ASX
CHESS PROJECT

Business Design Working Group
Drop 2 – Clearing & Settlement

15 May 2025

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*

Housekeeping

Troubleshooting

- Please mute yourself when not speaking
- Please use the ‘raise hand’ feature on MS Teams if you would like to ask a question
- Please introduce yourself when talking for the benefit of all members
- Meeting is being recorded for the purposes of capturing decision and actions
- Dial in details (audio only):
  - +61 2 7208 4607
  - Phone Conference ID: 189 512 950#
- Presentation materials were distributed before the meeting and will be published on the website.

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.

Agenda

01 Introduction and Agenda

02 Business Design Working Group Actions

03 Investor Data – FOR & Bank Account

04 Clearing – Crossings

05 Settlement Process

06 Settlement Instructions

07 Reserved Balances & Accumulation Entrepot

08 Next Steps

01
Introduction and Agenda

01 – Detailed Workshop Agenda

#	Topic	Duration
01	Introduction and Agenda	5 mins
02	Business Design Working Group Actions	10 mins
03	Investor Data (FOR, TFN and Bank Account)	25 mins
04	Clearing	20 mins
05	Settlement Process	30mins
Break		15 mins
06	Settlement Instructions	50 mins
07	Reservation of Securities and Accumulation Account	20 mins
08	Next Steps	5 mins
Total workshop duration		3 hours

01 – Workshop Objectives and Outputs

The purpose of this Business Design Working Group session is to refine previously consulted design considerations and gain further customer feedback on the scope of Release 2 Drop 2 of the CHESS Project

Objectives

- Collect expertise to refine the design of clearing and settlement processes in the CHESS Project
- Play back information collected from data feedback collection exercise and previous engagements
- Develop the finalised set of requirements for implementation in the CHESS Project

Outputs

- Summary of the session and any applicable actions prepared for the Technical Committee
- Updates to the Business Design Documents (as necessary)
- ISO message construction (scheduled to be finalised by September 2025)
- Technical documentation (scheduled to be released by November 2025)
- Revised APGs
- Rules Consultation

What outcomes would you like to achieve for your organisation from this workshop?

01 – Business Design Working Group: Proposed 2025 / 26 Plan

Upcoming and completed sessions

#	Session	Topic(s)	Invitees	Proposed Date	Action
13	**Release 2 Drop 1 Deep Dive**	Deep dive into Release 2 Drop 1 detailed business design	All	6 February 2025	Working group held. Updated spreadsheet provided for feedback
14	Registries Focus Group	Registries focus group on specific registry topics	Registries only	13 March 2025	Working group held.
15	**Release 2 Drop 2 Deep Dive (1 of 2)**	Deep dive into Release 2 Drop 2 detailed business design (including Transaction Basis Deep Dive)	All	3 April 2025	Working group held. Feedback received
16	**Release 2 Drop 2 Deep Dive (2 of 2)**	Deep dive into Release 2 Drop 2 detailed business design	All	15 May 2025	Planned
17	*Placeholder*	*Session to be confirmed*	*All*	*5 June 2025*	*To be confirmed*
18	**Release 2 Drop 3 Deep Dive**	Deep dive into Release 2 Drop 3 detailed business design	All	10 July 2025	Planned
19	Payment Provider Focus Group	Payment provider focus group on planned changes to payment authorisation processes	Payment Providers only	7 August 2025	Planned
20	Payment Channels Deep Dive	Industry focus group on the real-time payment channel	All	4 September 2025	Planned
21	**Release 2 Drop 4 Deep Dive**	Deep dive into Release 2 Drop 4 changes and business design	All	9 October 2025	Planned
22	New Corporate Action Services Focus Group	Industry focus group on new corporate action services	All	6 November 2025	Planned
23	Accounts Migration Deep Dive	Deep dive into Accounts Migration approach	All	4 December 2025	Planned
24	**Release 2 Drop 5 Deep Dive**	Deep dive into Release 2 Drop 5 changes and business design	All	January 2026	Planned

***Note**: indicative order, subject to change based on industry inputs and further planning. Multiple sessions may be required per topic*
Blue denotes an update since last presented

02

Business Design Working Group Actions

02 – BDWG Actions

#	Action	Raised	Update	Status
BDWG_02	Consider whether there could be an ability to allow transfer of standing instructions in the case of transfer to a new HIN	February BD WG	To be considered as part of Portfolio Transfers (Drop 4)	On hold – Drop 4
BDWG_04	Consideration of which new fields can be transferred to a new participant in the case of a Change of Controlling Participant	February BD WG	To be considered as part of Change of Controlling Participant (Drop 4)	On hold – Drop 4
BDWG_05	Consider the addition of further Ownership Types (e.g. Nominee, Corporation)	February BD WG	"Nominee" Ownership Type incorporated into ISO messages	To be closed
BDWG_06	Consider the process of migrating accounts, including transformations and fields not available in current CHESS	February BD WG	Deep dive BDWG scheduled for August	On hold – December BDWG
BDWG_07	Continue evaluation of Foreign Ownership Restrictions and use of Guaranteed Foreign Transfers	February BD WG	Continued discussions with Registries in March, and Participants in April	To be discussed slides 13-14
BDWG_09	Consider the appropriate rules and privacy implications to allow the sharing of email and mobile number with Registries	February BD WG	To be considered as part of Rules Consultation	On hold – Rules Consultation
BDWG_10	Concerns raised in relation to limiting customisation of the BaNCS product and the impacts to the market	March BD WG	Discussed at TC on 3 April	To be closed
BDWG_11	Consideration to be given to the complexities of reserved balances and impacts on Registry processes	March BD WG	To be discussed in Drop 3 BDWG (July)	On hold – Drop 3
BDWG_12	Consideration of a revised approach for crossings and associated fee impacts	March BD WG	Proposed approach to be discussed in May BD WG	To be discussed slides 17-18

Blue denotes an update since last presented

ASX

03

Investor Data – FOR & Bank Account

03 – Foreign Restricted Securities

REG_2.2 The CHESS replacement system should support the provision of instructions for foreign ownership restriction attributes on a per Issuer basis.

Foreign Restricted Securities

Participants have requested ASX to review the current process for maintaining Foreign Ownership restrictions in CHESS.

Feedback has been provided indicating that it is impractical for Participants to maintain and validate against each Issuer's constitution on an ongoing basis.

Currently there are two classes of Foreign Restricted Securities managed in CHESS:

- **Securities with aggregate foreign ownership restrictions** (currently only TLS) with an ownership level limit (e.g. 35%)
- **Securities with an ownership level of zero** such as those with US person restrictions and/or other restricted investor groups (22 securities).

Aggregate Foreign Ownership Restrictions

ASX is currently evaluating the decommissioning of the Foreign Ownership Restriction Facility for aggregate foreign ownership restrictions through the CHESS Project.

If this can be achieved, the Residency Indicator would be removed on the assumption that:

- Aggregate Foreign Ownership Restrictions do not carry forward
- Any 'Foreign' holdings with a Foreign Ownership Level of zero would have been divested prior to go-live.

In addition, the Guaranteed Foreign-to-Foreign Transfers would no longer continue to be supported.

03 – Foreign Restricted Securities

REG_2.1 The CHESS replacement system should support the ability to specifically identify a holder who is a: Non-foreign person (per definitions of the Issuer's constitution), Non-US person (per the definitions of the US Securities Act), US person QIB/QP (per the definitions of the US Securities Act).

Foreign Restricted Securities with ownership level of **zero**

ASX proposes to rationalise the Foreign Ownership Restriction Facility to support only Regulation S securities through the CHESS Project.

- To facilitate the continued listing of US entities on the ASX market, the proposal is to replace the **Residency Indicator** with a specific **US Person** indicator maintained at a HIN level
- Participants would only need to populate the **US Person** field when holding Regulation S securities if an investor is known to be a US Person
- On the assumption *(to be verified)* that no excluded US Persons are holding FOR securities at go-live, the field would be initially populated as blank for all HINs
- Participants could then populate the US Person field upon creation of a new HIN or acquisition of a security subject to US Person restrictions for existing HINs
- For omnibus holdings the US person indicator should not typically be populated and should only be used to indicate if there is an underlying holder of restricted FOR securities that is a US person

The **US Person Indicator** would indicate:

- **Not populated** - Investor is not known to be a US Person and / or the US Person status is unknown or mixed, but the investor is not a holder of FOR securities
- **US Person** – Investor is known to be a US Person
- **US Person QIB / QP** – Investor is known to be a US Person but is a Qualified Institutional Buyer or Qualified Person.

Indicating US Person against a restricted security will trigger **divestment proceedings** by the Issuer Registry

03 – Bank Account

REG_3.3.1 The CHESS replacement system should support the ability to add a single nominated bank account to be recorded against a HIN in CHESS on an optional basis.

REG_3.3.2 The CHESS replacement system should support a workflow that allows bank details that are recorded against a HIN to be used as a default value which is relayed to Share Registries upon the acquisition of a new holding, when details are updated by an Investor or other applicable scenarios.

Bank Account Information

Industry feedback on provision of Bank Accounts has been mixed, and we are continuing to evaluate solution options before progressing into build. This includes an assessment of what functionality is already available in the BaNCS product.

Options Under Evaluation	Consideration
1. Consolidate with TFN message	• Consolidated/simplified messaging • No current accept/reject response for TFNs
2. Provision HIN-level attribute	• Consolidate with HIN messaging • No ability to select per Issuer • Complexities if investor instructs a Registry directly
3. Utilise existing BaNCS standing instruction workflows	• Requires further evaluation with the market • May allow consolidation with other corporate action related flows
4. Standalone workflow (like for like)	• Less change on existing • Bespoke workflow needs to be built in BaNCS • Less message consolidation

Feedback to date has included:

- Proposal for the ability to record a single Bank Account at a HIN level to provision for all issuers
- Support for continuation of the ability to record different Bank Accounts per Issuer/Security
- Consideration of how the phase-out of cheques will have on the need to provision bank account information
- Complexities and confusion arising from the ability for investors to modify their Bank Account directly at the Share Registry where it has previously been provisioned by a Participant.

ASX will continue to evaluate and seek feedback on this functionality to determine the appropriate delivery drop once a solution is achieved.

04

Clearing – Crossings

04 – Clearing: Crossings

DC_2.4.2 The CHESS replacement system should support the notification of crossings for informational purposes except where the clearing participant has opted out of receiving the notification.

DC_2.4.4 The CHESS replacement system should support configuration for clearing participants to "opt-out" of receiving notifications for the registration of crossings.

Registering Crossings in CHESS

- Currently CHESS registers crossings as "informational" settlement instructions and provides a single 164 messages to the Clearing Participants – which they can opt out of
- With separation of Clearing and Settlement, the introduction of position accounts, and to more closely align to ISO standards, the treatment of crossings will require change:
  - ASX proposes that each trade leg is registered against a Position Account and notified to the respective Clearing Participants separately irrespective of whether it would currently be deemed a crossing
  - In the case of a trade where the Clearing Participant is the same on both sides, and the trade is registered against the same Position Account, then two notifications will be provided. These will be netted together through the continuous netting process however.

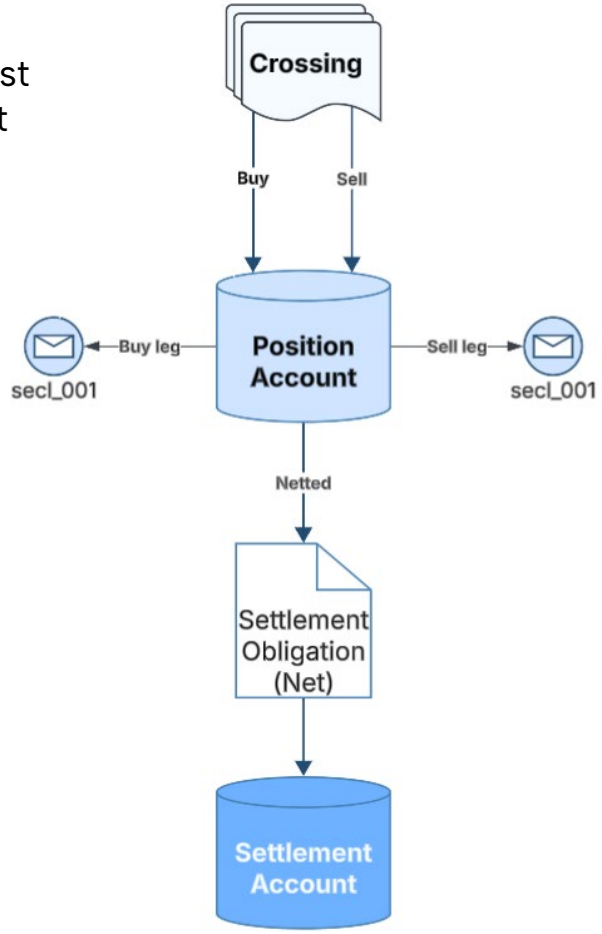
- Crossings are trades where the buy side and sell side Clearing Participant is the same
- They may be internal transactions of the same Trading Participant or the matching of buy and sell transactions between two Trading Participants of the same Clearer

- ASX will consider the impacts to fees as a result of this change to the process
- The ability to opt-out of crossings could still be retained for those who have a single Position Account

04 – Clearing: Crossings

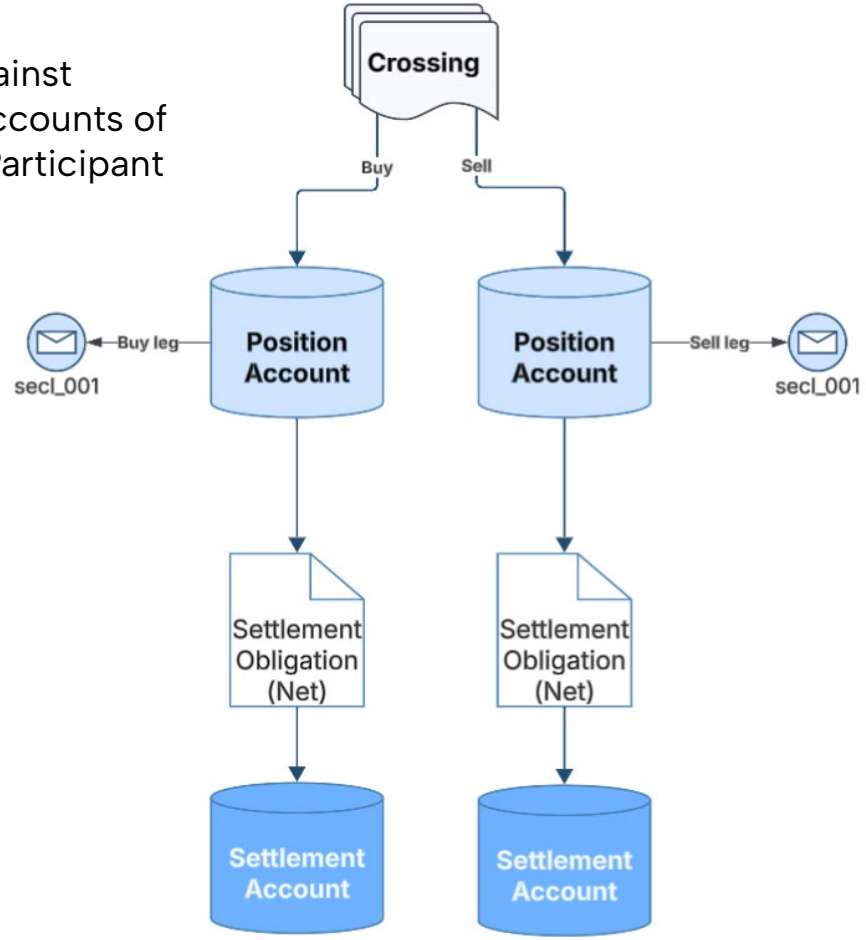
Example 1

Trade registered against **same** Position Account



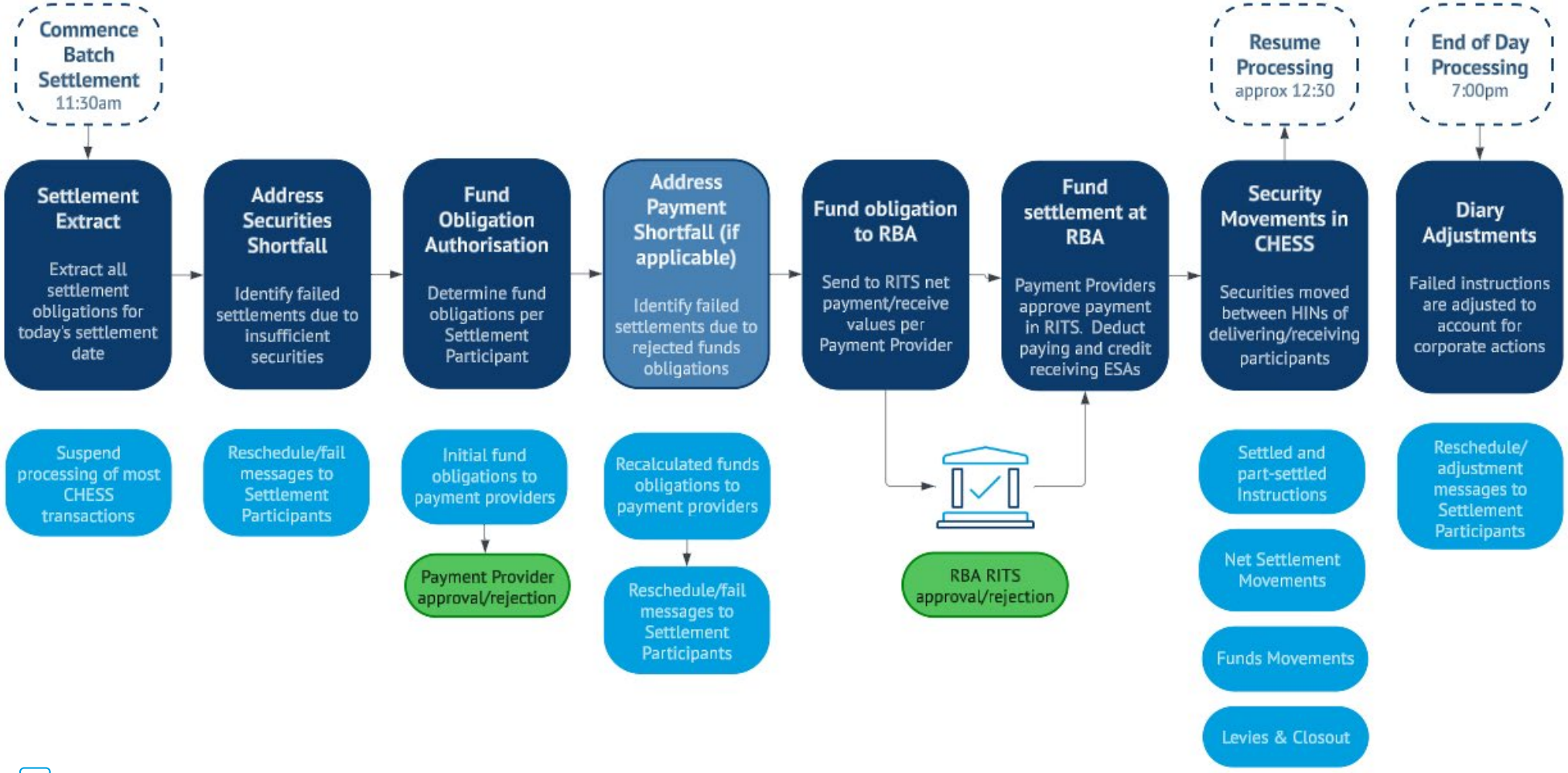
Example 2

Trade registered against **different** Position Accounts of the **same** Clearing Participant



05
Settlement Process

05 – Settlement Process: Current CHESS Process



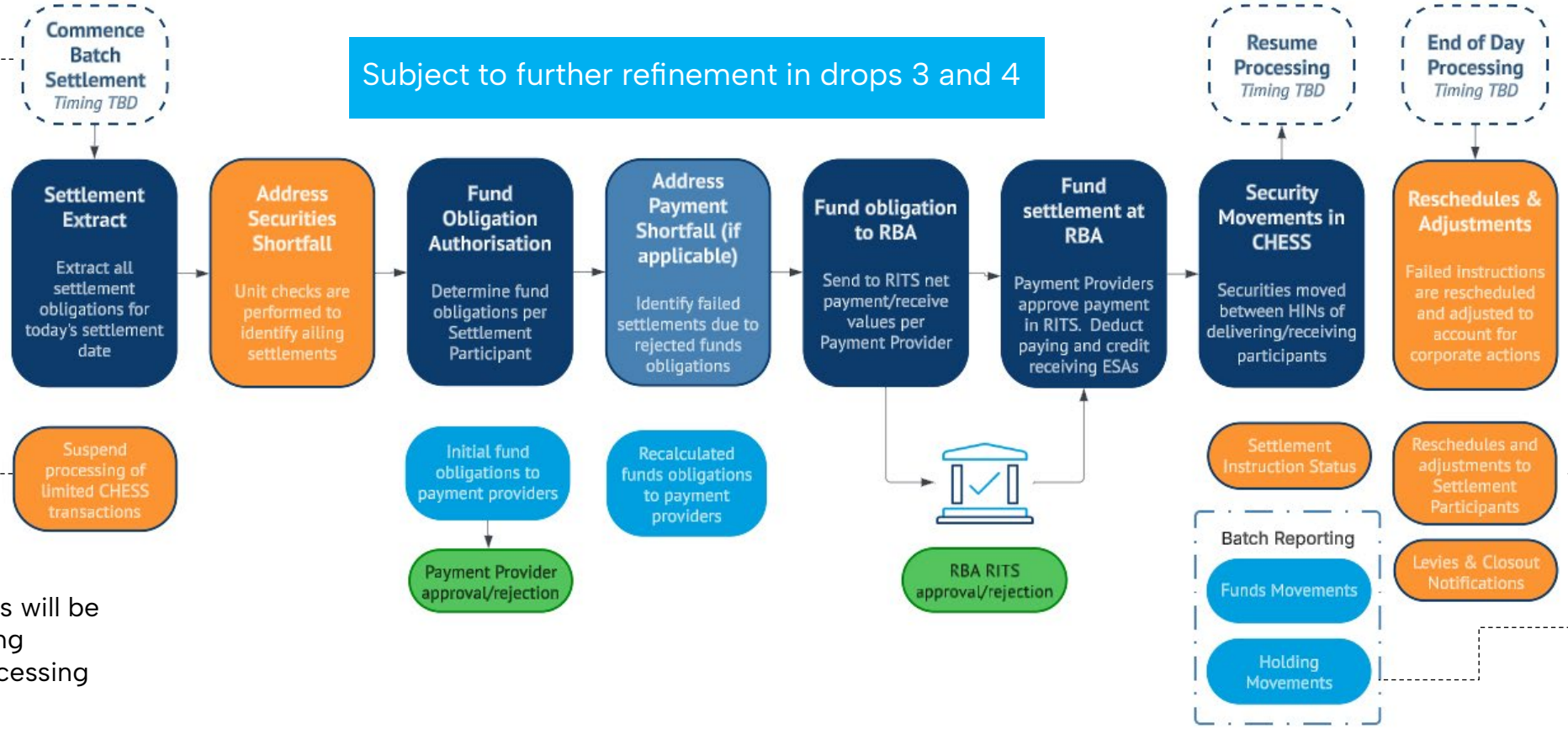
What improvements could be made to the current settlement process?

05 – Settlement Process: Proposed Process

SETT_1.4.1 The CHESS replacement system should continue to run a single daily batch settlement cycle (as per current CHESS) that performs DvP Model 3 settlement of gross and netted market obligations and settlement instructions (scheduled for settlement in the batch)

Batch and overnight processing timing will be discussed and agreed in later phases of the Project

Subject to further refinement in drops 3 and 4



ASX proposes to consolidate reschedules to an end of day process, as well as other post-settlement fail related activities (e.g. levies, closeout and corporate actions)

Limited transactions will be held pending further processing

Net Holding Movements may be communicated as part of an end of batch reporting process

Is the Net Movement Confirmation (EIS 146) used to update balances or for reconciliation?

05 – Settlement Process: Notifications

SETT_1.4.3 The CHESS replacement system should allow consolidated notifications for each settlement obligation, indicating whether it fully settles, partially settles, or fully fails (in contrast to the solution design prior to the project pause)

SETT_1.4.4 ASX should consider the possibility of no longer applying the standard settlement prices to netted obligations that fully or partly fail settlement due to a delivery failure

- Following successful completion of settlement, Participants will be notified of:
  - Settlement Instructions that have **fully settled** (EIS 156)
  - Settlement Instructions that have been **partially settled**, including the residual unit quantity and settlement amount that is carried forwards (EIS 192)
  - Settlement Instructions that have **fully failed** (EIS 124)
- As part of a batch reporting process, Settlement Participants will also be notified of:
  - Net Funds Movements and Net Trustable Movements (EIS 170 and EIS 186)
  - Net Settlement Movements (EIS 146)
- Notifications in relation to reschedules will be provided at end of day during the recycling process (EIS 124)
- As a future consideration ASX will also investigate providing fails reporting for Clearing-Only Participants.

Due to the removal of the SSP (Standard Settlement Price) process, Settlement Instructions are not recalculated as a result of the settlement process, as discussed in the Business Design Working Group held on 29 May 2024.

Is the Net Movement Confirmation (EIS 146) used to update balances, or for reconciliation purposes?

05 – Settlement Process

SETT_1.2.2.6 The CHESS replacement system should automatically change the settlement date to the next business date of a settlement instruction that remains held and the batch settlement cycle it was targeting has commenced

SETT_1.2.2.7 ASX should explore the possibility of adding criteria (such as reason codes, elapsed time held, or trigger from an authorised third party e.g. pre-matching system) that allows for matched settlement instruction with a "hold" indicator to be automatically scheduled for settlement and/or removed from the system (housekept)

End of Day Processes

ASX proposes to rationalise the process for adjusting and rescheduling transactions to consolidate the following activities as part of overnight processing:

- Reschedule failed batch instructions to the next settlement cycle (EIS 124)
- Create claims for failed instructions (diary adjustments) (EIS 142, EIS 128)
- Perform any adjustments in relation to security code or ISIN changes (EIS 128)
- Housekeep any instructions that have passed their housekeeping period
- Provide any further fail information in relation to:
  - Instructions requiring close-out
  - Settlement levies

Potential benefits of moving reschedules to end of day, include:

1. Flexibility to allow settlement of instructions that failed in batch to settle later in the day (e.g. future use cases to settle via RTGS, run multiple batches, incidents, etc)
2. Consolidation with other reschedule processes (e.g. batch cancellation, default management)
3. Simplifying the levy and close out notifications processes with potential to further explore and refine how fail fees are calculated and paid
4. Consolidation of processes for batch and non-batch instructions, including unsettled RTGS
5. Ability to cancel failed instructions prior to the rescheduling process
6. Ability to match an instruction for the settlement on the current business day *after* batch to trigger the associated claims process.

06a

Settlement Instructions – Feedback

06a – Survey Playback

Our Ask of You

The CHESS Project is undergoing an iterative feedback process throughout each step of the design process for all scope objectives that have been approved to proceed by the Business Committee.

In readiness for the Business Design Working Groups for Drop 2 of Release 2, we invited Members to review and provide feedback and commentary on the proposed fields, data attributes and matching criteria for settlement instructions.

We have been extremely appreciative of the 13 responses received to date, from:

2 Software Vendors
11 Participants

As we progress through the detailed design of each feature, members will continue to have the opportunity to provide feedback to us bilaterally and via our various working groups in the future.

06a – Survey Playback

Overview of survey results

	No changes requested	Changes requested	Not applicable / no response	Other – see comments
Core Instruction Fields	5 🟢🟢🟢🟢🟢	1 🟢	2 🟢🔵	2 🟢🔵
Additional Matching Fields	1 🟢	3 🟢🟢🟢	2 🟢🔵	8 🟢🟢🟢🟢🟢🟢🟢🔵
Internal Instructional Fields	8 🟢🟢🟢🟢🟢🟢🟢🔵	0	3 🟢🟢🔵	1 🟢
External Informational Fields	5 🟢🟢🟢🟢🔵	2 🟢🟢	2 🟢🔵	3 🟢🟢🟢
Instruction Status Fields	9 🟢🟢🟢🟢🟢🟢🟢🟢🔵	0	1 🔵	3 🟢🟢🟢
Instruction Linking fields	6 🟢🟢🟢🟢🟢🟢	2 🟢🟢	2 🟢🔵	3 🟢🟢🔵
Hold & Release Fields	7 🟢🟢🟢🟢🟢🟢🟢	0	2 🟢🔵	4 🟢🟢🟢🔵
Reserved Balance Fields	7 🟢🟢🟢🟢🟢🟢🟢	0	4 🟢🟢🟢🔵	2 🟢🔵
To Be Deprecated	8 🟢🟢🟢🟢🟢🟢🟢🔵	1 🟢	3 🟢🟢🔵	1 🟢

Key | 🟢 Participants 🔵 Software Providers

06a – Survey Playback: References

Refinements following feedback: **References**

Feedback was sought on the usage of:

- Participant Reference
- Underlying Reference
- Supplementary Reference

Respondents indicated a variety of uses for each of these fields within their respective Organisations.

Outcome

ASX appreciates the benefits these fields provide and plans to enhance BaNCS to continue to facilitate these references. These fields will be *non-matching,* and the use of these fields would be *optional.*

INDUSTRY FEEDBACK

6 Participants were explicitly supportive of references fields for a variety of reasons:

- *"A Non-Matching external reference (Common Identifier) would be more appropriate for our needs."*
- *"Yes if common identifier was available for communication purposes only that would be sufficient for our business purposes."*
- *"We do not envisage any problem if Common Identifier (Supplementary Reference) were used for communication only, and not for matching."*
- *"References used in CHESS are for internal identification only."*
- *"May prove useful in identification of underlying clients as an optional field, however can not be included as mandatory due to multi-levels of client instruction downstream causing mismatches and failures."*
- *"Currently we are using Trade Reference No as Supplementary References in 101."*

06a – Survey Playback: Secondary Matching

SETT_1.2.1.3 The CHESS replacement system should support the capability of adding fields to the matching criteria such as:
•Universal Transaction Identifier (UTI) or other common transaction;
•End Client and/or other party details; and
•Other attributes generally defined in the ISO20022 sese.023 message

Refinements following feedback: **Additional / Secondary Matching**

Feedback was sought on the use of secondary matching. CHESS data indicated very limited usage.

Most responses alluded to the fact that secondary matching is unused (responses commented on the use of the Supplementary Reference field for communication).

A small number of responses commented that having it for matching on a reference was useful.

Outcome

ASX plans to facilitate a level of secondary matching via a UTI field. This field would additionally be provisioned for future upstream matching capabilities (as per the Settlement BDD). The use of this field would be *optional.*

INDUSTRY FEEDBACK

3 Participants saw value in maintaining an additional matching reference:

- *"Use case for IPO and Placement transactions, additional matching field can increase settlement accuracy and reduce the risk of cross-settlement of trades with identical core matching fields."*
- *"The inclusion of a Universal Transaction Identifier represents an expansion of the scope from the previous project but we understand the usefulness in matching scenarios."*
- *"We are supportive of the introduction of UTI as an optional matching field. We see this could be a key field for T+1 to expediate trade affirmation / pre-matching."*

06a – Survey Playback: Transaction Basis

SETT_1.2.1.6 ASX should explore the possibility of using an alternative mechanism to transaction basis to determine if a transaction is on or off market (e.g. consider using the trade date field to determine this)

Refinements following feedback: **Transaction Basis**

Feedback was sought on a variety of Transaction bases, in particular the use of multiple ISO codes for off-market and lending instruction.

Respondents had almost unanimous feedback that they were against the introduction of additional codes for existing use cases.

INDUSTRY FEEDBACK

5 Participants gave specific feedback on transaction basis, all were against multiple codes for the same/similar purpose:

- *"Clear usage benefit of including OWNE in addition to OWNI required. Will result in mismatches for off-market transactions."*
- *"In relation to adding SECB (Stock Lending Borrow as presented in BDWG 3 April) we are not supportive of this. We see this will have no benefit and would add more complexity."*
- *"The proposal in BDWG pre-read to support SECL and SECB is overly complex and cannot be used for matching."*
- *"What is the benefit of segregating Off-Market Transfers with OWNI and OWNE, as those can be easily derived from Delivering and Receiving PIDs?"*
- *"Off Market basis should be a single code either OWNI or OWNE to minimise the mismatch if parties use them interchangeably."*

06a – Survey Playback: Transaction Basis

Refinements following feedback: **Transaction Basis**

Outcome

Industry feedback was incorporated to consolidate the transaction basis to one code per use case, all of which would be matching.

CHESS Value	Proposed ISO 20022 Value(s)	ISO 20022 Definition	ASX Interpretation
Initial Public Offering – I	Placement – PLAC	Relates to the placement/new issue of a financial instrument	*No change*
Market – M	Trade – TRAD	Relates to the settlement of a trade	*No change*
Off-Market – O	External Account Transfer – OWNE	Relates to an account transfer involving more than one instructing party (message sender) and / or account servicer (messages receiver)	**Relates to any off-market transfer not specifically covered by another code**
Stock Lending – L	Securities Lending – SECL	Relates to a securities lending operation	*No change*
Facility for Non-Reportable Transactions – F	No ISO20022 value available, propose to retain FNRT. *ASX to evaluate whether this value is still needed.*	N/A	N/A
New	Exchange Traded Funds Creation / Redemption (ETFT)	Relates to an ETF creation or redemption	*No change*

Would the industry benefit from consolidating under a single transaction basis for non-matching (i.e. unilateral) transactions?

06a – Survey Playback: Trade Date

Refinements following feedback: Trade Date

Feedback was sought regarding the BaNCS requirement that trade date is mandatory on all settlement instructions.

The majority of Respondents were comfortable submitting trade date on all settlement instructions. The concern raised was that making trade date a matching criteria for every transaction basis would increase mismatches.

Outcome

ASX plans to retain existing BaNCS behavior (mandatory trade date on all settlement instructions) but it will be matching only where the transaction is Market ("TRAD") transaction basis.

Recommended Usage

For transactions that are not required to match on trade date, ASX recommends populating the date the instruction is submitted (failing the availability of any other logic).

Note: Various Participants commented that trade date matching may not be necessary based on Corporate Actions changes. ASX will revisit this in a later BDWG/drop.

INDUSTRY FEEDBACK

8 Participants where supportive or explicitly had no feedback to add in relation to trade date:

- *"Agree there is no issues for our business to submit a trade date on every instruction."*
- *"Trade date – We have no issues with providing trade date on all instructions."*
- *"... No issue with trade date."*

One Participant was disagreed with the change:

- *"Trade date should only be required for Market Transactions, not for placements/IPO's or Off Markets."*

Matching concern example:

- *"It is noted that Trade Date is used for matching 'Market' instructions (implying Off Market messages will not match on Trade Date), if matching is mandatory on settlement date as well for an Off Market 005 message, this would increase the chances for matching to fail."*

ASX

06a – Survey Playback: Settlement Date

Refinements following feedback: **Settlement Date**

To provide enhanced features such as future dating instructions, Settlement Date becomes a mandatory matching criteria for *all* settlement instructions.

Given this change, BaNCS can be configured to assist with matching by:

- Accepting instructions with historical Settlement Dates
- Rolling instructions that have passed their intended Settlement Date
- Elongating housekeeping cycles to maintain unmatched instructions

EIS	Future State Terminology	Settlement Date	Matching
001/003	Unilateral Non-Batch Instruction	**NEW**	N/A
005	Bilateral Non-Batch Instruction	**NEW**	**NEW**
101	Bilateral Batch Instruction	Existing	Existing
105/107	Unilateral Batch Instruction	Existing	N/A
N/A	Bilateral Non-Batch DvP	Enhancement	Enhancement

INDUSTRY FEEDBACK

"Settlement Date is tagged as mandatory for all flows, but should really only be required for messages which need to be scheduled for a future settlement date (107, 101). Additionally, we would question the usage of this as a mandatory matching attribute for all 005 messages… For Retail Investors, off market 005 requests are sent and matched on demand as opposed to the two participants agreeing outside of CHESS to a specific settlement date on which to release and match their messages in advance."

What housekeeping period would best suit your business processes?

06b

Settlement Instructions – Additional Topics

06b – Settlement Instructions

SETT_1.2.1.5 ASX should explore the possibility for Participants to configure their own settlement amount matching tolerance for bilateral matching where they are a party in the transaction

Tolerance Matching

Currently, settlement amount **tolerance matching** for Settlement Instructions is managed across 3 tiers.

TCS BaNCS manages tolerance matching in the same way, so the market can **maintain** the same matching expectations in this area.

The primary difference noted at this point is the method followed to determine the settlement amount:

- **Current:** CHESS uses the lower of the two instruction settlement amounts
- **Future:** BaNCS will use the settlement amount of the Delivering Participant as the settlement amount for transactions matched within tolerance.

	From ($)	To ($)	Tolerance ($)	Percentage Range
Tier 1	0.00	499,999.99	1.00	towards ∞ – 0.0002
Tier 2	500,000.00	999,999.99	10.00	0.002 – 0.001
Tier 3	1,000,000.00	Unbounded	20.00	0.002 – towards 0

Is there any concern if the Settlement Amount indicated by the Delivering Party is the Settlement Amount in the case of a mismatch?

06b – Settlement Instructions

Refining Tolerance Tiers

Without additional customisation, TCS BaNCS offers support for tolerance matching using predefined tiers (per currency). However, there is an opportunity to review the tiers configured in the system to improve the balance of instruction matching.

As per the existing tiers below, the tolerance matching in the first tier is significantly narrower, by an order of magnitude, than the subsequent tiers. By refining the tiers for instructions between $0 and $500,000 it is possible to increase the tolerance consistency.

Existing

	From ($)	To ($)	Tolerance ($)	Percentage Range
Tier 1	0.00	499,999.99	1.00	towards ∞ – 0.0002
Tier 2	500,000.00	999,999.99	10.00	0.002 – 0.001
Tier 3	1,000,000.00	Unbounded	20.00	0.002 – towards 0

Proposed

	From ($)	To ($)	Tolerance ($)	Percentage Range
Tier 1	0.00	99,999.99	1.00	towards ∞ – 0.001
Tier 2	100,000.00	249,999.99	2.00	0.002 – 0.0008
Tier 3	250,000.00	499,999.99	5.00	0.002 – 0.001
Tier 4	500,000.00	999,999.99	10.00	0.002 – 0.001
Tier 5	1,000,000.00	unbounded	20.00	0.002 – towards 0

Based on experience, would the proposed tolerance tiers improve matching consistency?
Are there additional refinements the industry should consider?

06b – Settlement Instructions

SETT_1.3.7 The CHESS replacement system should allow Participants the option to link two or more settlement instructions for information purposes or for settlement to be contingent on each other

SETT_1.3.8 The CHESS replacement system should allow settlement instructions to be linked contingent for settlement with the following link types: With or Info/After/Before

SETT_1.3.9 The CHESS replacement system should allow Participants the option to link two or more settlement instructions when the settlement instruction is requested

SETT_1.3.10 The CHESS replacement system should allow Participants the option link or unlink settlement instructions after the settlement instructions have been requested and prior to their completion

Settlement Instruction Linking

Settlement Links can be used to link multiple transactions for contingent settlement in batch settlement.

- Links are private to the requesting party and are not made known to the counterparty
- Given the impacts to settlement efficiency, ASX proposes initially only one link can be added to a transaction
- Instructions of any security, quantity or account can be linked provided the settlement dates match
- Given linking is contingent, linked instructions cannot part settle
- Typically, Participants would be expected to link a stock delivery with a receipt.

Link by	Linkage Type	ISO 20022 Definition	Settlement Impact
Transaction Identifier	WITH (With)	Specifies that the transaction/instruction is to be executed with the linked transaction/instruction	A transaction cannot settle unless the transaction it is linked to also settles
Transaction Identifier	INFO (Informational)	Specifies that the transactions/instructions are linked for information purposes only	Informational purposes only

Settlement Instruction 1 will only settle if Settlement Instruction 2 fully settles.

Would a participant typically add a link on initial creation, or as a subsequent step?

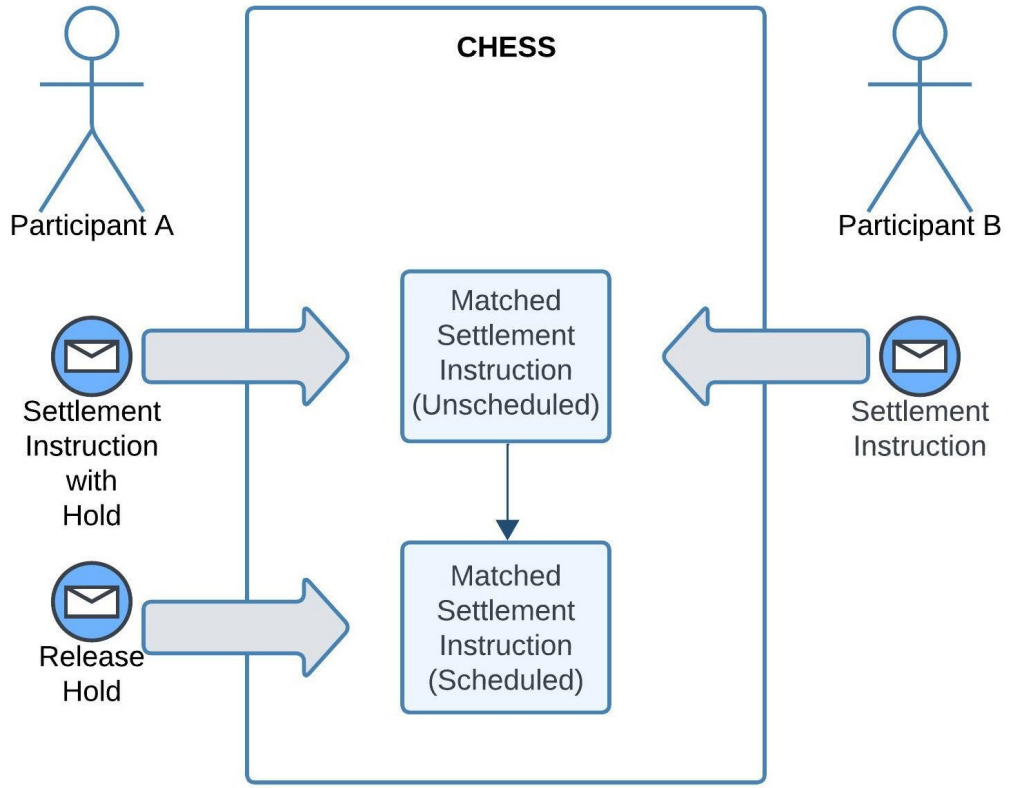
06b – Settlement Instructions

- SETT_1.2.2.1 The CHESS replacement system should support the ability for Participants to optionally submit a settlement instruction with a “hold” indicator.
- SETT_1.2.2.2 The CHESS replacement system should support the ability for Participant to remove the “hold” indicator from their side of the settlement instruction on a per instruction basis
- SETT_1.2.2.4 The CHESS replacement system should support the ability for Participants to optionally submit a settlement instruction with a “hold” indicator.
- SETT_1.2.2.5 The CHESS replacement system should support the ability for Participant to remove the “hold” indicator from their side of the settlement instruction on a per instruction basis

Hold / Release (pre-matched instructions)

Holds can be leveraged to accelerate the matching process by allowing matching and scheduling to occur whilst holding the instruction from settlement:

- All types of settlement instructions can be placed on hold, which prevents settlement from occurring
- Instructions are always eligible for matching regardless of their hold indicator (i.e. hold is not a matching criteria)
- Participants that request a "Hold" for their side of the instruction will then need to submit a request to “Release the Hold"
- If both sides have a "Hold", then both Participants will need to submit a request to “Release the Hold"
- If a counterparty has an instruction on “Hold” this will be notified on the morning of the intended settlement
- Once the "Hold" is released, the matched instruction is then released to be settled
- Batch instructions that are not settled due to a hold will be rescheduled for the next settlement cycle and could be adjusted for claims.



Applicability of fail fees to instructions on hold requires further industry discussion.

06b – Settlement Instructions

Updatable Attributes

The following attributes are planned to be updatable on a unilateral basis (EIS 125 equivalent):

- Part Settlement Indicator
- Hold Indicator
- Linkages

The following fields are updatable in CHESS but not currently supported in BaNCS:

- Underlying Reference
- Delivering / Receiving HIN

Currently, per the previous Project's scope baseline, ASX does not plan to take forward the bilateral amendment (EIS 121 message) due to low usage and non-alignment to ISO standards. This will be reevaluated during the analysis phase of Drops 3-5, to understand any impacts to diary adjustment processing.

Usage of the EIS125 is limited, with only three Participants actively using it in the past year

07

Reserved Balances & Accumulation Entrepot

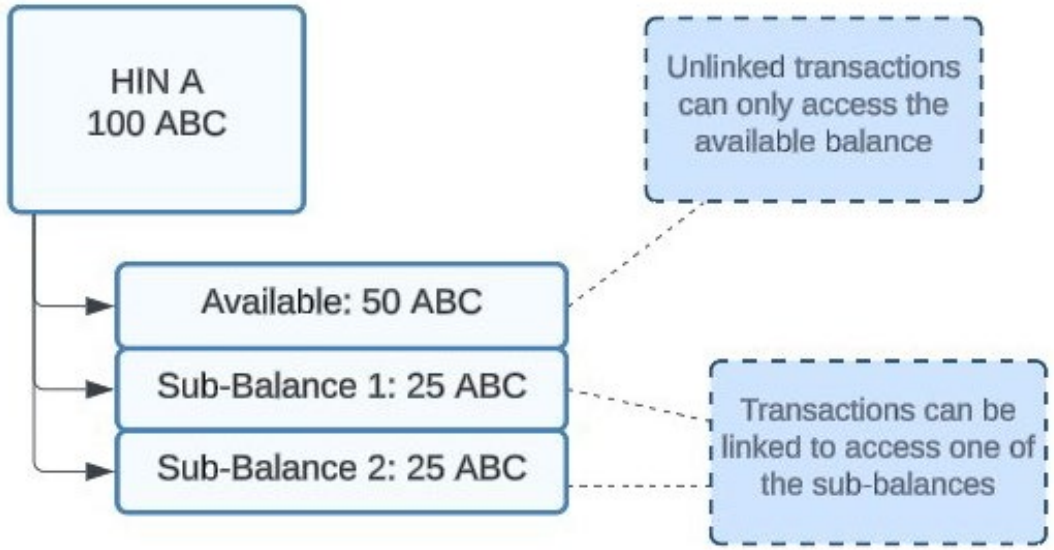
07 – Reserved Balances

SETT_1.3.3 The CHESS replacement system should allow securities to be reserved for the purpose of fulfilling a delivering settlement instruction or holding transfer either on an optional basis or mandatory basis where required (e.g. for settlement instructions delivering from the Accumulation Entrepot accounts to Settlement Entrepot accounts)

SETT_1.3.4 The CHESS replacement system should allow Participants to reserve securities for a settlement instruction or holding transfer (on an optional basis)

Reserved Balances

- A quantity of securities can be added to a sub-balance, placing a restriction on those securities within an account. Restricted securities can only be used for transactions that explicitly reference the sub-balance
- One or more sub-balances can be created which must have a unique identification
- Sub-balances can be increased or decreased via messaging
- One or more settlement instructions can be associated with a sub-balance for settlement purposes. A settlement instruction associated with a sub-balance can only use the units in the sub-balance balance for settlement purposes
- Association of settlement instructions with sub-balances does not validate or enforce sufficient unit quantity in the balances to guarantee settlement.



Block / reserve balances → Schedule instruction against reserved balance → Settle from reserved balance

Note: *restricted securities may still be accessible to ASX or the Share Registry for defined purposes (e.g. court orders, Issuer initiated events)*

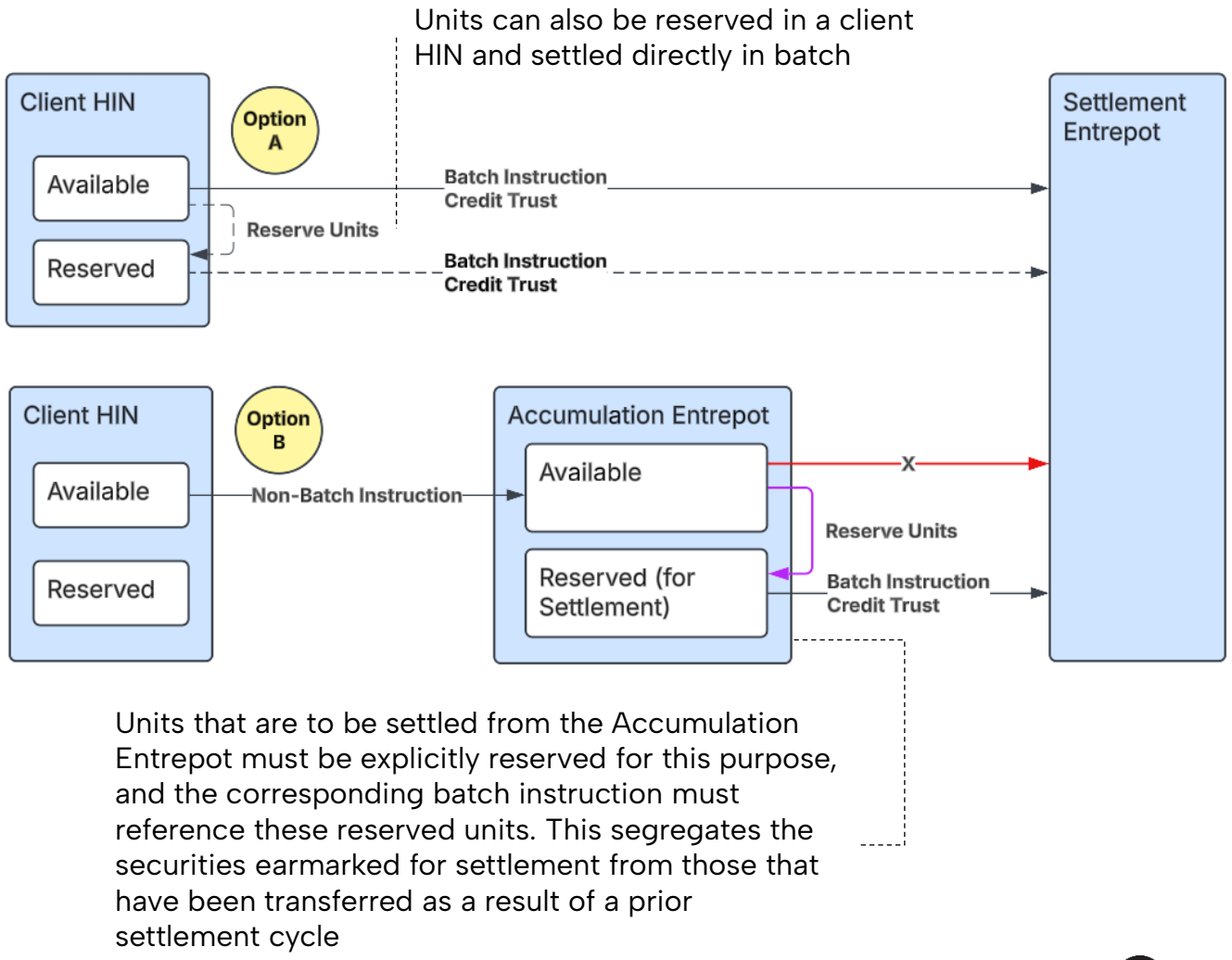
07 –Sales (Priming for Settlement)

Priming for Settlement

Currently Participants have two options to transfer stock to the Settlement Entrepot to meet a sell obligation:

- **Option A** – Schedule a batch instruction (EIS 107) directly from the Client HIN to the Settlement Entrepot on Settlement Date
- **Option B** – Transfer stock from the client HIN to the Accumulation Entrepot prior to settlement and schedule one or more batch instructions from the Accumulation Entrepot to the Settlement Entrepot on Settlement Date

Both options are planned to be retained through the CHESS Project, inclusive of the ability to reserve securities in Sponsored and Direct HINs as well as the Accumulation Entrepot.

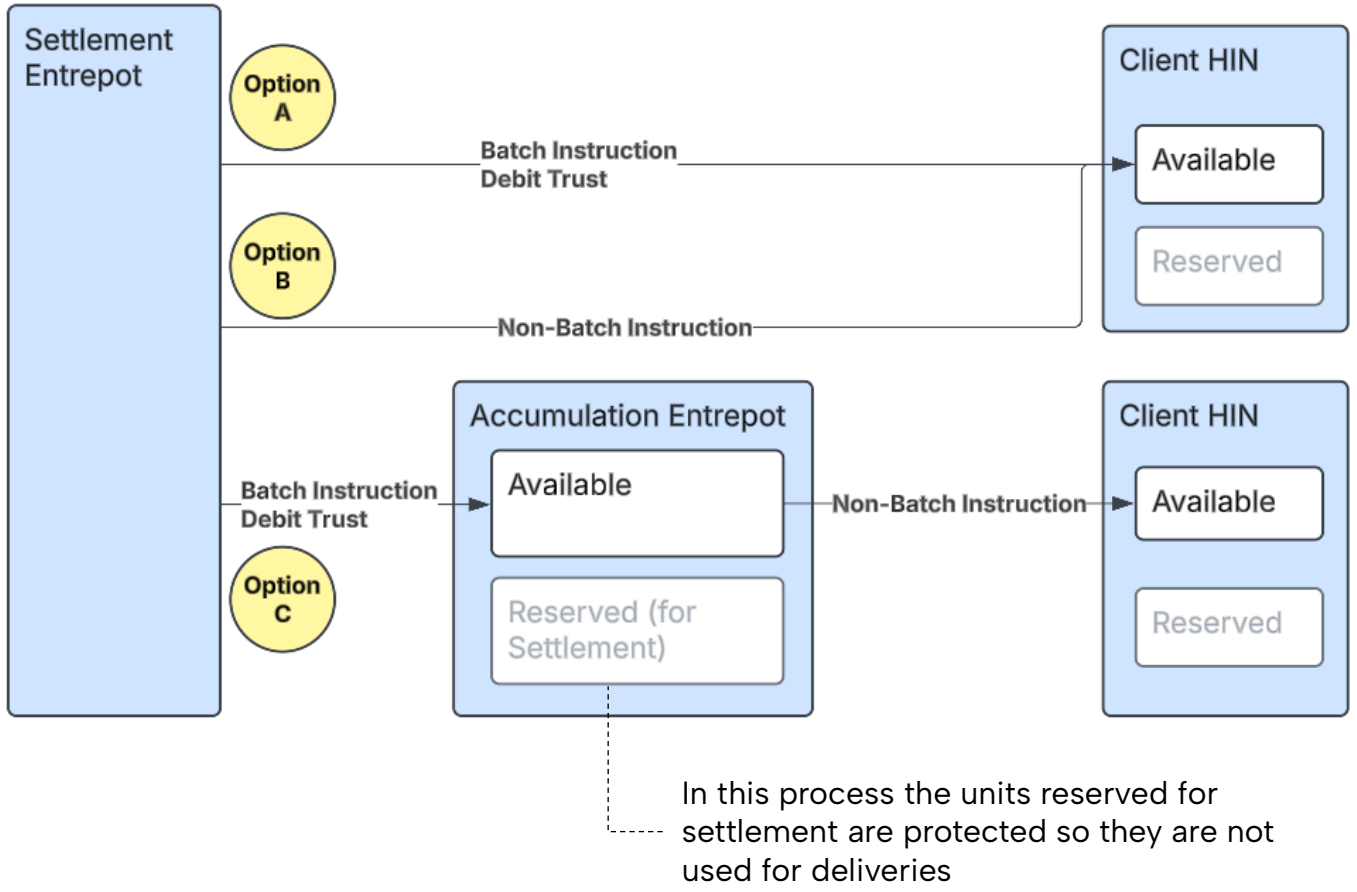


07 – Purchases (Distribution of Stock)

Distribution of Stock

Currently Participants have three options to distribute stock to their clients from the Settlement Entrepot to meet a buy obligation.

- **Option A** – Schedule a batch instruction from the Settlement directly to the Client HIN as part of the settlement process
- **Option B** – Transfer stock with a non-batch instruction from the Settlement Entrepot to the Client HIN post-settlement
- **Option C** – Schedule a batch instruction to transfer stock from the Settlement Entrepot to the Accumulation Entrepot on Settlement Date, then transfer stock on demand from the Accumulation Entrepot to the client HIN.



08
Next Steps

08 – Future Topics & Next Steps

To be determined (June)

- ASX will determine if a BDWG is required in June

Future Forums

- Payment Provider Focus Group (August)
- Payments Deep Dive (September)
- Release 2 Drop 4 (October)

Release 2 Drop 3 (July)

- Issuer Sponsored Processes (transfers & conversions)
- Holding Adjustments
- Cum Entitlement Balances

Next Steps

- ASX will prepare a summary of the session for the Technical Committee

08 – Indicative Forward Engagement Calendar (Rolling 3 Months)

	May 2025	June 2025	July 2025
Technical Committee	**6 May** › Release 1 and Release 2 project update › Release 1 Industry Testing update › April Working Group updates › Optional versus mandatory functionality recommendation › Change Control Management › Release 2 Operating Rule Changes	**4 June** › Release 1 and Release 2 project update › Release 1 Industry Testing update › May Working Group updates › CHESS Project support model	**9 July** › Release 1 and Release 2 project update › Release 1 Industry Testing update › June Working Group updates
Implementation & Transition Working Group	**27 May** › Release 1 Clearing Regression and Cutover › Release 1 Parallel Test Overview	**26 June** › Release 1 Cutover › Release 2 Drop 1 Industry Test Tooling	**27 July** › Release 1 Parallel Test Overview
Release 1 Build & Test Forum	**14 May** › Build and Test update › Readiness tracking › Accreditation and Operational Readiness › Clearing Regression and Cutover › Condition Codes	**12 June** › Build and Test update › Readiness tracking › Industry test phases	**17 July** › Build and Test update › Readiness tracking › Industry test phases
Business Design Working Group	**15 May** › Release 2 Drop 2 Deep Dive	**5 June** › Session to be confirmed	**10 July** › Release 2 Drop 3 Deep dive
ISO Design Working Group	**21 May** › Release 2 Drop 2 ISO messages and Schema	**19 June** › Release 2 Drop 2 ISO messages and Schema	**24 July** › Release 2 Drop 2 and Drop 3 ISO messages and Schema

Questions

Disclaimer/Important Information

Information provided in this presentation is for educational purposes and does not constitute financial product advice.

You should obtain independent advice from an Australian financial services licensee before making any financial decisions. Although ASX Limited ABN 98 008 624 691 and its related bodies corporate ("ASX") has made every effort to ensure the accuracy of the information as at the date of publication, ASX does not give any warranty or representation as to the accuracy, reliability or completeness of the information.

To the extent permitted by law, ASX and its employees, officers and contractors shall not be liable for any loss or damage arising in any way (including by way of negligence) from or in connection with any information provided or omitted or from any one acting or refraining to act in reliance on this information.

Past performance of the ASX sharemarket and of any financial products referenced in this presentation is not a reliable indicator of future performance.

© Copyright 2024 ASX Operations Pty Limited ABN 42 004 523 782. All rights reserved 2024.

09
Appendix

Appendix – Design Considerations

After industry alignment on the scope objectives for the CHESS Project, we facilitated a series of Business Design Working Groups in 2024 with Clearing and Settlement Participants, Share Registries, Software Providers, AMOs, Payment Providers and industry associations to discuss design details in specific functional areas. The output of these sessions is a set of Business Design Documents which capture the industry design considerations in relation to any new or changing functionality.

As we continue to engage with stakeholders through the duration of the CHESS Project on detailed aspects of scope, we will provide traceability to the industry design considerations in the following manner:

- For detailed topics that require further industry engagement, the relevant design consideration reference is noted in the BDWG presentation:

- The Appendix section of each session will contain a summary of all applicable design considerations to be delivered in the drop, indicating where it is considered in this pack, or if further consultation is required
- A summary of all design considerations and corresponding delivery drops will be provided as an additional artefact.

Appendix – Design Considerations for Drop 2

Business Design Document	Reference	Design Consideration	Slide Reference
Clearing Design	DC_2.4.2	The CHESS replacement system should support the notification of crossings for informational purposes except where the clearing participant has opted out of receiving the notification	Slide 17
Clearing Design	DC_2.4.4	The CHESS replacement system should support configuration for clearing participants to "opt-out" of receiving notifications for the registration of crossings	Slide 17
Data & Connectivity	CD_4.4	The CHESS replacement system should enable clearing participants to opt to be notified of their consolidated net novated delivery position (NNDP) on a daily, or more frequent, basis	No further discussion required

Appendix – Design Considerations for Drop 2

Business Design Document	Reference	Design Consideration	Slide Reference
Settlement Design	SETT_1.2.1.1	The CHESS replacement system should support the ability to configure matching criteria for bilateral transactions by configuring matching fields that are: › Mandatory matching fields › Additional matching fields › Optional matching fields, or › Non-matching fields	No further discussion required
Settlement Design	SETT_1.2.1.2	The CHESS replacement system should support the ability to configure separate matching criteria for bilateral transactions based on details of the transaction such as: › The reason the transaction is being used (e.g. transaction basis) › Whether the transaction is with or without value (i.e. FoP vs DvP), or › Whether the transfer is effected on-demand or in batch settlement	No further discussion required
Settlement Design	SETT_1.2.1.3	The CHESS replacement system should support the capability of adding fields to the matching criteria such as: › Universal Transaction Identifier (UTI) or other common transaction; › End Client and/or other party details; and › Other attributes generally defined in the ISO20022 sese.023 message	Slide 28
Settlement Design	SETT_1.2.1.4	ASX should work with industry to determine the matching criteria that should be configured for the go-live of Release 2 of CHESS replacement	No further discussion required
Settlement Design	SETT_1.2.1.5	ASX should explore the possibility for Participants to configure their own settlement amount matching tolerance for bilateral matching where they are a party in the transaction	Propose to descope, slide 34
Settlement Design	SETT_1.2.1.6	ASX should explore the possibility of using an alternative mechanism to transaction basis to determine if a transaction is on or off market (e.g. consider using the trade date field to determine this) *Note: Transaction basis would still be required for transactions such as primary market facility, securities lending, and settlement facilitation service related settlement instructions*	Slide 29

Appendix – Design Considerations for Drop 2

Business Design Document	Reference	Design Consideration	Slide Reference
Registration Details & Investor Information	REG_2.1	The CHESS replacement system should support the ability to specifically identify a holder who is a: › Non-foreign person (per definitions of the Issuer's constitution) › Non-US person (per the definitions of the US Securities Act) › US person QIB/QP (per the definitions of the US Securities Act)	Slide 14
Registration Details & Investor Information	REG_2.2	› The CHESS replacement system should support the provision of instructions for foreign ownership restriction attributes on a per Issuer basis	Slide 13
Registration Details & Investor Information	REG_3.3.1	› The CHESS replacement system should support the ability to add a single nominated bank account to be recorded against a HIN in CHESS on an optional basis	Slide 15
Registration Details & Investor Information	REG_3.3.2	› The CHESS replacement system should support a workflow that allows bank details that are recorded against a HIN to be used as a default value which is relayed to Share Registries upon the acquisition of a new holding, when details are updated by an Investor or other applicable scenarios	Slide 15
Registration Details & Investor Information	REG_3.3.3	› The CHESS replacement system should support a workflow that allows Participants or CHESS to continue to share bank account details to an Issuer where a holding has a zero balance for an agreed timeframe	No further discussion required

Appendix – Design Considerations for Drop 2

Business Design Document	Reference	Design Consideration	Slide Reference
Settlement Design	SETT_1.2.2.1	The CHESS replacement system should support the ability for Participants to optionally submit a settlement instruction with a "hold" indicator and reason code allowing the instruction to be immediately eligible for bilateral matching when submitted to the system but the instruction is not immediately scheduled for settlement upon matching	Slide 37
Settlement Design	SETT_1.2.2.2	The CHESS replacement system should support the ability for Participant to remove the "hold" indicator from their side of the settlement instruction on a per instruction basis	Slide 37
Settlement Design	SETT_1.2.2.3	ASX should explore the possibility for Participants to remove the "hold" indicator from their side of settlement instructions in bulk	Slide 37
Settlement Design	SETT_1.2.2.4	The CHESS replacement system should automatically schedule a matched settlement instruction for settlement where the "hold" indicator is removed/does not exist on both sides of the instruction	Slide 37
Settlement Design	SETT_1.2.2.5	The CHESS replacement system should notify the counterpart when a Participant submits a settlement instruction with a "hold" indicator and when the hold is released	Slide 37
Settlement Design	SETT_1.2.2.6	The CHESS replacement system should automatically change the settlement date to the next business date of a settlement instruction that remains held and the batch settlement cycle it was targeting has commenced	Slide 23
Settlement Design	SETT_1.2.2.7	ASX should explore the possibility of adding criteria (such as reason codes, elapsed time held, or trigger from an authorised third party e.g. pre-matching system) that allows for matched settlement instruction with a "hold" indicator to be automatically scheduled for settlement and/or removed from the system (housekept)	Slide 23

Appendix – Design Considerations for Drop 2

Business Design Document	Reference	Design Consideration	Slide Reference
Settlement Design	SETT_1.3.3	The CHESS replacement system should allow securities to be reserved for the purpose of fulfilling a delivering settlement instruction or holding transfer either on an optional basis or mandatory basis where required (e.g. for settlement instructions delivering from the Accumulation Entrepot to the Settlement Entrepot)	Slide 40
Settlement Design	SETT_1.3.4	The CHESS replacement system should allow Participants to reserve securities for a settlement instruction or holding transfer (on an optional basis)	Slide 40
Settlement Design	SETT_1.3.6	The CHESS replacement system should allow Participants the option to release securities reserved on an optional basis for a settlement instruction or holding transfer prior to its completion	Slide 40
Settlement Design	SETT_1.3.7	The CHESS replacement system should allow Participants the option to link two or more settlement instructions for information purposes or for settlement to be contingent on each other	Slide 36
Settlement Design	SETT_1.3.8	The CHESS replacement system should allow settlement instructions to be linked contingent for settlement with the following link types: •With – settlement instruction to settle at the same time as the linked settlement instructions; or •Info/After/Before – settlement instruction is linked to the settlement instructions for informational purposes only	Slide 36
Settlement Design	SETT_1.3.9	The CHESS replacement system should allow Participants the option to link two or more settlement instructions when the settlement instruction is requested	Slide 36
Settlement Design	SETT_1.3.10	The CHESS replacement system should allow Participants the option link or unlink settlement instructions after the settlement instructions have been requested and prior to their completion	Slide 36

Appendix – Design Considerations for Drop 2

Business Design Document	Reference	Design Consideration	Slide Reference
Settlement Design	SETT_1.4.1	The CHESS replacement system should continue to run a single daily batch settlement cycle (as per current CHESS) that performs DvP Model 3 settlement of gross and netted market obligations and settlement instructions (scheduled for settlement in the batch)	Slide 21
Settlement Design	SETT_1.4.2	The CHESS replacement system should allow core functions (such as trade registration, account management, and matching) to continue processing during the batch settlement cycle *Note: Transactions that impact holdings will remain restricted during batch settlement to ensure integrity and accuracy of the process*	Slide 21
Settlement Design	SETT_1.4.3	The CHESS replacement system should allow consolidated notifications for each settlement obligation, indicating whether it fully settles, partially settles, or fully fails (in contrast to the solution design prior to the project pause)	Slide 22
Settlement Design	SETT_1.4.4	ASX should consider the possibility of no longer applying the standard settlement prices to netted obligations that fully or partly fail settlement due to a delivery failure	Slide 22

Thank you.

ASX