

CHES Replacement Technical Committee Minutes

7 March 2024

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

AGENDA AND KEY TOPICS DISCUSSED

- Open actions and feedback;
- Project status;
- Working group updates;
- Scope objective backlog update - holding adjustment codes;
- Industry engagement and consultation; and
- Forward work plan.

AGREED ACTIONS

There were two new actions raised at the March meeting:

1. Provide additional information with relation to the Proof of Technology (PoT) use cases.
2. Consider how T+1 can be factored into the Business Design Working Group schedule.

Minutes from the meeting are attached.

Agenda

CHES Replacement Technical Committee

Date	7 March 2024	Time	2:00 PM-4:00 PM
Location	20 Bridge Street, Sydney NSW 2000		
1.	Welcome, open actions and feedback		
2.	Project status		
3.	Working group updates		
4.	Scope objective backlog update: holding adjustment codes		
5.	Industry engagement and consultation		
6.	Forward work plan		
7.	Observer playback		

Action Items Raised in Meeting:

Item number#	Action	Due date	Status	Owner
2024 March (1)	Provide additional information with relation to Proof of Technology (PoT) use cases.	3 April 2024	Open	ASX
2024 March (2)	Consider how T+1 considerations can be factored into the Technical Committee Working Group schedule.	3 April 2024	Open	ASX

CHES Replacement Technical Committee Members

Company	Name	Job Title	Apologies
ASX	Tim Whiteley	Technical Committee Chair and CIO	
Independent Chair	Paul Rayson	Business Committee Chair	
Clearing and Settlement Participants			
ABN AMRO CLEARING	Matthew McMahon	Head of Operations	
AUSIEX	Ashish Jha	Director, Solution Delivery Management	
Merrill Lynch Equities (Australia)	Matthew Gwynn	Project Manager Director, Head of Operations	
BELL POTTER SECURITIES	Lee Muco	Chief Operating Officer	
BNP PARIBAS	Wayne Murphy	Project Manager	
CITI	Lyall Herron	Program Manager	
CMC	Maral Istanbulian	Technical Business Analyst Team Lead	
COMMSEC	Ryan Jones	Crew Technical Lead	
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	Apology
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	* Heather Brandt	Vice President	Rebecca Collins
MORGANS	Daniel Spokes	Director, Client Support Services	Apology
NAB	Rodd Kingham	Head of Investment Service (WealthHub Securities)	
UBS	* Phil Legg	Senior Technologist	Scott Hanlon, Head of Operations, Executive Director
Third party software vendors			
BROADRIDGE	* Mabel Chow	Product Manager	Danielle Gerace
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	
SECURITEASE	David Hinkley	General Manager	
AMOs			
ASX	Jimmy Halstead	Head of Trading Technology Markets, Technology	Apology

CBOE	Rylan Uherek	VP – Chief Operating Officer APAC	
NSX	Yemi Oluwi	Head of Market Operations and Technology	
SYDNEY STOCK EXCHANGE	Rajnish Tiwari	Head Exchange Technology	
Share Registries			
ADVANCED SHARE REGISTRY	Patrick Gan	IT Manager	Apology
AUTOMIC GROUP	Sue Julian	Head of Business Operations	
BOARDROOM	Michael Mullins	Chief Information Officer	Apology
COMPUTERSHARE	Scott Hudson	General Manager – Market Liaison	Apology
LINK MARKET SERVICES	Andrew Farrell	Senior Project Manager – CHES Replacement	Apology

* Delegate

Observers

Company	Name	Job Title	Apologies
AusPayNet	Luke Wilson	Chief Operating Officer	
AFMA	Damian Jeffree	Senior Director of Policy	
AIRA	Ian Matheson	Chief Executive Officer	Apology
GIA	Simon Pordage	Brand Ambassador for Governance Institute of Australia & Company Secretary for ANZ)	Apology
SIAA	Judith Fox	CEO	
ASIC	Liang Chen	Analyst - Market Infrastructure (Clearing & Settlement Facilities)	
RBA	Jonathan Jones	Lead Analyst, Clearing and Settlement Facilities Supervision, Payments Policy Department.	

ASX Management

Name	Job Title	Apologies
Clive Triance	Group Executive, Securities & Payments (Project Sponsor)	Apology
Steven Hannan	Senior Manager Stakeholder Engagement, Equities	
Triona Quinlan	General Manager, Technology Delivery	
Chris Boyes	Senior Product Manager, Securities and Payments	
Nikola Vanstan	Senior Manager Stakeholder Engagement, Equities	
Peter Jessup	Release 1 Product Owner (SI Business Lead)	
Julie Tran	Product Manager	

AGENDA ITEM 1: Welcome, open actions & feedback

The Chair welcomed members and delegates to the March meeting of the CHES Replacement Technical Committee (Committee).

The meeting attendance was recorded and is reflected in the Committee member tables provided.

The previous minutes from the 7 February Technical Committee were approved and are now available on the CHES Replacement [website](#).

The Chair reminded members of their obligations under competition law and encouraged active participation, noting the purpose of the Committee was for stakeholders to provide input and feedback.

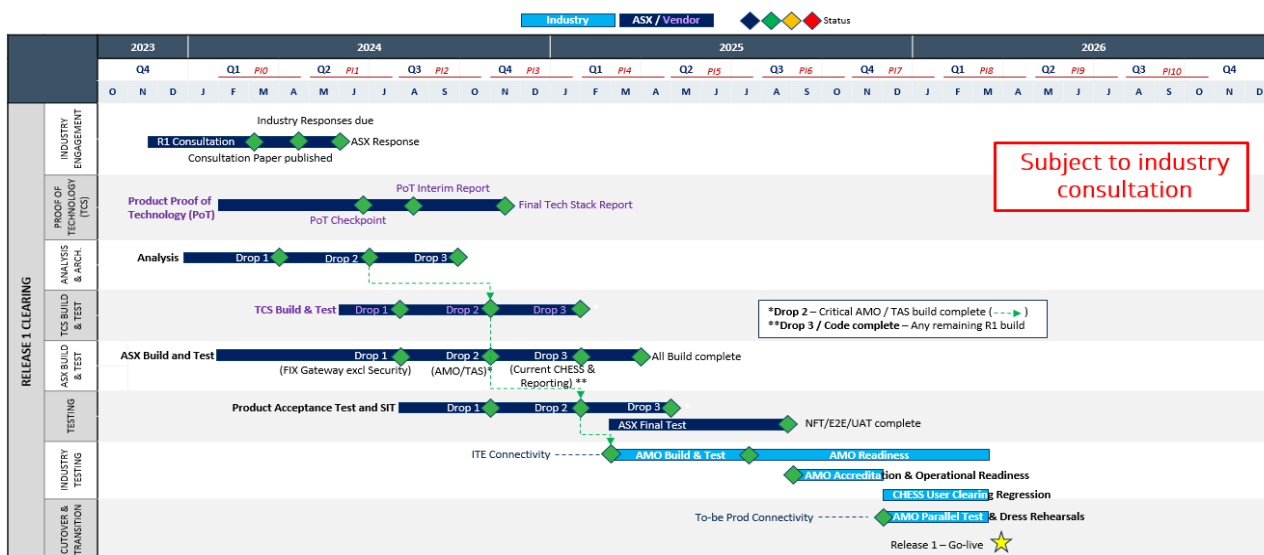
The Chair replayed the events of the Australasia Network Forum on 5 March 2024, noting a good level of attendance, participation, and insights from attendees. The industry recognised the importance of T+1 and potential for significant change and discussed how T+1 could be implemented and whether it would occur after Release 1 or Release 2. The Chair reiterated ASX's commitment to meet the proposed delivery timeline provided that T+1 was not also targeting the same go-live period. The Chair noted that further industry consultation would be required if these activities were targeting the same period to ensure appropriate preparation for testing and deployment activities and to determine whether a combined Release 2 schedule would be beneficial to the industry from an efficiency perspective.

An overview of the agenda was provided before the Chair introduced the one open action from the 7 February meeting:

Item Number	Action	Discussion
2024 February (1)	Update the project status reporting to include project risks and dependencies	Action addressed and closed as part of updates to the view provided in agenda item 2 (project status)

AGENDA ITEM 2: Project Status

The ASX General Manager, Technology Delivery provided an overview of activities by work stream within the indicative Release 1 project timeline.



Release 1 timeline as at March 2024.

Project Status

The project status remains green with project resources scaling up to support Drop 1.

Analysis

The ASX General Manager, Technology Delivery noted that detailed analysis for Drop 1 has commenced, with the project team targeting finalisation in June 2024. Once finalised, TCS will begin the Drop 1 build which is planned for completion in Q3 of CY 2024. Following this, ASX will kick off SIT activities for Drop 1.

Proof of Technology (PoT)

ASX is working with TCS on a Proof of Technology which will confirm how the product and AWS technology services will scale. The ASX General Manager, Technology Delivery advised that the PoT will be undertaken on the un-customised version of the TCS BaNCS solution and is not intended to replace the non-functional test phase. The Chair added that the solution scales to the required volumes and beyond, and that the PoT is an early mitigation against any risks associated with the delivery of Release 1 and 2.

Industry Engagement

Updates for this work stream are addressed as part of Agenda Item 5.

Key Risks

In summary, the key risks identified are:

Area	Description	Mitigation
T+1	If the market prioritises a move to T+1 settlement, significant replanning would be required for the CHES Replacement Project	The Project will monitor the market engagement and provide input as required regarding the optimum plan across CHES Replacement and a potential T+1 cutover.
Proof of Technology (PoT)	ASX is working with TCS to perform a Proof of Technology (PoT), to confirm how the product and selected Cloud AWS technology services will scale. There is a risk that the PoT would change the technology platform design for the CHES Replacement solution.	TCS will execute a prioritised set of use cases to give an early indication if any changes in design are required.
Colocation of key resources	Delays in visa processing has resulted in TCS not being onsite which could lead to delays in solution analysis.	An ASX team travelled to India for drop 1 solution analysis.

The Chair proposed the closure of the 2024 February (1) open action item which was unanimously agreed.

Member Discussion

A software vendor enquired about the scope for the PoT, connectivity model, volumes and testing for the current phase versus future versions being delivered in the coming years. The ASX General Manager, Technology Delivery responded that testing would include up to 15 million trades and that ASX would provide more detail on the PoT use cases at the next meeting.

A clearing and settlement participant enquired about the technology implementation using cloud and whether any other exchanges had adopted this setup. The ASX General Manager, Technology Delivery responded stating that existing financial market institutions such as South Africa were already operating the TCS BaNCS solution on cloud. The Chair noted that assurance and engagement with regulators was also required.

A clearing and settlement participant questioned whether the solution and PoT would be delivered, deployed, and maintained entirely in the cloud as opposed to separating the application in the cloud with the database assets on premises. The Chair responded stating that the PoT would provide clarity on those questions.

A software vendor questioned whether ASX had identified any technology gaps with the TCS BaNCS solution. The ASX Senior Product Manager noted that part of the detailed solution selection process included spending time understanding the product, including the components that required customisation. Outside of market driven design changes, the ASX Senior Product Manager noted that the working group topics are predominantly designed for areas requiring configuration or customisation because they were specific to the Australian market. They continued to note that TCS had knowledge of all the areas that required build versus the component areas that could leverage the established product functionality.

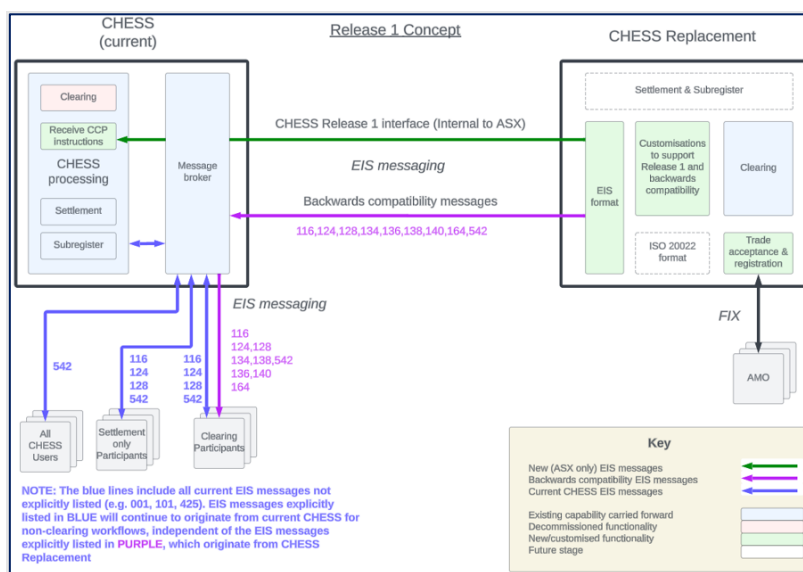
AGENDA ITEM 3: Working Group Updates

3.1 Implementation and Transition Working Group

The ASX Senior Project Manager introduced himself outlining that his role was to manage industry testing and go live readiness.

The ASX Senior Project Manager summarised the 20 February Implementation and Transition Working Group (I&TWG), which included:

- an overview of the upcoming Release 1 consultation, including key topics and areas requesting feedback.
- a recap of the staged implementation approach, including support for the Release 1 to address trade scalability and the introduction of AMO FIX connectivity.
- an overview of the Release 1 scope including a conceptual flow of impacted EIS messages, describing the plan to achieve backwards compatibility.



Feedback was also sought on an overview of the proposed Release 1 Industry test timeline, indicative scope and supporting documentation plan. Members were provided with a proposed list of documentation to support the industry test phases.

The ASX Release 1 Product Owner reiterated that Release 1 will replace the current clearing component of CHES, while maintaining the existing CHES functionality. The ASX Release 1 Product Owner confirmed that significant work has been undertaken to ensure the interfaces that were presented to participants today would largely be the same with

exception of some cosmetic and transactional identifier differences. The ASX Senior Project Manager highlighted that the scope of parallel testing had been broadened to include the ability for Clearing and Settlement participants to validate EIS messages.

The ASX Release 1 Product Owner summarised:

- AMOs would generate FIX messages into the new component.
- The CHES Replacement system would create and send CHES formatted messages to current CHES for all trade registration and clearing workflows.
- Clearing participants would continue to receive these messages via their existing CHES connectivity method.
- All messages originating from non-Clearing workflows continue As-Is between CHES Users and current CHES.

The next I&TWG was tentatively planned for April 2024 and is proposed to include an overview of emerging themes from the Release 1 consultation feedback.

Member Discussion

A clearing and settlement participant questioned the possibility of improved performance for EIS messages 164, 134 and 138 end of day batch message types. The ASX Senior Product Manager added that the EIS 134 messages are expected to be continuously netted throughout the day for Release 1. ASX is expecting to hold the messages until the end of day, to replicate the content, sequence, and timing of messages for current CHES functionality.

3.2 Business Design Working Groups

The ASX Senior Product Manager noted that two Business Design Working Group meetings had been held to date.

Clearing Design Business Design Working Group 31 January 2024

Following the session, a clearing business design document was sent to working group members for review and feedback. It was noted that anybody interested in receiving this document should notify ASX for a copy.

SRN Enquiries & Issuer Sponsored Holdings Business Design Working Group 28 February 2024

The ASX Senior Product Manager noted that the session generated positive, robust input and discussion, generating useful insights for all attendees.

In the session, focus was placed on:

- Improving the SRN enquiry process
- De-risking and simplifying the transfers and movements that come from the Issuer/ Sponsor into CHES.

The ASX Senior Product Manager summarised that the next steps would be to collate information based on the learnings and feedback, and to prepare a document summarising key inputs and design considerations. This document would be shared for review by working group attendees.

3.3 Upcoming Working Groups

Equities Settlement Payment Provider Sub-Committee 12 March 2024

It was noted that engagement with payment providers is scheduled to continue via the Australian Payments Network Equity Settlement Payment Provider Sub-Committee (ESPPSC) on 12 March 2024. The session planned to discuss the potential for new features and will be followed by a survey to understand how best to support any such features. Outputs from this session are designed to feed into the Business Design Working Group on Payments to be held in April 2024.

Data and Connectivity Business Design Working Group 27 March 2024

A Data and Connectivity Working group has been planned for 27 March 2024. The session is planned to discuss connectivity channels, UI reporting and access to holding information.

The ASX Senior Product Manager noted that the purpose and outputs of the Business Design and associated working groups are to inform the second industry Consultation Paper on Release 2 which is planned for release in Q3 2024.

AGENDA ITEM 4: Scope objective backlog update: Holding Adjustment Codes

The ASX Product Manager provided an update on the two scope objectives currently in the backlog for evaluation in current CHES.

1. Ensuring holding adjustment codes were setup to date and being used correctly
2. EFT Creation and redemptions

ASX presented data demonstrating the inconsistent usage of reason codes which is causing difficulty in understanding and reconciling adjustments and requiring manual intervention and investigations.

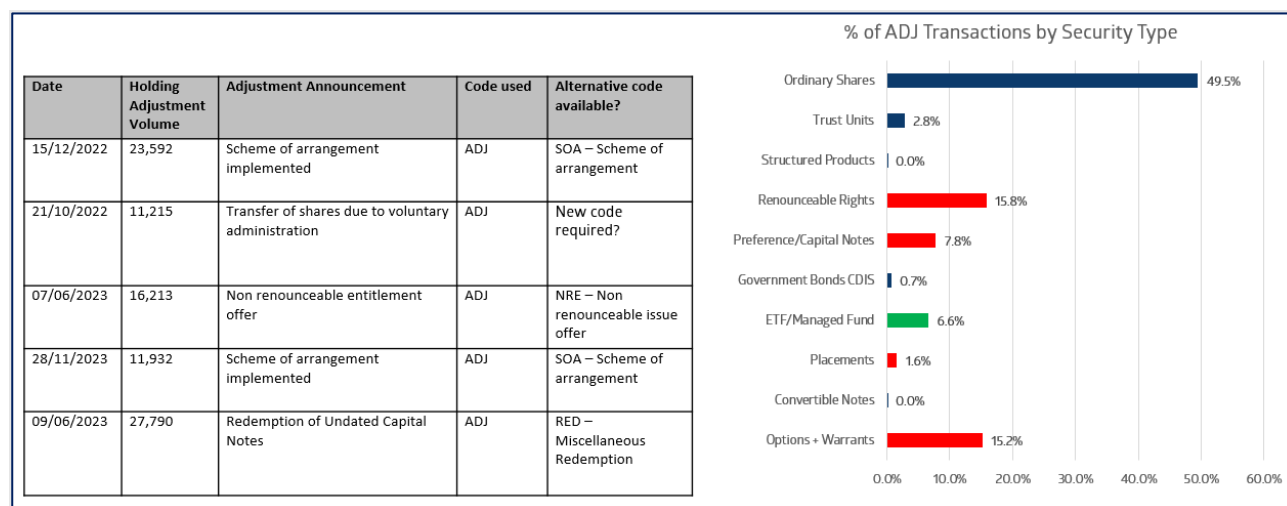
Message Insights Presented

Message ID	Description	Volume over 15 - month period	Insights
425	Used for holding adjustments for one security only	6.3 million	8% were attributed to ADJ, CNV and ALT
421	Used to reduce holdings in one stock with a corresponding increase in another holding	167,000	40% were attributed to miscellaneous code ADJ

Challenges

The ASX Product Manager explained that after a Corporate Action occurs, some adjustments are processed with a miscellaneous code. No standardised usage codes are used amongst Registries. For example, after a Scheme of Arrangement occurs, one Registry may use the 'SOA' code, and another may use 'ADJ' code. Consequently, participants and investors are not provided meaningful information and manual intervention of the transaction is required. Some participants could update descriptions on their systems manually, but this is prone to human error.

This issue reduces the ability for investors to self-serve and results in inaccurate CHES holding statement.



Top 5 Holding Adjustments by Volume between September 2022 to November 2023

Minutes 10/13

Use Cases Outside Current Code List

The ASX Product Manager explained there was scope to simplify and rationalise message codes. It was explained that in the prior CHES replacement project, a decision was made for seven existing reason codes to be removed with addition of four new ISO codes.

Members were encouraged to provide feedback on any use cases that might fall outside the available reason code list. Bilaterals with registries would be required to work through the process and consider flow on effects of any proposed changes.

The Chair noted that any changes in current CHES would need to be prioritised against ASX's regulatory obligations and current technical change roadmap.

Proposal

Subject to member feedback and further discussion, ASX proposed to reduce or remove the usage of three miscellaneous holding adjustment reason codes:

1. ADJ – Miscellaneous Adjustment: Used where no specific reason code is applicable (e.g. unusual corporate actions).
2. ALT – Miscellaneous Allotment: Used for allotment of securities where no specific reason code is applicable.
3. CNV – Miscellaneous Conversion: Used for conversions of securities other than convertible notes.

And to add one new holding adjustment reason code:

1. ETF – Exchange traded Fund
 - The new code would be used for the creation or redemption of exchange traded fund related units.
 - This is intended to be a pass-through value that will not drive any business logic.

Member Discussion

A clearing and settlement participant queried whether use cases were limited to what participants were doing with the adjustments or only what codes they were using. The ASX Product Manager responded stating that feedback was welcome and that it was different for every participant as some participants did not do anything while others would require a system update.

The clearing and settlement participant explained that two scenarios prevailed:

1. **Portfolio Adjustments**
Where a Dividend Reinvestment Plan (DRP) occurred, there was a requirement to attach a price for the profit and loss to be calculated correctly.
2. **Scheme Arrangement**
These scenarios were typically ignored because separate adjustments had already been processed on the customer's accounts.

In terms of DRP prices, The ASX Product Manager expressed that it would be useful to have the prices incorporated in the messages the registries provided as this would make processing easier.

A clearing and settlement participant highlighted that governance of codes would be complex as it would be difficult to determine what code someone would choose, particularly in the case of corporate actions where there were many different forms that would not fit any existing category. The Chair responded confirming that generic codes would still be required but leaned towards a reduction in usage and questioned whether any message code changes in current CHES should be done prior or after Release 2 as an idea for current discussion and exploration. The ASX Product Manager reiterated that the DRP topic would be discussed within the upcoming Corporate Actions working group.

Another clearing and settlement participant queried the 022 and 018 messages and how they were previously mapped back to registry messages. The ASX Product Manager explained that 421 and 425 messages were sent by the registry

and CHESSE would pass through the adjustment to participants in the 018 and 022 messages and clarified that they were the same set of reason codes. A software vendor agreed with the Chair that miscellaneous reason codes were required but described that discipline across the market would help improve understanding. The ASX Senior Product Manager stated that further data analysis was required to help reduce confusion in using miscellaneous reason codes, and continued to note that, the group would be open to hear if there were use cases requiring additional codes.

The software vendor added that the ETF example was a scenario that could be fixed as those transactions did not normally affect retail holder accounts.

AGENDA ITEM 5: Industry engagement & consultation

The Senior Manager, Stakeholder Engagement reminded members that the Consultation Paper 1 on Release 1 remained on track for delivery in Q1 2024.

Responses are due mid to late April 2024, subject to the official release date of the paper.

The second consultation is on Release 2 and is scheduled for public release in Q3 2024.

T+1 consultation will continue to run in parallel and inform this Committee.

The Chair added that there is to be a separate consultation paper on the CHESSE Replacement Partnership Program. The Chair noted that it would be a shorter paper with a shorter feedback period of 4 weeks.

Member Discussion

A member asked about T+1 with relation to the consultation paper release. The Chair responded stating that T+1 industry engagement remains ongoing outside of this forum but reiterated the action to establish working groups to continue the requisite discussion on the matter.

AGENDA ITEM 6: Other matters

a) Forward work plan

The Senior Manager, Stakeholder Engagement provided the following key updates:

- The next Business Design Working Group was on data and connectivity and scheduled at the end of March.
- Formal consultation with stakeholders is scheduled to commence in Q1 2024, with responses due mid-to-late April 2024 and seeks feedback on:
 - The staged implementation approach to CHESSE replacement, key project activities, timelines, and milestones, as well as other matters including the proposed approach to system development and testing, user testing, technical accreditation, and operational readiness.
- The next Technical Committee is scheduled for 3 April 2024.
- The first Business Committee for CY2024 is scheduled for 20 March 2024; and
- The pulse survey to gauge industry engagement effectiveness will follow Consultation Paper 1.

Member Discussion

A clearing and settlement participant queried how T+1 would operate as it was not on the backlog and several topics required consideration and prioritisation.

The clearing and settlement participant elaborated an example where for an Exchange Rate Option trade delivered the next morning was too late for the industry. It was suggested that if the end of day moved earlier, matching instructions overnight with international participants would be a better solution. It was questioned whether the timeline of events could be reviewed and discussed so as to devise the best solution for all industry stakeholders and participants. It was noted that these topics may require discussion prior to publication of Consultation Paper 2 to ensure market expectations are met.

AGENDA ITEM 7: Observer Feedback

The independent meeting observer noted that the presentation structure and content continue to remain relevant to members as evidenced by positive member discussion on topics including timing, testing and scope.

The observer noted a reduction in the physical attendance rate but highlighted that there was a good level of active dialogue amongst members, including detailed technical discussion and constructive feedback on topics including T+1 and Holding Adjustment Codes.

The observer suggested that the meeting duration could benefit from being scheduled for 90 minutes moving forward but noted that this would be dependent on each meeting agenda.

The meeting closed at 3:11 PM

Signed as a correct record of the meeting.

A handwritten signature in black ink, appearing to read 'G. White', is written above a horizontal line.

3 April 2024

Chair

Date