

Australian Custodial Services Association
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Dear Clive,

Australian Custodial Services Association Response to the ASX's "Consultation Paper on Staged Implementation Approach and Implementation of Release 1 (Clearing Services)".

The Australian Custodial Services Association (**ACSA**) is the peak industry body representing members of Australia's custodial and investment administration sector. Our mission is to promote efficiency and international best practice for members, our clients, and the market. Members of ACSA include NAB Asset Servicing, J.P. Morgan, HSBC, State Street, BNP Paribas Securities Services, BNY Mellon, Citi, Clearstream, Bank of America, Netwealth and The Northern Trust Company.

Collectively, the members of ACSA hold securities and investments in excess of AUD \$4.8 trillion¹ in value in custody and under administration for Australian clients comprising institutional investors such as the trustees of major industry, retail and corporate superannuation fund, life insurance companies, responsible entities and trustees of wholesale and retail investment funds, and various forms of international investors into Australia.

ACSA welcomes the opportunity to respond and input into the key delivery considerations of the CHES Replacement initiative. Whilst some generic consideration and feedback has been provided regarding the clearing delivery (Release 1 – Question 2 and 3) as related to a sub-set of ACSA members, the response is primarily geared towards the settlement and sub-register aspects as these pertain to the scope of services, covered to varying degrees, across all members.

1. Staged implementation – Please provide feedback on the proposal to separate the CHES Replacement Project into two stages, Release 1 (Clearing) and Release 2 (Settlement, Subregister).

The decision to stage the delivery of CHES Replacement is a step in the right direction and proves a sub-set of functionality within the TCS BaNCS for MI solution however, there is still a significant portion of functionality as well as all connectivity and messaging related elements, that will impact the majority of participants at the Release 2 cut over.

¹ As at 30 Dec 2023, <https://acsa.com.au/page/IndustryStatistics>

- Consider, on an on-going basis, opportunities to iteratively deliver and further de-risk Release 2, as well as prove functionality and / or connectivity. We note that there is no custodian wide consensus on how this would look and we understand that organisations will elaborate on their views in their own submissions where applicable.
 - Clarity regarding backlog functionality from first iteration of CHES Replacement.
 - Although more clarity has been provided regarding the Release 2 scope, the backlog of items from the first iteration of CHES Replacement (for example, corporate actions elections and payments) is still unknown.
2. *Design, scope, and schedule for Release 1 (Clearing) – Please provide feedback on the design, scope and schedule for Release 1 (Clearing).*

As the design and scope of Release 1 only impact a sub-set of ACSA members, the response will focus primarily on the scheduling.

- Scheduling phases across key periods (for example, Christmas and school holidays) needs to be further considered however, there is broad consensus and support of an April delivery timeline to do any significant upgrades.
 - Whilst a period of approximately 4 months has been allocated in q4 2025 / q1 2026, in effect a significant portion (approximately 6-8 weeks) of this period is lost or operates on a reduced work force (generally at the expense of project or non-operational tasks). Coupled with the fact that this period also includes three key phases (Parallel Run, Dress Rehearsals and Clearing Regression), there may be insufficient resources to execute and support effectively. Additionally, there may be delays remedying any technical / code related issues that are discovered during this time.
3. *Release 1 Industry Testing approach – Should the scope or approach for the industry test phases be changed in any way to ensure each are appropriate and fit for purpose for AMOs, CS Participants and Software Providers? Please provide supporting detail.*

Whilst the question relates specifically to Release 1, the below points reflect experiences from the first iteration of CHES Replacement and can be broadly applied to Release 2 also.

- Provide transparency regarding the approach around key milestones / toll gates, as well as associated entry and exit criteria, that will be used to objectively determine the go / no-go from each test phase (and finally to go-live).
 - During the first iteration of CHES Replacement, it was unclear or not visible as to what the status or progress was across all impacted participants due to large and long-dated milestones. Whilst each participant may execute at a different pace, there should be periodic milestones that aligns all participants to mitigate the risk of laggards impacting delivery.
- Mandate all test phases and types (functional and non-functional) to both AMO's and clearing participants to mitigate risk of direct and in-direct issues at go live.

- The current proposal for AMO Readiness (Table 4, p.17) allows for “optional performance and an optional simulated network outage” only.
- The CHES User Clearing Regression phase indicates that “CS Participants will need to coordinate with their relevant AMO for such testing” (p.20) which also suggests this phase is optional. Additionally, this places the onus on clearing participants which could be coordinated and facilitated more efficiently by the ASX.
- Ensure the parallel testing phase covers key peak periods, at the appropriate times.
 - With the current proposal covering the period from November 2025 – March 2026, consideration should be given to ensure key periods or events (for example, MSCI rebalancing) are tested thoroughly, whilst ensuring these are planned / timed appropriately (for example, commence parallel test phase post the November 2025 MSCI rebalancing).

If you have any questions in relation to this submission please contact me.

Yours sincerely



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