



CHES Replacement Technical Committee

7 June 2023

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



Housekeeping: trouble shooting

- 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 minute taking
- Dial in details (audio only):
 - [+61 2 7208 4607](tel:+61272084607)
 - [Phone Conference ID: 486 431 578#](tel:+61272084607486431578)
- Presentation materials were distributed before 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.

Welcome,
agenda & open actions

Agenda

-
- Welcome and open actions
-
- Member feedback from last meeting
-
- Project status and governance
-
- Project scope
-
- Discussion on approach to recommendations on scope
-
- Forward work plan
-
- Next steps
-
- Observer playback
-

Open actions

Captured from previous Technical Committees

Item #	Action	Follow-up	Due	Status	Owner
2023 Apr (2)	ASX to review the SGX implementation approach.	Scheduled to speak to SGX on 9 June 2023. Written update to be included with June minutes.	26 July 2023 7 June 2023	Open -> Update in meeting	ASX
2023 May (1)	ASX to consider market operator request to attend Scope Refinement workshop one and three: Sub-register and issuer sponsored enhancement and Corporate Action Processing and efficiency.	Bilateral follow-up post May TC.	7 June 2023	Open -> Closed	ASX
2023 May (2)	ASX to reconsider the date of the Corporate Actions Scope Refinement Workshops scheduled 29 June to accommodate end of financial year corporate actions.	Workshop date rescheduled to 12 July.	7 June 2023	Open -> Closed	ASX

Member feedback from the last meeting

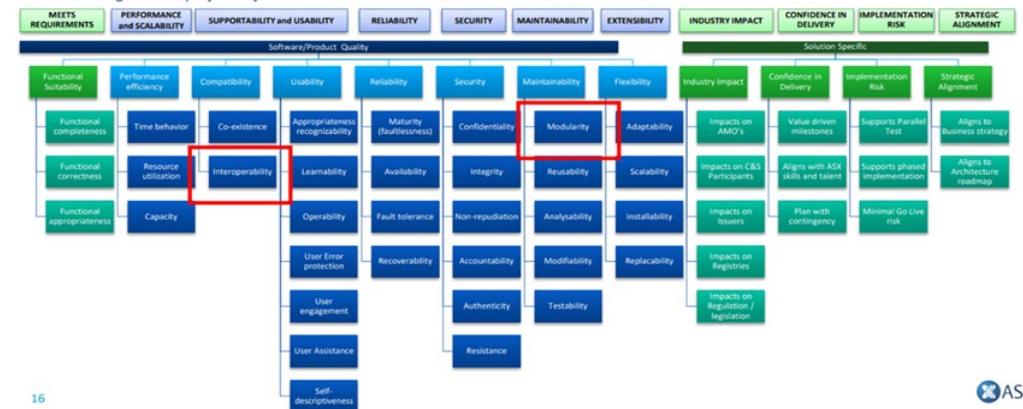
Market feedback

Clarifying CHES Replacement questions

- Interoperability is a key measure defined within the Solution Decision Framework, as defined by the ISO 25010 Product Quality standard.
(Solution Decision Framework including criteria categories presented at 12 April TC)
- Separation of clearing and settlement through modular architecture is part of the solution design, as part of ongoing discussions with the market for how implementation risk will be minimised through phasing.
(Opportunities for staged implementation presented 8 March 2023 TC and played back 12 April 2023 TC)
- API connectivity for CS Industry participants is a defined outcome against the Opportunity Project Objective, 'Create opportunities for industry efficiencies and growth'.
(Project Objectives presented 22 February TC and API connectivity listed as a need in RFI questions distributed 14 March 2023)

RFI questions (sent to TC members 14 March 2023)	
Q1	Describe how your solution supports the ability to capture and register market trades from multiple execution venues, including the interfaces available (e.g. FIX) and performance characteristics (e.g. trades per second).
Q4	Describe what capabilities your solution has available in terms of interoperability between CCPs, SSFs and CSDs.
Q12	Describe how your solution can provide information to interested parties (e.g. share registries) as result of changes to accounts and their holdings, including any relevant performance characteristics.
Q21	Describe how your solution provides access to data for the ASX and other permitted parties, including data models, historical data retention, API access and integration to data platforms.
Q33	Describe the connectivity options that your solution supports, including supported APIs, interfaces, messaging technologies, standards and protocols, including supportability of ISO 20022 standards. Include where relevant how they provide confidentiality, integrity, authentication, authorisation, non-repudiation, availability and auditability. Include what if any guarantees these options make with respect to reliable and/or guaranteed delivery, preservation of order of input and output, and transactionality.

The solution decision criteria is derived from summarising architecture concerns into technical solution criteria using the ISO 25010 standards and then extending to cover project objective outcomes.




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Project status & governance

Redesign Plan Update

Plan for Solution Design

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

Key Risk:

- Commercial vendors' processes may impact the timeline for a Q4 announcement on a solution design

Project scope

Project scope engagement

Session #1 Sub-Register and Issuer Sponsored

The first scope refinement session was held on 25 May.

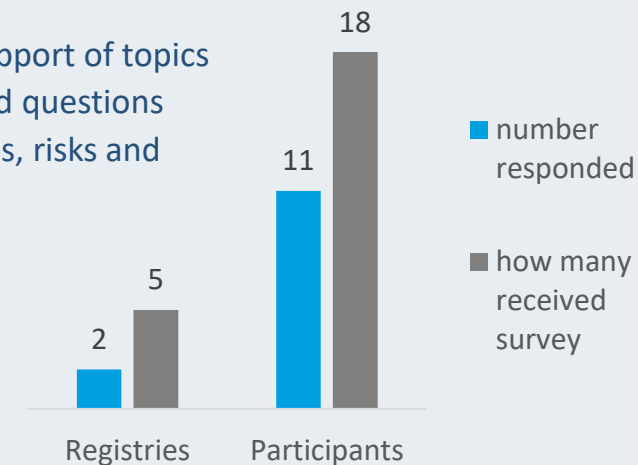
Before the session, all affected stakeholders were surveyed. Business canvases were created based on feedback received on the following topics:

1. Registration details & investor information;
2. Holding management; and
3. Issuer sponsored holdings.

Session Summary	When	Mod.	Invitees
Sub-Register and Issuer Sponsored	25 May 9am-1pm	AFMA	Settlement. Participants, Share Registries
<ul style="list-style-type: none">• High attendance across 18 participants and 5 registries participants and registries• 7 in-person attendees (5 participants, 2 registries)• 6 suggested scope objectives identified to be taken to TC for consideration			

Survey Summary

The survey measured support of topics and included open ended questions requesting the challenges, risks and improvements of topics.



Project scope – Survey 1

Results playback

Topic	Question	Participant/Registry	Strongly Support	Somewhat Support	Neutral	Not Supportive	Not applicable	Number of responses	Total number of responses
Registration Details & Investor Information	In this context, do you support the ability to transmit additional (beyond current scope) investor data between Participants and Share Registries for listed securities?	Participant	2	3	4	1	1	11	13
		Registry	2	0	0	0	0	2	
	Do you support the ability for the ASX to capture and record additional investor data against a HIN. The stored Investor data including any standing instructions will be used as a default to auto-notify Share Registries when there is a new holding and/or update to existing details?	Participant	7	2	2	0	0	11	13
		Registry	1	0	0	1	0	2	
	Do you support greater standardisation (i.e. alignment) of registration details across both Broker and Issuer Sponsored Sub-registers?	Participant	5	1	4	0	1	11	13
		Registry	1	0	1	0	0	2	
Holding Management	Do you support the ability for a Share Registry or Sponsoring Participants to apply a temporary, time-based holding lock, or partial holding lock, against a broker sponsored holding (to be used, for example, to enforce trading of employee issued securities that are subject to trading blackout restrictions)?	Participant	1	1	6	3	0	11	13
		Registry	1	0	0	1	0	2	
	Do you support the ability to perform a holding movement between HINs (under the same registered holder) across two different Sponsoring Participants, where the standing instructions of the receiving HIN are retained?	Participant	1	1	5	1	3	11	13
		Registry	0	2	0	0	0	2	
	Are you in favour of having greater access (in addition to current message-based reports) to more current CHESS holdings data (e.g. via real-time data API) including record date holdings and/or cum entitlement balances?	Participant	6	1	3	1	0	11	13
		Registry	0	1	1	0	0	2	
	Do you support improvements to the holding adjustment and transfer process in relation to ETF creations and redemptions?	Participant	3	1	7	0	0	11	13
		Registry	1	1	0	0	0	2	
	Do you support the ability to "tag" or break-down parcels of holdings (such as for the purposes of tracking foreign ownership, or indicating holdings held by Key Management Personal (KMP) such as Company Directors, or otherwise)?	Participant	1	0	7	2	1	11	13
		Registry	1	0	0	1	0	2	
Issuer Sponsored Holdings	Do you support the ability for Settlement Participants to apply temporary locks on issuer sponsored securities to improve the process of stock delivery for issuer sponsored securities on settlement?	Participant	1	3	4	1	2	11	13
		Registry	0	1	1	0	0	2	
	Have you identified inefficiencies with, and/or do you support improvements to, the current SRN enquiry and SRN balance enquiry process(es)?	Participant	7	2	2	0	0	11	13
		Registry	1	1	0	0	0	2	

Moderator playback

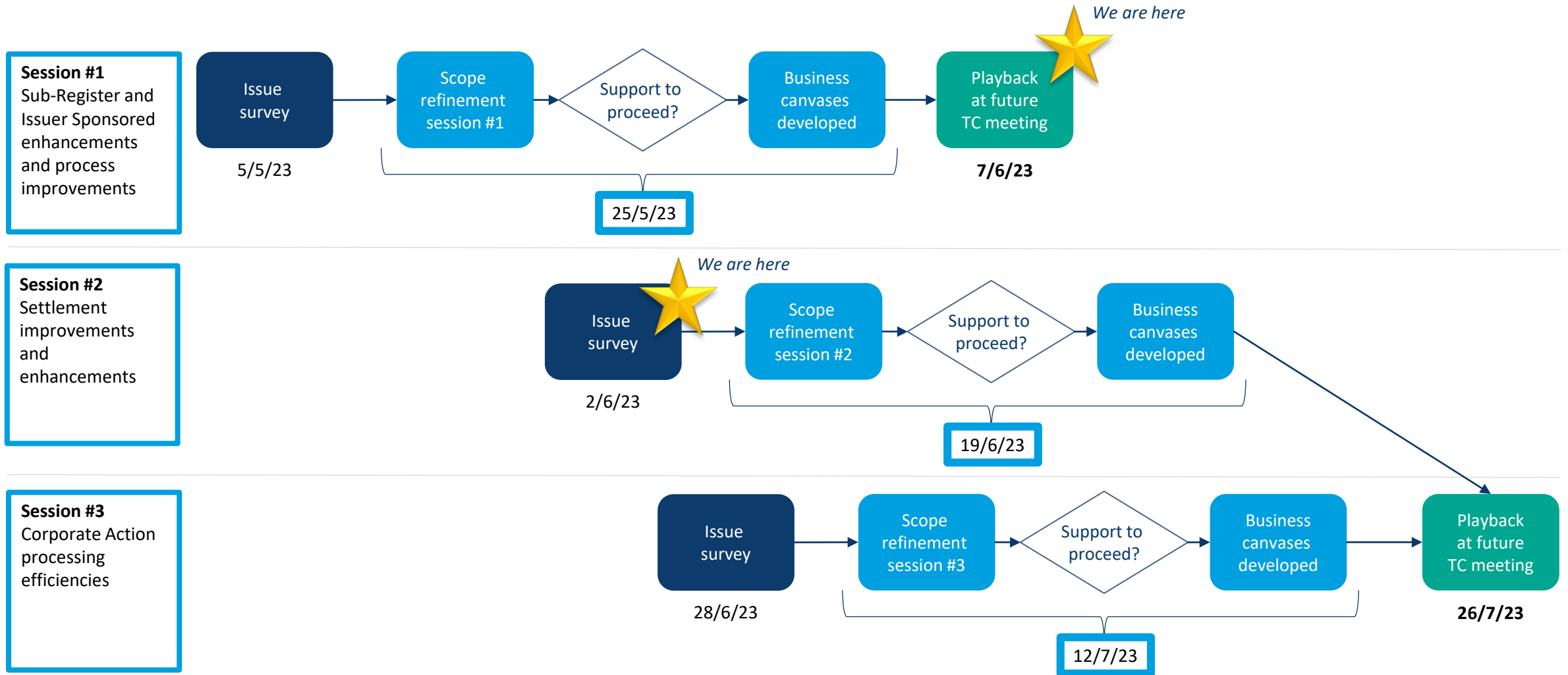
Scope refinement session

Business canvases overview

	Canvas	Survey Support	Suggested Objective
1	Registration Details and Investor Information	77% survey recipients supported scope objective (9 participants, 1 registry)	Scope Objective 1 : Standardise, improve and better synchronise the data sharing between participants and share registries Scope Objective 6 : Review and simplify the current processes for holding FOR securities
2	SRN Enquiry & Validation	85% survey recipients supported (9 participants, 2 registries)	Scope Objective 2 : Implement a faster and more efficient SRN enquiry process
3	Issuer Sponsored Holding Locks	77% survey respondents either supportive or neutral (support- 4 participants, 1 registry, neutral - 4 participants, 1 registry)	Scope Objective 3 : Reduce settlement risk in relation to issuer sponsored sales
4	ETF Creations & Redemptions	100% Respondents either supportive or neutral	Scope Objective 4 : Reduce operational risk in relation to the current ETF creation/redemption workflow
5	Continuous Holding Balance	62% respondents supported	Scope Objective 5 : Provide more efficient, reliable and faster access to holding information
6	CHESS to CHESS Conversion	Scope was either not applicable or understood by 61% of respondents	Limited support to proceed further at this stage
7	Issuer Initiated Holding Lock	Only 23% of respondents supported, 77% did not support or were neutral.	Limited support to proceed further at this stage

Project scope next steps

Feedback from industry and scope refinement engagement approach



Discussion on approach to recommendations on scope

Recommendation approach

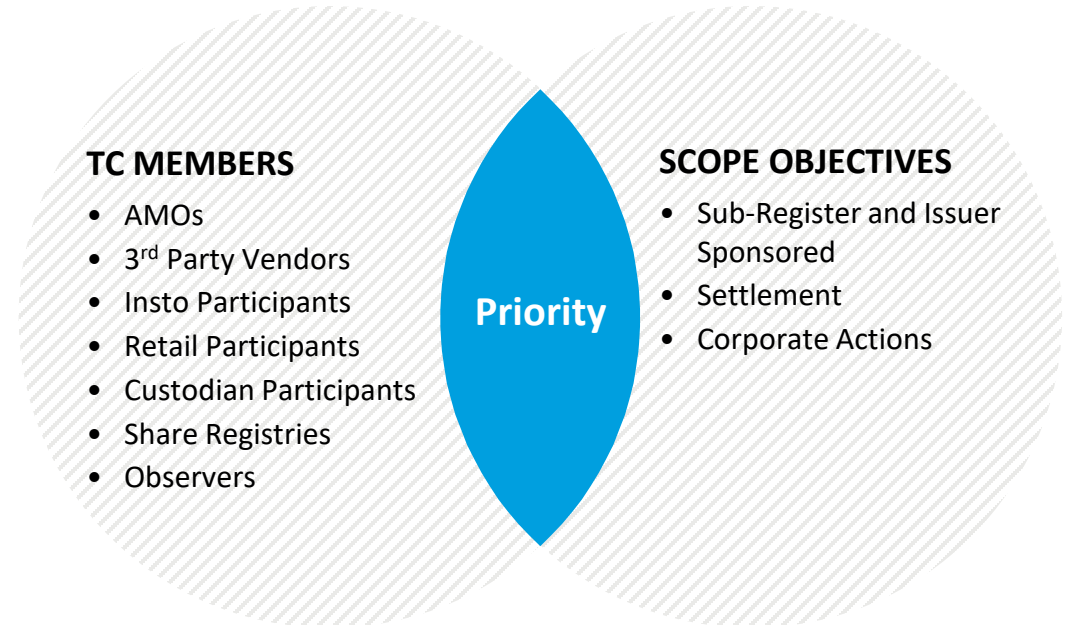
Scope objectives

Scope objectives identified in each refinement session are presented back to Technical Committee. Once a recommendation is agreed upon in the Technical Committee, it will be shared with the Business Committee.

ASX is seeking to survey committee members on the recommendations on scope objectives.

The challenges:

- Prioritising objectives, including scope that may be addressed outside of CHES Replacement
- Market representation
- Managing diverse perspectives and interests
- Consensus definition
- Weighting requirements



Recommendation approach

Market representation

TC membership - market split

AMOs	3 rd Party Vendors	Participant - Insto	Participant - Retail	Participant - Custodian	Issuers (Share Registries)	Observers
<ol style="list-style-type: none"> 1. ASX 2. Cboe 3. NSX 4. Sydney Stock Exchange 	<ol style="list-style-type: none"> 1. Broadridge 2. Computershare 3. FinClear 4. FNZ 5. NRI 6. Securitease 	<ol style="list-style-type: none"> 1. ABN Amro Clearing 2. Bank Of America/ Merrill Lynch 3. Credit Suisse 4. Goldman Sachs 5. Macquarie Group 6. Morgan Stanley (Securities) 7. Morgan Stanley (Wealth) 8. UBS 	<ol style="list-style-type: none"> 1. AUSIEX 2. Bell Potter Securities 3. CMC 4. CommSec 5. FinClear Services 6. Morgans Financial 7. NAB 	<ol style="list-style-type: none"> 1. BNP Paribas 2. Citi 3. HSBC 4. J.P. Morgan 	<ol style="list-style-type: none"> 1. Advanced Share Registry 2. Automic Group 3. Boardroom 4. Computershare 5. LINK Market Services 	<ol style="list-style-type: none"> 1. AFMA 2. ACSA 3. AIRA 4. GIA 5. SIAA 6. ASIC 7. RBA 8. AusPayNet
4	6	8	7	4	2376 (5)	8
100%	100%	34%			98%	N/A

Recommendation approach

Prioritising scope objectives

- ASX is proposing to survey Technical Committee members on recommendations on scope.
- Scope objectives identified to be outside of CHES Replacement will be flagged and next steps agreed.
- Post-survey and prior to the Technical Committee on 21 August, a list of all scope objectives will be circulated as pre-reading material. The August TC will include:
 - a walkthrough of the prioritised list of all scope objectives; and
 - an agenda item for committee members to finalise the recommendations to Business Committee on scope objectives.
- CHES Replacement scope objectives will be followed by detailed analysis.

Forward work plan

Forward work plan

Calendar invitations have been shared for monthly meetings in 2023



Agenda items:

- Project status update
- Scope: playback for second and third scope refinement workshops
- Feedback on recommendation approach



Scope Refinement Workshops:

19 Jun 2023

12 Jul 2023

Business Committee meetings:

19 Jul 2023

11 Oct 2023

6 Dec 2023

Future TC meetings:

26 Jul 2023

21 Aug 2023

13 Sep 2023

4 Oct 2023

8 Nov 2023



Q2 pulse survey to be issued to members following July TC

Forward work plan

Topics for the Technical Committee will be in line with the project timeline and phasing

Topics for consideration with this Technical Committee* will likely include:

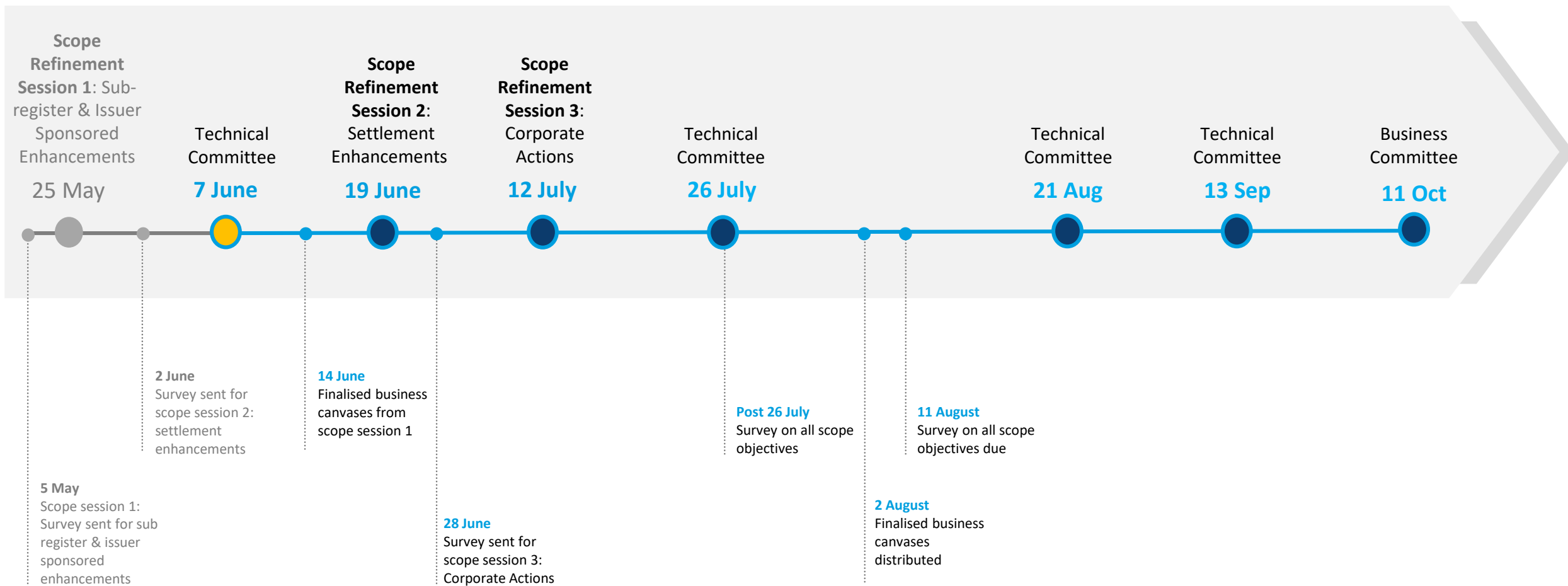
- Project status updates
- Project risks and issues
- Scope including potential Current CHES priorities
- Access channels / connectivity options
- Industry readiness activities
- Accenture recommendations

(*) Member feedback on additional agenda items is welcomed.

Next steps

Technical Committee – Next steps

Key dates for recommendations on scope



Observer playback

Thank you.



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Appendix

Survey Questions

Part 1

Admin

Organisation

email

Ph. number

Planned Workshop attendance

Registration Details & Investor information

do you support the ability to transmit additional (beyond current scope) investor data between Participants and Share Registries for listed securities?

If you are supportive of this change, what additional information should be transmitted? - Selected Choice

If you are supportive of this change, what additional information should be transmitted? - Other (please specify) - Text

Do you support the ability for the ASX to capture and record additional investor data against a HIN. The stored Investor data including any standing instructions will be used as a default to auto-notify Share Registries when there is a new holding and/or update to existing details

If you are supportive of this change, what additional information should be recorded against a HIN and automatically relayed to an Issuer Registry? - Selected Choice

If you are supportive of this change, what additional information should be recorded against a HIN and automatically relayed to an Issuer Registry? - Other (please specify) - Text

If applicable, please expand on how this would benefit your organisation, industry and/or the Investor?

What would be the challenges or risks of capturing and/or transmitting additional investor information?

How many holders should be supported in CHESS Replacement - Selected Choice

How many holders should be supported in CHESS Replacement - Other (please specify) - Text

Do you support greater standardisation (i.e. alignment) of registration details across both Broker and Issuer Sponsored Sub-registers?

If you are supportive of this change, what should be standardised?

What impact would standardisation have to your organisations, it's systems and/or processes?

Are there further ways in which the information sharing between Issuers, Share Registries, Participants and Investors could be improved?

Survey Questions

Part 2

Holding Management

Issuer Holding Lock

Do you support the ability for a Share Registry or Sponsoring Participants to apply a temporary, time-based holding lock, or partial holding lock, against a broker sponsored holding (to be used, for example, to enforce trading of employee issued securities that are subject to trading blackout restrictions)?

Please provide rationale for your response, including any benefits, challenges or risks you foresee.

Chess to CHES Conversions

Do you support the ability to perform a holding movement between HINs (under the same registered holder) across two different Sponsoring Participants, where the standing instructions of the receiving HIN are retained?

Please provide rationale for your response, including any benefits, challenges or risks you foresee.

Continuous Holding Balance

Are you in favour of having greater access (in addition to current message-based reports) to more current CHES holdings data (e.g. via real-time data API) including record date holdings and/or cum entitlement balances?

Please provide rationale for your response, including any benefits, challenges or risks you foresee.

ETF Creations & Redemptions

Do you support improvements to the holding adjustment and transfer process in relation to ETF creations and redemptions?

If so, how would you propose improving this process?

Please provide rationale for your response, including any benefits, challenges or risks you foresee.

Foreign Ownership & Holding Restrictions

Have you experienced any challenges with the current process of using a Residency Indicator (Domestic, Foreign or Mixed) and separate Account (HIN) to hold and manage FOR (Foreign Ownership Restricted) held securities?

If so, what challenges have you faced and how would you propose this is improved?

Do you support the ability to "tag" or break-down parcels of holdings (such as for the purposes of tracking foreign ownership, or indicating holdings held by Key Management Personal (KMP) such as Company Directors, or otherwise)?

If so, for what use cases would this be helpful?

Please provide rationale for your response, including any benefits, challenges or risks that you foresee.

Issuer Sponsored Holdings

Issuer Sponsored Holding Locks

Do you support the ability for Settlement Participants to apply temporary locks on issuer sponsored securities to improve the process of stock delivery for issuer sponsored securities on settlement?

Please provide rationale for your response, including any benefits, challenges or risks you foresee.

SRN Enquiry & Validation

Have you identified inefficiencies with, and/or do you support improvements to, the current SRN enquiry and SRN balance enquiry process(es)?

If so, what improvements would you propose, and how would this differ to the current SRN enquiry and SRN balance enquiry process?

Please provide rationale for your response, including any benefits, challenges or risks you foresee.