

ASX

CHES Replacement

Technical Committee

7 February 2024



ASX acknowledges the
Traditional Owners of
Country throughout Australia.
We pay our respects to
Elders past and present.

ARTWORK BY: LEE ANNE HALL, MY COUNTRY MY PEOPLE



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- > 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 minute taking
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 - **+61 2 7208 4607**
 - Phone Conference ID: **674 386 373#**
- > Presentation materials will be distributed after the meeting

Important Information

Competition Law Reminder

- > Committee 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 – Welcome, open actions & feedback

02 – Project status

03 – Working group updates

04 – Industry engagement & consultation

05 – Pulse Survey

06 – Delivery partners

07 – Forward work plan

01 – Welcome

Open actions and member feedback

Technical Committee

Open actions

- > **2023 November (1) - Verify with T2S if there are any future plans to cater for ASN.1 change in format**
 - T2S uses SWIFT. We contacted SWIFT who confirmed that they have no plans to support ASN.1
- > **2023 November (2) Provide and validate priority scope items to support the effective sequencing of future working groups**
 - Presented and validated in the 11 December Business Design Working Group (BDWG). Presented in agenda item 3
- > **2023 November (3) Provide an industry consultation working group model inclusive of the Advisory Group**
 - Updated working group model presented in agenda item 3
- > **2023 November (4) Confirm the impact of the Release 1 timing proposal on TAS**
 - Refer to the next slide

Open Action – 2023 November (4)

Confirm the impact of the Release 1 timing proposal on Trade Acceptance Service (TAS).

The current legal terms provide that ASX may amend or replace the terms and standards to give effect to the CHES replacement system. ASX has committed to consult with each AMO in good faith and acting reasonably, in relation to any such new terms and standards (cl 26A TAS legal terms; cl 14 product services legal terms).

The following documents are in scope:

1. Trade Acceptance Service Legal Terms
 2. Product Services Legal Terms
 3. Operational and Technical Standards
- The focus of the updates will be on changes:
 - necessary to reflect the operation of the replacement CHES system (e.g. updating CHES message numbers with equivalent FIX message references); and
 - to extend the legal terms to also apply to ASX Limited (as market operator) reflecting that from the commencement of the new system all market operators will be accessing the trade acceptance service on the same basis using a FIX gateway.

NB - Several other documents will also need review, but may not form part of formal consultation – e.g. AMO Operational Procedures, access protocol, new and change request forms etc.

Open Action – 2023 November (4)

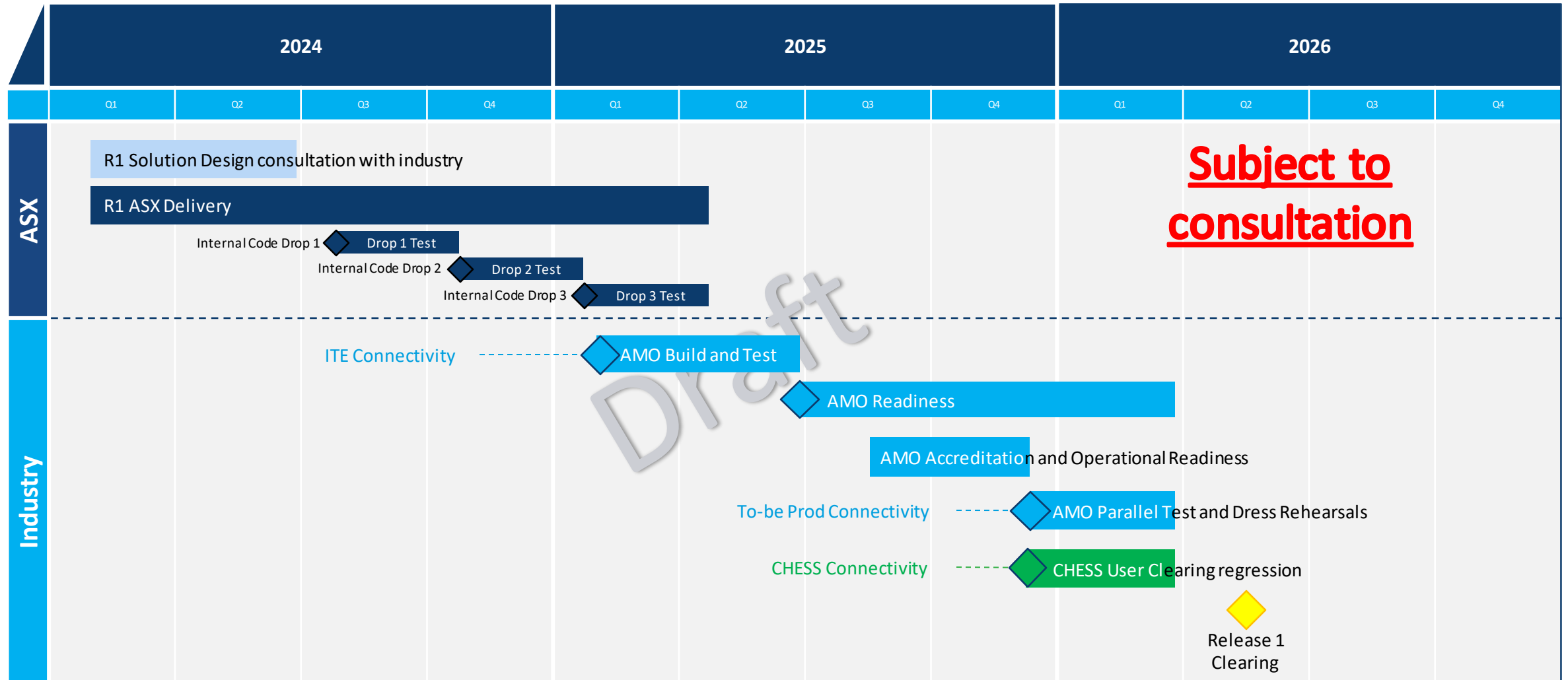
Confirm the impact of the Release 1 timing proposal on TAS (cont...)




02 – Project status

02 – Indicative Release 1 Project Timeline

High level overview of the proposed timeline, subject to industry consultation





03 – Working group updates & prioritised backlog

03 – Stakeholder engagement working groups

Updates

[Implementation and Transition Working Group \(ITWG\)](#)

- The 12 December I&TWG provided a Release 1 focussed overview of the approach to phased implementation, industry testing phases, the implementation timeline and next steps.
- The next I&TWG is scheduled for 20 February and will review relevant R1 consultation topics.

[Business Design Working Group \(BDWG\)](#)

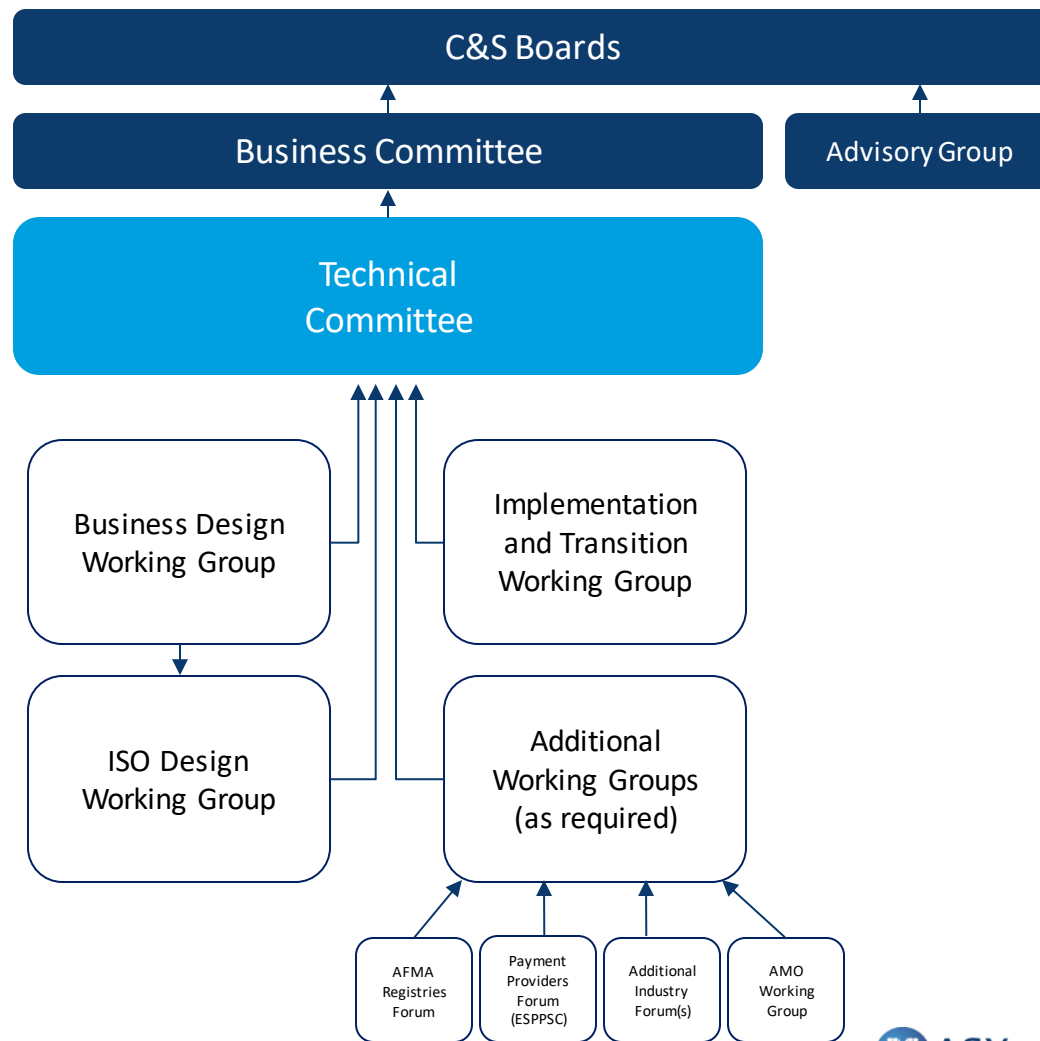
- The 11 December BDWG proposed a timeline and topics for discussion, the workshop approach, expectation and inputs required from members, the business design document and next steps. Some schedule updates have been made based on member feedback.
- The 31 January Business Design Working Group covered Trade Acceptance and Clearing. A Business Design Document is currently in drafting, to be shared at next TC.
- The next BDWG is on SRN Enquiry & Issuer Sponsored (28th Feb), given the previous engagement on this topic an additional survey is not planned, pre-read will be sent out in advance for review.

[ISO Design Working Group \(IDWG\)](#)

- Kick off planned for April 2024 – Objective of the IDWG is to review, discuss and agree any key model design assumptions, process or value changes required to support the adoption of ISO 20022.

[AMO Working Group](#)

- The 10 November 2023 kick off session proposed a timeline and topics for discussion, the workshop approach, expectation and inputs required from members.
- 1 February 2024 AMO WG covered the TAS review plan, testing approach and industry consultation overview.



03 – Business Design Working Group

Upcoming Sessions

Upcoming business design workshops 2024

	Proposed Topic	Objectives	Proposed Date	Applicable Users
-	Kick-off and Planning	-	11 December 2023	Technical Committee Members
1	Clearing Design – Trade Acceptance and Netting	4.1, 5.3	31 January 2024	AMOs, Clearing Participants, Software Providers
2	SRN Enquiries & Issuer Sponsored Holdings	1.3, 1.4	28 February 2024	Settlement Participants, Share Registries, Software Providers
3	Data & Connectivity	1.6	March 2024	Software Providers, Settlement Participants, Share Registries
4	Payments	3.2, 4.5	March April 2024 (commence)	Payment Providers, Settlement Participants, Share Registries
5	Cum Entitlement Balance Design Review	3.4, 5.5	April 2024	Software Providers, Settlement Participants, Share Registries
6	Settlement Design (Matching, Batch Settlement)	4.2, 5.3, 2.1, 2.2	May 2024	Settlement Participants, Payment Providers, Software Providers
7	Registration Details & Investor Information	1.1, 3.6	June 2024	Settlement Participants, Share Registries, Software Providers
8	Corporate Actions – DRP, Entitlements, Distribution Information	3.2, 3.3, 3.5, 3.7, 3.8	July 2024	Settlement Participants, Share Registries, Software Providers
9	Settlement Design cont... (Matching, Non-Batch DVP, Linking, Locking)	1.5, 2.1, 2.2, 2.6, 4.3, 4.4, 4.5	August September 2024	Clearing Participants, Settlement Participants, Software Providers
10	Market Claims (Diary Adjustments)	3.1	September October 2024	Settlement Participants, Software Providers

03 – CHESS Replacement Scope Objectives

Prioritised backlog

Functionality	Ref	Scope Objective	Status	Update
Changes to Netting Process	4.1	Review the design for netting in the context of the solution	January BDWG	Business Design Document to be socialised at March TC.
Interoperability	5.3	Ensure the solution is designed to enable potential future interoperability between CCPs, SSFs and/or sub-registers	January BDWG (Clearing) May BDWG (Settlement)	Business Design Document to be socialised at March TC. Further engagement planned for May BDWG on settlement design
SRN enquiry and validation	1.3	Implement a faster and more efficient SRN enquiry process	February BDWG	Planned for 28 February BDWG on SRN enquiries and issuer sponsored holdings
Issuer sponsored improvements	1.4	Reduce settlement risk in relation to issuer sponsored sales	February BDWG	Planned for 28 February BDWG on SRN enquiries and issuer sponsored holdings
Payments	<i>NEW</i>	Payment processes for corporate actions, batch and non-batch DvP settlement processes	March ESPPSC, April BDWG	To be surveyed via ESPPSC in March. Planned for BDWG in April.
Continuous holding balance	1.6	Provide more efficient, reliable and faster access to holding information	March BDWG	Planned for March BDWG on data access (holdings)
Cum entitlement balances	<i>NEW</i>	Review use cases for Cum Entitlement balances and assess its continued effectiveness for the Australian market	April BDWG	New objective to evaluate opportunities to improve or re-design the current entitlement transfer process in context of the solution.
Changes to settlement process	4.2	Review the design for settlement in the context of the solution	May BDWG	Planned for May BDWG on settlement design
Bilateral Matching Improvements	2.1	Reduce operational risk by ensuring participants are able to submit and match transactions in the system as soon as practical whilst minimising the likelihood of incurring a failed settlement (e.g. being able to separately match and schedule a transaction)	May BDWG August BDWG (cont.)	Planned for September BDWG on settlement instructions (matching, non-batch DVP, linking, locking)
Bilateral Matching Improvements	2.2	Reduce operational risk by minimising mismatches and failed matches by increasing the data sharing and matching fields available and/or making use of information available in upstream systems	May BDWG August BDWG (cont.)	Planned for September BDWG on settlement instructions (matching, non-batch DVP, linking, locking)
Registration details and investor information	1.1	Standardise, improve and better synchronise the data sharing between participants and share registries	June BDWG	Planned for June BDWG on registration details and investor information

Proceed to CHESS replacement design

Note: indicative order, subject to change based on industry inputs and further planning. Multiple sessions may be required per topic.

03 – CHESS Replacement Scope Objectives (cont...)

Prioritised backlog

Functionality	Ref	Scope Objective	Status	Update
Proceed to CHESS replacement design	3.2	Provide standardised straight through processing capability for corporate action elections and cost-effective associated payments	July BDWG	Planned for July BDWG on corporate actions (DRP, entitlements and distribution information). Engagement on Payments via ESPPSC starting March.
	3.3	Reduce operational risk in relation to DRP standing instructions	July BDWG	Planned for July BDWG on corporate actions (DRP, entitlements and distribution information)
	3.5	Provide standardised electronic transmission of corporate action distribution information to create opportunities for automation and process improvement.	July BDWG	Planned for July BDWG on corporate actions (DRP, entitlements and distribution information)
	4.3	Settlement Linking – review and evaluate solution design	August BDWG	Planned for August BDWG on settlement instructions (matching, non-batch DVP, linking, locking)
	4.4	Settlement Locking – review and evaluate solution design	August BDWG	Planned for August BDWG on settlement instructions (matching, non-batch DVP, linking, locking)
	4.5	Bilateral Non-Batch DvP Settlement – review and evaluate in the context of payment processes	August BDWG	Planned for August BDWG on settlement instructions (matching, non-batch DVP, linking, locking). Engagement on Payments via ESPPSC starting March.
	3.1	Review and enhance the current processes for automated claims (diary adjustments) to ensure it continues to meet the market needs.	September BDWG	Planned for September BDWG on market claims (diary adjustments)

Note: indicative order, subject to change based on industry inputs and further planning. Multiple sessions may be required per topic.

03 – Current CHES & Further Consideration Scope Objectives

Prioritised backlog

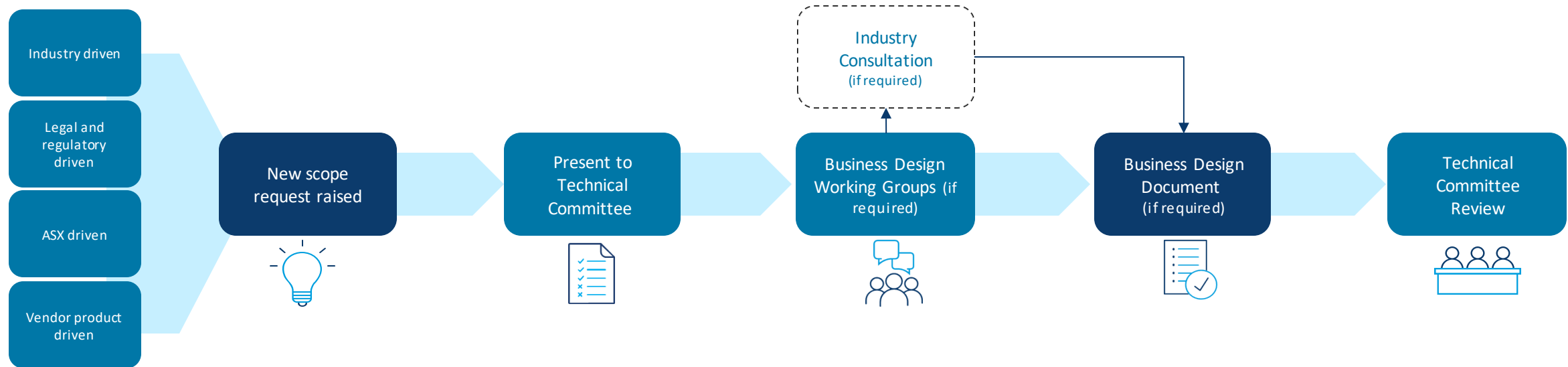
		Functionality	Ref	Scope objectives for evaluation in current CHES	Status	Update
Evaluate in current CHES		Corporate actions – holding adjustments	3.7	Ensure holding adjustment reason codes are up to date and being used correctly	March TC for update	Potential improvements in current CHES to be presented in March TC
		ETF Creations & Redemptions	1.5	Reduce operational risk in relation to the current ETF creation/redemption workflow	March TC for update	Improvements in current CHES to be evaluated alongside 3.7
		Corporate actions – bank account information	3.6	Evaluate whether ASX can help with the transmission of bank account information in relation to bid offers	May TC for update	Potential improvements in current CHES to be presented in May TC
		Corporate actions – sub-register state	3.8	Make sub-register state more readily available to participants to help improve processes in relation to de-listings	Future TC	Factored in to CHES Replacement scope Potential improvements in current CHES to be presented in future TC (TBD)
		Settlement Improvements	2.6	Scheduled Settlement CHES to CHES Transfer Request (MT107) - support usage within a participant group structure	Future TC	Factored in to CHES Replacement scope Potential improvements in current CHES to be presented in future TC (TBD)
		Functionality	Ref	Scope objectives in backlog for further consideration	Status	Update
Further consideration required		House/Client Segregation	5.2	House/client segregation consultation and potential impacts to the CHES Replacement Project	January BDWG	Discussed in the 31 January BDWG on Clearing design – Trade acceptance and netting Further bilaterals required, followed by further working groups if needed.
		Standing Instructions	2.3	Reduce operational overhead in relation to payment provider authorisations by allowing for automated approvals in the system within cash limits.	March ESPPSC, April BDWG	Planned for discussion in March BDWG on payments and ongoing review in the ESPPSC
		Preliminary Payment Notifications	2.4	Provide more certainty by enabling more frequent and/or configurable access to preliminary payment data.	March ESPPSC, April BDWG	Planned for discussion in March BDWG on payments and ongoing review in the ESPPSC
		Bilateral Matching Improvements	2.5	Bilateral Matching – use of Transaction Basis (on and off-market)	April TC for update	Potential improvements in current CHES to be presented in April TC
		Registration Details and Investor Information	1.2	Foreign restricted securities - review and simplify the current processes for holdings and transfers	Future TC	To be presented at a future TC, timing to be advised
		Settlement Improvements	2.7	Deferred settlement securities – review process to ensure/improve settlement efficiencies	Future TC	To be presented at a future TC, timing to be advised
		Cum Entitlement Balance Transfer	3.4	Evaluate opportunities to facilitate the transfer of entitlements (pre and/or post Record Date) ensuring this does not impact issuer schedules.	On hold	To be assessed based on outcomes of April BDWG on Cum Entitlement Balances
		Proxy voting	3.9	Standardised electronic proxy voting	Future backlog	Improvements in CHES Replacement to be evaluated at a later stage
		T+1	5.1	T+1 consultation and potential impacts to the CHES Replacement Project	In progress via T+1 WG	In progress via separate engagement on T+1

Note: indicative order, subject to change based on industry inputs and further planning. Multiple sessions may be required per topic.

03 – Backlog management

Process for changes or additions to the prioritised backlog

CHES & CHES Replacement scope management process:



Functionality	Ref	Scope Objective	Status	Update
Risk Enhancements	<i>NEW</i>	Risk and default management review and potential ASX risk enhancements	<i>NEW - ASX</i>	Proposed for May BDWG - Settlement.
Cum Entitlement Balance Review	<i>NEW</i>	Review use cases for Cum Entitlement balances and assess its continued effectiveness for the Australian market	<i>NEW - ASX</i>	Proposed for April BDWG - Cum Entitlement Balance Design Review
Registry HIN Validation	<i>NEW</i>	Provide the ability for Share Registries to validate account details to facilitate CHES allotment of investor accepted offers	<i>NEW - Registry</i>	Proposed for March BDWG - Data Access
Bid Offeror Automation	<i>NEW</i>	Provide an electronic Bid Offeror finalisation process in relation to Takeovers & Buybacks.	<i>NEW - ASX</i>	Proposed for July BDWG - Corporate Actions (DRP, entitlements and distribution information)

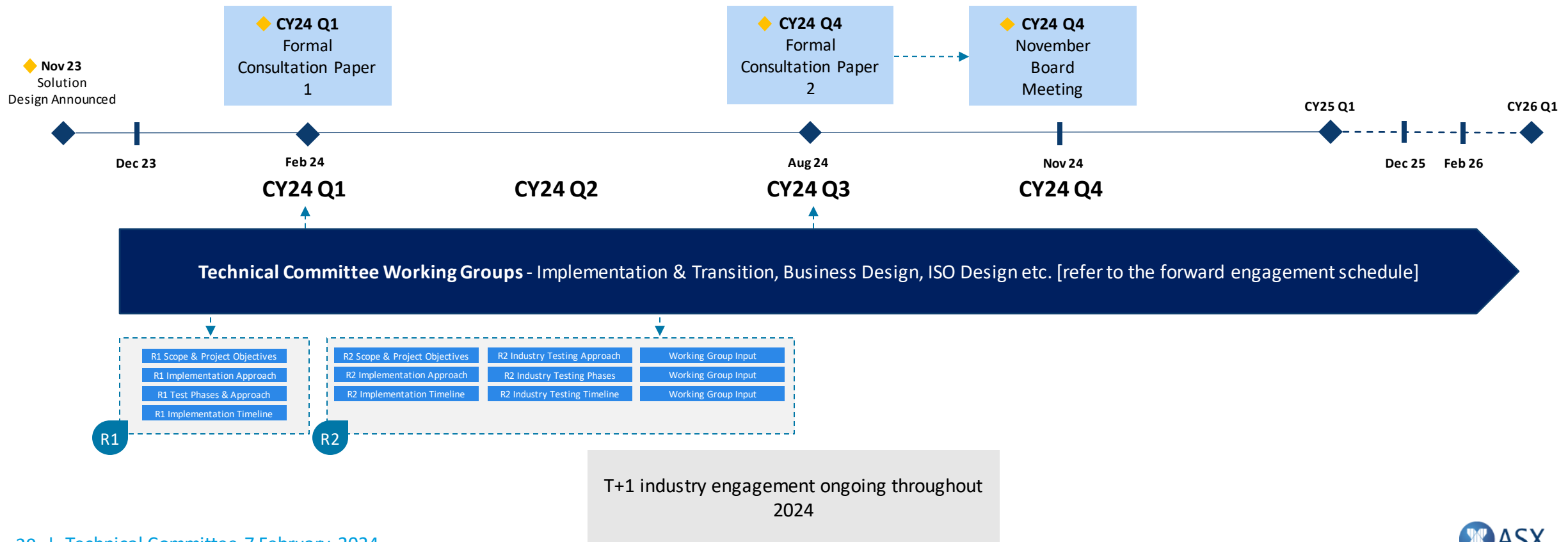


04 – Industry engagement & consultation

04 – Public consultation

Summary timeline

Formal consultation with stakeholders will commence in the first quarter of 2024 and cover the high-level project plan and an indicative timeline for the releases, including the design, scope, and timing for each of the releases.



04 – Industry engagement

Consultation topics

ASX will consult with the industry on:

Consultation Paper 1

Focus on Release 1 - Clearing

- Business scope items and their business design
- Demonstration of and consultation on how the vendor solution fits to deliver the market objectives for Release 1
- Market impacts and backward compatibility safeguarding impacts to all market participants other than AMOs
- How technical enablement aimed for R1 de-risks R2 implementation and delivers towards the target solution
- Industry testing approach, cutover & migration approach, delivery timeline and milestones
- Overall consultation approach to the Release 2 scope and timeline

Consultation Paper 2

Focus on Release 2 – Settlement & Sub-register

- Business scope items and their business design
- Demonstration of and consultation on, how the vendor solution fits to deliver the market objectives for Release 2
- Market impacts and activities required by market participants and software providers
- Industry testing approach, cutover & migration approach and delivery timeline
- Opportunities to mitigate risks further through various testing options (e.g. industry parallel testing)

Macro & Other Industry Factors

- Industry progress on T+1 or other macro industry factors, Partnership Program etc.

05 – Pulse survey

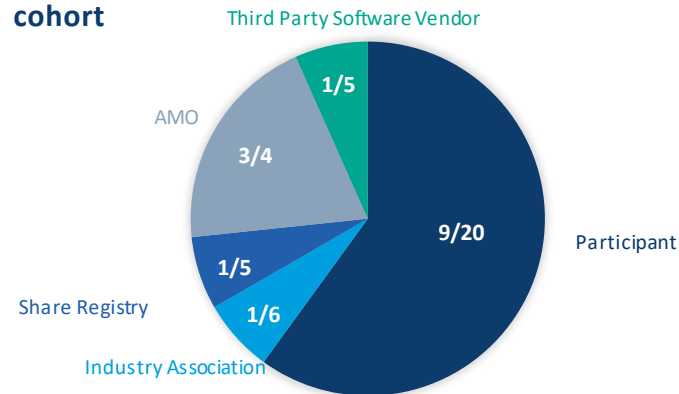
05 – Pulse Survey Results

Following end of CY 2023

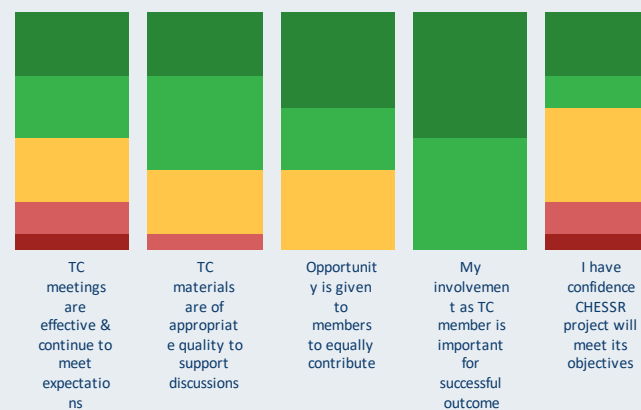
NEW RESULTS - End Q4 2023

- Similar sentiments to Q3 pulse, noting this is the first survey post solution decision.
- Improvements to TC meeting effectiveness and supporting material appropriateness.
- Working groups kicked off in December will continue to support member opportunities to contribute.
- Members acknowledge the role they play in the success of CHESR Replacement.
- Member confidence is trending upwards as further engagement is conducted.

Participation by cohort

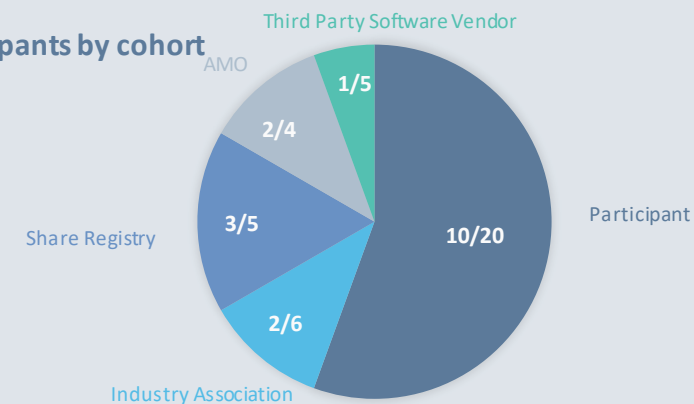


Engagement effectiveness

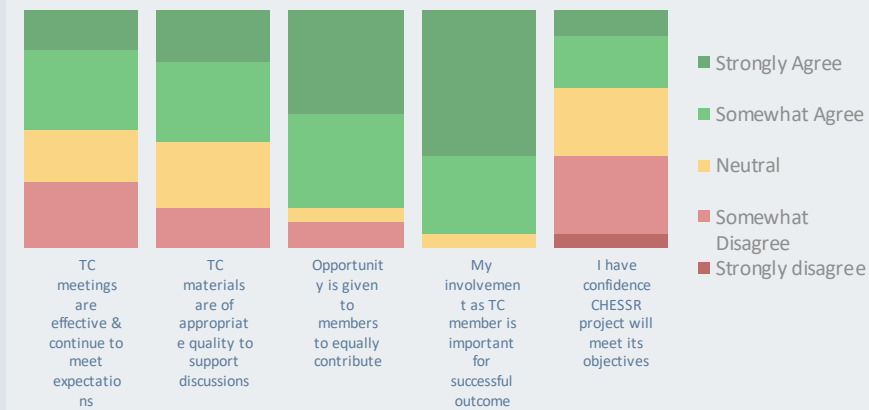


End Q3 2023

Participants by cohort



Engagement effectiveness



05 – Pulse Survey Results

Following end of CY 2023

End Q4 2023

	Written feedback/requests	ASX actions
Topics for bilaterals or future TCs	<ul style="list-style-type: none"> Rationale for AMO FIX interface timing, further information is also required on interoperability functionality in the proposed TCS solution. 	In addition to the February 1 AMO working group, bilaterals with AMOs are planned for early Q1 to expand on Release 1 considerations.
	<ul style="list-style-type: none"> Further clarity on partnership program would be good. There is plenty of uncertainty at the moment. 	The partnership program development incentive milestones will be included in consultation paper 1.
	<ul style="list-style-type: none"> Topics flagged for further review and current CHES improvements (if any) to be included in the project plan to allow organisations to plan resourcing requirements 	ASX is planning to revisit scope objectives flagged for further review as part of the scope refinement process in a subsequent TC (May post additional analysis).
Suggestions and recommendations	<ul style="list-style-type: none"> Need ASX to realise that not every voice is equal in terms of impact of this project on the Australian Market and give more weight to the most impacted parties, ignoring the squeaky wheels. 	ASX remains committed to its project objectives surrounding meeting its license obligations, delivering a supportable enterprise grade solution, having a robust plan, be considerate of industry impact and creating opportunities for industry efficiencies and growth.
	<ul style="list-style-type: none"> Establishing an effective AMO working group considering the unique requirements & dependencies. Early visibility to specifications, testing and implementation documentation and deployment approaches for effective engagement. 	ASX remains supportive of a member-driven cadence and agenda for the AMO working group. These topics will be recorded and proposed for subsequent working groups.
	<ul style="list-style-type: none"> To be clear on risk, benefits and impact to cost/client/productivity. 	Risk, benefits and impact are core considerations for CHES Replacement and will continue to be topics of discussion in TC and supporting working groups.
	<ul style="list-style-type: none"> Attempt to gather RBA/ASIC requirements for each phase (before or during consultation) 	The consultation papers will be shared with regulators, and feedback incorporated prior to its release.

Summary

- Members are satisfied with the level of information provided in the TC on standing agenda items.
- This information will continue to be built upon post solution decision as part of the TC and supporting working groups.
- Members were satisfied with the information, discussion and Q&A as part of the ad-hoc TC following the solution decision.

06 – Delivery partners

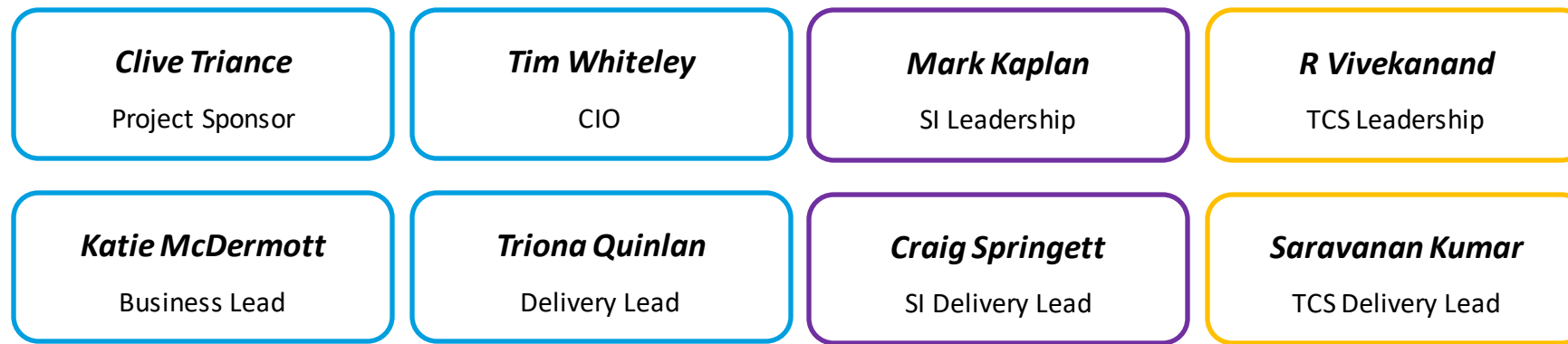
06 – Project Leadership Team

Operating model

Summary

- While ASX holds ultimate responsibility for project delivery, our project partners TCS and Accenture will play a crucial role in helping achieve project and business outcomes and have a key role in identifying and managing risk throughout the delivery of the project.
- Our project partners will also provide additional global expertise and capacity to scale in key areas:
 - Delivery and Project Management
 - Business analysis and product
 - Architecture and engineering
 - Testing and quality engineering

Project Leadership

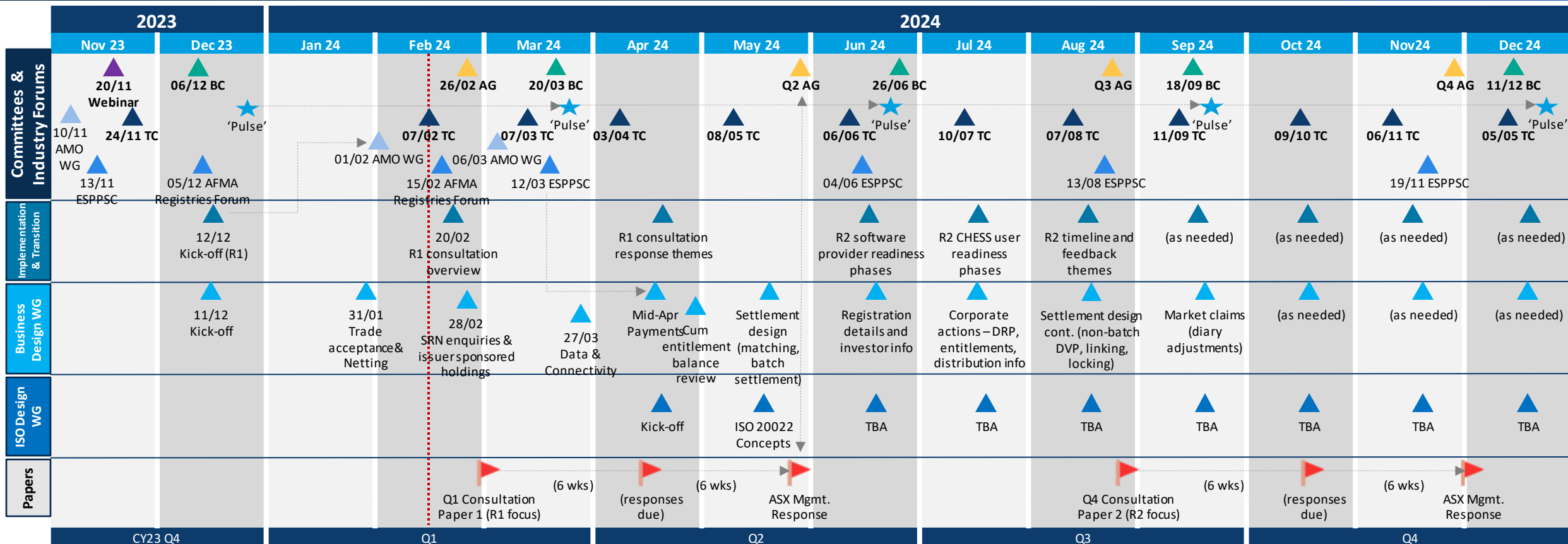




07 – Forward engagement calendar

07 – Upcoming engagement

What's on the horizon



Note: Legal consultation on TAS to commence in H2 CY2024 or Q1 CY 2025.

T+1 Consultation



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Host Partner



> Australasia Meeting 2024 - 5 March 2024, Sydney

- We are thrilled to announce that ASX will serve as the principal sponsor for the inaugural [The Network Forum Australasia Meeting 2024](#) on Tuesday 5 March 2024 in Sydney.
- ASX, in collaboration with host The Network Forum, have curated an impressive [lineup of domestic and global speakers](#). They will address a diverse range of topics related to equity post-trade, including settlement compression, the transition to T+1, post-trade technology, and market commentary.
- As a prominent player in the post-trade events arena, The Network Forum is excited to pioneer the first Australasian meeting in a global series.

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07 – Forward plan

CY2024 Committee Schedule

TC Meeting	Date	Time
March meeting	Thursday 7 March	2pm – 4pm
April meeting	Wednesday 3 April	2pm – 4pm
May meeting	Wednesday 8 May	2pm – 4pm
June meeting	Thursday 6 June	2pm – 4pm
July meeting	Wednesday 10 July	2pm – 4pm
August meeting	Wednesday 7 Aug	2pm – 4pm
September meeting	Wednesday 11 Sept	2pm – 4pm
October meeting	Wednesday 9 Oct	2pm – 4pm
November meeting	Wednesday 6 Nov	2pm – 4pm
December meeting	Thursday 5 Dec	2pm – 4pm

BC Meeting	Date	Time
March meeting	Wednesday 20 March	12pm – 2pm
June meeting	Wednesday 26 June	12pm – 2pm
September meeting	Wednesday 18 Sept	12pm – 2pm
December meeting	Wednesday 11 Dec	4pm – 6pm



Q1 pulse survey to be issued to members following the March TC

Observer feedback



ASX

Q&A



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Thank you.

