

CHES Replacement Technical Committee Minutes

7 June 2023

At its June meeting, the CHES Replacement Technical Committee was updated on:

AGENDA

- Member feedback from last meeting
- Project status & governance
- Project scope
- Discussion on approach for endorsing recommendations on scope
- Other matters
 - Forward work plan;
 - Next steps and AOB; and
 - Observer feedback.

KEY ISSUES DISCUSSED

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

- i. An update on project progress including key workstream activities
- ii. A playback of the first scope refinement workshop on sub-register and issuer sponsored enhancement
- iii. The approach to prioritising recommendations on scope refinements.

AGREED ACTIONS

Two new actions were raised at the meeting:

1. ASX to include the solution's messaging protocol (e.g. EIS versus ISO messaging) as a TC topic.
2. Members to provide feedback on the Technical Committee to their respective Business Committee representatives for the BC review of the Technical Committee.

Minutes from the meeting are attached.

Agenda

CHES Replacement Technical Committee

Date	7 June 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 first scope refinement workshop and next steps
 5. **Discussion on approach for endorsing recommendations on scope**
 6. **Other matters**
 - a) Forward work plan
 - b) Next steps and AOB
 - c) Observer playback
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Action Items

Item number#	Action	Due date	Status	Owner
2023 Apr (2)	ASX to review the SGX implementation approach.	26 July 2023	Open	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.	7 June 2023	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.	7 June 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	Open	Members

CHES Replacement Technical Committee Members

Company	Name	Job Title	Apologies
ASX	Tim Whiteley	Technical Committee Chair and Project Director, CHES 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	Apology
Merrill Lynch Equities (Australia)	Monika Ahrns	Project Manager	
BELL POTTER SECURITIES	Lee Muco	Chief Operating Officer	
BNP PARIBAS	Wayne Murphy	Project Manager	
CITI	Lyll Herron	Program Manager	
CMC	Danny Ng	Senior Project Manager	
COMMSEC	Ryan Jones	Crew Technical Lead	
CREDIT SUISSE	Andrew Norval	Managing Director, Head of Operations	Apology
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	
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	Scott Hanlon	Head of Operations, Executive Director	Apology
Third party software vendors			
BROADRIDGE	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	Apology
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	
BOARDROOM	Michael Mullins	Chief Information Officer	
COMPUTERSHARE	Scott Hudson	General Manager – Market Liaison	Apology
LINK MARKET SERVICES	Kelvin Chee	Senior Project Manager – CHES 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	Simon Pordage	Brand Ambassador for GIA and Company Secretary for ANZ	
SIAA	Judith Fox	CEO	
ASIC	Dodie Green	Senior Manager, Market Infrastructure	
	Andia Petropoulos	Senior Analyst, Market Infrastructure	
RBA	Kylie Stewart	Senior Manager, Domestic and Payments, Financial Market Infrastructure	Apology
	Elizabeth Kandelas	Manager, Financial Market Infrastructure, Domestic and Payments	Apology
	Tatiana Moiseeva	Lead Analyst, Financial Market Infrastructure, Domestic and Payments	
	Gordana Bloom	Senior Analyst, Financial Market Infrastructure, Domestic and Payments	Apology

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Name	Job Title	Apologies
Felicity Potter	Partner, Financial Services	

Corinne De Rosa Director, Financial Services

ASX Management

Name	Job Title	Apologies
Katie McDermott	General Manager, Business Design, CHES Replacement Project	
Keith Howie	Software Provider Relationships Manager, Equity Post Trade	
Triona Quinlan	Delivery Lead, CHES Replacement Project	Apology
Russell Eyre	Enterprise Architect, CHES Replacement Project	
David Brine	Project Manager, Equity Post Trade, Securities and Payments	
Chris Boyes	Senior Product Manager, Securities and Payments	

AGENDA ITEM 1: Welcome and open actions

The Chair welcomed members and delegates to the fifth CHES Replacement Technical Committee (Committee) meeting including new members from Advanced Share Registry and Morgan Stanley Wealth.

Andrew Norval (Credit Suisse), Brett Harper (AFMA), Diptesh Chakraborty (NRI), Elizabeth Kandelas (RBA), Gordana Bloom (RBA), Ian Matheson (AIRA), Jimmy Halstead (ASX Trading), Mark Pace (AUSIEX), Scott Hanlon (UBS), Scott Hudson (Computershare) were apologies.

The Chair introduced and thanked the nominated meeting observer for the 7 June 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 May 2023, including:

Item Number	Action	Discussion
2023 Apr (2)	ASX to review the SGX implementation approach.	A workshop with SGX is planned for 9 June. A written summary of the workshop is provided as part of the 7 June minutes below. Action to be addressed in the 26 July 2023 Technical Committee meeting.
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.	Action closed in meeting via verbal update. ASX followed up bilaterally with the market operator.
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.	Action closed in meeting via verbal update. The workshop was rescheduled to 12 July based on member feedback.

The minutes of previous meetings on 10 May 2023 were approved and published with supporting materials on the Committee [website](#).

Member discussion:

Members raised no questions in respect of the update.

Action item 2023 Apr (2)

The Chair provided a verbal update, noting a workshop with SGX was planned for 9 June. A written summary of this workshop is included in the minutes below and will be summarised as part of the 26 July Committee.

SGX Post Trade Services Migration Approach

Background

The starting position was a post trade service that was centrally operated and hosted by SGX. The service has a depository that includes retail investors.

All brokers used the back office services provided by the central system and did not require their own back office system.

The aim of the project was to move the market forward by:

- Migrating brokers off the back office services provided by the central system and onto the brokers own back office system;
- Providing demarcation between clearing and settlement;
- Aligning to international standards (ISO 20022);
- Changing the settlement cycle to T+2; and
- Enabling SGX and members to enhance services for the market.

There were approximately 27 trading/clearing members and 60 settlement agents' registrars.

Phase 1 – Add ISO 20022 API into existing SGX system

- SGX added an ISO 20022 API into their existing system;
- Two options for ISO 20022 API were built: SWIFT and IBM MQ;
- Specifications were defined upfront for target state and communicated to the market;
- Internally in SGX, clearing and settlement is still on the old system; and
- SGX impact only.

Phase 2 – Participant transition to their own back-office system and ISO 20022

- Participants were given 14 months to transition to their own back office system and use the ISO 20022 API to interact with SGX post trade service;
- Participants migrated one at a time or in small batches;
- Two main vendors provided the back office systems to brokers;
- This was a “like-for-like” transition in the sense that there were no changes to the SGX post trade processing;
- Internally in SGX, clearing and settlement is still on the old system; and
- Rollback to legacy after transition to ISO 20022 theoretically possible but manually intensive and difficult in practice. This was not required by any participant.

Phase 3 – Migration of SGX system to new platform

- Market wide single cut-over;
- All participants are now using their own back office systems so that capability no longer needed at SGX;
- Migration of clearing and settlement from mainframe to new platform; and
- New processes - T+2 and aligned other processes to PFMI recommendations e.g. SGD settlement in Central Bank.

AGENDA ITEM 2: Member feedback from last meeting

The Chair thanked members who had already provided feedback on the scope workshop canvases. Feedback regarding modular architecture, the use of APIs interoperability was also noted. The Chair reiterated ASX's commitment to these areas noting:

- Interoperability is a key measure within the Solution Decision Framework, as defined by the ISO 25010 Product Quality standard (12 April Committee);
- 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 (8 March and 12 April Committees); and
- API connectivity for CS Industry participants is a defined outcome against the Opportunity Project Objective, 'Create opportunities for industry efficiencies and growth' (22 February Committee and RFI questions distributed 14 March).

AGENDA ITEM 3: Project status & governance

The ASX General Manager, Business Design, CHESSE Replacement Project provided the project update.

The redesign plan is made up of four workstreams, the product definition and business case, the solution assessment, sourcing and commercial and testing and implementation.

Key updates included:

- The focus for the product definition and business case workstream for the current quarter continues to be the refinement of business requirements. Work has also commenced on the solution business case.
- The solution assessment workstream completed the solution option evaluation and is moving into the solution design.
- The sourcing and commercial workstream are evaluating responses to the solution RFP. The team is also working with respondents to assess the functional fit of the product solutions. Additionally, work has progressed on the solution integrator RFP and is targeting a release within the following weeks.
- The testing and implementation workstream continues to explore opportunities for a phased implementation and work continues with RFP respondents on options to enable this.

The ASX General Manager, Business Design confirmed project teams are on track in terms of the schedule for the current 'define and plan' phase.

Member discussion:

Members raised no questions in respect of the update.

AGENDA ITEM 4: Project scope

The ASX Senior Product Manager, Securities and Payments provided an overview on the engagement related to the first scope refinement workshop on sub-register and issuer sponsored enhancements, noting the first workshop held on 25 May had high in-person and virtual attendance across the 18 participants and 5 registries invited.

Prior to the workshop, all affected stakeholders were surveyed to measure support of topics and included open ended questions requesting the challenges, risks and improvements of topics. The survey was created based on the baseline scope submissions of members, requested in the March 2023 Committee meeting. Seven business canvases templates were created prior to the workshop based on feedback received on the following topics:

1. Registration details and investor information;
2. SRN enquiry and validation;
3. Issuer sponsored holdings;
4. ETF creations and redemptions;
5. Continuous holding balance;
6. CHESSE to CHESSE conversions; and
7. Issuer initiated holding lock.

The ASX Senior Product Manager summarised the results of the survey to demonstrate areas of strong support raised for further discussion in the business canvas templates, before introducing the member from AFMA who moderated the first scope refinement workshop.

The representative from AFMA presented a summary of the scope workshop proceedings, from the moderator perspective. It was highlighted that the discussion on the first canvas for registration details and investor information was extensive, running over time. The discussion was constructive and provided a deeper understanding of the topic from a variety of stakeholders. The representative from AFMA noted that topics arose which while of significant utility

were properly outside of the scope for the CHES Replacement project and confirmed AFMA's intended establishment of a forum for the progression of those topics. Two such topics included the standardisation, improvement and enablement of the synchronisation of data between participants and share registries and the implementation of a faster more efficient SRN process. AFMA informed the Committee of its intent to establish a structured, ongoing quarterly coordination dialogue for operators of registries/sub-register and other relevant firms for matters that are out of scope for CHES Replacement, with the first meeting to be scheduled for July or August.

The ASX Senior Product Manager summarised the canvases created in the 25 May scope refinement workshop. The following draft canvases formed the blueprint for the six scope objectives presented:

1. Registration Details and Investor Information;
2. SRN enquiry and validation;
3. Issuer sponsored holding locks; and
4. ETF creations and redemptions.

The six scope objectives included:

1. Standardise, improve and better synchronise the data sharing between participants and share registries;
2. Implement a faster and more efficient SRN enquiry process;
3. Reduce settlement risk in relation to issuer sponsored sales;
4. Reduce operational risk in relation to the current ETF creation/redemption workflow;
5. Provide more efficient, reliable and faster access to holding information; and
6. Review and simplify the current processes for holding FOR securities.

The draft canvases had been shared with the workshop attendees on 1 June for feedback and the ASX Senior Product Manager requested Committee members to validate the scope objectives and provide further feedback on the canvases prior to their publication.

Member discussion:

A member representing a share registry questioned whether the scope discussed in the workshops were for Day 1 implementation, or a future date. The Chair clarified the priority of scope objectives recommended by the Committee will be reflected in their release date.

A member representing a registry requested clarification on the use of ISO messaging and whether ASX considered options to continue support of EIS messaging. The Chair reiterated ASX's position on adopting industry standard messaging, noting ASX's commitment to its license obligations, the potential reuse of existing ISO 20022 work and the reduction of complexity from potential solutions regarding the customisation of market specific EIS workflows. The General Manager, Business Design added the Business Committee identified ASX's proprietary EIS messaging as a barrier for competition for clearing and settlement facilities, and to address this, ASX continues to support the move of CHES from a proprietary messaging solution to the global ISO standard interface. The member acknowledged the advantages for new participants, however noted the effort required for existing participants who have existing systems integrated with EIS messaging and requested any further information regarding alternatives to ISO and whether there were options for ongoing use of EIS messaging. The Chair referred to the previous March 2023 Committee where the Enterprise Architect, CHES Replacement Project presented staged implementation options and its complexity. The Chair took away the action for ASX to include the solution's messaging protocol (e.g. EIS versus ISO messaging) as a TC topic.

A member representing a participant highlighted concerns that some scope objectives discussed should be reviewed as part of work regarding T+1, given T+1 was to be implemented before CHES replacement. The member also requested clarity on the objectives that would be considered as simple technology fixes versus those that required more complex solutions. The Chair agreed with the member's feedback on T+1, that based on the recommendations to scope refinement, ASX will align the scope objective with the relevant part of the business for review and implementation.

Regarding the member's second request the Chair clarified the Committee will be utilised to validate the priority and timeline to achieve scope objectives.

AGENDA ITEM 5: Discussion on approach to recommendations on scope

The ASX General Manager, Business Design, CHES Replacement Project reiterated the next steps after each scope refinement workshop outlined by the Senior Product Manager in Agenda Item 4. This involved the process of drafting, attaining feedback on and finalising business canvases, the subsequent playback of scope objectives at a subsequent Committee, and once a recommendation is agreed upon, sharing it with the Business Committee.

ASX is seeking to survey Committee members on their priority for scope objectives being proposed. The ASX General Manager, Business Design acknowledged the difficulties of reaching consensus, citing the challenge of how the Committee handles a member's recommendation - where a scope objective does not have a direct impact on the organisation they represent. Acknowledging this challenge, the ASX General Manager, Business Design recognised the need for Committee members to collaborate on scope and noted that while there may not be a direct impact to a member's organisation, any potential indirect impact can also be considered. Further challenges include:

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

The ASX General Manager, Business Design reinforced the need to collaborate on recommendations and provided an overview of the market representation based on Committee members, noting the percentages illustrated coverage and that the five share registry Committee members represented 2376 issuers.

The ASX General Manager, Business Design proposed the following next steps:

1. After the completion of the remaining scope refinement workshops, scope objectives will be played back at the 26 July Committee.
2. After the 26 July Committee, a survey will be sent to all Committee members on recommendations on scope objectives for their prioritisation.
3. The responses to this survey will be played back, discussed and, where applicable, finalised at the 21 August Committee.
4. Recommendations that require further discussion may be raised at the 13 September Committee.
5. Finalised recommendations will be shared with the Business Committee on 11 October.

The ASX General Manager, Business Design clarified the results of the survey may not directly correlate with scope required for Day 1, noting there may be components that can be implemented without a technical or operating rules change. Any scope objectives identified outside of CHES Replacement will be flagged and next steps agreed.

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

Member discussion:

A member representing a registry requested for a PDF document of the scope refinement survey to be shared along with the survey link ahead of future workshops. The ASX Senior Product Manager responded that a PDF copy of the survey along with the survey link was released to attendees ahead of the second scope refinement workshop.

A member representing a participant acknowledged the difficulty for ASX of handling the differing priorities of all the various stakeholders of CHES Replacement. The member inquired whether the prioritisation on scope considered a data-based approach and the impact of scope items on stakeholders. The Chair referred to the table of market representation of Committee members and stated that this may factor prioritisation. The ASX General Manager, Business Design noted that the data of workflow that cause problems for users is internal to the CHES users, rather than with ASX.

A member representing a participant queried other forms of scope consultation that have been considered by ASX. The Chair responded that a preference-based, analytical approach was considered. The ASX General Manager, Business Design added that a formal consultation on business requirements, with submissions from stakeholders, similar to the approach in the previous CHES Replacement project, was considered. However, the ASX General Manager, Business Design noted the lack of transparency with this type of consultations, as many submissions were marked confidential, which prevented the socialisation of the diverse perspectives and challenges that needed to be considered. Consequently, the more collaborative engagement process which encouraged discussion and prioritisation input from Committee members, leveraging the SME input in the scope surveys and attendance at the workshops, was more appropriate at this stage of the project.

A member representing a registry asked if they may forward on the content of the scope canvases to the issuers the registries represents. The Chair clarified that content made publically available on the ASX website, such as Committee minutes and presentation materials, can be shared by members within their related organisations. The Chair suggested members contact the CHES Replacement mailbox should they require clarification to the content they wish to share.

AGENDA ITEM 6: Other matters

a) Forward work plan

The ASX Project Manager, Equity Post Trade, Securities and Payments provided an update on the forward work plan and highlighted the next member pulse survey would take place after the 26 July Committee. Other key dates include the remaining scope refinement workshops on settlement and corporate actions.

The next Committee on 26 July 2023 will include a playback of the second and third scope refinement workshops and any feedback on the approach to recommendations on scope, along with the standing agenda items of project status updates, member feedback and member-requested topics.

Calendar invitations have been sent for the next meeting on 26 July 2023. Invites for the second and third scope refinement workshops have also been sent prior to the 7 June Committee.

To enable a robust review of this Committee, the ASX Business Committee Chair requested members provide feedback on the Committee's proceedings to their respective BC delegate by July 5 ahead of the 19 July BC.

b) Next steps

ASX Project Manager, Equity Post Trade continued by summarising a timeline of upcoming events illustrating next steps and key dates leading up to the finalised recommendations on scope from Committee being shared at the 11 October Business Committee.

c) Meeting observations

The appointed independent meeting observer complimented the general flow of conversation and timeliness of the committee's proceedings. The observer continued stating their initial suggestion was to, where possible, prompt more conversation from members, however clarified that this improved over the course of the meeting. One improvement

area the observer suggested was the tracking and soliciting of feedback from online participants, acknowledging the difficulty of doing so in a hybrid in-person/online format.

The meeting closed at 2.58pm.

Signed as a correct record of the meeting.

A handwritten signature in black ink, appearing to read 'White', written in a cursive style.

26 July 2023

Chair

Date