

ASX CHESS PROJECT

Business Design Working Group
Drop 2 – Clearing & Settlement

3 April 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: 686 530 2#
- > 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 BDWG Actions

03 Clearing – Trade Acceptance & Netting

04 Clearing – Position Account Segregation

05 Settlement Instructions

06 Foreign Restricted Securities

07 Next Steps

01

Introduction and Agenda

01 – Detailed Workshop Agenda

#	Topic	Estimated Duration
01	Introduction and Agenda	5 mins
02	BDWG Actions	10 mins
03	Clearing – Trade Acceptance & Netting	20 mins
04	Clearing – Position Account Segregation	15 mins
Break		10 mins
05	Settlement Instructions	35 mins
06	Foreign Restricted Securities	15 mins
07	Next Steps	10 mins
Total workshop duration		2 hours

01 – Workshop Objectives and Outputs

The purpose of the BDWG is to refine previously consulted design considerations and gain further customer feedback on the scope of Release 2 Drop 2 for the CHES Project

Objectives

- > Collect expertise to refine the design of clearing and settlement processes in the CHES Project
- > Play back information collected from data feedback collection exercise and previous engagements
- > Develop the finalised set of requirements for implementation as part of the CHES 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 (to be finalised by [September 2025](#))
- > Technical documentation (to be released by [November 2025](#))
- > Revised APGs
- > Rules Consultation



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

04b – 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 was provided on 28 February
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)	Deep dive into Release 2 Drop 2 detailed business design (including Transaction Basis Deep Dive)	All	3 April 2025	Data sheet provided for feedback on 18 March, due 11 April
16	Release 2 Drop 2 Deep Dive (#2)	Deep dive into Release 2 Drop 2 detailed business design (continued)	All	8 May 2025	Planned
17	Payment Provider Focus Group	Payment provider focus group on potential changes to payment processes	Payment Providers only	5 June 2025	Planned
18	Release 2 Drop 3 Deep Dive	Deep dive into Release 2 Drop 3 detailed business design	All	10 July 2025	Planned
19	<i>Placeholder</i>	<i>Session to be confirmed</i>	<i>TBD</i>	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

BDWG Actions

04b – 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_03	Consider whether Date of Event is required and supplied to registries for Death/Bankruptcy	February BD WG	Confirmed as no longer required by ASX.	To be closed
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 to be considered as assist in Registry processes.	Under consideration
BDWG_06	Consider the process of migrating accounts, including transformations and fields not available in current CHES	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 37–38
BDWG_08	Consider whether additional special characters can be supported in BaNCS	February BD WG	Additional special characters not recommended to be supported due to potential to exacerbate matching issues	To be closed
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	To be discussed in agenda item 7	Raised with the Technical Committee
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

Blue denotes an update since last presented

03

Clearing – Trade Acceptance & Netting

03 – Clearing – Trade Acceptance & Netting

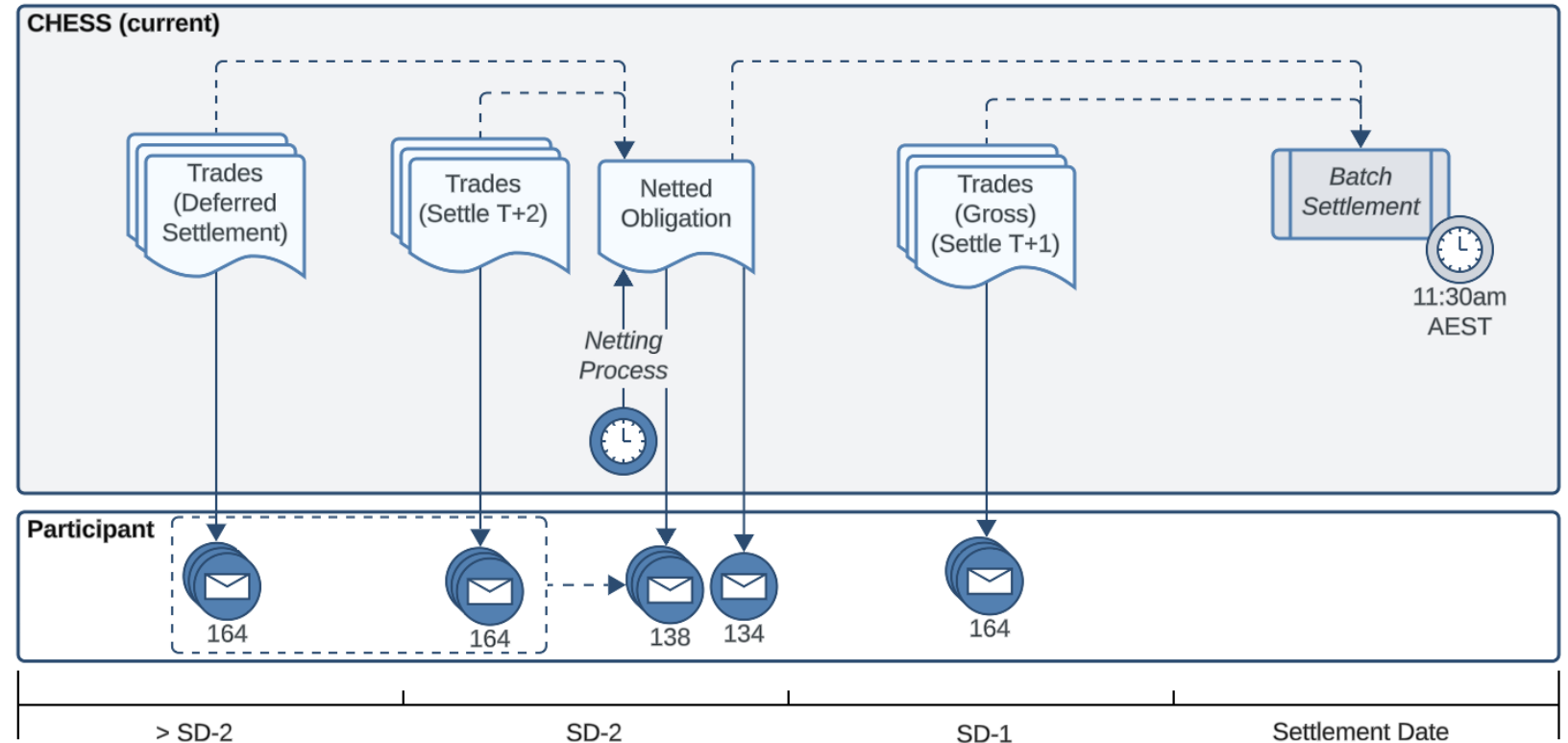
Current CHES Process

Netting performed daily for SD-2 and greater

In current CHES trades are scheduled for settlement upon registration.

At the end of each day, CHES aggregates eligible transactions into a Net Broker Obligation for trades due to settle on T+2. This process cancels settlement of gross trades (EIS 138) and replaces them with a net settlement obligation (EIS 134).

Any trades that are reported after netting has run (e.g. special markets, ETO exercises), or any netting ineligible trades, remain as gross obligations to be settled on settlement date.



03 – Clearing – Trade Acceptance & Netting

Design Proposed in 2024

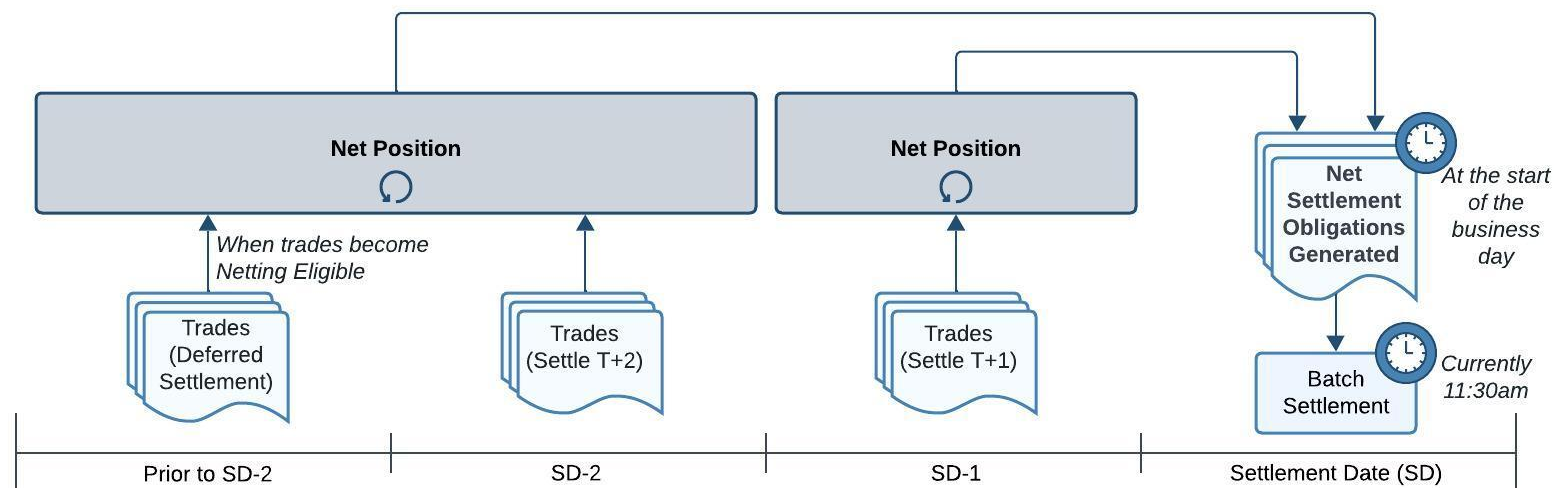
Two Net Positions, Two Obligations

In TCS BaNCS, we will implement continuous netting (with backwards compatibility) in Release 1.

The [2024 workshops](#) and [BDD](#) proposed a continually net position up until end of day on SD-2, followed by a second net position made up of trades settling T+1.

Industry requested the system provide finality as early as possible, whilst minimising the number of obligations.

These positions would be maintained by the system and scheduled as separate obligations on the morning of settlement.



Two net positions would minimise the number of obligations whilst providing a finalised net, aligned with current timings. However, this would become redundant in a T+1 settlement process.

03 – Clearing – Trade Acceptance & Netting



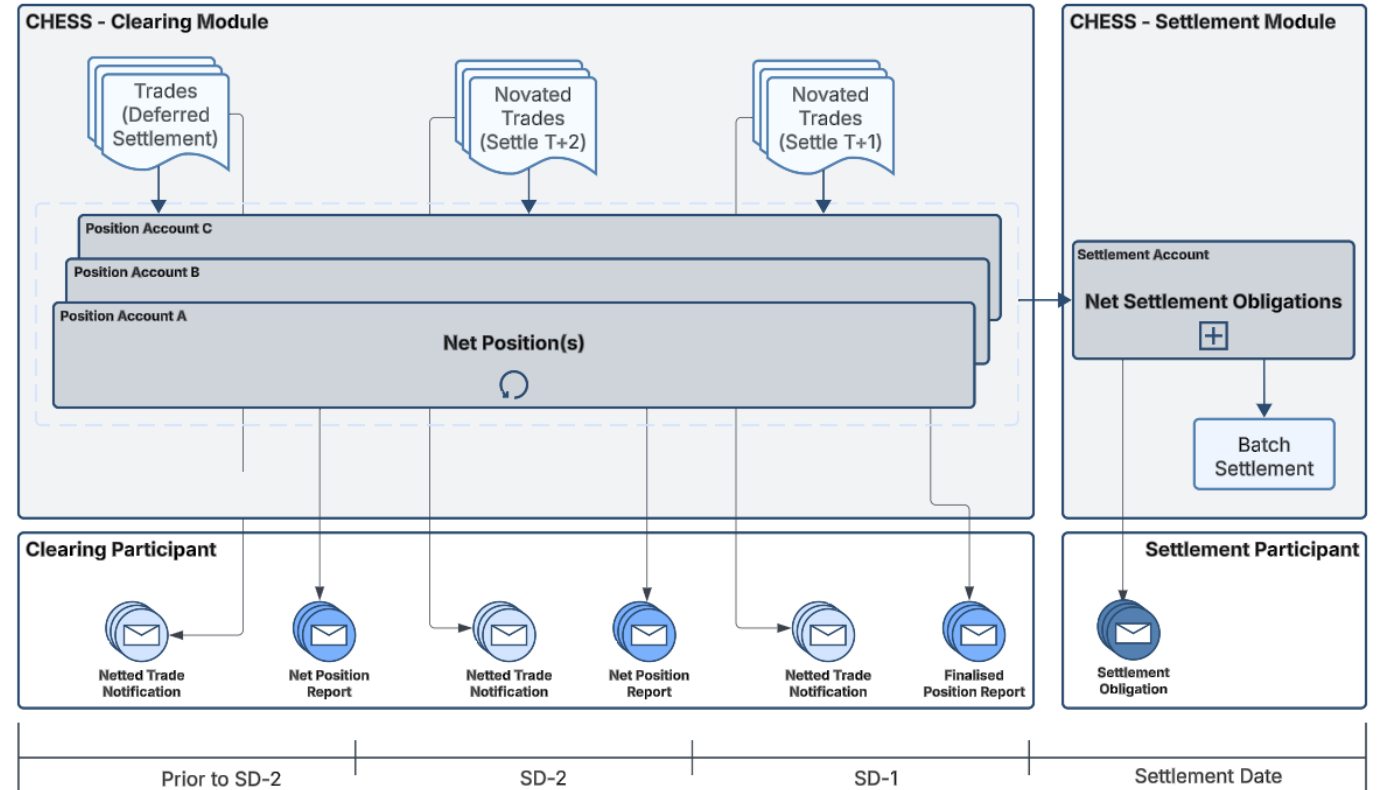
DC_2.4.5 The CHES replacement system should support the notification of trade registration to Clearing Participants. Should it be determined that a netting ineligibility criteria remains a requirement for Release 2, the netting eligibility or ineligibility of the trade registered should be provided on the trade notification.

Refined Design Proposal

Single Net Position

ASX proposes to refine this design to simplify the netting process and optimise the solution for T+1, which would include:

- > Daily Net Position Notification: Cumulative net positions (per settlement date, security, position account) which will be communicated to Clearing Participants at the end of each business day prior to settlement (i.e. T and T+1).
- > A Single Settlement Obligation: On the morning of settlement, the net obligations due for settlement are finalised and communicated to Settlement Participants (per Settlement Account).
- > Enhanced Trade Attributes: Netting eligibility information will be included to determine if the trade has been allocated to the continuous net position.



The "Net Position Report" could be optional, however it would provide the ability for Participants to net off or reconcile trades on a daily basis.

03 – Clearing – Trade Acceptance & Netting



DC_2.4.9 The CHES replacement system should provide Clearing Participants with a consolidated view of the net position against the CCP per trade date, Position Account, settlement date, and security combination.

Refined Design Proposal

Proposed Daily Net Position Notification

The proposed details of the notification are designed to allow Clearing Participants to reconcile their net obligations each day.

These messages will be distributed daily, after close of business. If for any reason there is a change to a position (e.g. as a result of corporate actions processing), a notification of the updated position would also be delivered.

On the morning of settlement, the net position will be finalised, and settlement obligations will be created due for settlement in the days batch.

Report Parameters	General details about the message <ul style="list-style-type: none">• ID• DateTime• Frequency• Report number
Clearers Details	Details of the party that will be clearing the netted position come settlement date
Net Position Details	<ul style="list-style-type: none">• Account type and number• Security code• Net Amount and Debit/Credit indicator• Net Quantity and Delivering/Receiving indicator• Depository (ASX)• Settlement Date
Reschedule Information	If applicable



Settlement Obligations will continue to distribute the necessary information for Clearing and Settlement Participants to settle their positions.

03 – Clearing – Trade Acceptance & Netting



DC_2.7.3 The CHES replacement system should generate a gross settlement obligation against a Settlement Account (entrepot) for market trades ineligible for netting or ineligible for novation registered in a Position Account associated with the Settlement Account (entrepot) (following registration of the trade).

Non-Novated & Non-Netted Trades

ASX is currently evaluating whether trades ineligible for netting and / or novation are still required for the CHES Project. This is based on:

- > Condition Codes allowing the scheduling of non-novated trades not being actively used
- > Alternative processes (to be discussed in a future session) available for the management of fails in relation to Corporate Actions.

As a result, gross settled trades are not planned to be considered as part of the solution for Drop 2 and will be considered (if required) in a later drop.

04

Clearing – Position Accounts

04 – Clearing – Position Accounts



DC_2.3.1 The CHES replacement system should support the setup and maintenance of one or more Position Accounts per clearing PID.

Separation of Clearing and Settlement

Currently, trades and settlement obligations are registered directly to a Participant's Settlement Account.

Securities for delivery are then scheduled or transferred to the Settlement Account from the applicable client accounts, or the Accumulation.

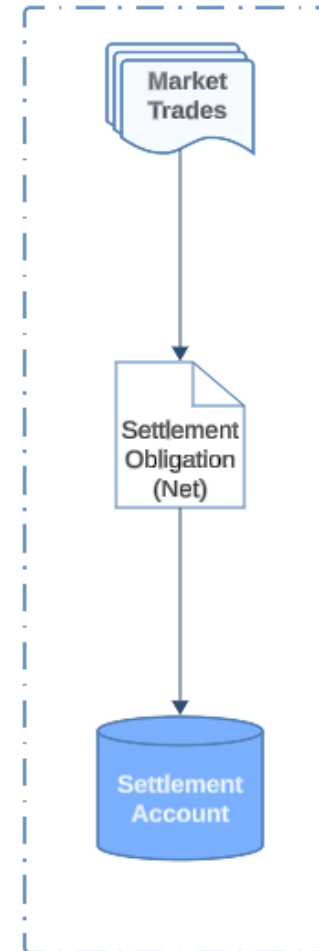
In CHES Replacement, to effectively separate clearing from settlement, a position account is used to maintain cleared positions (i.e. netted, unsettled trades) prior to scheduling them for settlement.

Trades are initially registered to a Position Account, and in a subsequent process, the settlement obligations are then created against the associated Settlement Account.

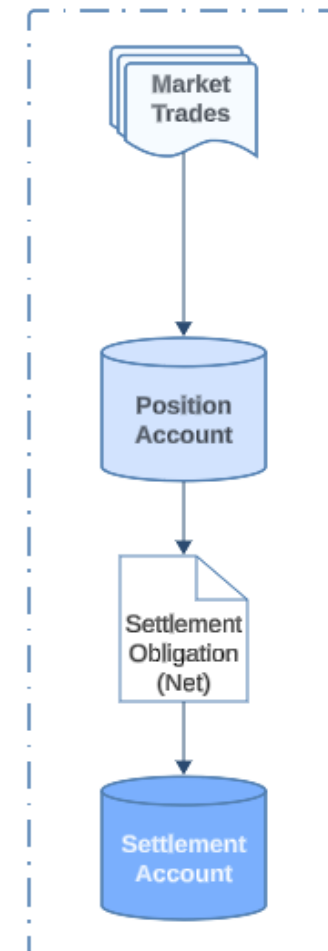


The segregation of clearing and settlement activities provides the foundation for potential future interoperability, participation and segregation models.

Existing



Future – Simple Case



04 – Clearing – Position Accounts



DC_2.3.2 The CHES replacement system should register trades in the system against either a single Position Account maintained by the Clearing Participant, or where multiple Position Accounts are maintained by the Clearing Participant, then the Position Account identified based on trade registration configurations established by Clearing Participants.

Trades can be allocated to Position Accounts based on attributes of the trade. This will be configured as part of a Participant's setup during onboarding or via a BAU change.

Use Case	Trade Attribute	Attribute Value		Position Account
Third Party Clearing	Trading Participant	Trading Participant ID	->	Segregated TP Position Account
House & Segregated Omnibus Client	Order Capacity	Principle	->	House Position Account
House & Segregated Omnibus Client	Order Capacity	Agency	->	Omnibus Client Position Account
House & Segregated Omnibus Client	Order Capacity	Mixed*	->	House Position Account*
Segregated Individual Client	Client Account Identifier	Client Account Identifier	->	Individual Client Position Account

* Ability to reallocate Order Capacity of Mixed will be discussed in a future BDWG

Segregation of positions enables the ability for Clearing Participants to:

- > Maintain multiple Settlement Accounts and optionally segregate obligations through the settlement process
- > Optionally segregate margin and / or collateral (*potential future capability*)
- > Facilitate portability of positions (*potential future capability*)

04 – Clearing – Position Accounts

DC_2.3.1.1 The CHES replacement system should optionally allow Clearing Participants to segregate their positions per the following models:

- Segregated house and omnibus client positions;
- Individual client segregated positions; or
- Segregated positions for third party clearers

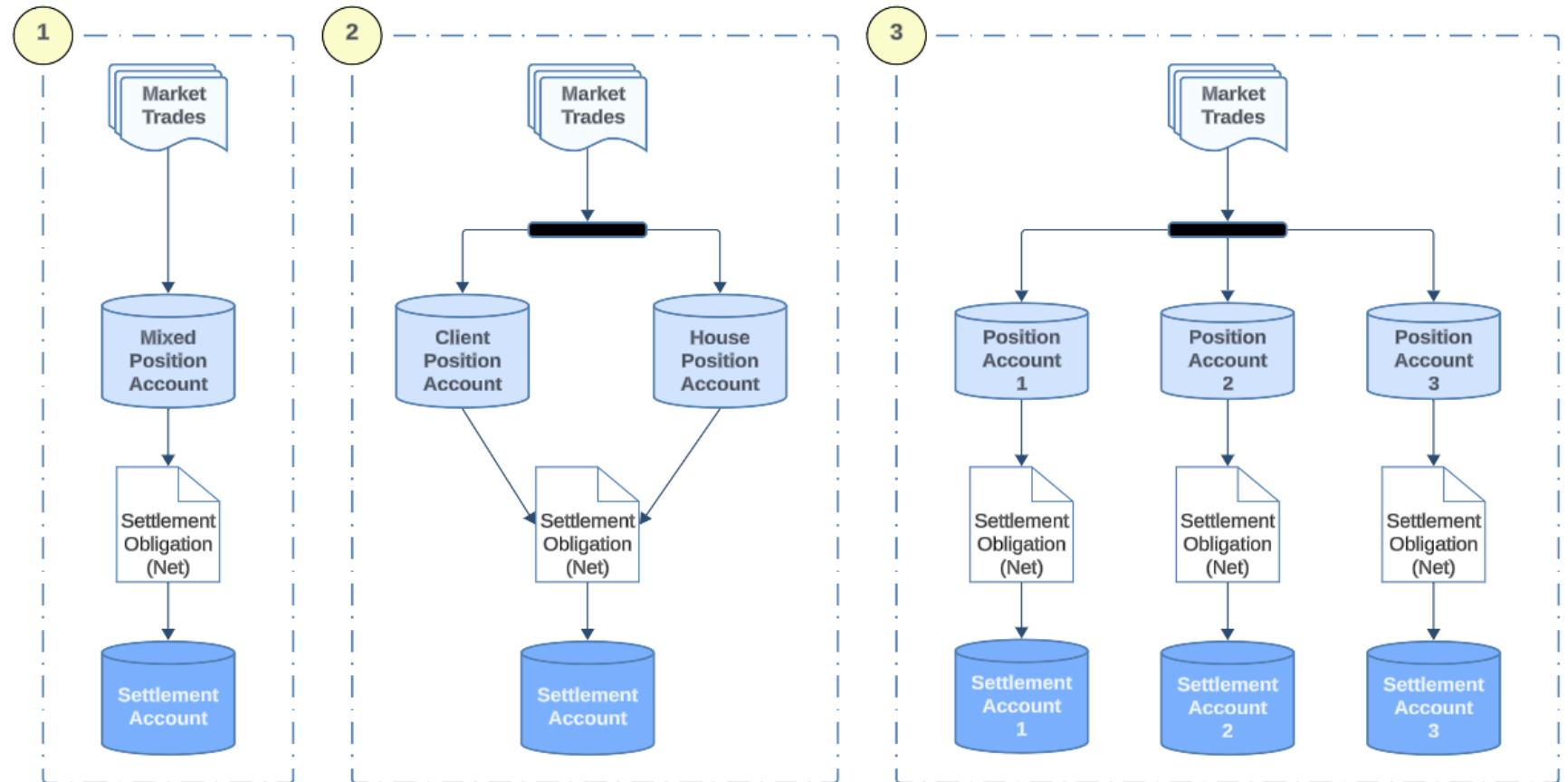
Position accounts for segregation

Optionality for different position account setups can provide Participants with more control over their clearing and settlement processes.

Scenario 1 – Single Position Account & Single Settlement Account

Scenario 2 – Segregated Positions, Single Settlement Account

Scenario 3 – Segregated Positions, Segregated Settlement Account



04 – Clearing – Position Accounts



DC_2.3.1.1 The CHES replacement system should optionally allow Clearing Participants to segregate their positions per the following models:

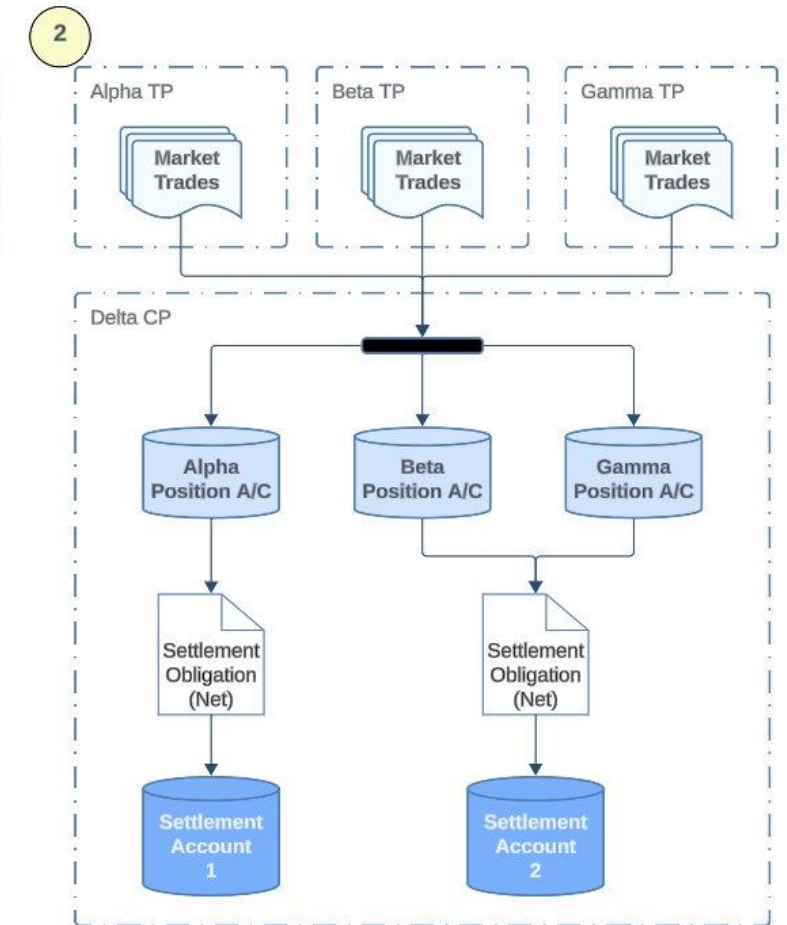
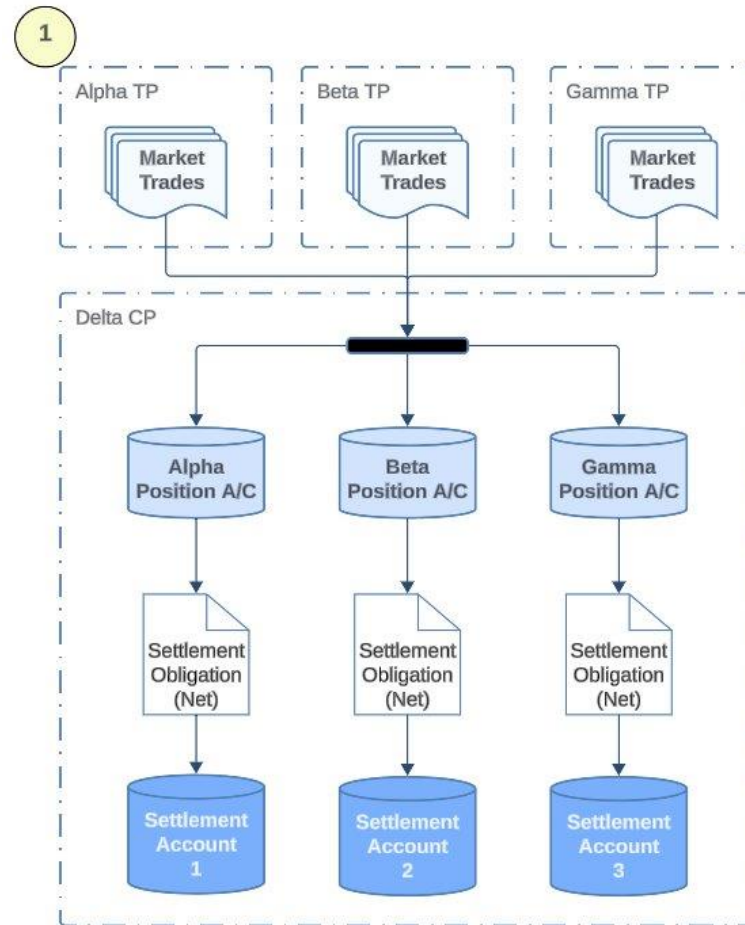
- Segregated house and omnibus client positions;
- Individual client segregated positions; or
- Segregated positions for third party clearers

Position Accounts for Third Party Clearers

As an example, Position Account configurations options could be leveraged by Third Party Clearing Participants.

Position and Settlement Accounts could be configured to segregate obligations according to business preferences.

Separated accounts could simplify internal operational processes and fail management.



05

Settlement Instructions

05 – Settlement Instructions



SETT_1.1, SETT_1.2, SETT_1.3, SETT_1.4, SETT_1.5, SETT_1.6,
SETT_1.7, SETT_1.8

Settlement Instruction Terminology

Settlement Instruction Types & Terminology					
EIS	Current CHESSTerminology	Future State Terminology	Matching Type	Settlement Type	Payment Type
001	Demand Single Entry CHESSTo CHESSTransfer	Unilateral Non-Batch Instruction	MACH (Pre-Matched)	RTGS (Non-Batch)	FREE (Free of Payment)
003	Transferor Submitted Demand Transfer	Unilateral Non-Batch Instruction (participant group)	MACH (Pre-Matched)	RTGS (Non-Batch)	FREE (Free of Payment)
005	Demand Dual Entry CHESSTo CHESSTransfer	Bilateral Non-Batch Instruction	NMAT (Matching)	RTGS (Non-Batch)	FREE (Free of Payment)
101	Dual Entry Settlement Notification	Bilateral Batch Instruction	NMAT (Matching)	Non-RTGS (Batch)	APMT (Against Payment) or FREE (Free of Payment)
105	Single Entry Settlement CHESSTo CHESSTransfer	Unilateral Batch Instruction	MACH (Pre-Matched)	Non-RTGS (Batch)	FREE (Free of Payment)
107	Scheduled Settlement CHESSTo CHESSTransfer	Unilateral Batch Instruction (with trust)	MACH (Pre-Matched)	Non-RTGS (Batch)	<i>FREE (Free of Payment)*</i>
NEW	N/A	Bilateral Non-Batch DvP	NMAT (Matching)	RTGS (Non-Batch)	APMT (Against Payment)

** options for replacement of the 107 message will be discussed in the May BDWG*

05 – Settlement Instructions



SETT_1.2.1.1 The CHES 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

Matching Criteria

Types of Matching	
Mandatory matching	Both parties must provide matching values for the new matching attributes
Additional matching	Where a party provides a value for an attribute, the counterparty must provide the same value for the attribute
Optional matching	Where a party provides a value for an attribute, the counterparty can either provide the same value for the attribute or no value
Non-matching fields (public/private)	Fields that do not need to match and can differ on both sides of the transaction and are either communicated to the counterparty or held privately



The BaNCS MI system is configurable to support different matching criteria for each market.

04 – Settlement Instructions



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 CHES replacement

Core Instruction Fields

The Core Instruction fields describe the type of Settlement Instruction being submitted, the conditions under which it will match (in the case of bilateral instructions) and the conditions under which it will settle.

Field	Description	Matching Type
Securities Movement Type	DELI – Delivering, RECE – Receiving	Mandatory Matching
Payment	FREE – No currency component APMT – Transfer includes a currency component	Mandatory Matching
Settlement Date	Date the instruction is due to settle	Mandatory Matching
Security Reference	ISIN or Ticker Code	Mandatory Matching
Settlement Quantity	Quantity of security specified in Security Reference	Mandatory Matching
Partial Settlement Indicator	PART – Eligible for part settlement NPAR – Not eligible for part settlement, will settle or fail in full	Non-Matching
Securities RTGS Indicator	Yes – to be settled outside of batch No – to be settled in batch settlement	Mandatory Matching
Matching Type	MACH – Pre-Matched, NMAT – Requires Matching	Mandatory Matching
Settlement Parties	UIC (<i>or future BIC</i>)	Mandatory Matching
Amount	Currency amount	Mandatory Matching (with tolerance)
Credit Debit Indicator	CRDT – Credit, DBIT – Debit	Mandatory Matching
CUM/EX Indicator	A single CUM or EX indicator (as per prior consultations)	Additional Matching
Securities Transaction Type	<i>New values – See next slide</i>	Mandatory Matching
Trade Date	<i>Becomes mandatory – See later slide</i>	Mandatory Matching

05 – Settlement Instructions



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)

Transaction Basis

Based on prior feedback that a proprietary transaction basis makes it difficult for Participants with international clients to achieve STP, ASX proposes to align the codes to those within the ISO standards.



Would referencing Stock Lending transactions by either SECL or SECB improve or hinder straight through processing?

CHES Value	Proposed ISO 20022 Value(s)	ISO 20022 Definition
Initial Public Offering – I	Placement – PLAC	Relates to the placement/new issue of a financial instrument
Market – M	Trade – TRAD	Relates to the settlement of a trade
Off-Market – O (unilateral)	Internal Account Transfer – OWN1	Relates to an account transfer involving one instructing party (message sender) at one account servicer (messages receiver)
Off-Market – O (bilateral)	External Account Transfer – OWNE	Relates to an account transfer involving more than one instructing party (message sender) and/or account servicer (messages receiver)
Off-Market – O (alternative)	Move Of Stock – INSP	Relates to a movement of shares into or out of a pooled account.
Stock Lending – L	Securities Lending – SECL	Relates to a securities lending operation
Stock Lending – L	Securities Borrowing – SECB	Relates to a securities borrowing operation
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
New (for discussion)	Exchange Traded Funds Creation / Redemption (ETFT)	Relates to an ETF creation or redemption

05 – Settlement Instructions



BOM_2.3 The CHES replacement system should default all transactions to cum, with ex transactions will be entered by Participants and Share Registries by exception.

Trade Date

Currently, Trade Date is a conditional field driven by the Transaction Basis and Settlement Amount. It is also used to derive Basis of Movement during a Corporate Action.

Transaction Basis	Settlement Amount	Trade Date
Market (M)	Zero	Not allowed
Market (M)	Not Zero	Required
Off-Market (O)	Zero / Not Zero	Not allowed
Facility for Non Reportable Transactions (F)	Zero / Not Zero	Optional
Miscellaneous Payments (F)	Greater Than Zero	Not allowed
IPO (I)	Zero / not zero	Optional
Stock Lending Activity (L)	Zero / not zero	Not allowed

In TCS BaNCS MI, the Trade Date is a mandatory field, but can have different matching types based on the Transaction Basis. As a result, ASX proposes to simplify the logic and re-define the Trade Date field as follows:

Transaction Basis	Trade Date	Matching Type
Trade (TRAD) <i>(equivalent to Market - M)</i>	The date on which the purchase or sale was executed	Mandatory Matching
Any other	The date on which the transaction was agreed	Non-Matching

Per [prior consultations](#) Trade Date will no longer be used to derive a Basis of Movement.

05 – Settlement Instructions

Internal Instructional Fields

The Internal Instructional fields contain private details that are used for settlement and/or internal referencing purposes and are not shared with the counterparty.

Field	Description	Matching Type
Safekeeping Account	The requesting Participant's account number	Non-matching (private)
Safekeeping Place	Requested during February 2025 ISO WG	Non-matching (private)
Trust Amount	Conditional, required for certain transfers for Clearing & Settlement Participants. <i>To be discussed in more detail in May BDWG</i>	Non-matching (private)
Delivering Settlement Party 1 Account	In the case of a bilateral instruction, any internal account information will be kept private to the submitting party throughout the life cycle Account is conditional on the security movement type of the Settlement Instruction	Non-matching (private)
Receiving Settlement Party 1 Account	In the case of a bilateral instruction, any internal account information will be kept private to the submitting party throughout the life cycle Account is conditional on the security movement type of the Settlement Instruction	Non-matching (private)

05 – Settlement Instructions



SETT_1.2.1.3 The CHES 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

Optional Matching Fields

The Optional Matching fields are designed to increase the accuracy of the matching of bilateral instructions. These can be optionally specified to direct the matching process.

ASX proposes to include new identifiers to assist participants with their matching processes, this could include:

- > Common Identifier can be used where required by participants, this could be populated with a value obtained from an upstream system or as a bilaterally agreed identifier
- > Universal Transaction Identifier (UTI) is an international standard format for a Common Identifier. It is currently envisaged that CHES could receive a UTI but would not be an allocator of UTIs.

Field	Description	Matching Type
Common Identification	Additional reference, which can optionally be matched on bilateral instructions	Optional Matching
Universal Transaction Indicator	Additional reference, added based on industry feedback	Optional Matching

Example

Common Identifier or UTI (Delivering)	Common Identifier or UTI (Receiving)	Matching
<i>Not populated</i>	<i>Not populated</i>	Messages match
REF_1	<i>Not populated</i>	Messages match
REF_1	REF_1	Messages match
REF_1	XYZ_1	No Match



Considering these fields as optional matching (as opposed to mandatory matching) would allow a gradual transition to a new matching process.

05 – Settlement Instructions

Supplementary Reference

The Supplementary Reference field and associated matching flag means the field can be used for serve two purposes:

1. Matching on a common identifier (*per previous slide*)
2. Communication of a non-matching identifier between two parties

The methods of matching available in TCS BaNCS means using a single field for dual purposes is no longer possible.

Replacing the Supplementary Reference with a Common Identifier may have undesired consequences for Participants who are not using the Supplementary Reference field for explicit matching.

CHES Supplementary Reference	Delivering Message Reference	Receiving Message Reference	Common Identification (Optional Matching)
Matching Flag = N Messages match Matching Flag = Y Messages match	REF_1	REF_1	Messages match
Matching Flag = N Messages match Matching Flag = Y No Match	REF_1		Messages match
Matching Flag = N Messages match Matching Flag = Y No Match	REF_1	XYZ_1	No Match



ASX has sampled some instruction data from CHES and found that ~10% of 005 instructions (n = ~50,000) were matching with different Supplementary references, however only 0.003% of these had matching references.



Are Participants using the Supplementary Reference field to communicate non-matching information? What kind of information is being transmitted?

05 – Settlement Instructions



SETT_1.2.1.3 The CHES 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

Informational Fields

The Internal Instructional fields contain private details that are used for settlement and/or internal referencing purposes and are not shared with the counterparty.

Field	Description	Matching Type
Participant Reference	Participant Reference is private information and is not communicated to the counterparty, or used in any further processing by CHES	Non-matching (private)
Underlying Reference	Underlying Reference is private information and is not communicated to the counterparty, or used in any further processing by CHES	Non-matching (private)

Additional Delivering/Receiving Party Fields (up to 4)

The Additional Delivering & Receiving Party fields contain non-matching information that is disclosed to the counterparty. This information can be used to facilitate further automation or operational rules.

Field	Description	Matching Type
Settlement Party Reference	Additional information, added based on industry feedback	Non-Matching (public)
Settlement Party Account	Additional information, added based on industry feedback	Non-Matching (public)
Settlement Party Account Name	Additional information, added based on industry feedback	Non-Matching (public)



Are 'Participant' and 'Underlying References' simply used for data storage or are there more complex use cases (e.g. workflow automations) that leverage this data?

Would the introduction of structured 'Party' fields reduce your usage of the unstructured 'Participant Reference', 'Underlying Reference' or 'Supplementary Reference'?

05 – 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: CHES 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?

05 – 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?

05 – Settlement Instructions

Additional features proposed to be discussed in the May Business Design Working Group

- > Settlement Instruction Linking
- > Hold & Release (Pre-matched Instructions)
- > Reserved Balances (Settlement Locks)
- > Trust Amounts

06

Foreign Restricted Securities

06 – Foreign Restricted Securities



REG_2.2 The CHES 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 CHES.

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 CHES:

- > 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 in CHES Replacement.

If this can be achieved, the Residency Indicator would be removed in CHES Replacement, 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.

06 – Foreign Restricted Securities



REG_2.1 The CHES 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 in CHES Replacement.

- > 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 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.

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, 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.

07

Next Steps

07 – Future Topics & Next Steps

Release 2 Drop 2 (May)

- > Incorporating feedback from Data Sheet & April BDWG
- > Settlement process
- > Additional settlement instruction functionality:
 - > Hold/release
 - > Settlement linking
 - > Reserved balances
 - > Trust amounts & 107 message

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 including any recommendations for changes in current CHES or the CHES Project.

07 – Indicative Forward Engagement Calendar (Rolling 3 Months)

	April 2025	May 2025	June 2025
Technical Committee	2 April <ul style="list-style-type: none"> > Release 1 and Release 2 project update > Release 1 Industry Testing update > Working Group updates > CHES project – use of BICS discussion > Optional versus mandatory functionality discussion > Approach to customisation 	6 May <ul style="list-style-type: none"> > Release 1 and Release 2 project update > Release 1 Industry Testing update > Working Group updates > Optional versus mandatory functionality recommendation > CHES Project support model 	4 June <ul style="list-style-type: none"> > Release 1 and Release 2 project update > Release 1 Industry Testing update > Working Group updates
Implementation & Transition Working Group	29 April <ul style="list-style-type: none"> > Release 2 Industry Test Tooling Approach (cont'd) > Release 1 Operational Readiness and Approach 	29 May Release 1 Clearing Regression and Cutover	26 June Release 2 Drop 1 Industry Test Tooling
Release 1 Build & Test Forum	10 April <ul style="list-style-type: none"> > Monthly ITE activity tracking > Known FIX issues > Changes to the FIX Specifications > AMO Accreditation phase 	14 May <ul style="list-style-type: none"> > Build and Test update > Readiness tracking > Industry test phases 	12 June <ul style="list-style-type: none"> > Build and Test update > Readiness tracking > Industry test phases
Business Design Working Group	3 April Release 2 Drop 2 Deep Dive	15 May Release 2 Drop 2 Deep Dive	5 June Payment Provider Focus Group
ISO Design Working Group	9 April Release 2 Drop 1 and 2 ISO messages and schema	21 May Release 2 Drop 2 ISO messages and Schema	19 June Release 2 Drop 2 ISO messages and Schema



Questions

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Thank you.

Appendix

Appendix – Design Considerations

After industry alignment on the scope objectives for the CHES 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 CHES 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, ie:

03 – Accounts & Investor Information



REG_1.1 The CHES replacement system should support at least four joint holders on an account, with the ability to include additional holders post Release 2.



REG_1.5 ASX should provide clear guidelines in relation to recording registration details, formats for standardisation, and rules for how details are to be entered and maintained on the CHES replacement system.

- 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_2.3.1	The CHES replacement system should support the setup and maintenance of one or more Position Accounts per clearing PID.	Slide 19
Clearing Design	DC_2.3.2	The CHES replacement system should register trades in the system against either a single Position Account maintained by the Clearing Participant, or where multiple Position Accounts are maintained by the Clearing Participant, then the Position Account identified based on trade registration configurations established by Clearing Participants and maintained in the system by us.	Slide 20
Clearing Design	DC_2.3.3	The CHES replacement system should support configuration that associates a Position Account to a Settlement Account (entrepot) to be used to effect the transfer of securities for the Clearing Participant's obligations in their Position Account.	Slide 20
Clearing Design	DC_2.3.4	The CHES replacement system should support associating multiple Position Accounts to a single Settlement Account (entrepot), or associating Position Accounts to separate Settlement Accounts (entrepots).	Slide 21
Clearing Design	DC_2.3.1.1	The CHES replacement system should optionally allow Clearing Participants to segregate their positions per the following models: <ul style="list-style-type: none"> · Segregated house and omnibus client positions; · Individual client segregated positions; or · Segregated positions for third party clearers 	Slide 21,22
Clearing Design	DC_2.3.1.3	The CHES replacement system should support the allocation of a trade to a Position Account on a straight through basis based on the following details provided on the trade: <ul style="list-style-type: none"> · Trading Id · Order Capacity · Client Identifier 	Slide 20

Appendix – Design Considerations for Drop 2

Business Design Document	Reference	Design Consideration	Slide Reference
Clearing Design	DC_2.4.1	The CHES replacement system should support the novation of a market trade that is cleared on the buying and selling sides by different Clearing Participants (subject to condition code or other exception) and record the transactions against the buyer's and seller's Clearing Participant's Position Accounts (based on trade registration configurations).	No further discussion required
Clearing Design	DC_2.4.2	The CHES replacement system should support the notification of crossings for informational purposes except where the clearing participant has opted out of receiving the notification.	No further discussion required
Clearing Design	DC_2.4.4	The CHES replacement system should support configuration for clearing participants to "opt-out" of receiving notifications for the registration of crossings.	No further discussion required
Clearing Design	DC_2.4.5	The CHES replacement system should support the notification of trade registration to Clearing Participants. Should it be determined that a netting ineligibility criteria remains a requirement for Release 2, the netting eligibility or ineligibility of the trade registered should be provided on the trade notification.	Slide 15
Clearing Design	DC_2.4.6	The CHES replacement system should support the generation of settlement instructions as a subsequent process to trade registration (subject to exceptions).	Slide 15
Clearing Design	DC_2.4.7	The CHES replacement system should continuously net market trades (subject to netting eligibility) into a net position per Position Account, settlement date, and security combination with trades registered two or more business days prior to settlement netted separately to trades registered the day prior to settlement. <i>Diagram DC_2.4.7: Netting of trades based on when they are registered in the system.</i>	Slide 15
Clearing Design	DC_2.4.8	The CHES replacement system should support a mechanism that allows Clearing Participants to optionally view their net positions. This could include: <ul style="list-style-type: none"> · Ability to view net positions via the UI · A new workflow to request the net positions · Configuration to make the net positions available to Clearing Participants at set frequencies. 	No further discussion required
Clearing Design	DC_2.4.9	The CHES replacement system should provide Clearing Participants with a consolidated view of the net position against the CCP per trade date, Position Account, settlement date, and security combination.	Slide 16

Appendix – Design Considerations for Drop 2

Business Design Document	Reference	Design Consideration	Slide Reference
Clearing Design	DC_2.4.10	We should explore the possibility of adding a netting eligibility flag to the trade confirmation notification that could assist with reconciling a netting eligible trade to a net position.	Slide 15
Clearing Design	DC_2.5.1	The CHES replacement system should only accept trade cancellations from AMOs on the trade date of the trade being cancelled.	No further discussion required
Clearing Design	DC_2.5.2	The CHES replacement system should remove a cancelled trade from contributing to the net position of a Position Account.	No further discussion required
Clearing Design	DC_2.5.3	The CHES replacement system should not instruct a cancelled trade (non-crossing) for settlement on a gross or net basis.	No further discussion required
Clearing Design	DC_2.5.4	The CHES replacement system should notify Clearing Participants of a trade cancellation (except for crossings where the participant has opted out of a notification).	No further discussion required
Clearing Design	DC_2.7.1	The CHES replacement system should support a process to generate net settlement obligations for the net positions prior to the batch settlement cycle in which they are scheduled to settle.	No further discussion required
Clearing Design	DC_2.7.2	The CHES replacement system should generate a net settlement obligation against a Settlement Account (entrepot) that nets all like net positions in all Position Accounts associated with the Settlement Account (entrepot).	No further discussion required
Clearing Design	DC_2.7.6	The CHES replacement system should support a mechanism that provides Participants traceability between a settlement obligation and the related net position(s) or gross trades.	No further discussion required

Appendix – Design Considerations for Drop 2

Business Design Document	Reference	Design Consideration	Slide Reference
Settlement Design	SETT_1.1	The CHES replacement system should support the ability for the FoP transfer of securities between two accounts (HINs) controlled by the <u>same</u> Participant scheduled for the start of a future business date	Slide 24
Settlement Design	SETT_1.2	The CHES replacement system should support the ability for the FoP transfer of securities between two accounts (HINs) controlled by <u>different</u> Participants scheduled for the start of a future business date <u>where matching transactions are received</u>	Slide 24
Settlement Design	SETT_1.3	The CHES replacement system should support the ability for the FoP transfer of securities between two accounts (HINs) controlled by <u>different</u> Participants scheduled for the start of a future business date <u>where the Participants are in a related group</u>	Slide 24
Settlement Design	SETT_1.4	The CHES replacement system should support the ability for the FoP transfer of securities between two accounts (HINs) controlled by <u>different</u> Participants scheduled for a future batch settlement cycle <u>where the Participants are in a related group</u>	Slide 24
Settlement Design	SETT_1.5	The CHES replacement system should support the ability for the on demand DvP transfer of securities between two accounts (HINs) controlled by <u>different</u> Participants <u>where matching transactions are received</u>	Slide 24
Settlement Design	SETT_1.6	The CHES replacement system should support the ability for the FoP transfer of <u>all</u> securities between two accounts (HINs) controlled by the <u>same</u> Participant scheduled for a future end of day processing cycle.	Slide 24
Settlement Design	SETT_1.7	The CHES replacement system should support the ability for the FoP transfer of <u>all</u> securities between two accounts (HINs) controlled by the <u>different</u> Participants scheduled for a future end of day processing cycle <u>where matching transactions are received</u>	Slide 24
Settlement Design	SETT_1.8	The CHES replacement system should support the ability for a PFoD transaction to support the transfer of funds between Participants on demand for non-miscellaneous use cases (e.g. corporate action election payments)	Slide 24

Appendix – Design Considerations for Drop 2

Business Design Document	Reference	Design Consideration	Slide Reference
Settlement Design	SETT_1.2.1.1	The CHES replacement system should support the ability to configure matching criteria for bilateral transactions by configuring matching fields that are: <ul style="list-style-type: none"> • Mandatory matching fields; • Additional matching fields; • Optional matching fields; or • Non-matching fields 	Slide 25
Settlement Design	SETT_1.2.1.2	The CHES replacement system should support the ability to configure separate matching criteria for bilateral transactions based on details of the transaction such as: <ul style="list-style-type: none"> •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 	Slide 26-34
Settlement Design	SETT_1.2.1.3	The CHES replacement system should support the capability of adding fields to the matching criteria such as: <ul style="list-style-type: none"> •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 30, 32
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 CHES replacement	Slide 26-34
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 33
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) <i>Note: Transaction basis would still be required for transactions such as primary market facility, securities lending, and settlement facilitation service related settlement instructions</i>	Slide 27

Appendix – Design Considerations for Drop 2

Business Design Document	Reference	Design Consideration	Slide Reference
CEB & Market Claims	BOM_2.2	The CHES replacement system should support one basis of movement applicable to all concurrent corporate actions. The valid basis of movement values will be: <ul style="list-style-type: none"> •CUM – The transfer is 'cum' for all concurrent corporate actions •EX – The transfer is 'ex' for all concurrent corporate actions Replacing the existing override basis of movement values.	Slide 26
CEB & Market Claims	BOM_2.3	The CHES replacement system should default all transactions to cum, with ex transactions will be entered by Participants and Share Registries by exception.	Slide 28
CEB & Market Claims	BOM_2.4	The CHES replacement system will not support different types of defaulting rules for specific transaction types or configurations.	No further discussion required
CEB & Market Claims	BOM_2.5	The CHES replacement system will not support the following XZ – Ex Non Pro Rata Balance.	No further discussion required
CEB & Market Claims	BOM_2.6	The CHES replacement system should only support market obligations (trades and netted obligations) as cum transactions. Basis of movement will not be a netting criteria and ex basis movements are not supported in batch for market obligations.	No further discussion required

Business Design Document	Reference	Design Consideration	Slide Reference
Registration Details & Investor Information	REG_2.1	The CHES replacement system should support the ability to specifically identify a holder who is a: <ul style="list-style-type: none"> •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 37, 38

