

ASX's Replacement of CHES for Equity Post-Trade Services

Supplementary Business Requirements Questionnaire

QUESTIONNAIRE

DECEMBER 2016



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ASX's Replacement of CHES for Equity Post Trade Services – Supplementary Business Requirements Questionnaire

This questionnaire supplements ASX's recent consultation paper titled "ASX's Replacement of CHES for Equity Post-Trade Services: Business Requirements (September 2016)". The original consultation paper including background information can be found at www.asx.com.au/regulation/public-consultations.htm

This supplementary questionnaire was requested by the Code of Practice - Business Committee at the most recent committee meeting held in December 2016. The questionnaire is largely modelled on Hong Kong Stock Exchange Group's (HKEX) questionnaire regarding their planned upgrade of their post trade infrastructure. Some minor modifications have been made to make it more applicable to the Australian market.

Response to the questionnaire is optional and due by **Tuesday the 14th February 2017**. Any additional information gathered through this questionnaire will supplement information already received and being considered through written submissions and face to face discussions.

Completed questionnaires should be emailed to CHESReplacement@asx.com.au.

All individual responses will be treated as confidential but may be aggregated for reporting purposes.

Name of Firm

Name of Primary Contact Person

Email Address

Telephone Number



Part A – Post Trade Overview

Q1. Please identify the top three services that support you well in the current ASX Equity Post Trade market infrastructure and why.

Q2. Please identify the top three items in the current ASX Equity Post Trade market infrastructure you would like to change and detail why.

Q3. If you had one post trade priority, what would be the key business enabler to benefit your business organisation and why?



Part B – Account Structure

Q1. Please identify account structures that would support your business.
a) What other account structures do you require – other than those already available?
b) What other account structures or additional information can we offer to facilitate an efficient client asset management and reconciliation in your firm in equity clearing and settlement operations? What other benefits can these changes bring about?
c) Can you describe the impact (all pros and cons) of adopting a common account structure (e.g. HIN, SRN, name on title, omnibus)?

Q2. The potential introduction of a market wide unique Client Identifier in Australia would allow consolidated management of client positions, funding, settlement and reporting.

a) What additional services would a Client Identifier facilitate?

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b) What opportunities and challenges would you associate with its potential adoption in Australia's equity market?

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Part C – Clearing & Settlement Services

Q1. Settlement is currently batch oriented – what impact do you anticipate if the batch processes were optimised/reduced and how would such changes impact your internal processes?

Q2. Have you identified any Clearing & Settlement efficiencies which can reduce your operating costs/effort or reduce the processing timeline, including the processing timeline of various Settlement Instructions for matching/settlement schedules, payment deadlines and the overall settlement timeline?

Q3. Would it be beneficial to your business and/or clients if ASX were to act as the golden source (i.e. true/original/accurate source) of corporate action information? Would the distribution of corporate actions data in standardised messages (e.g. SWIFT 2022) allow you to manage your business more efficiently and effectively? Can you describe how this service would benefit your business?



Q4. Do you think the acceptance of standardised instructions (e.g. in ISO 20022 format) from participants of ASX for voluntary corporate actions such as voluntary corporate action election, subscription and submission of voting and proxy appointment would be beneficial for your business? In what areas do you expect this offering would benefit your firm and/or your clients?

Q5. What improvements to ASX's Primary Market Facility (e.g. DvP settlement of primary and secondary capital raisings) or new issue processes and tendering services would benefit your business?



Part D – Risk Management

Q1. What type of Risk Systems do you rely on for calculating your risk exposure?

Q2. What additional tools would allow you to better manage your risk?

a) Do you need the ability to execute real time, intraday 'What-if' margin analysis on hypothetical portfolios? If so, how would you like this capability to be implemented? e.g. online calculator or Application Program Interface (API) or other forms or interface with internal systems?

b) Would additional stress testing or reporting functionality be useful? If yes, please elaborate key features which would be beneficial e.g. intraday stress test loss calculations?

c) Within the context of Default Management, are there changes to be made to better support your equity clearing business?



Part E – Collateral Management

Q1. Please confirm your preferred top two non-cash, high quality assets for collateral posting purposes.

Q2. By introducing a centralised collateral pool to be utilised across multiple clearing houses, what benefits do you envisage and what impact (operational & technical) can you identify for both cash and non-cash collateral?

Part F – New Products and Services

The replacement of ASX’s CHESS Post Trade infrastructure provides an opportunity to develop and enhance new products and services to the market. The following potential list of services has been identified to date:

- Expanded corporate actions services
- Expanded security encumbrance capabilities
- Settlement period choices (in addition to the default period of T+2)
- Real-time data services
- Global messaging standards - ISO 20022
- Access to Australia’s New Payments Platform (NPP) for payment services
- Beneficial ownership data to enable enhanced reporting capabilities

Q1. Please provide as much detail as possible on how the potential service offerings listed above may assist your business development?

Q2. Are there other post trade services not mentioned that you would like ASX to consider?



Part G – Clearing House Consolidation

ASX has two Clearing Houses operating under separate legal entities.

Q1. Where we can pursue a single entity multi-asset Clearing House, which aspect of consolidation would allow you to achieve greater capital efficiency?

- Single clearing house legal entity
- Single/ segmented default funds
- Multiple default funds
- Single risk margining model covering multiple asset classes
- Single rule book
- Single technology platform across multiple markets
- Other?

Please provide further details supporting your answers above.

Q2. Multi-asset Clearing House

- a) **If we could pursue a single entity multi-asset Clearing House and refine the membership criteria appropriately, will you look to reduce the number of your own entities accessing ASX, where you have multiple membership/participant entities?**



b) What support would you require from ASX to allow you to achieve that consolidation?

Part H – Technology

Q1. Would a direct electronic interface or API connection with ASX's equity post trade platform benefit your company? Yes or No and why?

Yes

No

a) If yes, what type of information and instructions should be supported?

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b) What message protocol is preferred (e.g. ISO 20022, FIX, etc.)?

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Q2. Would your firm be open to exploring the usage of emerging financial technologies (e.g. Distributed Ledger) where these can bring efficiencies to the market?

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Q3. Is your firm currently engaged in, or planning to engage in, any similar developments in other markets? If so please elaborate on the nature.

Part I – Vendor/System Provider Management

Q1. Please provide information that will assist ASX when considering implementation issues.

a) Do you maintain your own post trade infrastructure or do you utilise the services of a system provider?

b) If you use the services of an IT provider, please confirm the name of the firm?

