



CHESS Replacement Project

**Implementation & Transition
Webinar**

29 November 2019

Housekeeping: trouble shooting

- Check your system requirements
- Audio options:
 1. Use your computer's mic and speakers ("Computer audio"). Check that your computer's audio is unmuted.
 2. Use a telephone to dial in ("Phone call")
 - Phone number: **+61 2 9091 7604**
 - Access code: **373-447-212**
 - No need to enter an Audio PIN as audience is muted
 3. If you are still experiencing audio difficulties, try downloading the GoTo Webinar Application on your smart phone, and enter the Webinar ID: **229-336-651**

Further information:

<https://support.goto.com/webinar/how-to-join-attendees>

GoToWebinar Attendee System Check for Webcast Webinars

Looks good! You can join a webinar.



- ✓ OS - Windows 8.1
- ✓ Browser - IE 11
- ✓ Internet connection - Strong
- ✓ Flash - Enabled

[Test your system again](#)

[View System Requirements](#)

Next steps

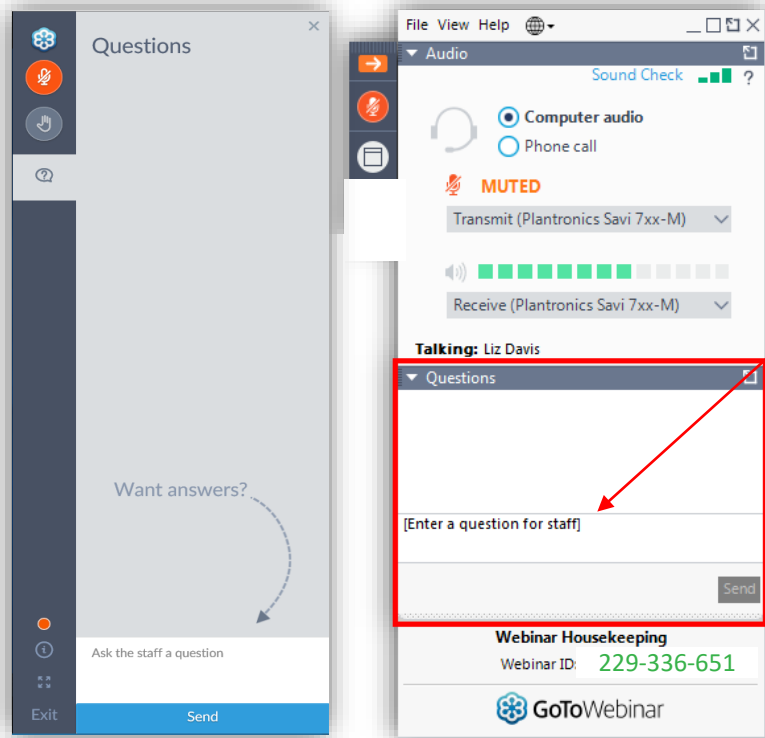


Join a webinar
Attendee



Learn How
Join guide

Housekeeping: how to submit questions



Your Participation

- To submit your text questions and comments use the Questions panel
- Note that your questions will not be seen by other attendees

For more information - refer to the webinar tips published on the ASX [CHESS Replacement web page](#)

Agenda

Account migration activities

Mandatory vs. optional features

Questions

Next Steps

Presenters and introductions



Katie McDermott
General Manager
Equity Post Trade

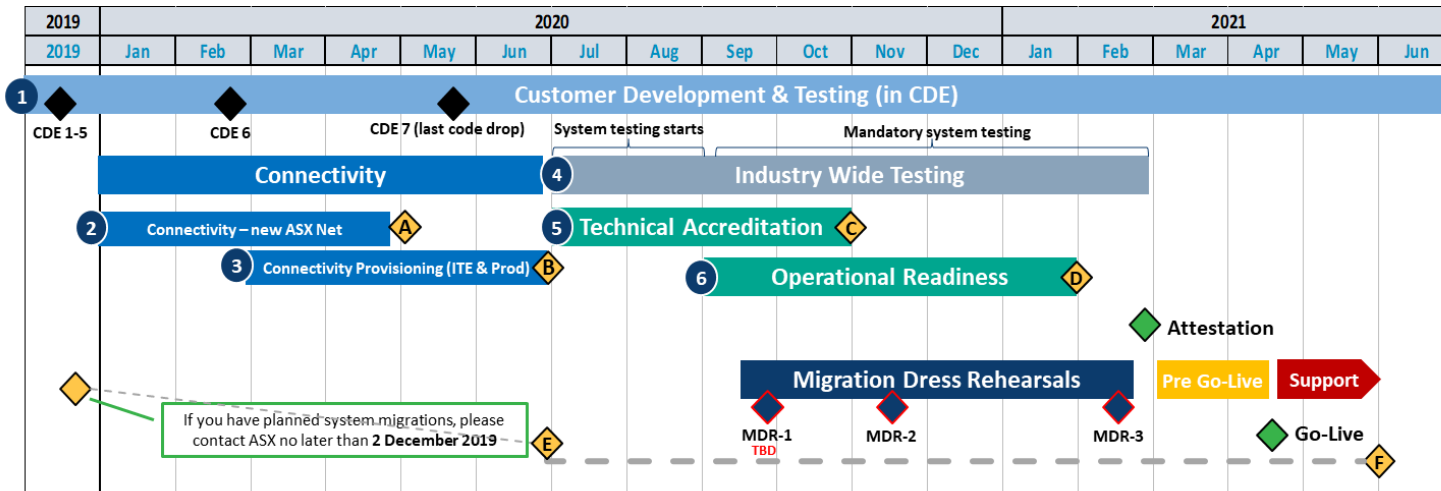


Fraser Moodie
**Manager, Connectivity
& Integration**
Equity Post Trade



Lisa Briggs
Manager
Equity Post Trade

Implementation, transition and cutover timeline



- | | |
|--|---|
| <ol style="list-style-type: none"> 1 Iterative customer development and testing for software vendors and in-house systems connected to CHES in a dedicated customer development environment 2 Submit order forms and install new ASX Net connections (if required) | <ol style="list-style-type: none"> 5 Commence Technical Accreditation in ITE - mandatory for all systems connected to CHES |
| <ol style="list-style-type: none"> 3 Provisioning of ASX Net SWIFTNet connectivity to the test and target production environments | <ol style="list-style-type: none"> 6 Commence Operational Readiness in ITE - mandatory for all CHES users. |
| <ol style="list-style-type: none"> 4 Conduct Industry Wide Testing (IWT) in the Industry Test Environment (ITE). IWT allows for functional and non-functional testing | <ol style="list-style-type: none"> Operational Readiness to be completed prior to Attestation |
| | <ol style="list-style-type: none"> Conduct three separate mandatory industry migration rehearsals |
| | <ol style="list-style-type: none"> ASX Change Control Period commences |
| | <ol style="list-style-type: none"> ASX Change Control Period ends (indicative) |

Account details in the new CHESS Replacement System

Terminology

Account

A record of a holder's title (ownership) in financial products on the CHESS sub-register that is identified by a Holder Identification Number (HIN).

Conversion (of data)

Refers to the restructuring or modification of data within a system

Migration (of data)

Refers to the transfer of data between two disparate and distinct systems

Sponsoring Participant

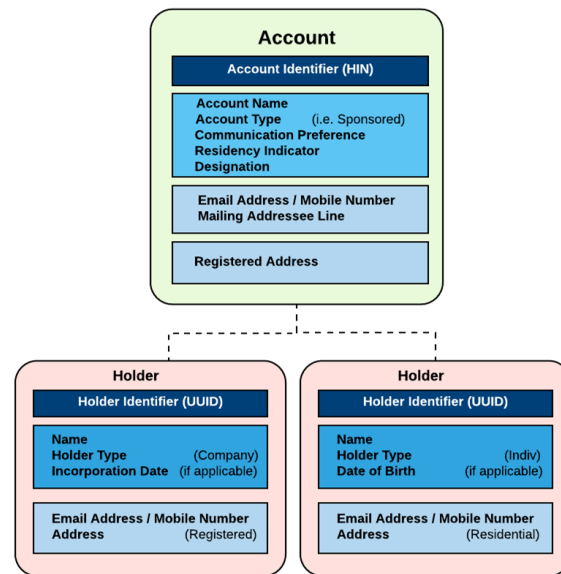
Clearing and settlement participants, account participants, settlement only participants

Introduction

- As part of CHES Replacement program, there will be changes to accounts with the adoption of the global ISO 20022 standard
- ISO 20022 provides standardisation and structure to accounts and holders
- Today's webinar presents the changes to account registration details and focuses on what can be done prior to, and on the cut-over weekend to facilitate successful account migration

New Account Structure

- New account attributes are published in the Customer Technical Documentation portal
- Accounts
 - Account Name
 - Designation
 - HIN
 - Account Type
 - Registration Details
- Holders
 - Holder ID
 - Holder Type (Individual / Companies)
 - Holder Name
 - Email Address & Mobile
 - Individuals (Residential Address, Date of Birth)
 - Companies (Registered Address, LEI, Incorporation Date)



For further information, please see: <https://asxchessreplacement.atlassian.net/wiki/spaces/CSP/pages/25395254/Account+and+Holder+Creation+Overview>

Holder IDs

What is a Holder ID?

- Registration details have been separated into two distinct records: (i) holder information, and (ii) account information. You can have up to 4 distinct holders recorded against an account. Each holder will be assigned a **Holder ID**.
- Holder ID is a new concept and unique system generated number for the purpose of amending holder information.
- Holder IDs will not be shared with end investors; it is intended to facilitate system workflow processing only.
- New accounts created post Go-Live will have new system generated Holder IDs

What do Sponsoring Participants need to do?

- ASX will generate Holder IDs (which will incorporate HIN and sequence of holder)
- Participants are expected to use the ASX-generated Holder ID to replicate in their host systems
- Investors won't need to do anything

Joint Holder Account Example

Registration details today

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
1	M	R		J	O	E		W	I	L	S	O	N		+		M	R	S		J	A	N	E		A	N	N	E	
2	W	I	L	S	O	N																								
3	<	N	O	.	1		A	C	C	O	U	N	T	>	,															
4	U	N	I	T		1																								
5	2	0		B	R	I	D	G	E		S	T	R	E	E	T														
6	S	Y	D	N	E	Y		N	S	W													2	0	0	0				

Joint Holder Account Example

New Registration details logical structure

Account	
<Account Name>	MR JOE WILSON + MRS JANE ANNE WILSON
<Account designation>	NO. 1 ACCOUNT
<Account Mailing Addressee Line>	MR JOE WILSON + MRS JANE ANNE WILSON
<Account Address Line 1>	UNIT 1
<Account Address Line 2>	20 BRIDGE STREET
<Account Address Line 3>	
<Account Town Name>	SYDNEY
<Account Country Sub-Division>	NSW
<Account Post Code>	2000
<Account Country>	AU
Registered Holder 1	
<Full Name>	MR JOE WILSON
Holder Type	Individual
Registered Holder 2	
<Full Name>	MRS JANE ANNE WILSON
Holder Type	Individual

Joint Holder Account Example

New Registration details logical structure

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
1	M	R		J	O	E		W	I	L	S	O	N		+		M	R	S		J	A	N	E		A	N	N	E	
2	W	I	L	S	O	N																								
3	<	N	O	.	1		A	C	C	O	U	N	T	>	,															
4	U	N	I	T		1																								
5	2	0		B	R	I	D	G	E		S	T	R	E	E	T														
6	S	Y	D	N	E	Y		N	S	W																				

New Registration details logical structure

Account	
<Account Name>	MR JOE WILSON + MRS JANE ANNE WILSON
<Account designation>	NO. 1 ACCOUNT
<Account Mailing Addressee Line>	MR JOE WILSON + MRS JANE ANNE WILSON
<Account Address Line 1>	UNIT 1
<Account Address Line 2>	20 BRIDGE STREET
<Account Address Line 3>	
<Account Town Name>	SYDNEY
<Account Country Sub-Division>	NSW
<Account Post Code>	2000
<Account Country>	AU
Registered Holder 1	
<Full Name>	MR JOE WILSON
Holder Type	Individual
Registered Holder 2	
<Full Name>	MRS JANE ANNE WILSON
Holder Type	Individual

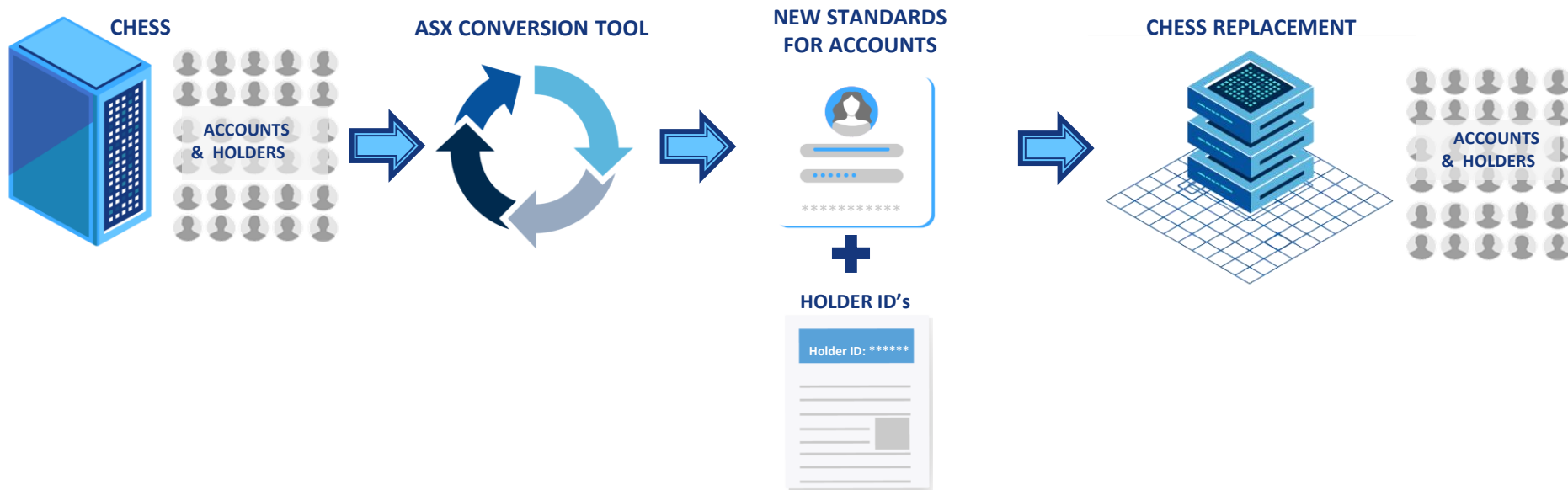
Cut-over activities for Migration Dress Rehearsals and Go-Live

Cut-over activities

What activities are happening on the cut-over weekend?

- ASX will:
 - Generate Holder IDs
 - Perform conversion of account registration details to comply with new standards
 - **Note:** Account data is not being modified by the ASX (country codes move from ISO 3 char to ISO 2 char)
- Sponsoring Participants will:
 - Replicate and apply Holder IDs internally and use for subsequent amends and cancels
 - Optionally reflect new format of account registration details in host systems using ASX conversion tool
- Share & Unit (mFund) Registries:
 - Optionally reflect new format in host systems using ASX conversion tool
 - ASX Conversion tool may also be useful for Issuer Register

ASX Account Migration Activities – High Level Approach



ASX Account Migration Activities

- Accounts will be migrated from CHESS to the new system on cut-over weekend (cancelled HINs will not be migrated)
- Sponsoring Participant IDs and their HINs will be migrated; there will be no changes to CHESS UICs or HINs
- Each unique holder will be allocated a unique 32 character Holder ID, this will be deterministic and be defined by HIN + Holder based on sequence number
- For example, a joint account (HIN 1234567890) with two holders will result in two system generated Holder IDs, sequence numbers based on sequence of names

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32
ZERO PADDED																					HIN										#
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	2	3	4	5	6	7	8	9	0	1
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	2	3	4	5	6	7	8	9	0	2

*For illustrative purposes only. Final design to be communicated to the market.

ASX Account Migration Activities – Additional Information

- CHESS Replacement provides the ability to identify individual holders as either individual or company, all **holder types** for migration will be classified as 'other' as it is not possible to deterministically classify based on name alone.
- Australian Registration details do not currently have an explicit country associated with them, these will be defaulted with ISO country code 'AU'
- New Zealand addresses will be migrated in the same way as Australian addresses mapping of address, town name and post code
- All international addresses with the exception of 'AU' and 'NZ' will be migrated into address lines only, current format of these address do not provide sufficient structure to map.
- A number of non 'AU' or 'NZ' accounts will not fit in the current address line structure, ASX are still reviewing the mapping solution for those that fit into this category.

Participant Conversion Activities - High Level Approach

Mandatory Participant Conversion Activities



Optional Participant Conversion Activities



Participant Conversion Activities

- For participants that have host systems that support account changes, the Holder ID must be linked to existing accounts (browser only users need not do anything)
- Participants can optionally mirror the new account structure in their host system if they wish to do so, this can be achieved by using the ASX conversion tool
- The ASX conversion tool will take as input the current CHESS 180 character string and provide an output defining the new structure
- Over cut-over weekend participants can run both these activities at any time and are not dependent on ASX completing their migration activities
- Ledger API users will be able to stream / access active contracts once the system is made available

ASX Conversion Tool

How will ASX support you?

- ASX will offer a conversion tool to assist you with converting current account registration details to the new account registration details
- The conversion tool will use the same algorithm ASX will use to convert and migrate data inside CHESS to the new CHESS Replacement system
 - Map account names to holders
 - Map designation (noting <> will be dropped)
 - Define Account Mailing Addressee based on specifications (concatenation of holder names up to 80 characters otherwise first holder name)
 - Map addresses to town names, sub-divisions and post codes
 - Map from 3 to 2 ISO country character codes
 - Other logic to be defined
- The ASX Conversion tool is proposed to be a simple application with a file input converting existing CHESS 180 Registration details into csv formatted output

What can you do now?

Pre-migration preparation activities

To de-risk and facilitate the migration of accounts on the cut-over weekend from CHES to the new CHES Replacement system, sponsoring participants are required to perform the following pre-migration preparation activities:

- Remove dormant accounts
- Correct invalid country codes
- Remove references to invalid terms in account designation

Dormant account management

What constitutes a dormant account?

- No holdings, no activity or communication from a client for a minimum of a 12 month period (ASX guideline only)

What Participants can do?

- Bulk cancellation of dormant accounts
 - Option to suppress CHESS notification
 - ASX will waive message component of fee
 - Bulk cancellations may need to be processed in tranches to limit impact to CHESS EOD processing
 - CHESS will notify participants of the cancellation via CHESS MT220 (Authorised Registration Details)
- Single cancellation via CHESS MT203 (Registration Details Update Request)
 - Standard fees apply

Dormant account management

Key dates and next steps

- Email Participant.Transitions@asx.com.au to notify intentions of bulk cancellation by **end February 2020**
 - ASX to outline full process and requirements including considerations for:
 - Dates
 - Participant's indemnity to ASX to cancel account
 - Participant's provision of draft letter in advance of notifying termination of sponsorship agreement (if applicable)
- ASX will continue processing bulk cancellations until end 2020

Other considerations

- Handling of email bounce-backs and out of office notifications
- Seek internal legal advice

Country codes

Why are country codes changing?

- To align with ISO 20022 standard, country codes will move from 3 characters to 2 characters
- There are country codes recorded in CHES today that are no longer valid. These codes are listed below and need to be replaced with valid country codes.

Country Code	Country Name
CIL	CHANNEL ISLANDS
ISM	ISLE OF MAN
ANT	NETHERLANDS ANTILLES
SCG	SERBIA & MONTENEGRO
ROM	ROMANIA
TMP	EAST TIMOR
YUG	YUGOSLAVIA
MY	MALAYSIA
GER	GERMANY

- The new 2-character country codes will be applied over the cut-over weekend. Until then, the current valid 3-character county codes will continue to apply.

Country codes

What do you need to do?

- Correction of country codes that are invalid in CHESS today is considered a BAU issue and should therefore be fixed immediately by either: (i) updating registration details with a valid country code, or (ii) cancelling the HIN (if dormant)
- Please email chesshelp@asx.com.au if you require further guidance

Invalid terms for account designation

What's the issue?

- Account designation should not give notice of trust.* These phrases are prohibited today and will continue to be prohibited in the new system. The invalid terms are:
As Trustee For, As Custodian For, Trust, Testamentary, ATF, ACF, Test, Trstee, Trustee

What do you need to do?

- Participants will need to correct account designations immediately by either: (i) updating registration details to remove the invalid phrase, or (ii) cancel the HIN (if dormant)
- Please contact chesshelp@asx.com.au if you require assistance

*Please see ASX Settlement Operating Rule 8.10.3

Mandatory vs. Optional Classification of New Business Requirements

Guiding principles for the replacement of CHESS

- Operate for the benefit of issuers and end investors
- Take future needs into account
- Accessibility
- Ease of integration and global interoperability
- Availability, reliability and performance
- Privacy and security
- Operational efficiencies
- Compliant

Mandatory vs Optional Classification of New Business Requirements

Mandatory v optional classification of the new Business Requirements

- ASX is currently giving consideration to what new features being delivered pursuant to new business requirements requested through market consultation on the new system should be mandated for the purpose of technical accreditation and operational readiness processes for CHES users
- ASX is applying the following criteria in assessing what new features pursuant to such new business requirements should be classified as mandatory versus optional:
 - Whether the feature is required to support the proper functioning of the replacement system for 'day 1'
 - Whether the features strengthens ASX Clear's and/or ASX Settlement's risk management capability, reduces systemic risk, and/or enhances client protection
 - Whether the feature requires broad market adoption in order for the replacement system to meet the guiding principle of the project to benefit issuers and investors
 - Whether the feature requires broad market adoption in order for the replacement system to meet the guiding principle of the project to provide operational efficiencies to the market

Mandatory vs Optional Classification of New Business Requirements

- ASX expects to make the new features pursuant to the new business requirements that meet criteria 1 as mandatory for go live
- New features pursuant to the new business requirements that meet the other criteria will be optional for go live but will be made mandatory by 31 December 2021. This is to de-risk the delivery of the new system for go live
- New features pursuant to the new business requirements that do not fall within the criteria will be optional

Mandatory at go-live

There are six new features pursuant to the new business requirements that are mandatory at go-live:

1. Standardised registration details
2. Bilateral transaction matching – mandatory matching criteria
3. Bilateral transaction matching – settlement tolerance override amount
4. Settlement message enhancements - Functionality to enable the CHES replacement system to process non-batch transactions while batch process is running
5. Electronic provision of holding statements and notifications (email address provision is optional)
6. mFund - Sharing of investor details (only for mFund users)

Mandatory vs Optional Classification of New Business Requirements

Optional day 1 but mandatory by end 2021

There are five features that are optional for Day 1 but mandatory by 31 December 2021

1. Settlement lock for CHESS holdings
2. Non-batch DVP bilateral settlement
3. Electronic DRP and BSP elections
4. Electronic acceptance of entitlement offers
5. Electronic payment for entitlement offers

Mandatory vs Optional Classification of New Business Requirements

Optional day 1 and beyond 2021

There are four features that are optional for Day 1 and will remain optional beyond 31 December 2021

1. Additional investor information e.g. email address provision is optional
2. Centralised data capture and storage – Reflecting the design of CHESS today, tax and residency details that have been passed through the replacement system will not be stored by ASX in a holder record and will not be made available to any system user for re-use.
3. Additional preliminary payment notifications
4. Linking bilateral settlements

Classification subject to further feedback

1. Settlement message enhancements – Ability to prioritise processing of categories of settlement messages over other categories of settlement messages

Mandatory vs Optional Classification of New Business Requirements

Deferred from day 1

There are several items that have been deferred from Day 1 (and therefore not subject to classification for Day 1):

1. Transfer of novated equity transactions between CPs
2. Settlement lock for issuer sponsored holdings
3. Optional early client settlement
4. Auto borrow
5. mFund - Real-time cash settlement, 'hold' status and transfer capability
6. mFund - Automation of regular payments and switching between funds

Q&A

Next Steps

Next Steps

Immediate steps following today's session

Review and feedback:

- Webinar recording and slides 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 13 December 2019**

Reminder :

- For any planned major transformations, please get in touch with ASX's Participant Transitions Team
- New instances of ASX Net connectivity must be ordered by **2 December 2020**
- Email Participant.Transitions@asx.com.au to notify intentions of bulk cancellation of dormant accounts by **end February 2020**

Further Information

ASX Technical Paper on Account Migration:

- ASX will publish a technical paper providing further information on account migration and conversion (including worked examples) by end of **Q1 2020**

Next Steps

Further I&T working groups

Next meeting to be held in December via webinar:

- Date: **Wednesday, 18 December 2019**; invitations to follow
- Topic: ASX responses to market questions and feedback

Future topics and forward meeting plan for 2020 will be updated on the CHES Replacement webpage:

- <http://www.asx.com.au/services/chess-replacement.htm>

Thank you.



Disclaimer

This document provides general information only. ASX Limited (ABN 98 008 624 691) and its related bodies corporate (“ASX”) makes no representation or warranty with respect to the accuracy, reliability or completeness of the information. To the extent permitted by law, ASX and its employees, officers and contractors shall not be liable for any loss or damage arising in any way (including by way of negligence) from or in connection with any information provided or omitted or from anyone acting or refraining to act in reliance on this information.

© 2019 ASX Limited ABN 98 008 624 691