Implementation & Transition Working Group

Questions from webinar| 3 June 2021

The following table provides ASX's response to relevant questions asked by Implementation & Transition working group members during the webinar held on 3 June. Please email chessreplacement@asx.com.au if you have any additional questions or require further clarification.

Topic	Question	Answer
Netting and settlement workflow – obligation status report	**Does the post settlement obligation status report indicate if the trades within the report have been settled or not?**	The Obligation Status Report that is requested for a settlement date, in which settlement has occurred, will indicate that all the settlement obligations reported for the requested Settlement HIN, Security and Obligation Type have been settled. The report, requested for all obligation types for a settlement date where settlement has occurred, will include all settlement obligations that have settled or part settled, including the standard settlement price (SSP) component that settles of a fully failed Novated Rescheduled Instruction that was generated in a previous batch settlement cycle. It should be noted, this report will also include all Novated Gross Market Trades scheduled to settle for the requested settlement date and any the Novated Settlement Failures generated for that settlement date to offset any Novated Net Delivery Position (calculated from the Novated Gross Market Trades) that failed to settle or was ineligible to settle. The report will not include any fully failed or rescheduled portions of part failed Unilateral Scheduled Settlement Instructions, Bilateral Scheduled Settlement Instructions, Non-novated Gross Market Trades and Novated Rescheduled Instructions, nor will the report include any suspended or cancelled settlement obligations.

Topic	Question	Answer
Netting and settlement workflow – obligation status report	**To avoid doubt, will the obligation ID or trade ID be present in the Obligation Status Report contents.**	The Obligation Status Report will contain both the transaction ID and obligation ID of the settlement obligations that are reported as follows: • For Unilateral Scheduled Settlement Instructions and Bilateral Scheduled Settlement Instructions, the Transaction Id reported will match the value from the participant's settlement instruction request (sett_105) and the Obligation Id reported will be the value generated by the CHESS replacement system and notified on the settlement instruction request response (sett_106) • For Gross Market Trades, the transaction ID and obligation ID reported will match the value generated by CHESS replacement system and notified on trade confirmation (sett_101); and • For Novated Settlement Failures and Novated Rescheduled Instructions, the transaction ID and obligation ID reported will match the value generated by CHESS replacement system and notified on the Settlement Instruction Generation Notification (sett_130). Exceptions to this will be: • The obligation ID of partially settled obligations (including the SSP component of a fully failed Novated Rescheduled Instruction), which will match the value generated by CHESS replacement system and notified on the Settlement Instruction Generation Notification (sett_130) for the settled component; and • The transaction ID and obligation ID of Accruals, which will match the values generated by CHESS replacement system and notified on the Accrual Settlement Instruction (sett_140).
Netting and settlement workflow – obligation status report	**Obligation status report by instruments?**	The Obligation Status Report can be requested by a settlement participant to provide a list of either all settlement obligations or specific settlement obligations by type for a specific Account (Settlement HIN), Security, and Settlement Date.
Netting and settlement workflow – obligation status report	**Where account is mentioned on the obligation status report request is that PID or HIN?**	The Account parameter on the Obligation Status Report request refers to the Settlement HIN.

Topic	Question	Answer
Netting and settlement workflow – obligation status report	**What is the cost per request of an obligation status report?**	Clearing and settlement pricing has not yet been finalised. Pricing for the Obligation Status Report will be advised once ASX has finalised pricing.
Netting and settlement workflow – obligation status report	**Can an Obligation Status Report be requested for All Securities and/or All (overall) Movement Types**	The Obligation Status Report can be requested for an Account, Security, Settlement Date and Movement Type. It can only be requested for a single security, not all securities. The Movement Type can be all types of settlement instructions, or it can be a specific type of settlement instruction, such as Novated Gross Market Trades and NSFs, Novated Rescheduled Instructions, Bilateral Scheduled Settlement Instructions, Unilateral Settlement Instructions, or Non-Novated Gross Market
Netting and settlement workflow – trade cancellations	**Will AMO cancellations for trades be allowed for the same reason as ASX e.g. court order?**	AMO cancellations continue to be supported on Trade Date (only), as is the case in CHESS production currently. Trades may be cancelled post trade date, which is in the very unlikely event that ASX Operations is required to transfer, cancel or reschedule a trade due to default, court order or other similar circumstances. This continues to be applicable in the new system.
Netting and settlement workflow – trade cancellations	**Trade Cancellation on T0 - can a participant cancel a trade on T0 outside the Trading system?** **That is, the clearing participant can cancel the trade on T0 from their back office system & interact with CHESS replacement system?**	Canceled trades can only be requested via an Approved Market Operator (AMO) on Trade Date. Other Participants cannot request to cancel a market trade directly to the CHESS replacement system.

Topic	Question	Answer
Netting and settlement workflow – trade cancellations	**Please confirm that a Gross Market Trade can be cancelled at Trading Participant request and rebooked as a Foreign OR trade?**	Trading participants can request the cancelation of a Gross Market Trade by the approved market operator on the trade date. Once the trade is canceled by the AMO the participant is notified by messaging. The trade can then be rebooked by the AMO again with the correct trade conditions.
Netting and settlement workflow – independent risk assessment	**Did the RBA/ASIC require an independent assessment be completed?**	The regulators expect ASX to replace CHESS as soon as this can be safely achieved by ASX and users of CHESS. ASIC and the RBA, as co-regulators of licensed CS facilities, continue to closely monitor ASX's compliance with its CS facility licence obligations.

The regulators' supervision and engagement with ASX is focused on ASX's governance of the change program, its engagement with stakeholders, the functional and technical aspects of the replacement system, and its management of the risks associated with the migration to the new system.

In order to demonstrate its readiness to migrate to the new system, ASX is expected to provide independent assurances to the regulators. |
| **Pricing clearing & settlement services and access pricing for other users** | **Is there any update on pricing?** | Access pricing for participants was released in September 2019. ASX plan on releasing more formal communication to the market in Q3 2021 on access pricing for service providers.

Earlier this year, ASX met with a cross section of participants to seek feedback on clearing and settlement pricing. This engagement has now concluded and a summary of the proposed limited changes was provided to the Business Committee in April 2021.

ASX is engaging with the ACCC on pricing for the replacement system. ASX has previously committed that we will not be increasing fees to participants for like-for-like clearing and settlement services as part of CHESS replacement. |

Topic	Question	Answer
Electronic CHESS holding statements	For the e-statement, will ASX provide an API for the service provider to access the eligible CHESS holder statements?	This is not day one functionality. However, we are considering building this functionality if there is sufficient demand.
Electronic CHESS holding statements	How long after a trade will eStatements be accessible to a registered investor?	Electronic statements will be batch processed on the same timetable as paper statements (ie the first week of each month). The time from trade date to being able to view the statement will depend on when the trade takes place.
Electronic CHESS holding statements	When will the cost to issuers of e-statements be disclosed?	ASX will be announcing this before go live.
Electronic CHESS holding statements	Can ASX please advise when the technical documents will be published for postal and email returns, and what changes will be made to ASX Settlement Rules?	ASX plan to release this technical document in June 2021. ASX intends to make some changes to the ASX Settlement Operating Rules Procedures to facilitate e-statements, including the requirement for participants to send an opt-in message after the commencement of e-statements as well as further clarification on notices to be provided by ASX in relation to changes to communication preferences or details.

CHESS UI	Will the NNDP reports be available via CHESS UI?	Yes, the CHESS UI has a feature called the Message Center that allows a user to query all outbound and inbound CHESS messages, and will include the 'NNDP' reports.
		It is worth noting that each NNDP contains a security account combination, and therefore a user will receive multiple NNDP reports each day. From a clearing participant perspective, although it's technically available, ASX suggest it's not the best mechanism to consume that message(s) and given it is unsolicited, it should be consumed directly into your back office system by default. Therefore, it's probably not a practical use case.
		On the obligation status report, a user will also be able to request the obligation report through the CHESS UI, and consume the response, as well. Similarly, the report responses will be available in JSON format and can be downloaded but this may also not be a practical use case. Alternatively the UI includes an interactive Settlement Instruction query that can be used to query and download to CSV (refer to https://asxchessreplacement.atlassian.net/wiki/spaces/CSP/pages/494076107/CHESS+UI+-+Settlement+Instructions+Overview).