



CHES Replacement *Technical Committee*

28 September 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 and endorsement of scope recommendation proposal
-
- Forward work plan
-
- Observer playback
-

Open actions

Captured from previous Technical Committees

Item #	Action	Follow-up/Update	Due	Status	Owner
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.		28 September 2023	Open	ASX
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 meeting of the ESPPSC has been brought forward to engage members on scope impacting Payment Providers. This feedback will be provided to the Technical Committee.	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	Open	ASX
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.	8 November 2023	Open	ASX

Open Actions – 2023 September (1)

ISO 20022 deep dive (1/2)

Summary

- Between 2016-2018 ASX engaged SWIFT, the registration authority for ISO 20022, to facilitate the adoption of messaging in the security domain.
 - Insights from comparable projects like T2S in Europe and other market infrastructure projects in Asia were sought.
 - Besides contributing to, SWIFT also handled high-level gap analysis, flow, and mapping for CHES EIS messages to ISO 20022.
 - Collaboratively, flows and suggestions were examined, with ASX adopting much of what has been used in other markets.
- In ISO 20022, there are two options for codes: 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 CHES messages remain unmodified or use ISO codes.
 - As part of the next phase of CHES 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 selected option and upgrades to the most recent standard.

Open Actions – 2023 September (1) cont'd

ISO 20022 deep dive (2/2)

Institution	ISO Business Process	No. of ISO messages	Country	
ASX CHESS	Securities Account Management (acmt) Collateral Management (colr) Reference Data (reda) Securities Trade (setr) Securities Clearing (secl) Securities Events (seev) Securities Management (semt)	Securities Settlement(sese) Administration (admi) Payment Cash Management (camt) Payment Clearing and Settlement (pacs) Payment Initiation (pain)	106	Australia
ASX STP Messages	Securities Events (seev)	25 (2 unique ISO messages)	Australia	
T2S	Securities Account Management (acmt) Administration (admi) Collateral Management (colr) Reference Data (reda)	Securities Management (semt) Securities Settlement(sese) Payment Cash Management (camt)	130	23 EUR countries
Benefit Trust Company	Securities Trade (setr) Reference Data (reda)	24	6 countries	
LCH.Clearnet Ltd	Collateral Management (colr)	3	2 countries (UK + US)	
DTCC Corporate Actions	Securities Events (seev)	12	United States	
ESMA - ESMA - European Securities and Market Authority	Authorities (auth)	22	30 EUR countries	
Indonesia Stock Exchange	Securities Events (seev)	3	Indonesia	
JASDEC	Securities Events (seev) Securities Management (semt) Securities Settlement(sese)	Cash Management (camt) Payment Initiation (pain)	33	Japan
KDPW	Securities Events (seev)	Securities Clearing (secl)	16	Poland
MKK	Securities Events (seev) Securities Management (semt)	Securities Settlement(sese)	20	Turkey
ECB – European Central Bank	Money market transactions		18 countries	
SEPA	Payment Initiation (pain)	Payments Clearing and Settlement (pacs)	15	Europe
Bank of Japan	Securities Settlement(sese)	Payments Clearing and Settlement (pacs)	4	Japan
Committee of SADC Stock Exchanges and SADC Banking Association	Securities Settlement(sese)		5	17 AFR countries
SGX	Securities Events (seev) Cash Management (camt) Payment Initiation (pain)	Securities Management (semt) Securities Settlement(sese)	25	Singapore

Open Action – 2023 September (4)

Review existing 'day 2' and 'out of scope' items that have not been tabled for the current project

2023 September (4) -

- As presented in the March meeting of the Technical Committee, the following table provides scope as at the pause of the project:

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 \(2021\)](#).

Open Action – 2023 September (4) Cont'd

Customer driven scope elicited via the Scope Refinement process

- As presented in the September 13th TC, the below items have been elicited via the scope refinement process:

Topic	Functionality	Ref	Scope Objective	Recommendation
Sub-register and issuer sponsored	Registration Details and Investor Information	1.1	Standardise, improve and better synchronise the data sharing between participants and share registries	Proceed to design
		1.2	Foreign restricted securities - review and simplify the current processes for holdings and transfers	Further Consideration
	SRN Enquiry & Validation	1.3	Implement a faster and more efficient SRN enquiry process	Proceed to design
	Issuer Sponsored Improvements	1.4	Reduce settlement risk in relation to issuer sponsored sales	Proceed to design
	ETF Creations & Redemptions	1.5	Reduce operational risk in relation to the current ETF creation/redemption workflow	Proceed to design
	Continuous Holding Balance	1.6	Provide more efficient, reliable and faster access to holding information	Proceed to design
Settlement	Bilateral Matching Improvements	2.1	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)	Proceed to design
		2.2	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	Proceed to design
	Standing Instructions	2.3	Reduce operational overhead in relation to payment provider authorisations by allowing for automated approvals in the system within cash limits.	Further Consideration
	Preliminary Payment Notifications	2.4	Provide more certainty by enabling more frequent and/or configurable access to preliminary payment data.	Further Consideration
	Bilateral Matching Improvements	2.5	Bilateral Matching – use of Transaction Basis (on and off-market)	Further Consideration
	Settlement Improvements	2.6	Scheduled Settlement CHES to CHES Transfer Request (MT107) - support usage within a participant group structure	Proceed to design
	Settlement Improvements	2.7	Deferred settlement securities – review process to ensure/improve settlement efficiencies	Further Consideration
Corporate Actions	Electronic Dividend Claims	3.1	Review and enhance the current processes for automated claims (diary adjustments) to ensure it continues to meet the market needs.	Proceed to design
	Corporate Action Election and Acceptance Processing	3.2	Provide standardised straight through processing capability for corporate action elections and cost effective associated payments.	Proceed to design
		3.3	Reduce operational risk in relation to DRP standing instructions.	Proceed to design
	Cum Entitlement Balance Transfer	3.4	Evaluate opportunities to facilitate the transfer of entitlements (pre and/or post Record Date) ensuring this does not impact issuer schedules.	Further Consideration
	Electronic Notification of Payment Advice	3.5	Provide standardised electronic transmission of corporate action distribution information to create opportunities for automation and process improvement.	Proceed to design
	Other Corporate Action Efficiencies	3.6	Evaluate whether ASX can help with the transmission of bank account information in relation to bid offers	Proceed to design
	Other Corporate Action Efficiencies	3.7	Ensure holding adjustment reason codes are up to date and being used correctly	Proceed to design
	Other Corporate Action Efficiencies	3.8	Make sub-register state more readily available to participants to help improve processes in relation to de-listings	Proceed to design
	Other Corporate Action Efficiencies	3.9	Standardised electronic proxy voting	Further Consideration

Open Action – 2023 September (4) Cont'd

Existing new customer scope and design considerations

- The remaining items below have been carried forward from the previous project, or have been noted as design considerations:

Topic	Functionality	Ref	Description	Status
In Scope – Consideration for Design	Changes to Netting Process	4.1	Review the design for netting in the context of the solution	Proceed to design
	Changes to Settlement Process	4.2	Review the design for settlement in the context of the solution	Proceed to design
	Linking Bilateral Settlements	4.3	Settlement Linking – review and evaluate solution design	Proceed to design
	Settlement Lock for CHESS Holdings	4.4	Settlement Locking – review and evaluate solution design	Proceed to design
	Non-batch DvP Bilateral Settlement	4.5	Bilateral Non-Batch DvP Settlement – review and evaluate in the context of payment processes	Proceed to design
Additional Items Potentially Impacting Design	T+1	5.1	T+1 consultation and potential impacts to the CHESS Replacement Project	Further Consideration
	House/Client Segregation	5.2	House/client segregation consultation and potential impacts to the CHESS Replacement Project	Further Consideration
	Interoperability	5.3	Ensure the solution is designed to enable potential future interoperability between CCPs, SSFs and/or sub-registers	Proceed to design

Open Action – 2023 September (4) Cont'd

Review existing 'day 2' and 'out of scope' items that have not been tabled for the current project

2023 September (4) -

To provide traceability to the scope as at the pause, we have updated the below table that demonstrates which items have been captured as scope objectives or design considerations.

	Previously in Day 1 scope for CHES Replacement (as at pause) – current CHES functionality plus the below	Not previously in Day 1 scope for CHES Replacement (as at pause)
Account information	<ul style="list-style-type: none"> Standardised registration details -> Objective 1.1 	<ul style="list-style-type: none"> Aggregated view of holdings -> Not currently on roadmap Common investor number -> Not currently on roadmap Additional investor information -> Objective 1.1 Centralised data capture and storage -> Objective 1.1
Clearing	<ul style="list-style-type: none"> Changes to netting process (non-materialised NBO) -> Design 4.1 	
Pre-settlement	<ul style="list-style-type: none"> Settlement lock for CHES holdings -> Design 4.4 Bilateral transaction matching (additional matching criteria and revised tolerances) -> Objective 2.2 	<ul style="list-style-type: none"> Bilateral transaction matching (pre-matched status) -> Objective 2.1 Single access point to validate SRNs -> Not on roadmap as described, superseded by Objective 1.3 Settlement lock for issuer sponsored holdings -> Not on roadmap as described, superseded by Objective 1.4 Transfer of novated equity transactions between CPs -> Not currently on roadmap Additional preliminary payment notifications -> Objective 2.4
Settlement	<ul style="list-style-type: none"> Changes to settlement process (net settlement) -> Design 4.2 Linking bilateral settlements -> Design 4.3 Non-batch DVP bilateral settlement -> Design 4.5 	<ul style="list-style-type: none"> Settlement message enhancement -> Not currently on roadmap Settlement in foreign currencies -> Not currently on roadmap Optional early client settlement -> Not currently on roadmap Auto-borrow -> Not currently on roadmap
Corporate Actions	<ul style="list-style-type: none"> Standardised registration details -> Objective 1.1 	<ul style="list-style-type: none"> Electronic DRP and BSP elections, DRP enquiry -> Objective 3.3 Electronic processing of dividend claims -> Objective 3.1 Electronic proxy voting -> Objective 3.9 Transfer of cum entitlement balance -> Objective 3.4 Electronic acceptance of entitlement offers -> Objective 3.2 Electronic payment for entitlement offers -> Objective 3.2
Reporting		<ul style="list-style-type: none"> Continuous holding balance information -> Objective 1.6
Participant Structure		<ul style="list-style-type: none"> Participant models for clearing and settlement services -> Not currently on roadmap
mFund		<ul style="list-style-type: none"> Real-time cash settlement, 'hold' status and transfer capability -> Not currently on roadmap

Legend

Mapped to scope objective (proceed to design)

Mapped to scope objective (further consideration)

Superseded by new scope objective

Consideration for design

Not currently on roadmap

Member feedback

Project status & governance

Redesign plan update

Plan for solution design

	CY Q1	CY Q2	CY Q3	CY 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"> <input type="checkbox"/> Scope and business requirements baselined <input type="checkbox"/> 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"> <input type="checkbox"/> Solution design finalised <input type="checkbox"/> Project estimation completed 	<ul style="list-style-type: none"> ★ 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"> <input type="checkbox"/> Vendor commercial and contracting processes <input type="checkbox"/> SI selection and contracting 	<ul style="list-style-type: none"> Market engagement on readiness and implementation planning
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"> <input type="checkbox"/> Implementation strategy <input type="checkbox"/> Test strategy & approach completed 	

Key Risk:

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

Legend:

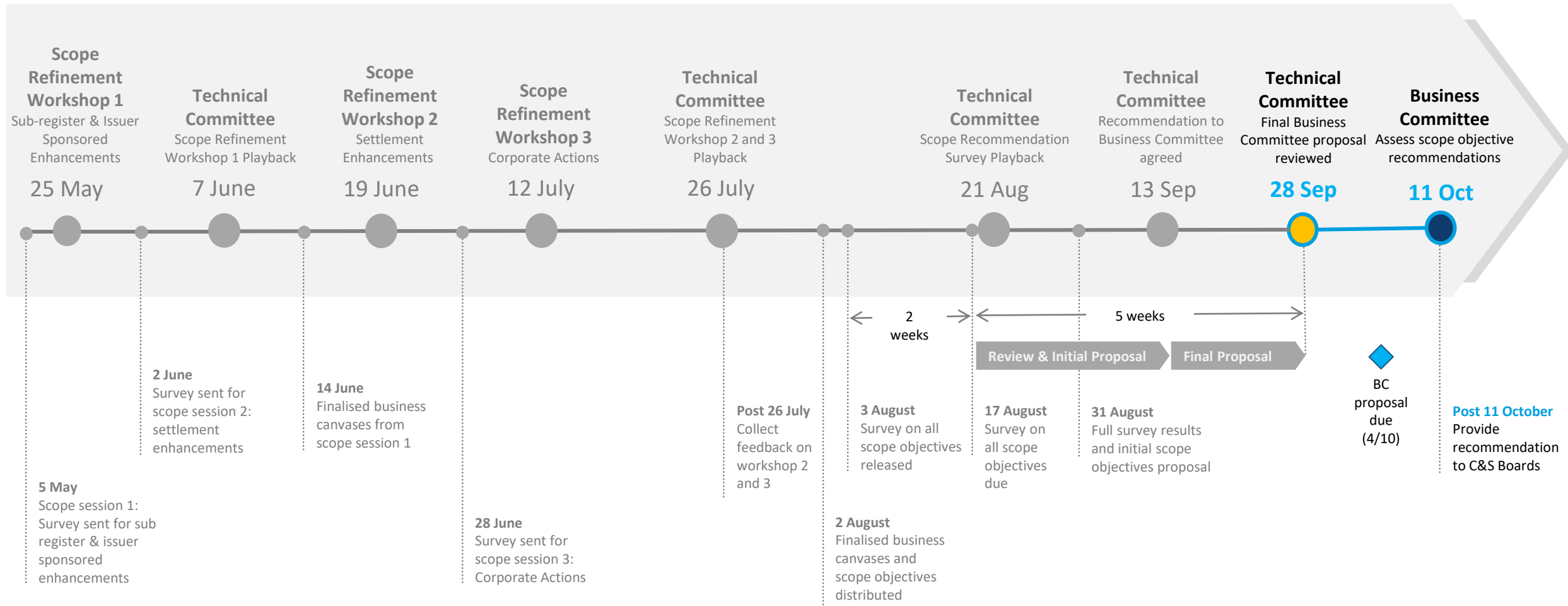
- Inflight
- ✓ Completed

Project scope

Endorsement of Business Committee proposal

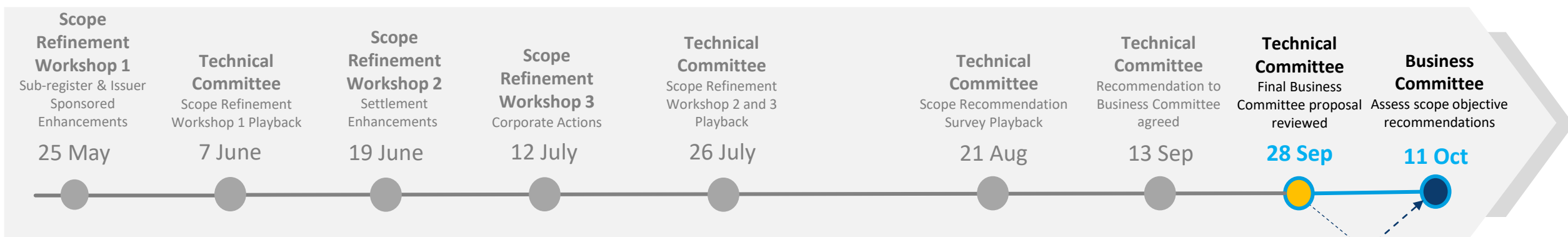
Technical Committee – Next steps

Key dates for recommendations on scope



Technical Committee Scope Refinement

Journey to the Business Committee scope recommendation proposal



Item	Issue	Impact	Priority	Status
1
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Item	Issue	Impact	Priority	Status
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Item	Issue	Impact	Priority	Status
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Item	Issue	Impact	Priority	Status
1
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BC proposal due (4/10)

Post 11 October
Provide recommendation to C&S Boards

1. Registration Details & Issuer Information

2. SNM Details & Validation

3. Issuer Sponsored Holdings Lock

4. Continuous Holdings Balance

5. CHES to CHES conversions

6. CHES to CHES conversions

7. Issuer Initiated Holding Lock

1. Bilateral Matching Improvements

2. Extended use of Unilateral Settlement Instructions

3. Standing Instructions

4. Preliminary Payment Notifications

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

Workshop 1 Summary

Sub-register and Issuer Sponsored

19 May

ASX

Settlement Participants, Share Registrars

- High attendance across 18 participants and 5 registrars and registrars
- 7 in person attendees (5 participants, 2 registrars)
- 4 suggested scope objectives identified to be taken to TC for consideration

Survey Summary

The survey included open ended questions regarding the challenges, risks and improvements of the following topics:

- Registration details & issuer information
- Holding management, and
- Issuer sponsored holdings

18 participants

5 issues

10 issues

10 issues

Workshop 2 Summary

Settlement Improvements and efficiencies

19 June

ASX

Settlement Participants

- All 19 participants were represented with 1 registry in observer
- 10 days in attendance
- 4 suggested scope objectives identified to be taken to TC for consideration

Survey Summary

The survey included open ended questions regarding the challenges, risks and improvements of the following topics:

- Bilateral matching improvements;
- Extended use of unilateral settlement instructions;
- Standing instructions for Cash, and
- Preliminary payment notifications.

18 participants

5 issues

10 issues

Workshop 3 Summary

Corporate action processing efficiencies

12 July

ASX

Settlement Participants, Share Registrars

- Full attendance across 18 participants and 5 registrars
- 10 days in attendance and 15 in person
- 5 suggested scope objectives identified to be taken to TC for consideration

Survey Summary

The survey measured support of topics and included open ended questions regarding the benefits, challenges, risks and improvements of topics:

- Electronic dividend claims
- Corporate action election and acceptance processing
- Cum entitlement balance transfer
- Electronic notification of payment advice
- Other corporate action efficiencies

18 participants

5 issues

10 issues

Item	Issue	Impact	Priority	Status
1
2
3
4
5
6
7
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9
10

Item	Issue	Impact	Priority	Status
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Scope Recommendation Proposal

Recommendation categorisation/definition

The scope recommendation proposal categorises each Scope Objectives under one of the following:

1. ***Proceed to CHES Replacement design consultation***
2. ***Proceed to CHES Replacement design consultation (and evaluate the opportunity to make improvements in current CHES)***
 - The feasibility of these objectives will also be explored in current CHES.
 - These are not expected to include any CHES code changes, but rather minor configuration or process changes.
3. ***Further consideration***
 - 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 CHES Replacement design phase in the future.
4. ***Not supported***
 - These objectives have not received sufficient support and will not be brought forward at this time.

➤ **The timing of any scope implementation is subject to factors including:**

- The solution decision; and
- Risk, readiness and implementation planning

Business Committee (BC) Proposal

The Technical Committee recommendation will be formalised in a BC Paper.

NOTE!



The scope objectives and associated recommendations presented today will be provisioned to the Business Committee for endorsement to the boards of ASX Clear and ASX Settlement. This Business Committee paper will be circulated with TC Members following this session.

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. 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 BC Paper will cover:

1. The purpose
2. Scope refinement process to date
3. The proposed recommendation to boards of ASX Clear and ASX Settlement.



TECHNICAL COMMITTEE PROPOSAL [For recommendation to the C&S Boards]

The below table provides the Technical Committee approved proposal for Business Committee recommendation to the boards of ASX Clear and ASX Settlement. Board endorsement is for inclusion into design consultation of the CHES Replacement project.

Topic	Functionality	Ref	Scope Objective	Rationale	Proposal
Sub-register and issuer sponsored	Registration Details and Issuer Information	1.1	Standardise, improve and better synchronise the data sharing between participants and issuer registries.	ASX proposes continued assessment of the way information is shared during the design process, supported by benefits developed via industry associations.	Proceed to design consultation for CHES Replacement
		1.2	Foreign restricted securities - review and simplify the current processes for holdings and transfers.	ASX proposes to review the current process and scope in relation to FDR securities, and the appropriateness of the functionality going forward.	Further consideration needed
	SPIN Enquiry & Validation	1.3	Implement a faster and more efficient SPIN enquiry process.	ASX proposes to review the current process and scope in relation to SPIN enquiries, and the appropriateness of the functionality going forward.	Proceed to design consultation for CHES Replacement
	Issuer Sponsored Holding Locks	1.4	Reduce settlement risk in relation to issuer sponsored sales.	ASX proposes to review the current process and scope in relation to issuer sponsored sales, and the appropriateness of the functionality going forward.	Proceed to design consultation for CHES Replacement
	ETF Creation & Redemption	1.5	Reduce operational risk in relation to ETF creation and redemption.	ASX proposes evaluating with affected stakeholders what changes could improve the process for ETF creation and redemption, including whether any improvements are appropriate for the current system.	Proceed to design consultation for CHES Replacement (and evaluate opportunities in current CHES)
Settlement	Continuous Holding Balance	1.6	Provide more efficient, reliable and faster access to holding information.	ASX proposes to review access to holding balances in the context of the selected solution and connectivity channels.	Proceed to design consultation for CHES Replacement
	Bilateral Matching Improvements	2.1	Reduce operational risk by ensuring participants are able to submit and match transactions in the system as soon as practical while engaging the Matchbook of Securities.	ASX proposes to facilitate a re-review of the matching rules, criteria and process in the context of the selected solution.	Proceed to design consultation for CHES Replacement

Sub-register and issuer sponsored enhancements (x7)

Recommendations to Business Committee

Topic	Functionality	Ref	Scope Objective	Summary Rating	Summary	Recommendation for Consideration	Rationale
Sub-register and issuer sponsored	Registration Details and Investor Information	1.1	Standardise, improve and better synchronise the data sharing between participants and share registries	Strongly support	The majority of members strongly support improving and standardising investor data, citing increased operational efficiencies, fewer rejections and better access to data. One organisation was not supportive due to concerns with the cost vs benefits.	Proceed to design for CHES Replacement.	ASX proposes continued assessment of the way information is shared during the design process, supported by benefits developed via industry associations.
	SRN Enquiry & Validation	1.3	Implement a faster and more efficient SRN enquiry process	Strongly support	The majority of members strongly support improvements to this feature as a high priority to provide better information in the SRN response and timeliness of the SRN enquiry processing. One organisation was not supportive due to concerns with the cost vs benefits.	Proceed to design for CHES Replacement.	ASX proposes a review of the end-to-end process in relation to SRN enquiries and issuer sponsored sales to identify any improvements that can be made.
	Issuer Sponsored Improvements	1.4	Reduce settlement risk in relation to issuer sponsored sales	Strongly support	General feedback indicates that this feature has a low impact on the industry, however a cohort of participants with medium business impacts strongly support and view this as a core issue leading to settlement fails. Several members were not supportive of this change citing concerns about the complexity involved with minimum benefit.	Proceed to design for CHES Replacement.	
	ETF Creations & Redemptions	1.5	Reduce operational risk in relation to the current ETF creation/redemption workflow	Strongly support	The majority of members are not impacted by this process, however the cohort of participants whom are involved in the ETF creation process view this function as critical. Current processes are inefficient and the market strongly support improvements in this space. Two organisations were not supportive due to concerns with the cost vs benefits.	Proceed to design for CHES Replacement (and evaluate opportunities in current CHES).	ASX proposes evaluating with affected stakeholders what changes could improve the process for ETF creation and redemption, including whether any improvements are appropriate for the current system.
	Continuous Holding Balance	1.6	Provide more efficient, reliable and faster access to holding information	Strongly support	Overall industry feedback cites high impact and strongly support higher visibility and greater access to holding balance information on CHES. One organisation was not supportive due to concerns with the cost vs benefits.	Proceed to design for CHES Replacement.	ASX proposes to review access to holding balances in the context of the selected solution and connectivity channels.

Settlement enhancements (x3)

Recommendations to Business Committee

Topic	Functionality	Ref	Scope Objective	Summary Rating	Summary	Recommendation for Consideration	Rationale
Settlement Enhancements	Bilateral Matching Improvements	2.1	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)	Strongly support	This objective has a high business impact on Participants that strongly support , however there are concerns relating to the proposed solutions and benefits provided. A further deep dive into the root causes of failed settlements and a feasibility study is recommended by the market. Two organisations were not supportive citing changes could lead to increased uncertainty and that this was not a priority.	Proceed to design for CHES Replacement.	ASX proposes to facilitate a re-review matching rules and matching processes in the context of the selected solution.
		2.2	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	Somewhat support	There is concern from the market this may cause regression if matching criteria is not optional. Members somewhat support the addition of a unique transaction identifier to trade messages to improve matching rates. Two participants were not supportive due to the increased risk of mismatches.	Proceed to design for CHES Replacement.	
	N/A	2.6	Scheduled Settlement CHES to CHES Transfer Request (MT107) - support usage within a participant group structure	Somewhat support	Majority feedback is somewhat support as there is limited use of this transfer request message industry wide, deemed as low impact and low priority to most participants. Most members deemed this functionality as not relevant to their business.	Proceed to design for CHES Replacement (and evaluate opportunities in current CHES).	ASX proposes to review the expansion of message usage in the context of the current system and continue to consider for CHES Replacement.

Corporate Action enhancements (x7)

Recommendations to Business Committee

Topic	Functionality	Ref	Scope Objective	Summary Rating	Summary	Recommendation for Consideration	Rationale
Corporate Actions	Electronic Dividend Claims	3.1	Review and enhance the current processes for automated claims (diary adjustments) to ensure it continues to meet the market needs.	Strongly support	The market strongly supported a review and further evaluation of the process and is unclear on the how CHESSE can materially improve this. The deferral of payments will also have a flow on effect with sourcing franking credits from the failing Participants. Four members were not supportive of this process citing that the current process is ideal and changes should be reviewed at a later stage.	Proceed to design for CHESSE Replacement.	ASX proposes to re-review the diary adjustment processes in the context of the selected solution, including identification of any improvements that can be made.
	Corporate Action Election and Acceptance Processing	3.2	Provide standardised straight through processing capability for corporate action elections and cost effective associated payments.	Strongly support	Feedback strongly support improvements in this area, however the solution would need to be a cost and time efficient process as there are high impacts to the industry. Two members were not supportive due to increased operational overhead and low priority.	Proceed to design for CHESSE Replacement.	Corporate Action Elections were previously in scope for CHESSE Replacement Day 2, and DRP Elections are still a part of the scope baseline.
		3.3	Reduce operational risk in relation to DRP standing instructions.	Strongly support	The industry is very strongly supportive of this change, citing positive benefits to customers and reduction of manual input for dividend instructions. One organisation was not supportive due to concerns with the cost vs benefits.	Proceed to design for CHESSE Replacement.	ASX proposes to facilitate a re-evaluation of the process design, supported by benefits developed via industry associations. Consideration should be given to critical path and release scheduling, and benefits should be supported by industry associations.
	Electronic Notification of Payment Advice	3.5	Provide standardised electronic transmission of corporate action distribution information to create opportunities for automation and process improvement.	Strongly support	There is strong support as the market can see benefit in digitising this information for downstream reporting. Two organisations were not supportive due to concerns with the cost vs benefits.	Proceed to design for CHESSE Replacement.	Corporate Action Distribution information is currently used in CHESSE for mFund securities. ASX proposes to facilitate an evaluation of the feature in relation to other instruments. Consideration should be given to critical path and release scheduling, and benefits should be supported by industry associations.
	Other Corporate Action Efficiencies	3.6	Evaluate whether ASX can help with the transmission of bank account information in relation to bid offers	Somewhat support	There is somewhat support to adopt change as the market eliminates cheques and looks to improve the distribution of income/dividends from Issuers. Two members were not supportive due to low priority.	Proceed to design for CHESSE Replacement (and evaluate opportunities in current CHESSE).	ASX proposes to review the transmission of bank account information in the context of the current system and continue to evaluate for CHESSE Replacement.
	Other Corporate Action Efficiencies	3.7	Ensure holding adjustment reason codes are up to date and being used correctly	Strongly support	A review of adjustment codes is broadly strongly supported by the industry to allow for increased accuracy in reporting and processing consistency.	Proceed to design for CHESSE Replacement (and evaluate opportunities in current CHESSE).	A review of the holding adjustment reason codes was previously undertaken for CHESSE Replacement. ASX proposes for this to be re-reviewed and additionally evaluated in the context of current CHESSE.
	Other Corporate Action Efficiencies	3.8	Make sub-register state more readily available to participants to help improve processes in relation to de-listings	Somewhat support	There is somewhat support to adopt change and to improve the existing process. Additional functionality to track suspended and delisted stocks would be helpful in trade management.	Proceed to design for CHESSE Replacement (and evaluate opportunities in current CHESSE).	Additional security state notifications was previously included in CHESSE Replacement. ASX proposes this remains in scope and is also reviewed in the context of current CHESSE.

Business Committee Proposal

Next Steps

To facilitate the endorsement process at the *11 October Business Committee* we ask Technical Committee Members to:

➤ ***Align internally***

- Ensure that you are aligning internally on this process and outcomes with your Business Committee representative.

➤ ***Remember***

- Business Committee and subsequently C&S Board endorsed scope objectives are taken to design consultation - There will be a future checkpoint where final scope is reviewed.

Further Consideration Objectives

Next steps



For Member
discussion

Topic	Functionality	Ref	Scope Objective	Summary Rating	Summary	Recommendation for Consideration	Next Steps For Discussion
Sub-register and issuer sponsored	Registration Details and Investor Information	1.2	Foreign restricted securities - review and simplify the current processes for holdings and transfers	Somewhat support	Industry feedback indicates a majority of members somewhat support this objective, however a large cohort of Custodial participants with high business impacts strongly support improving the foreign ownership flag to reduce administrative burden. One organisation was not supportive because they are satisfied with the current process.	Further consideration needed	Proposed to bring back to the Technical Committee for further discussion to better understand the impact/change associated with this objective.
Settlement	Standing Instructions	2.3	Reduce operational overhead in relation to payment provider authorisations by allowing for automated approvals in the system within cash limits.	Somewhat support	There is low impact to the industry for this objective, as the majority of members are not payment providers and participants have internal risk management processes. The market somewhat supports the ability to automate payment authorisations. Two organisations were not supportive of changes as this was not a priority for their business.	Further consideration needed	Proposed to consult the Equities Settlement Payment Provider Sub Committee (ESPPSC) and bring input back to the Technical Committee for approval.
	Preliminary Payment Notifications	2.4	Provide more certainty by enabling more frequent and/or configurable access to preliminary payment data.	Somewhat support	Feedback indicates there is limited benefit in providing projected net payment data as exposure is dynamic until post batch. The market somewhat supports the ability to projected payment data. Three organisations were not supportive of changes as this was not a priority for their business.	Further consideration needed	Proposed to consult the Equities Settlement Payment Provider Sub Committee (ESPPSC) and bring input back to the Technical Committee for approval.
	N/A	2.5	Bilateral Matching – use of Transaction Basis (on and off-market)	Somewhat support	Industry feedback indicates a majority of members somewhat support this objective, however comments suggest that the objective was not adequately worded as the preference is to remove the requirement for transaction basis. Two organisations were not supportive of the use of transaction basis.	Further consideration needed	Proposed to bring back to the Technical Committee for further discussion to review the rationale for the current on/off-market transaction basis indicator in the context of the current system and continue to consider for CHES Replacement.
	N/A	2.7	Deferred settlement securities – review process to ensure/improve settlement efficiencies	Somewhat support	Members agree that the process can be improved and somewhat support a review. This objective is viewed as low priority at this point in time. Two organisations were not supportive of changes as this was not a priority with limited benefits for their business.	Further consideration needed	Proposed to bring back to the Technical Committee for further discussion to better understand the deferred settlement process to ensure it remains fit for purpose and aligns to international standards.
Corporate Actions	Cum Entitlement Balance Transfer	3.4	Evaluate opportunities to facilitate the transfer of entitlements (pre and/or post Record Date) ensuring this does not impact issuer schedules.	Strongly support	There is greater efficiency and flexibility for stock lenders and when resolving market failures resulting in strong support from a large number of Participants. Concerns regarding the long term benefits of this feature have been raised in light of progression towards T+1. Three organisations were not supportive due to concerns with the cost vs benefits.	Further consideration needed	Proposed to bring back to the Technical Committee and/or consult with relevant industry group/forum to facilitate a re-review of the current Cum Entitlement Balance process and the general use cases in relation to any selected solution, and the appropriateness if the market was to move to T+1.
	Other Corporate Action Efficiencies	3.9	Standardised electronic proxy voting	Somewhat support	There is somewhat support for ASX to provide some facilitation for proxy voting, however it is noted that this is a material change that is deemed a lower priority at this point in time. Three organisations are not supportive , citing concerns regarding the difficulty to standardise this process and legislative changes required.	Further consideration needed	Proposed to bring back to the Technical Committee and/or consult with relevant industry group/forum to understand the broader industry impact and if potential legislative change is required to facilitate proxy voting.

Forward work plan

Forward work plan

Calendar invitations have been shared for monthly meetings in 2023



Agenda items:

- Project status update
- Scope roadmap approach
- Industry engagement approach



Business Committee meetings:

11 Oct 2023

6 Dec 2023

TBC 2024

Future TC meetings:

8 Nov 2023

Ad hoc TBC***

TBC Feb 2024

TBC Mar 2024

***TBC - ASX intends to hold an ad hoc virtual Technical Committee following any solution announcement

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
- Access channels / interface options
- Industry readiness activities
- Accenture recommendations

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

Observer playback

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Thank you.

