

ASX CHESSE Replacement

Factsheet for Payment Providers
December 2020



Who is this factsheet for?

This factsheet provides information to **payment providers** and their customers, **settlement participants**.

What is CHESSE?

CHESSE is ASX's system that clears and settles trading in Australia's equity markets. It also maintains the CHESSE sub-register of security holdings on behalf of over 2,200 issuers.

Why is CHESSE replacement important?

CHESSE replacement will modernise and upgrade critical market infrastructure and enable processes to be digitised, increase efficiency and capacity, reduce risk, deliver new functionality, lower barriers to entry for service providers, and stimulate product development and innovation.

The role of payment providers in CHESSE

Payment providers provide essential services to ASX's settlement participants, processing the net fund movements of settlement participants as part of the daily CHESSE settlement batch. Funds settlement (the transfer of money) occurs across the Exchange Settlement Accounts (ESA) of each payment provider in the Reserve Bank of Australia's (RBA) Information and Transfer System (RITS).

What does CHESSE replacement mean for payment providers?



Business Workflow

The role of the payment providers remains the same in CHESSE replacement.

Existing business workflows that support payment facility management, projected funds reporting and batch settlement processing do not change with CHESSE replacement.



New Messaging

Payment providers will benefit from the introduction of new and upgraded internationally recognised ISO 20022 messaging standards. This same standard is used by the New Payments Platform, is being adopted by AusPayNet's High Value Clearing System (HVCS) and is being introduced by SWIFT for cross border payments.



New Features

Bilateral demand settlement will be available from go-live and allow settlement participants to settle securities, on a line by line and delivery versus payment (DvP) basis, with the cash component facilitated by their payment provider.

This optional feature provides settlement participants the flexibility of settling transactions, in near real time outside of the daily CHESSE settlement batch. Benefits include:

- the opportunity to settle transactions that have missed or failed batch settlement on the same settlement date
- reduce risk associated with delivery of securities, free of payment (FOP), and the transfer of cash outside of CHESSE

These payments will settle across ESA's in RITS as individual (line by line) transactions.

The flexibility exists for settlement participants to set up new payment facilities with either their existing or a different payment provider for this new feature.



New Access Options

Payment providers will be able to access the CHESSE system through any of the following new access methods:

- ISO 20022 messaging will be available via AMQP or SWIFTNet
- CHESSE User Interface (UI), replacing CHESSE PC, will provide a manual user interface
- Ledger API to connect to CHESSE via ASX's distributed ledger infrastructure

Key milestone dates for payment providers

Software development activities (payment providers developing in-house or their third party vendors)



Other readiness activities



Payment Provider engagement

ASX will continue to keep payment providers up-to-date on developments in CHESSE replacement through the Implementation and Transition working group webinars as well the Equity Settlement Payment Provider Sub-committee (ESPPSC). ASX will also engage bilaterally with payment providers.

Where can I find more information?

Email: chessreplacement@asx.com.au

Visit: www2.asx.com.au/services/chess-replacement.htm