CHESS Replacement Technical Committee Minutes

26 July 2023

At its July meeting, the CHESS Replacement Technical Committee was updated on:

AGENDA

- Open actions;
- Member feedback from last meeting;
- Project status and governance;
- Project scope;
- Approach to recommendations on scope;
- Other matters, including:
  - Forward work plan; and
  - Observer feedback.

KEY ISSUES DISCUSSED

Key points from the discussion about the CHESS Replacement project included:

i. An update on project progress including key workstream activities;

ii. A playback of the second and third scope refinement workshops on settlement enhancements and corporate action processing efficiency; and

iii. Feedback and discussion on approach to scope refinement recommendations to Business Committee.

AGREED ACTIONS

There were no additional actions raised at the meeting.

Minutes from the meeting are attached.

Agenda

CHESS Replacement Technical Committee

Date	26 July 2023	**Time**	2:00pm-4:00pm
Location	ASX offices – Level 1, 20 Bridge Street, Sydney/MS Teams		

1. **Welcome and open actions**

2. **Member feedback from last meeting**

3. **Project status & governance**

4. **Project scope** – playback of the second and third scope refinement workshops

5. **Discussion and feedback on approach to recommendations on scope**

6. **Other matters**
   a) Forward work plan
   b) Observer playback

Action Items

Item number#	Action	Due date	Status	Owner
2023 Apr (2)	ASX to review the SGX implementation approach.	26 July 2023	Closed	ASX
2023 June (1)	ASX to include the solution's messaging protocol (e.g. EIS versus ISO messaging) as a TC topic.	4 October 2023	Open	ASX
2023 June (2)	Members to provide feedback on the Technical Committee to their respective Business Committee representatives for the BC review of the Technical Committee.	5 July 2023	Closed	Members

CHESS Replacement Technical Committee Members

Company	Name	Job Title	Apologies
ASX	Tim Whiteley	Technical Committee Chair and Project Director, CHESS Replacement Project	
ASX	Val Mathews	Business Committee Chair and Chief Customer and Operating Officer	
Clearing and Settlement participants			
ABN AMRO CLEARING	Matthew McMahon	Head of Operations	
AUSIEX	Mark Pace	Head of Solution Design	
Merrill Lynch Equities (Australia)	Monika Ahrns	Project Manager	
BELL POTTER SECURITIES	Lee Muco	Chief Operating Officer	
BNP PARIBAS	Wayne Murphy	Project Manager	
CITI	Lyall Herron	Program Manager	
CMC	Danny Ng	Senior Project Manager	Apology
COMMSEC	Ryan Jones	Crew Technical Lead	
FINCLEAR SERVICES	Nikki Gleisner	Senior Business Analyst/Client Relationship Manager	
GOLDMAN SACHS	Simon Wyss	COO, Australia/ New Zealand Engineering	
HSBC	Simon Siluk	Senior Product Manager	
J.P. MORGAN	Scott Oakland	Executive Director Product Management	Apology
MACQUARIE GROUP	Paul Bragg	Operations Analyst	
MORGAN STANLEY WEALTH	Andrew Sime	Executive Director	
MORGAN STANLEY SECURITIES	Rebecca Collins	Executive Director	
MORGANS	Daniel Spokes	Director, Client Support Services	
NAB	Rodd Kingham	Head of Investment Service (WealthHub Securities)	
UBS	*Andrew Lockhart	Executive Director, Investment Bank Operations	Scott Hanlon, Head of Operations, Executive Director
Third party software vendors			
BROADRIDGE	*Danielle Gerace	Head of Client Service Australia	Mabel Chow, Product Manager
COMPUTERSHARE	Leanne Bailey	Senior Business Analyst	
FINCLEAR	Craig Gray	Head of Product for Settlement & Clearing systems	
FNZ	Nick Clarke	Head of Product Management – Capital Markets	
NRI	Diptesh Chakraborty	Data Engineering Analyst	Apology
SECURITEASE	David Hinkley	General Manager	
AMOs			

ASX	Jimmy Halstead	Head of Trading Technology Markets, Technology	
CBOE	Mike Aikins	Vice President APAC – Operations and Technology	
NSX	Yemi Oluwi	Head of Market Operations and Technology	
SYDNEY STOCK EXCHANGE	Rajnish Tiwari	IT & Operations Manager	
Share registries			
ADVANCED SHARE REGISTRY	Patrick Gan	IT Manager	
AUTOMIC GROUP	Sue Julian	Head of Business Operations	Apology
BOARDROOM	Michael Mullins	Chief Information Officer	
COMPUTERSHARE	Scott Hudson	General Manager – Market Liaison	
LINK MARKET SERVICES	Kelvin Chee	Senior Project Manager – CHESS Replacement	

* Delegate

Observers

Company	Name	Job Title	Apologies
AusPayNet	Luke Wilson	Chief Operating Officer	
AFMA	Brett Harper	Chief Executive Officer	Apology
	Damian Jeffree	Senior Director of Policy	
ACSA	David Travers	Chief Executive Officer	
AIRA	Ian Matheson	Chief Executive Officer	Apology
GIA	*Catherine Maxwell	General Manager, Policy & Advocacy	Simon Pordage, Brand Ambassador for GIA and Company Secretary for ANZ
SIAA	Judith Fox	CEO	
ASIC	Nathan Bourne	Senior Executive Leader, Market Infrastructure	Apology
	Dodie Green	Senior Manager, Market Infrastructure	
	Andia Petropoulos	Senior Analyst, Market Infrastructure	
	Bharat Patel	Senior Specialist, Financial Markets Infrastructure	
RBA	Kylie Stewart	Senior Manager, Domestic and Payments, Financial Market Infrastructure	
	Tatiana Moiseeva	Lead Analyst, Financial Market Infrastructure, Domestic and Payments	
	Elizabeth Kandelas	Manager	Apology
	Rhea Choudhary	Graduate	

EY

Name	Job Title	Apologies
Corinne De Rosa	Director, Financial Services	
Felicity Potter	Partner	Apology
Monica Du	Manager	

ASX Management

Name	Job Title	Apologies
Katie McDermott	General Manager, Business Design, CHESS Replacement Project	
Steven Hannan	Stakeholder Engagement Senior Manager, Equity Post Trade	
Keith Howie	Software Provider Relationships Manager, Equity Post Trade	
Triona Quinlan	Delivery Lead, CHESS Replacement Project	Apology
David Brine	Project Manager, Equity Post Trade, Securities and Payments	
Chris Boyes	Senior Product Manager, Securities and Payments	
Jason Lam	Product Manager, Securities and Payments	
Steve Quee	CHESS User Relationship Manager, Securities and Payments	
Lisa Briggs	Senior Manager, Equity Post Trade	

AGENDA ITEM 1: Welcome and open actions

The Chair welcomed members and delegates to the sixth CHESS Replacement Technical Committee (Committee) meeting. ASX Stakeholder Engagement Senior Manager and CHESS User Relationship Manager were introduced to the Committee. The Chair acknowledged the withdrawal of Credit Suisse from the Committee following its merger with UBS.

Sue Julian (Automic Group) was an apology. Scott Hanlon (UBS) was represented by a delegate, Andrew Lockhart. Mabel Chow (Broadridge) was represented by a delegate, Danielle Gerace. Simon Pordage (GIA) was represented by a delegate, Catherine Maxwell.

The Chair introduced and thanked the nominated meeting observer for the 26 July 2023 Committee.

The Chair reminded members of their obligations under competition law and provided an overview of the agenda. The Chair continued by reminding members that the purpose of this Committee is for stakeholders to provide input and feedback and encouraged participation and engagement in the session. The Chair continued by introducing open actions and addressing the Committee's actions from April and June 2023, including:

Item Number	Action	Discussion
2023 Apr (2)	ASX to review the SGX implementation approach.	Action closed in meeting via verbal update. ASX hosted a workshop with SGX on 9 June. A written summary of the workshop was included in the 7 June minutes.
2023 June (1)	ASX to include the solution's messaging protocol (e.g. EIS versus ISO messaging) as a TC topic.	Action to be addressed as part of the connectivity options agenda item in the 4 October Technical Committee.
2023 June (2)	Members to provide feedback on the Technical Committee to their respective Business Committee representatives for the BC review of the Technical Committee. (Future of tech committee)	Action closed in meeting via verbal update. Feedback received was included as part of Business Committee agenda item 3(d).

The minutes of the previous 7 June Committee were approved and published with supporting materials on the CHESS Replacement website.

Member discussion:

A member representing a participant questioned whether the outcomes of focus groups hosted as a subset of the Technical Committee would be ratified within the Technical Committee. The Chair clarified that, as with the scope recommendation workshops, recommendations would be discussed in the Technical Committee and based on support, recommendations would be taken to the Business Committee for review.

A member representing a registry inquired about the decision process for topics of higher complexity such as those that may arise in the detailed design phase. The Chair confirmed a consultation on these areas is planned.

A member representing a participant requested clarification on the findings from ASX's workshop with SGX regarding their implementation approach. The Chair directed Committee members to the 7 June minutes which summarised the workshop findings. The Chair continued noting the differences in implementation, noting brokers were migrated off the back-office services provided by the central system and onto the brokers own back-office system. This is unlike CHESS Replacement where participants are already using their own back-office systems. Key takeaways relevant to CHESS Replacement included SGX's transition to ISO 20022 not involving any centralised message translation as well as a market wide single cutover event in phase 3 to introduce the new business processes.

A member representing a participant asked whether the Technical Committee would discuss topics that sat outside of CHESS Replacement. The Chair clarified Technical Committee topics and discussions are centred around the CHESS Replacement project noting that other topics, such as T+1 and changes to existing CHESS are discussed as part of the Business Committee.

AGENDA ITEM 2: Member feedback from last meeting

The Chair provided an update to Committee members based on recent market and media releases. This included the 20 June ASX market announcement regarding the executive leadership team changes at ASX noting that Clive Triance is expected to commence in August as the new Group Executive of Securities and Payments.

The Chair continued by reiterating that no decision has been made by ASX to determine the solution for the replacement of CHESS, as stated in the 29 June ASX media release.

AGENDA ITEM 3: Project status & governance

The Chair provided the project update noting the four workstreams addressing the product definition and business case, the solution assessment, sourcing and commercial and testing and implementation are tracking to plan.

Key updates included:

- Calendar year Q3 activities have commenced.
- All items in calendar year quarter 2 have been successfully completed for the product definition and business case, solution assessment and sourcing and commercial work streams.
- The implementation impact assessment in the testing and implementation work stream is the last Q2 item to be delivered and is due for completion by 31 July.

The Chair continued by presenting a timeline of scope recommendation activities.

Key updates included:

- The completion of three scope refinement workshops covering the following areas; sub-registered and issuer sponsored, settlement and corporate actions.
- The playback and discussion of scope refinement workshops and business canvases in the June and July Committees.
- The refinement of workshop canvases into scope objectives, the support of which will be gauged by the proposed scope recommendation survey.
- Detailed analysis including scope objective elaboration and design will follow in parallel to ongoing industry engagement on scope.

Member discussion:

A member representing a registry questioned whether the Solution Integrator (SI) scope of work would include upstream and downstream activities, highlighting the challenges these areas presented with the previous CHESS Replacement project. The Chair confirmed that a key part of helping de-risk the project was for the SI to work alongside ASX to provide the skills and expertise to support these areas of the project as well as having roles on the steering committee, program leadership team and governance forums to ensure the appropriate oversight exists.

A member representing an industry associated requested clarification on when the formal market consultation on the CHESS Replacement project plan would occur. The Chair clarified it is planned for Q1 of the 2024 calendar year.

A member representing a registry requested clarification on the detail that ASX would release as part of the business case targetted for Q3 of the calendar year. The Chair clarified, given the nature of the deliverable, there are number of constraints regarding the information ASX can share due to continuous disclosure requirements or matters that would be commercial and confidential. The Chair noted however that the business case logic would be discussed openly at a future Committee.

A member representing a software vendor questioned whether vendors would have the opportunity to be consulted on the approach to implementation, specifically message structures and integration points, in the presented timeline. The Chair confirmed the consultation regarding interfaces will commence with the topic planned for a future Committee.

AGENDA ITEM 4: Project scope

The ASX Senior Product Manager, Securities and Payments provided an overview on the engagement related to the second and third scope refinement workshops on settlement enhancements and corporate action processing efficiency.

Workshop 2: Settlement enhancements

The second workshop was moderated by AFMA and hosted virtually with all 19 invited participants represented.

Affected stakeholders were surveyed prior to the workshop to measure support for topics related to settlement enhancements. The survey included multiple choice questions and requested further information regarding the challenges, risks and improvements of topics. Survey questions were included as part of the July Committee's appendix.

The ASX Senior Product Manager summarised the survey results to illustrate areas of strong support factored into the business canvas templates discussed in the second scope refinement workshop, before introducing the member from AFMA.

The representative from AFMA presented a summary of the scope workshop proceedings from a moderator perspective. It was highlighted that, similar to the first scope refinement workshop, the discussion was both constructive and natural flowing. While stakeholders weren't able to reach agreement on all topics in the second scope refinement workshop, the representative from AFMA acknowledged that where there were still areas to resolve, discussions were positive and headed in the right direction. Further to this, the representative from AFMA supported the Chair's earlier statement regarding the role that the TC can play by continuing to work with subgroups, such as the scope refinement workshops, where deeper dives are required on certain topics.

Four business canvas templates were created based on the survey feedback received:

1) Bilateral matching improvements;
2) Extended use of unilateral settlement instructions;
3) Standing instructions for cash; and
4) Preliminary payment notifications.

There were four scope objectives distilled from the workshop:

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).
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.
3) Reduce operational overhead in relation to payment provider authorisations by allowing for automated approvals in the system within cash limits.
4) Provide more certainty by enabling more frequent and/or configurable access to preliminary payment data.

Workshop 3: Corporate action processing efficiency

The third workshop was moderated by ACSA and hosted both in-person at ASX Bridge Street and virtually. All 18 participants and 5 registries invited were represented.

Similar to the second scope refinement workshop, affected stakeholders were surveyed with a diverse range of questions to garner the support, challenges, risks and improvements of topics related to corporate actions. Surveys were released prior to the workshop and questions were included as part of the July Committee's appendix.

The ASX Senior Product Manager summarised the survey results to illustrate areas of strong support factored into the business canvas templates discussed in the third scope refinement workshop, before introducing the member from ACSA.

The representative from ACSA presented a summary of the scope workshop proceedings from a moderator perspective. Similar to the workshop summary provided by the representative for AFMA, there was a strong contribution from different participants that lead to an open discussion around the challenges and opportunities presented by each area of scope. It was noted that not all corporate action scope areas discussed were directly related to ASX frameworks and operational processes, for example payment advice, proxy voting and cut-off times for Bonus Share Plans. This was observed to create complexity when attempting to breakdown problem statements due to differing participant views of an issue and its perceived benefits. The representative from ACSA suggested the creation of industry benefit statements to align stakeholder understanding inclusive of such differing expectations, noting the rare opportunity present for the industry to drive and support positive change in the way the market operates.

Five business canvas templates were created based on the survey feedback received:

1) Electronic dividend claims;
2) Corporate action election and acceptance processing;
3) Cum entitlement balance transfer;
4) Electronic notification of payment advice;
5) Other corporate action efficiencies;
    a) Takeovers and buybacks;
    b) Proxy voting;
    c) Diary and holding enhancements;
    d) Delistings; and
    e) Holding adjustments.

Five scope objectives were identified:

1) Review and enhance the current processes for automated claims (diary adjustments) to ensure it continues to meet the market needs.
2) Evaluate opportunities to facilitate the transfer of entitlements (pre and/or post Record Date) ensuring this does not impact issuer schedules.
3) Provide standardised straight through processing capability for corporate action elections and cost-effective associated payments.
4) Reduce operational risk in relation to DRP standing instructions.
5) Provide standardised electronic transmission of corporate action distribution information to create opportunities for automation and process improvement.

Prior to the July Committee, draft canvases for workshops 2 and 3 were shared with both workshop attendees and Committee members for pre-reading. The ASX Senior Product Manager requested Committee members validate the scope objectives and provide any additional feedback on the canvases prior to their final publication.

The ASX Senior Product Manager closed by thanking Committee members and their organisation's representatives for their contribution at the scope refinement workshops. With the conclusion of the discussion, the ASX Senior Product Manager revisited two slides presented to the July Business Committee. These slides represent the feedback received in the scope refinement workshops for changes that may be made prior to CHESS Replacement. These will be included as part of the scope recommendation survey which will be addressed in Agenda Item 5.

Member discussion:

A member representing a registry requested clarification on the process for incorporating scope objectives into existing CHESS Replacement scope. The ASX Senior Product Manager clarified that the Committee's support of the scope objectives will be surveyed with the resulting recommendations discussed in subsequent Committees before the finalised list is put forward to Business Committee. The recommendations supported by the Business Committee would be formally put forward to ASX Clearing and Settlement Boards after which, where endorsed, would be added to the CHESS Replacement project scope. This process is detailed in further detail as part of Agenda Item 5.

Multiple members noted the concerns on the impact of T+1 activities and voiced their interest for an opportunity to discuss the topic further. The Chair directed Committee members to the July Business Committee which address the potential transition to T+1 Business Committee member survey, including a summary of responses, impact of the transition to T+1 settlement in other markets on Australian operations, proposed transition and conclusion for discussion and next steps.

A member representing a registry noted the time provided for organisations participating in the corporate actions scope refinement workshop to consume the pre-reading material was limited. The ASX Senior Product Manager clarified that, with the corporate actions workshop in particular, the timing surrounding the early release of pre-reading material was limited due to the desire to keep the survey response window open for as long as possible to ensure the appropriate coverage for each business canvas. Noting this, the ASX Senior Product Manager agreed to take this feedback on-board for the planning of future workshops and focus groups.

A member representing a registry requested clarification on the purpose and outcomes of the list included in Agenda Item 4, addressing items identified in the scope refinement workshops that may be, pending analysis, implemented prior to CHESS Replacement. These may be addressed in current CHESS, with change or further information provided by the industry (such as through industry associations) or by other areas of ASX. The ASX Senior Product Manager clarified that the items on the list were undergoing review by the appropriate ASX business teams, noting that the review of certain items, such as proxy voting, may be broader than the functional capabilities that CHESS and CHESS Replacement can address. The Senior Manager, Equity Post Trade added that the list was included to provide transparency and traceability to the Committee that the items brought up in the scope refinement workshops continue to be tracked outside of the Technical Committee as part of the Business Committee.

AGENDA ITEM 5: Discussion and feedback on approach to recommendations on scope

The ASX General Manager, Business Design, CHESS Replacement Project opened by thanking organisations for providing feedback on the scope recommendation survey first raised in the June Committee. The ASX General Manager Business Design continued by detailing ASX's response to the feedback received, including the following changes to the scope recommendation survey:

- The survey has been adjusted to remove a 'neutral' option. The survey has been updated to include the following options; 'Not relevant to my business', 'Strongly support', 'Somewhat support' and 'Not supported'.
- The scope recommendation survey does not include criteria such as reducing operational risk and enabling process automation as these were aspects factored into the benefits section of the business canvases. In addition to the business canvases being provided as pre-reading for the July Committee, canvases will also be provided with the scope recommendation survey when it is distributed.
- The scope recommendation survey will also incorporate any outputs from the scope refinement workshops identified for possible implementation prior to CHESS Replacement. These will be tracked and reported on as part of Business Committee where Committee members can provide feedback on or escalate where appropriate.

The ASX General Manager, Business Design reiterated the importance of the survey as a means of facilitating further discussion before the finalisation of recommendations on scope to the Business Committee. As such, Committee members were strongly encouraged to complete the survey by 17 August as the results will be played back and discussed in the 21 August Technical Committee meeting.

Each scope objective will be surveyed for the following options:

- Not relevant to your business – Your organisation is unaffected by its addition and is indifferent to its recommendation to Business Committee;
- Strongly support – Your organisation desires the scope objective, will realise tangible benefits from its addition and strongly supports recommendation to Business Committee;
- Somewhat support – Your organisation is happy to proceed with the scope objective, will have some benefit to its addition and supports recommendation to Business Committee; or
- Not supportive – Your organisation is opposed to the scope objective, will be negatively impacted from its addition and is against recommendation to Business Committee.

The proposed survey will be an excel spreadsheet enabling Committee members to share it alongside the accompanying business canvases internally within their organisations. The planned release is on 3 August and will be sent to clearing and settlement participants, share registries, approved market operators as well as third-party software vendor providers.

The ASX General Manager, Business Design presented the timeline for scope recommendation next steps. Prior to the 11 October Business Committee, this involved:
- Gathering and incorporating any feedback on draft business canvases and scope objectives by 2 August.
- Releasing the scope recommendation survey including supporting business canvases on 3 August, closing 17 August.
- Playing back survey results and key feedback on scope objectives at the 21 August Technical Committee.
- Finalising the scope recommendation to Business Committee at the 13 September Technical Committee.

The ASX General Manager, Business Design closed by acknowledging the scope recommendation process is running in parallel to the work on the solution decision and that all scope objectives will be followed by detailed analysis.

The Chair opened the Committee for member discussion seeking additional input, ideas, improvements or feedback on the proposed scope recommendation survey.

Member discussion:

A member representing a participant and a member representing a registry requested clarification on the purpose of the survey and whether it would include an opportunity for members to indicate the urgency and impact scope objectives would have to their business. The Chair agreed to take away the feedback to incorporate this information as part of an organisation's response, noting also that the survey included a free text field for additional comments. The ASX General Manager, Business Design continued by stating the intention of the survey is to enable further Committee discussion and create visibility on scope objective support across all Committee members. Consequently, such discussions would enable the Committee to agree upon next steps and finalise scope recommendations to the Business Committee.

A member representing a participant questioned how scope objectives that add complexity to CHESS Replacement will be addressed. The ASX General Manager, Business Design confirmed that this will be addressed as part of the detailed design stage of the project and any risk associated, whether it is technical complexity or complexity for the market, would be assessed as part of the solution. The Chair added that such analysis would also support the planning and timing of implementation where scope may be included in later releases.

AGENDA ITEM 6: Other matters

a)   Forward work plan

The ASX Stakeholder Engagement Senior Manager, Equity Post Trade provided an update on the forward work plan and highlighted the next member pulse survey would be issued post the 26 July Committee.

The next Committee meeting on 21 August will include a playback and open discussion on the scope recommendation survey results, the steps to finalise scope objective recommendations to Business Committee, along with the standing agenda items of project status updates and member feedback.

b)   Meeting observations

The appointed independent meeting observer complimented the July Committee for being well-run, appropriately timed and productive. The observer highlighting the quality and depth of discussion that was well supported by the content and succinct playback of the scope refinement workshops, citing that this was especially useful for those not in attendance. In particular, the observer referenced the content presented on the path forward, stating questions raised were insightful and discussions on next steps were constructive. The observer continued by noting that there were no technical difficulties in the July Committee meeting for those online and in person. One improvement area the observer suggested was for anyone physically attending to register their attendance to ensure enough seating for future Committees.

The meeting closed at 3.22pm.

Signed as a correct record of the meeting.

_____   21 August 2023 _____

Chair   Date