



# CHES Replacement Project

**Industry webinar**

17 May 2023



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Country throughout Australia.  
We pay our respects to  
Elders past and present.

ARTWORK BY: LEE ANNE HALL, MY COUNTRY MY PEOPLE



# Housekeeping: trouble shooting

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    - Phone number: **+61 2 9091 7604**
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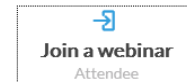


- ✔ OS - Windows 8.1
- ✔ Browser - IE 11
- ✔ Internet connection - Strong
- ✔ Flash - Enabled

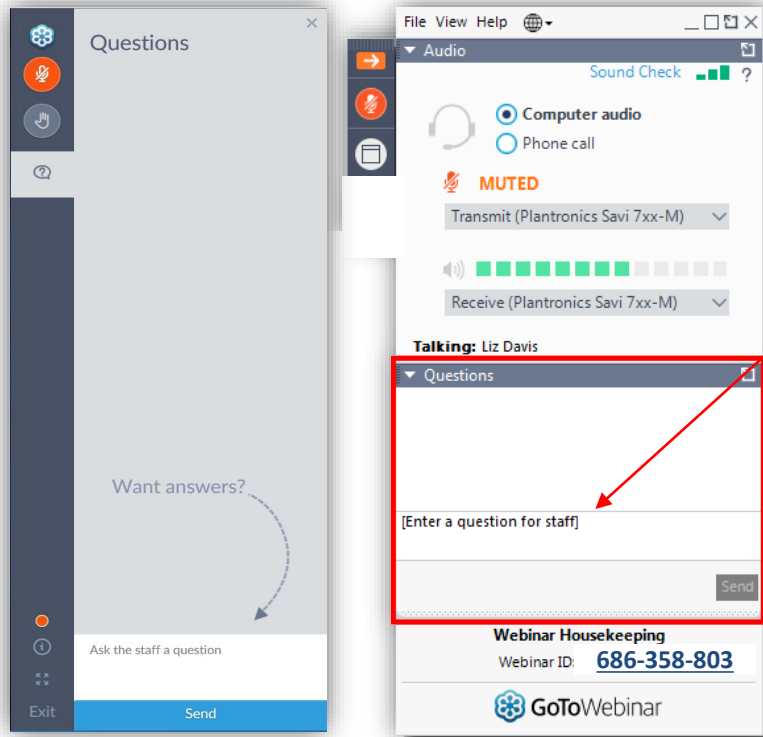
Test your system again

View System Requirements

Next steps



# Housekeeping: how to submit questions



## Your Participation

- To submit your text questions and comments use the Questions panel
- Note that your questions will not be seen by other attendees

For more information - refer to the webinar tips published on the ASX webpage

# Presenters and introductions

- 
- Katie McDermott
- 
- Tim Whiteley
- 
- Tim Hogben
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# Agenda

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- CHES Replacement program status
- 
- CHES Replacement Partnership Program
- 
- Q&A
-

# CHES Replacement project status

# CHES Replacement - Solution Update

Planning our thinking around the following key “Solution Types”



## Fix CHES Replacement

**A solution based on the current implementation and targeting to solve core issues and complexity leveraging DAML as transaction processing**



## Build custom solution

**A solution designed from ground-up with conventional technologies and aligned with principles and IT strategy**



## Product based solution

**A solution that relies on a vendor product with additional ASX components if required**



## Iterate over legacy CHES

**A solution starts from legacy CHES codebase and iterates to achieve new capabilities in a phased manner**



# Redesign Plan Update

## Plan for Solution Design

	CY Q1	CY Q2	CY Q3 / Q4	
<b>Product Definition &amp; Business Case</b>	<ul style="list-style-type: none"> <li>✓ Business Vision &amp; Strategy</li> <li>✓ Program Objectives</li> </ul>	<ul style="list-style-type: none"> <li>❑ Scope and business requirements refined</li> </ul>	<ul style="list-style-type: none"> <li>❑ Scope and business requirements baselined</li> <li>❑ Business case submitted</li> </ul>	
<b>Solution Assessment</b>	<ul style="list-style-type: none"> <li>✓ Current state evaluation</li> <li>✓ Solution decision framework developed</li> </ul>	<ul style="list-style-type: none"> <li>✓ Solution decision framework approved</li> <li>✓ Solution options refinement</li> <li>❑ Solution options evaluated</li> </ul>	<ul style="list-style-type: none"> <li>❑ Solution design finalised</li> <li>❑ Project estimation completed</li> </ul>	<p>★ Announcement of solution design</p>
<b>Sourcing &amp; Commercial</b>	<ul style="list-style-type: none"> <li>✓ Market Scan</li> <li>✓ Vendor solution RFI</li> </ul>	<ul style="list-style-type: none"> <li>✓ Vendor RFI evaluation</li> <li>❑ Vendor RFP issued and responses received</li> <li>❑ System integrator RFP</li> </ul>	<ul style="list-style-type: none"> <li>❑ Vendor commercial and contracting processes</li> <li>❑ SI selection and contracting</li> </ul>	<p>Market engagement on readiness and implementation planning</p>
<b>Testing &amp; Implementation</b>	<ul style="list-style-type: none"> <li>✓ Implementation options review</li> </ul>	<ul style="list-style-type: none"> <li>❑ Implementation impact assessment</li> <li>❑ High level test strategy</li> </ul>	<ul style="list-style-type: none"> <li>❑ Implementation strategy</li> <li>❑ Test strategy &amp; approach completed</li> </ul>	

**Key Risk:**

- Vendor commercial and contracting processes may impact the timeline for a Q4 announcement on a solution design

# Project scope

## Engagement plan for scope refinement sessions

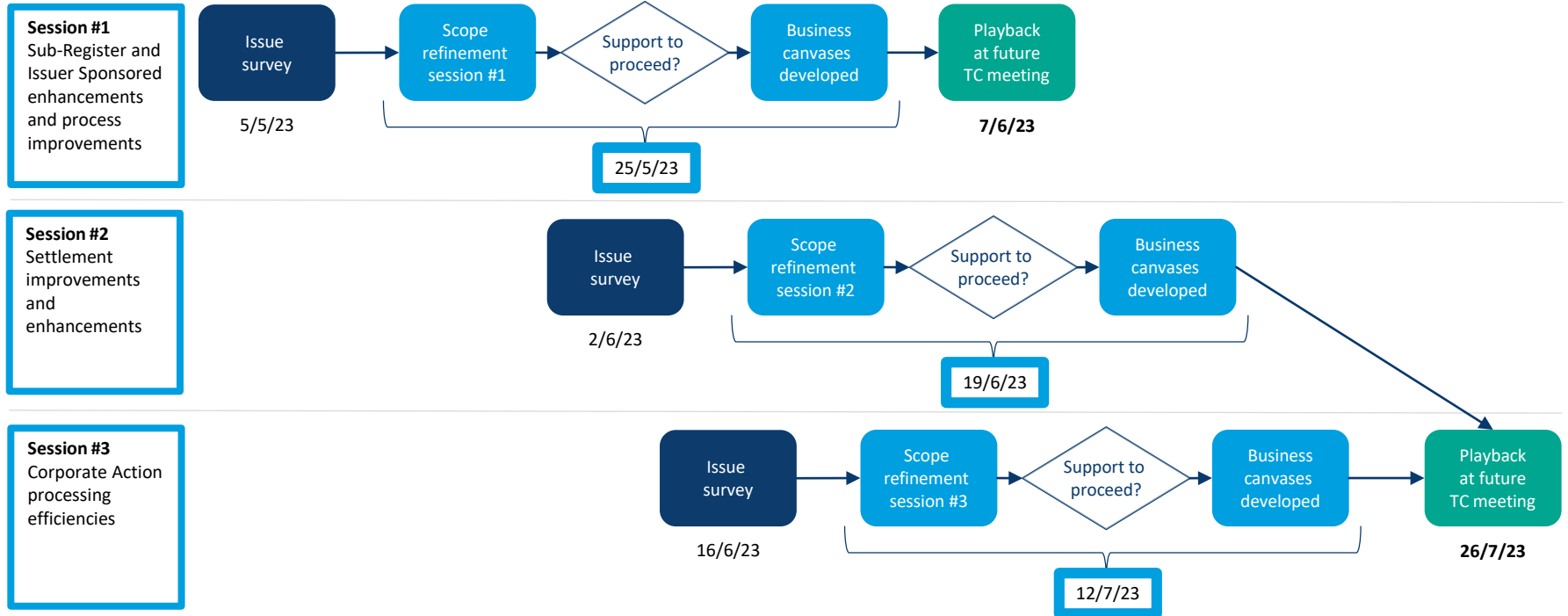
### Overview of Upcoming Scope Refinement Sessions:

- Scope refinement sessions will be 4 hour collaborative sessions, held at ASX's offices at Bridge Street and virtually via Teams.
- In each session the aim will be to construct a number of business canvases (refer sample) that articulate the problem statements and proposed solutions for each scope request as well as benefits, risks and impacts.
- Invitees will be surveyed in advance of the each scope refinement session, with the feedback informing the priorities for the session and initial drafting of the business canvases. Survey questions are based on scope feedback already received.
- A representative from an industry association will attend and act as moderator for each session. They will assist in ensuring voices are heard and the canvases are reflective of stakeholder sentiment.
- The sessions will be interactive and attendees are encouraged to send SMEs with relevant knowledge on the business need.

	When	Moderator	Invitees
<b>Sub-Register and Issuer Sponsored enhancements and process improvements</b>	<b>25 May</b> 9am-1pm Sydney, Bridge St.	<b>AFMA</b> (Damian Jeffree)	Settlement Participants, Share Registries
<b>Settlement improvements and enhancements</b>	<b>19 June</b> 9am-1pm Sydney, Bridge St.	<b>AFMA</b> (Damian Jeffree)	Settlement Participants
<b>Corporate Action processing efficiencies</b>	<b>12 July</b> 9am-1pm Sydney, Bridge St.	<b>ACSA</b> (David Travers)	Settlement Participants, Share Registries

# Project scope

## Feedback from industry and scope refinement engagement approach



# Industry engagement

## Newly formed industry Technical Committee established & meeting monthly



Topics covered at TC

### Agenda items:

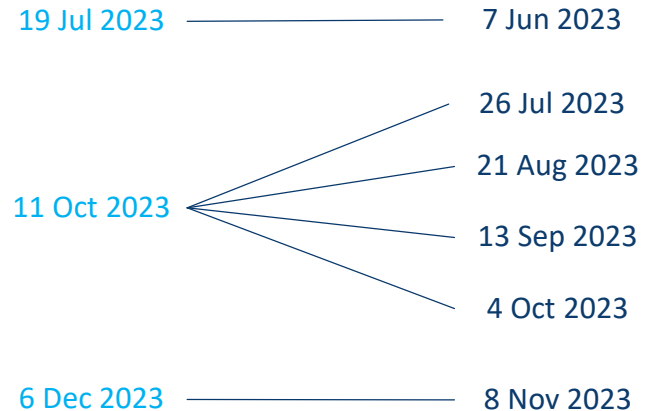
- Project status & governance
  - Committee charter
  - 'Define and Plan' phase & progress
  - EY assurance program
- Project scope
  - Project objectives
  - Upcoming scope refinement workshops
- Testing approach
  - Industry PIR
- Implementation options
  - Opportunities for a staged implementation approach & feedback



Upcoming in 2023

### Business Committee meetings:

### Technical Committee meetings:



# CHES Replacement Partnership Program

# Partnership Program

## Summary

- 16 February 2023 - ASX announced the CHES Replacement Partnership Program (“**Partnership Program**”) as part of the 1H23 results release.
- The Partnership Program recognises that there is further cooperation required on the CHES replacement project than originally anticipated, and aims to provide a financial contribution towards our stakeholders' engagement on the project going forward.
- Total of \$70 million across eligible stakeholders through a **Participant Rebate Pool** of \$15 million and a **Development Incentive Pool** of up to \$55 million.
- Payment of the Participant Rebate Pool will be made in **August 2023**.
- Initial payment under the Development Incentive Pool is expected to be made by **31 May 2023**. Balance of further financial support will be tied to future program milestones.
- 28 April 2023 - ASX invited feedback from stakeholders on the proposed Development Incentive Pool eligibility criteria.
- Following feedback process, as well as numerous other stakeholder discussions since pausing CHES replacement in late 2022, ASX has incorporated changes to expand the number of parties who will be eligible for the Partnership Program and increases the initial payment amounts.



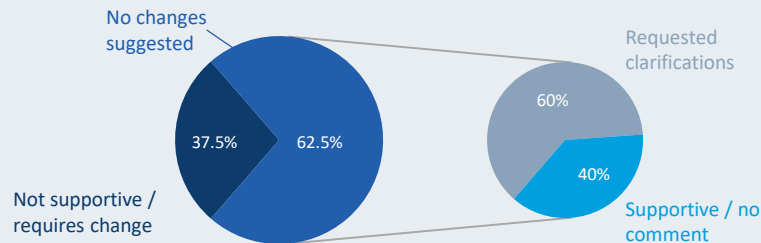
# Partnership Program

## Approach and feedback

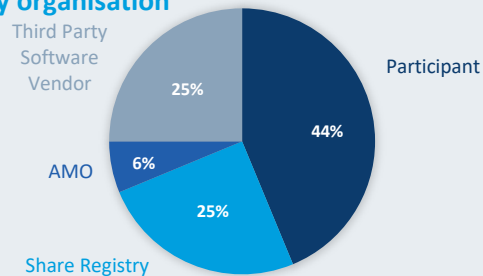
### Feedback received

- 77 organisations were approached for feedback via email
  - ASX made 19 follow-up calls
- ASX received feedback from 16 organisations - 4 software vendors, 4 share registries, 7 participants and 1 AMO.
  - 10 organisations suggested no additional changes to the proposed eligibility criteria
    - 4 organisations were supportive of the proposed eligibility criteria
    - 6 organisations requested clarifications
  - 6 organisations were not supportive of the proposed eligibility criteria and suggested changes
- ASX then grouped the feedback into common themes linked to the proposed eligibility criteria, and assessed the impact and feasibility of any proposed changes to the criteria.

### Feedback sentiment



### Feedback by organisation



# Partnership program

## Eligibility Criteria Recap

### Participant Rebate Pool

To be eligible to receive payment under the Participant Rebate Pool, a Program Participant must be a participant of ASX Settlement or ASX Clear in accordance with the ASX Settlement Operating Rules or the ASX Clear Operating Rules (as applicable).

### Development Incentive Pool

To be eligible for the Development Incentive Pool, a Program Participant must be an entity developing a technology application to connect to and interact with the CHES replacement solution, and which will be subject to technical accreditation by ASX. Each eligible participant will be categorised as a Tier 1, Tier 2 or Tier 3 Program Participant, and the allocated tier will determine the amount to which the Program Participant is entitled for both the initial and milestone based payments.

	Developing software to connect and interact with the CHES replacement solution and will be subject to ASX technical accreditation	Number of messages being developed
Tier 1	Yes	Greater than 85
Tier 2	Yes	Greater than 50 but equal to or less than 85
Tier 3	Yes	Greater than 15 but less than or equal to 50

ASX has determined that it is appropriate to include additional stakeholders as Program Participants in the Development Incentive Pool who do not otherwise meet the above criteria. This captures stakeholders who:

- will undertake major internal development to prepare their systems and operations to integrate with vendor systems, which supports key project milestones and a successful go-live of the CHES replacement solution; and
- transmit and receive more than 5 million CHES messages annually.

# Partnership Program

## Feedback received

Feedback Themes	ASX Response
<ul style="list-style-type: none"><li>○ Short response window</li></ul>	<p>The response window balanced the need for timely feedback and prompt payment of the initial Development Incentive Pool amount by 31 May 2023.</p>
<ul style="list-style-type: none"><li>○ Eligibility criteria should consider previously completed work (for example, CDE and ITE1)</li></ul>	<p>As the Partnership Program aims to provide a substantive financial contribution towards our stakeholders' engagement on the CHES replacement project going forward, eligibility criteria focuses on indicators of future development effort.</p>
<ul style="list-style-type: none"><li>○ Tier classification by number of messages developed to is too broad to act as eligibility criteria</li></ul>	<p>Number of messages developed (and accredited) is a measureable and objective criteria that acts as an indicator of development moving forward.</p>
<ul style="list-style-type: none"><li>○ Number of applications should be considered as eligibility criteria</li></ul>	<p>In allocating payment entitlements, the proposed eligibility criteria will take into account the number of applications per organisation (which will in all cases be subject to technical accreditation).</p>
<ul style="list-style-type: none"><li>○ Impact consideration of potential changes to mFund</li></ul>	<p>Proposed eligibility criteria will be inclusive of mFund CHES message suite. Should this change, the message tallies across all tiers will be adjusted accordingly. There would therefore be no overall impact on tiering.</p>

# Partnership Program

## Key questions and clarifications

Questions	ASX Response
<ul style="list-style-type: none"><li>○ Is it mandatory to participate in the Partnership Program?</li></ul>	<p>No, it is not mandatory to participate in the Partnership Program. Those who are eligible for the Partnership Program will receive a letter of invitation.</p>
<ul style="list-style-type: none"><li>○ How are payments impacted if a program participant changes tier?</li></ul>	<p>Eligible entities are expected to develop and accredit to the number of messages their software supports. If there is a change in circumstances after the initial payment which may impact on an entity's allocated tier, ASX will reconsider the allocated tier for future payments.</p>
<ul style="list-style-type: none"><li>○ Will milestone payments be paid upon technical accreditation? How will this be handled as not all participants undertake accreditation at the same time?</li></ul>	<p>The milestone payment plan is subject to the solution decision (which is targeted for the end of 2023) and the subsequent consultation on the implementation plan that follows.</p>
<ul style="list-style-type: none"><li>○ How will ASX communicate the program roadmap, milestones and expectations from program participants?</li></ul>	<p>Eligible entities will received direct communication regarding the Partnership Program. ASX will communicate more general key Partnership Program updates through existing stakeholder engagement channels including Business Committee, industry webinars and EDMs.</p>
<ul style="list-style-type: none"><li>○ How will ASX handle multiple eligible entities within the same organisation?</li></ul>	<p>All entities that meet eligibility criteria will be invited to participate in the Partnership Program.</p>

# Partnership program

## Proposed changes

### Partnership Program (initial)

- Development incentive pool of up to \$55 million with up to \$10 million initial payment scheduled for 31 May 2023
- Eligible stakeholders include Third Party Software Vendors, Share Registries and AMOs
- Eligibility criteria is based on number of messages developed to



### Revised Partnership Program (as at 17 May 23)

- Development incentive pool of up to \$55 million with up to **\$20 million** initial payment scheduled for 31 May 2023.
- Eligible stakeholders include Third Party Software Vendors, Share Registries, AMOs **and Clearing & Settlement participants developing in-house software.**
- Eligibility criteria is based on number of messages developed to **and also takes into account the number of applications an entity is developing and will be subject to technical accreditation**
  - Incentive Program Participants with more than 1 application being accredited will be eligible for a payment of 1.5 times the tier payment amount.
  - The applications being developed must satisfy tier 3 at a minimum to qualify as an additional application.

# Partnership program

## Next steps





Q&A

Thank you.



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