



CHESS Replacement Project Update

Our team has had a busy month including the publishing of the fourth tranche of technical documentation. This included introducing features for batch settlement, settlement instruction management and change of controlling participant.

This release also includes, for the first time, features for issuers and their share registries. There's also an update on our [BAU projects](#) in this month's newsletter.

With a view to keeping users informed of more granular aspects of the project throughout the development phase, we held a variety of stakeholder engagement forums over the last few weeks. We are also providing ongoing support to stakeholders who are already developing and testing in our customer development environment. Our current focus is to prepare for the next major project milestone at the end of August - a refresh of the application in CDE to include the third release of code.

In DLT related news, today we announced that ASX, Digital Asset and VMWare - a New York Stock-Exchange-listed server virtualisation and cloud computing software provider - have joined forces on DLT. We have signed a three party MoU to work together on DLT initiatives in Australia and New Zealand. This is a positive development and further enhances our ability to support the financial services industry and to create new services and innovations beyond the replacement of CHESS. This announcement does not in any way impact the CHESS Replacement program plan, which remains on-schedule, nor is there any need for re-work on the existing integration created by software vendors or other users. A copy of the press release with further details can be found [here](#).

It is my hope that our team provides you with information that you find useful. If you have any feedback please contact the project team at chessreplacement@asx.com.au.



Cliff Richards

Executive General Manager
Equity Post Trade



Engagement Activities



Connectivity & Integration Working Group

A Connectivity & Integration (C&I) working group was held on 7 August focusing on CDE 3 Testing. The next C&I meeting will be held on 4 September 2019 and will be a Product Issuer Settlement Participant (PISP) dedicated working group.

[Read more >](#)



Focus Groups

A Focus Groups held on 13 August was the third in a series looking at Corporate Actions. The next Focus Group will be held on 17 September 2019 on mFunds.

[Read more >](#)



ISO 20022 Technical Committee Meetings

The latest ISO 20022 Technical Committee meeting was held on 23 July with a focus on Takeovers and Buybacks, and Collateral Creation messages. The next committee meeting will be held on 27 August 2019, discussing Collateral Removal and Transfer of Novated Equities Transactions (Give-ups) messages.

[Read more >](#)



Customer Development Environment Updates

Our third release of code (CDE 3) will be released at the end of August, which introduces features that would be used by all Clearing & Settlement Participants (such as Account and Holder creation) and Share Registries. We have also published in July features that will be released in CDE 4, in our technical documentation.

[Read more >](#)



BAU Project Updates

Two business requirements, identified as part of the 2017 CHES Replacement Business Requirements Working Groups, are being progressed by ASX outside of the CHES Replacement project, as Business-As-Usual activities, as neither are dependent on the new system.

[Read more >](#)

Technical documentation



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Connectivity & Integration Working Group



Connectivity & Integration Working Group

The latest Connectivity & Integration Working Group was held on 7 August and reviewed some of the new features available in CDE 3 along with associated tools to help with user testing. Updates on the customer development environment (CDE) connectivity and changes to technical documentation were also presented.

The working group specifically focused on new functionality that will be introduced in CDE 3 as follows:

- Account and Holder Creation
- Netting and Reversal
- Participant to / from Issuer Sponsored Transfer
- Participant to / from Issuer Sponsored Conversion
- SRN Enquiry

ASX focused on some of the testing tools that will be made available in CDE 3:

- ASX will add more trades to the trade notifications published each day to help clearing participants test a combination of netting scenarios (trade notifications are available via an opt-in request). Netting reversal will be scheduled for a particular stock code each Wednesday
- To help support transfers and conversions, ASX covered the extension of the current auto-responder to help facilitate participant testing and introduced the auto-injector which will simulate participant messages to allow issuers and their registries to test

ASX put a spotlight on the benefits of users acting as multiple roles to help users implement their test strategy.

A number of vendors and participants have now connected to CDE and tested end to end message flows using all core connectivity channels - Ledger API, AMQP and SWIFTNet.

The next Connectivity & Integration Working Group meeting will be held on **4 September 2019** and will be dedicated to Product Issuer Settlement Participants (PISPs).

A list of previous meeting topics, future Working Group dates, as well as a copy of all working group presentation materials can be found [here](#).

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Focus Groups



Focus Groups

The third Focus Group in a related corporate action series was held on 13 August. The previous sessions were held on 18 June and 9 July. Invitees included all stakeholders who rated these requirements 'high' in the Working Groups held in 2017 to elicit industry input on business requirements for the new system.

The Focus Group discussed an ISO-compliant messaging set that provides a consolidated corporate action election solution. The solution factored in analysis and feedback received following the initial corporate actions Focus Groups.

The consolidated corporate action election solution will support the following scenarios:

- Dividends (Cash, DRP, BSP)
- Rights Issues (Renounceable, Non-Renounceable & Accelerated)
- Share Purchase Plans
- Off-Market Takeovers
- Equal-Access Buybacks
- Any additional events which use the Takeover Facility today (e.g. Re-Investment Offers)

The Corporate Action Election solution will facilitate a related RTGS payment, where applicable, (e.g. Rights Entitlement) between the Participant and the Issuer Register. In the event of a Corporate Action Election Cancellation, in new RTGS payment in the opposing direction will be facilitated.

The 13 August Focus Group also discussed enhancements to holding adjustments, which factored in analysis and feedback received following the first Focus Group held on 18 June.

A summary of key themes raised through the Focus Groups and ISO 20022 Technical Committee meetings, as well as ASX's response to stakeholders' feedback will be published at the time of release of the Technical Documentation for the final functional specifications that are developed.

The next scheduled Focus Group meeting will be held on **27 August 2019** on the topic of payments and **17 September 2019** on the topic of mFunds.

A list of previous meetings topics and future Focus Group dates can be found [here](#).

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ISO 20022 Technical Committee Meetings



ISO 20022 Technical Committee Meetings

The latest ISO 20022 Technical Committee meeting was held on 23 July in Sydney. The committee members were provided with an update on the Corporate Action Focus Group activities and an overview of the proposed ('to-be') ISO 20022 messages for Takeovers and Buybacks, as well as Collateral Creation. ASX also provided a summary of member feedback on the previously published draft messages including Batch Settlement.

The next ISO 20022 Technical Committee meeting will be held on **27 August 2019** in Sydney. It will cover Corporate Action Focus Group activities and an overview of the proposed ('to-be') ISO 20022 messages for the business functions of Collateral Removal and Transfer of Novated Equities Transactions (Give-ups). ASX will also provide a summary of member feedback on the previously published draft Takeovers and Buybacks, and Collateral Creation messages.

A list of previous meeting topics and materials as well as future ISO 20022 Technical Committee dates can be found [here](#).

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Customer Development Environment Updates



Customer Development Environment Updates

Earlier this year we published details of functionality for our third release of code (CDE 3) which introduces features that will be used by Clearing & Settlement Participants (such as Account and Holder creation) as well as Share Registries. The project team is working now to upgrade our Customer Development Environment with CDE 3 code by the end of August. We have also published in our July technical documentation features that will be released in CDE 4 - see more below.

CDE - Release 2 (Current Version)

Our Customer Development Environment is using our CDE 2 code to enable customers to test features that have been published to the market in code [Release 1](#) and [Release 2](#).

CDE - Release 3

ASX will refresh CDE with a new code drop, Release 3 at the end of August. The features associated with this code drop can be found in our Release 3 release notes - [part \(i\) May 2019](#), and [part \(ii\) June 2019](#). This will be the first set of features which will benefit the **Share Registries** - who are encouraged to look at the associated technical documentation and consider their connectivity to the CDE to commence testing from CDE 3.

Customers connected to CDE will receive direct communication from ASX with notice of CDE refresh times prior to the update.

CDE - Release 4

In July 2019 we published technical documentation for [Release 4](#) capabilities which will introduce the following features to our CDE in October 2019.

New documentation for:

- Batch Settlement
- Settlement Instruction Management
- Change of Controlling Participant

Updated documentation for:

- Corporate Actions

Messaging associated with the above features, the Proprietary Code List and Cross Reference Guides were also updated. New ISO 20022 message collections were published in the SWIFT MyStandards portal to align with the Release 4 functionality.

Future Releases

Details of our [forward release plan](#) and future code drops are published in our technical documentation.

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BAU Project Updates

Two business requirements identified as part of the 2017 CHES Replacement Business Requirements Working Groups (captured in ASX's April 2018 Consultation Paper "[CHES Replacement: New Scope and Implementation Plan](#)") are being progressed by ASX outside of the CHES Replacement project, as Business-As-Usual activities, as neither are dependent on the new system. Subject to the necessary regulatory clearances, both business requirements are **targeted to be delivered prior to go-live** of the CHES Replacement system.

Transfers to the CHES Subregister

On 13 July 2018, ASX released its Consultation Paper "[Transfers to the CHES Subregister](#)" seeking feedback on its proposal to remove the requirement under the ASX Settlement Operating Rules for settlement participants that are not ASX trading participants ("settlement-only participants"), to receive and provide to the issuer a transfer document signed by, or on behalf of, the holder (registrable transfer document) for the transfer of an issuer sponsored holding to a CHES holding controlled by the settlement participant. The consultation paper also sought feedback on whether it was considered that the proposed amendments would adversely impact on holder protections and any additional issues not identified in the paper that should be considered by ASX.

Following feedback received through the Consultation Paper, ASX proposes to introduce certain qualifying criteria for when settlement-only participants can process such transfers to the CHES Subregister without the provision to issuers of paper transfer documents. This would in effect create a sub-class of settlement-only participant to which automated processing of transfers could proceed in the same way as for settlement participants that are also ASX trading participants. This sub-class will be limited to those settlement-only participants who provide custodial or depository services under a relevant AFSL or exemption and also meet certain financial requirements.

Settlement-only participants that do not meet such qualifying criteria would need to continue to provide a paper transfer document to issuers in order to effect a transfer of an issuer sponsored holding to a CHES holding, with issuers to validate name (and in some cases address) on the transfer document against holder details on the issuer sponsored subregister prior to processing the transfer.

ASIC has recently advised ASX that it can progress with its proposal. ASX has also progressed work to design an efficient solution that would minimise the impacts (e.g. systems build) on stakeholders (i.e. registries).

ASX will soon release to market its response to its July 2018 Consultation Paper on the proposed changes and to finalise its rule amendments for informal lodgement.

For Day 1 of the new CHES replacement system, ASX intends to also seek regulatory clearance for removal of the paper-based validation requirement for those settlement-only participants that do not qualify under the BAU changes referred to above. This is because SRN and registration details for a transferor will need to be included in a message from a participant seeking the transfer of securities from the issuer sponsored subregister to the CHES subregister, to be validated by issuers against holder details on the issuer sponsored subregister prior to processing the transfer. This would align the treatment of all settlement participants.

Corporate Actions - Takeover Offer

ASX has informally lodged with ASIC rule amendments seeking to enhance the existing process for acceptance of an off-market takeover offer (in respect of CHES holdings) to ensure the timely actioning by sponsoring participants of any participant bidder initiated acceptance messages (i.e. where the holder's takeover acceptance instructions were sent directly to the bidder, not the sponsoring participant for the CHES holding). This is on the basis that it would assist to reduce the risk of an entitled holder missing the takeover offer.

The amendments sought to be made for this business requirement will provide for an indemnity to the bidder and holder against losses resulting from the sponsoring participant neither accepting or rejecting a participant bidder initiated message within 1 business day (which has the same outcome as a rejection, for which an indemnity currently exists).

ASX will provide further updates on these BAU items in due course.

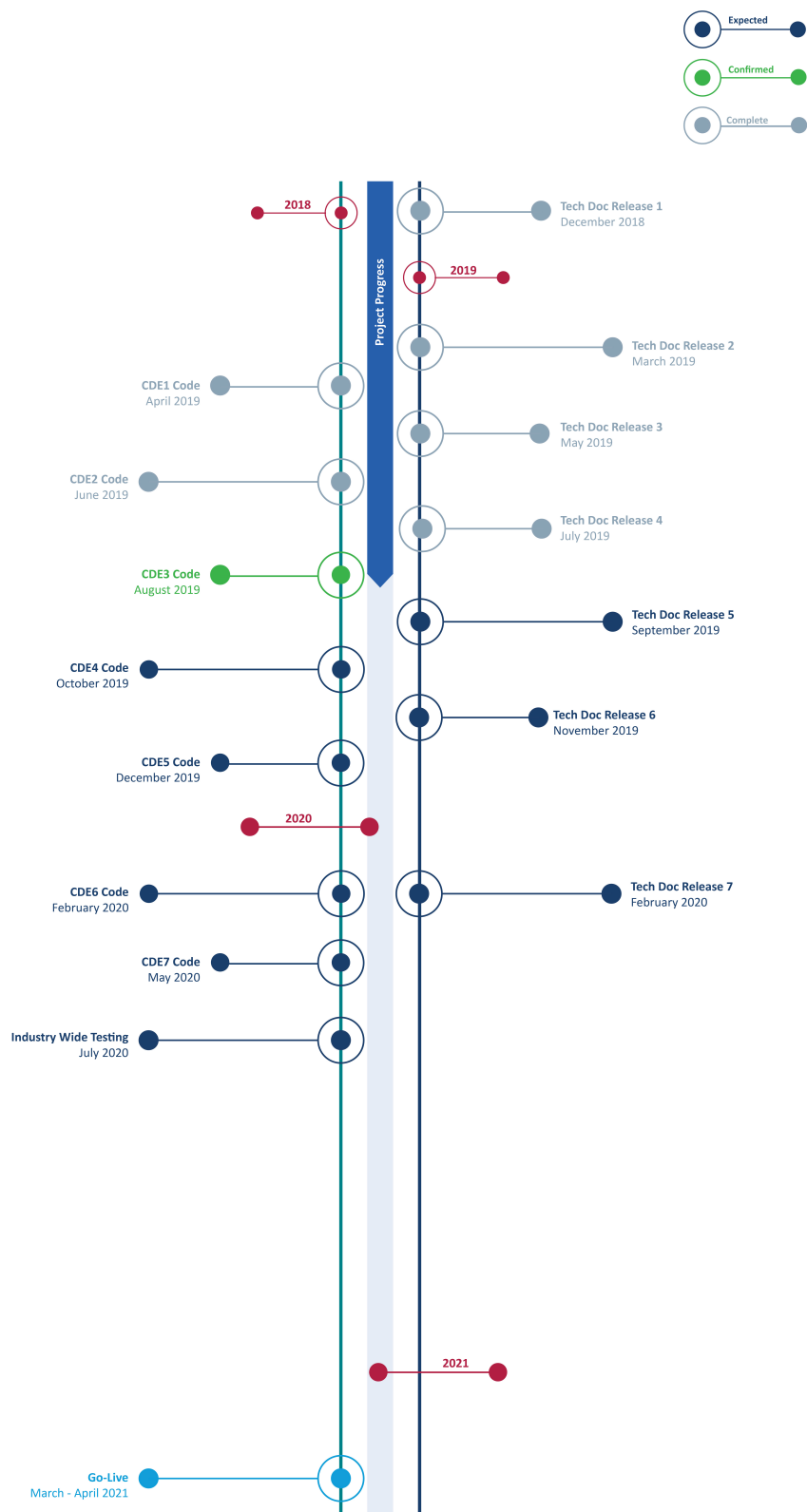
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Project Milestones



Project Milestones



Upcoming Activities



Upcoming Activities

Date	Activity
Tuesday 27 August 2019, 11am-12.30pm	Focus Group - Payment Providers
Tuesday 27 August 2019, 3pm-5pm	ISO 20022 Technical Committee
End August 2019	CDE update - Release 3 code drop
Wednesday 4 September 2019, 2pm-4pm	C&I Working Group - Product Issuer Settlement Participants (PISP) dedicated working group
Tuesday 17 September 2019, 10am-12pm	Focus Group - mFunds
End September 2019	Technical Documentation - Release 5
Tuesday 1 October 2019, 3pm-5pm	ISO 20022 Technical Committee - October

Refer to the CHES Replacement [Project Milestones](#).

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