

ASX

CHES Replacement

Implementation & Transition Working
Group

12 December 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

Troubleshooting

- > 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 capturing decision and actions
- > Dial in details (audio only):
 - **+61 2 7208 4607**
 - Phone Conference ID: **767 330 158#**
- > Presentation materials were distributed before the meeting and will be published on the website

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

01 – Welcome and kick-off

02 – Phased implementation approach

03 – Industry testing phases and approach

04 – Implementation timeline

05 – Next steps and AOB

01 – Welcome and kick-off

01 – Stakeholder engagement working groups

Moving forward

In the 24 November Committee, ASX introduced the Implementation and Transition Working Group (ITWG).

› [Implementation and Transition Working Group \(ITWG\)](#)

- Responsible for implementation planning
- Will be consulted on plan, cutover, migration and testing

› [Business Design Working Group \(BDWG\)](#)

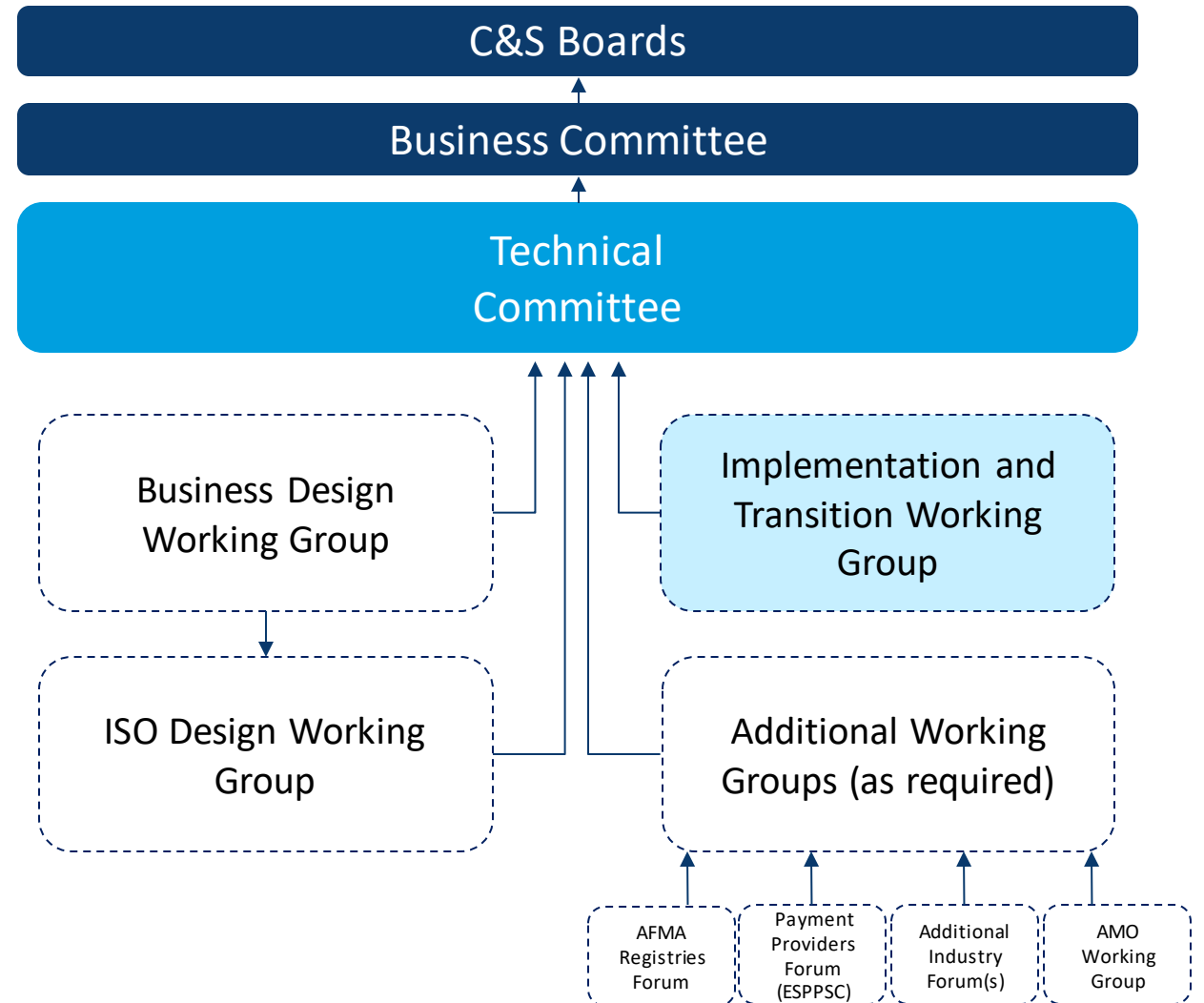
- Responsible for the functional design of any new/changing scope
- Includes Business and Operational SMEs from relevant organisations

› [ISO Design Working Group \(IDWG\)](#)

- Responsible for the ISO20022 message designs and flows
- Will be consulted on all messages
- Includes Technical SMEs from relevant organisations

› [Additional Working Groups](#)

- Members and responsibilities as required



01 – Stakeholder engagement working groups

Implementation and transition working group

The purpose of the ITWG is to develop a market-wide implementation and transition plan to support users' transition from CHES over two releases.

Responsibilities

- Be the key forum for ASX to communicate with industry stakeholder representatives on the implementation and transition of CHES replacement in Australia's equity post trade environment
- Be a key forum to help guide stakeholders individual implementation and transition plans
- Members of the working group are expected to provide advice and expertise to help define and shape market wide implementation and transition plans

Key Topics

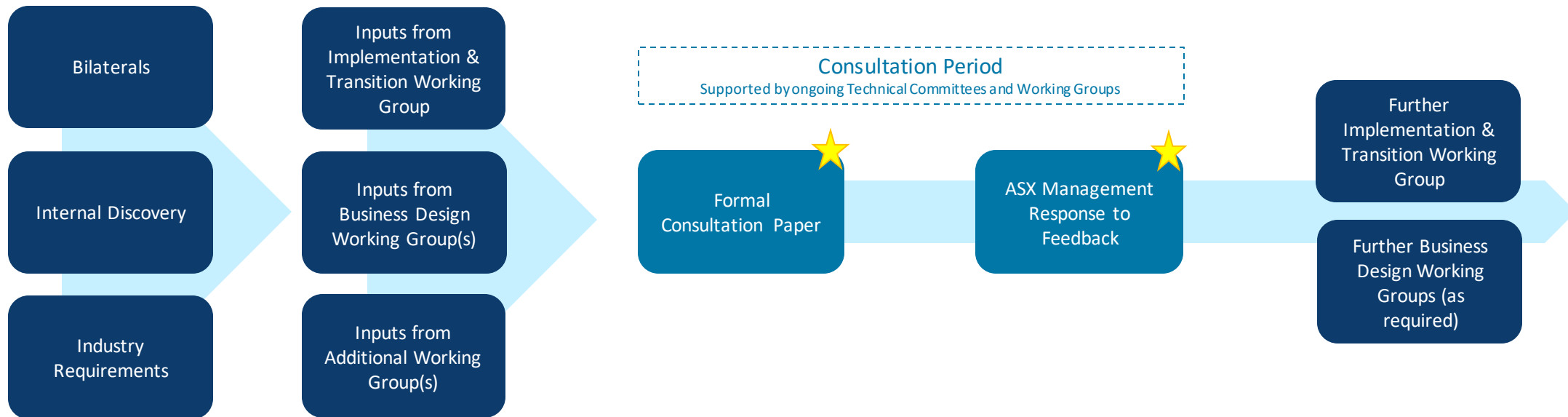
- Release 1 (AMOs and Clearing Participants)
 - Phased implementation approach
 - Industry testing phases and approach (scope of testing, ASX and Market roles)
 - Implementation Timeline
- Release 2 (C&S Participants, Payment Providers, Issuer (Registries), Software Providers)
 - Implementation approach
 - Industry Testing phases and approach (scope of testing, ASX and Market roles)
 - Implementation Timeline

Next Steps

- Agree membership. Committee members are asked to nominate up to **two primary representatives** to participate in the working groups.
- Meetings will be up to 2 hours in duration and will be held monthly, the first occurring in the **second week of December**. Invitations will be sent shortly.
- Nominated members should have the appropriate skills and business responsibilities to actively contribute and follow up on activities for their own organisation's implementation plans.

01 – Stakeholder engagement consultation

Public consultation model



Once the design consultation is progressed, ASX will also consult on amendments to its Operating Rules.



02 – Phased implementation approach

02 – Phased implementation approach

Recap on the proposed staged implementation of the solution over two main releases

- ✓ The delivery plan supports a staged implementation, providing backwards compatibility during the first phase of the project and resource optimisation – subject to consultation
- ✓ Other than AMOs, CHES users and market participants should be largely unaffected by the change required in Release 1 and will continue to interface with CHES
- ✓ Provides industry the time to slowly increase project delivery resource requirements during the planned market consultation for 2024

Release 1 – Clearing

- Migrate AMOs to the FIX interface
- Migrate trade registration to the new clearing component of the solution
- Implement the technical infrastructure for the strategic solution
- Provide backwards compatibility to minimise impact on the market

Release 2 – Settlement & Sub-register

- Implementation of the full solution including all remaining clearing functionality
- Implementation of the full settlement and sub register functionality, including enhancements added through consultation
- Take into account T+1 and other macro factors

02 – Phased implementation approach

Release 1 Industry Impact considerations

AMOs to leverage previous build

- > **Global FIX messaging standard** – ASX will provide the capability for AMOs to report trades via the Financial Information Exchange protocol (FIX) as one of the key changes to be delivered in Release 1 of CHES Replacement project. This will be based on the current specifications. It is understood that significant level of work has been accomplished on FIX messaging standard as this has been a key goal of CHES Replacement from the early stages.

What is expected from Clearing Participants

- > Although the changes made in Release 1 Clearing functionalities and transition to FIX messaging format do not impact Clearing Participants, a regression test by Clearing Participants is planned to de-risk Release 1 go-live.
- > The details of testing phases are provided in subsequent slides

02 – Phased implementation approach

No impact to CHES users and Market Participants other than AMOs

Backwards compatibility of CHES messaging (except AMOs) effectively results in no impact to CHES users by ensuring that the message formats, protocol and connectivity between ASX and CHES users remain unchanged.

After Release 1 is implemented:

- > AMOs will send FIX messages to register/cancel trades and price updates to the new CHES Replacement system, which will perform all of Trade Acceptance Services (e.g. validate, accept/reject requests, register trades and perform netting where eligible).
- > The CHES Replacement system will create and send CHES formatted messages to current CHES that will continue to route the received CHES protocol message as before.
- > There are no changes to the CHES formatted messages and the existing connectivity between CHES and CHES users
- > Clearing Participants will continue to receive all downstream EIS messages generated from Trade Acceptance and Clearing Services as before, achieving backwards compatibility of CHES messaging.
- > Please refer to the next slide for list messages that will be generated from the CHES Replacement system in Release 1.

02 – Phased implementation approach

Messages in scope for R1

The below messages will be generated from the CHES Replacement system in Release 1. The current message protocol and connectivity between CHES and Clearing Participants will not change.

- > **Notified Broker Broker Trade (EIS 164)**
- > **Cancelled Settlement Instruction (EIS 116)** - limited scenarios (market trade cancellation by AMO or ASX Clear)
- > **Scheduled Net Broker Broker Obligation (EIS 134)**
- > **Netted Broker Broker Trade (EIS 138)**
- > **Reinstated Broker Broker Trade (EIS 136)**
- > **Cancelled Net Broker Broker Obligation (EIS 140)** - limited scenarios (un-netting)
- > **Adjusted Settlement Instruction (EIS 128)** - limited scenarios (security code changes pre-netting)
- > **CHES Event Notification (EIS 542)** - limited scenarios (netting completion)



03 – Industry testing phases and approach

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Industry Testing for Release 1

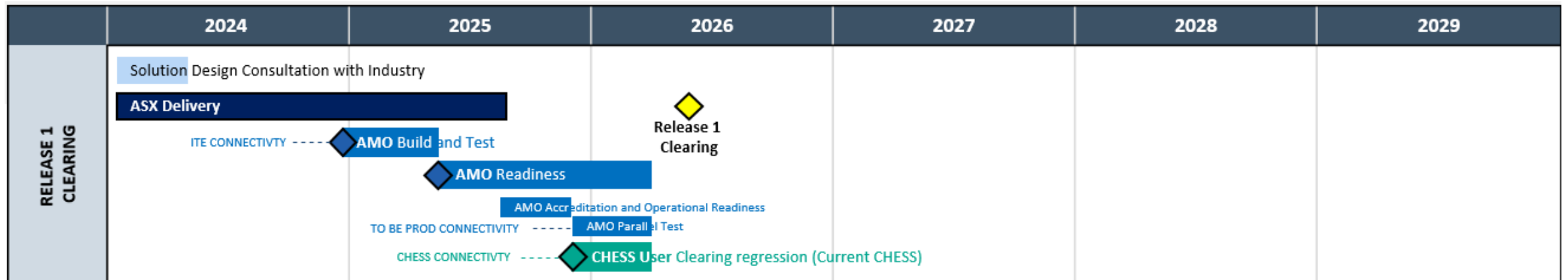
Industry Test phases for Release 1 primarily relate to the AMOs, however remain aligned to the industry test requirements.

Key phases of Release 1 Industry Testing

- Build and System Test (AMO only)
- Accreditation (AMOs only)
- Operational Readiness (AMOs only)
- CHES User Regression Test (Clearing Participants)

In addition to further mitigate risk to Go Live

- Parallel Test (AMO only)
- Implementation Dress Rehearsals



03 – Industry testing phases and approach

Industry Testing for Release 1

Release 1 introduces changes that impacts how AMOs and ASX interacts with each other. To ensure appropriate level of testing and attestation in readiness for Release 1 go-live, the following mandatory Industry Test phases are planned.

- > **Accreditation (AMOs only)** – involves AMOs demonstrating that all mandatory technical accreditation scenarios have passed the success criteria. ASX provides an industry test environment with Release 1 target state code base with production reference data. Test scenarios include:
 - > New trade capture
 - > Cancel trade capture
 - > AMO Pricing Data
- > **Operational Readiness (AMOs only)** – requires the AMOs successfully completing own test scripts including minimum operation readiness scenarios set by ASX. These scenarios would include:
 - > Various scenarios for market trades (e.g. trade capture, include a broker crossing etc.)
 - > Opt in for Security Details Report
 - > Various exception handling scenarios

03 – Industry testing phases and approach

Industry Testing for Release 1

To further mitigate risk to the Release 1 Go Live, activities below are planned to be conducted in the “to-be” Production environment.

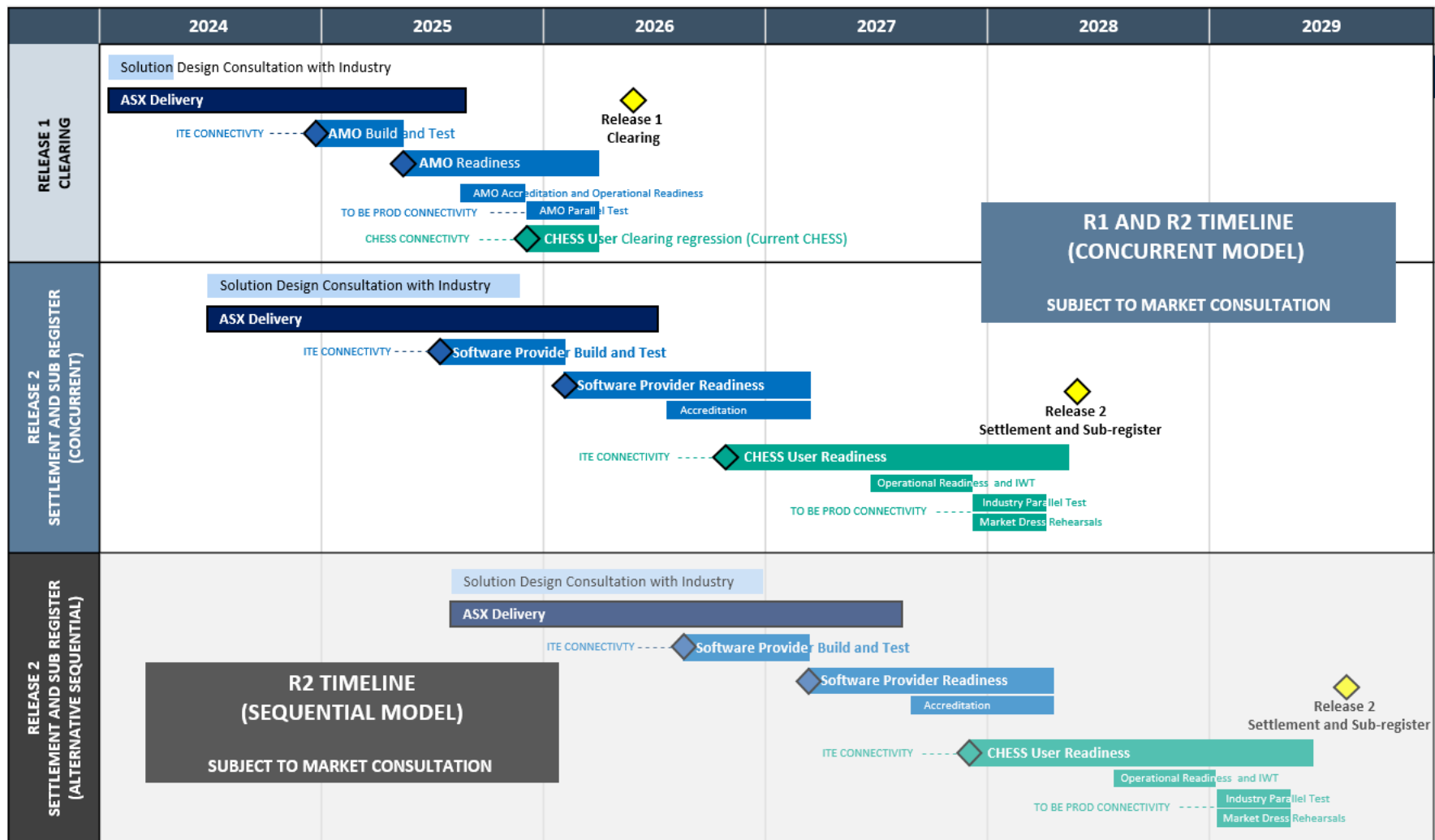
- > **Parallel Test (AMOs only)**– de-risk the Release 1 Go Live by ensuring the AMO feed of trade registration and pricing is an identical match comparing current AMO to CHES running in parallel with AMO to CHES Replacement Clearing FIX. This provides the opportunity to
 - > ensure trade registration and price reporting from AMOs reconciles to what is received by current CHES
 - > validate new AMO and ASX FIX messaging infrastructure is functioning correctly
 - > monitor and gain experience with the live system ahead of the go live weekend

- > **Implementation Dress Rehearsals**– will ensure all required activities to successfully cutover to the Release 1 target state can be completed within the required timeframe over a single weekend. Planning for these activities is in progress and will be tabled at a future I&T WG.

04 – Implementation timeline

04 – Indicative Project Timeline

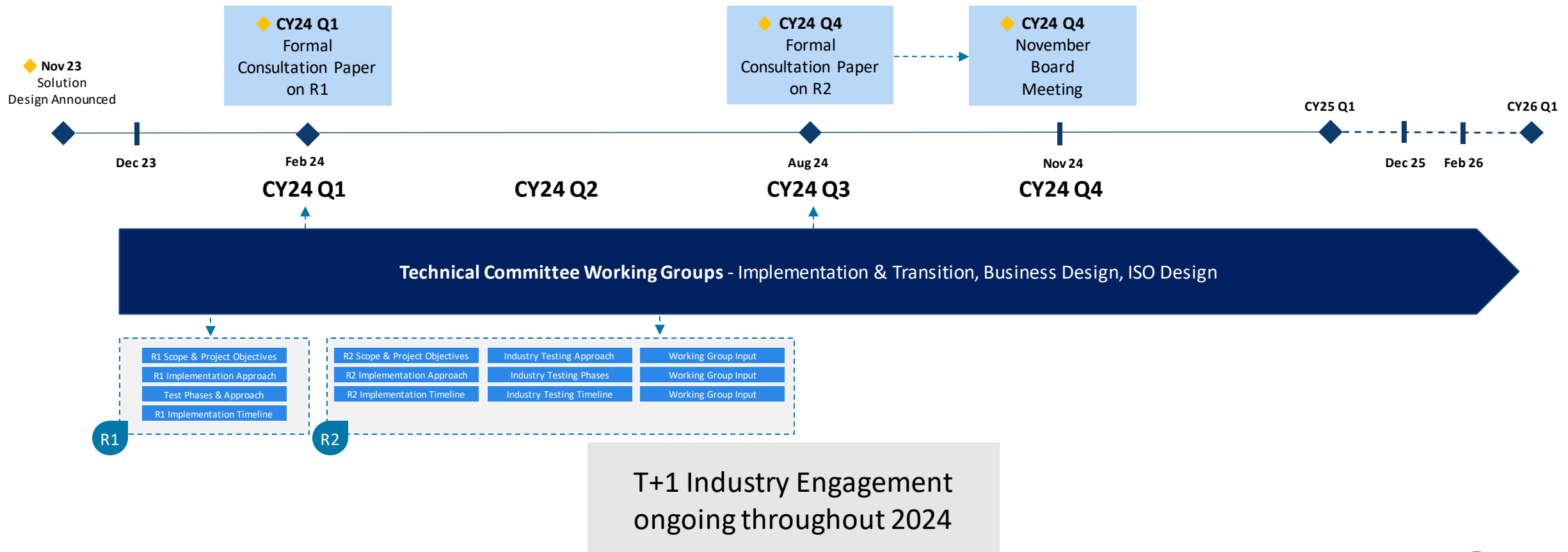
High level overview of the proposed timeline, subject to industry consultation



05 – Stakeholder engagement in CY2024

Planned public consultation timeline summary

Formal consultation with stakeholders will commence in the first quarter of 2024 and cover the high-level project plan and an indicative timeline for the releases, including the design, scope, and timing for each of the releases. Once the design consultation is progressed, ASX will consult on amendments to its Operating Rules.

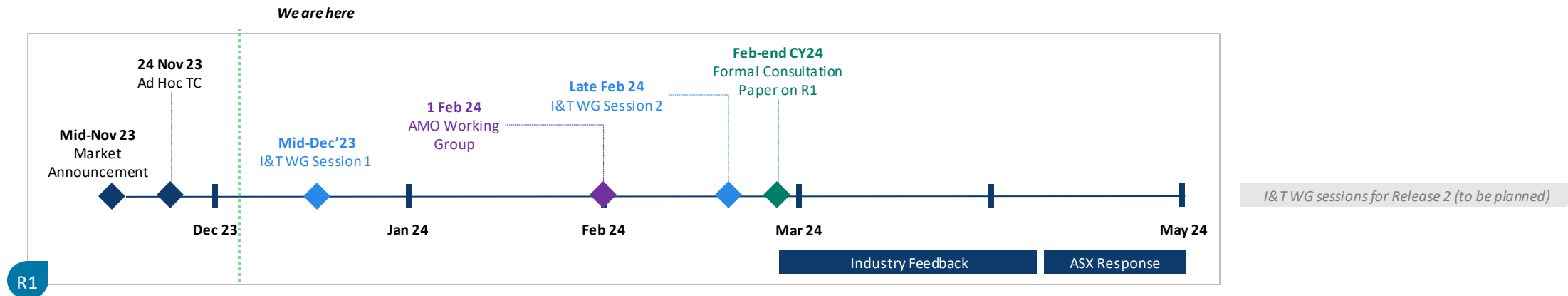


05 – Stakeholder engagement in CY2024

Indicative schedule for I&T working group sessions up to issuing consultation paper

A release 1 formal consultation paper will be issued in Q1, 2024. Important topics of the consultation paper will form the agenda of the I&T working group sessions that are planned between now and February 2024. Key dates are:

- > **12 Dec 2023** – this session
- > **1 Feb 2024** – scheduled AMO working group
- > **Feb 2024** – session 2 in late February
- > **Late Q1, CY24** – Formal Consultation Paper on R1 issued



Subsequent to the publication of the consultation paper, ASX would request the market participants and CHES users to provide feedback allowing ASX to respond and address downstream dependencies with regards to project analysis, build and test activities.

05 – Next steps and AOB

05 – Housekeeping

Establishing an action and decision register

An action and decision register will be established after today's Implementation and Transition Working Group and be presented at the start of each subsequent session.

Item number #	Action / Decision	Due date	Status	Owner

Illustrative Purposes Only



QUESTIONS?



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Thank you.

