



Business Committee

CHES Replacement -
presentation material

6 October 2021

Updates

-
- ITE1 readiness
-
- Consultation on third tranche & combined package of operating rule amendments
-
- System access pricing
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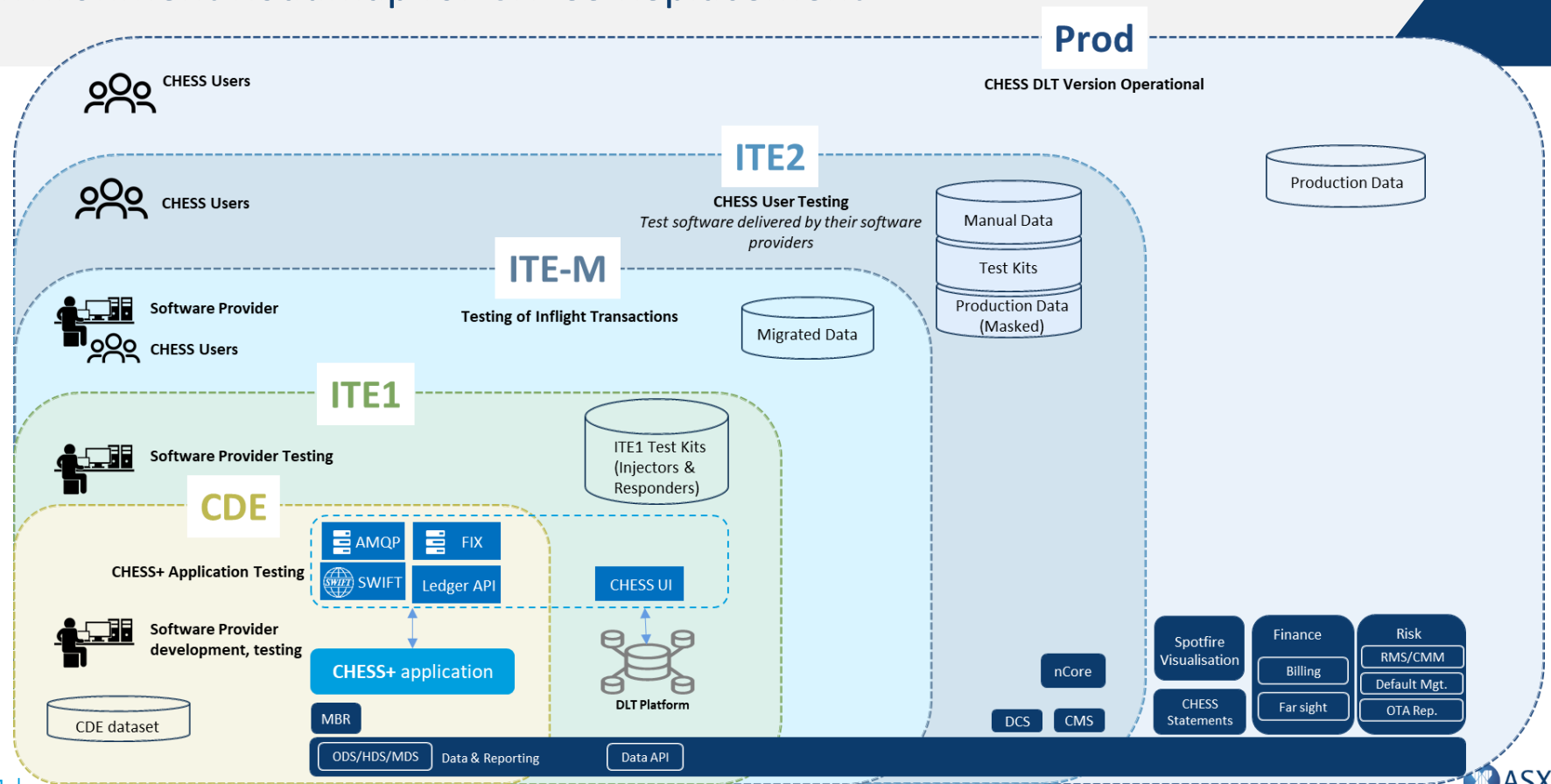
CHES Replacement

ITE1 readiness

Business Committee Update

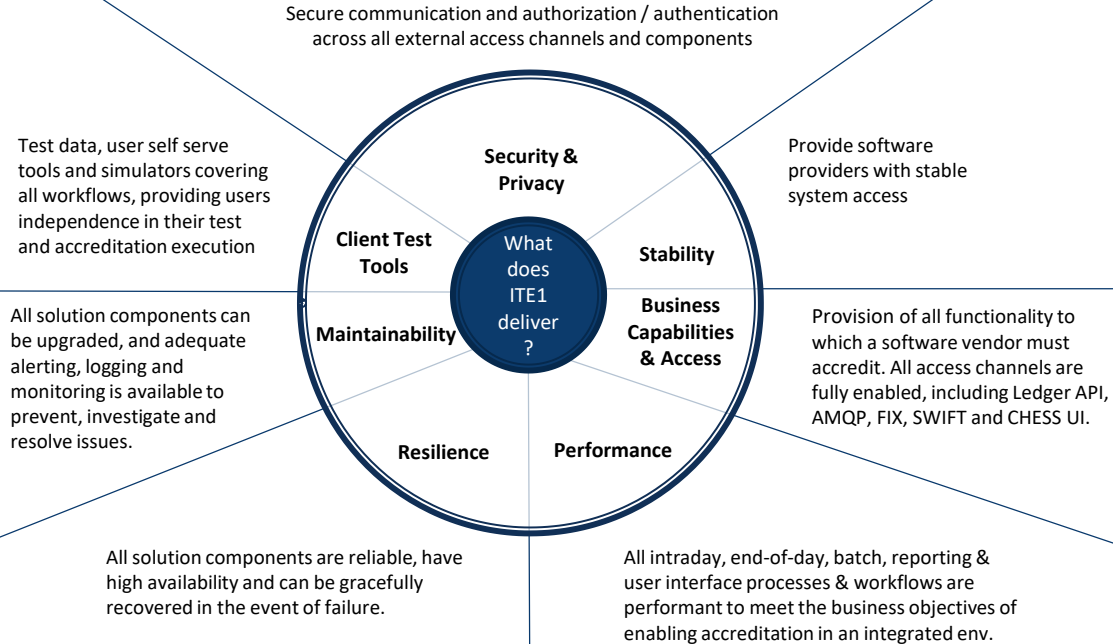
6 October 2021

Environment Roadmap for CHES Replacement



ITE1: What does ITE1 deliver?

Objective: (i) Allow software providers entry into an integrated test environment and enable technical accreditation of software in Q2 2022;
(ii) Provide an environment with ledger, application, production topology and functionally complete workflows





CHES Replacement

Consultation on third tranche & combined package of operating rule amendments

Business Committee Update

6 October 2021

Topics to be covered

- > Recap of multi-year journey to rules consultation package released 31 August 2021
 - Why rule amendments are required
 - Interaction of rule amendments with solution design processes, and the consultation feedback sought
 - Prior tranche 1 and 2 consultations
- > Tranche 3 rule amendments
- > Constituent documents of the rules consultation package
 - Explanatory information provided to assist stakeholders
 - How users can navigate
- > Next steps
 - Request for written rules consultation feedback by 14 December 2021

Rule amendments required to support new system

- > To support the CHES replacement system ASX needs to amend its rulebooks
 - New business requirements generated through six industry working groups in 2017 and confirmed through public consultation in 2018
 - Re-engineering of existing functionality including system enhancements and automation of manual processes
 - Decommissioning of existing CHES functionality where not being used or no longer required
 - Other miscellaneous aspects including various clarifications and tidy up changes
- > 200 change aspects being addressed in the rule amendments
 - Eight new business requirements
 - Over 120 aspects of re-engineered existing CHES functionality
 - Eight aspects of decommissioned functionality
 - Over 60 other miscellaneous aspects

New system solution design reflected

- > Rule amendments reflect the solution design for new or changed functionality in the new system as captured in the Technical Documentation, which follows extensive consultation process on that solution design
 - Focus Group meetings on solution design for significant new or materially changed functionality throughout late 2018 and 2019
 - Technical Committee meetings focused on adoption of ISO 20022 (message specifications and workflows) between December 2016 and April 2020
 - Netting and settlement redesign - consultation paper in February 2021 and Focus Groups and Technical Committee meetings in March 2021
- > Rule consultation process therefore focused on the operation of the rule amendments themselves, including unintended consequences and associated impacts

Three tranches of rule amendments

First tranche

- > ASX released its consultation paper on the first tranche of draft rule amendments on 15 November 2019
 - Accounts, participants, securities and pre-settlement aspects in the new system
- > 12 submissions from a range of stakeholders including participants, registries, industry bodies and vendors
 - General support for tranche 1 rule amendments, subject to specific feedback on some amendments
- > ASX released its response to consultation feedback on the first tranche on 22 May 2020
 - Resulting amendments largely technical in nature, including reinstatement of electronic communication preference specification when providing holder email details
 - Additional information provided as requested, including a diagram explaining relationship between technical documentation and rulebook terminology for account and holder structures (also incorporated in current consultation pack as Attachment K)
- > ASX separately issued Data Governance Paper in December 2020

Three tranches of rule amendments (cont.)

Second tranche

- > ASX released its consultation paper on the second tranche of draft rule amendments on 21 February 2020
 - Corporate actions, mFund and RTGS payment aspects
- > 11 submissions from a range of stakeholders including registries, participants, payments providers, an industry body and an approved listing market operator
 - Concerns raised by two stakeholders with some aspects of the solution design for DRP and BSP elections
 - General support for other tranche 2 rule amendments, subject to specific feedback on some amendments
- > ASX released its response to consultation feedback on the second tranche on 24 September 2020
 - Amended DRP and BSP elections solution design and rule amendments to reflect a simplified design whereby elections and cancellations by controlling participants will be notified to issuers on a pass through basis
 - Other resulting amendments largely technical in nature, including replacing requirements in plan terms
 - Additional information provided as requested, including on principles for balancing processing of holding adjustments and purpose of locks and subpositions

Three tranches of rule amendments (cont.)

Third tranche

- > Third (and final) tranche is being released for the first time as part of the consultation paper published on 31 August 2021
 - Netting, settlement, reporting and miscellaneous amendments
 - Includes changes resulting from redesign of netting and settlement workflows consulted on in 2021
- > Miscellaneous amendments cover transitional rules (addressing migration to new system), static and pass-through investor data, default management, system authentication and set up, participant identifiers, excess cash instructions, data governance, suppression of holding statements, removal of opt-out ability for trade registration and tidy-up changes
- > As part of rule amendments related to the redesign of netting and settlement workflows to provide additional system scalability for meeting higher trading volumes
 - New batch instruction and NNDP for novated market trades
 - New batch instructions to account on net basis for shortfall, suspension or cancellation of batch settlement
 - Accounting for changes to batch settlement notifications, including settlement reporting on batch instructions on an exceptions basis

Three tranches of rule amendments (cont.)

- > As part of transitional rules to facilitate and minimise complexity with the migration to the new system
 - Support remediation, conversion and migration of holders records
 - Minimise workflows to be migrated to the new system

Combined rule amendments

- > Consultation paper also includes combined rule amendments across the three tranches, as flagged in June 2020 consultation on the revised implementation timetable

Revisions included in rule amendments

- > Rule amendments include revisions for:
 - Previous consultation on tranches 1 and 2 (*rule changes* identified May and September 2020)
 - De-scoped Day 1 functionality - entitlement acceptance & scheme elections (*de-scoping* identified October 2020)
 - Redesign of netting and settlement workflows (*process changes* identified June 2021)

Rules consultation documents

Presentation of tranche 3 and consolidated rule amendments

- > Presentation of rule amendments and descriptions seeks to enable stakeholders to (at their election):
 - Focus review and feedback on tranche 3 rule amendments
 - Review and provide feedback across all rule amendments, including in particular interaction between each tranche
- > Stand alone tranche 3 rule amendments in Attachments D to F
 - Descriptions of tranche 3 changes in **Part 1** of Consultation Paper and Attachment A
- > Consolidated rule amendments (tranches 1, 2 and 3) in Attachments G to J
 - Updated descriptions of tranche 1 and 2 changes in **Parts 2 and 3** of Consultation Paper and Attachment A
 - Additional explanatory material, including deletions for de-scoped Day 1 functionality in Attachment C
- > Summary of rule changes linking each change description to relevant rule changes in Attachment A
- > Index linking each rule change to relevant change description in Summary in Attachment L

Rules consultation documents (cont.)

Presentation of tranche 3 and consolidated rule amendments (cont.)

- > Detailed consultation package providing stakeholders all information required to easily understand each rule change and the basis for that change
 - 865 pages consisting of 290 pages of explanatory material, 170 pages containing the tranche 3 rule amendments and 405 pages containing the combined rule amendments (tranches 1, 2 and 3)
 - Explanatory material assists readers to understand each change, including for each affected functional element: identifying impacted users and relevant consultation forums and technical documentation; and describing the affected current CHES process together with a summary, purpose and type of change
 - Provision of tranche 3 rule changes on both a stand-alone and consolidated basis, enables readers to avoid duplicating review of rule amendments already undertaken on previous tranches
 - Existing text of rule retained for context where only part of that rule has changed, to make it easier for reader to comprehend the change without cross-referencing existing rule text through other documentation

Next steps

Response to consultation

- > Written feedback on rule amendments requested from stakeholders **by 14 December 2021**
- > Revised draft rules and response to consultation paper to be provided by ASX to regulators in early April 2022
- > Response to consultation to be released by ASX in early June 2022
 - Summary of feedback received
 - Address respondents' requests for clarification and further information
 - Identify revisions made to draft rule changes to take into account feedback received

Final rules publication

- > Subject to regulatory clearance, formal lodgment of the consolidated rules package in early September 2022
- > Publish final rule package in late September 2022
 - Allows at least 6 months notice of final rule changes prior to go-live of the new system in April 2023
 - Transitional rules to support migration to the new system to commence earlier as per tranche 3 rule amendments

Relevant document links

- > Tranche 3 and combined rule amendments consultation paper
<https://www2.asx.com.au/content/dam/asx/markets/clearing-and-settlement-services/tranche-3-combined-rules-package-public-consultation-version-31-aug-2021.PDF>
- > Response to consultation feedback on Tranche 1 rule amendments
<https://www2.asx.com.au/content/dam/asx/about/regulations/public-consultations/2020/tranche-1-response-to-cp-may-2020-full-910959v1.PDF>
- > Information paper on ASX data governance under CHES and CHES replacement
<https://www2.asx.com.au/content/dam/asx/markets/clearing-and-settlement-services/information-paper-asx-data-governance-under-ches-and-ches-replacement.pdf>
- > Response to consultation feedback on Tranche 2 rule amendments
<https://www2.asx.com.au/content/dam/asx/about/regulations/public-consultations/2020/tranche2-response-to-cp-september2020-final-933157v1.pdf>
- > Rule amendment and public consultation timeline
<https://asxchesreplacement.atlassian.net/wiki/spaces/COMMS/pages/100794865/Rule+Amendment+Public+Consultation+Timeline>



CHES Replacement System Access Pricing

Business Committee Update

6 October 2021

CHES Replacement System Access Pricing

| Access channel | Description | Per | Period | Charge (ex GST) | Comment |
|-------------------------------|---|---------------------------|---------|--|--|
| Messaging (ISO 20022) | | | | | |
| AMQP | Provides access to a set of message queues to send and receive ISO 20022 XML messages. | Per set of message queues | Monthly | \$495 | A set consists of Request queue (x1), Notify queue (x1) and an optional Reporting queue (x1). There is no maximum number of UICs per set. The number of sets required to service multiple UICs is determined by the customer. |
| SWIFTNet | Provides access to SWIFT to send and receive ISO 20022 XML messages. | | - | ASX will on-charge all SWIFT (Standard billing) fees and will include an administration fee. | |
| ASX Distributed Ledger | | | | | |
| Ledger API | Provides access to a ledger API session to stream data and/or interact with <i>the CHES application</i> , for up to 300 UICs ^{Note1} . | Per session | Monthly | \$495 | The first ledger API session is waived for 3 years for each participant (clearing and settlement participants, settlement only participants, PISPs and payment providers). Note1: Whilst the maximum is 300 UICs, less may be desirable for use cases that send a high rate of ledger API commands. |
| Browser | | | | | |
| CHES User Interface | Provides access to a browser based user interface for low volume usage. | Per 10 user logins | Monthly | \$495 | |



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