



CHES Replacement Technical Committee

22 February 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
- Meeting is being recorded for the purposes of minute taking
- Dial in details (audio only):
 - [+61 2 7208 4607](tel:+61272084607)
 - [Phone Conference ID: 426 708 275#](tel:+61272084607)

Important information – Competition Law reminder

Committee members are reminded to have regard to their obligations under competition law. In particular, please note that the Competition and Consumer Act prohibits a corporation from engaging with one or more persons in a concerted practice that has the purpose, effect or likely effect of substantially lessening competition.

Agenda

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- Welcome and introduction
-
- Committee charter
-
- Project objectives
-
- Project scope
-
- Plan for redesign
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- Vendor solutions - RFI update
-
- Forward work plan
-

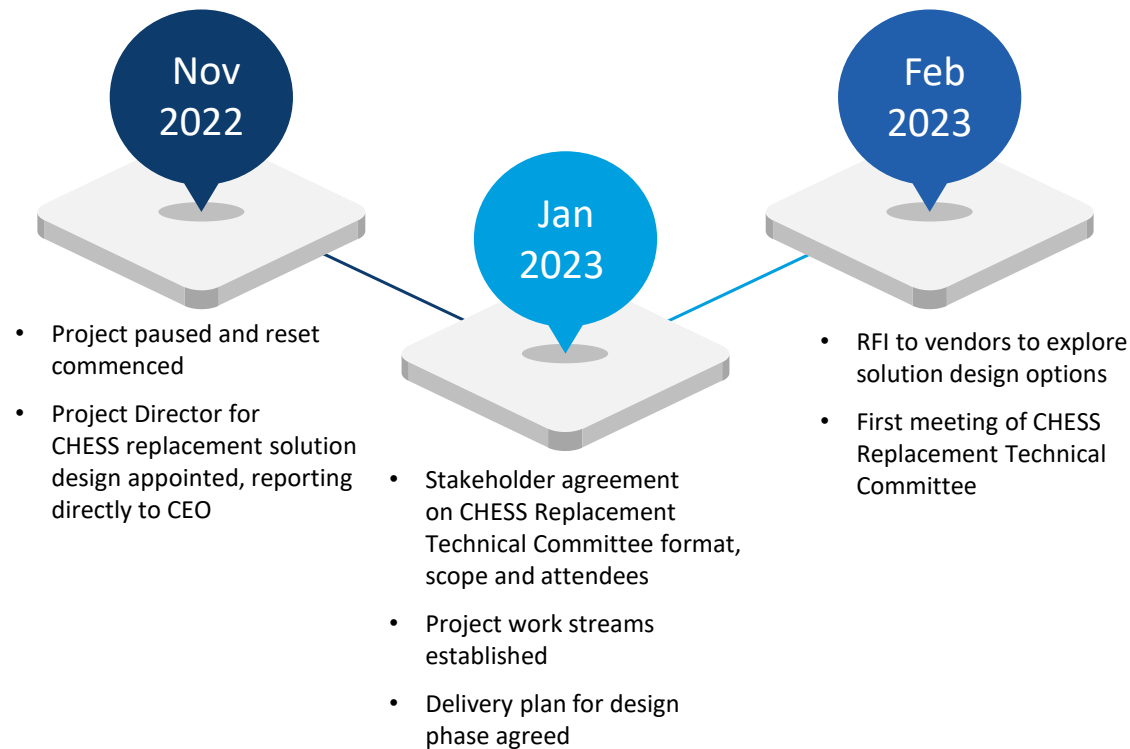
Welcome and introduction

Expectations on members

- An industry forum for members and ASX
- Active contribution and participation
- Help guide meeting agendas
- Provide input on stakeholder impacts
- Share appropriate and useful information with the Committee
- Respect the views of all members, even if they are contrary to your own opinions
- Provide feedback on effectiveness of Committee and other stakeholder engagement activities
- Observe Chatham house rules (i.e. do not reveal who made any particular comment outside of the Committee)

CHESS replacement progress update

Actions taken so far



Ongoing risk management activity



Addressing recommendations from independent report



External assurance in place

Committee charter

Charter

The CHES Replacement Technical Committee is a sub-committee of the Business Committee. Feedback on the draft Charter has been incorporated from the Business Committee.

The Charter covers:

- Purpose
- Roles
- Membership
- Responsibilities of Technical Committee members
- Responsibilities of Business Committee members appointing representatives to the Technical Committee
- Obligations of ASX and Business Committee
- Chair
- Meetings

Project objectives

Project objectives

The revised objectives for CHES Replacement are:

License	Solution	Plan	Industry Impact	Opportunity
Implement a CHES Replacement system that meets the requirements of our CS facility licences	Deliver a supportable technology solution that is enterprise grade and is capable of underpinning the Australian financial market	Robust plan to implement CHES Replacement prior to existing CHES becoming out of risk appetite	Consideration of the impact of our actions on stakeholders	Create opportunities for industry efficiencies and growth

Project scope

CHES Replacement scope

Current CHES

	Under consideration for current CHES:
Regulatory	<ul style="list-style-type: none">• Implementation of FSS-related system features previously planned for CHES replacement (e.g. ISO 20022 messaging)• Whether the protections from the existing commingled house/client account structure in current CHES remain materially equivalent to those provided by individual or omnibus client segregation• Any changes in regulatory requirements or guidance on regulatory requirements by a government agency
Customer	<ul style="list-style-type: none">• Requests for the introduction of new features that have sufficient support from stakeholders (as well as ASX's support)

CHES Replacement scope

Spans current CHES, existing scope for Day 1 CHES Replacement & beyond

	Existing scope for Day 1 CHES replacement: – current CHES functionality plus the below	Currently out of scope for Day 1 CHES replacement:
Account information	<ul style="list-style-type: none"> Standardised registration details 	<ul style="list-style-type: none"> Aggregated view of holdings Common investor number Additional investor information Centralised data capture and storage
Clearing	<ul style="list-style-type: none"> Changes to netting process (non-materialised NBO) 	
Pre-settlement	<ul style="list-style-type: none"> Settlement lock for CHES holdings Bilateral transaction matching (additional matching criteria and revised tolerances) 	<ul style="list-style-type: none"> Bilateral transaction matching (pre-matched status) Single access point to validate SRNs Settlement lock for issuer sponsored holdings Transfer of novated equity transactions between CPs Additional preliminary payment notifications
Settlement	<ul style="list-style-type: none"> Changes to settlement process (net settlement) Linking bilateral settlements Non-batch DVP bilateral settlement 	<ul style="list-style-type: none"> Settlement message enhancement Settlement in foreign currencies Optional early client settlement Auto-borrow
Corporate Actions	<ul style="list-style-type: none"> Electronic DRP and BSP elections, DRP enquiry 	<ul style="list-style-type: none"> Electronic DRP and BSP elections, DRP enquiry Electronic processing of dividend claims Electronic proxy voting Transfer of cum entitlement balance Electronic acceptance of entitlement offers Electronic payment for entitlement offers
Reporting		<ul style="list-style-type: none"> Continuous holding balance information
Participant Structure		<ul style="list-style-type: none"> Participant models for clearing and settlement services
mFund		<ul style="list-style-type: none"> Real-time cash settlement, 'hold' status and transfer capability

Further details on each of the scope items can be found in the [2018 CHES Replacement New Scope and Implementation Plan](#) (2018), [CHES Replacement Changes to Netting & Settlement Workflow](#) (2021) and [CHES Replacement Tranche 3 and Combined Rule Amendments Consultation Paper](#) (2021).

Plan for redesign

Path to CHES replacement solution design

Key next steps

Critical path to solution design

Reassessment of solution design

- Broad range of options considered including use of assets already developed
- Review of software vendors supporting top 20 global exchanges and central securities depositories



Solution assessment

- Vendor RFI issued
- Review of current solution components
- Short list of options for detailed assessment
- Assessment of solution design fit with baseline requirements

Solution finalisation

- Detailed design and integration approach
- Solution design approved
- Commercial contracts negotiation

Solution design announced

Target:
December quarter
of 2023

Implementation plan

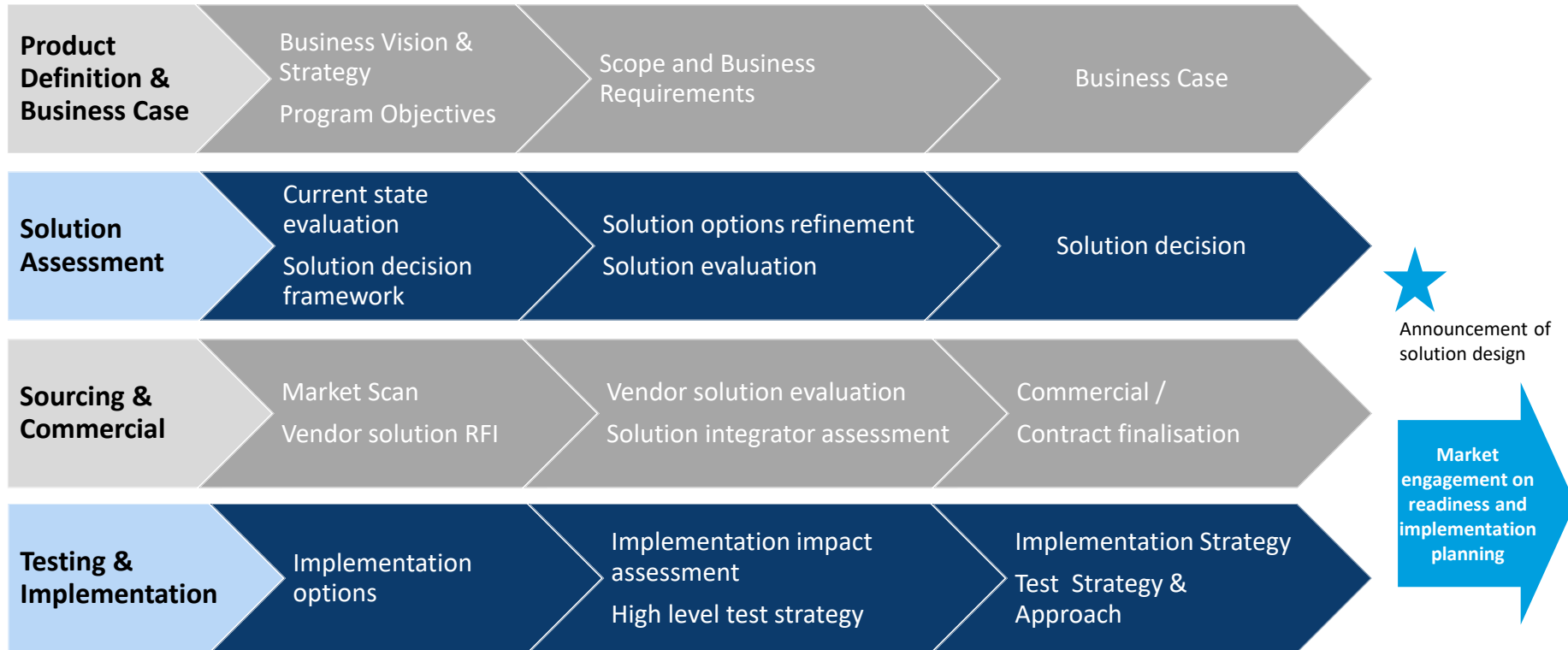
- In consultation with stakeholders

Stakeholder engagement, assurance and regulator engagement

CHES Replacement Partnership Program announced

Redesign Plan

High level plan to Solution Design



Vendor solutions - RFI update

RFI update

Context

- Exploring potential **vendor solutions** is part of ASX's strategy to be wide ranging and thoughtful in the analysis of the CHES replacement solution options available
- ASX also received **direct feedback from stakeholders** that appropriate consideration is given to using experienced global providers of C&S software through a RFP process
- No **off-the-shelf** vendor solution available to meet all the needs of the Australian market
- Any potential solution will need some **development and tailoring** to suit the functionality and messaging requirements for the Australian market
- ASX will conduct a detailed assessment of potential vendor solutions to understand the degree of **customisation and integration required**

RFI update

Process and purpose of RFI & market scan

Market scan:

- Reviewed **top 20** exchanges and security repositories to update our view
- Assessed the technology used in **Clearing, Settlement and CSD** domains
- Validated and enhanced list with insights from our **global consulting partners** leveraging their global alliances and partnerships

Request for Information (RFI) released to vendors on **Monday 20 February 2023**

- Vendor responses due on **13 March 2023**
- Vendors to provide information on **solutions, capabilities, services and partnering models**
- Suitable solutions will be considered as part of **overall CHES** replacement solution design
- Not a **formal tender** process

Output of market scan:

- Noted a ~50-50 split between **proprietary and vendor** products
- Suitable vendors were identified and have **received RFI** for CHES Replacement Solution Design

RFI update

RFI clarification questions

The RFI contains a number of **functional** and **non-functional** questions, including:

- How the solution will meet:
 - the **core requirements** of CHES (e.g. clearing, settlement, sub-registry)
 - features unique to the **Australian market** (e.g. name of register, cum entitlement balances)
- How solution addresses the **6 core issues** outlined in the Accenture report
- Information to help **inform solution design** and ASX's understanding of 'technology fit'

RFI update

Example RFI questions

Examples of functional questions:

- 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)
- Describe how your solution enables usability across user interfaces and what best practices are in place to improve user experience
- Describe the connectivity options that your solution supports, including supported APIs, interfaces, messaging technologies, standards and protocols, including supportability of ISO 20022 standards

Examples of non-functional questions:

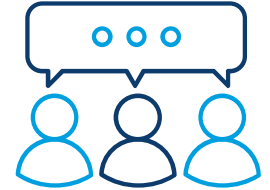
- Describe how your solution meets the size of the Australian market and how it can scale for future growth
- Describe how your solution supports Data Governance, including arrangements to protect the privacy and confidentiality of information

Forward work plan

Industry engagement for CHES replacement

Stakeholder engagement is a key part of the project

- **Technical Committee meetings** will be the primary channel for engaging with impacted stakeholders
- **Focus groups** will be convened when there is a need to deep dive on specific matters
- **Market webinars** will provide periodic status updates to all relevant stakeholders
- **Project updates** via email will continue to provide timely newsworthy updates
- CHES Replacement **website** will continue to serve as a public source of information on the project
- ASX does **not** expect organisations to have to stand up dedicated project teams for CHES replacement in 2023
- Periodic “**pulse checks**” on the effectiveness of ASX’s stakeholder engagement activities



Forward work plan

Calendar invitations will be shared for monthly meetings in 2023



Agenda items:

- Project status update
- Scope:
 - Opportunities for staged implementation



Future TC meetings:

- 8 Mar 2023
- 12 Apr 2023
- 10 May 2023
- 7 Jun 2023
- 12 Jul 2023
- 9 Aug 2023
- 13 Sep 2023
- 4 Oct 2023
- 8 Nov 2023

Business Committee meetings:

- 22 Mar 2023
- 19 Jul 2023
- 11 Oct 2023
- 6 Dec 2023

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
- Decision framework
- Test strategy
- Access channels/connectivity options
- Implementation strategy
- Industry readiness activities
- Accenture recommendations

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

Thank you.



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