CHESS Replacement Technical Committee Minutes

28 September 2023

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

AGENDA

- Open actions;
- Member feedback from last meeting;
- Project status and governance;
- Project 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 discussion on scope recommendation next steps including the structure of the Business Committee Paper;

iii. A discussion of scope recommendation survey results and endorsement of Business Committee proposal.

AGREED ACTIONS

Three new actions were raised at the meeting:

1. Ensure Business Committee representatives are informed of Committee recommendations before the 11 October BC.
2. Contact ASX CHESS Replacement if SWIFT access pricing affected a Committee members' response to the interface options survey.
3. Clarify the 'proceed to design' classification as part of the TC recommendation to BC (BC Paper).

Minutes from the meeting are attached.

Agenda
CHESS Replacement Technical Committee

Date	28 September 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 and governance**

4. **Project scope** – discussion of scope recommendation survey results and endorsement of Business Committee proposal

5. **Other matters**

   a) Forward work plan

   b) Observer playback

Action Items

Item number#	Action	Due date	Status	Owner
2023 September (1)	Provide more detail on messaging including market comparisons, any high-volume messaging environments and confirm correct usage of data fields in ISO standard messages.	28 September 2023	Closed	ASX
2023 September (2)	Investigate and make recommendations on how the Technical Committee can collaborate with the Equities Settlement Payments Providers Sub Committee (ESPPSC).	8 November 2023	Open	ASX
2023 September (3)	Clarify more detail on scope recommendations including next steps.	8 November 2023	Open	ASX
2023 September (4)	Discuss and review existing 'day 2' and 'out of scope' items that have not been tabled for the current project	28 September 2023	Closed	ASX
2023 September (5)	Investigate options for binary transmission of ISO 20022 for high volume Participants.	8 November 2023	Open	ASX
2023 September (6)	Contact ASX CHESS Replacement if SWIFT access pricing affected a Committee members' response to the interface options survey.	8 November 2023	Open	Committee Members
2023 September (7)	Ensure Business Committee representatives are informed of Committee recommendations before the 11 October BC.	11 October 2023	Open	Committee Members
2023 September (8)	Clarify the 'proceed to design' classification as part of the TC recommendation to BC (BC Paper).	11 October 2023	Open	ASX

CHESS Replacement Technical Committee Members

Company	Name	Job Title	Apologies
ASX	Tim Whiteley	Technical Committee Chair and Project Director, CHESS Replacement Project	
Clearing and Settlement participants			
ABN AMRO CLEARING	*David West	Head of Operations	Matthew McMahon
AUSIEX	Mark Pace	Head of Solution Design	Apology
Merrill Lynch Equities (Australia)	*Stephen Hacker	Project Manager Director, Head of Operations	Matthew Gwynn
BELL POTTER SECURITIES	Lee Muco	Chief Operating Officer	
BNP PARIBAS	Wayne Murphy	Project Manager	Apology
CITI	Lyall Herron	Program Manager	
CMC	Michael Connaghan	Head of Engineering & Project Delivery, Stockbroking	
COMMSEC	Ryan Jones	Crew Technical Lead	
FINCLEAR SERVICES	Nikki Gleisner	Senior Business Analyst/Client Relationship Manager	Apology
GOLDMAN SACHS	Simon Wyss	COO, Australia/ New Zealand Engineering	Apology
HSBC	*Asri Asat	Senior Product Manager	Simon Siluk
J.P. MORGAN	Scott Oakland	Executive Director Product Management	
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	
COMPUTERSHARE	Leanne Bailey	Senior Business Analyst	
FINCLEAR	Craig Gray	Head of Product for Settlement & Clearing systems	
FNZ	*Sue Schafer	Product Owner	Nick Clarke, Head of Product Management – Capital Markets

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	Head Exchange Technology	
Share registries			
ADVANCED SHARE REGISTRY	Patrick Gan	IT Manager	
AUTOMIC GROUP	Sue Julian	Head of Business Operations	
BOARDROOM	Michael Mullins	Chief Information Officer	
COMPUTERSHARE	Scott Hudson	General Manager – Market Liaison	
LINK MARKET SERVICES	*Blanca Valle	Senior Project Manager – CHESS Replacement	Chris Wong

* Delegate

Observers

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

EY

Name	Job Title	Apologies
Corinne De Rosa	Director, Financial Services	
Felicity Potter	Partner	
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	
Triona Quinlan	Delivery Lead, CHESS Replacement Project	
Chris Boyes	Senior Product Manager, Securities and Payments	
Priscilla Ferri de Barros	Manager, Messaging Expertise	

AGENDA ITEM 1: Welcome and open actions

The Chair welcomed members and delegates to the ninth CHESS Replacement Technical Committee (Committee) meeting.

Damian Jeffree (AFMA) and Luke Wilson (AusPayNet) were both apologies. Matthew McMahon (ABN AMRO) was represented by a delegate, David West. Matthew Gwynn (Merrill Lunch) was represented by a delegate, Stephen Hacker. Simon Siluk (HSBC) was represented by a delegate, Asri Asat. Scott Hanlon (UBS) was represented by a delegate, Andrew Lockhart. Nick Clarke (FNZ) was represented by a delegate, Sue Schafer and Chris Wong (Link Market Services was represented by a delegate, Blanca Valle.

The Chair introduced and thanked the nominated meeting observer for the 28 September 2023 Committee before introducing the new independent chair of the Business Committee, Paul Rayson.

The previous 13 September Committee minutes were distributed on 27 September. The Chair welcomed feedback and clarifications to these minutes, noting they would be endorsed at the 8 November Committee.

Members were reminded of their obligations under competition law and encouraged to contribute noting the purpose of the Committee is for stakeholders to provide input, feedback. An overview of the agenda was provided before the Chair introduced the five open actions from the 13 September Committee:

Item Number	Action	Discussion
2023 September (1)	Provide more detail on ISO messaging including market comparisons, any high-volume messaging environments and confirm correct usage of data fields in ISO standard messages.	Action closed in meeting via verbal update. Refer to *Action item 2023 September (1)* for further detail.
2023 September (2)	Investigate and make recommendations on how the Technical Committee can collaborate with the Equities Settlement Payments Providers Sub Committee (ESPPSC).	The next ESPPSC has been brought forward to engage on scope affecting Payment Providers. This feedback will be provided to the Committee.
2023 September (3)	Clarify more detail on scope recommendations including next steps.	To be addressed as part of the 8 November TC.
2023 September (4)	Discuss and review existing 'day 2' and 'out of scope' items that have not been tabled for the current project	Action closed in meeting via verbal update. Refer to *Action item 2023 September (4)* for further detail.
2023 September (5)	Investigate options for binary transmission of ISO 20022 for high volume Participants.	ASX investigating a translator (or similar) to automatically create the binary version from the text version.

Action item 2023 September (1)

The ASX Manager, Messaging Expertise provided further detail on ISO messaging.

ISO 20022 market comparisons

Between 2016 and 2018, ASX engaged with SWIFT (the registration authority for ISO 20022) to facilitate the adoption of messaging in the securities domain. This involved the following activities:

- Gathering insights from comparable projects like T2S in Europe and other market infrastructure projects in Asia were sought;
- Handling a high-level gap analysis, flow, and mapping for CHESS EIS messages to ISO 20022; and
- Examining flows to provide suggestions, with ASX adopting much of what has been used in other markets.

Usage of data fields

In ISO 20022, there are two options for code usage: ISO codes and proprietary codes. ISO permits both options, and most markets offer this choice.

Although proprietary codes are allowed in ISO 20022, the majority of fields in CHESS Replacement messages remain unmodified or use standard ISO 20022 codes. As part of the next phase of CHESS Replacement, ASX will consult in a similar format to the 2018 to 2021 engagement on any changes to ISO 20022 flows and fields that result from the selected solution option and upgrades to the most recent standard.

Member discussion:

A member representing a registry raised a question regarding the version of ISO messaging intended to be adopted, noting that previous work was based on the 2017 standard, which has since been superseded. The ASX Manager, Messaging Expertise confirmed work was underway to uplift the version that CHESS Replacement would leverage to the 2023 standard.

A member representing a participant requested clarification on the effort required to align to the 2023 standard. The ASX Manager, Messaging Expertise noted, based on analysis and work completed to-date, that a majority of changes had no impact on the usage of existing messages. The ASX Manager, Messaging Expertise continued stating that many of the new fields introduced as part of the 2023 standard are optional.

Action item 2023 September (4)

The ASX Senior Product Manager, Securities and Payments presented multiple views of scope including:

- A table of CHESS Replacement (as at pause) scope items presented at the 8 March Committee;
- A table of scope items presented in the 13 September Committee as a result of the scope refinement process;
- A table of remaining items carried forward from the paused project, or items that have been noted as design considerations. These included changes to the netting process, changes to the settlement process, linking bilateral settlements, settlement lock for CHESS holdings, non-batch DvP bilateral settlement as well as T+1, house/client segregation and interoperability; and
- A consolidated table that demonstrates which items have been captured as scope objectives or design considerations. This table classified items:
  - Mapped to scope objective (proceed to design);
  - Mapped to scope objective (further consideration);
  - Superseded by new scope objective;
  - Consideration for design; and
  - Not currently on roadmap.

Member discussion:

A member representing a registry sought clarity on whether a broader mFund review was occurring outside of CHESS Replacement. The ASX Senior Product Manager, Securities and Payments confirmed this, noting this will be complete before CHESS Replacement revisits mFunds.

AGENDA ITEM 2: Member feedback from last meeting

The ASX General Manager, Business Design raised member feedback related to the SWIFT interface option and the impact of access pricing on survey responses. Members were encouraged to reach out to ASX for further discussions on how SWIFT access pricing might affect priority of their organisation's interface option preference. The ASX General Manager, Business Design recorded this as an action.

AGENDA ITEM 3: Project status & governance

The ASX Delivery Lead, CHESS Replacement Project 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. The ASX Delivery Lead noted that there had not been significant developments in the weeks since the 13 September Committee with the primary focus being the finalising of deliverables and ensuring the Advisory Group is informed about the project's progress.

Member discussion:

A member representing a participant requested clarification whether the calendar year Q3 implementation strategy and test strategy and approach are internal artefacts. The ASX Delivery Lead, CHESS Replacement Project confirmed these activities are internal, noting the implementation plan and industry test strategy would be subject to the planned calendar year Q1 market consultation.

AGENDA ITEM 4: Project scope

The ASX General Manager, Business Design opened by acknowledging the significant effort Committee members made to-date on the scope refinement process and provided an update on the timeline for the remaining activities. The ASX General Manager, Business Design reinforced the need to endorse the Committee's recommendations before they are formalised in a Business Committee paper (BC Paper) ahead of the 11 October Business Committee, noting any additional feedback raised will be incorporated into this Paper.

Committee members were reminded that discussions on scope have not concluded, noting future consultation on design and detailed discussions are planned post the Q4 solution decision announcement. The ASX General Manager, Business Design continued by providing an overview of the categories of scope objectives, including:

1. Proceed to CHESS Replacement design consultation
2. Proceed to CHESS Replacement design consultation (and evaluate the opportunity to make improvements in current CHESS)
    o   The feasibility of these objectives will also be explored in current CHESS.
        ▪   These are not expected to include any CHESS code changes, but rather minor configuration or process changes.
3. Further consideration
    o   These objectives will be brought back to the Technical Committee for further discussion and analysis. Where relevant and appropriate, industry forums may be consulted. These objectives, and any future objectives, will have the opportunity to be recommended to the Business Committee and C&S Boards for inclusion in the CHESS Replacement design phase in the future.
4. Not supported
    o   These objectives have not received sufficient support and will not be brought forward at this time.

The ASX General Manager, Business Design noted the timing of scope implementation is subject to factors including the solution decision and risk, readiness and implementation planning.

The Committee's recommendation will be formalised as a Business Committee Paper (BC Paper) alongside supporting documentation including business canvases and survey result. The BC paper will provide the Technical Committee approved proposal for Business Committee recommendation to the boards of ASX Clear and ASX Settlement. The Boards may take actions in accordance with the recommendations or explain why they have not adopted the recommendations (refer to 8 March Committee, slide 9). The implementation of any scope objectives will also be subject to factors including the design consultation process, technology solution, any regulatory approvals required and market engagement on risk, readiness and implementation planning.

The ASX General Manager, Business Design reiterated the importance of Committee members aligning with their respective Business Committee representatives internally within their organisations to help inform them on scope objectives and the proposed recommendations ahead of the 11 October Business Committee. The ASX General Manager, Business Design recorded this as an action.

The Senior Product Manager, Securities and Payments concluded by facilitating the member discussion on scope recommendations to Business Committee, noting the focus of the agenda item was to discuss any member feedback on initial recommendations proposed at the 13 September Committee.

Member Discussion

A member representing a registry requested clarification whether there were still opportunities, such as within detailed design, to determine whether to proceed with a scope requirement. Both the Chair and ASX General Manager, Business Design confirmed this, noting this process will be supported by market consultation after the scope recommendation process concludes. The member representing a registry questioned whether the market consultation would occur in Q2. The Chair and ASX General Manager, Business Design stated that this is dependent on the Q4 solution decision announcement, noting for example, a move to a staged implementation would also enable consultation to occur in stages.

A member representing a participant inquired about whether the consultation process would classify scope as optional or mandatory. The ASX General Manager, Business Design explained that this decision would be made in consultation with the industry, considering factors like the impact on the market and acknowledging that there are certain scope items which cannot proceed without wider market adoption. The ASX Senior Product Manager supported this, citing the importance of capturing objectives to enable discussions on pain points and improvements without being locked into a solution too early. The Chair concluded that this was part of the Committee's purpose and that the Committee enabled the setup of working groups as required to address such detailed questions and discussions.

A member representing a share registry requested clarification on the categorisation and definitions of the recommendations. In particular, this involved whether scope objectives 1.1 and 1.3 should be classified as 'further consideration' rather than 'proceed to design' provided they are subject to ongoing discussions in the AFMA registries forum. The member representing a share registry suggested adding further detail on scope objectives to provide greater traceability, especially for those classified as 'proceed to design'. The Chair noted the recommendation was based on survey responses, opening for discussion on whether members supported the reclassification of these scope objectives. Two members representing participants reiterated their support for these scope objectives, one citing the strong support of 18 participants and registries for scope objective 1.1 and the other noting 14% of their organisation's customer complaints would be addressed by this scope objective. The Senior Product Manager, Securities and Payments noted the support for these objectives and took an action to clarify the 'proceed to design' classification to incorporate the need for scope to undergo both design evaluation as well as consultation as part of the BC Paper. The Chair advised the Committee that this would be addressed as part of the BC Paper circulated to Members.

A member representing a software vendor questioned whether further transparency could be incorporated in the process, especially in terms of documentation and written consultation. The member representing a software vendor emphasised the challenges of working on high-level objectives and designs without a clear understanding of the decision-making process and consultation basis. The Chair suggested that forums such as the Technical Committee and the scope refinement workshops, bundled with industry forums such as the AFMA Registries Forum, help to enable a more efficient and inclusive refinement process by facilitating conversations prior to the formal written consultation. A member representing a share registry added to this, noting that other forums, such as the AFMA Registries Forum, enabled proactive work with retail brokers and vendors to work through scope objectives.

A member representing a share registry inquired about the impact of rule changes on recommendations and questioned whether this would be completed as part of the next phase of the project. The General Manager, Business Design and the Senior Product Manager, Securities and Payments both noted that the workstream handling this would work concurrently to the workstream handling scope, similar to previous rule amendment consultations.

Subject to the above clarification, it was agreed that the Scope Objectives and Recommendations were endorsed by the Technical Committee.

AGENDA ITEM 5: Other matters

a)   Forward work plan

The ASX Senior Manager Stakeholder Engagement, Equity Post Trade discussed the forward work plan and agenda for the next meeting. The proposed agenda included a project status update, scope roadmap approach and the industry engagement approach. The next Technical Committee meeting is on November 8 and, depending on the progress of the solution announcement by ASX, a virtual or in-person Technical Committee meeting would be organised to discuss and review the outcomes of the announcement. The exact date would be communicated once the solution announcement dates were confirmed.

b)   Meeting observations

The appointed independent meeting observer complimented the overall discussion and participation within the Committee, noting there were good questions raised by members and responses from ASX on the open actions. The observer noted content was timely, meaningful to the agenda and supported by a good conversation and feedback. From a meeting hygiene perspective, the observer stated the hand-up MS Teams feature worked well to provide equal access to the discussion. With increased in-person attendance, one improvement area the observer suggested was to host the Committee in a larger meeting room, similar to that of the 13 September Committee.

The meeting closed at 3:15 PM

Signed as a correct record of the meeting.

_____   _____
8 November 2023

Chair   Date