee meeting, other than for one correction in the bullet point dealing with cadence of meetings to remove a superfluous reference to 'Business Committee' which should have been shown as a deletion, given that the holding of meetings on a quarterly basis provided for in the Code is to be applicable to both the Business Committee and the Advisory Group.

The updated Code is published on the ASX website at:

<https://www.asx.com.au/about/regulation/clearing-and-settlement-of-cash-equities-in-australia/code-of-practice#:~:text=ASX's%20core%20commitments%20include%20providing,of%20cash%20equity%20CS%20services.>

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| Committee | Business Committee |
| Meeting date | 26 June 2024 |
| Agenda title | ASX Business Committee Charter update |
| Agenda Item No. | 5f |
| Purpose | To update on implementation of amendments to the Business Committee Charter |
| Prepared by | Con Korkofigas, Senior Manager and Senior Legal Counsel |
| Action | For noting |
| Proposed recommendation to Boards of ASX Clear and ASX Settlement (if applicable): | Not applicable |

BACKGROUND

At the Business Committee meeting on 20 March, a paper was presented for discussion on proposed updates to the ASX Business Committee Charter (**Charter**).

The Charter covers how the Business Committee will function, including the roles and responsibilities of Business Committee members and the Chair and how the Business Committee interacts with ASX management and the boards of ASX Clear and ASX Settlement.

UPDATES TO THE CHARTER

The updated Charter was approved at the concurrent ASX Limited, ASX Clear and ASX Settlement Board Meeting on 17 April, with the changes coming into effect at that time.

The updates to the Charter were in the form presented to the March Business Committee meeting, other than for removing the square brackets and yellow highlighting in clause 1.2, given the approval at the concurrent Board Meeting for the corresponding updates to the Code of Practice referred to in that clause.

The updated Charter is published on the ASX website at:

<https://www.asx.com.au/content/dam/asx/about/charter-of-the-business-committee.pdf>.

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| Committee | Business Committee |
| Meeting date | 26 June 2024 |
| Agenda title | Update on the Membership Policy |
| Agenda Item No. | 5g |
| Purpose | To update members on the progress of the Membership Policy |
| Prepared by | Andrew Jones, General Manager, Equities, Securities and Payments |
| Action | For Noting |
| Proposed recommendation to Boards of ASX Clear and ASX Settlement (if applicable): | Not applicable |

BACKGROUND

ASX is progressing a Membership Policy for the Business Committee (BC) as contemplated in clause 3.2 of the updated (BC) Charter, noted in Agenda item 5f, which provides that appointments and removal of members of the BC are to be made by ASXC / ASXS in accordance with the Membership Policy as determined and published by ASXC / ASXS from time to time.

The Membership Policy is designed as a framework for adding, removing or replacing members of the BC, including under the two yearly nomination process introduced last year as part of allowing all Clearing and Settlement Participants to elect to become members of the BC.

The document is designed to support transparency and ASXC / ASXS decisions on changes to the membership of the BC to ensure it continues to appropriately perform its function under the Code of Practice of providing a forum for broad industry input on the ongoing operation of CS infrastructure and services.

UPDATE ON THE MEMBERSHIP POLICY

The Membership Policy draws upon:

- The Regulatory Expectations
- The Code of Practice
- BC Charter (as updated)
- October 23 Paper to the BC on changes to the BC membership structure

ASX is working to finalise the BC Membership Policy during Q3 CY24, including reviews by the relevant regulatory agencies.

ASX expects the finalised BC Membership Policy to be shared with Members in the 18 September 2024 Committee meeting.

| | |
|---|---|
| Committee | Business Committee |
| Meeting date | 26 June 2024 |
| Agenda title | CHESS Replacement Project – Partnership Program Update |
| Agenda Item No. | 6a |
| Purpose | To provide Business Committee members with an update on the CHESS Replacement Partnership Program |
| Prepared by | Clive Triance, Group Executive, Securities & Payments Andrew Jones, General Manager, Equities, Securities & Payments |
| Action | For noting |
| Proposed recommendation to Boards of ASX Clear and ASX Settlement (if applicable): | Not applicable |

BACKGROUND

The CHESS Replacement Partnership Program (**Partnership Program**) is designed to recognise the important work that continues to be undertaken by key stakeholders as they work with ASX towards the successful completion of the CHESS replacement project. Further information about the Partnership Program, including all eligibility criteria, can be found [here](#).

CURRENT STATUS

\$70 million has been allocated to the Partnership Program, which consists of two components: the Participant Rebate Pool and the Development Incentive Pool.

Participant Rebate Pool

The Participant Rebate Pool comprises \$15 million, distributed proportionately to eligible clearing and settlement (**CS**) participants based on CS fees paid to ASX, via a one-off fee reduction.

Key updates:

- To date, ASX has issued rebates to the value of \$14.99¹ million from the \$15 million available.
- 55 of 60 entities have accepted the invitation to participate in the Participant Rebate Pool.
- ASX expects to finalise any remaining payments in the next few months, which would complete its distribution of the Participant Rebate Pool to eligible Program Participants.

Development Incentive Pool

The Development Incentive Pool is a forward-looking incentive program, making up to \$55 million available to entities developing at least one technology application to connect to and interact with the CHESS replacement solution. An initial \$20 million was allocated for the first instalment paid from the Development Incentive Pool,

¹ Includes all payments made up to June 2024.

and the remaining \$35 million allocated to payments that will be tied to future program milestones. The timing and structure of these milestones will be confirmed following the industry consultations described below.

Key updates:

- To date, ASX has paid \$17.25 million² from the \$20 million allocation set aside for the initial payment.
- 22 of 23 eligible entities have accepted the invitation to participate in the Development Incentive Pool.

Consultation on the proposed future Development Incentive Pool milestones

Following the CHES Replacement solution [announcement](#) on 20 November 2023, ASX commenced a preliminary round of informal bilateral consultation with existing Program Participants regarding the proposed future payment milestones. Informed by this engagement, ASX released a formal [consultation paper](#) inviting feedback on the composition, timing, and structure of the proposed payment milestones. Feedback was requested by 15 May 2024.

ASX is currently reviewing all stakeholder feedback received with the aim of publishing a response to the consultation feedback by Q2 2024. That response aims to confirm the milestone structure for the remaining Development Incentive Pool payments. ASX will determine and communicate the timing of the future milestone payments as soon as reasonably practicable following the industry consultation on the Project's implementation plan (refer to agenda item 4a CHES Replacement Project Update).

² Includes all payments made up to June 2024.

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| Committee | Business Committee |
| Meeting date | 26 June 2024 |
| Agenda title | Open actions |
| Agenda Item No. | 7a |
| Purpose | To provide responses to open actions and recommend their closure, where applicable |
| Prepared by | Business Committee Secretariat |
| Action | For approval |
| Proposed recommendation to Boards of ASX Clear and ASX Settlement (if applicable): | Not applicable |

BACKGROUND

One action item from the 19 July 2023 Business Committee meeting remains open, with an update provided in the table below.

Four of the six open actions were closed and three new actions were raised at the 20 March 2024 meeting.

Five new action items were raised at the 11 October 2023 Business Committee meeting. Responses to the four action items due in December are included in the table below.

As noted in paper 1b, Citi has requested a list of Keep In View items, this table has been added to the Open Actions agenda item as a separate table.

The Business Committee is requested to approve the closure of action items 23-10-4, 23-10-5, 23-12-1, and 23-12-3.



ACTION ITEMS

| Item number# | Action | Due date | Status | Owner | Response |
|--------------|--|----------|--------|------------------------------------|--|
| 23-7-2 | ASX to perform further analysis to articulate benefits of moving to T+1 settlement, including margin and capital savings analysis. | Dec 2024 | Open | ASX (Karen Webb, Hamish Treleaven) | The analysis to identify default fund capital savings is more complex and will be provided at a meeting in 2024. |
| 23-10-4 | ASX to explore additional ways to encourage take-up of electronic statements. | Mar 2024 | Closed | ASX | Addressed in 20 March 2024 Business Committee (Agenda 2d) |
| 23-10-5 | ASX to collate findings from previous 3 regulatory expectations audits (FY23, FY22 and FY21) to provide visibility over the status of the findings. | Mar 2024 | Closed | ASX | Addressed in 20 March 2024 Business Committee (Agenda 4c) |
| 23-12-1 | ASX to consider how the entitlement claim process (related to failed settlements that coincide with corporate actions) could be improved and what additional role (if any) ASX may be able to perform in facilitating the claim process. | Mar 2024 | Closed | ASX | Addressed in 20 March 2024 Business Committee |
| 23-12-2 | ASX to prepare a roadmap to provide stakeholder impact visibility across the major work streams running in tandem | Jun 2024 | Open | ASX (Andrew Jones) | Consultation update and roadmap for CHES Replacement and T+1 presented as part of item 4(a) |

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|---------|--|-----------|--------|-----|---|
| | (such as current CHES initiatives, CHES Replacement, and T+1). | | | | |
| 23-12-3 | ASX to determine the timing and method of communicating the results of the breakpoint stress testing scheduled for completion end January 2024, as well as a market scenario playbook being developed. | Mar 2024 | Closed | ASX | Verbal update to be provided at BC meeting on the results of the CHES stress test (Sabra) followed by Market Management on High Trading Volumes scenario. Market management scenarios/CHES operating environment playbook – Addressed in 20 March 2024 Business Committee (Agenda 2b) |
| 24-3-1 | ASX to provide semi-annual updates regarding electronic statements take-up | Sep 2024 | Open | ASX | ASX to provide update at 18 September 2024 Committee meeting |
| 24-3-2 | Holding statements – to consider establishing a working group to review impediments to, and incentivising take up of, holding statements and other investor updates in electronic form | Sep 2024 | Open | ASX | ASX to provide update at 18 September 2024 Committee meeting. |
| 24-3-3 | ASX to consider whether TCS and Accenture should attend Business Committee meetings to hear from the market directly on relevant topics. | June 2024 | Open | ASX | ASX to provide invitations to relevant TCS and Accenture executives for 26 June 2024 Committee Meeting |

KEEP IN VIEW ITEMS

| Topic | Action | Due date | Status | Owner |
|------------------------------|--|----------|--------|-------|
| eStatements | ASX provide an update at each Business Committee meeting, alternating each meeting between an item for noting and an item for presentation with further detailed updates | Jun 2024 | Open | ASX |
| Australian Carbon Initiative | ASX provide an update at each Business Committee meeting on the Australian Carbon Initiative. | Jun 2024 | Open | ASX |

For historical action items please refer to archived minutes [here](#).

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|---|---|
| Committee | Business Committee |
| Meeting date | 26 June 2024 |
| Agenda title | Forward work program |
| Agenda Item No. | 7b |
| Purpose | To update the Business Committee on the forward work program for 2024 |
| Prepared by | Business Committee Secretariat |
| Action | For noting |
| Proposed recommendation to Boards of ASX Clear and ASX Settlement (if applicable): | Not applicable |

BACKGROUND

The Business Committee is scheduled to meet four times in 2024.

Other than the standard items (minutes of previous meeting etc.) and subject to input from members on additional items or items to be removed, the forward work program for 2024 Business Committee meetings is expected to be:

| Date | Topics |
|--|---|
| 18 September 2024 12.00-2.00pm | <ul style="list-style-type: none"> • Current CHES - service performance, maintaining stability • T+1 settlement • CHES Replacement including Technical Committee updates and Assurance Program report • Regulatory Expectations audit • Update on eStatements • Update on Holding Statements Working Group • Annual Report on Cash Equity Clearing and Settlement Services Developments • FY25 Annual Growth Threshold and FY24 Management Accounts |
| 11 December 2024 4.00-6.00pm | <ul style="list-style-type: none"> • Current CHES - service performance, maintaining stability • T+1 settlement • CHES Replacement including Technical Committee updates • Forward work program for 2025 • End of year drinks |

Members are invited to suggest topics for inclusion or removal in the forward work program at any time by contacting the Business Committee Secretariat at BC.Secretariat@asx.com.au.