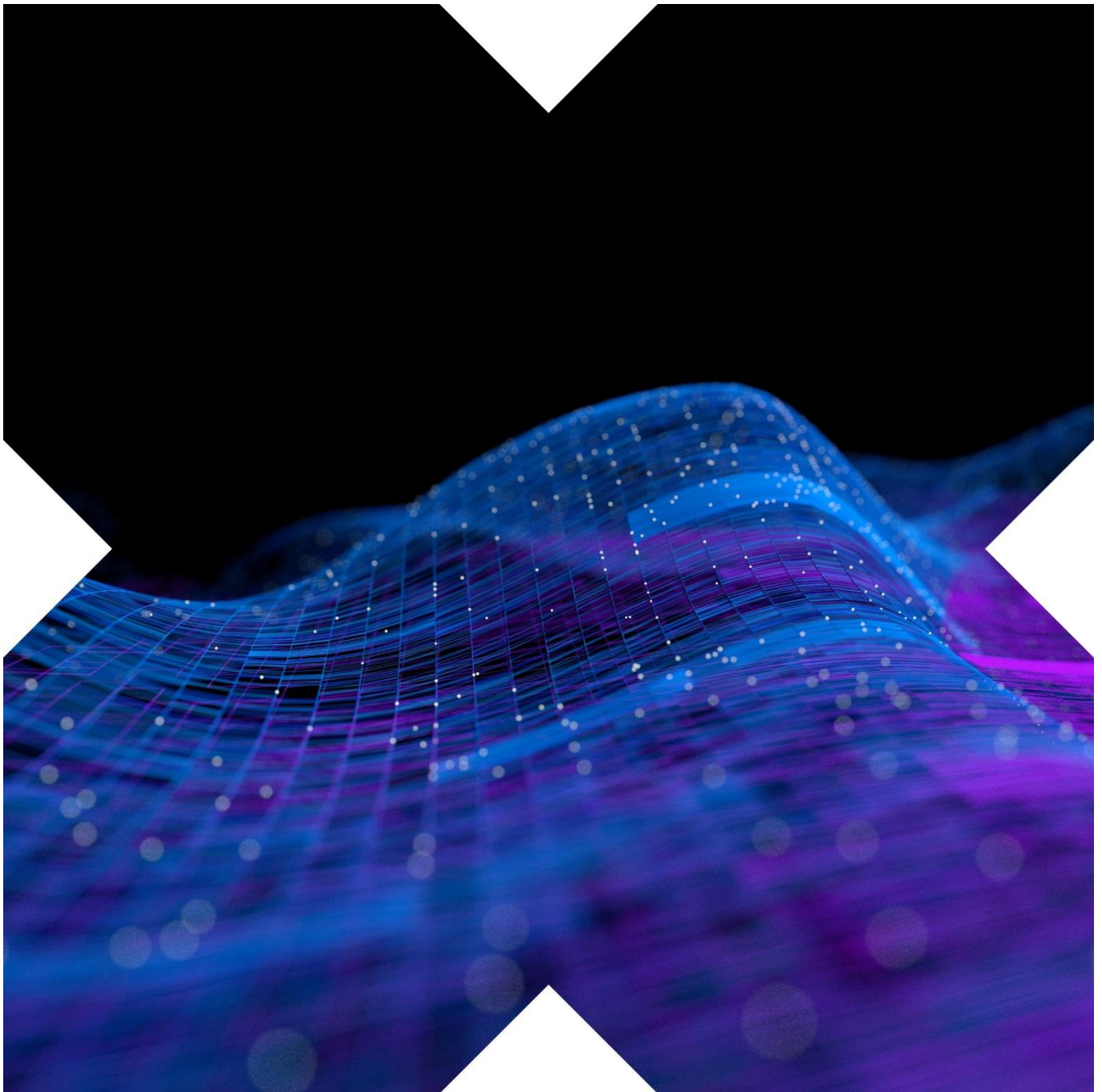


CHES Replacement Partnership Program
Development Incentive Pool
Future Milestones Consultation Paper
Response to consultation feedback



26 November 2024



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Contact:

For general enquiries, please contact
CHESSReplacement@asx.com.au

Introduction



1. Introduction

1.1. Overview

On 17 April 2024, ASX released a consultation paper seeking market feedback on proposed milestones for payments and allocation of funds under the final tranche of the Development Incentive Pool of the CHES replacement Partnership Program ('Partnership Program'). The proposed milestone structure and allocation of funds are designed to support eligible participants of the Partnership Program ('Program Participants') to undertake the requisite technological and associated development activities to successfully interface with Release 2 of the CHES replacement system.

As announced on 16 February 2023, ASX has committed up to \$70 million for the Partnership Program. Where possible, ASX plans to use the full \$70 million allocation towards the Partnership Program, subject to other considerations, in particular all eligible entities accepting their invitation to participate in the Partnership Program. ASX has issued rebates of \$14.99 million¹ from the \$15 million available under the Participant Rebate Pool, and has paid \$17.5 million² from the \$20 million allocation set aside for the initial payment under the Development Incentive Pool.

This paper responds to the consultation feedback received and confirms the milestone structure, allocation of funds and expected timing for the remaining Development Incentive Pool payments.

1.2. Submissions Received

ASX received nine responses to the consultation paper, from Clearing and Settlement Participants ('CS Participants'), registries and vendors. The non-confidential responses have been published on the [ASX website](#). ASX thanks all respondents for their feedback.

¹ Includes all payments made up to August 2024.

² Includes all payments made up to August 2024.

Key themes of the feedback



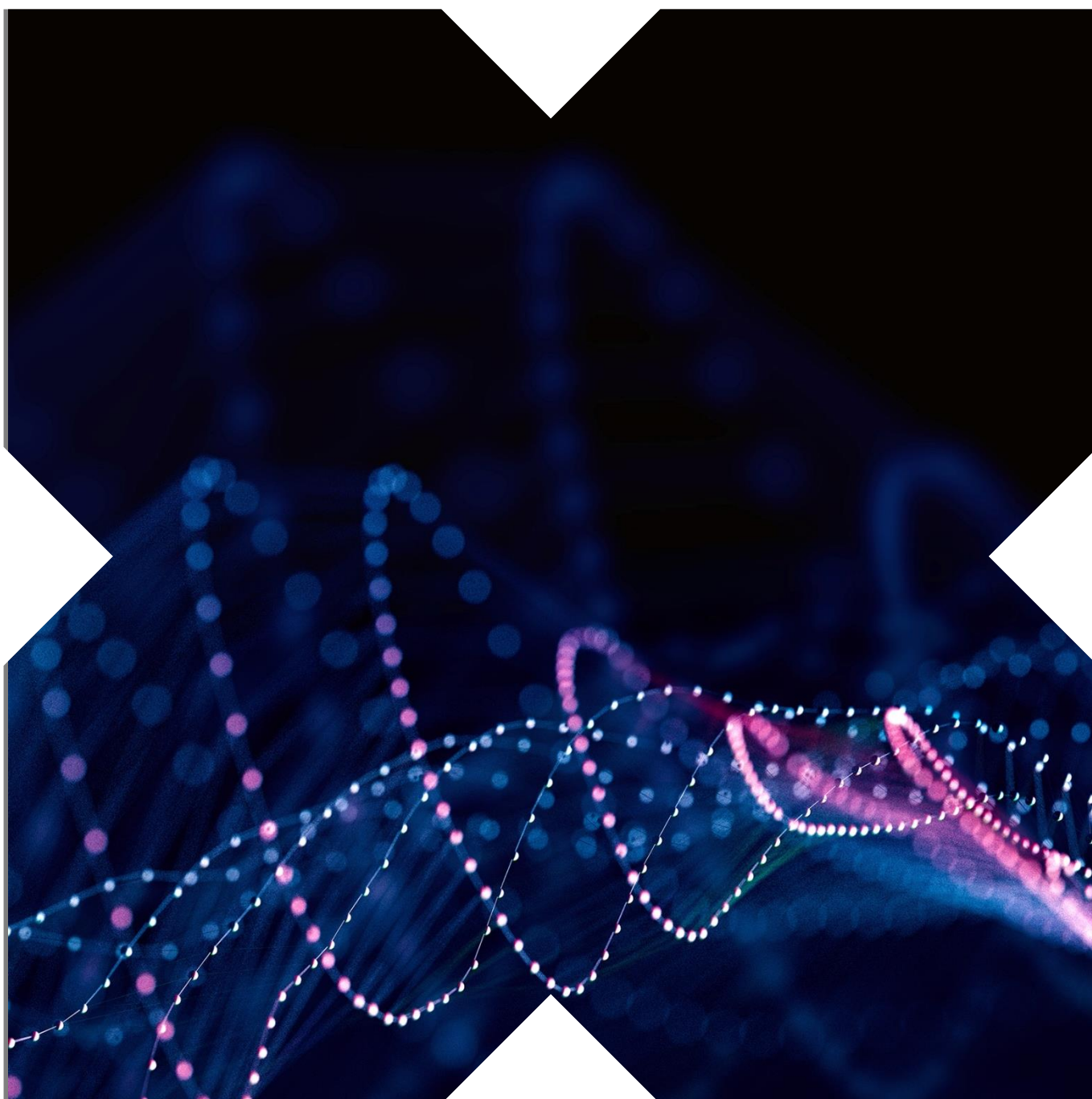
2. Key themes of the feedback

The key themes of the feedback are outlined below:

- A majority of the respondents that commented on the proposed milestones and allocation of funds were supportive of, or did not indicate issues with the overall approach;
- A small number of respondents, including existing Program Participants, suggested additional and/or earlier payment milestones based on when Program Participants joined, and with payments weighted more heavily to the first milestone;
- Some respondents advised that they would be able to provide more fulsome responses to the proposals once further information is available on:
 - the final size of, and number of Program Participants in, the Development Incentive Pool; and
 - the design, scope, schedule and associated build for the CHES replacement project;
- One existing Program Participant was of the view that no new Program Participants should be permitted to join the Partnership Program, while another was of the view that new entrants should only be permitted if the size of the Development Incentive Pool is increased;
- The submissions of two respondents focused on their respective eligibility for the Partnership Program and did not provide feedback on the proposed milestones for payments and allocation of funds under the final tranche of the Development Incentive Pool.

More detail on how ASX is responding to the feedback is provided in section 3.

ASX's response to the feedback



3. ASX's response to the feedback

The milestone structure, allocation of funds and expected timing for the remaining Development Incentive Pool payments are outlined in Table 1 below.

Given the broad support received through this consultation and previous bilateral engagements with existing Program Participants, ASX intends to proceed with the milestones as proposed in the consultation paper. These milestones represent CHES replacement Release 2 critical path milestones that require uplift from Program Participants to support increased engagement and testing activities.

In response to feedback suggesting a heavier weighting of the first of the future payment milestones, ASX has increased the allocation of funds to Milestone 1 to 60% of the remaining Development Incentive Pool, with the remaining 40% allocated to Milestone 2.

The milestone structure and timing of payments have been determined to align to specific Release 2 milestones and their timing in the Indicative Release 2 Project Timeline, which has been informed by feedback received in response to the consultation paper on the Scope and Implementation of CHES replacement Release 2 (Settlement and Subregister) (Release 2 Consultation Paper). The [CHES replacement Consultation on the Scope and Implementation of Release 2 \(Settlement and Subregister\) – Response to consultation feedback](#) (Release 2 – Response to consultation feedback), which includes the Indicative Release 2 Project Timeline, was published on 26 November 2024.

Table 1: Development Incentive Pool Milestones and Payments (Based on Release 2 Project Timeline)

Milestone	Description	Allocation of Funds	Expected Timing*
1	Entry into the equivalent of the previous CHES replacement Industry Test Environment 1 (ITE1) – Release 2 ITE – and successful completion of a specified subset of test scenarios prior to completion of technical accreditation	60% of the remaining Development Incentive Pool funds	Q1 2026
2	Successful completion of technical accreditation of eligible Program Participants' technology application(s) by ASX	40% of the remaining Development Incentive Pool funds	Phase commencing in Q3 2027

* This timing is based on the CHES Replacement Release 2 timeline and may be subject to change due to a range of factors as implementation progresses.

As stated in the consultation paper, the Partnership Program's eligibility criteria were confirmed in May 2023 following [industry consultation](#). Where stakeholders have previously indicated concerns with respect to eligibility for the Partnership Program, ASX welcomes continued bilateral engagement with those parties to understand their concerns and objectively determine their eligibility as soon as practicable.

In response to feedback regarding the admission of potential new entrants to the Partnership Program (in relation to the Development Incentive Pool), an important driver of ASX's approach to the Partnership Program's implementation is to uphold the principles of consistency and fairness, including with respect to balancing the interests of both existing Program Participants and potential new entrants. ASX confirms that until a cut-off date for new entrants to join (if such a date is determined), all entities that meet the eligibility criteria will be able to join and participate.³ ASX does not consider that the above principles would be maintained if different milestones, different payment frequencies, additional and/or earlier payments were to apply for any sub-group of Program Participants.

³ As stated in the consultation paper, where a new entity meets the eligibility criteria, it will only be eligible for future payments under the Development Incentive Pool and no retrospective payments will be made.

Eligibility criteria for new entrants to the Partnership Program were outlined in the [Partnership Program Consultation Paper](#). This includes additional stakeholders who will:

- engage in significant internal development efforts to prepare their systems and operations for integration with vendor systems that support key CHES replacement project milestones; and
- transmit and receive more than 5 million CHES messages annually.

Potential new entrants can determine message numbers by referencing the product codes in their ASX Settlement Pty Ltd Tax Invoice that relate to CHES messages, as specified in the [ASX Clearing and Settlement Schedule of Fees](#), or can contact ASX for assistance (via CHESreplacement@asx.com.au). Annual message number estimates will be based on a 12 month rolling calculation.

Conclusion and next steps



4. Conclusion and next steps

ASX will work with Program Participants to define and communicate the subset of test scenarios which will need to be completed as part of the qualification criteria for Milestone 1 (as noted in Table 1).

ASX will continue to engage with Program Participants and communicate further updates on the Partnership Program through existing industry engagement forums.



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