

Agenda

Business Committee

Date	19 July 2023	Time	12:00pm- 2:00pm
Location	ASX offices – Level 1, 20 Bridge Street, Sydney/MS Teams		
1. Meeting Opening			12:00pm- 12:10pm
a.	Minutes from the 22 March 2023 and 6 April 2023 Business Committee Meetings		
b.	Open actions		
2. Clearing and Settlement Services, Issuer Services			
a.	CHES - Special Report (for member discussion)		12:10pm-12:25pm
	<i>Members are invited to send questions in advance to BC.Secretariat@asx.com.au</i>		
b.	Current CHES update		12:25pm-12:40pm
	i.	Intraday margin	
	ii.	House/client segregation	
	iii.	Appropriate functionality	
c.	T+1 settlement		12:40pm-12:55pm
d.	Participant Sponsored HIN Creation & Maintenance Optional Pricing Proposal		12:55pm-1:00pm
3. CHES Replacement project			
a.	Project update		1:00pm- 1:10pm
b.	Partnership Program update		1:10pm-1:20pm
c.	Update from CHES Replacement Technical Committee		1:20pm-1:30pm
d.	CHES Replacement Technical Committee – review into operation		1:30pm-1:40pm
e.	Assurance Program – EY Independent expert assurance report		1:40pm-1:45pm
4. Papers provided in advance to take as read (time for member discussion)			1:45pm-1:55pm
a.	Service Performance: Cash Market Clearing and Settlement		
b.	Maintaining the stability of existing CHES		
c.	Update on ASX's holistic management of all CHES related items		
d.	Regulatory Expectations Audit – Terms of Reference		
e.	Code of Practice updates		
5. Other Matters			1:55pm- 2:00pm
a.	Forward work program		
b.	AOB		
c.	Next meeting – 11 October 2023		

Action Items*

*For historical action items please refer to archived minutes [here](#).

Item number#	Action	Due date	Status	Owner
22-12-1	Members to provide feedback on the structure, membership, frequency and material to be discussed at the new industry forum	Jul 2023	Open - to occur as part of the review of the forum six months post its commencement (for discussion at July 2023 meeting)	ASX and BC Members
22-12-2	ASX to engage with members on the purpose and objectives of the CHES replacement project	Jul 2023	Open	ASX
22-12-3	ASX to provide any update from ACCC on whether the pricing review will be made public	Mar 2023	Completed	ASX
23-1-1	ASX to provide an update regarding the process for recommendations from the Business Committee to the Boards of ASX Clear and ASX Settlement, including where a recommendation is not adopted	Mar 2023	Completed	ASX
23-1-2	ASX and members to review the Charter of the Business Committee in light of the new CHES Replacement Technical Committee and queries about the making of recommendations	Mar 2023	Completed	ASX and BC Members
23-1-3	ASX to amend the draft Charter of the CHES Replacement Technical Committee to include that the forum will provide input on the scope of the CHES replacement project (i.e. whether the project would be a like-for-like replacement of CHES, or the scope could be changed so as to, for example, extend to additional functionality)	Mar 2023	Completed	ASX
23-3-1	ASX to survey members regarding T+1 settlement, with members to respond as requested, prior to the July meeting	July 2023	Open	ASX and BC Members
23-3-2	ASX to communicate to eligible entities in mid to late April regarding details of the CHES Replacement Partnership Program	April 2023	Open	ASX
23-3-3	ASX to confirm details of consultation across the industry prior to the announcement of the CHES Replacement Partnership Program	July 2023	Open	ASX
23-3-4	ASX to review commentary from its FY23 half-year results investor briefing regarding the CHES Replacement Partnership Program to clarify ASX's position on whether ASX expects to pay out the full \$70 million	July 2023	Open	ASX

Business Committee Members

Company	Name	Job Title	Apologies
ABN AMRO CLEARING	*Matthew McMahon	Head of Operations	Adrian Rubin, Chief Executive Officer APAC
AFMA	Damian Jeffree	Senior Director of Policy	
ASX	Val Mathews	Business Committee Chair and Chief Customer and Operating Officer	
ASX	Jamie Crank	General Manager, Trading, Markets	
AIRA	Ian Matheson	Chief Executive Officer	
ACSA	David Travers	Chief Executive Officer	
ASA	Fiona Balzer	Policy & Advocacy Manager	
AUSIEX	Patrick Salis	Chief Executive Officer	
BANK OF AMERICA	Stephen Hacker	Director, Head of Operations	
BNP PARIBAS	Mark Wootton	Head of Custody Product Aust & NZ	
BOARDROOM	Martin Jones	General Manager Corporate Governance & Director	
CBOE	John Williams	Director Australian Equity Operations	
CITI	Christopher Moore	Manager – Direct Custody & Clearing	
CMC	Andrew Rogers	Director of Broking Business	
COMMSEC	Sheridan Thompson	Head of Industry Engagement & Process Improvement	
COMPUTERSHARE	Scott Hudson	General Manager – Market Liaison	
FINCLEAR SERVICES	David Ferrall	Founder, Managing Director & CEO	
GOLDMAN SACHS	Yen Le	Executive Director	
GIA	Megan Motto	Chief Executive Officer	
HSBC	Toni Icevski	Head of Client Services, Securities Services	
J.P. MORGAN	Jonathan Evans	Head of Custody & Markets Operations	
LINK MARKET SERVICES	Peter Jackson	Chief Operating Officer	
MACQUARIE GROUP	James Indge	Cash Equities Business Manager	
MORGAN STANLEY	Carrie Barrack	Country Business Manager	
MORGANS	Daniel Spokes	Director, Client Support Services	
NAB	Anita Mead	Head of Business Management, Self- Directed Wealth	
NSX	Chan Arambewela	Chief Operating Officer	
SIAA	Judith Fox	Chief Executive Officer	
SYDNEY STOCK EXCHANGE	Steven Larkins	General Manager, SSX Market Operations	
THIRD PARTY PLATFORM	Arnie Selvarajah	Chief Executive Officer	
UBS	Conor Foley	Senior Business Manager	

* Delegate

ASX Management

Name	Job Title	Apologies
Andrew Jones	Acting Group Executive, Securities and Payments	
Hamish Treleaven	Chief Risk Officer	
Dan Chesterman	Group Executive, Technology and Data	
Tim Whiteley	Project Director, CHES Replacement Project and CIO	
Sally Palmer	Deputy General Counsel	
Katie McDermott	General Manager, Business Design, CHES Replacement Project	
Diane Lewis	General Manager, Regulatory Strategy and Executive Advisor	
Suzu Munro	General Manager, Securities and Payments Operations	
Sabra Mott	General Manager, Securities and Payments Technology	
Nick Wiley	General Manager, Equity Post Trade and Payments	
Karen Webb	Acting Head of Issuer Services, Securities and Payments	
Ouafaa Daki	Senior Manager, Issuer Services, Securities and Payments	
Con Korkofigas	Senior Manager and Senior Legal Counsel	

Ernst & Young

Name	Job Title	Apologies
Roberto Fitzgerald	Partner, Financial Services	
Mike Orman	Partner, APAC FS Technology Leader	
Juan Carlos Martin De Los Santos	Director, Technology Risk, Financial Services	

Observers

Name	Job Title	Apologies
Nathan Bourne	Senior Executive Leader, Market Infrastructure (ASIC)	
Dodie Green	Senior Manager, Market Infrastructure (ASIC)	
Andia Petropoulos	Senior Analyst, Market Infrastructure (ASIC)	
Kylie Stewart	Senior Manager, Financial Market Infrastructure, Domestic and Payments (RBA)	
Tatiana Moiseeva	Lead Analyst, Financial Market Infrastructure, Domestic and Payments (RBA)	
Elizabeth Kandelas	Manager, Financial Market Infrastructure, Domestic and Payments (RBA)	
Gordana Bloom	Senior Analyst, Financial Market Infrastructure, Domestic and Payments (RBA)	

Business Committee Report to the Boards of ASX Clear and ASX Settlement

Business Committee Meeting

At its 22 March 2023 meeting, the Business Committee was updated on:

- Governance matters including the Charters of the Business Committee and CHES Replacement Technical Committee, and the process for recommendations from the Business Committee to ASX Clear and ASX Settlement Boards;
- The operating performance of CHES for the March 2023 quarter (data to end February 2023), and work being done to support and maintain existing CHES;
- An update on all the activities currently being undertaken relating to CHES (e.g. assurance, regulatory expectations);
- An update and a discussion on T+1 settlement;
- The CHES replacement project, including Partnership Program and the CHES Replacement Technical Committee.

Owing to time constraints with a full agenda, an additional out-of-cycle meeting was scheduled for 6 April 2023 to facilitate further discussion on remaining CHES replacement project related agenda items and any other business.

KEY ISSUES DISCUSSED

Key points from the discussion included:

- Stakeholder representation on the CHES Replacement Technical Committee, with requests for multiple attendees per an organisation to join the Committee;
- EY's assurance role across various elements of ASX's CHES Action Program;
- Understanding key risks associated with supporting and maintaining current CHES;
- Interest and further information sought on the CHES Replacement Partnership Program.

AGREED ACTIONS

Four new actions were raised at the meeting:

1. ASX to survey members regarding T+1 settlement, with members to respond as requested, prior to the July meeting
2. ASX to communicate to eligible entities in mid to late April regarding details of the CHES Replacement Partnership Program
3. ASX to confirm details of consultation across the industry prior to the announcement of the CHES Replacement Partnership Program
4. ASX to review commentary from its FY23 half-year results investor briefing regarding the CHES Replacement Partnership Program to clarify ASX's position on whether ASX expects to pay out the full \$70 million.

Draft minutes from the meeting are attached.

Agenda

Business Committee

Date	22 March 2023	Time	12:00pm- 2:00pm
Location	ASX offices – Level 1, 20 Bridge Street, Sydney/MS Teams		

1. Minutes and Actions		12:00pm- 12:10pm
a) Minutes from the 7 December 2022 and 30 January 2023 Business Committee Meetings		
b) Open actions		
2. Governance		12:10pm- 12:25pm
a) Business Committee Charter		
b) CHES Replacement Technical Committee draft Charter		
c) Process for recommendations from Business Committee to ASX Clear and ASX Settlement Boards		
3. Service Performance		12:25pm- 12:35pm
a) Cash Market Clearing and Settlement - Operating Performance		
4. Update on ASX's holistic management of all CHES related items		12:35pm- 12:45pm
5. Maintaining the stability of existing CHES		12:45pm-12:55pm
6. Current CHES priorities		12:55pm-1:15pm
7. T+1 settlement		1:15pm-1:25pm
8. CHES Replacement		1:25pm- 1:55pm
a) Project update including Partnership Program		
b) Update from CHES Replacement Technical Committee		
9. Other Matters		1:55pm- 2:00pm
a) Forward work program		
b) AOB		
c) Next meeting – 19 July 2023		

Action Items*

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BELL POTTER SECURITIES	Robert Tesoriero	Settlements Manager	
BNP PARIBAS	Mark Wootton	Head of Custody Product Aust & NZ	
BOARDROOM	Martin Jones	General Manager Corporate Governance & Director	
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COMPUTERSHARE	Scott Hudson	General Manager – Market Liaison	
CREDIT SUISSE	Winston Loke	Australian Equities COO	
FINCLEAR SERVICES	David Ferrall	Founder, Managing Director & CEO	
GOLDMAN SACHS	Yen Le	Executive Director	
GIA	Megan Motto	Chief Executive Officer	
HSBC	Toni Icevski	Head of Client Services, Securities Services	Apology
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* Delegate

ASX Management

Name	Job Title	Apologies
Tim Hogben	Group Executive, Securities and Payments	
Hamish Treleaven	Chief Risk Officer	
Dan Chesterman	Group Executive, Technology and Data, and CIO	
Tim Whiteley	Project Director, CHES Replacement Project	
Sally Palmer	Deputy General Counsel	
Katie McDermott	General Manager, Business Design, CHES Replacement Project	
Diane Lewis	General Manager, Regulatory Strategy and Executive Advisor	
Andrew Jones	General Manager, Issuer Services, Securities and Payments	
Suzy Munro	General Manager, Securities and Payments Operations	
Sabra Mott	General Manager, Securities and Payments Technology	
Nick Wiley	General Manager, Equity Post Trade and Payments	
Karen Webb	Senior Manager, Issuer Services, Securities and Payments	
Keith Purdie	Senior Manager, Equity Post Trade, Securities and Payments	Apology
Con Korkofigas	Senior Manager and Senior Legal Counsel	

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Kylie Stewart	Senior Manager, Financial Market Infrastructure, Domestic and Payments (RBA)	Apology
Tatiana Moiseeva	Lead Analyst, Financial Market Infrastructure, Domestic and Payments (RBA)	
Elizabeth Kandelas	Manager, Financial Market Infrastructure, Domestic and Payments (RBA)	
Gordana Bloom	Senior Analyst, Financial Market Infrastructure, Domestic and Payments (RBA)	Apology

AGENDA ITEM 1: MINUTES AND ACTIONS

The Chair welcomed members and delegates to the meeting and noted one recent membership change; Conor Foley was welcomed back as the member for UBS (replacing Scott Hanlon).

Toni Icevski (HSBC) was an apology. Adrian Rubin (ABN Amro Clearing) was represented by a delegate, Matthew McMahon. Rebecca Hill (Morgan Stanley) was represented by a delegate, Carrie Barrack.

Roberto Fitzgerald and Mike Orman from Ernst & Young (EY) attended the meeting as guests.

Attending as observers were ASIC representatives Dodie Green and Andia Petropoulos, and RBA representatives Tatiana Moiseeva and Elizabeth Kandelas.

The agenda and papers were distributed to all members in advance of the meeting.

a) Minutes from the 7 December 2022 and 30 January 2023 Business Committee meetings

The Chair noted that ASX received no comments on the draft minutes circulated on 17 January and 15 February 2023 respectively. The minutes of the 7 December 2022 and 30 January 2023 meetings were approved without any further changes.

b) Open actions

With regard to the seven open actions, the following updates were provided:

- **Action:** ASX to consider publishing a policy regarding treatment of ETO expiry on a closure day (e.g. late announced public holiday, core technology outage etc).

The ASX Markets member noted ASX had been engaging with customers for their feedback, undertaking an international comparison and examining the technical capabilities of the existing platform across two scenarios – a disruption prior to the expiry day (e.g. a late notification of a public holiday) and an ASX technology disruption on the expiry day. For the first scenario, the ETO expiry day will be pushed back by one business day, or to a day where the market will next be open. This will be communicated via ASX's system status webpage as soon as the public holiday has been announced and a decision has been made, and also via a formal ASX market notice as soon as the decision has been confirmed. For the second scenario (a full market outage, where the ASX options market and the underlying equity market cannot be reopened), options will subsequently be expired on that trading day, with the daily settlement price being set at the price of the underlying stock. This is a change to ASX's previously published policy ([February 2013](#)), and ASX would formally publish the new policy over the next 6-8 weeks. The action was closed.

- **Action:** Members to provide feedback on the structure, membership, frequency and material to be discussed at the new industry forum (i.e. new Technical Committee).

Discussed as part of agenda item 2b. The action remains open given feedback at the meeting regarding the need for sufficient governance and elevation of status and risks.

- **Action:** ASX to engage with members on the purpose and objectives of the CHES replacement project.

Discussed as part of agenda item 8a. Based on member feedback received subsequent to the meeting, the action will remain open for a further update at the next meeting.

- **Action:** ASX to provide any update from ACCC on whether the pricing review will be made public.

The ASX Group Executive, Securities and Payments noted that while the ACCC hasn't formally taken a decision on whether it will publish a document for the purpose of its consultation with ASX Clear and ASX Settlement customers, it is common practice for statutory ACCC pricing assessments to be published. The quantitative part of the pricing assessment is currently on pause while the CHES replacement solution redesign process is underway. ACCC's review would likely capture clearing, settlement and issuer services pricing. The action was closed.

- **Action:** ASX to provide an update regarding the process for recommendations from the Business Committee to the Boards of ASX Clear and ASX Settlement, including where a recommendation is not adopted.

Discussed as part of agenda item 2c. The action was closed.

- **Action:** ASX and members to review the Charter of the Business Committee in light of the new CHES Replacement Technical Committee and queries about the making of recommendations.

Discussed as part of agenda item 2a. The action was closed.

- **Action:** ASX to amend the draft Charter of the CHES Replacement Technical Committee to include that the forum will provide input on the scope of the CHES replacement project (i.e. whether the project would be a like-for-like replacement of CHES, or the scope could be changed so as to, for example, extend to additional functionality).

The Chair noted ASX had distributed an updated draft Charter on 15 February 2023 to include a reference to scope in two sections. Discussed as part of agenda item 2b. The action was closed.

AGENDA ITEM 2: GOVERNANCE

a) Business Committee Charter

The Chair sought member feedback on making changes to the Business Committee Charter.

Member discussion:

Members did not suggest any changes.

b) CHES Replacement Technical Committee draft Charter

The ASX Project Director, CHES Replacement Project noted a number of membership requests beyond what was currently contemplated in the draft Charter:

- AusPayNet to join as an observer industry association representing payment providers
- Automic to join as a share registry member
- SWIFT request to join as a third party software vendor member
- A number of clearing and settlement participants (and AMOs) had requested additional members to attend to represent a different part of their business for example, a wealth versus an institutional business

The demand for access to information was noted, while needing to balance running an effective forum. The ASX Project Director, CHES Replacement Project advised that Focus Groups would be used to facilitate more detailed discussions about specific topics (such as scope) with impacted stakeholders.

Member discussion:

Members did not suggest any further drafting changes to the Charter.

Specific topics discussed, and will be reviewed in June were:

- A member expressed concern that the formation of the CHES Replacement Technical Committee at this point in time, with the composition and size of membership did not mitigate against governance failings from the previous project. The Chair noted that it was agreed to initiate the CHES Replacement Technical Committee to ensure sufficient traction and highlighted that a review into the Technical Committee would be conducted around six months into its operation as previously agreed (in addition to any intermittent pulse surveys to consider any immediate improvements). The member undertook to contact ASX directly regarding their specific concerns.
- Several members noted the difficulty of finding one representative from their organisation, and requested additional attendees per a parent organisation in the spirit of achieving the best outcomes and being informed (noting it could be limited to one attendee in person, others virtual only). The importance of multiple members from within one organisation having access to meeting materials on a timely basis (such as presentations and minutes) was also noted by multiple members. The ASX Project Director, CHES Replacement Project confirmed they were supportive of this model, and ASX would review the effectiveness of the Technical Committee as agreed in six months.
- A member noted the importance of members committing to active participation, especially if the Technical Committee continues to grow in size, to avoid the risk of it becoming a reporting committee.
- A member asked what the practical level of interaction had been at the first two Technical Committee meetings. The ASX Project Director, CHES Replacement Project advised there had been a reasonable level of participation, including additional member input on two areas ASX had sought feedback on (scope and implementation planning).
- Feedback on the committee had been received via ASX's short 'pulse survey' of Technical Committee members and industry association observers, with positive feedback around the value of the content being shared. Other feedback from the pulse survey included that the Technical Committee is too large, others who wanted additional representation on the Technical Committee, as well as requests for meeting materials to be shared further in advance of the meeting. The ASX Project Director, CHES Replacement Project acknowledged the feedback and confirmed ASX will endeavour to provide more time for members to review material prior to the meeting. ASX intended to begin sharing meeting materials further in advance of meetings once topics had been introduced.
- A member raised concern that a governance oversight/accountability piece was missing from the Technical Committee and Business Committee in their current operation (acknowledging the demand for the information sharing and consultation components, which was currently in operation). The member suggested this would include assessment of major risks, how they are being mitigated, discussion around controls, discussion around whether the project is on time and whether the right stakeholders are being consulted. The member noted that they perceive this as an important element that is currently missing for the project. The ASX Project Director, CHES Replacement Project noted the difficulty of accountability for project delivery moving outside of ASX, and spoke to practical examples of how the Technical Committee would be used to elicit input from members. The Chair added that the monthly cadence of Technical Committee meetings was designed to provide high visibility of project status and risks.
- A member suggested a new category of participation in the Technical Committee whereby they receive the meeting minutes only (i.e. doesn't participate in the meetings but the minutes are shared for visibility).

c) Process for recommendations from Business Committee to ASX Clear and ASX Settlement Boards

The Chair outlined the context and process for the Business Committee to make recommendations to the Boards of ASX Clear and ASX Settlement.

Member discussion:

Referring to the process diagram and key ASX groups or committees, a member asked what had changed from the previous CHES replacement project. The Chair noted the new industry forum, the CHES Replacement Technical Committee, had been established, as well as the CHES Action Program Strategic Guidance Group, but that the process for recommendations from the Business Committee to the Boards was unchanged. The ASX Project Director, CHES Replacement Project added that the membership and charters of all project related internal committees had been reviewed as part of the new CHES replacement project.

A member noted the timing difference between the frequency of the Technical Committee and Business Committee meetings (monthly versus quarterly), and questioned whether the Business Committee needed the ability to meet more frequently to facilitate this process of recommendations. The Chair confirmed that Business Committee meetings would be convened out-of-cycle as needed.

AGENDA ITEM 3: SERVICE PERFORMANCE

a) Cash Market Clearing and Settlement – Operating Performance

Referring to the paper distributed in advance, the ASX General Manager, Securities and Payments Operations provided an update on the operating performance of the cash market clearing and settlement services since the Committee last met (December 2022 to February 2023).

Member discussion:

Members did not raise any questions in respect of the update.

AGENDA ITEM 4: UPDATE ON ASX'S HOLISTIC MANAGEMENT OF ALL CHES RELATED ITEMS

Referring to the paper and presentation materials distributed in advance, the ASX Chief Risk Officer provided an update on regulatory response work related to CHES and CHES replacement, the related assurance work being done, and when members would see related outputs. ASX had established projects to deal with each of the workstreams, and established an overarching governance body, the CHES Action Program Strategic Guidance Group. The workstreams include: RBA letter and CHES/FSS items; Current CHES operational resilience; Accenture report recommendations and Special Report; Customer/Stakeholder engagement; Solution Reassessment; Governance and conflicts review; Partnership Program; PJC response and planning; FMI Reporting; and PPPM (Project, Program and Portfolio Management) Special Report. The Business Committee will be provided an update at the meeting subsequent to each report being published.

Member discussion:

A member asked whether ASX anticipated any changes to current CHES prior to the go-live of CHES replacement, and if so, asked which workstream that would fall under. The ASX Chief Risk Officer noted this would fall under the RBA letter and CHES/FSS items workstream in relation to intraday margining and house and client account segregation. The ASX Group Executive, Securities and Payments added that ASX was also responding to the RBA on matters raised in relation to CHES replacement, including ISO 20022 messaging, and the feasibility of implementing it in current CHES. ASX had not frozen development in current CHES at this point in time. The member asked whether ASX would consult with the market to produce a business case regarding the benefits of any potential changes to current CHES. The ASX Group Executive, Securities and Payments confirmed feasibility assessments were underway for some potential changes, and should any changes be confirmed to be introduced, they would go through the usual processes including release cycles and consultation with the market.

A member asked about the level of involvement the CHES Replacement Technical Committee would have regarding the 'Solution Reassessment' workstream and the timeline, particularly around the business case before it goes to ASX's Boards. The ASX Chief Risk Officer and the ASX Project Director, CHES Replacement Project noted the CHES Replacement Technical Committee would be engaged throughout the process. EY were attending the CHES Replacement Technical Committee meetings, and a cross-section of EY staff (from a cross-section of teams) was observing the redesign process in parallel as it takes place.

A member asked about the level of independence across the EY teams doing separate bodies of assurance work. The EY Partner, Financial Services confirmed that at a firm level there was a large local and global ASX ringfenced team that remains conflict free. A member asked whether the current EY process differed from the past project (i.e. was it happening in real time or after the fact for the previous project). The EY Partner, Financial Services confirmed the previous work was also happening inflight and near real time, and confirmed that the 2021 licence conditions work is still ongoing, including six-monthly public reporting. The ASX Chief Risk Officer added that ASX is yet to design the assurance program for the new CHES Replacement project, with this to be designed by year end and to be discussed in this forum.

AGENDA ITEM 5: MAINTAINING THE STABILITY OF EXISTING CHES

Referring to the paper distributed in advance, the ASX General Manager, Securities and Payments Technology provided an update on ongoing work to support and maintain the existing CHES system.

Member discussion:

A member asked about the timeframe over which ASX would give assurance around current CHES (noting the timeline for CHES replacement was not yet known). The ASX General Manager, Securities and Payments Technology confirmed the planning timeframe was out to 2032 on current CHES. The ASX Group Executive, Securities and Payments noted there was a level of assumption built in beyond 2028 given some technology suppliers don't have programs of work for their products beyond 2025/2026.

A member enquired as to the greatest risks to current CHES. The ASX Group Executive, Securities and Payments noted the risk was not the technology per se, but its supportability from a resourcing and supplier product roadmaps perspective, as well as the continuous challenge of unlimited scalability. From a perimeter security perspective, the encrypted message traffic was noted as low risk.

AGENDA ITEM 6: CURRENT CHES PRIORITIES

Referring to the presentation materials shared during the meeting, the ASX General Manager, Equity Post Trade and Payments and the ASX General Manager, Securities and Payments Operations provided an overview of three continued priority areas for CHES, centred around operational resilience, regulatory compliance and appropriate functionality. Regulatory compliance priorities were noted to include the plan for implementation of system features that are required for compliance with the Financial Stability Standards and that were planned for CHES replacement (e.g. ISO 20022 messaging); the feasibility of implementing intraday margining of cash market positions; and the feasibility of implementing a segregated House/Client account structure. The Committee would be kept up to date, with the plans for further informal or in-depth consultation foreshadowed. In relation to the functionality of current CHES, the ASX General Manager, Equity Post Trade and Payments noted that ASX is committed to investing in the functionality of the system until it is replaced, and invited members to bring forward for the committee's consideration any requested or desired changes to functionality.

Member discussion:

Members did not raise any questions in respect of the update.

AGENDA ITEM 7: T+1 SETTLEMENT

Referring to the paper and presentation materials distributed in advance and during the meeting respectively, the ASX Senior Manager, Issuer Services provided an update on considerations for T+1 settlement, including global adoption, potential benefits, challenges the Australian market may face as other markets move to T+1, and next steps. Noting this would be an industry-driven change and a consensus decision would need to be reached whether to progress to the next step of discussing a transition in further detail. ASX would elicit member feedback via a short survey for discussion at the next meeting.

Member discussion:

A recent survey conducted by Citi was cited, and the Citi member provided some perspectives on the adoption of T+1 globally, including work Citi was doing as a US participant to prepare for the introduction of T+1 in the US as well as to support Australian clients who invest globally through Citi. The member expressed their interest in getting a better understanding of the appetite for change in the Australian market.

A member noted their involvement in the move from T+3 to T+2, and categorised it as (while supported) a very significant undertaking for their firm, their clients, ASX and the whole market. The member suggested an exercise to detail the pros and cons would be welcomed, as would any further information that could be provided around financial benefits (including but not limited to any material impact on clearing member capital or margins, on ASX's capital, and on costs). Given their preliminary view, there would need to be significant benefit to justify the change.

AGENDA ITEM 8: CHESSE REPLACEMENT

a) Project update including Partnership Program

The ASX Group Executive, Securities and Payments provided an overview of, and update on, the partnership program announced by ASX in recognition that ASX was not going to meet the April 2023 implementation and that this meant additional support and contribution would be required by the industry to successfully deliver CHESSE replacement. The interest in how the fund would be managed in a fair and equitable way was acknowledged and had been the subject of numerous bilateral engagements. The ASX Group Executive, Securities and Payments noted there was not an application process; ASX would determine and communicate the eligibility across a number of criteria for funding across three forms of payment;

1. A rebate pool of \$15 million will be paid to clearing and settlement (CS) participants based on their level of clearing and settlement revenue derived by ASX. The rebate pool will total \$15 million and be made to eligible participants in August 2023. The payment timing is consistent with the annual CS revenue growth rebate (if applicable for the year).
2. A payment in May 2023 for entities developing software to connect and interact with CHESSE (this would include third party software vendors and share registries). At this stage clearing and settlement participants who were developing proprietary technology would not be eligible for this payment, noting they would be eligible for the August rebate and the project milestone payments.
3. On commencement of the new CHESSE replacement project ASX will incentivise eligible entities to achieve critical path project milestones. Criteria, eligibility and assessment of each milestone is yet to be finalised and will depend on the final solution design recommendations but will be aimed at those entities developing software to connect and interact with CHESSE.

ASX would provide further communication to eligible entities in mid to late April.

Referring to the paper distributed in advance, the General Manager, Business Design, CHESSE Replacement Project provided a brief update regarding the redesign phase of the project, across the solution assessment stream, sourcing and commercial stream and testing and implementation stream. Six vendors were approached regarding an RFI, and ASX had received five RFI submissions. A key risk being managed for the sourcing and commercial stream is the

commercial arrangements with any partners and/or vendors (pending a decision on the solution option). The objectives for the project were briefly outlined.

Member discussion:

Regarding the \$15 million pool for clearing and settlement participants, an industry association member advised that nine (or one third) of their members had spent a total of \$69 million on CHES replacement to date. The ASX Group Executive, Securities and Payments noted the intention of the fund was forward-looking.

A member noted it didn't seem equitable for CS participants developing proprietary technology to be treated the same as CS participants that were not developing software and that eligibility for the May payment should be reconsidered. ASX's Group Executive Securities and Payments acknowledged the point made and while noting relevant clearing and settlement participants would be eligible for the milestones payments, would consider the point being made.

A member voiced their dissatisfaction as a vendor and clearing and settlement participant regarding the lack of backwards-looking compensation and the lack of partnership fostered and facilitated by the partnership program.

The member noted comments made by ASX at its appearance before the Parliamentary Joint Committee about some form of consultation across the industry prior to the announcement of the partnership program, and asked for further details on the consultation undertaken. The ASX Group Executive, Securities and Payments agreed to review this commentary and come back to the member, noting ASX had a number of bilateral conversations with customers.

The member also asked whether ASX had investigated the level of industry expense to date on the CHES replacement project. The ASX Group Executive, Securities and Payments noted that the partnership program was not backward-looking, but rather a forward looking program to work with the industry to complete the successful replacement of CHES. ASX was not yet in a position to confirm the scope for reuse of development to date.

The member asked for further details around the \$45 million incentive payments, including how that would be paid out. The ASX Group Executive, Securities and Payments confirmed it is likely to include milestones such as technical accreditation being achieved and participation in industry wide testing, depending on the final solution design.

The member noted comments from ASX at its FY23 half-year results investor briefing that ASX did not expect the \$70 million to grow, and that ASX may not expect to pay out the full \$70 million. The ASX Group Executive, Securities and Payments confirmed that ASX did not expect the \$70 million figure to grow and agreed to review the commentary referenced to clarify ASX's position on whether ASX may not expect to pay out the full \$70 million.

Regarding the RFI/RFP process, a member asked whether ASX expected vendors would be able to deliver RFPs in a timely manner to support ASX's deadline to propose the new solution in the December 2023 quarter, and suggested this was an aspirational timeframe. The ASX Project Director, CHES Replacement Project acknowledged this was a risk being closely managed, especially around achieving a fully contracted position which ASX would have the ability to announce, but suggested an ability to express a solution without conflicting any commercial obligations was the goal.

b) Update from CHES Replacement Technical Committee

Acknowledging discussion earlier in the meeting regarding CHES Replacement Technical Committee membership, the ASX Project Director, CHES Replacement Project proposed that Business Committee members delegated to the Chair of the CHES Replacement Technical Committee to allow interim membership changes in between Business Committee meetings.

Member discussion:

Owing to time constraints, there was no opportunity for further member discussion on this item.

AGENDA ITEM 9: OTHER MATTERS

a) Forward work program

Owing to time constraints, the forward work program was not discussed.

b) Any other business

Owing to time constraints, no other business was raised.

c) Next meeting – 19 July 2023

The next meeting is scheduled for 19 July 2023, and given the large agenda planned for that meeting the Chair confirmed the agenda for the meeting would be reviewed, and additionally as contingency the meeting would be extended by an additional 30 minutes to run from 12.00 to 2.30pm.

The meeting closed at 2.00 pm.

Signed as a correct record of the meeting.

Chair

Date

Business Committee Report to the Boards of ASX Clear and ASX Settlement

Business Committee Meeting

An out-of-cycle meeting was convened on 6 April 2023 to facilitate further discussion and close out on CHES Replacement project related agenda items and any other business, following the 22 March 2023 meeting.

KEY ISSUES DISCUSSED

Key points from the discussion included:

- Member representation on the CHES Replacement Technical Committee, the nature of feedback received via that forum on scope and implementation, and an update on the RFI process;
- Follow-up request for further information on the CHES Replacement Partnership Program;
- Clarification regarding ASX's intentions to consult the market on T+1 settlement, with ASX clarifying it was not proposing a formal market consultation this year, rather a short survey to gauge high-level industry feedback to inform any further planning;
- Member support to keep future Business Committee meetings to two hours, and consider taking papers/agenda items as read and offering offline presentations to interested parties as a way of managing large agendas.

AGREED ACTIONS

No new actions were raised at the meeting.

Draft minutes from the meeting are attached.

Agenda

Business Committee – Special Meeting

Date	6 April 2023	Time	11:00am- 12:00pm
Location	Virtual (MS Teams)		

An additional meeting to accommodate further discussion of agenda items 8 and 9 from 22 March 2023 meeting

8. CHES Replacement	11:00am- 11:45am
a) Project update including Partnership Program	
b) Update from CHES Replacement Technical Committee	
9. Other Matters	11:45am- 12:00pm
a) Forward work program	
b) AOB	
c) Next meeting – 19 July 2023	

Action Items*

*For historical action items please refer to archived minutes [here](#).

Item number#	Action	Due date	Status	Owner
22-10-2	ASX to consider publishing a policy regarding treatment of ETO expiry on a closure day (e.g. late announced public holiday, core technology outage etc)	Mar 2023	Completed	ASX
22-12-1	Members to provide feedback on the structure, membership, frequency and material to be discussed at the new industry forum	Jul 2023	Open - to occur as part of the review of the forum six months post its commencement (for discussion at July 2023 meeting)	ASX and BC Members
22-12-2	ASX to engage with members on the purpose and objectives of the CHES replacement project	Jul 2023	Open	ASX
22-12-3	ASX to provide any update from ACCC on whether the pricing review will be made public	Mar 2023	Completed	ASX
23-1-1	ASX to provide an update regarding the process for recommendations from the Business Committee to the Boards of ASX Clear and ASX Settlement, including where a recommendation is not adopted	Mar 2023	Completed	ASX
23-1-2	ASX and members to review the Charter of the Business Committee in light of the new CHES Replacement Technical Committee and queries about the making of recommendations	Mar 2023	Completed	ASX and BC Members
23-1-3	ASX to amend the draft Charter of the CHES Replacement Technical Committee to include that the forum will provide input on the scope of the CHES replacement project (i.e. whether the project would be a like-for-like replacement of CHES, or the scope could be changed so as to, for example, extend to additional functionality)	Mar 2023	Completed	ASX
23-3-1	ASX to survey members regarding T+1 settlement, with members to respond as requested, prior to the July meeting	July 2023	Open	ASX and BC Members
23-3-2	ASX to communicate to eligible entities in mid to late April regarding details of the CHES Replacement Partnership Program	April 2023	Open	ASX
23-3-3	ASX to confirm details of consultation across the industry prior to the announcement of the CHES Replacement Partnership Program	July 2023	Open	ASX
23-3-4	ASX to review commentary from its FY23 half-year results investor briefing regarding the CHES Replacement Partnership Program to clarify ASX's position on whether ASX expects to pay out the full \$70 million	July 2023	Open	ASX

Business Committee Members

Company	Name	Job Title	Apologies
ABN AMRO CLEARING	Adrian Rubin	CEO APAC	
AFMA	Damian Jeffree	Senior Director of Policy	
ASX	Val Mathews	Business Committee Chair and Chief Customer and Operating Officer	
ASX	*Jimmy Halstead	Head of Trading Technology, Markets	Jamie Crank, General Manager, Trading, Markets
AIRA	Ian Matheson	Chief Executive Officer	
ACSA	David Travers	Chief Executive Officer	
ASA	Fiona Balzer	Policy & Advocacy Manager	
AUSIEX	Patrick Salis	Chief Executive Officer	
BANK OF AMERICA	Stephen Hacker	Director, Head of Operations	
BELL POTTER SECURITIES	Robert Tesoriero	Settlements Manager	
BNP PARIBAS	Mark Wootton	Head of Custody Product Aust & NZ	
BOARDROOM	Martin Jones	General Manager Corporate Governance & Director	
CBOE	Mike Aikins	Chief Operating Officer, APAC	
CITI	Christopher Moore	Manager – Direct Custody & Clearing	
CMC	Andrew Rogers	Director of Broking Business	
COMMSEC	Sheridan Thompson	Head of Industry Engagement & Process Improvement	
COMPUTERSHARE	*Leanne Bailey	Senior Business Analyst	Scott Hudson, General Manager – Market Liaison
CREDIT SUISSE	Winston Loke	Australian Equities COO	
FINCLEAR SERVICES	David Ferrall	Founder, Managing Director & CEO	
GOLDMAN SACHS	Yen Le	Executive Director	
GIA	Megan Motto	Chief Executive Officer	
HSBC	Toni Icevski	Head of Client Services, Securities Services	
J.P. MORGAN	*Scott Oakland	Custody Product Manager	Jonathan Evans, Head of Custody & Markets Operations
LINK MARKET SERVICES	Peter Jackson	Chief Operating Officer	
MACQUARIE GROUP	James Indge	Cash Equities Business Manager	
MORGAN STANLEY	*Carrie Barrack	Country Business Manager	Rebecca Hill, Chief Operating Officer
MORGANS	Daniel Spokes	Director, Client Support Services	
NAB	Anita Mead	Head of Business Management, Self-Directed Wealth	
NSX	Chan Arambewela	Chief Operating Officer	
SIAA	Judith Fox	Chief Executive Officer	
SYDNEY STOCK EXCHANGE	Steven Larkins	General Manager, SSX Market Operations	
UBS	Conor Foley	Senior Business Manager	

* Delegate

ASX Management

Name	Job Title	Apologies
Tim Hogben	Group Executive, Securities and Payments	
Hamish Treleaven	Chief Risk Officer	Apology
Dan Chesterman	Group Executive, Technology and Data, and CIO	Apology
Tim Whiteley	Project Director, CHES Replacement Project	
Sally Palmer	Deputy General Counsel	
Katie McDermott	General Manager, Business Design, CHES Replacement Project	Apology
Diane Lewis	General Manager, Regulatory Strategy and Executive Advisor	
Andrew Jones	General Manager, Issuer Services, Securities and Payments	
Suzy Munro	General Manager, Securities and Payments Operations	
Sabra Mott	General Manager, Securities and Payments Technology	
Nick Wiley	General Manager, Equity Post Trade and Payments	
Karen Webb	Senior Manager, Issuer Services, Securities and Payments	
Keith Purdie	Senior Manager, Equity Post Trade, Securities and Payments	
Con Korkofigas	Senior Manager and Senior Legal Counsel	

Ernst & Young

Name	Job Title	Apologies
Roberto Fitzgerald	Partner, Financial Services	
Mike Orman	Partner, APAC FS Technology Leader	Apology

Observers

Name	Job Title	Apologies
Nathan Bourne	Senior Executive Leader, Market Infrastructure (ASIC)	
Dodie Green	Senior Manager, Market Infrastructure (ASIC)	
Andia Petropoulos	Senior Analyst, Market Infrastructure (ASIC)	
Kylie Stewart	Senior Manager, Financial Market Infrastructure, Domestic and Payments (RBA)	
Tatiana Moiseeva	Lead Analyst, Financial Market Infrastructure, Domestic and Payments (RBA)	
Elizabeth Kandelas	Manager, Financial Market Infrastructure, Domestic and Payments (RBA)	
Gordana Bloom	Senior Analyst, Financial Market Infrastructure, Domestic and Payments (RBA)	Apology

The Chair welcomed members and delegates to the meeting, convened out-of-cycle to progress agenda items 8 and 9 from the 22 March 2023 meeting. The agenda was distributed to all members in advance of the meeting; the papers for the meeting were those provided for the 22 March 2023 meeting.

Jamie Crank (ASX Trade) was represented by a delegate, Jimmy Halstead. Scott Hudson (Computershare) was represented by a delegate, Leanne Bailey. Jonathan Evans (J.P. Morgan) was represented by a delegate, Scott Oakland. Rebecca Hill (Morgan Stanley) was represented by a delegate, Carrie Barrack.

Roberto Fitzgerald from Ernst & Young (EY) attended the meeting as a guest (Mike Orman was an apology).

Attending as observers were ASIC representatives Nathan Bourne, Dodie Green and Andia Petropoulos, and RBA representatives Kylie Stewart, Tatiana Moiseeva and Elizabeth Kandelas.

AGENDA ITEM 8: CHESS REPLACEMENT

a) Project update including Partnership Program

The Chair noted the update provided by ASX at the 22 March 2023 meeting, and invited questions from members.

Member discussion:

A member noted they had raised several questions regarding the CHESS Replacement Partnership Program at the 22 March meeting, and subsequently followed up in writing, noting responses to the questions were still outstanding. The Chair confirmed ASX did not have additional information to share regarding the CHESS Replacement Partnership Program, but instead ASX was working to provide an update to stakeholders shortly and that ASX would separately respond to the member's written questions. The member noted their outstanding questions as:

- Referring to a comment by ASX at a Parliamentary Joint Committee hearing, what consultation ASX conducted with stakeholders regarding the CHESS Replacement Partnership Program;
- Whether ASX conducted any analysis of the total industry spend on the CHESS Replacement project;
- Of the \$70 million total program amount announced, the member noted it was clear how the first \$25 million would be distributed, and asked how the remaining \$45 million would be distributed.

b) Update from CHESS Replacement Technical Committee

The ASX Project Director, CHESS Replacement Project provided an overview of the two CHESS Replacement Technical Committee meetings to date:

- 22 February 2023 – including discussion on the charter and project objectives, an introduction of project scope, a walk through of the project plan for the 'define and plan' phase, and an update on the vendor solutions RFI;
- 8 March 2023 – including a project status update, the approach to revisiting project scope including requests for stakeholder feedback, overview on the opportunities for a staged implementation, and an update on EY's assurance program.

ASX had issued a short 'pulse' survey following the 8 March meeting, and referring to the presentation materials shared during the meeting, the ASX Project Director, CHESS Replacement Project noted a strong response rate, with reasonably positive comments. Feedback included:

- Challenges around the size of the committee, noting smaller focus groups would play an important role;
- Requests for earlier distribution of meeting materials;

- Broad feedback on both scope and implementation options, for further discussion with the CHES Replacement Technical Committee.

The next meeting was scheduled for 12 April 2023, and agenda items included an update on project status, an overview on the solution decision framework, an update on feedback received regarding project scope, an update on feedback received regarding opportunities for staging implementation options, and considerations and inputs for developing the test strategy and approach.

The ASX Project Director, CHES Replacement Project reiterated the proposal made at the 22 March 2023 meeting that Business Committee members delegated to the Chair of the CHES Replacement Technical Committee to allow interim membership changes in between Business Committee meetings.

After further discussion, ASX would not extend membership to SWIFT for the CHES Replacement Technical Committee, however SWIFT would be invited to future engagement sessions where relevant.

Member discussion:

A member noted their support for ASX's proposition that the Business Committee delegated to the Chair of the CHES Replacement Technical Committee to allow interim membership changes in between Business Committee meetings.

Regarding the decision not to include SWIFT on the CHES Replacement Technical Committee, a member noted they were supportive of including SWIFT as an infrastructure provider. The ASX Group Executive, Securities and Payments noted ASX had an ongoing relationship with SWIFT in their capacity as an intermediary, around standards and schemas etc, but that ASX did not consider SWIFT a CHES user per se and was aiming to keep membership to a manageable size to promote successful participation. Another member noted that the charter allows for the Technical Committee to invite external groups to join particular meetings, as relevant, and agreed they could be invited to join specific meetings, as required. The member noted the charter empowers the Technical Committee to decide this. While not advocating that SWIFT join the Technical Committee per se, a member did note they bring valuable insights into post-trade interoperability and global developments.

A member enquired as to whether ASX had given further thought to allowing members of the CHES Replacement Technical Committee to send additional representatives to each meeting. The ASX Project Director, CHES Replacement Project confirmed ASX would consider each request on an individual basis, but was conscious of keeping committee size at a level that encouraged discussion and input, and would leverage focus group meetings where detailed input would be sought from a broader member representation.

Regarding feedback on scope and implementation options received via the CHES Replacement Technical Committee, a member asked whether this came from a good cross section of the industry, noting that some providers in the market had stood down teams when ASX announced the project pause in late 2022. The ASX Project Director, CHES Replacement Project confirmed feedback had been received from a majority of members.

The member also asked for an update on ASX's RFI process. The ASX Project Director, CHES Replacement Project confirmed that the RFI had proceeded well and would soon move into the RFP process with successful parties, following a 'down-select' of potential vendors.

AGENDA ITEM 9: OTHER MATTERS

a) Forward work program

Referring to the forward work program, the Chair outlined the items planned for discussion at the next meeting, noting it was a fulsome list and that ASX had extended the meeting by an additional 30 minutes to run from 12.00pm to 2.30pm as contingency.

The Chair acknowledged feedback received offline to take papers as read, such as the service performance agenda item.

Member discussion:

A member noted their support for taking some agenda items as read, and potentially offering separate presentations to interested parties for a deeper dive outside of the meeting. The member suggested aiming to keep the meeting to 2 hours. Another member agreed with the sentiment of keeping meetings to 2 hours and proposing offline presentations to interested parties. The Chair acknowledged this feedback; ASX would keep the July meeting at 2.5 hours for contingency but target completion in 2 hours, and use the agenda to flag which agenda items it proposed to be taken as read for the meeting. Another member supported keeping the meeting to 2 hours, and noted the importance of balancing discussion on both current CHES and CHES replacement with the Business Committee.

Regarding the T+1 agenda item for July, an industry association member noted views from their member base that appetite and resources for consultation on T+1 was limited at present, especially given uncertainty regarding the CHES replacement solution design. The ASX Group Executive, Securities and Payments clarified that ASX's intention with the Business Committee before the July meeting was a brief survey to collect further information as to industry appetite and views on timing etc, not a formal industry consultation. Another member was supportive of a quick survey before the July meeting. Another member was also supportive of the survey, adding that industry consensus was important.

The Chair welcomed feedback and suggestions for agenda items for future meetings.

b) Any other business

The Chair thanked the Committee for their contributions and conversation.

No new actions or other business was raised.

c) Next meeting – 19 July 2023

The next meeting is scheduled for 19 July 2023, and ASX would prepare an agenda for a 2 hour meeting but retain a 2.5 hour invitation as contingency.

The meeting closed at 11.35am.

Signed as a correct record of the meeting.

Chair

Date



Committee	Business Committee
Agenda title	CHES – Special Report (for member discussion)
Item	2(a)
Purpose	To discuss the CHES special report published by ASX on 5 June 2023
Meeting date	19 July 2023
Prepared by	Acting Group Executive, Securities and Payments (Andrew Jones)

On 5 June 2023, ASX released a special report to outline how ASX is maintaining Australia’s clearing and settlement system (CHES). The report provides a detailed view of ASX’s arrangements for the support and maintenance of CHES to ensure it remains operationally reliable until a replacement solution is implemented. ASIC requested ASX to consider plans for CHES to run to 2032.

The report provided a response to the requirement from Australian Securities and Investments Commission (ASIC) under s823B of the Corporations Act for a Special Report on the support and maintenance of CHES by ASX Clear and ASX Settlement.

The report includes 27 initiatives that will be important in ensuring the ongoing operation of current CHES. These relate to capacity, availability, performance, and IT management as well as security and continuity.

The CHES special report was independently audited by EY which found that:

- ASX has addressed the matters raised by ASIC in relation to the support and maintenance of CHES.
- The work undertaken by ASX supports the outcomes documented in the special report.
- ASX has conducted sufficient governance arrangements for the production of the special report.

Links to the CHES special report and independent audit report are available below:

- CHES special report: <https://www2.asx.com.au/content/dam/asx/markets/clearing-and-settlement-services/asx-ches-special-report-of-asx-clear-pty-limited-asx-settlement-pty-limited-redacted-28-apr-2023.pdf>
- Independent audit report: <https://www2.asx.com.au/content/dam/asx/markets/clearing-and-settlement-services/ey-audit-of-special-report-on-support-and-maintenance-of-ches-public-release-redacted-31-may-2023.pdf>

Representatives from EY will be in attendance to answer questions with respect to the independent audit report.

Members are invited to send questions in advance of the meeting to BC.Secretariat@asx.com.au to allow ASX and EY to respond as comprehensively as possible in the meeting.



Committee	Business Committee
Agenda title	Current CHES update
Item	2(b)
Purpose	To provide members with an update on priorities for the current CHES system
Meeting date	19 July 2023
Prepared by	General Manager, Equity Post Trade and Payments, Securities and Payments (Nick Wiley) General Manager, Securities and Payments Operations (Suzy Munro)

Members will be provided with a presentation on 19 July regarding two priority areas for the current CHES system, including work occurring or discussion regarding:

1. Compliance with RBA's expectations with respect to intraday margining and house/client segregation of cash market positions
2. Stakeholder input on appropriate functionality in the current system.



Committee	Business Committee
Agenda title	T+1 Settlement
Item	2(c)
Purpose	To provide members with an overview of the potential transition to T+1 settlement survey results and discuss conclusions and next steps
Meeting date	19 July 2023
Prepared by	Acting Head of Issuer Services, Securities and Payments (Karen Webb)

ASX has provided a number of presentations to Business Committee members regarding the adoption of T+1 settlement in offshore markets and considerations for the Australian market. As discussed at the March Business Committee meeting, any decision to adopt T+1 settlement in Australia and the timing of adoption will require broad consensus of industry and further consultation. At that meeting ASX proposed to survey members on the potential transition to T+1 settlement, seeking responses to specific questions as a foundation for further analysis and to determine next steps.

On 18 May 2023, ASX sent a request to each Business Committee member (33 in total) to complete an online survey titled “Potential transition to T+1 settlement”, with responses due on 7 June 2023.

ASX received responses from 23 members, including:

- 14 Clearing and settlement participants
- 3 Settlement participants (custodians)
- 1 Settlement participant (account)
- 1 Market Operator
- 3 Industry associations
- 1 Share registry

Responses to the survey and ASX’s summary of responses prepared for the Business Committee are anonymous. A number of respondents did provide their contact details allowing ASX to identify the respondent and follow up with that organisation as needed.

ASX has prepared a summary of the responses in the attached presentation and requests members review this presentation prior to the meeting.

At the meeting ASX proposes to focus discussion at the meeting on the conclusions and proposed next steps, as outlined on page 25 of the presentation.

Attachment 2c.A – Potential transition to T+1 – Business Committee member survey – Summary of responses

Potential transition to T+1

Business Committee member survey

Summary of responses

July 2023



Contents

01 – Summary of respondent organisations

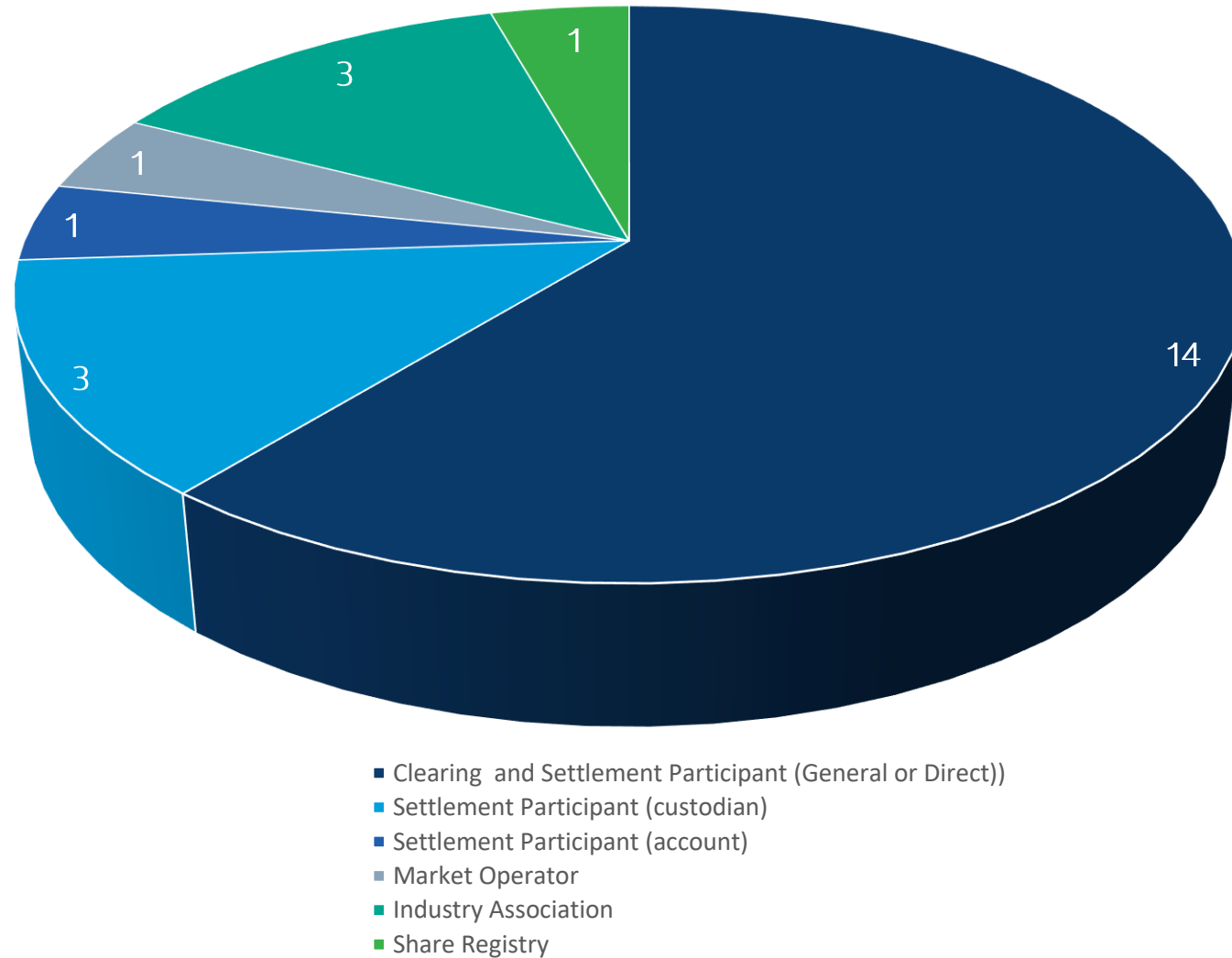
02 – Impact of the transition to T+1 settlement in other markets on Australian operations


03 – Proposed transition to T+1 settlement

04 – Conclusions for discussion, next steps

01 Summary of respondent organisations

33 members invited to provide a response; **23** responses received
Responses are anonymous, all questions not mandatory*
Stakeholder groups represented

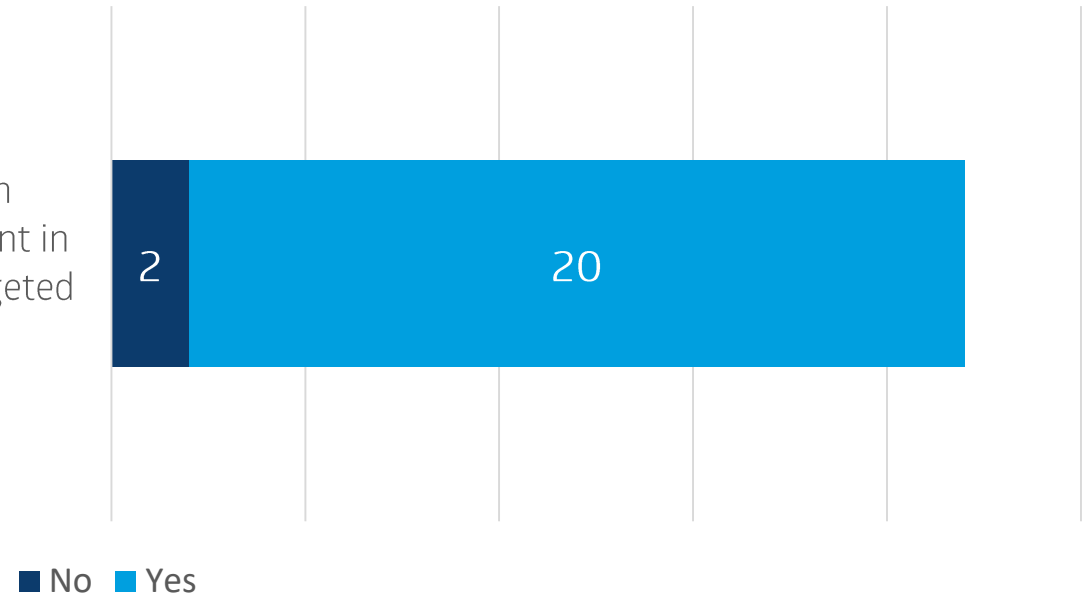




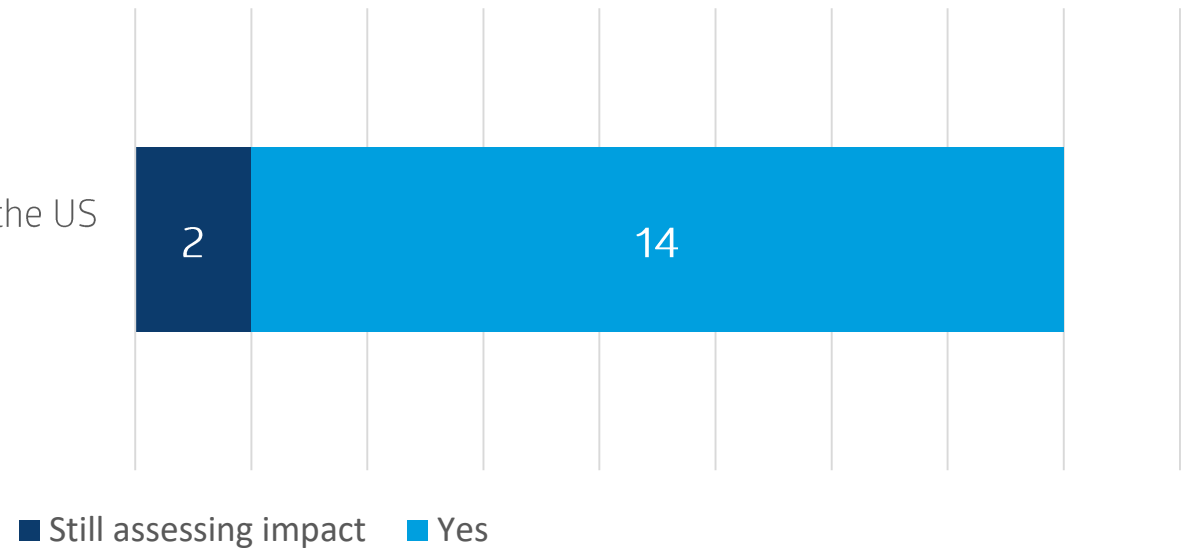
02 - Impact of the transition to T+1 settlement in other markets on Australian operations

02 Impact of the transition to T+1 settlement in other markets on Australian operations

Will your organisation & its settlement operations in Australia be impacted by the transition to T+1 settlement in other markets, for example in the USA and Canada targeted for implementation in May 2024?

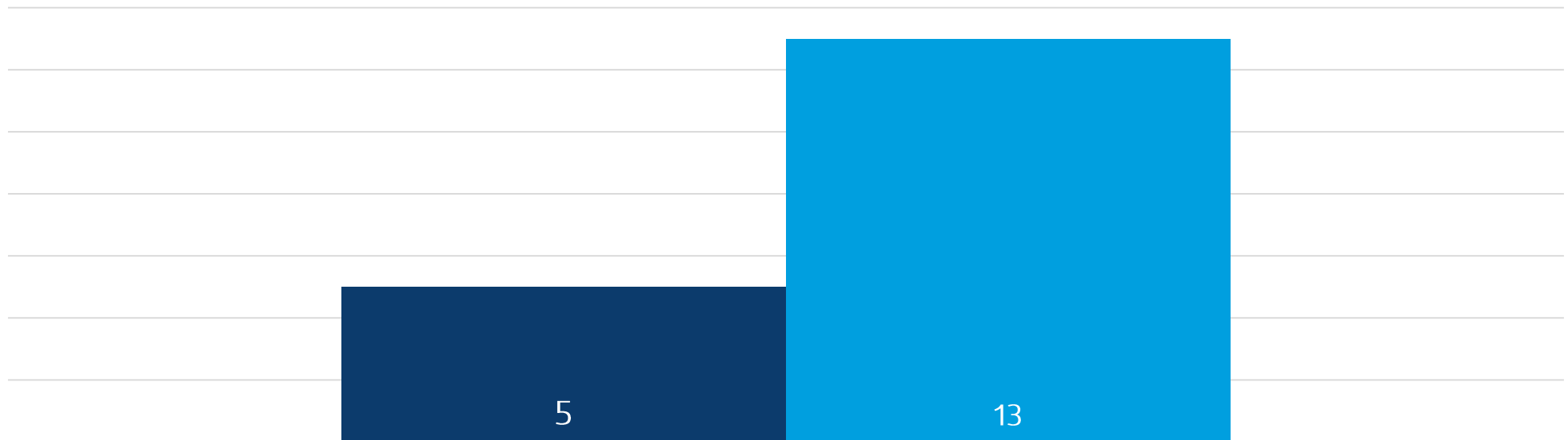


Are you prepared, or will you be ready for the US implementation date?



02 Impact of the transition to T+1 settlement in other markets on Australian operations

The transition to T+1 settlement in the US and Canada (as an example) may impact the ability of ASX to support certain corporate actions. Exempt foreign issuers operating in Australia and the US (or structured products that have US underlying securities) may follow US timetables and announce corporate actions with ex and record date on the same date. ASX may not be able to capture and disseminate structured information about those events, and therefore not support the event in CHESSE. As a matter of practice ASX will publish a market information notice to advise stakeholders of events that cannot be supported.



Keeping in mind the exception described above will these exceptions impact your organisation's operations or customer support?

■ No ■ Yes

02 Impact of the transition to T+1 settlement in other markets on Australian operations

You have indicated your organisation will be impacted, please explain in what way?

What are the impacts to your organisation's operation's/customer support/other impacts?

Is there anything else you think ASX should do to help market participants prepare for the implementation of T+1 settlement in other markets?

Trade activities:

- X border settlements / international prime brokerage flow
- Impact to ADR conversion timeframes
- Keeping track of fungible holdings in US/Australia during different settlement periods – may impact settlement
- Time zone helps Australian participants somewhat to meet foreign deadlines
- Procedural changes
- Reliance on international custodians
- Need more information on ETF creation/timing

Post trade activities:

- FX considerations to fund settlement
- Turnaround times for issuer to CHESS transfers and conversions and SRN enquiries
- If no protection for unsettled trades (re CAs) this will increase manual activities and associated risks
- Management of client cut-offs/preparation in readiness for settlement
- Encourage Share Registries to shorten shunts/conversion timeframe for dual listed securities. (Current window 24 - 48 hours). Same day conversion will assist with dual listed security settlement and timely processing CAIP entitlement.

Corporate actions:

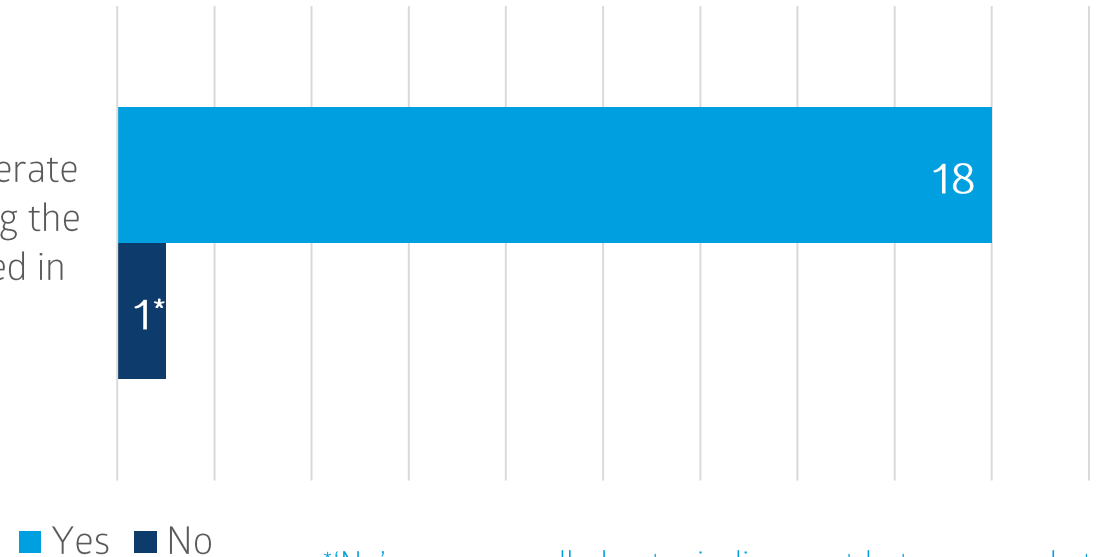
- How to protect client entitlements for unsupported corporate actions
- Suspend trade during ex periods for issuers following T+1 timetable
- Australian holders' opportunity to respond to US based events on reduced timeframes
- Expectation that all events are available in ReferencePoint files
- Be clear on impact to ETFs, ADRs, CDIs; or how would ASX otherwise inform the market.

Suggestions for ASX:

- build awareness more broadly
- build awareness with issuers/impact - which securities are impacted/what settlement/CA regime will they follow (e.g. dual listed vs. exempt foreign, ETFs)
- ASX provide regular communications re arrangements
- describe in more detail how ASX impact will be practically managed
- ASX should take leadership in moving market to T+1 expeditiously

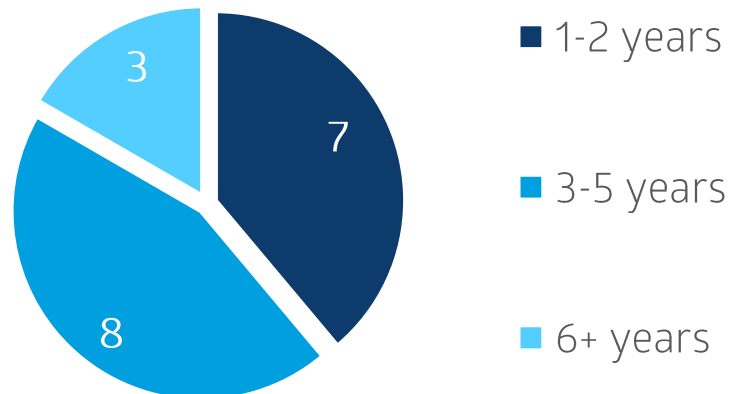
02 Impact of the transition to T+1 settlement in other markets on Australian operations

Do you think the Australian market can continue to operate efficiently on T+2 settlement for a period of time, noting the possible impacts from other market transitions covered in earlier questions?



*'No' response called out misalignment between markets

For how long do you think T+2 settlement will remain viable in Australia?



The background of the slide is split diagonally from the top-left to the bottom-right. The upper-left portion is white, and the lower-right portion is a solid, vibrant blue. The text is positioned in the blue area.

03 – Proposed transition to T+1 settlement

03 T+1 settlement

There are a number of benefits that have been called out by other markets to support the implementation of T+1 settlement. Some of these benefits were also important in the consideration of Australia's move to T+2 settlement in 2016.

Please rank the potential benefits in order of importance to your organisation

	Ranking:					
	1	2	3	4	5	6
Benefit:	# of respondents for ranking:					
Reducing counterparty risk for individual investors, participants and the central counterparty, resulting in reduced systemic risk for the market as a whole	5	12	1	1	0	0
Standardising to global settlement practices	4	3	6	2	2	2
Driving greater post trade operational and process efficiencies	0	2	5	4	6	2
Potential cost and capital savings (e.g. capital requirements, cash margin requirements) for Clearing Participants	10	2	1	3	3	0
Trade activity is not restricted by post trade risk management	0	0	0	2	5	12
Settlement outcomes are achieved more quickly, including access to capital	0	0	6	7	3	3

03 T+1 settlement

In addition to the benefits described above, are there any other benefits your organisation has identified to support the adoption of T+1 settlement?

Additional benefits:

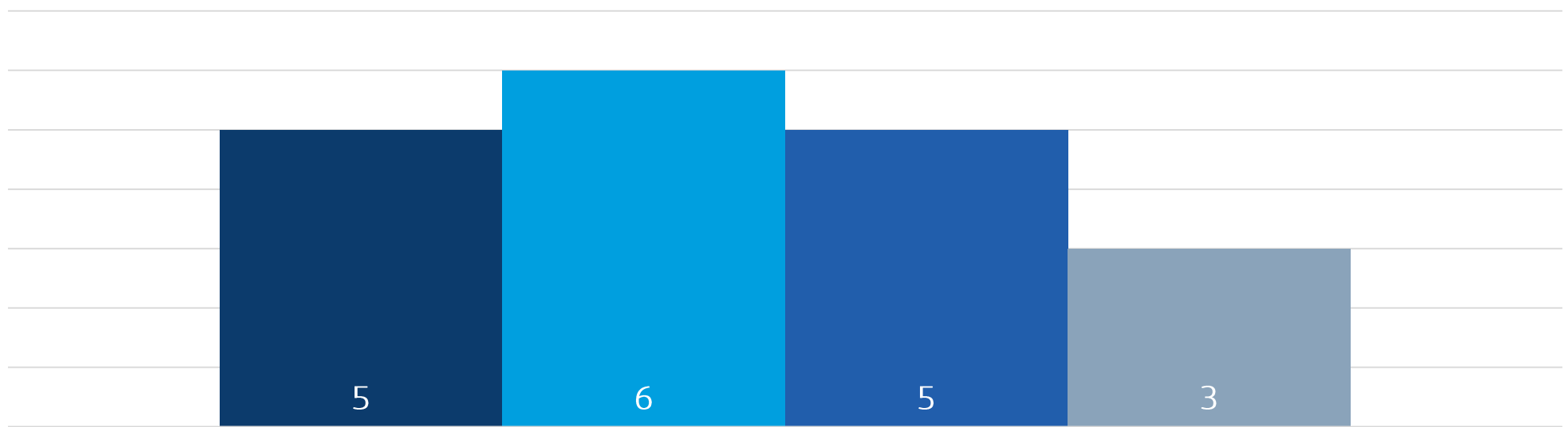
- Alignment of FX processes globally for markets on T+1
- Markets in sync
- Global customers expectation that Australian market will align to global standard
- Moves the market one step closer to settlement on T
- Aligns cash equities with ETO settlement cycle – resulting efficiencies
- If corporate action cycle is aligned with the settlement cycle – efficiencies in reducing exceptional trades
- Reduction of credit risk
- Any clearing & settlement fee reductions passed on to market participants by ASX as a result of reduced capital requirements
- Profound need to instruct trades accurately on T+0 basis will drive back-office settlement efficiency /automation opportunities

Concerns:

- Detrimental for custodians working in multiple markets – would need institutional investors to provide trade allocations much earlier (currently late in the day or morning of T+1); impact on fails

03 T+1 settlement

While there may be benefits associated with the adoption of T+1 settlement, do you think there would be any costs to the market or your organisation?

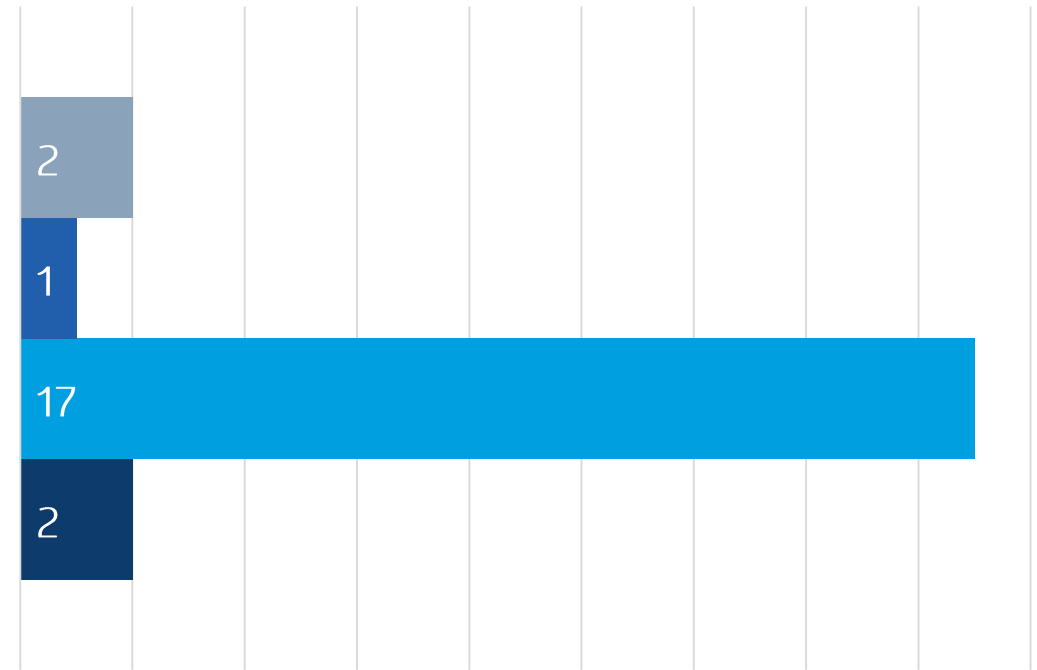


How would you quantify the cost of transition to your organisation and to the market – small, moderate, large or very large?

■ Small ■ Moderate ■ Large ■ Very Large

03 T+1 settlement

If the settlement period is to be shortened, do you think it should be shortened to a fixed T+1 period, or instead consider settlement optionality* with either T+1 or T+2 settlement finality?



- Settlement optionality + T+2 settlement finality
- Settlement optionality + T+1 settlement finality
- Wholesale move to T+1 Settlement
- No change - remain on T+2 settlement finality

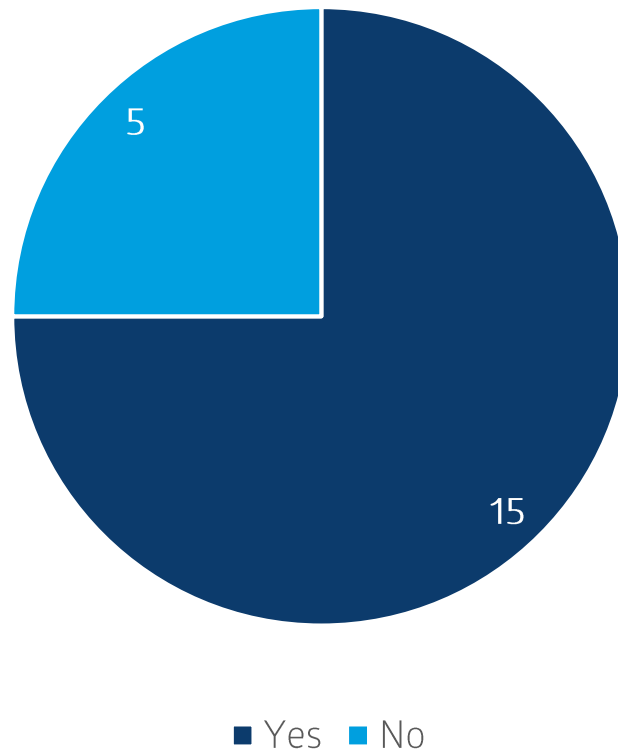
The respondents that selected “No change” also rated effort as very large

*Noting that settlement optionality would require further analysis and consultation on the possible settings to support its introduction, such as allowing for bilateral/line by line settlement and funding arrangements (cash & equities) should one party want to settle earlier than the other and an understanding of system capabilities.

03 T+1 settlement

The Australian cash equities market is effectively already operating at T+1.5 days settlement, due to the commencement of the settlement batch each day at 11.30am.

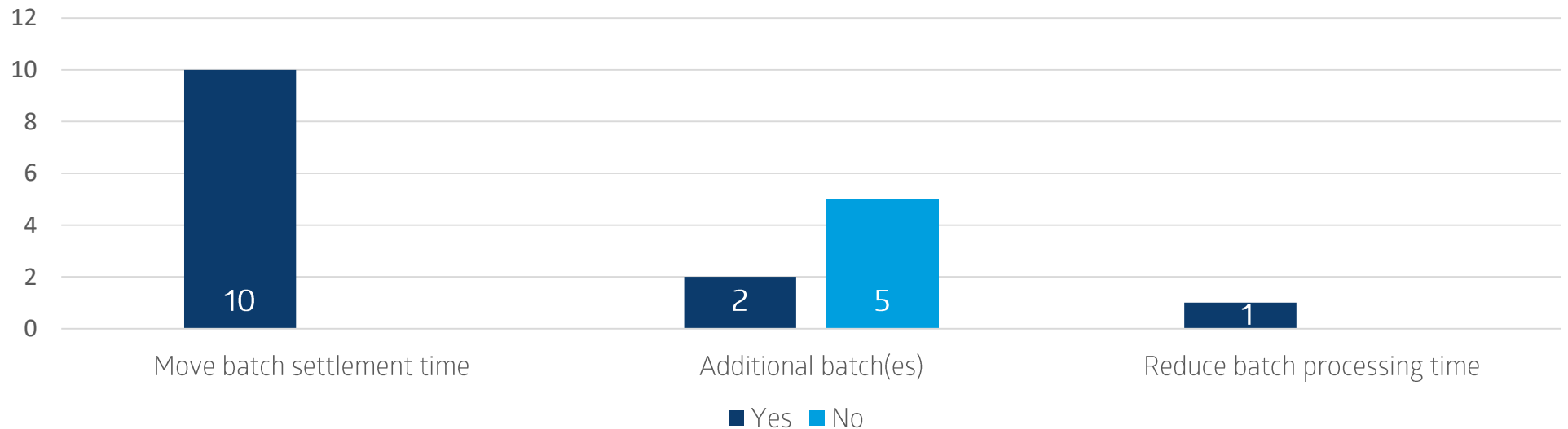
Do you think further operational efficiencies or changes in the operating model or timeframes are possible or required to support an transition to T+1 settlement (which would effectively be T+0.5 days based on the current batch settlement timing?)



03 T+1 settlement

Do you think operating hours would need to change to support the change?

For example, for the transition to T+2 settlement, the CHESSE settlement batch commencement time was changed from 10.30am to 11.30am.



Concerns:

- Allow sufficient time for global clients to make cut-off
- allow sufficient time after batch to calculate liquidity and effect transfers and payments
- Assess any knock on affects of later batch settlement time on other processes, payment cut off times
- A number of responses not in favour of additional batch:
 - reduces efficiency of first batch if some activity directed to additional batch
 - duplicates payment activities/costs; impact to bank liquidity facilities; less appetite from banks to provide intraday liquidity services to participants due to increased uncertainty
 - what happens to fails in first batch

03 T+1 settlement

Are there any other efficiencies that could support the change (for example introduce an additional settlement batch)?

Additional suggestions for efficiencies:

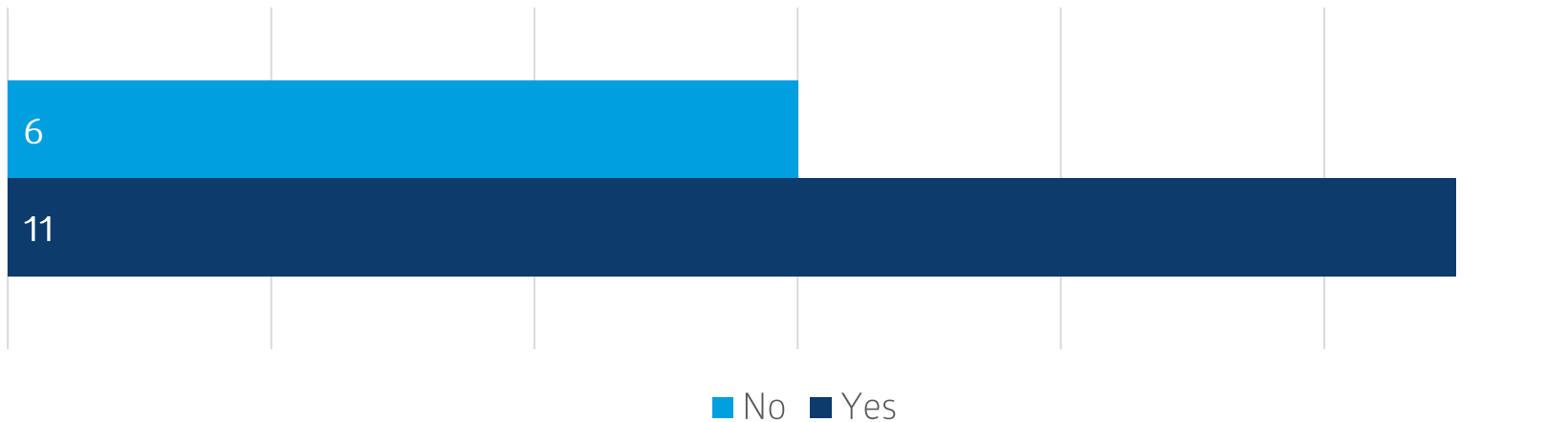
- Suggest exploration of electronic trade confirmation/trade matching facility (similar to DTCC rollout in US and HK Stock Connect) to reduce time lags associated with standard flow of trade bookings within each broker and custodian
- Suggest exploration of alternatives to support the transfer of dividend/corporate action entitlements between stock borrowers and lenders – eliminate the need to transfer the actual shares using BOMs.
- Suggest implementation of ETC unilateral settlement instructions to remove settlement matching. Implementing pre-matching authorisation of settlement instructions would help to identify true missing instructions, instead of lack of securities.
- ASX to provide data faster to support participant activities; e.g. netting activities
- Any lessons to be learnt from US migration to T+1

Do you think there would be considerations needed for preparation of batch settlement as it relates to funding by your payment bank?

- Most responded that payment bank arrangements would need to be considered, especially for any batch timing changes
- Batch timing changes may delay liquidity calculations, with increased funding costs.
- Also consider timing of margin requirements
- Need visibility of forecast funding requirements

03 T+1 settlement

Do you think a regulatory mandate for T+1 is a prerequisite for making this change?



Other comments:

- Regulatory mandate to support T+1, condition of the market to promote STP. Regulatory rule to ensure seller instructs settlement onto CHES, regardless of security position; mandate when allocations are done (e.g. T+0)
- Regulatory mandate means “all-in”, avoids delays
- The lack of a regulatory mandate means participants less inclined to support the change (vs. other priorities)
- Regulatory mandate also covers situation if more than one provider of clearing and settlement services – all should be on T+1
- Wasn't needed for transition to T+2

03 T+1 settlement

Do you think there are any other considerations needed for corporate action events in the context of a transition to T+1 settlement? For example, would a move to T+1 settlement and associated changes to corporate action timetables negate the need for the Cum Entitlement Balance function in CHESS?

Feedback regarding Cum Entitlement Balance:

- 6 support consideration of removal of CEB in T+1 settlement; some not supportive
- Consider mechanism to transfer CEB separately to underlying security

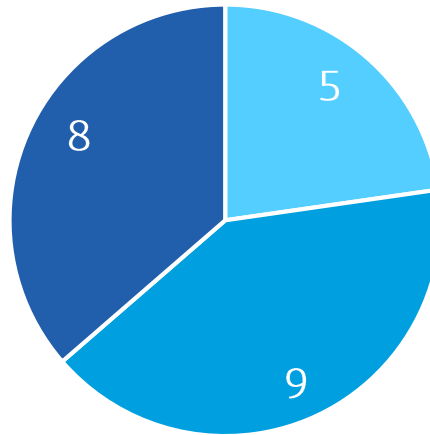
Other feedback:

- Review CA timetables, with consistent application across all securities.
- Impact of shortened timetable on accelerated offers – time available for investors (including offshore) to respond
- Consideration for market claims (expect fails over ex/record period may increase, increasing claims)
- Review of rules around protection of entitlements
- Better technology for cross-border transfers to avoid manual processes
- Review ASXSOR10.18.2 – lack of clarity regarding transferring franking credits to parties not contemplated in this rule
- Provide rules for protection in SPPs – e.g. if single seller causes multiple buyers to be unregistered
- Consider option assignments in cum dividend market
- Consider if special markets are removed in T+1 (currently offered on day before record date in ex dividend period)

Australian holders of foreign stock's ability to participate in events

03 T+1 settlement

ASX notes that given the current pause in CHESSE Replacement delivery activities, ASX Clear and ASX Settlement are supporting the availability of CHESSE until such time that it is safely replaced. What do you consider to be the most important initiative?

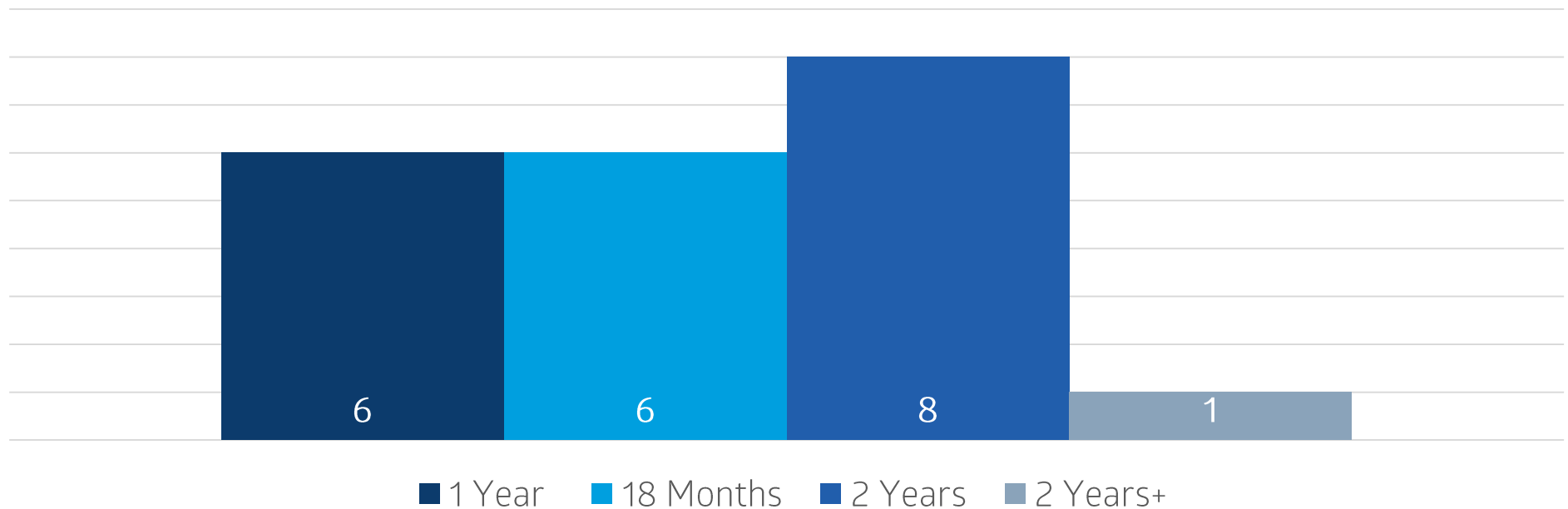


- Transition to T+1 should be a higher priority than CHESSE Replacement
- CHESSE Replacement should be a higher priority than a transition to T+1
- They are equally important and should be given the same priority

- Some respondents noted that CHESSE replacement should facilitate and reduce the impact of a move to T+1 and ensure a smooth transition.
- While some respondents said the initiatives are equally important, a number of respondents said that they would have two different teams etc. so to do the change concurrently would not be possible from a resourcing perspective.

03 T+1 settlement

How long do you think your organisation would need to prepare for T+1 settlement if the transition was agreed and confirmed? (As a guide, when ASX confirmed the project kick off to transition to T+2 settlement, the duration for changes activities and readiness for the Australian market was 18 months)



- One association noted (not counted above):
 - As expected, there was a large divergence of views from respondees on this question.
 - The responses ranged from 1 year to 2 years plus. We consider that the divergence of views on the time it would take to prepare for T+1 settlement is highly dependent on the size and nature of the organisation's operations and where they sit in the CHESSE ecosystem.

03 T+1 settlement

Do you expect readiness changes might be largely configuration and process change, and/or wholesale system changes?

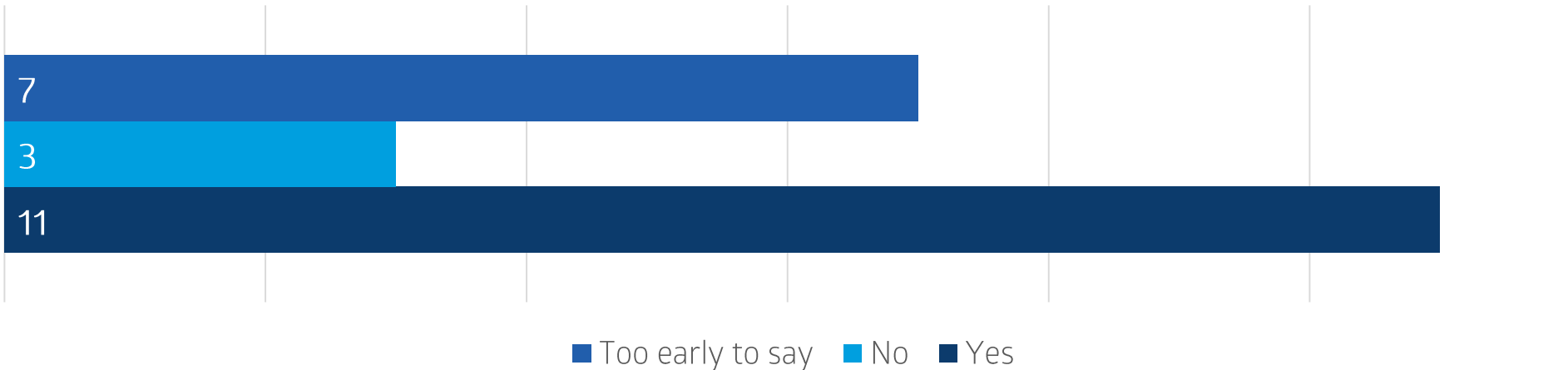
Most respondents said there would at least be configuration and process changes. Many also cited system changes and the size of the changes would be dependent on whether any other functions were introduced or changed as part of the transition (for example if CEB was removed, ETC introduced etc.)

Other considerations:

- Software vendor and system considerations (including upstream and downstream)
- Testing considerations
- Legal and compliance reviews
- Education and client communications

03 T+1 settlement

The transition to T+2 settlement in 2016 was coordinated between ASX (equity & debt) and NZX. Do you think the Australian and New Zealand cash equities and debt markets should transition at the same time to T+1 settlement?



Other comments:

- One association noted (not counted): “There was a mixed response to this question. One respondee considered that New Zealand is outside the scope of ASX and did not see the need to wait and co-ordinate. Another respondee pointed out that it makes sense to transition at the same time as there is a lot of ‘shunting’ between the Australian and New Zealand markets.”
- Another respondent noted that T+1 will also increase the fail rate of AU-NZ, NZ-AU shunt trade if NZ market is still operating on T+2

Any change to CHESSE settlement batch timing may mean deliveries to NZ market occur outside business hours
NZX market change shouldn't be a dependency for Australia



03 T+1 settlement

Do you have any other comments?

Feedback not already covered in previous summaries:

- Adopt a wait and see approach and observe outcomes of transition in US and other markets; what will UK and Europe decide?
- If CHES Replacement is a priority ahead of T+1, then market need clear guidance on go live date for CHES Replacement
- The T+1 timeframe is very short to allow for insto trade booking splits/confirmations (post Trade day) and preparation for settlement
- For retail investors – will change the dynamic to confirm funds and securities prior to trading – will this limit retail trading?
- Re-consider who is charged fail fees – e.g. fail fees imposed on investors to encourage meeting new timelines
- There are other priorities (besides T+1) that will deliver better outcomes for the market in the short term
- Customers (retail) are not asking for the change
- Need to see demonstrable financial and non-financial benefits for market participants and the broader market
- Process flow for exercise and assignment of ETOs – would be booked and settled on same day?
- Should we wait for availability of real time banking first?



04 – Conclusions for discussion, next steps

04 Conclusions for discussion, next steps

1. Preparation for T+1 settlement in other markets – local impact

- The impact of the move to T+1 in North America is the immediate concern of most respondents

Before May 2024:

- ASX to provide information to all customers to raise awareness
- ASX to provide clear guidance on what to look out for / exception arrangements
 - e.g. certain corporate actions/products/issuers
- ASX to provide information on where to ask questions/seek help

2. Transition to T+1 settlement in Australia?

- Overall, no clear consensus for immediate action
- Propose we adopt a wait and watch position for next year, approach the topic again in July 2024, including:
 - Observations from North America change, any key learnings
 - Observations of impact to local operations from North America change to T+1/vs. local T+2 settlement
 - Clearer view of CHESSE Replacement implementation timeline
 - ASX to review potential margin, capital savings

Feedback calls out the following desirable enablers for a transition to T+1:

- Electronic trade confirmation
- Stock lending arrangements
- Remove CEB
- Payment options like NPP

3. Share the survey results, conclusions and next steps with the CHESSE replacement Technical Committee

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Committee	Business Committee
Agenda title	Participant Sponsored HIN Creation and Maintenance Optional Pricing Proposal
Item	2(d)
Purpose	To provide members with an overview of a new proposed optional fee model for sponsoring participants, available on a subscription basis, for the creation and maintenance of sponsored Holder Identification Numbers (HINs) in CHES
Meeting date	19 July 2023
Prepared by	Senior Manager, Issuer Services, Securities and Payments (Ouafaa Daki) Acting Head of Issuer Services, Securities and Payments (Karen Webb)

Members will be provided with a presentation (Attachment 2d.A) on 19 July regarding a proposed optional fee model, available on a subscription basis, for the creation and maintenance of sponsored Holder Identification Numbers (HINs) in CHES.

This subscription fee model is based on the number of active sponsored holders in CHES, and caps the fees payable (per month) by sponsoring participants for sponsored HIN creation and sponsored HIN maintenance if the communication preference for ASX Settlement communications for that particular HIN is "email". These proposed changes aim to support sponsoring participants' transition to electronic statements as it is expected their costs will decrease as a result of this new model where their sponsored HINs have opted into electronic statements.

This new subscription model will be optional, providing sponsoring participants with the choice to either remain under the existing fee structure or adopt the subscription model.

At the meeting ASX will provide an overview of the proposed changes, provide a comparison with the existing fee model and outline next steps.

Attachment 2d.A – New Optional Pricing Model for Sponsored HIN Creation and Maintenance

Business Committee

Presentation materials

19 July 2023

Committee members are reminded to have regard to their obligations under competition law. In particular, please note that the Competition and Consumer Act prohibits a corporation from engaging with one or more persons in a concerted practice that has the purpose, effect or likely effect of substantially lessening competition.



New Optional Pricing Model for Sponsored HIN creation and maintenance

Ouafaa Daki, Senior Manager Issuer Services
Karen Webb, Acting Head of Issuer Services

Scope

Impacted stakeholders and holder types

- > This document presents a new optional fee model, available on a subscription basis, for the creation (EIS 201 message) of sponsored Holder Identification Numbers (HINs) or modification (EIS 203 message) of registration details for such HINs in CHESS.
- > HIN cancellation requests and change of controlling participant requests are not in scope of this change.
- > The proposed changes will apply to fees for sponsoring participants.
- > The proposed changes do not apply to fees for issuers.
- > However, ASX expects that the new model will encourage participants to transition their investors to take up electronic statements to reduce their costs and in turn will reduce the fees payable by issuers for CHESS holding statements.

New Optional Pricing Model for Sponsored HIN creation and modification

Overview

- > Currently, when a sponsoring participant submits a request to CHESS for the creation of a HIN (EIS 201 message) or a request of modification to attributes associated with a sponsored HIN (EIS 203 message), a fee of \$1.25 per request is charged to the participant.
- > ASX proposes the introduction of a new optional fee model, available on a subscription basis, for the creation or modification of sponsored HINs in CHESS.
- > Participants would have the option to opt into the subscription model where the participants would be charged a fixed monthly fee (estimated to be \$0.02) for each sponsored HIN with one or more holding balances greater than zero.

Sponsored HIN subscription

Subscription Fee

\$0.02* monthly per active sponsored HIN.
**indicative only.*

(Active HIN: HIN with a balance greater than zero for a least one holding at the last business day of the month)

HIN Creation & Modification Fee[^]

Free - included in the subscription fee, if the ASX communication preference of the HIN is Email.

[^]including inactive HINs

\$1.25 per request (EIS201 or EIS203 message) if ASX communication preference of the HIN is Mail.

Key Drivers:

The new optional pricing model lowers the cost of HIN creation and maintenance for participants whose investors opt-into electronic statements, which in turn will provide a positive outcome for Issuers through a reduction in statement fees.

Next Steps

- > ASX is preparing further information, for future release, to describe the proposed optional sponsored HIN creation and maintenance pricing model.
- > ASX will engage with interested participants on the new optional pricing model for HIN creation and maintenance in advance of the changes. To facilitate this, we will organise information sessions upon request. Participants will have the opportunity to compare the cost of their existing fee structure with the new optional model.
- > ASX will continue to work with interested participants to make the transition to electronic statements and notifications as seamless as possible. This includes currently waiving the opt-in fee for the ASX electronic communications service.



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Committee	Business Committee
Agenda title	CHES Replacement – Project update including Partnership Program
Item	3a
Purpose	To provide Business Committee members with a project update on CHES Replacement
Meeting date	19 July 2023
Prepared by	Acting Group Executive, Securities and Payments (Andrew Jones) Project Director, CHES Replacement (Tim Whiteley) General Manager, Business Design, CHES Replacement (Katie McDermott) Senior Manager, Equity Post Trade, Securities and Payments (Steven Hannan)

KEY SUMMARY POINTS

- As part of the process of exploring options for CHES replacement, ASX has moved to the request for proposal (RFP) stage with providers of clearing and settlement technology solutions
- Market input on additional scope options is being facilitated through three half-day scope refinement workshops, which develop business canvases to help the TC with making recommendations on how to progress the outputs
- ASX has hosted a further three CHES Replacement Technical Committee meetings with member organisations:
 - Meeting on 12 April played back market feedback on additional scope options, market feedback on options for staggered implementation, and an update on the testing approach
 - Meeting on 10 May included details on the solution decision framework, engagement steps to progress scope refinements and market playback on industry testing
 - Meeting on 7 June played back outputs from the first scope refinement workshop and put forward ideas on how members could prioritise recommendations on conclusion of the remaining two workshops
 - The next meeting is scheduled for 26 July.

Project Status

The CHES Replacement project team is continuing working towards a recommended solution with detailed options considered, risks, market impact, costs and timeline for ASX design and build. All internal milestones continue to be met and the overall project is tracking to plan. A request for proposal (RFP) for the solution integrator (SI) partner has been issued to the market.

On 17 May, ASX held an industry webinar which provided updates on the CHES Replacement Project status, approach to scope and stakeholder engagement and the changes to the Partnership Program eligibility criteria.

ASX continues to progress the work on the independent report (Accenture) recommendations to ensure all learnings are taken into the redesign work. A summary of actions taken is expected to be reported back to ASIC by 31 July.

Key Project Risks

The project continues to recognise that the commercial process may take longer than expected and will also be dependent on vendors' availability. This could potentially impact the finalisation of the solution design for a Q4 2023 announcement. No further significant risks have been raised with the Technical Committee.

CHES Replacement Technical Committee

The Technical Committee remains the primary market engagement channel for this early phase of the project. Meetings continue on a monthly basis to a published timetable.

At the 12 April meeting, the CHES Replacement Technical Committee was updated on progress against the previously presented milestone plan, a summary of the member pulse survey conducted in March 2023, updated on the solution

RFI process and provided details of the solution decision framework to aid the solution assessment. The rationale for replacing CHES was revisited, followed by a playback of the market's response to additional preferences on scope ideas, and the engagement plan to refine these options further in three cohort-specific workshops. A summary of considerations in developing the project test strategy and approach was also shared, followed by a playback of the market's feedback on opportunities for a staged implementation approach for the project.

At the 10 May meeting, the CHES Replacement Technical Committee was updated on project progress against the milestone plan, and the articulation of the four solution archetypes that were being considered in the solution development. An update on the engagement plan for scope refinement workshops was provided, before a playback of the market's feedback on possible industry testing ideas for consideration.

At the 7 June meeting, the CHES Replacement Technical Committee was updated on project progress (Attachment 3a.A), a playback of the first scope refinement workshop on sub-register and issued sponsored enhancements for all members to review and discuss and initial thinking on how prioritisation can be achieved on any additional scope requirements considering the diverse perspectives of the market.

Please refer to the paper for agenda item 3c, CHES Replacement Technical Committee for further details.

Additional Scope Refinement

Introduced to the CHES Replacement Technical Committee in March 2023, the opportunity has been provided for market input on refinement to the scope that will be used as part of the overall solution design. CHES users were surveyed for changes in scope in March and these responses were played back to TC members in the April meeting. A plan for deeper-dive workshops on specific scope areas was proposed, inviting members to reach out in their own organisations for attendees to be subject matter experts. Three scope refinement workshops were proposed on the following categories:

1. Sub-Register and Issuer Sponsored enhancements and process improvements (25 May)
2. Settlement improvements and enhancements (19 June)
3. Corporate Action processing efficiencies (12 July).

At the time of drafting this paper, the first two workshops have been successfully delivered with relevant stakeholders (impacted or involved with proposed scope categories), facilitated by ASX and independently moderated by industry body AFMA. Information collected in advance of each workshop enabled the population and discussion of problem statements for additional scope areas. Business canvases for each scope area was shared back to workshop attendees, before sharing the drafts to all TC members for further discussion. The final scope refinement workshop, by industry body ACSA, will be conducted on the deadline date of BC papers, and a verbal update can be provided.


The plan for prioritising the additional scope is to form a recommendation from the TC at the August or September forums. Subsequently these recommendations will be raised with BC members at the October 2023 meeting. The project expects BC recommendations to then be raised with ASX Clearing and Settlement Boards.

Request for Proposal (RFP)

Since the last update, the project team have continued exploring potential vendor solutions as part of ASX's strategy to consider all options in the analysis of the CHES replacement solution redesign.

From the down-selected group of RFI respondents, prospective vendors have been requested to provide their proposals on their solutions, capabilities, services and partnering models. Potential vendors have been participating in detailed workshops over an 8 week period with the project team and suitable solutions will be considered as part of the overall CHES replacement solution design.

ATTACHMENT 3a.A – REDESIGN MILESTONE PLAN (as presented 7 June 2023)

	CY Q1	CY Q2	CY Q3	CY Q4
Product Definition & Business Case	<ul style="list-style-type: none"> ✓ Business Vision & Strategy ✓ Program Objectives 	<ul style="list-style-type: none"> ✓ Scope and business requirements refined 	<ul style="list-style-type: none"> ❑ Scope and business requirements baselined ❑ Business case submitted 	
Solution Assessment	<ul style="list-style-type: none"> ✓ Current state evaluation ✓ Solution decision framework developed 	<ul style="list-style-type: none"> ✓ Solution decision framework approved ✓ Solution options refinement ✓ Solution options evaluated 	<ul style="list-style-type: none"> ❑ Solution design finalised ❑ Project estimation completed 	★ Announcement of solution design
Sourcing & Commercial	<ul style="list-style-type: none"> ✓ Market Scan ✓ Vendor solution RFI 	<ul style="list-style-type: none"> ✓ Vendor RFI evaluation ✓ Vendor RFP issued and responses received ✓ Solution integrator RFP 	<ul style="list-style-type: none"> ❑ Vendor commercial and contracting processes ❑ SI selection and contracting 	
Testing & Implementation	<ul style="list-style-type: none"> ✓ Implementation options review 	<ul style="list-style-type: none"> ❑ Implementation impact assessment ✓ High level test strategy 	<ul style="list-style-type: none"> ❑ Implementation strategy ❑ Test strategy & approach completed 	

Key Risk:

- Commercial vendors’ processes may impact the timeline for a Q4 announcement on a solution design

Committee	Business Committee
Agenda title	CHES Replacement project - Partnership Program update
Item	3b
Purpose	To provide Business Committee members with an update on the CHES Replacement Partnership Program
Meeting date	19 July 2023
Prepared by	Acting Group Executive, Securities and Payments (Andrew Jones) Project Director, CHES Replacement (Tim Whiteley) General Manager, Business Design, CHES Replacement (Katie McDermott) Senior Manager, Equity Post Trade, Securities and Payments (Steven Hannan)

KEY SUMMARY POINTS

Partnership Program

Following the announcement of the CHES Replacement Partnership Program at the half-year results in February 2023, ASX communicated further details about the program on 28 April 2023 and invited feedback from stakeholders on the proposed eligibility criteria for certain aspects of the Partnership Program.

There are two components of the Partnership Program:

1. The Development Incentive Pool aims to foster a closer working relationship with key stakeholders through an incentive facility focused on entities building software applications that will directly connect to the CHES replacement solution, or that will otherwise undertake significant internal development of a technology application in that regard. Up to \$55m has been allocated under this component, with ASX commencing initial payments in June 2023. Subsequent incentive payments will be determined by ASX following finalisation of the CHES replacement solution redesign and implementation plan, and will be based on, and potentially align with, certain critical path project milestones.
2. The Participant Rebate Pool supports ASX's clearing and settlement customers by providing one-off rebates to participants for their clearing and settlement fees. Rebates totalling \$15m are expected to be distributed in August 2023. The rebate amounts will be based on each participant's clearing and settlement fees paid to ASX during the period of 1 January 2023 to 30 June 2023.

ASX held an industry webinar on 17 May 2023 to provide an update on the project status and share some of the feedback from stakeholders provided during the April 2023 feedback process. This included details of which criteria had been amended or updated as a result of the feedback. The changes to the Development Incentive Pool criteria are outlined below in Attachment 3b.A.

ASX subsequently issued invitations to those entities eligible to participate in the either or both components of the Partnership Program.

As at 10 July 2023:

Development Incentive Pool:

- 16 of 23 entities have accepted the invitation to participate in the Development Incentive Pool. ASX has paid initial incentive payments to all that have accepted the invitation. Two additional organisations are pending signed paperwork before their initial payment can be made.

-
- Further to this:
 - 5 organisations have been offered extensions to allow sufficient time to review program terms.
 - 1 organisation has indicated that they will not participate in this facility at this time.

Participant Rebate Pool:

- 33 of 58 entities have accepted the invitation to participate in the Participant Rebate Pool.
- Further to this:
 - 20 organisations have been offered extensions to allow sufficient time to review program terms.
 - 4 organisations have indicated that they will not participate in this facility at this time.

ATTACHMENT 3b.A – CHESSE REPLACEMENT PARTNERSHIP PROGRAM (changes to the Development Incentive Pool criteria)

Partnership Program (pre market feedback)

- Development Incentive Pool of up to \$55 million with up to \$10 million initial payment scheduled for 31 May 2023
- To be eligible for the Development Incentive Pool, ASX proposes that a Program Participant must meet the following criteria:
 - The Program Participant is an entity developing a technology application to connect to and interact with the CHESSE replacement solution, and which will be subject to technical accreditation by ASX.



Revised Partnership Program (post market feedback)

- Development Incentive Pool of up to \$55 million with up to **\$20 million initial payment** scheduled for 31 May 2023.
- To be eligible for the Development Incentive Pool, ASX proposes that a Program Participant must meet the following criteria:
 - The Program Participant is an entity developing a technology application to connect to and interact with the CHESSE replacement solution, and which will be subject to technical accreditation by ASX
- **Eligibility also takes into account the number of applications an entity is developing and will be subject to technical accreditation**
 - **Incentive Program Participants with more than 1 application being accredited will be eligible for a payment of 1.5 times the tier payment amount.**
 - **The applications being developed must satisfy tier 3 at a minimum to qualify as an additional application.**

Committee	Business Committee
Agenda title	CHES Replacement project – update from CHES Replacement Technical Committee
Item	3c
Purpose	To provide Business Committee members with an update from the CHES Replacement Technical Committee
Meeting date	19 July 2023
Prepared by	Project Director, CHES Replacement (Tim Whiteley)

This report provides an overview of the CHES Replacement Technical Committee meetings held on 12 April, 10 May and 7 June 2023.

MEETING AGENDA (incl. non-standard items) – Business and Technical Matters for Consideration

12 April 2023	10 May 2023	7 June 2023
<ol style="list-style-type: none"> Member feedback - Q1 pulse survey Project status & governance – RFI update, solution decision framework Project scope – industry feedback and engagement plan Testing approach Cutover and implementation approach – industry feedback on staged implementation 	<ol style="list-style-type: none"> Project status Member feedback Project scope – engagement plan for scope refinement Testing approach – industry feedback 	<ol style="list-style-type: none"> Project status Member feedback Project scope - playback of refinement workshop #1 Discussion on approach to prioritise recommendations on scope
Actions closed = 5 Carried over = 0 New actions opened = 3	Actions closed = 2 Carried over = 1 New actions opened = 2	Actions closed = 2 Carried over = 1 New actions opened = 2

KEY ISSUES DISCUSSED

12 April 2023

- ASX presented the summary of the recent TC member pulse survey regarding effectiveness of the forum, following the first two meetings. 20 responses had been received representing a cross-section of participants, share registries, AMOs, third party software providers and industry associations. Actions and improvement already taken were shared with members.
- ASX provided an update on project progress against the project milestone plan, which included an update on the vendor RFI process. An update on next steps included issuing the RFP to the possible vendors. Additionally, ASX is defining the scope for a solution integrator to partner with ASX in the delivery phase of the project. The update on risks reiterated the risk previously shared, associated with the commercial vendors' processes may impact the timeline for Q4 announcement.

- As part of the project governance ASX provided the details of the solution decision framework, that will help assess potential solution options.
- The ASX Group Executive, Securities and Payments provided an update in response to stakeholder feedback on the drivers for replacing existing CHES. This update then led to a playback of member's feedback on scope refinement considerations and explanation of the proposed engagement activities including the scope refinement workshops.
- ASX provided a high-level view of the project approach to developing the test strategy, considering multiple inputs. Members were invited to provide their feedback on industry testing covering multiple aspects.
- ASX played back market feedback on opportunities for staged implementation, following options presented in the March meeting. 20 organisations had provided feedback which was discussed under the themes of – clearing, pass-through messages, second settlement batch or other alternatives suggested.
- Three new actions were raised, one for TC members on their experiences with industry testing, and two for the CHES Replacement team relating to the approach to implementation.

10 May 2023

- ASX provided a verbal update and clarified the potential role of a centralised message translation in the ASX implementation approach, and that they would continue to explore such opportunities as part of the solution design.
- The project status was provided with interim milestone being met, and key risk reiterated on the commercial timeline. ASX stated that business requirements would be finalised in Q3 2023, and that the RFI evaluation had been completed and a vendor RFP had been issued, with shortlisted vendors commencing RFP questions and answers.
- ASX revisited the engagement approach to refine any scope considerations, based on market feedback which was presented at the April meeting. Three scope refinement workshops have been scheduled with impacted stakeholder invited and asked to include relevant subject experts to attend, the workshop topics were:
 - Sub-Register and Issuer Sponsored enhancements and process improvements (25 May)
 - Settlement improvements and enhancements (19 June)
 - Corporate Action processing efficiencies (12 July).
- One member raised a question about the timing of product vendor without scope being finalised. ASX reinforced the final solution must be appropriate for the Australian market. Potential vendors have been made aware that some additional scope may be recommended by the market.
- ASX played back market feedback on the previous testing approach, including over 131 items from members. Feedback covered continued collaboration, adoption of strategy and approach feedback, a focus on operational testing, industry parallel testing and implementation approach, stability of testing environments, timing of testing and visibility of progress on issues raised with ASX support. The testing approach will be revisited at future TC meetings once scope refinement activities have concluded.
- One action relating to SGX approach to implementation was carried forward. Two new actions were raised on the CHES Replacement team.

7 June 2023:

- New members for Advanced Share Registry and Morgan Stanley Wealth were welcomed to the forum.
- ASX provided an update on project progress sharing the focus on scope refinement, solution option evaluation was moving forward to solution design, evaluations of solution RFPs are underway and testing and implementation work streams continue to explore options, including discussions with RFP respondents.
- Following the completion of the first scope refinement workshop on Sub-register and Issuer Sponsored enhancements, the outputs were shared with members as pre-reading and opportunity given to discuss details further. Attendees included 18 participant organisations and 5 registries. The workshop moderator from AFMA provided an update on proceedings. The workshop had identified six scope objectives that would be put before

the TC members, along with the output of the remaining workshops, before asking the market to support the recommendations for scope refinement.

- ASX reiterated the next steps following the scope refinement workshops to finalise business canvases and playback scope objectives. ASX opened the discussion about the need to collaborate on recommendations and that the market may have diverse opinions. Members agreed on the difficulty of the various stakeholders and asked about methods considered by ASX to seek this prioritisation.
- ASX suggested recommendations for next steps for each additional scope objective will be presented to members – addressing it outside of CHES replacement within ASX, including with the project scope, or addressing the scope in another forum external to ASX. TC members would be asked to provide their feedback on supporting each recommendation presented. ASX anticipate that this process will be conducted in August 2023.
- One action relating to SGX approach to implementation was carried forward – subject to a meeting for ASX with SGX on 9 June. One new action was raised on the CHES Replacement team, and one new action raised on members to provide their feedback on the TC forum to their Business Committee representative.

Scope Refinement Process

Overview:

- In March 2023, TC members were asked to share their input on any additional scope they felt should be considered as part of the solution re-design project. Feedback was sought in the form of a survey to all members.
- Based on the feedback provided three clear suggestion categories were presented back in the April TC. TC members were subsequent invited to attend additional workshops in order to explore the scope refinement suggestions for CHES replacement. Three workshops were scheduled in total.
- Feedback that was not related to scope, but referred to the detailed design and implementation themes, was captured and will be reviewed once the project phase reaches the appropriate stage to explore detailed design and implementation.
- Feedback relating to scope, independent of the CHES replacement solution, such as T+1 or other requests that do not require the replacement of technology, have been documented and are being dealt with the relevant ASX teams outside of this project.
- The plan for prioritising the additional scope to be considered, seeks recommendations from the TC at the August or September forums. Subsequently these recommendations will be raised with BC members at the October 2023 meeting. The project expects BC recommendations to then be raised with ASX Clearing and Settlement Boards.

Scope Refinement Workshops:

Feedback related to CHES Replacement Project scope was grouped into three themes which have been explored in further detail through scope refinement workshops;

1. Sub-register and issuer sponsored enhancements and process improvements;
2. Settlement improvements and enhancements; and
3. Corporate action processing efficiencies.

The workshop approach consisted of the following;

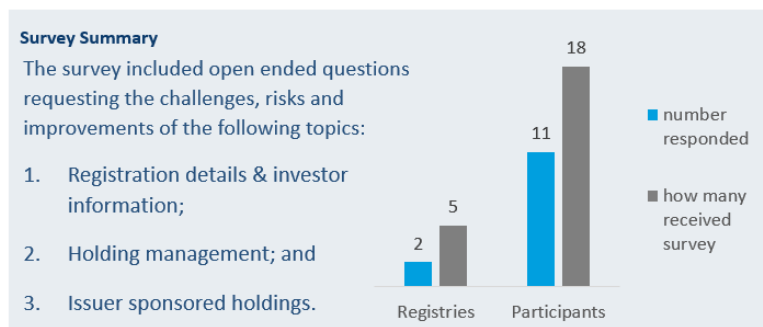
- Three, four-hour collaborative scope refinement workshops. Prior to each workshop, ASX released a survey to elicit further information from participants to help prioritise scope items for discussion.
- The workshops are monitored independently by industry associations AFMA and ACSA to ensure all views are considered and that outputs were an accurate representation of each workshop's discussions.
- Outputs from these workshops are brought back to the subsequent Technical Committee meeting for deliberation. The recommendation of additional scope items from the Technical Committee will be put forward

to the Business Committee, and then to the ASX Boards for final approval into the CHES Replacement Project scope.

A summary of the first and second scope refinement workshops are included below, in addition to the accompanying surveys. Kindly note that the third scope refinement had not been completed at the time of publication.

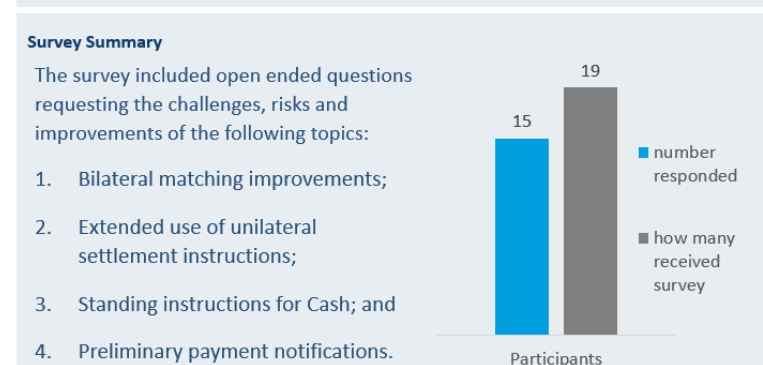
Workshop 1 Summary	When	Mod.	Invitees
Sub-Register and Issuer Sponsored	25 May 9am-1pm	AFMA	Settlement. Participants, Share Registries

- High attendance across 18 participants and 5 registries participants and registries
- 7 in-person attendees (5 participants, 2 registries)
- 6 suggested scope objectives identified to be taken to TC for consideration



Workshop 2 Summary	When	Mod.	Invitees
Settlement improvements and enhancements	19 June 9am-1pm	AFMA	Settlement Participants

- All 19 participants were represented with 1 registry as observer
- 33 dial-in attendees
- 4 suggested scope objectives identified to be taken to TC for consideration



1. Sub-register and issuer sponsored enhancements and process improvements survey

Topic	Question	Participant/Registry	Strongly Support	Somewhat Support	Neutral	Not Supportive	Not applicable	Numbr of responses	Total number of responses
Registration Details & Investor Information	In this context, do you support the ability to transmit additional (beyond current scope) investor data between Participants and Share Registries for listed securities?	Participant	2	3	4	1	1	11	13
		Registry	2	0	0	0	0	2	
	Do you support the ability for the ASX to capture and record additional investor data against a HIN. The stored investor data including any standing instructions will be used as a default to auto-notify Share Registries when there is a new holding and/or update to existing details?	Participant	7	2	2	0	0	11	13
		Registry	1	0	0	1	0	2	
	Do you support greater standardisation (i.e. alignment) of registration details across both Broker and Issuer Sponsored Sub-registers?	Participant	5	1	4	0	1	11	13
		Registry	1	0	1	0	0	2	
Holding Management	Do you support the ability for a Share Registry or Sponsoring Participants to apply a temporary, time-based holding lock, or partial holding lock, against a broker sponsored holding (to be used, for example, to enforce trading of employee issued securities that are subject to trading blackout restrictions)?	Participant	1	1	6	3	0	11	13
		Registry	1	0	0	1	0	2	
	Do you support the ability to perform a holding movement between HINs (under the same registered holder) across two different Sponsoring Participants, where the standing instructions of the receiving HIN are retained?	Participant	1	1	5	1	3	11	13
		Registry	0	2	0	0	0	2	
	Are you in favour of having greater access (in addition to current message-based reports) to more current CHES holdings data (e.g. via real-time data API) including record date holdings and/or cum entitlement balances?	Participant	6	1	3	1	0	11	13
		Registry	0	1	1	0	0	2	
	Do you support improvements to the holding adjustment and transfer process in relation to ETF creations and redemptions?	Participant	3	1	7	0	0	11	13
		Registry	1	1	0	0	0	2	
	Do you support the ability to "tag" or break-down parcels of holdings (such as for the purposes of tracking foreign ownership, or indicating holdings held by Key Management Personal (KMP) such as Company Directors, or otherwise)?	Participant	1	0	7	2	1	11	13
		Registry	1	0	0	1	0	2	
Issuer Sponsored Holdings	Do you support the ability for Settlement Participants to apply temporary locks on issuer sponsored securities to improve the process of stock delivery for issuer sponsored securities on settlement?	Participant	1	3	4	1	2	11	13
		Registry	0	1	1	0	0	2	
	Have you identified inefficiencies with, and/or do you support improvements to, the current SRN enquiry and SRN balance enquiry process(es)?	Participant	7	2	2	0	0	11	13
Registry	1	1	0	0	0	2			

2. Settlement enhancements survey

Topic	Question	Participant/Registry	Strongly Support	Somewhat Support	Neutral	Not Supportive	Not applicable	Total number of responses
Bilateral Matching Improvements	Would your organisation be supportive of using a Common Identifier, for matching purposes of 'Bilateral Settlement Instructions'?	Participant	3	2	4	3	0	12
		Registry	0	0	0	0	0	0
	How supportive would your organisation be for CHES to directly integrate with an external upstream system/s to source bilateral transactions previously matched by participants prior to their CHES submission.	Participant	4	2	3	1	2	12
		Registry	0	0	0	0	0	0
	Would your organisation be supportive of enabling bilateral transactions to be pre-matched earlier in the settlement period prior to committing the transaction for settlement in CHES?	Participant	5	1	3	2	1	12
Would your organisation be supportive of introducing a 'request/response process' for bilateral transactions as an enhancement/alternative to the current matching process of bilateral instructions?	Participant	0	1	5	6	0	12	
What would be the level of support of your organisation in regard to providing additional details in the allocation notification that is transmitted to the counterparty?	Participant	2	4	5	1	0	12	
Extended use of Unilateral Settlement Instructions	Would your organisation be supportive of extending the use of Unilateral Settlement Instructions to additionally enable the transfer of securities during a nominated batch settlement cycle FoP, between two Accounts (HINs), controlled by separate Participants, within a Participant Group.	Participant	2	2	5	0	3	12
Standing instructions for Cash	Would your organisation be supportive of your payment provider selection to have payments (within a configurable value limit) automatically approved in CHES on their behalf? This refers to payments in relation to a batch settlement cycle as well as bilateral delivery vs payment settlement outside of batch.	Participant	2	0	5	1	4	12
Preliminary payment notifications	What level of support would your organisation hold for the introduction of additional preliminary payment notifications?	Participant	0	3	7	2	0	12

3. Corporate action efficiencies survey

Topic	Question	Participant/Registry	Strongly Support	Somewhat Support	Neutral	Not Supportive	Not applicable	Total number of responses
Corporate Action Election and Acceptance Processing	Would your organisation be supportive of expanding electronic acceptance and/or payment capabilities for corporate actions?	Participant	8	1	3	0	0	16
		Registry	0	3	0	1	0	
	In respect to DRP/BSP Plan Elections, is your organisation supportive of CHES retaining information such that DRP/BSP Plan Elections can be transmitted automatically in the case a holding is reduced to zero and subsequently increased?	Participant	8	1	2	1	0	16
		Registry	0	2	0	2	0	
Cum Entitlement Balances	If Cum Entitlement Balances are retained, do you support the ability to transfer the Cum Entitlement Balance irrespective of the underlying financial product ("Cum Entitlement Balance Transfer")?	Participant	8	1	2	1	0	16
		Registry	0	2	0	2	0	
Electronic Notification of Payment Advice	Would your organisation be supportive of expanding the usage of electronic payment advices to listed products and/or further corporate action types?	Participant	6	1	4	1	0	16
		Registry	0	2	1	1	0	
Electronic Dividend Claims	Would your organisation be supportive of adopting an electronic dividend claims process to resolve incorrectly allocated dividend payments (including any attaching franking credits)?	Participant	10	0	1	1	0	16
		Registry	0	0	0	2	2	

Attachment 3c.A – Finalised minutes from 12 April 2023 meeting

Attachment 3c.B – Finalised minutes from 10 May 2023 meeting

Attachment 3c.C – Draft minutes from 7 June 2023 meeting

CHES Replacement Technical Committee Minutes

12 April 2023

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

AGENDA

- Member feedback from last meeting
- Approach to the project scope
- Project status & governance – RFI update, solution decision framework
- Project scope – industry feedback and engagement plan
- Testing approach
- Cutover and implementation approach – industry feedback on a staged implementation
- Forward work plan.

KEY ISSUES DISCUSSED

Key points from the discussion about the CHES Replacement project included:

- i. An update on project progress including an update on the recent vendor software RFI
- ii. Details of the solution decision framework
- iii. Context and drivers for CHES to be replaced
- iv. The market engagement process and next steps to exploring stakeholder feedback on scope
- v. Feedback sought on learnings from previous phase as input into the industry test strategy and approach
- vi. A summary of market feedback on staged implementation options.

AGREED ACTIONS

Three new actions were raised at the meeting:

1. Request for market feedback on previous experiences and future expectations of industry testing by 28 April 2023.
2. ASX to review the SGX implementation approach.
3. ASX to clarify the potential roles of centralised message translation in the implementation approach.

Minutes from the meeting are attached.

Agenda

CHES Replacement Technical Committee

Date	12 April 2023	Time	2:00pm-4:00pm
Location	ASX offices – Level 1, 20 Bridge Street, Sydney/MS Teams		

1. **Welcome and open actions**
 2. **Member feedback from last meeting**
 3. **Project status & governance** – RFI update, solution decision framework
 4. **Project scope** – Industry feedback and engagement plan
 5. **Testing approach**
 6. **Cutover and implementation approach** – Industry feedback on staged implementation
 7. **Other matters**
 - a) Forward work plan
 - b) AOB
 - c) Next meeting – 10 May 2023
-

Action Items

Item number#	Action	Due date	Status	Owner
2023 Mar (1)	Members to provide input and feedback on project scope by 22 March 2023.	12 April 2023	Closed	Members
2023 Mar (2)	Members to provide input and feedback on opportunities for a staged implementation by 22 March 2023.	12 April 2023	Closed	Members
2023 Mar (3)	ASX to provide more detail on the RFI questions.	12 April 2023	Closed	ASX
2023 Mar (4)	ASX to provide more granularity to the redesign phase plan.	12 April 2023	Closed	ASX
2023 Mar (5)	ASX to review DTCC's recent 'lon' implementation for lessons learnt.	12 April 2023	Closed	ASX
2023 Apr (1)	Members to provide feedback on industry testing by 28 April 2023.	28 April 2023	Open	Members
2023 Apr (2)	ASX to review the SGX implementation approach.	10 May 2023	Open	ASX
2023 Apr (3)	ASX to clarify the potential roles of centralised message translation in the implementation approach.	10 May 2023	Open	ASX

CHES Replacement Technical Committee Members

Company	Name	Job Title	Apologies
ASX	Tim Whiteley	Technical Committee Chair and Project Director, CHES Replacement Project	
ASX	Val Mathews	Business Committee Chair and Chief Customer and Operating Officer	
Clearing and Settlement participants			
ABN AMRO CLEARING	Matthew McMahon	Head of Operations	
AUSIEX	Mark Pace	Head of Solution Design	
BANK OF AMERICA	Monika Ahrns	Project Manager	
BELL POTTER SECURITIES	Lee Muco	Chief Operating Officer	
BNP PARIBAS	Mark Wootton	Head of Custody Product Aust & NZ	
CITI	Lyall Herron	Program Manager	
CMC	Danny Ng	Senior Project Manager	
COMMSEC	Ryan Jones	Crew Technical Lead	
CREDIT SUISSE	Andrew Norval	Managing Director, Head of Operations	Apology
FINCLEAR SERVICES	Nikki Gleisner	Senior Business Analyst/Client Relationship Manager	
GOLDMAN SACHS	Simon Wyss	COO, Australia/ New Zealand Engineering	
HSBC	*Asri Asat	Operations Manager	Simon Siluk, Senior Product Manager
J.P. MORGAN	Scott Oakland	Executive Director Product Management	
MACQUARIE GROUP	James Indge	Cash Equities Business Manager	
MORGAN STANLEY	Rebecca Collins	Executive Director	
MORGANS	Daniel Spokes	Director, Client Support Services	
NAB	*Anita Mead	Head of Business Management, Self-Directed Wealth	Rodd Kingham, Head of Investment Service (WealthHub Securities)
UBS	Scott Hanlon	Head of Operations, Executive Director	
Third party software vendors			
BROADRIDGE	Mabel Chow	Product Manager	
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	
NRI	Diptesh Chakraborty	Data Engineering Analyst	
SECURITEASE	David Hinkley	General Manager	
AMOs			
ASX	Jimmy Halstead	Head of Trading Technology Markets, Technology	

CBOE	Mike Aikins	Vice President APAC – Operations and Technology	
NSX	Chan Arambewela	Chief Operating Officer	
SYDNEY STOCK EXCHANGE	Rajnish Tiwari	IT & Operations Manager	
Share registries			
AUTOMIC GROUP	Sue Julian	Head of Business Operations	
BOARDROOM	* Martin Jones	General Manager Corporate Governance & Director	Michael Mullins, Chief Information Officer
COMPUTERSHARE	Scott Hudson	General Manager – Market Liaison	
LINK MARKET SERVICES	Kelvin Chee	Senior Project Manager – CHES Replacement	

* Delegate

Observers

Company	Name	Job Title	Apologies
AusPayNet	Luke Wilson	Chief Operating officer	
AFMA	Brett Harper	Chief Executive Officer	
	Damian Jeffree	Senior Director of Policy	
ACSA	David Travers	Chief Executive Officer	
AIRA	Ian Matheson	Chief Executive Officer	
GIA	*Catherine Maxwell	General Manager, Policy and Advocacy	Megan Motto, Chief Executive Officer
SIAA	Judith Fox	CEO	
ASIC	Nathan Bourne	Senior Executive Leader, Market Infrastructure	
	Dodie Green	Senior Manager, Market Infrastructure	
	Bharat Patel		
	Andia Petropoulos	Senior Analyst, Market Infrastructure	Apology
RBA	Kylie Stewart	Senior Manager, Domestic and Payments, Financial Market Infrastructure	
	Elizabeth Kandelas	Manager, Financial Market Infrastructure, Domestic and Payments	
	Tatiana Moiseeva	Lead Analyst, Financial Market Infrastructure, Domestic and Payments	
	Gordana Bloom	Senior Analyst, Financial Market Infrastructure, Domestic and Payments	Apology

EY

Name	Job Title	Apologies
Felicity Potter	Partner, Financial Services	Apology
Corinne De Rosa	Director, Financial Services	

ASX Management

Name	Job Title	Apologies
Tim Hogben	Group Executive, Securities and Payments	
Katie McDermott	General Manager, Business Design, CHES Replacement Project	Apology
Jason Genford	CHES Replacement Project Manager	
Aaron Smith	CHES Test Director, Quality Engineering & Testing	
Triona Quinlan	Delivery Lead, CHES Replacement Project	
Russell Eyre	Enterprise Architect, CHES Replacement Project	
Keith Purdie	Senior Manager, Equity Post Trade, Securities and Payments	
Chris Boyes	Senior Product Manager, Securities and Payments	Apology

AGENDA ITEM 1: Welcome and open actions

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

Andia Petropoulos (ASIC), Andrew Norval (Credit Suisse), Damian Jeffree (AFMA), Gordana Bloom (RBA) were apologies. Megan Motto (GIA), was represented by a delegate, Catherine Maxwell. Michael Mullins (BoardRoom), was represented by Martin Jones. Rodd Kingham (NAB), was represented by Anita Mead. Simon Siluk (HSBC), was represented by Asri Asat. Jimmy Halstead has replaced Jamie Crank as ASX's AMO representative.

The Chair introduced and thanked the member from Citi in advance for acting as the 12 April 2023 meeting observer.

The Chair reminded members of their obligations under competition law and provided an overview of the agenda. The Chair reiterated that this forum will provide the opportunity for stakeholder input and feedback on a broad range of matters relating to the project and encouraged active engagement in the session. The Chair continued by introducing open actions and addressing their respective follow-up action from the March 2023 Technical Committee, including:

Item Number	Action	Discussion
2023 Feb (5)	ASX to propose plan for workshops to scope requirements.	Action closed in the meeting. Committee updated on the proposed engagement roadmap for scope workshops in the meeting. (Refer to Agenda item 4).
2023 Mar (1)	TC members to provide input and feedback on project scope by 22 March 2023.	Action closed in the meeting. Member feedback was presented back to the Committee in the meeting and shared in papers before the meeting. (Refer to Agenda item 4).
2023 Mar (2)	Members to provide input and feedback on opportunities for a staged implementation by 22 March 2023.	Action closed in the meeting. Member feedback was presented back to the Committee. (Refer to Agenda item 6).
2023 Mar (3)	ASX to provide an update on the RFI process.	Action closed in the meeting. A breakdown of activity and timeline was provided in relation to the RFI process. (See Agenda item 3).
2023 Mar (4)	ASX to provide more granularity to the redesign plan.	Action closed in the meeting. The Committee was provided with an update on the redesign plan. (Refer to Agenda item 3)
2023 Mar (5)	ASX to review DTCC's recent 'ION' implementation for lessons learnt.	Action closed in the meeting. The ASX Enterprise Architect, CHES Replacement Project provided a verbal update noting Project ION went live with a 'parallel production' environment, processing an average of 100K bilateral equity transactions per day, a small percentage of the volume for that transaction type. In this parallel mode, transactions in ION are being routed to the existing DTCC system for settlement, before the results are pushed back to ION.

The minutes of previous meetings on 22 February 2023 and 8 March 2023 were approved and would be published with supporting materials on the Committee [website](#).

AGENDA ITEM 2: Member feedback from last meeting

The Chair provided a summary and key themes of member feedback after the first two Committee meetings, following the pulse survey which captured the Committee perspectives on the overall effectiveness of the CHES Replacement Technical Committee Forum.

- There were 20 responses from a cross-section of participants, share registries, AMOs, third party software providers and industry associations
- Enhance the efficiency of meetings, by distributing materials 48 hours to 1 week in advance
- Mixed feedback received on the size of the Committee – some requested the opportunity to extend the invitation within their organisation, others suggested membership is too large to extend membership (particularly with observers, suggestion to provide offline feedback to reduce size)
- There was acknowledgement of the challenges to align priorities across diverse stakeholder perspectives - thus calls for smaller focus groups on specific issues such as scope to mitigate this, and allow cohort-specific deep dives where relevant
- Helpful observations were provided regarding virtual and in-person meeting logistics (better identification of those in-person and online attendees when speaking in the meeting)
- Maximise time spent discussing key agenda topics by minimising time spent on administration matters.

1.1. ASX response to pulse survey feedback

- ASX to engage stakeholders on proposed changes; scope refinement sessions to be hosted in May and June. Business canvases will act as the key input feeding into the decision/approval process on any scope changes
- ASX will endeavour to circulate presentation materials one week prior to meetings and meeting minutes two weeks post the previous Committee meeting
- ASX will host deep dive sessions to allow for smaller groups and specialist industry input. These will provide new opportunities for member participation (Refer to Agenda Item 4 for engagement approach)
- ASX to look at making improvements to meeting hygiene and virtual facilitation
- ASX will look to conduct the next pulse survey at the end of CY Q2.

Member discussion:

Members raised no questions in respect of the update.

AGENDA ITEM 3: Project status & governance – RFI update, solution decision framework

Referring to March 2023 meeting requests for more granularity on the redesign plan, the ASX Delivery Lead, CHES Replacement Project presented an updated plan, including details on both completed and upcoming activities.

1.2. Project status and governance

Key updates on status included:

- Product Definition & Business Case: In CY Q1, this stream was focused on the business requirements for both the RFI and RFP process and solution decision framework. In CY Q2, the focus will be to refine and finalise the scope and business requirements, through which Committee members will be involved
- Solution Assessment: In CY Q1, the stream developed the solution design framework (see Agenda Item 4) and completed the current state evaluation, inclusive of the evaluation of Digital Asset solution and ASX components for known issues and remediation. In CY Q2, the focus will be on identifying a refined set of

solution options to be passed through the solution decision framework, to determine a preferred solution option

- Sourcing and Commercial: In CY Q1 market scans completed and vendor RFI responses received. For CY Q2, ASX will be focused on issuing the RFP and commence work to define scope for a solution integrator to partner with ASX in the delivery phase of the project
- Testing and Implementation: In CY Q1 implementation options were reviewed by Committee members and feedback was received. In CY Q2, ASX will perform an impact assessment based on member feedback, alongside an internal impact assessment regarding implementation possibilities. In CY Q2 work will continue on the Test Strategy and will incorporate market feedback on industry testing.

Key updates on risks included:

- Commercial vendors' processes: this may impact the timeline for a Q4 announcement on a solution design. This risk will continue to be closely monitored during the commercial process.

Member discussion:

A member requested clarification on interdependencies between work streams for missing key milestone dates. The ASX Delivery Lead, CHES Replacement confirmed that there are interdependencies, as outlined in the key risks. For example, any delays around the RFP responses or contract finalisations could potentially impact the completion of the business case.

A member questioned how work stream activities will be managed in parallel to scope refinement workshops, and the risk to the timeline for the decision making process. The ASX Delivery Lead, CHES Replacement stated from a scope perspective, there was no major risk posed by the current decision making framework to the project design plan at this stage. However, a risk to the timeline could materialise depending on the level of scope change recommended from the workshops. Subsequent to this process, suggested changes can be managed through a change request process.

1.3. Solution decision framework

The ASX CHES Replacement Project Manager, updated the Committee on the solution decision framework. The solution decision framework provides ASX with a consistent and measurable process to assess potential solution options and respond to key considerations across multiple areas of consideration, whilst identifying risks associated with each solution option. The framework is aligned to the ISO 25010 product quality standards, and included additional categories to ensure full coverage across all CHES Replacement project objectives.

The required inputs to be considered by the framework include:

- CHES Replacement project objective measures
- CHES architecture assessment
- Assurance actions
- Risk assessment
- Vendor assessment.

Member discussion:

Members raised no questions in respect of the update.

AGENDA ITEM 4: Project scope – industry feedback and engagement plan

1.4. Industry feedback

The ASX Group Executive, Securities and Payments provided an update in response to stakeholder feedback on the drivers for replacing existing CHES. It was noted ASX have undertaken to provide evidence on the reliability,

supportability, resiliency and continuity of the current CHES system in a special report. This includes the support and maintenance of existing CHES to 2032.

The feedback on scope from members highlighted some concerns about diverting resources to replace a well-functioning and supported CHES. The ASX Group Executive, Securities and Payments acknowledged this while reiterating the following reasons as to the rationale for replacing CHES:

- Continue to comply with clearing and settlement (C&S) license obligations
- Meet the needs of the market including lowering risk, enabling new ways of working and providing for global standards e.g. ISO and FIX
- Reduce the difficulty of supporting legacy architecture that has grown in complexity over many years.
- Provide for long term scalability
- Further enhance cyber security controls by adopting contemporary technologies
- Potential talent scarcity and limited capabilities in 10-20 years to support legacy technologies.

ASX Group Executive, Securities and Payments also provided a summary on stakeholder sentiment regarding the CHES Replacement scope. This illustrated the variety of stakeholder views from reducing, maintaining and increasing the current project scope.

1.5. Scope

The ASX Senior Manager, Equity Post Trade provided a summary on member's feedback on scope.

Key points included:

- Some items will be managed outside of CHES replacement, such as T+1. (See Appendix A for other out of scope items)
- Some items will be managed when revisiting design aspects in the next phase of the project once the target solution has been confirmed e.g. changes to netting and settlement workflows. (See Appendix A for further examples)
- Scope items to be revisited as part of CHES replacement in this phase of the project include:
 - a. Settlement improvement and enhancements, such as improvements to bilateral matching
 - b. Sub-register and issuer sponsored enhancements and process improvements, this includes capturing additional investor data, or registry lock on holdings
 - c. Corporate action processing efficiencies (including dividend claims)
- Scope items previously identified as out of scope are to remain out of scope.

1.6. Engagement plan

The ASX Senior Manager, Equity Post Trade, Securities and Payments explained the engagement plan for scope refinement. Members will have the opportunity to comment on all scope refinement ideas through a short survey across three categories:

1. Sub-register and issuer sponsored enhancements and process improvements
2. Settlement improvements and enhancements
3. Corporate action processing efficiencies.

Additional key points included:

- Scope refinement sessions will be held for each category
- Attendees may be Committee members, or a nominated representative with the appropriate domain knowledge, or subject matter expertise

- The workshops build out the 'value proposition' for each scope item (Business Canvas)
- ASX are proposing an independent moderator to facilitate discussions
- The business canvas output from these sessions will be presented back at the following Technical Committee, and endorsement sought on actions or recommendations. Approval will then be sought from the Business Committee
- Any scope changes will be brought before the ASX Clearing and ASX Settlement Boards for approval.

Member discussion:

A member asked if the rationale for replacing CHES has changed over time. The ASX Group Executive, Securities and Payments responded that the primacy of the clearing and settlement licenses has always been a priority while considering the diverse range of industry needs.

A member asked if there is a preferred coding language to replace COBOL. The Chair responded that ASX are looking for a future-focused technology, and are focused on selecting a flexible architecture that will ensure the durability and flexibility of the system.

A member agreed and voiced support of replacing the current system, however asked for clarification on what was the current, day one scope for the new replacement project. The Chair answered, the baseline scope for the new CHES replacement scope was based on industry consultations and is the current CHES functionality plus the features previously shared with this Committee. This baseline is now being revisited, as technology and requirements have changed over time. ASX is also open to any additional feedback on scope, to take into consideration as part of the 'scope refinement sessions.'

A member asked if Committee member's response to feedback was understood to be the current scope for day one go live (i.e. current CHES functionality plus the features previously shared with this Committee). A member confirmed their feedback was provided based on the scope as outlined for day one CHES replacement. Another member agreed that they responded to the content from the one pager provide while understanding that everything was on the table for discussion. The Chair validated that there is an ongoing, open invitation to provide feedback on scope. The ASX Delivery Lead, CHES Replacement Project stated, change requests are expected, thus scope can always be modified as appropriate after formalisation of the baseline.

A member requested clarification that ASX is one of the AMOs represented as a respondent to scope feedback. The Chair confirmed that ASX Trade was represented on the slide illustrating member feedback.

A member asked if they were able to send attendees who are not a Committee delegate to the scope workshops. The ASX Senior Manager, Equity Post Trade confirmed that a new delegate, or a nominated representative with the appropriate domain knowledge, may be sent on behalf of the organisations to the focus groups.

A member recommended for the scope to explicitly recognise the specific interoperability requirements in the architecture, provided the new solution is designed to adapt to the expanding and future direction of the market. Another member agreed with this statement. The Chair responded that the extensibility, componentisation and future industry direction are part of the architecture considerations and solution decision framework.

AGENDA ITEM 5: Testing approach

The CHES Test Director, Quality Engineering & Testing presented the high level view of the approach to developing the test strategy. Members were notified of a request for feedback on previous phases of industry testing. Multiple inputs and considerations influencing the test strategy were highlighted. ASX will refer to past learnings to formulate the CHES replacement test strategy. Over the past twelve to eighteen months, ASX have made efforts to uplift testing, quality engineering and testing standards, and these improvements align to the ISO 29119 standards. The test strategy takes into account various sources of feedback, including the recommendations from independent reviews. The testing guiding principles will help ASX to address those findings and actions from the previous CHES Replacement project.

Key points from the presentation included:

- The first objective is to create a robust and meaningful test strategy
- All aspects of the testing process must be reviewed prior to their input into the test strategy. Examples include: achieve the appropriate amount of test coverage early in the process, manage defects, improve reporting and identify the environments and data
- ASX have recently conducted a post-implementation review (PIR) against the industry testing in the previous phases of the project. The lessons will be compiled into categories, and suggestions for improvement will be reviewed as ASX develop the test strategy
- ASX are requesting market feedback to the following questions: What went well? What could be improved? Opportunities for the future? What is important to you?
- The definitions for a parallel run and parallel test were included to enable consistent communication in the Technical Committee moving forward.

The Chair added that staging the implementation, rather than a single cutover approach, will enable testing ahead of the cutover. The testing options will be dependent on the final implementation plan, which ASX will collaborate with stakeholders on.

Member discussion:

A member asked what the Singapore Stock Exchange (SGX) used for their previous project. The CHESSTest Director, Quality Engineering & Testing took the question away as an action.

Regarding the implications of the varying types of parallel tests and/or runs for ASX's system, a member voiced concerns over factoring in the number of participants and the impact on their testing and certainty. The CHESSTest Director, Quality Engineering & Testing replied ASX have commenced the formulation of options regarding what can be tested in isolation verses in a larger environment where it will impact user's testing.

A member noted the current consultations on market management and twice a year BCP testing and requested for ASX to consider other testing requirements for market participants due to the limited resources within organisations. The ASX Group Executive, Securities and Payments agreed it was important to plan ahead so customers can participate in testing across the calendar year.

A member asked if the considerations from the feedback will form part of the new solution RFP, acknowledging the impact vendor issues had on testing in the previous replacement project. The ASX CHESSTest Director, Quality Engineering & Testing answered that ASX have asked for each vendors testing approach as part of the RFI. This included requests for examples of previous implementations, exact uses of parallel testing and parallel runs and the vendors' preferred method of implementation. ASX has reviewed these responses ahead of issuing the RFP.

A member asked what the security testing considerations are within the new solution. The ASX CHESSTest Director, Quality Engineering & Testing clarified that the security is included in the test strategy, including security performance testing. As the project progresses, ASX will share the security expectations. Security testing concerns will also be included in the RFP.

AGENDA ITEM 6: Feedback on opportunities for staged implementation

The ASX Enterprise Architect, CHESSTest Replacement Project updated the Committee on the feedback of the implementation opportunities presented at the March Committee. The summary of feedback included the following key points:

- There were comments to the prematurity of transition discussions prior to a formalised solution
- Nine responses provided alternatives to the clearing and settlement transitions
- Feedback on the clearing migration opportunities was overall supportive, or conditionally supportive
- Those that expressed conditionally supportive views on clearing migration were in regard to compatibility between EIS and the ISO messaging

- Opportunities for clearing will be considered eligible for further analysis. It was noted that, even if clearers were shielded from this transition stage via backwards compatibility there would still be a significant reduction in risk as AMOs and could transition onto the target state scalable clearing facility which represents 90% or more of daytime transaction activity.

1.7. Pass-through messages

Pass-through messages will be an opportunity for a set of transactions that will not change the state of the CHES system. CHES would act as a message-switch for sending messages, typically from participants to registries. The opportunity will involve additional validation on those low-risk messages sent. Summarised feedback and key points include:

Pass-through messages are where CHES acts as a message-switch for sending messages, typically from participants to registries. Since these do not update the state of the system they are lower risk than other ISO 20022 transactions so if supported in an initial stage then that might be risk reducing. Summarised feedback and key points include:

- ASX propose utilising the additional validation of messages as an introduction to ISO messaging in production
- Feedback was mixed, consisting of supportive, conditionally supportive or strongly opposed
- This opportunity will not be reviewed until there is a clear view of the solution.

1.8. Second settlement batch

There was more feedback on the second settlement batch opportunity, and double the number of unresponsive responses compared to the unresponsive feedback on pass-through messaging. Those who were unresponsive were strongly unresponsive, only two entities were fully supportive, and a majority of responders were conditionally supportive, subject to vendor support of the option. Key points included:

- There was a recommendation to utilise new HINs in the new system over existing ones, however, ASX would prefer the use of new HINs to be optional, not mandatory
- There were comments suggesting netting the payments together, rather than keeping separate, would introduce additional complexity in the model and require a single margin settlement from both systems.
- It was noted that supportive and unresponsive feedback sometimes came from within the same stakeholder group
- The feedback shows the diversity of opinions, hence this opportunity will not be ruled out completely, and there might be a possibility to offer a limited pilot.

1.9. Alternate

Regarding alternate suggestions, there were nine comments that can be categorised into four themes.

1. Centralised message translation

- There were three member requests for this feature
- There are two options for broad use of centralised message translation, as put forward in the 2022 information paper on an assessment of implementation options for cutover:
 - ASX could offer compatibility and like-for-like transition in targeted situations, such as clearing backwards compatibility
 - Another potential option is for payment providers who have a fairly similar messaging interface to CHES
- Beyond those two limited scenarios, ASX would need to offer the capability for all 450-odd CHES messages. Since the target state for some of those workflows is not like-for-like with current CHES, it would introduce significant complexity into the translation service. This is recognised in SWIFTs ISO 20022 migration paper, which recommends an interim like-for-like messaging stage
- CHES system interfaces would be required to support like-for-like XML messaging first, essentially "CHES-ML", not our target ISO state. Only after all users have transitioned to "CHES-ML" will a cutover to the target state be possible. That is where we would then be able to introduce alignment to ISO 20022 and associated target state business processes, which would still ultimately require a

single cutover. It was acknowledged that there is a role for message translation in the implementation approach, but that a targeted usage of translation was more appropriate when the target state is not like-for-like.

2. Transition by function

This is an extension of the 'pass-through' opportunity concept. That has received mixed feedback and opportunity will not be analysed further until there is a clear view of the solution.

3. Transition by participant

This could work if there was support for centralised message translation. Transitions could occur participant by participant. However, the options suggested do not all rely on centralised message translation. One model put forward was a 'bridged' transition. A participant would transition to the new system and messages would be sent between current and new CHES to keep them in synch during the transition.

4. Pure technical replacement with no change in interface

Refer agenda item 4 for the rationale on why ASX is not currently considering a pure technical replacement.

ASX is continuing to investigate options for how we can transition and will come back to the Technical Committee with firmer proposals once the solution becomes clearer.

Member discussion:

A member requested a breakdown of the implementation feedback in relation to the market cohorts. The ASX Enterprise Architect, CHES Replacement Project provided a verbal breakdown. Registries did not comment on clearing. Participants not directly impacted by clearing agreed that transitioning clearing first or separately was conceptually ideal, and viewed the transition as de-risking the clearing process. The participants that responded were assumed to be primarily clearing participants. AMOs did not provide feedback on clearing. The feedback on clearing was overall conditionally supportive. There were some members who requested to receive the ISO messages in parallel with EIS messages, also a potential possibility. Overall, the feedback highlighted the desire for a compatible interface for this migration stage.

Two members asked if it was an option to potentially transfer to a functional feature, maintaining limited scope and like-for-like. The Chair responded that a replacement system with the ability to act like-for-like, translating and cutting over to the ISO standard does not reduce risk. There will likely be risk of defects in the translation, followed by ISO related cutover risk. This extends the change over period, increases workload for participants and includes two cutover risks, first for translation and second for ISO.

A member asked if extra work for a centralised message translation was validated by participants. The Chair responded, ASX will not achieve a like-for-like replacement system, as the replacement will be an entirely new system, with different operations and messages to reflect the business process. There are more specific scenarios such as clearing where a centralised message translation may be an option for the discreet number of messages. This will only work with a small, manageable number of messages. Risk is increased if it is implemented across the board. ASX's goal is to ensure the market operates everyday through the transition period.

A member noted their view that, from a messaging perspective, participants will experience a higher workload regarding the front load for a cutover, examples being converting messages and system interfaces. Referencing the SGX approach of using a translation tool that allowed participants to on-board ISO messaging as a group and utilise the translation tool in their end state system. It was suggested that a message translation in the back end would allow participants to opt into message types, in keeping with the ASX requirement to develop a flexible system. It was noted that the end state system in the SGX example was developed for their phase two. ASX took the action to review the SGX implementation approach.

In response to the Chair's statement towards the centralised message system a member noted their understanding of the Chair's suggestion to transition clearers and payment providers in isolation, to de-risk the go-live, noting there will be one or more groups that will implement ISO as a big bang as a result. The member stated support for testing the cutover on a small scale, increase that environment and make that the target state for people to transition to, giving

users the opportunity to remove issues that might occur during a single cutover implementation. The Chair noted the members concern, stating one of the challenges for settlement is that there is little support for running two systems concurrently. ASX will review a pilot approach, however there is a risk everyone will be impacted should a small part of the market be running solely on the new system before the transition of the remainder.

A member requested clarification on the discussion of this work as to whether it was being done in isolation of the possible requirement to fold ISO into current CHES. The ASX Group Executive, Securities and Payments confirmed that the discussion is looking at both systems together. The current thinking supporting current CHES has however been done in isolation of the project. The Reserve Bank of Australia (RBA) has requested ASX to explore the feasibility of select enhancements that were due to be delivered in CHES replacement, to be considered as part of the current CHES roadmap.

AGENDA ITEM 7: Other matters

a) Forward work plan

The ASX Senior Manager, Equity Post Trade, Securities and Payments provided an update on the forward work plan.

ASX presented agenda topics for the next meeting, and requested members communicate what topics they would like to discuss in future meetings.

Calendar invitations have been sent for the next meeting on 10 May 2023. Invites for the first scope refinement workshop will be sent before the 10 May Technical Committee meeting.

b) AOB

The appointed independent meeting observer noted the technical difficulties experienced in the meeting for those online and in person, recommending issues be fixed prior the next meeting. The observer explained that the meeting governance was succinct, and there were valuable discussion points in relation to scope and implementation. The pre-reading was beneficial to the attendees, given the depth and diversity of content presented and in conclusion offered it was a well-executed meeting.

c) Next meeting – 10 May 2023

The next Committee on 10 May 2023 will discuss feedback on industry testing, how ASX plan to run the first scope refinement sessions, update on action items, in addition to the standing agenda items of project status updates, risks and issues.

The meeting closed at 4.00pm.

Signed as a correct record of the meeting.

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

10 May 2023

Chair

Date

CHES Replacement Technical Committee Minutes

10 May 2023

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

AGENDA

- Member feedback from last meeting
- Project status & governance
- Project scope
- Feedback on industry testing approach
- Forward work plan.

KEY ISSUES DISCUSSED

Key points from the discussion about the CHES Replacement project included:

- i. An update on project progress, the issuing of the vendor software RFP and four solution types under consideration
- ii. Engagement plan for scope refinement workshops
- iii. The process for scope acceptance into project requirements post refinement workshops
- iv. Playback of member feedback on industry test strategy and approach, including request for further member insights.

AGREED ACTIONS

Two new actions were raised at the meeting:

1. ASX to consider market operator request to attend scope refinement workshops one and three: sub-register and issuer sponsored enhancement and corporate action processing and efficiency.
2. ASX to reconsider the date of the corporate actions scope refinement workshop scheduled on 29 June to accommodate end of financial year corporate actions.

Minutes from the meeting are attached.

Agenda

CHES Replacement Technical Committee

Date	10 May 2023	Time	2:00pm-3:00pm
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Location	ASX offices – Level 1, 20 Bridge Street, Sydney/MS Teams
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1. Welcome and open actions

2. Member feedback from last meeting

3. Project status & governance

4. Project scope

5. Feedback on industry testing approach

7. Other matters

a) Forward work plan

b) AOB

c) Next meeting – 7 June 2023

Action Items

Item number#	Action	Due date	Status	Owner
2023 Apr (1)	Members to provide feedback on industry testing by 28 April 2023.	28 April 2023	Closed	Members
2023 Apr (2)	ASX to review the SGX implementation approach.	7 June 2023	Open	ASX
2023 Apr (3)	ASX to clarify the potential roles of centralised message translation in the implementation approach.	10 May 2023	Closed	ASX
2023 May (1)	ASX to consider market operator request to attend Scope Refinement workshop one and three: Sub-register and issuer sponsored enhancement and Corporate Action Processing and efficiency.	7 June 2023	Open	ASX
2023 May (2)	ASX to reconsider the date of the Corporate Actions Scope Refinement Workshops scheduled 29 June to accommodate end of financial year corporate actions.	7 June 2023	Open	ASX

CHES Replacement Technical Committee Members

Company	Name	Job Title	Apologies
ASX	Tim Whiteley	Technical Committee Chair and Project Director, CHES Replacement Project	
ASX	Val Mathews	Business Committee Chair and Chief Customer and Operating Officer	
Clearing and Settlement participants			
ABN AMRO CLEARING	Matthew McMahon	Head of Operations	
AUSIEX	Mark Pace	Head of Solution Design	Apology
BANK OF AMERICA	Monika Ahrns	Project Manager	
BELL POTTER SECURITIES	Lee Muco	Chief Operating Officer	
BNP PARIBAS	Mark Wootton	Head of Custody Product Aust & NZ	
CITI	Lyall Herron	Program Manager	
CMC	Danny Ng	Senior Project Manager	
COMMSEC	Ryan Jones	Crew Technical Lead	
CREDIT SUISSE	Andrew Norval	Managing Director, Head of Operations	Apology
FINCLEAR SERVICES	Nikki Gleisner	Senior Business Analyst/Client Relationship Manager	
GOLDMAN SACHS	*Kenichi Shirasuna		Simon Wyss, COO, Australia/ New Zealand Engineering
HSBC	Simon Siluk	Senior Product Manager	
J.P. MORGAN	Scott Oakland	Executive Director Product Management	
MACQUARIE GROUP	*Paul Bragg	Operations Analyst	James Indge, Cash Equities Business Manager
MORGAN STANLEY	*Andrew Sime	Executive Director	Rebecca Collins, Executive Director
MORGANS	Daniel Spokes	Director, Client Support Services	Apology
NAB	Rodd Kingham	Head of Investment Service (WealthHub Securities)	
UBS	Scott Hanlon	Head of Operations, Executive Director	
Third party software vendors			
BROADRIDGE	Mabel Chow	Product Manager	
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	
NRI	Diptesh Chakraborty	Data Engineering Analyst	
SECURITEASE	David Hinkley	General Manager	
AMOs			

ASX	Jimmy Halstead	Head of Trading Technology Markets, Technology	Apology
CBOE	Mike Aikins	Vice President APAC – Operations and Technology	
NSX	*Yemi Oluwi	Head of Market Operations and Technology	Chan Arambewela, Chief Operating Officer
SYDNEY STOCK EXCHANGE	Rajnish Tiwari	IT & Operations Manager	
Share registries			
AUTOMIC GROUP	Sue Julian	Head of Business Operations	
BOARDROOM	Michael Mullins	Chief Information Officer	
COMPUTERSHARE	Scott Hudson	General Manager – Market Liaison	
LINK MARKET SERVICES	Kelvin Chee	Senior Project Manager – CHES Replacement	

* Delegate

Observers

Company	Name	Job Title	Apologies
AusPayNet	Luke Wilson	Chief Operating officer	
AFMA	Brett Harper	Chief Executive Officer	Apology
	Damian Jeffree	Senior Director of Policy	
ACSA	David Travers	Chief Executive Officer	
AIRA	Ian Matheson	Chief Executive Officer	Apology
GIA	Simon Pordage	Brand Ambassador for GIA and Company Secretary for ANZ	
SIAA	Judith Fox	CEO	
ASIC	Nathan Bourne	Senior Executive Leader, Market Infrastructure	
	Dodie Green	Senior Manager, Market Infrastructure	
	Bharat Patel		
	Andia Petropoulos	Senior Analyst, Market Infrastructure	
RBA	Kylie Stewart	Senior Manager, Domestic and Payments, Financial Market Infrastructure	
	Elizabeth Kandelas	Manager, Financial Market Infrastructure, Domestic and Payments	Apology
	Tatiana Moiseeva	Lead Analyst, Financial Market Infrastructure, Domestic and Payments	
	Gordana Bloom	Senior Analyst, Financial Market Infrastructure, Domestic and Payments	Apology

EY

Name	Job Title	Apologies
Felicity Potter	Partner, Financial Services	
Corinne De Rosa	Director, Financial Services	

ASX Management

Name	Job Title	Apologies
Katie McDermott	General Manager, Business Design, CHES Replacement Project	
Aaron Smith	CHES Test Director, Quality Engineering & Testing	
Triona Quinlan	Delivery Lead, CHES Replacement Project	
Russell Eyre	Enterprise Architect, CHES Replacement Project	
David Brine	Project Manager, Equity Post Trade, Securities and Payments	
Chris Boyes	Senior Product Manager, Securities and Payments	

AGENDA ITEM 1: Welcome and open actions

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

Andrew Norval (Credit Suisse), Brett Harper (AFMA), Daniel Spokes (Morgans), Elizabeth Kandelas (RBA), Gordana Bloom (RBA), Ian Matheson (AIRA), Jimmy Halstead (ASX Trading), Mark Pace (AUSIEX) were apologies. Chan Arambewela (NSX), was represented by a delegate, Yemi Oluwi. James Indge (Macquarie Group) was represented by a delegate, Paul Bragg. Rebecca Collins (Morgan Stanley) was represented by a delegate, Andrew Sime. Simon Wyss (Goldman Sachs) was represented by a delegate, Kenichi Shirasuna.

The Chair introduced and thanked the member from BNP Paribas in advance for acting as the 10 May 2023 meeting observer.

The Chair reminded members of their obligations under competition law and provided an overview of the agenda. The Chair continued by reminding members that the purpose of this Committee is for stakeholders to provide input and feedback and encouraged participation and engagement in the session. The Chair continued by introducing open actions and addressing the Committee's actions from the April 2023 Technical Committee, including:

Item Number	Action	Discussion
2023 Apr (1)	Members to provide feedback on industry testing by 28 April 2023.	Action addressed by Agenda Item 5. Feedback on industry testing approach. Member feedback received was presented back to the Committee by the ASX CHES Test Director, Quality Engineering & Testing.
2023 Apr (2)	ASX to review the SGX implementation approach.	Action to be addressed during the 7 June 2023 Technical Committee meeting.
2023 Apr (3)	ASX to clarify the potential roles of centralised message translation in the implementation approach.	Action closed in meeting via verbal update.

The minutes of previous meetings on 12 April 2023 were approved and published with supporting materials on the Committee [website](#).

Action item 2023 Apr (3)

The ASX Enterprise Architect, CHES Replacement Project provided a verbal update and clarified the potential role of a centralised message translation in the ASX implementation approach.

Centralised message translation is a potential capability implemented on the ASX side that allows a CHES user to interact using either EIS or ISO 20022 messaging during a transition phase.

The possible use cases include the ability to:

- shield all or some CHES users from a specific implementation phase and/or
- support the incremental transition by CHES user to ISO 20022 for all or a sub-set of CHES users

ASX will consider centralised message translation where it is;

- risk reducing,
- aligns with project objectives, and
- technically viable

Technical viability can be assessed on a number of dimensions, including;

- the nature of the mapping (like-for-like vs not like-for-like)
- the requirements, if any, for the translation service to be stateful or contain complex business rules
- the number of business processes and message types requiring translation
- the ability to achieve non-functional requirements such as resilience, security and performance

ASX has performed initial functional analysis on the ability to use centralised message translation to shield clearers from mandatory impact during a phase that would transition ASX and AMO's to the target state clearing facility.

However, beyond the clearing use case, ASX do not currently expect a comprehensive centralised message translation capability is technically viable due to:

- Mapping is not like-for-like in all cases
- Translation is likely to require persisted state and complex business rules
- There are dozens of business processes and hundreds of messages that would require mapping
- The need for the translation to be stateful may introduce challenges in meeting non-functional requirements

ASX will continue to explore opportunities for centralised message translation and will confirm details as part of the solution design.

Member discussion:

Members raised no questions in respect of the update.

AGENDA ITEM 2: Member feedback from last meeting

The ASX Project Manager, Equity Post Trade, Securities and Payments provided an overview of member feedback from the 12 April 2023 Technical Committee meeting. In response to the technology issues experienced in the April Committee meeting, ASX ensured constant room audio via dial in, direct internet connection via LAN ports for machines, 'goose neck' microphones transmitting audio through meeting room speakers, and small microphones transmitting audio to be heard by those online. Members attending in-person were reminded to unmute their microphones, announce their name and company before speaking clearly, should they ask a question.

AGENDA ITEM 3: Project status & governance

The ASX Delivery Lead, CHES Replacement Project provided the project update. The focus of the current quarter is the refinement of business requirements. The key risk identified is the commercial timeline which will remain open until the business case and contract are approved with either a product vendor or SI.

Key updates included:

- ASX aim to baseline the business requirements in the following quarter and manage future changes through a change control process.
- The Solution Decision Framework, which was shared with the technical committee previously has now been approved and will be utilised to assess solution options.
- The vendor RFI evaluation has completed and vendor RFP has been issued. The shortlisted vendors have commenced the RFP Q&A.

- RFP for the solution integrator (SI) who will partner with ASX to deliver the program is in progress and due to be released in the coming weeks
- ASX are continuing to review the broader impact of various implementation approaches.

The ASX Delivery Lead, CHES Replacement Project also provided an overview of the four solution types being considered by the project. These include:

1. addressing the issues from the existing CHES replacement solution
2. building a custom solution
3. using a product-based solution
4. iterating legacy CHES and developing new capabilities over time.

Member discussion:

A member asked for clarification if ASX were on track with their milestones. The ASX Delivery Lead, CHES Replacement Project confirmed the ASX were on track in terms of the schedule for the current 'define and plan' phase. The Chair added that all interim milestones have met their due dates.

A member asked if the vendor shortlist and the RFP were to be shared with the Committee. The ASX Delivery Lead, CHES Replacement Project responded that, the RFP will not be disclosed due to commercial confidentiality, as discussed in the 12 April 2023 Technical Committee.

A member asked if the vendors responding to the RFP are aware of the four solution types. The Chair confirmed that the vendors are aware of the solution types and it was clarified that the RFP is to address solution type 3 using a product based solution.

AGENDA ITEM 4: Project scope

The ASX Senior Product Manager, Securities and Payments provided the overview on the project scope.

As of the 10 May, ASX had collated and classified all member feedback received. Feedback that was not related to scope, but referred to the detailed design and implementation themes will be captured and reviewed once the project phase reaches the appropriate stage to explore detailed design and implementation. Feedback relating to scope, independent of the CHES replacement solution, such as T+1 or other requests that do not require the replacement of technology, will be dealt with the relevant ASX teams outside of this project.

The feedback related to scope were grouped into three themes; sub-register and issuer sponsored enhancements and process improvements, settlement improvements and enhancements, and lastly, corporate action processing efficiencies. Three, four-hour collaborative scope refinement workshops will be held to discuss the scope within these themes. A survey will be released in advance of each refinement session to gather further information from participants to prioritise scope items to be discussed and aid drafting the first iteration of scope business canvases. The survey for the first session on sub-register and issuer sponsored enhancements held on the 25 May, was issued on 5 May 2023.

The scope refinement workshops aim to validate which additional items will be put forward and added to the baseline scope. The workshops will be moderated independently by industry associations AFMA and ACSA. AFMA is scheduled to moderate the first two workshops and ACSA will moderate the third. This will ensure all views are considered and the outputs will be an accurate representation of each workshop's discussions. Outputs from these workshops will be in the form of a business canvas per scope item and will be brought back to a subsequent Technical Committee meeting before facilitating a process for voting on final recommendations. The final recommendation of additional scope items from the Technical Committee will be put forward to the Business Committee, and then to the ASX Boards. A subsequent

step will be further feasibility analysis and legal assessment. The final project scope will form part of a future industry consultation on CHES replacement and ASX will ensure processes are in place to incorporate subsequent scope changes.

Member discussion:

A member representing an AMO requested for AMOs to be considered for invitation to the scope refinement session 1: sub-register and issuer sponsored enhancements and process improvements, and scope refinement session 3: corporate action processing efficiencies as AMOs are a user of issuer settlement services, and in some cases act as a proxy for the issuers they represent. The ASX General Manager, Business Design, CHES Replacement Project responded that ASX would take the action to bilaterally discuss this request with the specific AMO.

A member representing an industry association asked for clarification on the Committee's views of the extent of involvement of issuing companies from the market in the scope refinement process. The ASX Senior Product Manager, Securities and Payments responded stating that subject matter experts will help to articulate what the problem statement is, what the potential scope being discussed is and any benefits, risks and problems. The business canvases produced in the scope workshops will be formally presented and considered in the Technical Committee for further feedback, if required. The Chair reinforced ASX's request that true subject matter experts be sent to the scope refinement workshops. The workshops are not a decision-making forum that is for the various committees. The ASX General Manager, Business Design, CHES Replacement Project added the discussions are specific to scope, as opposed to design. Consultation on solution and design implementation will come later.

A member asked what the future industry consultation mentioned by the ASX Senior Product Manager, Securities and Payments involved. The ASX General Manager, Business Design, CHES Replacement Project explained that the future industry consultation is planned to take place in early 2024 regarding the design and scope determined during the define and plan phase of the CHES replacement project. ASX also expects there will be consultation on the implementation approach as well. The Chair added that it is still to be determined whether the consultation on the implementation plan may be incorporated into the scope consultation or performed separately.

A member questioned how ASX can choose a vendor without the finalised scope. The ASX General Manager, Business Design, CHES Replacement Project reinforced the final solution must be appropriate for the Australian market and could be a combination of off the shelf product and customisation. The ASX General Manager, Business Design continued by emphasising the difference between how ASX currently operate clearing and settlement with the Australian market and the potential enhancements for CHES replacement will not significantly impact the vendor shortlist.

A member requested clarification on the type of expert required for the scope refinement session. The ASX Senior Product Manager, Securities and Payments clarified that ASX request experts who can contribute to the problem statement for each canvas item, articulate what a potential solution would look like and enable decisions regarding the prioritisation of scope items. The sessions will not be focused on the delivery of the scope items nor the detailed technology and design.

AGENDA ITEM 5: Testing approach

The CHES Test Director, Quality Engineering & Testing provided an overview of the feedback received on the previous testing approach. The responses were organised into themes, with several items identified for improvement. These included engagement and communication, test environments and data, test scope and planning and testing strategy.

Responses totalled 131 items encompassing requests for continued collaboration, adoption of strategy and approach feedback, a focus on operational testing, industry parallel testing and implementation approach, stability of testing environments, timing of testing and visibility of progress on issues raised with ASX support. From this feedback, ASX plans to arrange focus groups and discuss topics as they mature across these themes, notably on key topics such as

parallel test options, entry criteria and timing as to when to begin industry testing. These sessions will be scheduled once scope refinement activities have concluded.

The CHESSTest Director, Quality Engineering & Testing reiterated that ASX continues to be open to feedback on industry testing noting that any further feedback can be raised to CHESSTestReplacement@asx.com.au. The Chair supported this, stating feedback and learnings are vital to improve the industry testing approach supporting the next phase of the project.

Member discussion:

Members raised no questions in respect of the update.

AGENDA ITEM 6: Other matters

a) Forward work plan

The ASX General Manager, Business Design, CHESSTest Replacement Project provided an update on the forward work plan and highlighted the industry webinar taking place on the 17 May 2023. The industry webinar will provide an overview of the status and progress of the CHESSTest replacement project, an overview of the CHESSTest Replacement Partnership Program including industry feedback received, key clarifications and proposed changes to the Program, supported with an open Q&A.

ASX presented agenda topics for the next meeting, which includes a playback of the first scope refinement workshop and the approach for endorsing scope recommendations, along with the standing agenda items of project status updates, member feedback and member-requested topics.

Calendar invitations have been sent for the next meeting on 7 June 2023. Invites for the second and third scope refinement workshops will be sent before the 25 May 2023.

b) Meeting observations

The appointed independent meeting observer noted the technical difficulties experienced in the April Committee had been resolved with no notable difficulties in the May Committee meeting for those online and in person. The observer noted conversations brought up in the sessions were fluid and meeting governance was succinct when compared to previous Committees. The observer continued stating that the pre-reading would still be beneficial sent earlier, however clarified that the pre-read for the session itself was not labour intensive. One improvement requested was for ASX to highlight any updates to presentation slides post the pre-read pack (e.g. Meeting date change). The Chair acknowledged this request for future committees.

c) Next meeting – 7 June 2023

The next Committee on 7 June 2023 will include a playback of the first scope refinement session, sub-register and issuer sponsored enhancements and process improvements, and discuss the approach for endorsing scope recommendations in addition to the standing agenda items of project status updates, risks and issues.

The meeting closed at 3.15pm.

Signed as a correct record of the meeting.

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

7 June 2023

Chair

Date

CHES Replacement Technical Committee Minutes

7 June 2023

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

AGENDA

- Member feedback from last meeting
- Project status & governance
- Project scope
- Discussion on approach for endorsing recommendations on scope
- Other matters
 - Forward work plan;
 - Next steps and AOB; and
 - Observer feedback.

KEY ISSUES DISCUSSED

Key points from the discussion about the CHES Replacement project included:

- i. An update on project progress including key workstream activities
- ii. A playback of the first scope refinement workshop on sub-register and issuer sponsored enhancement
- iii. The approach to prioritising recommendations on scope refinements.

AGREED ACTIONS

Two new actions were raised at the meeting:

1. ASX to include the solution's messaging protocol (e.g. EIS versus ISO messaging) as a TC topic.
2. Members to provide feedback on the Technical Committee to their respective Business Committee representatives for the BC review of the Technical Committee.

Draft minutes from the meeting are attached.

Agenda

CHES Replacement Technical Committee

Date	7 June 2023	Time	2:00pm-4:00pm
Location	ASX offices – Level 1, 20 Bridge Street, Sydney/MS Teams		

1. **Welcome and open actions**
 2. **Member feedback from last meeting**
 3. **Project status & governance**
 4. **Project scope** – playback of the first scope refinement workshop and next steps
 5. **Discussion on approach for endorsing recommendations on scope**
 6. **Other matters**
 - a) Forward work plan
 - b) Next steps and AOB
 - c) Observer playback
-

Action Items

Item number#	Action	Due date	Status	Owner
2023 Apr (2)	ASX to review the SGX implementation approach.	26 July 2023	Open	ASX
2023 May (1)	ASX to consider market operator request to attend Scope Refinement workshop one and three: Sub-register and issuer sponsored enhancement and Corporate Action Processing and efficiency.	7 June 2023	Closed	ASX
2023 May (2)	ASX to reconsider the date of the Corporate Actions Scope Refinement Workshops scheduled 29 June to accommodate end of financial year corporate actions.	7 June 2023	Closed	ASX
2023 June (1)	ASX to include the solution's messaging protocol (e.g. EIS versus ISO messaging) as a TC topic.	4 October 2023	Open	ASX
2023 June (2)	Members to provide feedback on the Technical Committee to their respective Business Committee representatives for the BC review of the Technical Committee.	5 July 2023	Open	Members

CHES Replacement Technical Committee Members

Company	Name	Job Title	Apologies
ASX	Tim Whiteley	Technical Committee Chair and Project Director, CHES Replacement Project	
ASX	Val Mathews	Business Committee Chair and Chief Customer and Operating Officer	
Clearing and Settlement participants			
ABN AMRO CLEARING	Matthew McMahon	Head of Operations	
AUSIEX	Mark Pace	Head of Solution Design	Apology
Merrill Lynch Equities (Australia)	Monika Ahrns	Project Manager	
BELL POTTER SECURITIES	Lee Muco	Chief Operating Officer	
BNP PARIBAS	Wayne Murphy	Project Manager	
CITI	Lyll Herron	Program Manager	
CMC	Danny Ng	Senior Project Manager	
COMMSEC	Ryan Jones	Crew Technical Lead	
CREDIT SUISSE	Andrew Norval	Managing Director, Head of Operations	Apology
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	
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	Rebecca Collins	Executive Director	
MORGANS	Daniel Spokes	Director, Client Support Services	
NAB	Rodd Kingham	Head of Investment Service (WealthHub Securities)	
UBS	Scott Hanlon	Head of Operations, Executive Director	Apology
Third party software vendors			
BROADRIDGE	Mabel Chow	Product Manager	
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	
NRI	Diptesh Chakraborty	Data Engineering Analyst	Apology
SECURITEASE	David Hinkley	General Manager	
AMOs			

ASX	Jimmy Halstead	Head of Trading Technology Markets, Technology	Apology
CBOE	Mike Aikins	Vice President APAC – Operations and Technology	
NSX	Yemi Oluwi	Head of Market Operations and Technology	
SYDNEY STOCK EXCHANGE	Rajnish Tiwari	IT & Operations Manager	
Share registries			
ADVANCED SHARE REGISTRY	Patrick Gan	IT Manager	
AUTOMIC GROUP	Sue Julian	Head of Business Operations	
BOARDROOM	Michael Mullins	Chief Information Officer	
COMPUTERSHARE	Scott Hudson	General Manager – Market Liaison	Apology
LINK MARKET SERVICES	Kelvin Chee	Senior Project Manager – CHES Replacement	

* Delegate

Observers

Company	Name	Job Title	Apologies
AusPayNet	Luke Wilson	Chief Operating officer	
AFMA	Brett Harper	Chief Executive Officer	Apology
	Damian Jeffree	Senior Director of Policy	
ACSA	David Travers	Chief Executive Officer	
AIRA	Ian Matheson	Chief Executive Officer	Apology
GIA	Simon Pordage	Brand Ambassador for GIA and Company Secretary for ANZ	
SIAA	Judith Fox	CEO	
	Dodie Green	Senior Manager, Market Infrastructure	
	Andia Petropoulos	Senior Analyst, Market Infrastructure	
RBA	Kylie Stewart	Senior Manager, Domestic and Payments, Financial Market Infrastructure	Apology
	Elizabeth Kandelas	Manager, Financial Market Infrastructure, Domestic and Payments	Apology
	Tatiana Moiseeva	Lead Analyst, Financial Market Infrastructure, Domestic and Payments	
	Gordana Bloom	Senior Analyst, Financial Market Infrastructure, Domestic and Payments	Apology

EY

Name	Job Title	Apologies
Felicity Potter	Partner, Financial Services	

Corinne De Rosa Director, Financial Services

ASX Management

Name	Job Title	Apologies
Katie McDermott	General Manager, Business Design, CHES Replacement Project	
Keith Howie	Software Provider Relationships Manager, Equity Post Trade	
Triona Quinlan	Delivery Lead, CHES Replacement Project	Apology
Russell Eyre	Enterprise Architect, CHES Replacement Project	
David Brine	Project Manager, Equity Post Trade, Securities and Payments	
Chris Boyes	Senior Product Manager, Securities and Payments	

DRAFT

AGENDA ITEM 1: Welcome and open actions

The Chair welcomed members and delegates to the fifth CHES Replacement Technical Committee (Committee) meeting including new members from Advanced Share Registry and Morgan Stanley Wealth.

Andrew Norval (Credit Suisse), Brett Harper (AFMA), Diptesh Chakraborty (NRI), Elizabeth Kandelas (RBA), Gordana Bloom (RBA), Ian Matheson (AIRA), Jimmy Halstead (ASX Trading), Mark Pace (AUSIEX), Scott Hanlon (UBS), Scott Hudson (Computershare) were apologies.

The Chair introduced and thanked the nominated meeting observer for the 7 June 2023 Committee.

The Chair reminded members of their obligations under competition law and provided an overview of the agenda. The Chair continued by reminding members that the purpose of this Committee is for stakeholders to provide input and feedback and encouraged participation and engagement in the session. The Chair continued by introducing open actions and addressing the Committee's actions from April and May 2023, including:

Item Number	Action	Discussion
2023 Apr (2)	ASX to review the SGX implementation approach.	A workshop with SGX is planned for 9 June. A written summary of the workshop is provided as part of the 7 June minutes below. Action to be addressed in the 26 July 2023 Technical Committee meeting.
2023 May (1)	ASX to consider market operator request to attend Scope Refinement workshop one and three: Sub-register and issuer sponsored enhancement and Corporate Action Processing and efficiency.	Action closed in meeting via verbal update. ASX followed up bilaterally with the market operator.
2023 May (2)	ASX to reconsider the date of the Corporate Actions Scope Refinement Workshops scheduled 29 June to accommodate end of financial year corporate actions.	Action closed in meeting via verbal update. The workshop was rescheduled to 12 July based on member feedback.

The minutes of previous meetings on 10 May 2023 were approved and published with supporting materials on the Committee [website](#).

Member discussion:

Members raised no questions in respect of the update.

Action item 2023 Apr (2)

The Chair provided a verbal update, noting a workshop with SGX was planned for 9 June. A written summary of this workshop is included in the minutes below and will be summarised as part of the 26 July Committee.

SGX Post Trade Services Migration Approach

Background

The starting position was a post trade service that was centrally operated and hosted by SGX. The service has a depository that includes retail investors.

All brokers used the back office services provided by the central system and did not require their own back office system.

The aim of the project was to move the market forward by:

- Migrating brokers off the back office services provided by the central system and onto the brokers own back office system;
- Providing demarcation between clearing and settlement;
- Aligning to international standards (ISO 20022);
- Changing the settlement cycle to T+2; and
- Enabling SGX and members to enhance services for the market.

There were approximately 27 trading/clearing members and 60 settlement agents' registrars.

Phase 1 – Add ISO 20022 API into existing SGX system

- SGX added an ISO 20022 API into their existing system;
- Two options for ISO 20022 API were built: SWIFT and IBM MQ;
- Specifications were defined upfront for target state and communicated to the market;
- Internally in SGX, clearing and settlement is still on the old system; and
- SGX impact only.

Phase 2 – Participant transition to their own back-office system and ISO 20022

- Participants were given 14 months to transition to their own back office system and use the ISO 20022 API to interact with SGX post trade service;
- Participants migrated one at a time or in small batches;
- Two main vendors provided the back office systems to brokers;
- This was a “like-for-like” transition in the sense that there were no changes to the SGX post trade processing;
- Internally in SGX, clearing and settlement is still on the old system; and
- Rollback to legacy after transition to ISO 20022 theoretically possible but manually intensive and difficult in practice. This was not required by any participant.

Phase 3 – Migration of SGX system to new platform

- Market wide single cut-over;
- All participants are now using their own back office systems so that capability no longer needed at SGX;
- Migration of clearing and settlement from mainframe to new platform; and
- New processes - T+2 and aligned other processes to PFMI recommendations e.g. SGD settlement in Central Bank.

AGENDA ITEM 2: Member feedback from last meeting

The Chair thanked members who had already provided feedback on the scope workshop canvases. Feedback regarding modular architecture, the use of APIs interoperability was also noted. The Chair reiterated ASX's commitment to these areas noting:

- Interoperability is a key measure within the Solution Decision Framework, as defined by the ISO 25010 Product Quality standard (12 April Committee);
- Separation of clearing and settlement through modular architecture is part of the solution design, as part of ongoing discussions with the market for how implementation risk will be minimised through phasing (8 March and 12 April Committees); and
- API connectivity for CS Industry participants is a defined outcome against the Opportunity Project Objective, 'Create opportunities for industry efficiencies and growth' (22 February Committee and RFI questions distributed 14 March).

AGENDA ITEM 3: Project status & governance

The ASX General Manager, Business Design, CHESSE Replacement Project provided the project update.

The redesign plan is made up of four workstreams, the product definition and business case, the solution assessment, sourcing and commercial and testing and implementation.

Key updates included:

- The focus for the product definition and business case workstream for the current quarter continues to be the refinement of business requirements. Work has also commenced on the solution business case.
- The solution assessment workstream completed the solution option evaluation and is moving into the solution design.
- The sourcing and commercial workstream are evaluating responses to the solution RFP. The team is also working with respondents to assess the functional fit of the product solutions. Additionally, work has progressed on the solution integrator RFP and is targeting a release within the following weeks.
- The testing and implementation workstream continues to explore opportunities for a phased implementation and work continues with RFP respondents on options to enable this.

The ASX General Manager, Business Design confirmed project teams are on track in terms of the schedule for the current 'define and plan' phase.

Member discussion:

Members raised no questions in respect of the update.

AGENDA ITEM 4: Project scope

The ASX Senior Product Manager, Securities and Payments provided an overview on the engagement related to the first scope refinement workshop on sub-register and issuer sponsored enhancements, noting the first workshop held on 25 May had high in-person and virtual attendance across the 18 participants and 5 registries invited.

Prior to the workshop, all affected stakeholders were surveyed to measure support of topics and included open ended questions requesting the challenges, risks and improvements of topics. The survey was created based on the baseline scope submissions of members, requested in the March 2023 Committee meeting. Seven business canvases templates were created prior to the workshop based on feedback received on the following topics:

1. Registration details and investor information;
2. SRN enquiry and validation;
3. Issuer sponsored holdings;
4. ETF creations and redemptions;
5. Continuous holding balance;
6. CHESSE to CHESSE conversions; and
7. Issuer initiated holding lock.

The ASX Senior Product Manager summarised the results of the survey to demonstrate areas of strong support raised for further discussion in the business canvas templates, before introducing the member from AFMA who moderated the first scope refinement workshop.

The representative from AFMA presented a summary of the scope workshop proceedings, from the moderator perspective. It was highlighted that the discussion on the first canvas for registration details and investor information was extensive, running over time. The discussion was constructive and provided a deeper understanding of the topic from a variety of stakeholders. The representative from AFMA noted that topics arose which while of significant utility

were properly outside of the scope for the CHES Replacement project and confirmed AFMA's intended establishment of a forum for the progression of those topics. Two such topics included the standardisation, improvement and enablement of the synchronisation of data between participants and share registries and the implementation of a faster more efficient SRN process. AFMA informed the Committee of its intent to establish a structured, ongoing quarterly coordination dialogue for operators of registries/sub-register and other relevant firms for matters that are out of scope for CHES Replacement, with the first meeting to be scheduled for July or August.

The ASX Senior Product Manager summarised the canvases created in the 25 May scope refinement workshop. The following draft canvases formed the blueprint for the six scope objectives presented:

1. Registration Details and Investor Information;
2. SRN enquiry and validation;
3. Issuer sponsored holding locks; and
4. ETF creations and redemptions.

The six scope objectives included:

1. Standardise, improve and better synchronise the data sharing between participants and share registries;
2. Implement a faster and more efficient SRN enquiry process;
3. Reduce settlement risk in relation to issuer sponsored sales;
4. Reduce operational risk in relation to the current ETF creation/redemption workflow;
5. Provide more efficient, reliable and faster access to holding information; and
6. Review and simplify the current processes for holding FOR securities.

The draft canvases had been shared with the workshop attendees on 1 June for feedback and the ASX Senior Product Manager requested Committee members to validate the scope objectives and provide further feedback on the canvases prior to their publication.

Member discussion:

A member representing a share registry questioned whether the scope discussed in the workshops were for Day 1 implementation, or a future date. The Chair clarified the priority of scope objectives recommended by the Committee will be reflected in their release date.

A member representing a registry requested clarification on the use of ISO messaging and whether ASX considered options to continue support of EIS messaging. The Chair reiterated ASX's position on adopting industry standard messaging, noting ASX's commitment to its license obligations, the potential reuse of existing ISO 20022 work and the reduction of complexity from potential solutions regarding the customisation of market specific EIS workflows. The General Manager, Business Design added the Business Committee identified ASX's proprietary EIS messaging as a barrier for competition for clearing and settlement facilities, and to address this, ASX continues to support the move of CHES from a proprietary messaging solution to the global ISO standard interface. The member acknowledged the advantages for new participants, however noted the effort required for existing participants who have existing systems integrated with EIS messaging and requested any further information regarding alternatives to ISO and whether there were options for ongoing use of EIS messaging. The Chair referred to the previous March 2023 Committee where the Enterprise Architect, CHES Replacement Project presented staged implementation options and its complexity. The Chair took away the action for ASX to include the solution's messaging protocol (e.g. EIS versus ISO messaging) as a TC topic.

A member representing a participant highlighted concerns that some scope objectives discussed should be reviewed as part of work regarding T+1, given T+1 was to be implemented before CHES replacement. The member also requested clarity on the objectives that would be considered as simple technology fixes versus those that required more complex solutions. The Chair agreed with the member's feedback on T+1, that based on the recommendations to scope refinement, ASX will align the scope objective with the relevant part of the business for review and implementation.

Regarding the member's second request the Chair clarified the Committee will be utilised to validate the priority and timeline to achieve scope objectives.

AGENDA ITEM 5: Discussion on approach to recommendations on scope

The ASX General Manager, Business Design, CHES Replacement Project reiterated the next steps after each scope refinement workshop outlined by the Senior Product Manager in Agenda Item 4. This involved the process of drafting, attaining feedback on and finalising business canvases, the subsequent playback of scope objectives at a subsequent Committee, and once a recommendation is agreed upon, sharing it with the Business Committee.

ASX is seeking to survey Committee members on their priority for scope objectives being proposed. The ASX General Manager, Business Design acknowledged the difficulties of reaching consensus, citing the challenge of how the Committee handles a member's recommendation - where a scope objective does not have a direct impact on the organisation they represent. Acknowledging this challenge, the ASX General Manager, Business Design recognised the need for Committee members to collaborate on scope and noted that while there may not be a direct impact to a member's organisation, any potential indirect impact can also be considered. Further challenges include:

- Prioritising objectives, including scope that may be addressed outside of CHES Replacement;
- Market representation;
- Managing diverse perspectives and interests;
- Consensus definition; and
- Weighting requirements.

The ASX General Manager, Business Design reinforced the need to collaborate on recommendations and provided an overview of the market representation based on Committee members, noting the percentages illustrated coverage and that the five share registry Committee members represented 2376 issuers.

The ASX General Manager, Business Design proposed the following next steps:

1. After the completion of the remaining scope refinement workshops, scope objectives will be played back at the 26 July Committee.
2. After the 26 July Committee, a survey will be sent to all Committee members on recommendations on scope objectives for their prioritisation.
3. The responses to this survey will be played back, discussed and, where applicable, finalised at the 21 August Committee.
4. Recommendations that require further discussion may be raised at the 13 September Committee.
5. Finalised recommendations will be shared with the Business Committee on 11 October.

The ASX General Manager, Business Design clarified the results of the survey may not directly correlate with scope required for Day 1, noting there may be components that can be implemented without a technical or operating rules change. Any scope objectives identified outside of CHES Replacement will be flagged and next steps agreed.

The Chair opened up the Committee for member discussion seeking additional input, ideas, improvements or feedback on the proposed recommendation survey.

Member discussion:

A member representing a registry requested for a PDF document of the scope refinement survey to be shared along with the survey link ahead of future workshops. The ASX Senior Product Manager responded that a PDF copy of the survey along with the survey link was released to attendees ahead of the second scope refinement workshop.

A member representing a participant acknowledged the difficulty for ASX of handling the differing priorities of all the various stakeholders of CHES Replacement. The member inquired whether the prioritisation on scope considered a data-based approach and the impact of scope items on stakeholders. The Chair referred to the table of market representation of Committee members and stated that this may factor prioritisation. The ASX General Manager, Business Design noted that the data of workflow that cause problems for users is internal to the CHES users, rather than with ASX.

A member representing a participant queried other forms of scope consultation that have been considered by ASX. The Chair responded that a preference-based, analytical approach was considered. The ASX General Manager, Business Design added that a formal consultation on business requirements, with submissions from stakeholders, similar to the approach in the previous CHES Replacement project, was considered. However, the ASX General Manager, Business Design noted the lack of transparency with this type of consultations, as many submissions were marked confidential, which prevented the socialisation of the diverse perspectives and challenges that needed to be considered. Consequently, the more collaborative engagement process which encouraged discussion and prioritisation input from Committee members, leveraging the SME input in the scope surveys and attendance at the workshops, was more appropriate at this stage of the project.

A member representing a registry asked if they may forward on the content of the scope canvases to the issuers the registries represents. The Chair clarified that content made publically available on the ASX website, such as Committee minutes and presentation materials, can be shared by members within their related organisations. The Chair suggested members contact the CHES Replacement mailbox should they require clarification to the content they wish to share.

AGENDA ITEM 6: Other matters

a) Forward work plan

The ASX Project Manager, Equity Post Trade, Securities and Payments provided an update on the forward work plan and highlighted the next member pulse survey would take place after the 26 July Committee. Other key dates include the remaining scope refinement workshops on settlement and corporate actions.

The next Committee on 26 July 2023 will include a playback of the second and third scope refinement workshops and any feedback on the approach to recommendations on scope, along with the standing agenda items of project status updates, member feedback and member-requested topics.

Calendar invitations have been sent for the next meeting on 26 July 2023. Invites for the second and third scope refinement workshops have also been sent prior to the 7 June Committee.

To enable a robust review of this Committee, the ASX Business Committee Chair requested members provide feedback on the Committee's proceedings to their respective BC delegate by July 5 ahead of the 19 July BC.

b) Next steps

ASX Project Manager, Equity Post Trade continued by summarising a timeline of upcoming events illustrating next steps and key dates leading up to the finalised recommendations on scope from Committee being shared at the 11 October Business Committee.

c) Meeting observations

The appointed independent meeting observer complimented the general flow of conversation and timeliness of the committee's proceedings. The observer continued stating their initial suggestion was to, where possible, prompt more conversation from members, however clarified that this improved over the course of the meeting. One improvement

area the observer suggested was the tracking and soliciting of feedback from online participants, acknowledging the difficulty of doing so in a hybrid in-person/online format.

The meeting closed at 2.58pm.

Signed as a correct record of the meeting.

Chair

Date

DRAFT



Committee	Business Committee
Agenda title	CHES Replacement Technical Committee – review into operation
Item	3(d)
Purpose	To review the operation of the CHES Replacement Technical Committee after six months
Meeting date	19 July 2023
Prepared by	Business Committee Chair

ASX and members to discuss the structure, membership, frequency and material being discussed at the CHES Replacement Technical Committee.



Committee	Business Committee
Agenda title	CHESSE Replacement project - Assurance Program – EY Independent expert assurance report
Item	3e
Purpose	To advise the Business Committee that EY’s independent expert assurance report has been published and for the EY Partner to answer any questions on the report
Meeting date	19 July 2023
Prepared by	Chief Risk Officer (Hamish Treleaven)

Members can access EY’s independent expert assurance report via ASX’s website:

<https://www2.asx.com.au/content/dam/asx/markets/clearing-and-settlement-services/30-june-23-report-asx-independent-assessment-of-chess-replacement-assurance-program.pdf>.

This is the fourth independent expert report, and the third six-monthly progress report on the assessment of ASX’s Assurance Program for the CHESSE Replacement Project.

The objective of this report is to provide an update on the status of the remedial actions from the last 6 monthly December 2022 Report and the progress of completed assurance activities in the period. The report also includes an update on the trade outage independent expert review recommendations relevant to the CHESSE Replacement Project.

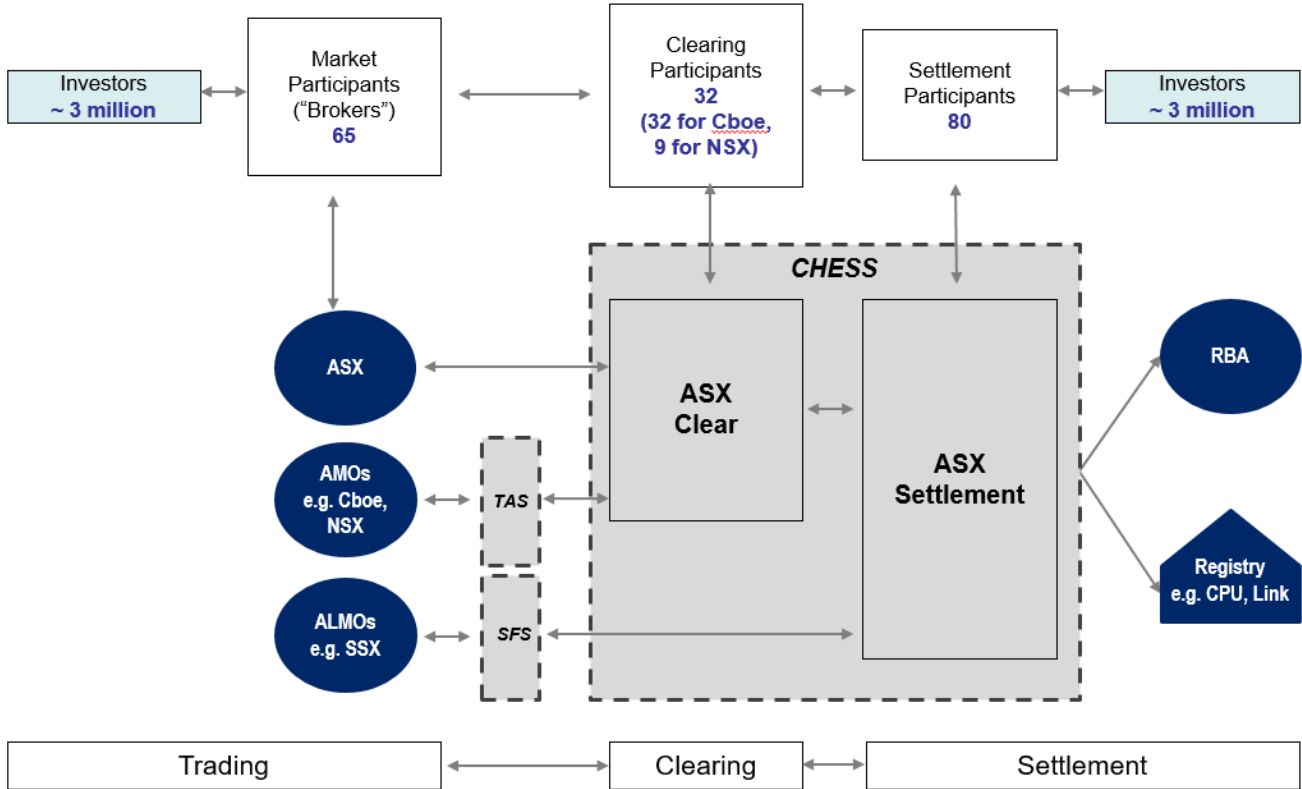
The EY Partner will attend the meeting to answer any questions on the report.



Committee	Business Committee
Agenda title	Service Performance: Cash Market Clearing and Settlement
Item	4a
Purpose	To report on key performance metrics for ASX's clearing and settlement services
Meeting date	19 July 2023
Prepared by	General Manager, Securities & Payments Operations (Suzy Munro) Senior Manager, Settlement Operations (Brendan Laird)



Market Structure Overview



The clearing and settlement of equities performs a critical role in the operation of Australia’s financial markets, helping to reduce counterparty and systemic risk, and provide transaction efficiency and certainty for end investors. Core processes that provide these benefits include novation, netting and settlement.

Service availability

Novation, netting and settlement are supported in ASX’s core system CHES, critical for market operations.

A key metric for monitoring system availability is the percentage of system uptime as measured against target availability times. The service availability target for CHES is 99.80%.

For the June 2023 quarter, the average monthly system availability was 100% for CHES. The average monthly availability of CHES has been 99.99% between November 2011 and June 2023.

Trade Acceptance Service and Settlement Facilitation Service

ASX Clear and ASX Settlement’s Trade Acceptance Service (TAS) provides a mechanism for AMOs (Cboe and NSX) to submit trades into CHES for clearing and settlement. The Settlement Facilitation Service (SFS) provides settlement arrangements for ALMOs (SSX) in respect of the CHES-eligible financial products listed on their market.

The TAS and SFS availability target is 99.80% (the same as CHES).

For the June 2023 quarter, the average monthly system availability was 100% for the TAS and SFS. The average monthly availability of the TAS and SFS has been 99.99% between November 2011 and June 2023 (the same as CHES).

Settlement Performance

A performance metric for monitoring the CHES settlement batch is the fail performance.

For the June 2023 quarter, the daily average fail performance rate has improved to 0.183%. The average fail rate during May 2023 (0.156%) was the record low monthly average fail rate.

The average fail rate has been 0.242% for the previous twelve months (July 2022 - June 2023), and 0.263% over the prior 3 year period (July 2020 - June 2023).

Month	June	May	April	March	February	January
Average Fail Rate	0.165%	0.156%	0.242%	0.224%	0.220%	0.339%
Maximum Fail Rate	0.307%	0.253%	0.417%	0.419%	0.739%	3.938%
Minimum Fail Rate	0.083%	0.109%	0.170%	0.093%	0.117%	0.098%
Average Value Based Fail Rate	0.064%	0.065%	0.116%	0.094%	0.087%	0.132%
Average Initial Fail Rate	0.023%	0.021%	0.029%	0.026%	0.029%	0.058%
Average Fail Rate (excl. unilateral)	0.131%	0.126%	0.197%	0.176%	0.181%	0.270%
# of days Fail rate > 0.50%	0	0	0	0	1	1
Batch Settlement Extensions	2	1	1	0	1	0
Fall back of Payment Provider	1	1	0	0	0	0

Reporting on clearing and settlement service performance

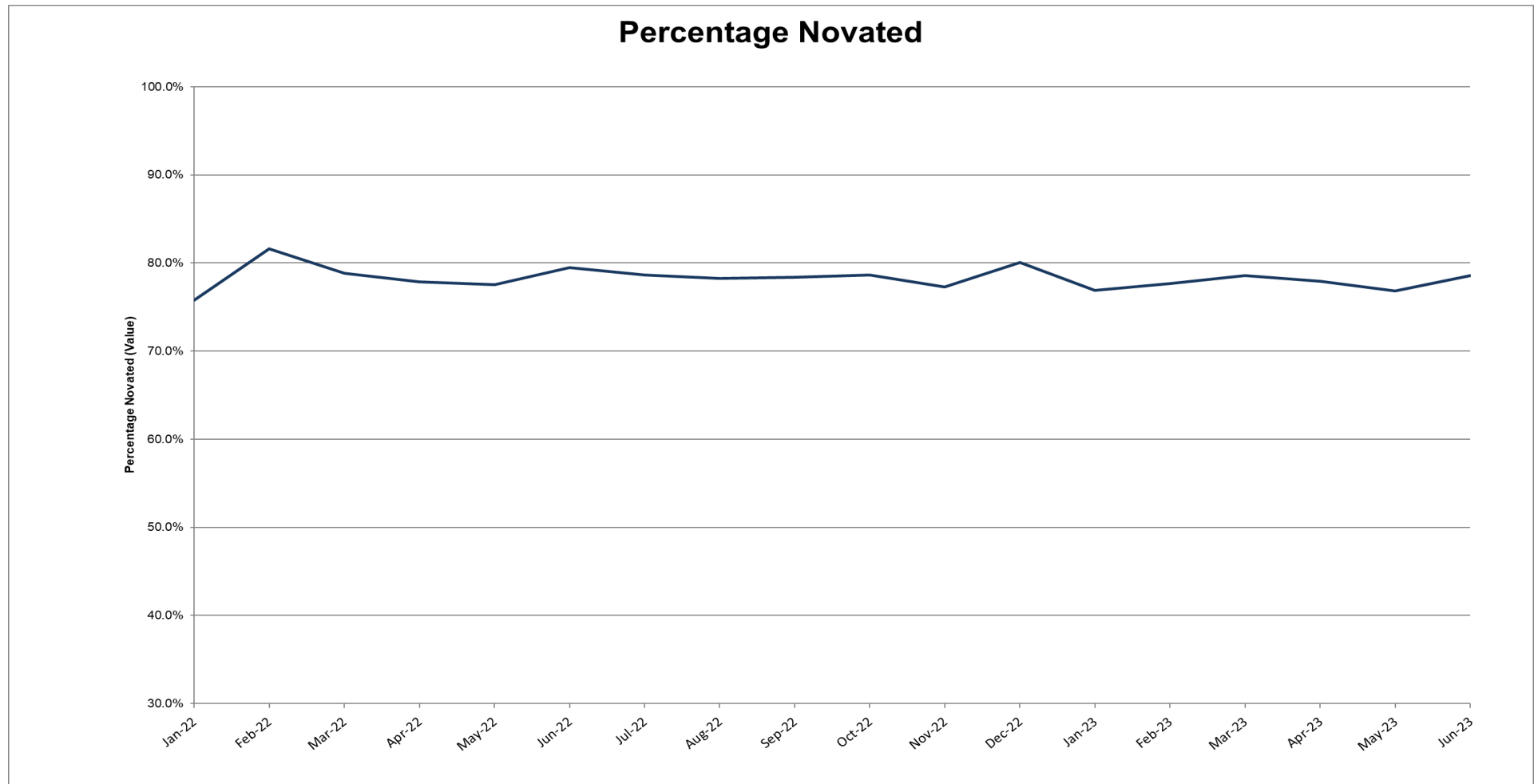
The key metrics noted above on novation, netting efficiency and settlement efficiency for the June 2023 quarter are reported in Attachment 4a.A. They are also supported by charts demonstrating a longer reporting period in Attachment 4a.B.

* Commencing March 2022 quarter, Traded Volume now includes transactions (for all AMOs) with settlement status "I" (e.g. crossings, informational)

ATTACHMENT 4a.A – SUMMARY METRICS RELATING TO THE PERFORMANCE OF ASX'S CLEARING AND SETTLEMENT SERVICE

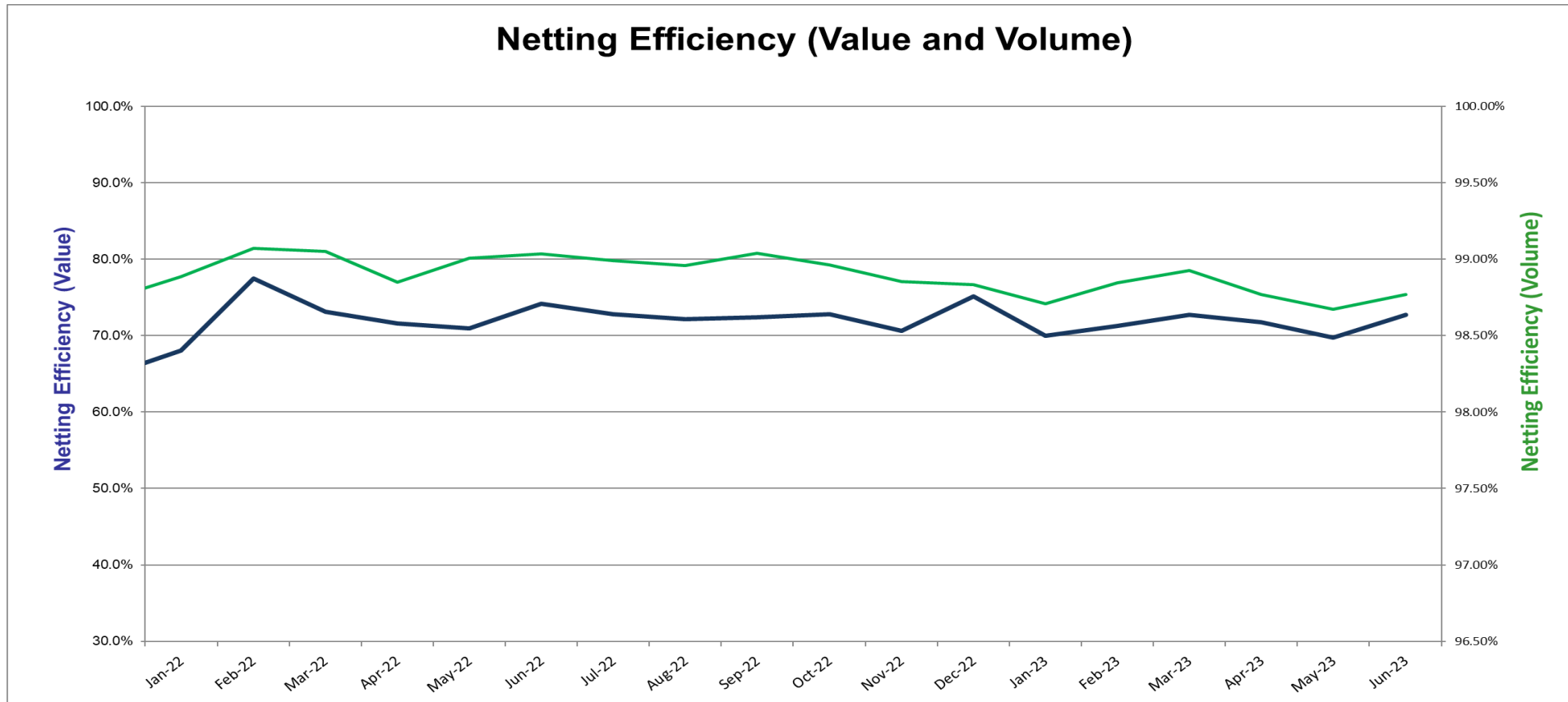
	June 2023 Quarter	March 2023 Quarter	December 2022 Quarter
System Availability (CHESS)	100%	100%	100%
System Availability (TAS)	100%	100%	100%
Trade registration			
Total Trades Accepted (ASX)	82,745,651	90,040,281	98,386,425
Total Trades Accepted (Cboe)	27,456,422	31,248,290	32,365,720
Total Trades Accepted (NSX)	118	90	177
Daily Average Trades across all AMOs	1,806,593	1,925,217	1,931,266
Clearing			
Daily Average Traded Value (On and Off Market) *	\$10.20 billion	\$10.41 billion	\$10.58 billion
Daily Average Cleared Value *	\$7.94 billion	\$8.10 billion	\$8.32 billion
Percentage Novated *	77.7%	77.6%	78.6%
Netting Efficiency (Value) *	71.4%	71.3%	72.8%
Netting Efficiency (Volume) *	98.7%	98.8%	98.9%
Daily Average Cleared Value Post-Netting	\$2.26 billion	\$2.31 billion	\$2.26 billion
Settlement			
Total Settlements (SSX)	0	0	2
Total Value of Settlements (SSX)	\$0	\$0	\$960
Batch Settlement			
Daily Average Settled Value (Including Non-Novated)	\$12.18 billion	\$11.93 billion	\$11.96 billion
Settlement Efficiency (Value)	99.92%	99.90%	99.85%
Average Daily CHESS Fail Rate (% Rescheduled to the next settlement date)	0.183%	0.259%	0.269%
Average Value Based Fail Rate (% Rescheduled to the next settlement date)	0.079%	0.104%	0.154%

ATTACHMENT 4a.B – PERFORMANCE OF ASX’S CLEARING AND SETTLEMENT SERVICES FROM JANUARY 2022 TO JUNE 2023



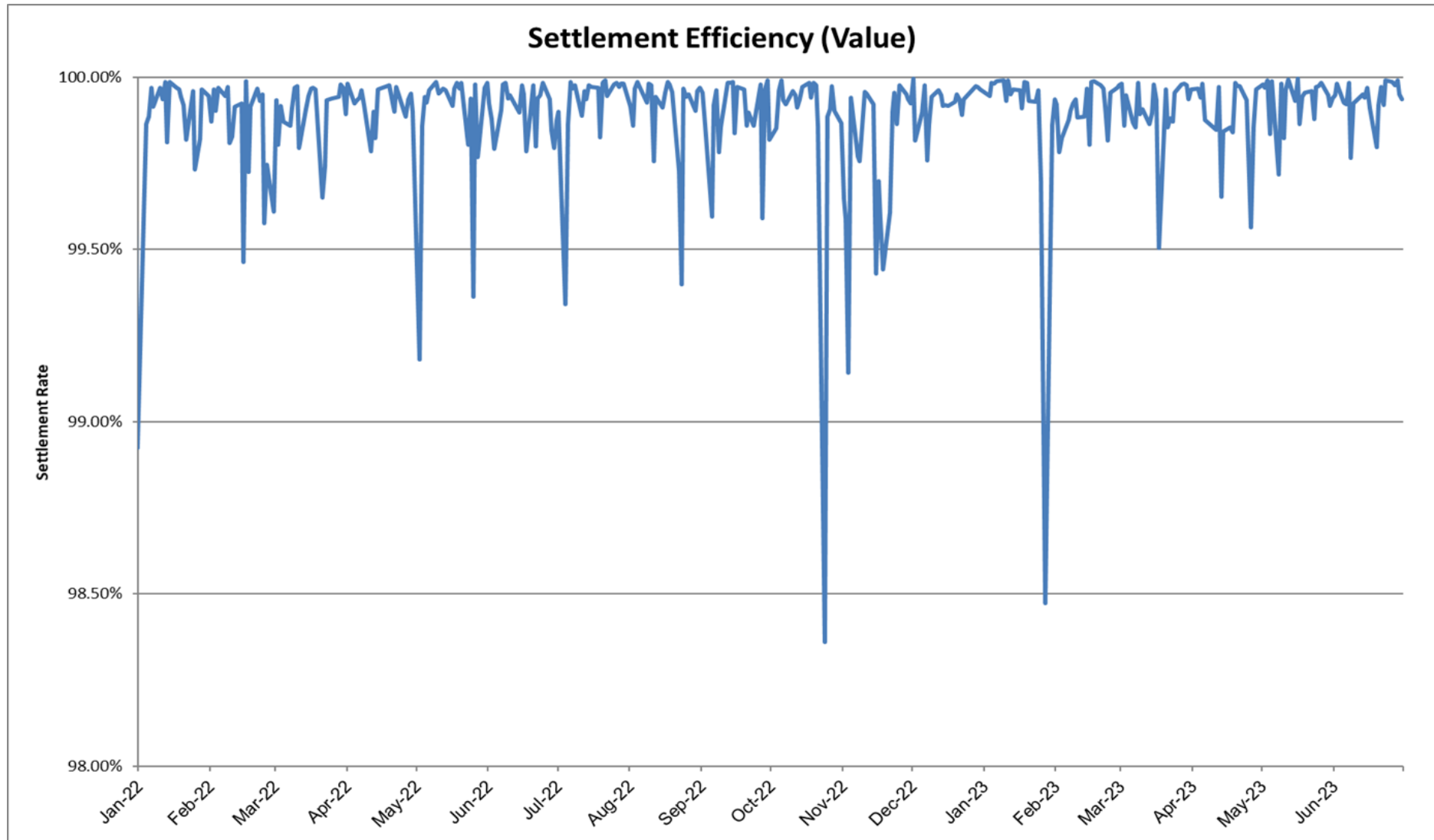
- Commencing March 2022 quarter, Traded Volume now includes transactions (for all AMOS) with settlement status “1” (e.g. crossings, informational

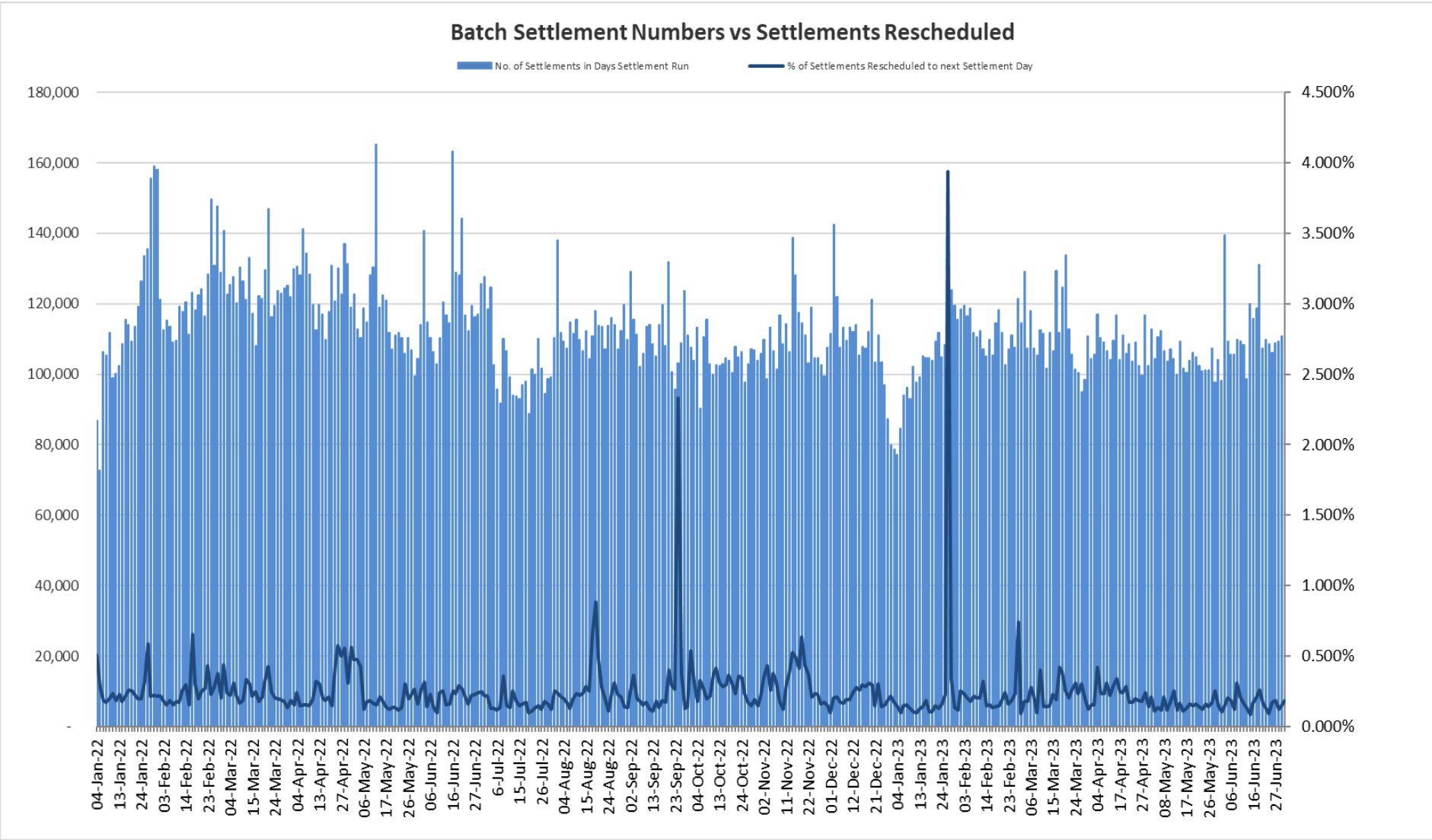
Netting Efficiency (Value and Volume)

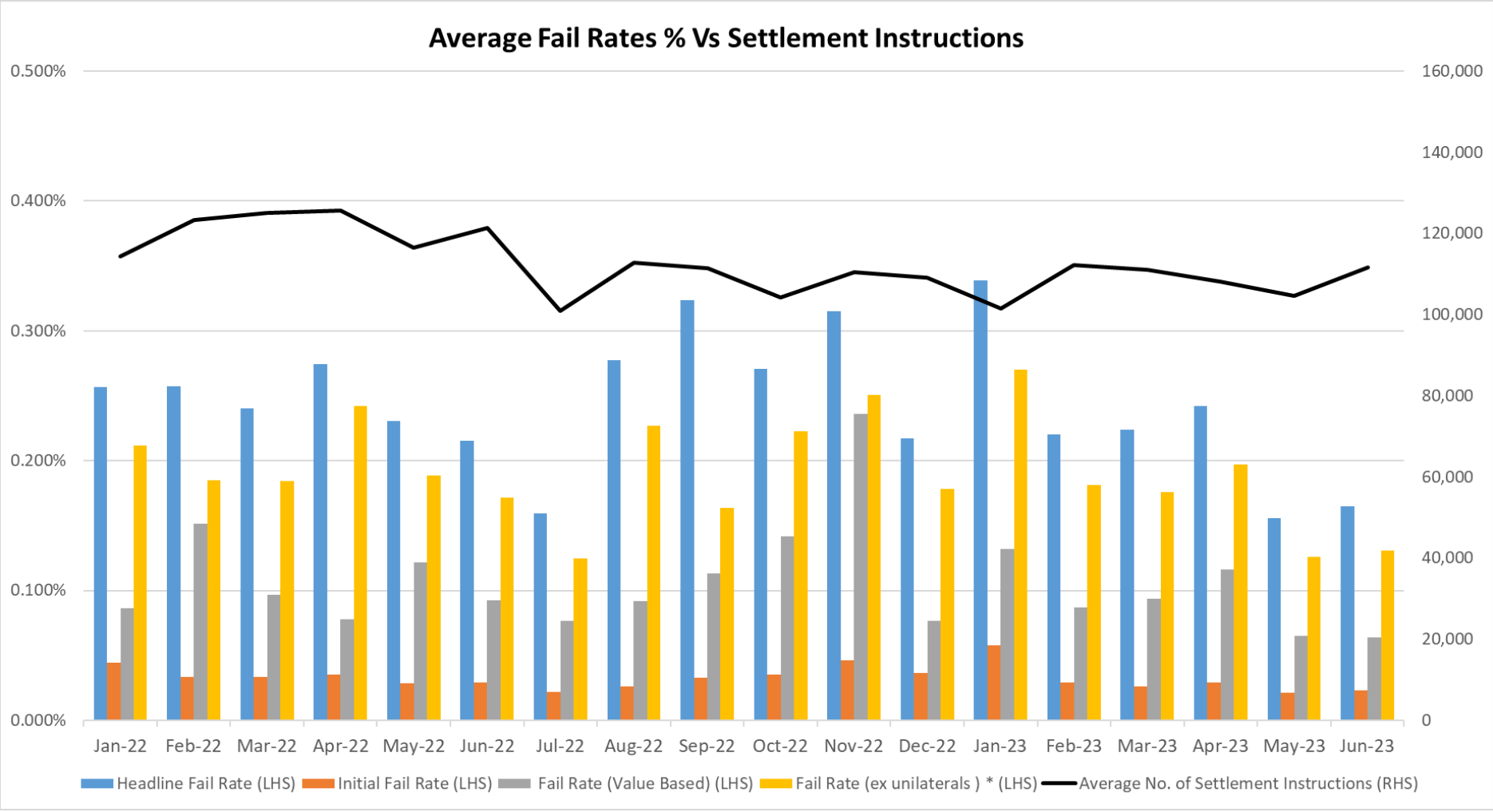


- Commencing March 2022 quarter, Traded Volume now includes transactions (for all AMOS) with settlement status "I" (e.g. crossings, informational)

ATTACHMENT 4a.C – BATCH SETTLEMENT NUMBERS VS RESCHEDULED JANUARY 2022 TO MARCH 2023







Committee	Business Committee
Agenda title	Maintaining the stability of existing CHES
Item	4b
Purpose	To provide Business Committee members with an update on the programme of work to ensure existing CHES continues to provide the level of service, reliability and resilience required by the market until CHES replacement is implemented
Meeting date	19 July 2023
Prepared by	Acting Group Executive, Securities & Payments (Andrew Jones) General Manager, Technology, Securities & Payments (Sabra Mott)

Overview

The CHES service continues to operate within key performance indicators, achieving service level objectives for all of CY2022 and CY2023 to date:

- 100% availability
- No major incidents (Severity 1 or Severity 2)
- Successful disaster recovery test completed on 13 May 2023 with next disaster recovery test planned for 11 May 2024
- 100% headroom capacity threshold of 5M trade registrations: CHES peak day volume of 2,112,765 in June 2023, peak day volume was 4.587M in 2022, historical peak day volume 6.593M on March 13, 2020. CHES has been tested to process 10M.

The CS Facilities have established operational risk management frameworks with appropriate systems, policies, procedures and controls to identify, monitor and manage operational risk.

The objectives of the frameworks extend to, but are not limited to, targets for system availability, scalable capacity adequate to handle increasing volumes, physical and information policies that address potential vulnerabilities and threats, business continuity arrangements for timely recovery of operations and availability of well-trained and competent personnel.

Internal audits and independent external expert reviews are undertaken of operations, management processes and internal control mechanisms.

Outlook

ASX continues to invest in the ongoing supportability and maintenance requirements of current CHES.

The “Special Report” on prescribed matters relating to CHES was provided to ASIC on 28 April 2023 (accompanied by a CS Board attestation) and an Audit Report prepared by EY to ASIC on 31 May 2023. ASX’s focus is to deliver the 27 initiatives outlined in the “Special Report”. Five out of 27 have completed to date. ASX intends to engage EY to provide assurance with respect to the roadmap progress and EY audit recommendations.

Initiatives planned in 2023 that would have customer impact considerations are:

	Customer Impact (Y/N)	Indicative Date
Upgrade frontend servers and operating system	Y (UAT)	Completed Successfully
Upgrade hardware security module (HSM) devices (i.e. encryption devices)	Y (UAT)	29 July – start of Nov 2023
Migrate all customers VPN access from v3 to v4	Y (internet customers only)	13 out of 25 upgraded
CHESS Access – upgrade the programming language and MQ series version	TBD	TBD

Other initiatives are to ensure the scalability and useful life of current CHESS continues until CHESS replacement can be safely implemented.



Committee	Business Committee
Agenda title	Update on ASX's holistic management of all CHES related items
Item	4c
Purpose	To provide Business Committee members with an update on the holistic program of work that ASX has established to address all of the CHES related items
Meeting date	19 July 2023
Prepared by	Chief Risk Officer (Hamish Treleaven)

Overview

This paper and attached slide deck sets out an update on the holistic program of work that ASX has established to address all of the CHES related work items and with a particular focus on the regulatory requirements announced in mid-December 2022 and mid-February 2023.

The CHES Action Plan was first discussed with the Business committee at the March 2023 meeting.

The regulatory requirements that the CHES Action Plan is based on were delivered by way of either ASIC directions power notices or RBA Letter of Expectation.

The Business Committee will be kept up-to-date on the outcome of this work with almost all of it being subject to public reporting.

Attachment 4c.A – Slide deck outlining holistic work program addressing all of CHES related items

CHES Action Program

Business Committee update

July 2023

Reminder of the discussion at the last Business Committee: CHES Action Program – workstreams

Category	RBA letter and CHES/FSS items	Current CHES operational resilience	Accenture report recommendations & Special Report	Customer/Stakeholder engagement	Solution Reassessment	Governance and conflicts review	Partnership Program	PJC response and planning	FMI Reporting	PPPM Special Report
Purpose	Range of issues on current and new CHES to address outstanding FSS items Intraday margining and comingling of house/client	Resilience of current CHES to 2028. Deliver Special Report and EY audit. Continue with work program	Close out 45 Accenture recommendations. CHES specific and ASX wide. Deliver Special Report.	Coordinated customer and stakeholder engagement	Undertake solution reassessment and present business case to CS Board for approval	Undertake expert review of CHES conflicts arrangements and publish governance arrangements	Develop program to encourage ongoing project involvement and jointly meet milestones	Respond to PJC questions on notice and plan for next hearing	Provision of prudential reporting to the RBA pursuant to FSS requirements	Deliver PPPM Special Report covering details set out in ASIC notice. Audit by EY
Time period	Likely through to end of 2024	Through to 2028	Likely through to end of 2023. Special Report by 30 June 2023. Audit by 31 July 2023	Ongoing	Likely completed by fourth quarter 2023	Review likely completed by end of June 2023. Overall response ongoing through to end 2024	2023 and ongoing	Responses to questions from 23 Feb hearing due on 16 March.	Project expected to complete by Jun 2023. One aspect is extended until March 2024	Special Report by 30 Sept 2023. Audit by October 2023
Reviews or Assurance	Comments in the RBA's FSS	EY	EY	N/A	EY	HSF	N/A	N/A	Comments in the RBA's FSS	EY
Public reports	Yes	Yes	Yes	Yes	Yes	Yes	N/A	Yes	N/A	Yes

Progress since the last BC and expected progress to next BC: CHES Action Program

Category	RBA letter and CHES/FSS items	Current CHES operational resilience	Accenture report recommendations & Special Report	Customer/Stakeholder engagement	Solution Reassessment	Governance and conflicts review	Partnership Program	PJC response and planning	FMI Reporting	PPPM Special Report
Purpose	Range of issues on current and new CHES to address outstanding FSS items Intraday margining and comingling of house/client	Resilience of current CHES to 2028. Deliver Special Report and EY audit. Continue with work program	Close out 45 Accenture recommendations. CHES specific and ASX wide. Deliver Special Report.	Coordinated customer and stakeholder engagement	Undertake solution reassessment and present business case to CS Board for approval	Undertake expert review of CHES conflicts arrangements and publish governance arrangements	Develop program to encourage ongoing project involvement and jointly meet milestones	Respond to PJC questions on notice and plan for next hearing	Provision of prudential reporting to the RBA pursuant to FSS requirements	Deliver PPPM Special Report covering details set out in ASIC notice. Audit by EY
Progress since last BC	Responses provided to RBA by 30 June.	ASX's report and EY's audit published in second week of June	ASX's report provided to ASIC on 30 June.	Technical Committee engagement strategy designed. EY assurance review	Solution reassessment underway. EY providing assurance	HSF review of CHES conflicts management arrangements complete and shared with ASIC/RBA	Initial tranche of payments made	ASX has attended a PJC hearing on 8 June. CBOE, NSX, Finclear, EY, DA, CPU have also attended on 27 June	ASX has had further funding approved and agreed delivery dates for CHES data with RBA	PM Partners engaged to help with assessment of ASX against framework. EY engaged to audit the Special Report
Expected progress through to next BC	Commentary in the RBA's FY 23 FSS	Continued execution of current CHES roadmap. Engagement of EY to audit progress. ASIC's regulatory response to CHES Special Report	EY's audit due by end of July. Both reports published first/second week of August	Publication of EY assurance review	Solution design and business case finalization. Publication of EY assurance review	Publication of HSF conflicts review and CHES governance arrangements	Further payments pending	Next PJC hearing expected around September	Final tranche of data delivery due November 2023	Special Report completed by 30 Sept. EY audit completed by 30 Oct. Both reports published first two weeks of November.
Public reports	Yes	Yes	Yes	Yes	Yes	Yes	N/A	Yes	N/A	Yes
Has ASX met regulator expectations	Yes	Yes	Yes	Further work required	Yet to be completed, on track	Yes	N/A	N/A	Yet to be completed, on track	Yet to be completed, on track



Committee	Business Committee
Agenda title	Regulatory Expectations Audit – Terms of Reference
Item	4d
Purpose	To advise the Business Committee that the external audit of ASX’s compliance against the Regulatory Expectations is expected to commence soon
Meeting date	19 July 2023
Prepared by	Chief Risk Officer (Hamish Treleaven)

In the *Regulatory Expectations for Conduct in Operating Cash Equity Clearing and Settlement Services in Australia* there is a requirement for ASX to commit to submitting an annual external audit of its governance, pricing and access arrangements against the Regulatory Expectations. The audit is designed to identify if there has been any evidence of non-compliance by ASX with its regulatory expectations obligations.

The FY23 audit is due to commence shortly. The audit methodology this year will be the same as in previous years.

As part of their review, PwC will select a group of Committee members and approach them directly to discuss their audit questions. ASX will not be involved in this process. This direct approach is intended to enable the auditors to achieve a more representative sample of stakeholders and to better understand the feedback received.

It is expected each discussion would generally involve no more than 15-30 minutes of a member’s time. We would encourage members to contribute to this process.

Members can also indicate to the auditors if they wish to be interviewed as part of the process. Please contact Deanna Chesler (deanna.chesler@pwc.com) or Glenn Mackrell (glenn.y.mackrell@pwc.com).

The Terms of Reference for the annual external audit set out the objectives, scope and approach for the external audit and is provided in Attachment 4d.A.

Attachment 4d.A – Terms of Reference

Regulatory Expectations External Audit Terms of Reference

Background

In the ‘Regulatory Expectations for Conduct in Operating Cash Equity Clearing and Settlement Services in Australia’ (CFR Policy Statement), there is a requirement for ASX to commit to submitting an annual external audit of its governance, pricing and access arrangements against the Regulatory Expectations.

To meet this requirement, ASX will annually commission an external audit conducted by an independent assurance firm. ASX has appointed PwC to perform the audit. As ASX’s external auditors, PwC is, under the requirements of the Corporations Act, independent of ASX.

The purpose of this document is to highlight the objectives, scope and approach for the external audit.

Objective

The objective of the external audit is to assess ASX’s governance, pricing and access arrangements for the provision of cash equities clearing and settlement services. To meet this objective, ASX’s governance, pricing and access arrangements will be assessed against the requirements of the Regulatory Expectations outlined in the CFR Policy Statement.

Scope

The external audit will assess whether ASX’s policies and procedures are aligned with the Regulatory Expectations (i.e. it will assess the effectiveness of the design of the policies and procedures). In addition, it will assess if ASX’s operations have been conducted in accordance with such policies and procedures during the review period (i.e. the operating effectiveness of the policies and procedures).

In accordance with the Regulatory Expectations, the external audit will not provide an opinion on subjective matters contained in the Regulatory Expectations, for example, on the promptness and efficiency of investments or the efficiency of prices.

Each of the Regulatory Expectations, against which ASX’s governance, pricing and access arrangements will be assessed under the external audit, are set out in the following pages.

Approach

The external audit is to be conducted in accordance with the *Australian Standard on Assurance Engagements 3100 – Compliance Engagements* (ASAE 3100) issued by the Australian Auditing and Assurance Standards Board. In accordance with ASAE 3100, the assurance report will provide an opinion on ASX’s compliance with the Regulatory Expectations.

The approach will include, but not be limited to:

- performing a comparison of the compliance framework put in place by ASX against the requirements of the Regulatory Expectations
- testing of policies and procedures on a sample basis to assess whether they were designed appropriately and are operating effectively in accordance with the Regulatory Expectations
- conducting interviews with a sample of the members of the Business Committee to seek feedback in relation with ASX’s compliance with the Regulatory Expectations
- providing management with a report of findings, and seeking responses where required, and
- tracking the progress of previous audit recommendations and management action.

Timing and reporting

The external audit subject to these Terms of Reference will commence in July 2023 and cover the period 1st July 2022 to 30th June 2023.

The external audit will be completed and the external auditor's report will be published within three months following the end of each financial year. The auditor's report will be provided to the relevant ASX Boards, the Council of Financial Regulators, the Australian Competition and Consumer Commission; and the Business Committee promptly after the report's completion.

ASX will publish the external auditor's report on the ASX website.

Commitment from the ASX

To perform this audit, the auditor will have rights of access to the documents and resources it considers necessary to fulfil its responsibilities, including:

- relevant staff
- IT systems, documentation and processes, and
- minutes and meeting documentation for the Business Committee, other relevant user governance arrangements and the relevant ASX Boards.

Audit Scope - Regulatory Expectations

<p>1. User input to governance</p> <p>To ensure responsiveness to users’ evolving needs, transparent formal mechanisms should be maintained within ASX’s governance framework to give users a strong voice in strategy setting, operational arrangements and system design, and to make ASX’s monopoly cash equity CS services directly accountable to users. As part of this:</p>	
1(a)	ASX should make an explicit public commitment to investing promptly and efficiently in the design, operation and development of the core CS infrastructure for the Australian cash equity market, including the Clearing House Electronic Sub-register System (CHES) and any future replacement system. This commitment should be supported by governance processes that enable users to provide input on the setting of the investment strategy. Investments should ensure that, to the extent reasonably practicable, the performance, resilience, security and functionality of the core CS infrastructure meet the needs of users, recognising the diversity and differing needs of users. At a minimum, the core CS infrastructure should accommodate internationally accepted communication procedures and standards.
1(b)	ASX should ensure that the membership of its user governance arrangements is representative of the user base of its CS services, and that members are able to have a strong input into the agenda and format of meetings or other user governance mechanisms and the setting of priorities.
1(c)	ASX should demonstrate that it has had regard to the views of members in setting the terms of reference for the external audits of its governance, pricing and access arrangements carried out in accordance with the Regulatory Expectations. This may take the form of members’ non-objection of the proposed terms of reference. These terms of reference may change following any review of the Regulatory Expectations.
1(d)	ASX should maintain accountability arrangements that provide for regular public attestations as to the effectiveness of its interactions with users. For example, the following arrangements would be appropriate: <ul style="list-style-type: none"> i. ASX’s user governance mechanisms operate on a ‘comply or explain’ basis; that is, the relevant Board would take actions in accordance with recommendations from the user governance mechanisms, or else explain why such actions had not been taken. ii. ASX report, on at least an annual basis, the service developments and investment projects that it has progressed and how it has taken into consideration the views of users.
1(e)	ASX should formally commit to retaining a Board structure for ASX Clear and ASX Settlement that comprises a minimum of 50 per cent of non-executive directors that are also independent of ASX Limited, and where a subset of these independent directors can form a quorum.
1(f)	ASX should establish governance structures and reporting lines at the management and operational levels that promote access to its CS services on commercial, transparent and non-discriminatory terms. These arrangements should ensure that the interests of users are upheld in accordance with Regulatory Expectation 3. This may be demonstrated, for example, through the key performance indicators set for relevant management.
<p>2. Transparent, non-discriminatory and fair and reasonable pricing of CS services</p> <p>ASX should publicly commit to an appropriate minimum level of transparency of pricing across its range of monopoly cash equity CS services (including the provision of data). The pricing of these services should not discriminate in favour of ASX-affiliated entities (except to the extent that the efficient cost of providing the same service to another party was higher). Other than where pricing is anti-competitive or gives rise to financial stability or market functioning issues, the fees charged by ASX are a commercial matter for ASX and its customers. Nevertheless, to</p>	

<p>ensure that the fees charged by ASX for its cash equity CS services are transparent, non-discriminatory, and fair and reasonable:</p>	
2(a)	<p>ASX should ensure that all prices of individually unbundled CS services, including rebates, revenue-sharing arrangements and discounts applicable to the use of these services:</p> <ul style="list-style-type: none"> i. are transparent to all users of the services ii. do not discriminate in favour of ASX-affiliated entities, except to the extent that the efficient cost of providing the same service to another party was higher iii. are made available to stakeholders in a form such that the impact of pricing changes can be readily understood.
2(b)	<p>ASX should maintain an appropriate method for determining the prices of its CS services so as to generate expected revenue that reflects the efficient costs of providing those services, including a return on investment commensurate with the commercial risks involved.</p>
2(c)	<p>ASX should make an explicit public commitment that any changes in the prices of its CS services will not be implemented in a way that would materially shift revenue streams between aspects of its trading, clearing and settlement services.</p>
2(d)	<p>ASX should publish any increases in its CS fee schedules along with an attestation justifying their reasonableness. For the most material such increases, this attestation would be expected to refer to relevant metrics and other evidence, such as the calculated return on equity, benchmarked price lists, or an independent review of how ASX’s cash equity CS fees compare with those of CS facilities in other markets.</p>
2(e)	<p>ASX should maintain an appropriate model for the internal allocation of costs, including the cost of allocated capital, as well as policies to govern the transfer of prices between the relevant ASX Group entities. Compliance with the model and policies would be expected to be subject to internal audit review. The model and policies should be based on reasonable cost allocation principles. For example:</p> <ul style="list-style-type: none"> i. where possible, costs should be directly allocated to the service(s) which give rise to those costs ii. shared costs should be allocated based on appropriate and transparent metrics.
2(f)	<p>ASX should negotiate commercially and in good faith with unaffiliated market operators and CS facilities regarding fees and other financial contributions charged for any extensions to its monopoly CS services, and in particular those provided under the existing Trade Acceptance Service and the Settlement Facilitation Service.</p>
<p>3. Commercial, transparent and non-discriminatory access to CS services – service levels, information handling and confidentiality</p> <p>ASX should facilitate access to its cash equity CS services (including data) on commercial, transparent and non-discriminatory terms. Non-discriminatory terms in this context are terms that do not discriminate in favour of ASX-affiliated entities (except to the extent that the cost of providing the same service to another party is higher). As part of this:</p>	
3(a)	<p>ASX should have objectives for its CS services that include an explicit public overarching commitment to supporting access to its CS services on commercial, transparent and non-discriminatory terms. ASX should maintain standard user terms and conditions that are consistent with these objectives, taking into account the legitimate business interests of ASX and any parties seeking access to its CS services.</p>
3(b)	<p>Service level agreements should commit ASX to providing access to its CS services for unaffiliated market operators and CS facilities on operational and commercial terms and service levels that are materially equivalent to those that apply to ASX as a market operator or CS facility.</p>

3(c)	ASX should publish and adhere to protocols for dealing fairly and in a timely manner with requests for access. These protocols should include reasonable timeframes for responding to enquiries and arrangements for dealing with disputes. Nothing in the protocols should affect either party’s right to refer a dispute to arbitration by the ACCC once the arbitration regime is implemented.
3(d)	ASX should make an explicit commitment to ensuring that any investments in the systems and technology that support its cash equity CS services do not raise barriers to access from unaffiliated market operators or CS facilities. Announcements of any material investments in the systems and technology that support ASX’s cash equity CS services should be accompanied by a public attestation that those investments will be designed in a way that does not raise such barriers.
3(e)	ASX should retain, and periodically review, its standards for the handling of sensitive or confidential information. Consistent with governance arrangements that promote access on commercial, transparent and non-discriminatory terms (see Regulatory Expectation 1(e)), these arrangements should ensure that conflict sensitive information pertaining to the strategic plans of unaffiliated market operators or CS facilities is handled sensitively and confidentially, and cannot be used to advance the interests of ASX as a market operator or CS facility.



Committee	Business Committee
Agenda title	Code of Practice updates
Item	4(e)
Purpose	To communicate minor updates to ASX's Cash Equities Clearing and Settlement Code of Practice
Meeting date	19 July 2023
Prepared by	Manager, Equity Post Trade (Adriarne Gatty)

ASX's Cash Equities Clearing and Settlement Code of Practice (Code of Practice) sets out ASX's commitment to comply with the Regulatory Expectations for the Conduct of Cash Equity Clearing and Settlement Services in Australia ([Regulatory Expectations](#)), and its commitments to customers and other stakeholders in managing cash equities clearing and settlement infrastructure and services for the Australian market.

Further information and historical context on the Code of Practice is published on ASX's [website](#).

ASX has made a number of minor updates to the Code of Practice, as marked-up in Attachment A. A clean version of the Code of Practice is included as Attachment B. ASX intends to update the version of the Code of Practice published on its website after the Business Committee meeting.

Attachment 4e.A – Code of Practice (marked-up)

Attachment 4e.B – Code of Practice

ASX Cash Equities Clearing and Settlement Code of Practice

ASX CLEAR AND ASX SETTLEMENT

Customer and stakeholder commitments

In ~~October~~September 2017~~6~~, the 'Regulatory Expectations for the Conduct of Cash Equity Clearing and Settlement Services in Australia' (Regulatory Expectations) were ~~released~~updated by the Council of Financial Regulators. This Code of Practice sets out ASX's commitment to comply with the Regulatory Expectations, and its commitments to customers and other stakeholders in managing cash equities clearing and settlement infrastructure and services for the Australian market.

ASX is committed to ensuring Australia's clearing and settlement infrastructure is efficient, well capitalised, and well regulated. ASX recognises the importance of working collaboratively with customers and other stakeholders to deliver world class financial infrastructure and clearing and settlement services that meet the needs of a diverse range of users in the Australian cash equities market.



1

Customer and stakeholder engagement

ASX is committed to meaningful engagement with customers and other stakeholders about the ongoing development of cash equity clearing and settlement infrastructure. ASX recognises the importance of engagement on the design and functionality of the infrastructure to ensure it continues to meet the needs of users and the market, and is consistent with relevant international best practice

2

Transparent and non-discriminatory pricing

ASX's group structure supports the efficient delivery of services to all users. ASX is committed to the principles of transparency and non-discrimination in pricing its cash equities clearing and settlement services (including the provision of data)

Code of Practice

3

Transparent and non-discriminatory access

ASX is committed to providing access to clearing and settlement services (including the provision of data) on transparent and non-discriminatory terms, and will respond to requests for access in a fair and timely manner

4

Protection of confidential information

ASX Clear and ASX Settlement will not misuse any confidential information acquired in the course of providing clearing and settlement services



1. Customer and stakeholder engagement

ASX is committed to meaningful engagement with customers and other stakeholders about the ongoing development of cash equity clearing and settlement infrastructure. ASX recognises the importance of engagement on the design and functionality of the infrastructure to ensure it continues to meet the needs of users and the market, and is consistent with relevant international best practice

Commitments

- ASX will invest in the ongoing operation and development of the core cash equities clearing and settlement infrastructure promptly and efficiently. Such investments will seek to meet the needs of users¹ and the market, recognising the diversity and differing needs of users
- ASX will maintain an advisory Business Committee consisting of representatives of financial market issuers and intermediaries and /or their industry associations, ~~and~~ other listing and trading markets, and other relevant stakeholders which connect to or use ASX's cash equities clearing and settlement infrastructure
- ASX will hold quarterly Business Committee meetings for the purpose of providing input to Management and the Boards of ASX Clear and ASX Settlement on the ongoing operation and development of cash equities clearing and settlement infrastructure and services
- The Boards of ASX Clear and ASX Settlement will give due consideration to any material matters raised by, or recommendations of, the Business Committee. The Boards of ASX Clear and ASX Settlement will receive recommendations of the Business Committee on a 'comply or explain' basis. If the Boards do not accept a recommendation, they will jointly provide a written explanation to the Business Committee
- ASX will consult the Business Committee on its investment decisions in relation to the design, operation and development of new cash equities clearing and settlement infrastructure and services, including the development of a transition and implementation plan for new infrastructure
- ASX will report annually to the Business Committee on the cash equities clearing and settlement service developments and investment projects progressed, and how it has taken into consideration the views of users
- ASX will commission an annual independent review of its governance, pricing and access arrangements benchmarked against the Regulatory Expectations. ASX will submit the draft terms of reference for the annual independent review to the Business Committee. A report prepared by the reviewer will be provided to the Business Committee and the Agencies (ACCC, ASIC, RBA and Treasury)
- Any interested party may provide information to ASX Clear and ASX Settlement in respect of the operation and development of cash equities clearing and settlement infrastructure and services by sending a written submission to the Chair of the Business Committee or the ASX Group General Counsel
- ASX will respond to any complaints relating to the provision of cash equities clearing and settlement services or this Code of Practice by users in a timely manner in accordance with its Customer Complaints Policy ~~Complaints Handling Procedures~~.

¹ The term 'users' in this document has the same meaning as that set out in the Regulatory Expectations. In the Regulatory Expectations, users are broadly defined 'to include participants of the ASX CS facilities; end users; unaffiliated market operators, central counterparties and settlement facilities; technology service providers; and other relevant stakeholders'. ASX takes the term 'end users' to include issuers and investors, and the term 'other relevant stakeholders' to include share registries and payment providers.



2. Transparent and non-discriminatory pricing

ASX's group structure supports the efficient delivery of services to all users. ASX is committed to the principles of transparency and non-discrimination in pricing its cash equities clearing and settlement services [\(including the provision of data\)](#)

Commitments

- ASX will publish on its website fee schedules for all clearing and settlement services, including a brief description of each service
- The published fee schedules will set out the details, including eligibility criteria, of any rebates, revenue-sharing arrangements and discounts applicable to each service
- ASX Clear and ASX Settlement will not implement price changes with the purpose of materially shifting revenue streams between other trading, clearing and settlement services
- ASX will publish any increases in its fee schedules for clearing and settlement services, and attest to their reasonableness
- ASX will provide customers with information to assist them to assess the expected cost impacts of pricing changes and the expected cost impacts associated with new products and initiatives
- ASX will annually publish management accounts in respect of the clearing and settlement of cash equities in Australia. The management accounts will be subject to review by an external auditor
- ASX will publish a cost allocation and transfer pricing policy that describes the methodology used for allocating revenue, directly attributable costs, indirect and common shared costs and capital that relates to the clearing and settlement of cash equities in Australia. This policy will be reflected in the published management accounts
- ASX will maintain an appropriate method for determining the prices of its cash equities clearing and settlement services so as to generate expected revenue that reflects the efficient costs of providing those services, including a return on investment commensurate with the commercial risks involved
- ASX Clear and ASX Settlement will provide non-discriminatory pricing to all customers, including ASX-affiliated entities, and potential users of clearing and settlement services
- ASX Clear and ASX Settlement will charge all customers, including ASX-affiliated entities, non-discriminatory prices for materially equivalent services
- ASX will negotiate on commercial grounds and in good faith with other market operators regarding fees and other financial contributions charged for any extensions to the Trade Acceptance Service and the Settlement Facilitation Service.



3. Transparent and non-discriminatory access

ASX is committed to providing access to clearing and settlement services (including the provision of data) on transparent and non-discriminatory terms, and will respond to requests for access in a fair and timely manner

Commitments

- ASX is committed to ensuring its investments in the systems and technology that support its cash equities clearing and settlement infrastructure are not designed in such a way as to raise barriers to access to other market operators or clearing and settlement facilities
- ASX Clear and ASX Settlement will publish transparent standard terms and conditions for access to cash equities clearing and settlement services by participants, and access to clearing and/or settlement arrangements for cash equities to other market operators through either the Trade Acceptance Service or the Settlement Facilitation Service
- ASX Clear and ASX Settlement will provide access to clearing and settlement services on a non-discriminatory basis
- ASX Clear and ASX Settlement will not unreasonably prohibit, condition or limit (directly or indirectly) access by a person or company to clearing and settlement services
- ASX Clear and ASX Settlement will consider requests for access to clearing and settlement services by other market operators, including requests for changes to clearing and settlement services, in a timely manner
- ASX Clear and ASX Settlement will provide access to clearing and settlement services to other market operators on operational and commercial terms and service levels that are materially equivalent to those that apply to ASX's market
- Where a request for a change in the clearing and/or settlement services provided under the Trade Acceptance Service or Settlement Facilitation Service has been agreed, ASX Clear and/or ASX Settlement will provide in writing to the customer the scope of any technical development and any changes to the ASX operating rules and procedures required. An indicative cost and timeline for implementing the change and the internal project priority will also be provided in writing
- ASX Clear and ASX Settlement will consult other market operators on the service levels under the Trade Acceptance Service and the Settlement Facilitation Service from time to time
- ASX Clear and ASX Settlement will publish protocols which set out target timeframes for responding to requests for access to cash equities clearing and settlement services
- ASX Clear and ASX Settlement will publish protocols for dispute resolution processes for other market operators regarding pre-access disputes. Post-access dispute processes will be provided in the legal terms for the Trade Acceptance Service and the Settlement Facilitation Service.



4. Protection of confidential information

ASX Clear and ASX Settlement will not misuse any confidential information acquired in the course of providing clearing and settlement services

Commitments

- ASX Clear and ASX Settlement will comply with ASX's published ~~Conflicts Handling Arrangements Management Policy~~
- ASX Clear and ASX Settlement will comply with the published Information Handling Standards for the protection of confidential and competitively sensitive information acquired by ASX Clear and ASX Settlement in the course of providing the Trade Acceptance Service and the Settlement Facilitation Service
- ASX Clear and ASX Settlement will periodically review the Information Handling Standards to ensure that they remain effective
- ASX Clear and ASX Settlement will not use any confidential or competitively sensitive information acquired in the course of providing clearing and settlement services for any other purpose than that for which it was provided
- ASX Clear and ASX Settlement will not use any confidential or competitively sensitive information acquired in the course of providing clearing and settlement services to provide an advantage to an affiliated entity of ASX Clear or ASX Settlement
- ASX Clear and ASX Settlement Boards will be comprised of at least 50 per cent non-executive directors that are not also directors of ASX Limited
- ASX will ensure that a quorum for the Boards of ASX Clear and ASX Settlement can be constituted by directors that are not also directors of ASX Limited to consider competitively sensitive information provided by another market operator.

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As the sole licensed operator of clearing and settlement facilities for the Australian cash equities market, ASX Clear and ASX Settlement are committed to providing clearing and settlement services in accordance with the principles of meaningful customer and stakeholder engagement, transparent and non-discriminatory pricing, transparent and non-discriminatory access and the protection of commercially sensitive information. The commitments set out in this document build on the principles contained in the [ASX Stakeholder Customer Charter of ASX in which ASX commits to:](#)

- ~~1. Work with customers to deliver products and services that meet their needs and that provide them with choice~~We will communicate honestly, accurately and in plain language, exercising best practice disclosure by providing important updates promptly
- ~~2. We will earn trust by maintaining high standards of corporate governance in accordance with all applicable regulation, policies and procedures, and by delivering systems and processes that are stable, secure, reliable and fair~~
- ~~3. Make its products and services available on a non-discriminatory basis and on reasonable commercial terms~~We will engage all ASX key stakeholder groups and respond to enquiries respectfully and quickly
- ~~4. Manage its businesses and operations on a commercial basis to benefit its customers and provide appropriate returns to ASX shareholders~~We will listen objectively and manage the differing priorities and needs of our diverse stakeholder groups
- ~~5. We will meet our legal and licence obligations using a balanced and transparent approach~~
- ~~6. We may not reach consensus every time and may adopt different positions when it comes to the best way to safely support the highest quality outcomes of availability, reliability and stability of ASX facilities for our financial community~~
- ~~7. We will actively communicate our strategy and approach for embracing innovative solutions to drive efficiency and create new opportunities for the market~~
- ~~8. Recognise its role as a provider of critical financial infrastructure to the Australian financial markets, and make the necessary investments to ensure it can fulfil this role and provide confidence to market participants, investors and regulators~~We will focus on a shared vision for the future of Australian financial markets
- ~~9. We will develop strategy that places a high priority on the safety and stability of our facilities and systems~~
- ~~5. Run its operations in compliance with all legal and regulatory obligations~~
- ~~6. Maintain conflict handling arrangements that provide assurance and transparency about the way ASX conducts its business.~~

Visit asx.com.au/cs/

ASX has a section of its  website dedicated to providing customers and other stakeholders information on its cash equities clearing and settlement infrastructure and services. This information can be obtained by visiting asx.com.au/cs/.

Follow us @ASX

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ASX Cash Equities Clearing and Settlement Code of Practice

ASX CLEAR AND ASX
SETTLEMENT

July 2023

CHANGE CENTRE
BRIDGE STREET



Customer and stakeholder commitments

In September 2017, the 'Regulatory Expectations for the Conduct of Cash Equity Clearing and Settlement Services in Australia' (Regulatory Expectations) were updated by the Council of Financial Regulators. This Code of Practice sets out ASX's commitment to comply with the Regulatory Expectations, and its commitments to customers and other stakeholders in managing cash equities clearing and settlement infrastructure and services for the Australian market.

ASX is committed to ensuring Australia's clearing and settlement infrastructure is efficient, well capitalised, and well regulated. ASX recognises the importance of working collaboratively with customers and other stakeholders to deliver world class financial infrastructure and clearing and settlement services that meet the needs of a diverse range of users in the Australian cash equities market.

ASX - Code of Practice



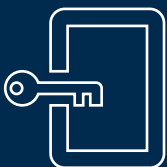
1. CUSTOMER AND STAKEHOLDER ENGAGEMENT

ASX is committed to meaningful engagement with customers and other stakeholders about the ongoing development of cash equity clearing and settlement infrastructure. ASX recognises the importance of engagement on the design and functionality of the infrastructure to ensure it continues to meet the needs of users and the market, and is consistent with relevant international best practice.



2. TRANSPARENT AND NON-DISCRIMINATORY PRICING

ASX's group structure supports the efficient delivery of services to all users. ASX is committed to the principles of transparency and non-discrimination in pricing its cash equities clearing and settlement services (including the provision of data)



3. TRANSPARENT AND NON-DISCRIMINATORY ACCESS

ASX is committed to providing access to clearing and settlement services (including the provision of data) on transparent and non-discriminatory terms, and will respond to requests for access in a fair and timely manner



4. PROTECTION OF CONFIDENTIAL INFORMATION

ASX Clear and ASX Settlement will not misuse any confidential information acquired in the course of providing clearing and settlement services



1. Customer and stakeholder engagement



ASX is committed to meaningful engagement with customers and other stakeholders about the ongoing development of cash equity clearing and settlement infrastructure. ASX recognises the importance of engagement on the design and functionality of the infrastructure to ensure it continues to meet the needs of users and the market, and is consistent with relevant international best practice

Commitments

- ASX will invest in the ongoing operation and development of the core cash equities clearing and settlement infrastructure promptly and efficiently. Such investments will seek to meet the needs of users¹ and the market, recognising the diversity and differing needs of users
- ASX will maintain an advisory Business Committee consisting of representatives of financial market issuers and intermediaries and/or their industry associations, other listing and trading markets, and other relevant stakeholders which connect to or use ASX's cash equities clearing and settlement infrastructure
- ASX will hold quarterly Business Committee meetings for the purpose of providing input to Management and the Boards of ASX Clear and ASX Settlement on the ongoing operation and development of cash equities clearing and settlement infrastructure and services
- The Boards of ASX Clear and ASX Settlement will give due consideration to any material matters raised by, or recommendations of, the Business Committee. The Boards of ASX Clear and ASX Settlement will receive recommendations of the Business Committee on a 'comply or explain' basis. If the Boards do not accept a recommendation, they will jointly provide a written explanation to the Business Committee
- ASX will consult the Business Committee on its investment decisions in relation to the design, operation and development of new cash equities clearing and settlement infrastructure and services, including the development of a transition and implementation plan for new infrastructure
- ASX will report annually to the Business Committee on the cash equities clearing and settlement service developments and investment projects progressed, and how it has taken into consideration the views of users
- ASX will commission an annual independent review of its governance, pricing and access arrangements benchmarked against the Regulatory Expectations. ASX will submit the draft terms of reference for the annual independent review to the Business Committee. A report prepared by the reviewer will be provided to the Business Committee and the Agencies (ACCC, ASIC, RBA and Treasury)
- Any interested party may provide information to ASX Clear and ASX Settlement in respect of the operation and development of cash equities clearing and settlement infrastructure and services by sending a written submission to the Chair of the Business Committee or the ASX Group General Counsel
- ASX will respond to any complaints relating to the provision of cash equities clearing and settlement services or this Code of Practice by users in a timely manner in accordance with its Customer Complaints Policy.

¹The term 'users' in this document has the same meaning as that set out in the Regulatory Expectations. In the Regulatory Expectations, users are broadly defined 'to include participants of the ASX CS facilities; end users; unaffiliated market operators, central counterparties and settlement facilities; technology service providers; and other relevant stakeholders'. ASX takes the term 'end users' to include issuers and investors, and the term 'other relevant stakeholders' to include share registries and payment providers.

2. Transparent and non-discriminatory pricing

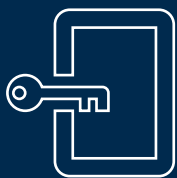


ASX's group structure supports the efficient delivery of services to all users. ASX is committed to the principles of transparency and non-discrimination in pricing its cash equities clearing and settlement services (including the provision of data)

Commitments

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3. Transparent and non-discriminatory access



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Commitments

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- ASX Clear and ASX Settlement will consult other market operators on the service levels under the Trade Acceptance Service and the Settlement Facilitation Service from time to time
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- ASX Clear and ASX Settlement will publish protocols for dispute resolution processes for other market operators regarding pre-access disputes. Post-access dispute processes will be provided in the legal terms for the Trade Acceptance Service and the Settlement Facilitation Service.

4. Protection of confidential information



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Commitments

- ASX Clear and ASX Settlement will comply with ASX's published Conflicts Management Policy
- ASX Clear and ASX Settlement will comply with the published Information Handling Standards for the protection of confidential and competitively sensitive information acquired by ASX Clear and ASX Settlement in the course of providing the Trade Acceptance Service and the Settlement Facilitation Service
- ASX Clear and ASX Settlement will periodically review the Information Handling Standards to ensure that they remain effective
- ASX Clear and ASX Settlement will not use any confidential or competitively sensitive information acquired in the course of providing clearing and settlement services for any other purpose than that for which it was provided
- ASX Clear and ASX Settlement will not use any confidential or competitively sensitive information acquired in the course of providing clearing and settlement services to provide an advantage to an affiliated entity of ASX Clear or ASX Settlement
- ASX Clear and ASX Settlement Boards will be comprised of at least 50 per cent non-executive directors that are not also directors of ASX Limited
- ASX will ensure that a quorum for the Boards of ASX Clear and ASX Settlement can be constituted by directors that are not also directors of ASX Limited to consider competitively sensitive information provided by another market operator.

Contact us

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As the sole licensed operator of clearing and settlement facilities for the Australian cash equities market, ASX Clear and ASX Settlement are committed to providing clearing and settlement services in accordance with the principles of meaningful customer and stakeholder engagement, transparent and non-discriminatory pricing, transparent and non-discriminatory access and the protection of commercially sensitive information. The commitments set out in this document build on the principles contained in the ASX Stakeholder Charter:

1. We will communicate honestly, accurately and in plain language, exercising best practice disclosure by providing important updates promptly
2. We will earn trust by maintaining high standards of corporate governance in accordance with all applicable regulation, policies and procedures, and by delivering systems and processes that are stable, secure, reliable and fair
3. We will engage all ASX key stakeholder groups and respond to enquiries respectfully and quickly
4. We will listen objectively and manage the differing priorities and needs of our diverse stakeholder groups
5. We will meet our legal and licence obligations using a balanced and transparent approach
6. We may not reach consensus every time and may adopt different positions when it comes to the best way to safely support the highest quality outcomes of availability, reliability and stability of ASX facilities for our financial community
7. We will actively communicate our strategy and approach for embracing innovative solutions to drive efficiency and create new opportunities for the market
8. We will focus on a shared vision for the future of Australian financial markets
9. We will develop strategy that places a high priority on the safety and stability of our facilities and systems

Further Information

ASX has a section of its website dedicated to providing customers and other stakeholders information on its cash equities clearing and settlement infrastructure and services. This information can be obtained by visiting asx.com.au/cs/.

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asx.com.au



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Committee	Business Committee
Agenda title	Forward work program
Item	5a
Purpose	To update members on the forward work program of the Business Committee for 2023
Meeting date	19 July 2023
Prepared by	Business Committee Chair, Chief Customer and Operating Officer (Val Mathews)

The Business Committee will meet six times in 2023.

Subject to input from members on additional items, the forward work program of the Business Committee in 2023 will continue to focus on the operating performance of CHES, maintaining the stability of existing CHES, priorities in the existing CHES system, updates on CHES replacement and updates related to the Regulatory Expectations.

The meeting dates and items for the agenda are:

Date	Topics
30 January 2023 (special meeting) 1.30-3.00pm	<ul style="list-style-type: none"> • CHES Replacement Technical Committee – draft Charter
22 March 2023 12.00-2.00pm	<ul style="list-style-type: none"> • CHES – service performance, maintaining stability, priorities • CHES Replacement, including Technical Committee • Update on ASX’s holistic management of all CHES related items • T+1 update
6 April 2023 (special meeting) 11.00-12.00pm	<ul style="list-style-type: none"> • Continuation of agenda from 22 March 2023 meeting
19 July 2023 12.00-2.00pm	<ul style="list-style-type: none"> • CHES - Special Report, service performance, maintaining stability, priorities • CHES Replacement, including Technical Committee and EY independent expert assurance report • Update on ASX’s holistic management of all CHES related items • T+1 settlement • Sponsored HIN Creation and Maintenance Optional Pricing Proposal
11 October 2023 12.00-2.00pm	<ul style="list-style-type: none"> • CHES - service performance, maintaining stability, priorities • CHES Replacement, including Technical Committee • Update on ASX’s holistic management of all CHES related items • Annual report on Cash Equity C&S Service developments • Regulatory Expectations Audit
6 December 2023 4.00-6.00pm	<ul style="list-style-type: none"> • CHES - service performance, maintaining stability, priorities • CHES Replacement, including Technical Committee • Update on ASX’s holistic management of all CHES related items

Members of the Business Committee are invited to suggest topics for inclusion in the forward work program at any time by contacting the Business Committee Secretariat by email at BCSecretariat@asx.com.au.