

Business Committee

12 March 2025

Important Information

Competition Law Reminder

Workshop members are reminded to have regard to their obligations under competition law. In particular, please note that the Competition and Consumer Act prohibits a corporation from engaging with one or more persons in a concerted practice that has the purpose, effect or likely effect of substantially lessening competition.



Acknowledging Country

ASX acknowledges the Traditional Owners of Country throughout Australia. We pay our respects to Elders past and present.

Artwork by Lee Ann Hall, *My country My People*

1b

Draft minutes and report
11 December 2024

2a

Advisory Group update

3a

CHESS batch settlement incident

3b

CHESS Project update

3c

CHESS Project assurance update

3d

Pricing Policy consultation update

3e

Cost and Revenue Allocation Model review

3e – Cost and Revenue Allocation Model

ASX has drafted a Cost and Revenue Allocation Policy (the “Policy”), and implemented this in the Cost and Revenue Allocation Model (the “Model”), which are intended to comply with legislation released by the Australian Securities and Investment Commission (ASIC) for clearing and settlement services (the “ASIC CS Services Rules 2025”). The legislation requires ASX to take all reasonable steps to ensure that the pricing of its Covered Services is transparent, fair and reasonable.

One of the steps required is to maintain and publish a model for the internal allocation of costs, including the cost of allocated capital, and policies to govern the transfer of prices between the relevant Clearing and Settlement Service Provider and Associated Entities, that ensures:

1. where possible, costs are directly allocated to the services which give rise to the costs; and
2. shared costs are allocated based on appropriate, proportionate and transparent metrics.

In assessing whether shared costs are allocated based on ‘appropriate, proportionate and transparent metrics’ we will consider whether the basis for the allocation is appropriate given the nature of the expense. For example, certain expenses may be allocated based on the proportion of full-time employees or proportion of software licenses per line of business, and other asset-based expenses may be allocated in accordance with which line of business receives the benefits of the underlying assets.

We will review the Model prepared by ASX and prepare a final report to be provided to the Clearing and Settlement boards and to be published on the ASX website.

Extracts from the *ASIC CS Services Rules 2025*

Requirements for the Cost Allocation Model

Without limiting the steps, a CS Service provider must take under subrule (1), a CS Service Provider must:

(e) maintain and publish a model for the internal allocation of all costs (including the cost of allocated capital, and policies to govern the transfer of prices between the relevant CS Service Provider and Associated Entities) incurred by the CS Service Provider and Associated Entities that:

(i) allocates such costs both:

(A) between the relevant CS Service Provider and Associated Entities; and

(B) to the services which give rise to those costs; and

(ii) ensures:

(A) where possible, costs are directly allocated to the services which give rise to the costs; and

(B) shared costs are allocated based on appropriate, proportionate and transparent metrics;

Requirements for the Cost Allocation Model Report

1. A CS Service Provider must engage an independent person with appropriate skills, knowledge, and experience to conduct a review and prepare a written report (Cost Allocation Model report) about the extent to which the CS Service Provider’s model for the internal allocation of costs referred to in paragraph 2.2.1(2)(e) ensures the matters specified in subparagraph 2.2.1(2)(e)(ii).
2. A Cost Allocation model report must be:
 - a) prepared before any change is made to the CS Service Provider’s model for the internal allocation of costs referred to in paragraph 2.2.1(2)(e); and
 - b) completed and provided to the board of the CS Service Provider as soon as reasonably practicable after it has been prepared, and in any event no later than 2 months after the completion of the report; and
 - c) made publicly available as soon as reasonably practicable after it has been provided to the board, and in any event no later than one month after it has been provided to the board.

3f

eStatements update

3g

Share Sale Fraud Working Group update

3h

Securities Lending Reporting Working Group update

3h – Disclosure of Securities Lending Activity – Background

Background

- > In the September 2024 Business Committee, we noted a number of challenges associated with Securities Lending Reporting regime and that participants had raised that the securities lending data published by ASX is not relied on
- > At that meeting it was agreed to establish a working group which included ASX, Settlement Participants and Industry Stakeholders
- > We have held two working group meetings and obtained information from members on the usefulness of the ASX Securities Lending data in the context of the RBA drivers (from 2009) for the reporting requirements
- > We also engaged all non-securities lending participants to understand whether the ASX Securities Lending data was utilised.

3h – Disclosure of Securities Lending Activity – Feedback

Feedback Received

- Availability of other sources of real time data means that participants do not utilise the securities lending reports that are published by the ASX.
- Participants do not view the ASX data to be an accurate indicator of any of the drivers that led to the RBA varying FSS 18.
- Participants have access to more granular, reliable and timely securities lending data provided by Marketwire, S&P Global, Equilend, DataExplorer and/or DataLend, where securities lending is part of their business model
 - This data allows them to gain an overall understanding of the securities in the market that are easier and harder to borrow.
- The best indicators of settlement risk include the cost and ability to borrow, which is best obtained through knowledge at the desk and discussions with lending peers and counterparties.
- Participants confirmed that failed trades are rarely related to the ability to recall stock.
- Participants are supportive of keeping the “L” tagging requirement.

3h – Disclosure of Securities Lending Activity – Feedback

Feedback Received

- > We also engaged with non-Securities Lending Participants
 - All participants confirmed they are not using the published ASX securities lending reports to assist in assessing settlement risk and would not be impacted if these reports were no longer available
 - Settlement Participants that are not engaged in Securities Lending did not require specific securities lending data to assess settlement risk.

3h – Disclosure of Securities Lending Activity – Proposed Approach

Key Changes of the Proposed Approach

- SLPs would no longer report daily loaned and borrowed positions (ASXSR 6.8A.5)
- SLPs would no longer report quarterly committed positions (ASXSR 6.8A.5)
- ASX reporting of outstanding borrowed and loaned positions would no longer be published
- SLPs would continue to tag transfers with an “L” if the transaction giving rise to the transfer is a securities lending transaction (ASXSR 6.8A.1)
- ASX reporting of settled and rescheduled securities lending transactions, and daily volume of securities lending related settlements will continue to be published (based on “L” tagged information).

3i

The Network Forum Australasia

4

Question Session

4 – Items Not For Presentation

- Agenda item 4a: Independent Assessment of the Assurance Plan for the CHES Project
- Agenda item 4b: Operational Performance Cash Market Clearing and Settlement
- Agenda item 4c: Maintaining the Stability of Existing CHES
- Agenda item 4d: Australian Carbon Exchange Initiative update
- Agenda item 4e: Customer Impact Plan

5a

Open Actions

5a – Open Actions

March 2025

#	Action	Due date	Status	Owner	Update
24-12-1	ASX to hold an industry session prior to publication of ASX's response to the Pricing Policy consultation to demonstrate how feedback has been addressed, covering key items including the recovery of capital costs and efficiency dividends	Mar 2025	Propose to close	ASX	An information session on the Pricing Policy was held on 06 March 2025 covering key consultation feedback. An update was provided to the Business Committee as part of agenda item 3d.

5a – Keep In View

March 2025

Topic	Action	Due date	Status	Owner
eStatements and Holding Statements	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	Mar 2025	Open	ASX
Australian Carbon Initiative	ASX provide an update at each Business Committee meeting on the Australian Carbon Initiative.	Mar 2025	Open	ASX
Customer Impact Plan	ASX to provide the Customer Impact Plan to the Business Committee after it's been update following ASX's Quarterly Planning	Mar 2025	Open	ASX

5b

Forward work program

5b – Forward Work Program

Meeting Date	Topics
18 June 2025 12.00–2.00pm	<ul style="list-style-type: none">> Current CHES – service performance, maintaining stability> CHES project including Technical Committee updates> Optional versus mandatory nature of new functionality for the CHES project> Pricing Policy> Membership review
17 September 2025 12.00–2.00pm	<ul style="list-style-type: none">> Current CHES – service performance, maintaining stability> CHES project including Technical Committee updates and Assurance Program report> eStatements Update> Annual Report on Cash Equity Clearing and Settlement Services Developments
10 December 2025 4.00–6.00pm	<ul style="list-style-type: none">> Current CHES – service performance, maintaining stability> CHES project including Technical Committee updates> FY26 Annual Growth Threshold and FY25 Management Accounts> Review terms of reference> T+1 update> Forward work program for 2026> End of year drink

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Thank you.

