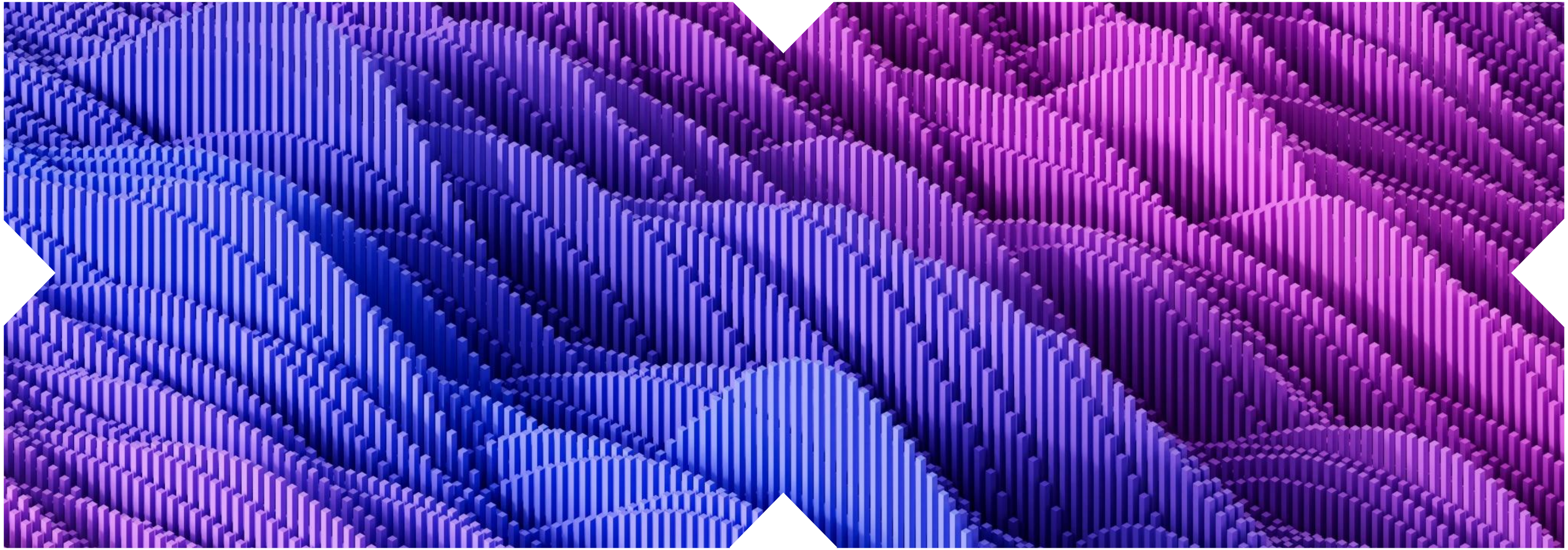
CHESS PROJECT
BUSINESS DESIGN WORKING GROUP
COLLATERAL MANAGEMENT SYSTEM, HOLD/RELEASE, LEVIES
2 SEPTEMBER 2026



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

ASX

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 decisions and actions
- Dial in details (audio only):
  - +61 2 7208 4607
  - Phone Conference ID: 835 561 644#
  - Presentation materials were distributed before the meeting and will be published on the website.

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Agenda

01	Introduction and Objectives	10 min
02	Working Group Actions	10 min
03	Collateral Management System Update	20 min
04	Hold and Release Functionality	20 min
05	Levies	15 min
06	Finalised Design Considerations	10 min
07	Next Steps	5 min

01
Introduction and Objectives

01 – Introduction and Objectives

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 of the CHESS Project

Objectives

- Collect expertise to refine the approach to the collateral management, hold / release and fail fee (levies) processes in the CHESS Project
- Play back information collected from 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)
- Revised APGs
- Rules Consultation

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

01 - Proposed Upcoming BDWG Sessions – 2026

Indicative schedule

#	Session	Topic(s)	Invitees	Proposed Date	Status
31	Release 2 Additional Deep Dives	Collateral management system, levies, hold / release	All	2 September 2026	Planned
32	ETF Forum	ETF Deep Dive	All	7 October 2026	Planned
33	Release 2 Additional Deep Dives	Operational hours, CHESS UI (continued)	All	4 November 2026	Planned
34	Release 2 Additional Deep Dives	Agenda to be determined	All	2 December 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
Working Group Actions

02 – Business Design Working Group Open Actions

#	Action	Raised	Update	Status
BDWG_06	Consider the process of migrating accounts, including transformations and fields not available in current CHESS	Feb 2025 BD WG	• Discussed in August 2026 BD WG • Outstanding action to determine if an approach exists for augmenting Holder Type information • To be discussed further as part of Migration Approach in a future I&T WG	Progress further at I&TWG
BDWG_21	Provide finalised update in relation to consolidated feedback on hold / release	Aug 2025 BD WG & Sep 2025 ISO WG	• Outstanding questions remain in relation to close-out, fail fees, rules and obligations • To be discussed in sections 4 and 5	Propose to close
BDWG_29	Clarify auditability functionality, including maker / checker, in relation to the CHESS UI	Jun 2026 BD WG	• Continuation of discussions around the CHESS UI will be planned for in the November 2026 BD WG	Open
BDWG_30	Work with industry on an approach for the migration of Issuer Sponsored Registration Details	August 2026 BD WG	• Action to be progressed in future I&T WGs focusing on migration	Progress further at I&TWG

03
Collateral Management System Update

03 – Collateral Management

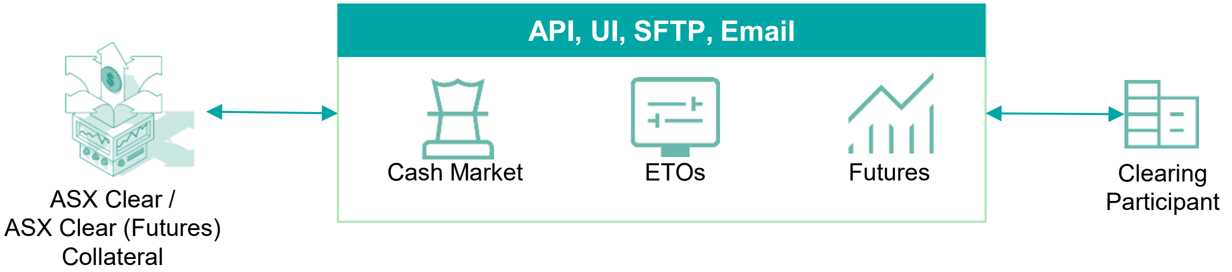
Overview

Background

- In parallel to the CHESS Project, the Collateral Management System utilised by ASX Clear for cash market and derivatives (ETOs) clearing and ASX Clear (Futures) for the future markets is in the process of being upgraded
- The strategic solution plans to support CHESS Release 2, DCS replacement and ETD Futures and enable opportunities to cross-collateralise and provide margin optimisations across asset classes and clearing houses

Potential Impact

- In the March 2026 Business Design Working Group ASX made proposals in relation to the delivery of margin notifications, management of excess cash and provision of reporting and some changes are proposed in the consolidated solution.



03 – Collateral Management

Current State Overview

Interfaces and access channels to the different systems:

Clearing House	Margin Notifications and Cash Collateral Management	
	Message Format	Message Protocol
ASX Clear – Cash Market	CHESS EIS	CHESS EIS
ASX Clear – ETOs	Proprietary Integrations & Email	
ASX Clear (Futures) - Futures and OTC	PDF/CSV	SFTP/Email

Drawbacks of the Current State:

- Requires Clearing Participants to manage and maintain separate market infrastructure for the same purpose across ASX Clear for Cash Market, ASX Clear for ETOs and ASX Clear (Futures) for Future and OTCs
- Creates barriers to collateral optimisation and margin efficiencies across Clearing Houses and asset classes.

03 – Collateral Management

Non-cash collateral would continue to be pledged / lodged in the CSD via existing integrations, including:

- AustraClear (for Fixed Income)
- CHESS (for Equities).

Proposed Future State

Singular interface across markets, directly to Collateral Management System:

Market	Margin Advice and Cash Collateral Management Messages	
	Format	Protocol
• ASX Clear – Equities & ETOs • ASX Clear (Futures) – Futures & OTC • *other clearable asset classes*	ISO 20022	REST API to CMS
	ISO 20022 / PDF / CSV	SFTP
	User Interface (UI) / Email	

Potential Benefits of the Proposed Future State

- Allows Clearing Participants to manage and maintain the same processes and infrastructure across both ASX Clear and ASX Clear (Futures)
- Simplifies the implementation of collateral and margin optimisation for the market and additional future requirements (e.g. intra-day margining)
- More easily enables non-cash collateral optionality (e.g. equities for futures, fixed income for cash market) or novel assets classes (e.g. tokens)
- Flexibility of integration given the previous differing approaches across clearing houses and asset classes.

03 – Collateral Management

Proposed Future State

Overview of options across integration and notification methods:

Function	UI / Email	ISO 20022			CSV / PDF
		Rest API	SFTP	AMQP	SFTP
Margin Notification	Yes	Yes	Yes	No	Yes
Excess Cash Management	Yes	Yes	N/A	No	N/A
Collateral & Interest Earned Statements	Yes	TBC*	TBC*	No	Yes
Future Collateral Optimisation Opportunities	Yes	Yes	N/A	No	N/A

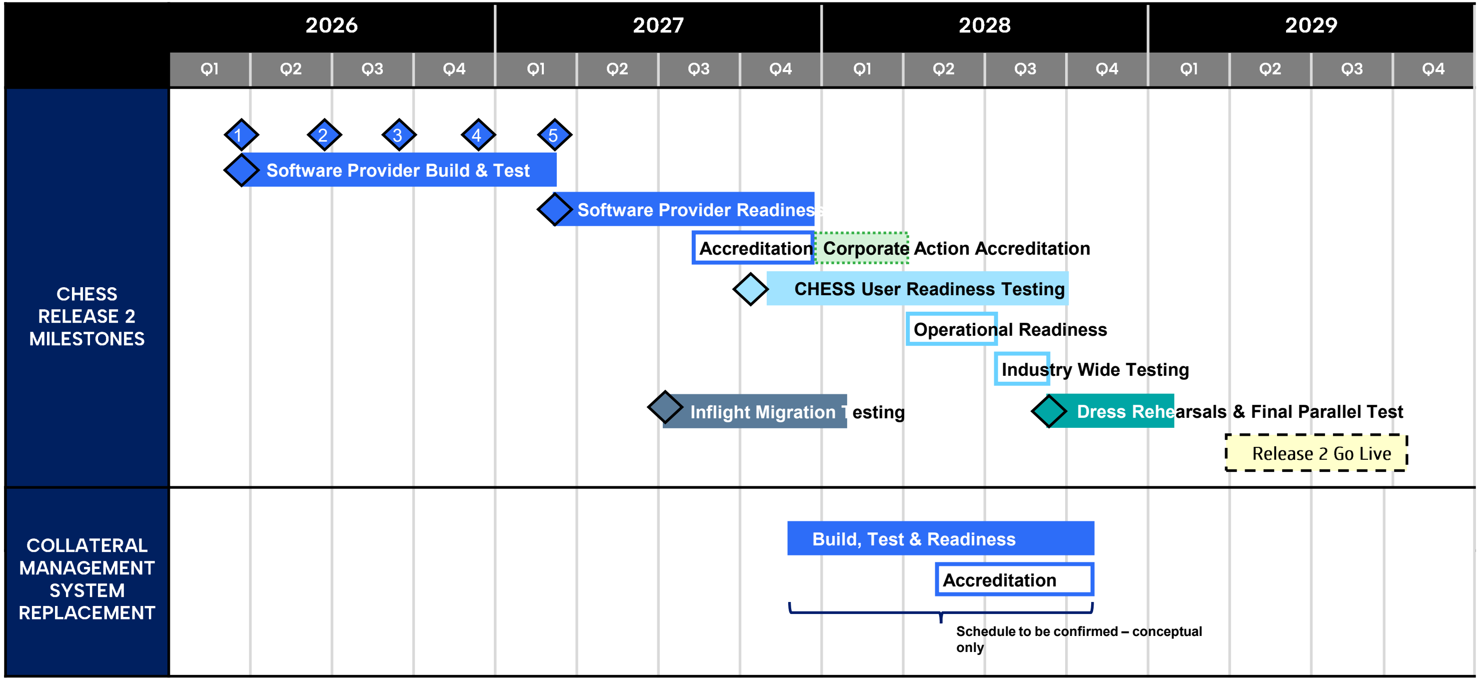
** To be confirmed with industry at a future date*

03 – Collateral Management

Timeline Considerations

Margin and Excess Cash Management messages would no longer fall under the scope of CHESS Release 2 accreditation. Integration via Rest API is not proposed to be mandatory and organisations may determine the most relevant access method for their organisation, based on their internal requirements.

Rest API, UI and SFTP integrations are anticipated to be available for testing in 2028.



04
Hold and Release Functionality

04 – Hold and Release Functionality

Recap

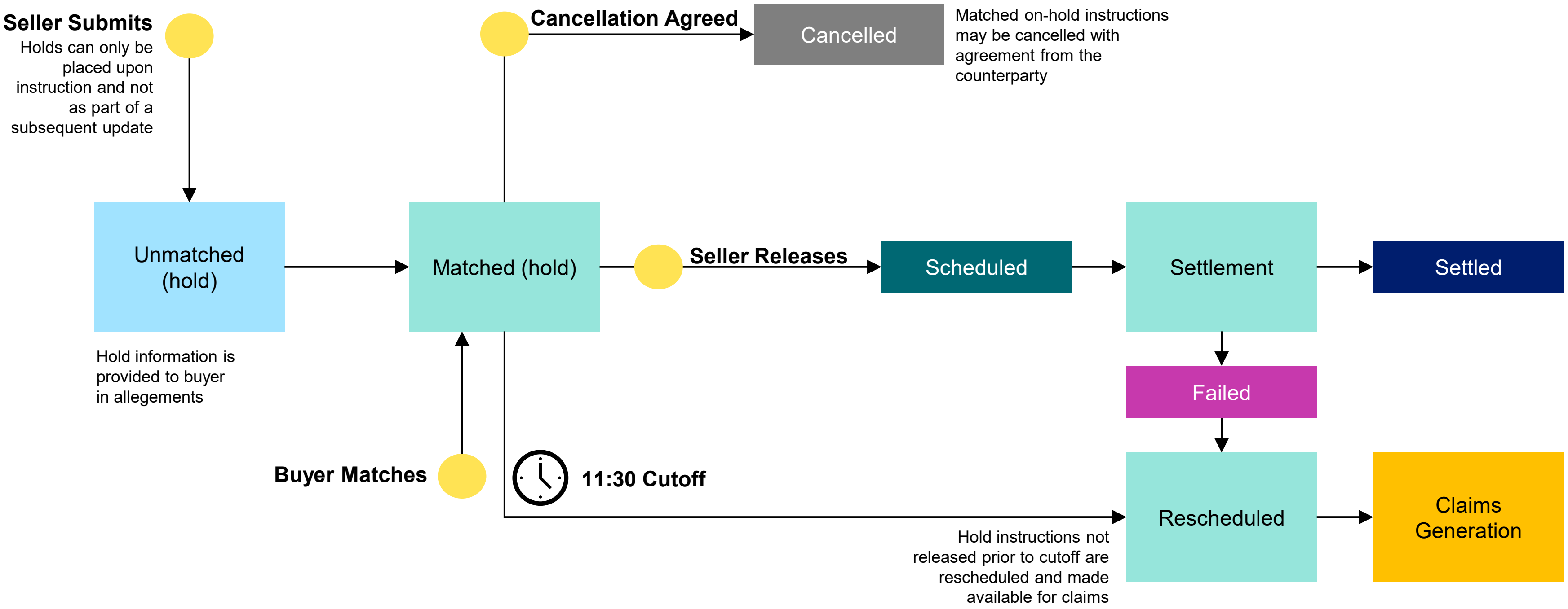
Hold and Release functionality arrives with CHESS Release 2, changing how bilaterally agreed transactions are managed.

Previously covered in Business Design Working Groups in May 2024, May 2025, July 2025 as well as their related ISO Design Working Groups.

- **The problem today -** the delivering participant ‘holds’ their side in internal systems and only releases into CHESS once stock is available, leaving the counterparty unaware as to the status of their transaction
- **The fix -** move the ‘hold’ into CHESS. Transactions can be ‘pre-matched’, giving both sides visibility and certainty as to the transaction’s status
- **Buyers can hold too –** useful for non-market transactions (e.g. the PMF)
- **Proven elsewhere –** variations of the Hold / Release functionality already run at AustraClear and Europe (T2S), with DTCC now moving the US market to central matching with Hold / Release
- **What it means for you -** placing a hold is optional. Consuming the Hold and Release notifications from your counterparty is not.

04 – Hold and Release Functionality

Overview



04 – Hold and Release Functionality

Releasing a Hold - Proposed Rule Amendments

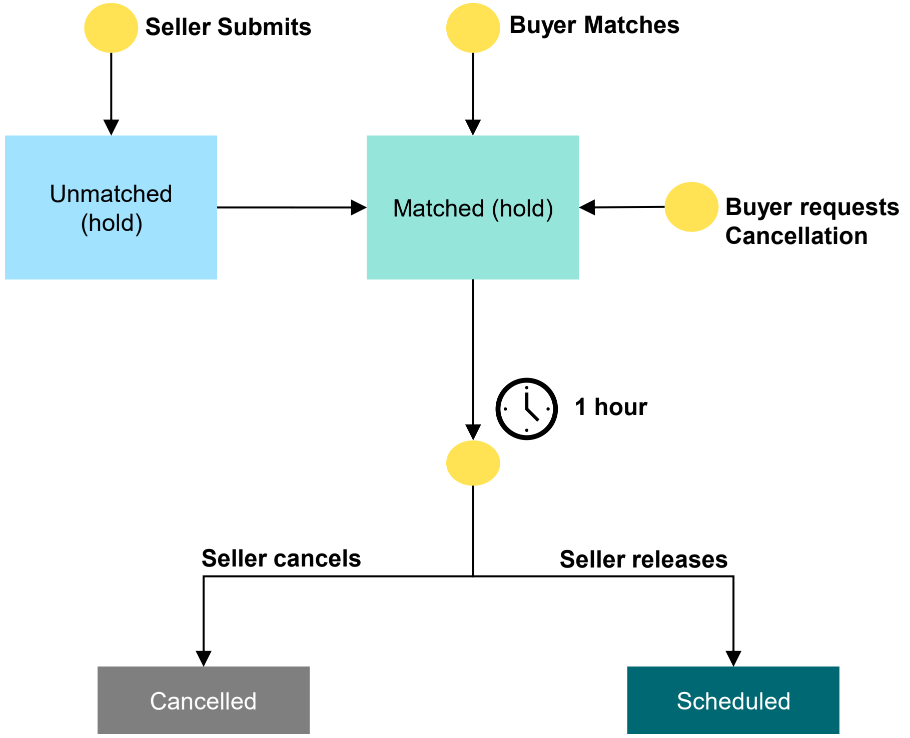
Feedback raised by participants has noted concern with the scenario of a buyer placing a hold and not releasing it in time.

ASX is not planning to build specific functionality for this as it would reduce the flexibility of the solution.

Instead, a new limb in the ASXSOR plans to oblige Participants to either accept the cancellation request or release the hold within a **scheduled time**.

The scheduled time is proposed to be 1 hour from receipt by the counterparty.

Transactions on hold can also still be cancelled after rescheduling has occurred.



04 – Hold and Release Functionality

Transactions on Hold – Treatment Post-Settlement

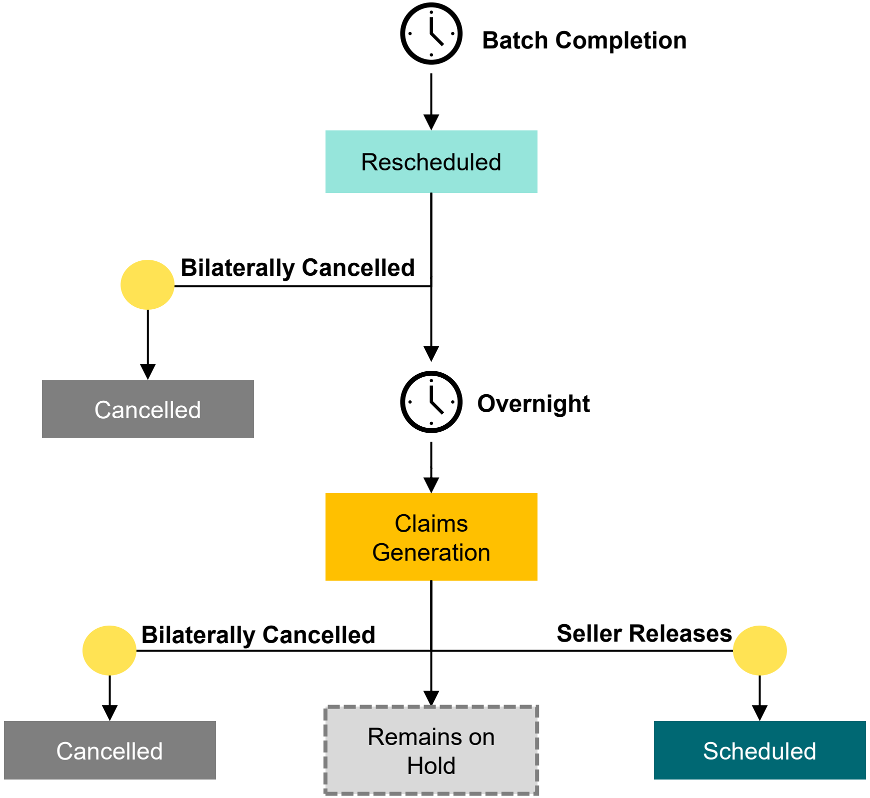
On-hold transactions aren't considered "scheduled" for settlement. Anything still on hold at settlement cut-off is not considered part of that day's settlement cycle.

As a result:

- Held instructions are rescheduled to the next day after batch completion (settlement date updates)
- Rescheduled instructions can still be cancelled or released (per previous slide)
- Held instructions don't create a securities shortfall – no levies or close-out obligations proposed
- Held instructions are made available for claims processing.

Claims are created as separate instructions for a future date and can also be cancelled.

Bilaterals still unmatched at cut-off can also be matched in the afternoon, then rescheduled and picked up for claims processing overnight.



05
Levies (Fail Fees)

05 - Levies (Fail Fees)

Calculation Methodology

Levies are calculated on a **per account (HIN) basis** based on the **securities shortfall** for each holding.

The levy is calculated as:

- **Shortfall Valuation** = [Shortfall Quantity] * [Closing Price]
- **Levy** = **[Shortfall Valuation] * [Levy Rate (0.10%)]**
- *Min $100, Max $5,000 per day*

Shortfall Quantity is (when a positive number):

- [Expected Deliveries] - [Expected Receipts] - [Available Balance].

Expected Deliveries	Expected Receipts	Available Balance	Shortfall Quantity	Closing Price	Shortfall Valuation	Levy
100 units	50 units	25 units	25 units	$12.34	25 * $12.34 = $308.50	$308.50 * 0.10% = $30.81
600 units	100 units	500 units	*No shortfall*	-	-	-
350 units	150 units	100 units	100 units	$50.50	100 * $50.50 = $5050.00	$5050.00 * 0.10 = $500.50
					Total Levied	**$531.31**

Participants are only levied for source transaction fails and are not levied for transactions that are matched and agreed but fail due to an expected delivery.

05 - Levies (Fail Fees)

Impacts of New Functionality

Transactions on Hold
Transactions on hold are not scheduled for settlement and, as such, are not currently planned to impact the shortfall calculation.

Linked Transactions
Whilst linked transactions can contribute to failures, they do not form part of the shortfall calculation and do not contribute to levies.

Blocked Balances
The shortfall quantity will be enhanced such that it also considers transactions that were expected to settled from a blocked balance.

The **Additional Shortfall Quantity** is:

- [Expected Deliveries from Blocked Balance] minus [Blocked Balance]

Levying transactions on hold is likely to discourage matching and contribute to a higher rate of unmatched transactions.
ASX and industry could consider whether there are other mechanisms to encourage settlement whilst promoting matching.

06
Finalised Design Considerations

06 – Finalised Design Considerations

ASX has been working to finalise the Design Considerations outlined in the 2024/25 Business Design Documents

These considerations will be updated following approval of final scope in Q4 2026

Document	Identifier	Summary	Handling
Settlement Design	SETT_1.2.2.8	ASX should explore the possibility of redirecting fail fees to Participants holding instructions from being scheduled for settlement where the hold contributes to a failure in another Participant to deliver	Section 05
Settlement Design	SETT_6.5	ASX should consider the possibility of allocating fail fees to the appropriate Participant in a delivery failure e.g. allocating the fail fee incurred by a Participant failing to deliver to its counterparty that fails to provide the securities it required for settlement	
Data & Connectivity	CD_2.3	The CHESS replacement system should support an API based interface for asynchronous data access for specified use cases that benefit from near real-time access to data.	ASX's proposals in relation to the Data API will be covered at the October Technical Committee
Data & Connectivity	CD_5.3	The CHESS replacement system should provide an asynchronous data API to allow software providers to facilitate intra-day reconciliations in their back-office systems.	
Settlement Design	SETT_1.9	ASX should consider increased system operational hours for Participants to submit their holding transfer and settlement instruction transactions	In scope, discussed further in the November BDWG
Settlement Design	SETT_1.2.1.7	ASX should consider increased system operational hours to perform bilateral matching	
Settlement Design	SETT_1.6.2	ASX and CHESS Users involved in the ETF lifecycle should explore enhancements that would reduce risk in relation to the withdrawal of ETF units in the case of a redemption and allow for the time required to be accelerated. This could include allowing the Fund Custodian to trigger the redemption (by way of a conversion), reserving units that are pending redemption as a sub-balance and/or using linking for settlement.	To be discussed in a dedicated BDWG in October 2026.
Settlement Design	SETT_1.6.3	ASX should consider whether amendments to the rules, or process enhancements, could negate the need for Fund Registries to pay out distributions on units held in CHESS that are in the process of being redeemed.	
Registration Details & Investor Information	REG_4.1	The CHESS replacement system should support a workflow that allows an Issuer via the Share Registry to notify a Participant of a lost shareholder.	Propose not to carry forward as a technical solution for CHESS R2.

07
Next Steps

07 – Next Steps & Future Topics

ASX will prepare a summary of this session for the Technical Committee including any actions.

Business Design Working Groups for the remainder of 2026

For the remainder of 2026, ASX plans to utilise the Business Design Working Groups for deep dives on remaining topics, examples of which include:

- ETF allocation / redemption processes (October 2026)
- Operational Hours (November 2026)
- CHESS UI (November 2026).

Questions

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