



CHESS Replacement Project

**Implementation & Transition
Webinar**

26 August 2020

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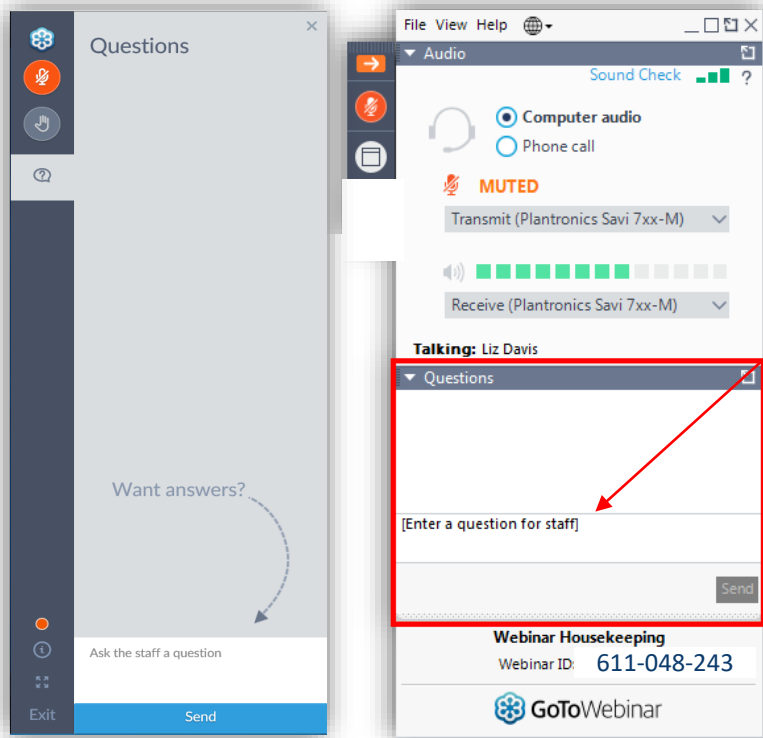


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- To submit your text questions and comments use the Questions panel
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[Replacement web page](#)

Agenda

-
- Recap of migration scope and engagement to date
-
- Inflight transactions - outstanding considerations
-
- Migration of Accounts & Holders - outstanding considerations
-
- Next steps
-

Presenters and introductions



Katie McDermott
**General Manager,
Equity Post Trade
Services**



Fraser Moodie
**Senior Manager,
Equity Post Trade
Services**



Adnan Music
**Senior Business
Analyst,
Delivery**

Consultation Paper Feedback

CHESS User feedback on a revised implementation timetable

- Consultation with all CHESS users on a revised implementation timetable has now completed
- An overwhelming majority of CHESS users confirmed they can meet the new schedule
- Despite the high number of positive responses, no final decision on the revised schedule has been made. It remains subject to a detailed review of all submissions and any other relevant considerations before being finalised by ASX
- A copy of ASX's [media release](#) is available under Latest Updates on our CHESS replacement webpage and was also included in our recently [published newsletter](#)

Recap of migration scope and engagement to date

Recap of migration scope

No impacts to CHESS users on cut-over weekend

Area	Affects CHESS users?	Approach
CHESS user PID, UIC	No	Migrated by ASX without impact to CHESS user, including mapping PID/UIC to access channel.
Payment Facilities	No	Migrated by ASX without impact to CHESS users
Issuers, Securities & Share Registry relationships	No	Migrated by ASX without impact to CHESS users
Announced or inflight corporate action events	No	Migrated by ASX without impact to CHESS users
Holdings & sub-positions	No	Migrated by ASX without impact to CHESS users
Exercised Trades assigned Friday evening prior to the migration weekend and reported to C&S system on Monday morning post migration weekend	No	Migrated by ASX without impact to CHESS users

Recap of migration scope

Engagement to date

Area	Affects CHESS users?	Topic	Forum	Date
Inflight transactions	Yes	• Unmatched transactions • Account requests (name changes) • Issuer to CHESS transactions • Settlement instructions, trades, NBOs • Demand report requests • SRN enquiry and SRN balance enquiry • Holding advice (BSB/Accounts)	Implementation & Transition Webinar	29 January 2020
Account & Holder details	Yes	• Account Structures • Holder IDs • Cut-over activities • Dormant Accounts • Holder Type • Account Address (for migration)	Implementation & Transition Webinar & Technical Committee	29 November 2019 & 7 April 2020

Recap of migration scope

Scope for discussion in today's webinar

Area	Affects CHESSE users?	Topic
Inflight transactions	Yes	• Collateral requests • Takeover acceptances • Failed settlement obligations • mFund transactions
Account & Holder details	Yes	• Data Quality • Migration support (Registration Details Tool)

Inflight transactions

Inflight transactions

Outstanding topics

Category		CHESS User type	CHESS User obligation	ASX Operations activity	CHESS housekeeping
Collateral Requests					
1.	Creation of CMM or ETO collateral (pending with ASX Clear)	Controlling Participant & ETO Clearing Participant (where applicable)	No	Request to be accepted or rejected by COB Friday	No
2.	Removal of CMM or ETO Collateral (pending with ASX Clear)	Controlling Participant	No	Request to be accepted or rejected by COB Friday	No
3.	Removal of ETO Collateral (pending with ETO Clearing Participant)	ETO Clearing Participant & Controlling Participant	Must be accepted or rejected by ETO Clearing Participant by COB Friday* <i>(*) ASX will not migrate if workflow is not complete</i>	Request to be accepted or rejected by COB Friday where ETO Clearing Participant accepted	No

Inflight transactions

Outstanding topics

Category	CHESS User type	CHESS User obligation	ASX Operations activity	CHESS housekeeping
Takeover Acceptances				
1. Takeover Acceptances initiated by Participants - Bidder has 2 business days currently to reject	Bidder & Participant	Bidder must reject prior to COB Friday, or use the Corporate Action Election Cancellation Request workflow to remove the bid acceptance post migration (if required)	No	No
2. Takeover Acceptances initiated by Bidder (pending acceptance/rejection by Participant)	Participant & Bidder	Participant must accept or reject by COB Friday, Else will be housekept. Bidder to re-submit post migration (if required)	No	Yes
3. Takeover Acceptance Removal Request initiated by Participant (pending acceptance/rejection by bidder)	Bidder & Participant	Bidder must accept or reject by COB Friday* <i>(*) ASX will not migrate if workflow is not complete</i>	No	No

Inflight transactions

Outstanding topics

Category		CHESS User type	CHESS User obligation	ASX Operations activity	CHESS housekeeping
Settlement Obligations					
1.	Partial or Fully Failed Bilateral Scheduled Settlement Instructions, Unilateral Scheduled Settlement Instructions and Non-novated Gross Market Trades	Clearing and Settlement Participants	To be migrated as original instruction type with settlement date Clearing and Settlement Participants are required to support new obligation id.	No	No
2.	Partial or Fully Failed Novated Gross Market Trades	Clearing Participant	To be migrated as a Novated Rescheduled Instruction (NRI) instruction type with the settlement date from the Novated Gross Market Trade. Clearing Participants are required to support new obligation id. Note: The NRI will also include a settlement link id, where Gross Market Trade was generated from the Isolate Counterparty workflow in CHESS. Clearing Participants will also need to support settlement link id for this specific use case.	No	No

Inflight transactions

Outstanding topics

Category		CHESS User type	CHESS User obligation	ASX Operations activity	CHESS housekeeping
Settlement Obligations					
3.	Partial or Fully Failed Net Broker Obligations (NBOs)	Clearing Participant	To be migrated as a Novated Rescheduled Instruction (NRI) transaction type with settlement date from the Net Broker Obligation (NBO). Clearing Participants are required to support new obligation id.	No	No

Inflight transactions

Outstanding topics

	Category	CHESS User type	CHESS User obligation	ASX Operations activity	CHESS housekeeping
mFund transactions					
1.	mFund initial application order (pending investor and tax details)	Controlling Participant	Participant must re-submit application order and investor data/foreign tax details post migration	No	Yes
2.	mFund open application and redemption orders (pending acceptance/rejection by the Product Issuer Settlement Participant)	Product Issuer Settlement Participant & Controlling Participant	PISP must either accept/reject all orders by COB Friday. Where accepted by PISP the order workflow including settlement and unit adjustment must be completed by COB Friday. Incomplete orders will need to be reinitiated post migration	No	No
3.	mFund open application orders (payment pending)	Product Issuer Settlement Participant & Controlling Participant	PISP and Participant must be able to complete all orders by COB Friday. Incomplete orders will need to be reinitiated post migration	No	No

Inflight transactions

Outstanding topics

	Category	CHESS User type	CHESS User obligation	ASX Operations activity	CHESS housekeeping
mFund transactions (cont.)					
4.	mFund open application orders (holding adjustment pending)	Product Issuer Settlement Participant & Controlling Participant	PISP must complete unit adjustment by COB Friday. If unit adjustment is not completed unit registry must perform unit adjustment via the hold_226 post migration	No	No
5.	mFund open redemption orders (holding adjustment pending)	Product Issuer Settlement Participant & Controlling Participant	PISP must redeem units and must have scheduled settlement to occur by batch settlement Friday. Incomplete orders will need to be reinitiated post migration	No	No
6.	mFund open redemption orders (payment pending)	Product Issuer Settlement Participant & Controlling Participant	PISP must have scheduled settlement to occur by batch settlement Friday. Where payment remains outstanding it must be completed outside of CHESS (directly from Fund)	No	No

Inflight transactions

Outstanding topics

Category		CHESS User type	CHESS User obligation	ASX Operations activity	CHESS housekeeping
mFund transactions (cont.)					
7.	mFund order reversal / reapply	Product Issuer Settlement Participant & Controlling Participant	If workflow initiated in CHESS, then PISP must complete holding adjustment by COB Friday as the workflow will differ in the new system. The related issuer of the fund, may perform holding adjustment via the hold_226 for specific Account Identifier (HIN) post migration.	No	No
8.	mFund DRP election updates	Product Issuer Settlement Participant & Controlling Participant	mFund DRP will not be operational on Day 1 (as per the Revised Implementation Timetable consultation June 2020). Participants will need to submit DRP requests outside of CHESS (directly to Fund) post migration	No	No

Inflight transactions

Outstanding topics

Category		CHESS User type	CHESS User obligation	ASX Operations activity	CHESS housekeeping
mFund transactions (cont.)					
9.	mFund switches	Product Issuer Settlement Participant & Controlling Participant	The entire workflow including settlement and unit adjustment must be completed by COB Friday, as this business workflow is not being carried forward to the new system	No	No
10	mfund Regular Payment Plans	Product Issuer Settlement Participant & Controlling Participant	If workflow initiated in CHESS, then PISP must complete holding adjustment by COB Friday as the workflow will differ in the new system. The related issuer of the fund, may perform holding adjustment via the hold_226 for specific Account Identifier (HIN) post migration	No	No

Inflight transactions

Outstanding topics

Category		CHESS User type	CHESS User obligation	ASX operations activity	CHESS housekeeping
mFund transactions (cont.)					
11	DRP Allotment	Product Issuer Settlement Participant & Controlling Participant	If workflow initiated in CHESS, then PISP must complete holding adjustment by COB Friday as the workflow will differ in the new system. The related issuer of the fund, may perform holding adjustment via the hold_226 for specific Account Identifier (HIN) post migration.	No	No
12	mFund Income Statements	Product Issuer Settlement Participant & Controlling Participant	The entire workflow must be completed by COB Friday, as this business workflow is not being carried forward to the new system.	No	No

Inflight transactions

Next steps

- ASX will publish the consolidated list of inflight transactions on the technical documentation portal, target September / October 2020
- Additional technical information to be provided on transaction / obligation ID mapping logic for applicable migrated transactions
- This will include all materials presented to date, including whether the transaction type is migrated (Y/N), obligations on CHESS users, ASX Operations or CHESS triggered activities with regards to each of the transaction types.
- Transitional rules to support the migration of inflight transactions to be part of Tranche 3 rule amendments and be subject to consultation (as part of further rules consultation covering Tranche 3 rule amendments and consolidated rules package across all the rule amendments - anticipated to commence early November 2020)

Outstanding Account & Holder migration considerations

Migration of Accounts

Overview

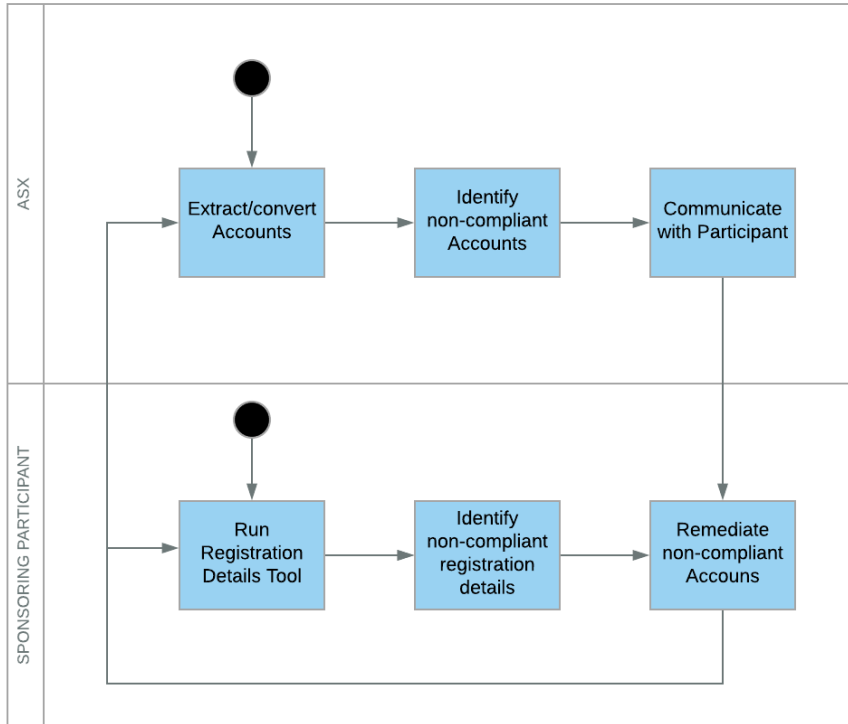
Accounts is the largest Data Set owned by Sponsoring Participants. There are 6.2 million active or locked Account records as of August 2020.

To ensure successful data migration by ASX, Sponsoring Participants are required remediate non-compliant Accounts that are in their control prior to the cut-over weekend so that they can be migrated to CHES Replacement.

To ensure successful BAU processes post go live, CHES Users must be able to transact with the CHES Replacement post migration via new messaging standard (ISO 20022) and access channels via accredited systems.

Migration of Accounts

Data cleansing prior to the cut-over weekend - process flowchart



- Legacy accounts, unless stated otherwise(*), must comply with the same CHES Replacement business rules and ISO 20022 validations which will be imposed in CHES Replacement when Accounts and Holders are created via ISO messages or via the Ledger API. These rules and validations are published on the [CHES Replacement Documentation Portal](#).
- ASX will perform analysis on Accounts to validate data quality, liaise with relevant participant and request remediation of non-compliant Accounts
- Sponsoring Participants must remediate non-compliant Accounts (Errors) that are in their control prior to the cut-over weekend.

(*) ASX has relaxed some validation rules for legacy Accounts to reduce number of non-compliant Accounts on the cut-over weekend as explained on slide 34

Migration of registration details

Data migration

Migration of Accounts to CHES Replacement requires conversion of the registration details from the legacy (180 characters) format to format aligned to ISO 20022 messaging standard. This conversion will take place on the cut-over weekend as a part of overall migration effort and is performed by ASX.

ASX will be building a Registration Details Tool to help CHES Users with their Account data cleansing activities and with registration details conversion. ASX will not be mandating use of the Tool, however ASX recommends use of the tool especially for the purpose of identifying non-compliant Registration Details.

Use of the tool is also recommended to ensure that registration details in CHES Users' back-office systems are fully aligned with registration details in CHES Replacement. Other way to achieve the same outcome is to use the Ledger API.

Registries may find the tool useful for the purpose of migrating registration details on CHES Sponsored subregister and any other subregister where registration details are stored in the legacy CHES format.

Migration of registration details

Registration Details Tool

ASX will make the Registration Details Tool available to CHESSE Users.

Purpose of the tool is two-fold:

- To convert account registration details from the legacy to format aligned to ISO 20022 messaging standard.
- To identify accounts with registration details that are not aligned to ISO 20022 messaging standard and/or business rules in CHESSE Replacement, so that they can be remediated by Sponsoring Participants prior to the cut-over weekend.

Migration of registration details

Registration Details Tool - Functional Requirements

1. Ability to read an input file with registration details records in the legacy format (180 characters)
2. Ability to produce an output file with registration details records in the format aligned to ISO 20022 messaging standard. Output records will be fully aligned with Accounts and Holders records in CHES Replacement
3. Ability to generate fields in the output file which are CHES Replacement generated (Account Name, Mailing Addressee Line, Holder Identifier)
4. Ability to identify a Suburb name for Australian and Suburb/Town name for NZL accounts based on Post Code.
5. Ability to produce error and warning messages when registration details do not meet validation rules (which are enforced when Accounts are created via ISO 20022 messaging mechanism or via the Ledger API)
6. Ability to produce a summary report with number of records successfully processed, number of records with warnings and number of records with errors

Migration of registration details

Registration Details Tool - Non Functional Requirements

1. Throughput: ASX will be designing/implementing the tool to provide maximum throughput. Multiple instances of the tool can be run simultaneously to achieve higher overall throughput.
2. Security:
 - a. The tool will not require authentication. It is assumed that the tool operator has read access to input file(s) and write access to a folder where output files (including a log file) will be stored.
 - b. The tool must not open any network connection.
3. Maintainability: The tool will be updated as required. New version of the tool will be available for download on the ASX web or ftp site.
4. Platform compatibility: The tool must be able to run on Windows and Linux platforms. The tool will require a Java Runtime Environment (minimum version 8) installed on the platform.

Migration of registration details

Registration Details Tool - Non Functional Requirements (cont.)

5. Usability:

- a. The tool will be invoked from the platform shell. Input file location, output files directory and any additional parameters will be passed as command line arguments to the tool.
- b. The tool will periodically log number of records successfully processed, number of errors and number of warnings.

Migration of registration details

Registration Details Tool - Input file format

Input file Format Specification - Pipe(|) separated fields:

#	Field Name	Field Format	Mandatory
1	recordIdentifier	HIN or SRN - ASCII String (up to 12 characters)	Y
2	registrationDetails	ASCII String (180 characters)	Y

Migration of registration details

Registration Details Tool - Output file format

Output file Format Specification - Pipe(|) separated fields:

#	Field Name	Field Format *	Mandatory
1	accountIdentifier	String (up to 12 characters)	Y
2	holder_x_holderIdentifier	Numeric String (32 digits) where x is a digit between 1 and 4	Y
3	holder_x_holderName	ASCII String (up to 80 characters) where x is a digit between 1 and 4	Y
4	ownershipType	One of ("Single","Joint")	Y
5	designation	ASCII String (up to 35 characters)	N
6	accountName	ASCII String (up to 120 characters)	Y
7	mailingAddresseeLine	ASCII String (up to 80 characters)	Y

* Maximum length of a field may be shorter than the maximum length of the corresponding field in ISO acct_001 message.

Note: Holder Type is not included in the output file as the tool can't determine it. Holder Type in CHES Replacement will be set to "Unknown" for Sponsored accounts and to "Company" for other account types.

Migration of registration details

Registration Details Tool - Output file format

Output file Format Specification - Pipe(|) separated fields:

#	Field Name	Field Format *	Mandatory
8	addressLine1	ASCII String (up to 30 characters)	Y
9	addressLine2	ASCII String (up to 30 characters)	N
10	addressLine3	ASCII String (up to 30 characters)	N
11	addressLine4	ASCII String (up to 30 characters)	N
12	addressLine5	ASCII String (up to 30 characters)	N
13	townName	ASCII String (up to 35 characters)	N
14	state	One of ("ACT", "NSW", "NT", "QLD", "SA", "TAS", "VIC", "WA")	N
15	postCode	Numeric String (4 digits)	N
16	country	ISO 3166, Alpha 2 country code.	Y

* Maximum length of a field may be shorter than the maximum length of the corresponding field in ISO acct_001 message.

Migration of registration details

Registration Details Tool - Warnings & Errors

The tool will produce below warnings and errors where registration details do not meet validation rules either imposed by ISO 20022 messaging standard, or additional validation performed by CHES Replacement.

An error will prevent the account from being loaded into CHES Replacement and it must be remediated by Sponsoring Participants. A warning will not prevent the account from being loaded into CHES Replacement, but it is highly recommended that it gets remediated.

#	Description	Type
1	Incorrect Town Name and/or Post Code in Australian or NZL registered address	Warning
2	Non- allowable characters in registration details *	Warning
3	Designation giving notice of trust *	Warning
4	Incorrect or missing State/or Territory in Australian registered address	Warning
5	More than four Account Holders **	Error

* Validation rules relaxed to minimize number of non-compliant Accounts on the cut-over weekend.

** Direct Accounts and Entrepots can have one Account Holder only. Post Trade operations will contact Sponsoring Participants where Direct Accounts or Entrepot has more than one Account Holder

Migration of registration details

Registration Details Tool - Warnings & Errors

#	Description	Type
6	Not exactly one comma character in registration details	Error
7	Non-space characters between closed angle bracket and comma	Error
8	Invalid Country Code	Error
9	Address Line missing in Registration details	Error
10	Holder Name missing in Registration details	Error
11	Holder Name longer than 80 characters	Error
12	Designation longer than 35 characters	Error

Migration of Accounts

Exception Management on the cut-over weekend

There could be a small number of non-compliant Accounts on the cut-over weekend due to timing of Accounts creation/cleansing (e.g. Accounts created on Friday, just before the cut-over weekend that do not comply with CHESS Replacement rules).

Process for remediating non-compliant Accounts on the cut-over weekend:

1. Where non-compliant account doesn't have holdings or settlement obligations it will not be migrated. Sponsoring Participant will be advised so that they can create the account post go-live
2. Where non-compliant account has holdings and/or settlement obligations, it will be remediated by ASX Operations as per the below table. Sponsoring Participant and Issuers (Registries) will be advised of the change, so that they can apply the change to the records in their back-office system.

Migration of Accounts

Data cleansing on the cut-over weekend

#	Exception Description	Action by ASX Operations
1	Sponsored Account with more than four Holders	Migrate first four Holders
2	Direct or Entrepot Account with more than one Holder	Migrate the first Holder
3	Not exactly one comma character in the registration details	Remove/add comma character
4	Non-space characters between closed angle bracket and comma	Reposition comma character
5	Invalid Country Code	Correct the Country Code
6	Address Line missing in Registration details	Append Sponsoring Participant's Address
7	Holder Name missing in Registration details	Append the name of the Sponsoring Participant
8	Holder Name longer than 80 characters	Abbreviate the Holder Name or split into multiple Holders
9	Designation longer than 35 characters	Abbreviate to the first 35 characters
10	Joint account locked due to bankruptcy or death of a Holder	The lock will not be migrated

Migration of registration details

Registration Details Tool availability

- ASX targets to release documentation in relation to the Registration Details Tool by November 2020
 - Released to the technical documentation portal
 - Include requirements and specification relating to how the tool works, how to interpret data errors, technical specifications on how to download and install the tool, and terms and conditions applying to its access and use.
- ASX targets to release the Registration Details Tool by March 2021.

Migration of registration details

Next Steps

- Exception management on cut-over weekend:
 - how and by when are exceptions communicated between ASX and CHESS users
- Cut-over Reporting:
 - what reconciliation reporting will be made available during the cut-over weekend, on what data sets, which format and communication channel
- Data quality process:
 - detailed process for communication and data quality remediation
 - fees incurred in relation to data quality remediation

Q&A

Next steps

Next steps

Review and feedback:

- Webinar recording, slides and Q&A will be published on the CHES Replacement webpage
- Provide feedback by contacting **CHESReplacement@asx.com.au** – use “I&T webinar” as the subject heading
- Feedback welcome by COB Wednesday, 9 September 2020

Next Implementation & Transition Working Group meeting:

- Topics to include: e-statements
- Date: Wednesday 30 September 2020

Upcoming Documentation & Code:

- August documentation release – includes new APG sections and messaging accreditation scripts
- CDE 8 code drop – mid September 2020

Thank you.



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