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CHES replacement project update – Delay to project schedule; ASX to commission independent review of new CHES application software

I would like to update CHES users, software providers and other stakeholders on some important developments with the CHES replacement project.

The CHES replacement project remains at the centre of ASX’s work to build an exchange of the future and deliver once-in-a-generation innovation to the market. It is a large and complex undertaking, involving multiple parties.

ASX advised previously (28 March and 11 May 2022) that there had been delays to the expected delivery schedule of the CHES application software.

ASX and Digital Asset (DA), our application software provider, have identified that more development is required than previously anticipated to meet ASX’s scalability and resilience requirements for the application, so as to build a new clearing and settlement system that serves the needs of Australia’s financial markets into the future. This is contributing to delays to the delivery of the remaining technical components of the application.

Helen Lofthouse, who succeeded Dominic Stevens as ASX’s Managing Director and CEO on 1 August, has expressed support for the CHES replacement project. In bringing a fresh set of eyes, Helen is seeking an independent assessment of the new application and the remaining deliverables, and supports a process that will strengthen stakeholder confidence.

To bring external expertise to assess the remaining work required to complete delivery of the application, ASX will engage Accenture to provide an independent review of the new CHES application. The review will also identify necessary actions for ASX to communicate a revised timetable to finish the project.

DA will work in cooperation with ASX and Accenture to complete the review. The review is expected to commence in August and to take approximately 12 weeks. The final report will be provided by ASX to ASIC and RBA, and to EY as part of its ongoing reviews of ASX's assurance program. ASX will publicly release the findings of the review.

In parallel, ASX is progressing testing and technical accreditation with software providers, and working on a revised delivery schedule. This includes engaging with stakeholders on the timing of project milestones, including CHES user and industry testing, operational readiness, market dress rehearsals and implementation. The review by Accenture will provide important input into this replanning activity.

ASX understands that our customers and other industry stakeholders need clarity on what this review will mean for your preparation and readiness activities. Based on current information, we do not expect that the go-live date for new CHES could be before late 2024. But the independent review will provide further information to help us to determine and communicate a go-live date with confidence.

For CHES users specifically, based on current information, ASX advises:

- CHES user testing in ITE2 will not commence in September and has been put on hold until after
 - ASX has consulted with stakeholders on a replan and announced a new go-live date
 - software providers have completed initial accreditation on version 1.3 of the software to provide CHES users with a readiness metric
- CHES users can choose to either continue completing their network connectivity and the set-up of security certificates for ITE2, or wait until a new timeline has been announced
- CHES vendor software initial accreditation will continue in the recently upgraded ITE environment (version 1.3) and remains scheduled to be completed by the end of the year, subject to stakeholder input
- commencement of CHES user readiness testing will be no later than 12 months prior to a new go-live date.

In a market announcement today, Helen Lofthouse said: "There has been significant progress with CHES replacement. But it is important that we take time for a careful, independent review of the work done to date and the work still to do. CHES is a critical system and we must have high confidence in the schedule to deliver new CHES safely.

"I know our customers will be as disappointed as I am with the uncertainty about the timeline for completion. I apologise for the uncertainty and thank them for their close and constructive work with us on this important project.

"ASX continues to invest in the existing CHES system, and has already significantly strengthened its capacity, speed and resilience to cater for the increased trading activity in recent years. Existing CHES remains secure and stable, and continues to perform well as we transition to a replacement CHES system," Helen concluded.

I look forward to providing further information on these developments and responding to questions at today's Implementation and Transition working group

webinar. All impacted stakeholders should have received a calendar invitation.

Best regards,

Tim Hogben

Group Executive

Securities and Payments

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