Implementation & Transition Working Group

Questions from working group members| 3 August 2022

The following table provides ASX's response to relevant questions asked by Implementation & Transition working group members during the session held on 3 August 2022. Please email chessreplacement@asx.com.au if you have any additional questions or require further clarification.

Topic	Question	Answer
Accenture's review	Will Accenture be seeking input from CHESS users to form their recommendations?	No. ASX has engaged Accenture, to assess the remaining work to complete delivery of the application. This will feed into ASX's considerations in communicating a predictable delivery. Accenture will not be seeking input from CHESS users to conduct their review. ASX will also commission EY to undertake an independent review of the replan. The review will be undertaken in parallel with the replanning process so that it will help support ASX's decision-making around the new project plan. ASX will seek stakeholder feedback on the replan which will be included in EY's review of the replan.
Accenture's review	Is there anything Accenture can find that would stop this project? Is there any risk of cancelling CHESS Replacement?	There has been significant progress with CHESS Replacement. The review will assess the remaining work to complete delivery of the application. We won't speculate on the findings and have committed to releasing the findings to the market.
Accenture's review	Will the approach to cutover to the new system be impacted by the Accenture review?	No. The approach to cutover from current CHESS to the CHESS replacement system is not in scope for Accenture's review.
Accenture's review / initial messaging accreditation	If the Accenture review identifies process or technical issues that need to be addressed, will software providers need to repeat accreditation?	ASX has implemented a structure that in the event there are technical changes following Accenture's review, the changes would be in scope for final accreditation on the code complete candidate closer to go-live.

Topic	Question	Answer
Initial messaging accreditation	What is the rationale for not providing a pass or fail following software providers' initial accreditation?	There are a number of scenarios software providers have to demonstrate as part of initial accreditation. ASX will report to software providers a pass or fail for each scenario, indicating how far their software development has progressed. However, ASX is not providing an overall pass or fail for two reasons, (i) we are not looking for software providers to provide quick fixes to meet an overall pass or fail for initial accreditation; (ii) there is an elapsed time between initial accreditation and go-live, and to make the overall pass or fail meaningful, this will only be applied to final accreditation on the code complete software.
Initial messaging accreditation	Is there a deadline for software provider's to provide the indicative date for initial accreditation? Since it is only indicative, are software providers able to change it later?	The target dates for initial messaging accreditation is from October to December 2022. ASX will be seeking software providers' feedback via email on their readiness to complete this activity during this window.
ITE1 testing progress	How many software providers are showing coverage of all the technical accreditation functions for their CHESS user cohort?	At a high level for messaging accreditation, there is a predetermined set of features by role. Not every CHESS user type requires every ISO message. Clearing and settlement participants have the largest breadth of functionality to support, followed by registries and then payment providers and AMOs (who use FIX). Using a list of key features for each CHESS user, ASX had developed internal reporting based on testing evidence within ITE1. The metrics captured breadth of functionality to ensure all organisations have a system that supports their respective CHESS user type, and noting that volumes are less material at this stage. Since ITE1 commenced, the majority of functionality has been tested across the respective roles, with close to 100% functional coverage across all CHESS user types.
ITE1 testing progress	The charts on ITE1 testing progress look like they are measuring whether software providers are testing against the features, and not whether it's working.	The metrics provided in the webinar are at a summary level to demonstrate the breadth of functionality tested and does not illustrate any known issues or defects with the code; any issues are documented in the Known Issues page of the technical documentation. The metrics reflects that all functionality available on v1.2 have been tested. It is the initial message accreditation that will provide ASX with a more detailed and granular metric to confirm all functions are not just tested but have also successfully passed.

Topic	Question	Answer
ITE1 testing progress	Can you provide an update on bugs/issues identified in v1.2?	A number of issues identified in v1.2 have been resolved as part of v1.3. There are some remaining items that have been published in the known issues list, details of which can be found **here**. ASX will advise as part of the replan when remaining issues will be resolved and released into ITE1.
Project replan	Has there been any consideration of outsourcing the project management of CHESS Replacement?	No. The project health, including the operating model, is assessed regularly.
Project replan	Given April has been the favoured month for go live owing to the needs of custodians, as well as taking into account proxy peak seasons, year-end and mid-year tech freezes, etc., would ASX expect April 2025 as a realistic date or will a date be mandated to the industry in order to hit a 2024 date?	ASX is not driving a top down approach to hit a go-live date in 2024. ASX will consult with stakeholders before determining a new go-live date including the appropriateness at various points in the calendar year. Based on current information, it will not be before late 2024. April had only been flagged previously as a low risk window in the calendar year given corporate activity, software release cycles and technology change freeze periods.
Project replan	What will ASX be doing between now and CHESS user testing commencing?	There will be a large amount of testing, migration planning and ASX internal rehearsals, as well as integration activities of ASX internal systems, in addition to the replanning process.
EY's assurance program	Will there be any external engagement from EY on the Assurance Program for the next report?	EY have focused on its design work for the two reports which are both published. EY's engagement with stakeholders will be tied to tangible and specific matters such as testing or accreditation as opposed to speaking generally to the reports already produced. EY is expected to engage with stakeholders outside of ASX as ITE1 continues and when ITE2 opens.

Topic	Question	Answer
Operating rule amendments	**Is ASX disappointed at the number and depth of CHESS User's response to the rules consultation?**	No. The key principles of good consultation and effective engagement underpinning ASX's approach to the rules consultation are transparency and providing the opportunity to all interested stakeholders to comment. Our public consultation processes, which involved seeking written submissions, running stakeholder forums, facilitating bilateral discussions and then also publishing our responses to stakeholder feedback, has ensured we have been very transparent with impacted stakeholders and provided multiple avenues for stakeholders to engage with the process to make it easy for them to provide feedback in a way that suits them. ASX's approach to consultation and engagement for Tranches 1, 2 and 3 and the consolidated rules, has involved making information available to stakeholders with a clear explanation of the changes which are proposed, discussing the changes further with stakeholders as required and then considering the responses received. Responses included submissions from industry bodies. In addition, some stakeholders chose to engage directly with ASX. As with many consultations, some stakeholders considered the material and did not consider it necessary to make a formal submission.
Resilience and scalable aspects	**It has been said the matters to be resolved relate to non-operational functions. In particular, the ability of CHESS Replacement to meet resilience and volume targets. Can you provide some details of those matters?**	ASX has progressed significantly in delivering this program of work. Volume targets are not such a concern. The system is processing 3 times the throughput of what CHESS is currently operating at. If you extrapolate that over today's volumes, the system has significant capacity to manage volume targets. What we are grappling with here are a small number of edge cases to meet resilience and scalability requirements. There are a couple of areas where functionality may challenge non-functional scalability targets we may want in the future. We are assessing the different ways to utilise the technology to get those outcomes and what is the most appropriate way to move forward in relation to those. This is about providing an additional layer of due diligence for the remaining resilience and scalable aspects of the application. ASX has continued to leverage independent reviews throughout the project.

Topic	Question	Answer
Longevity of current CHESS	The hardware that CHESS runs on is approaching end-of-life. How is the hardware usage affected by the delay in go-live?	ASX continues to invest in the existing CHESS system, and has already significantly strengthened its capacity, speed and resilience to cater for the increased trading activity in recent years. CHESS runs on upgraded hardware, remains secure and stable, and continues to perform well. ASX has now done a lot of work to extrapolate out the life of current CHESS and we have a number of trigger points for when we would need to perform any further upgrades prior to CHESS replacement go-live.
Longevity of current CHESS	Cobol programmers in the past was outlined as a major risk with current CHESS. How will they hold up for another 18+ months?	ASX is comfortable with the support model for CHESS.
Stakeholder engagement activities	What is the approach/timing on engagement activities regarding the timeline delay now...?	Stakeholder feedback on a revised timeline will still be sought through working groups followed by a period of time to provide written feedback. The working groups are not expected to be scheduled before October.
Cutover and migration	Why is Inflight Transactions testing only mandatory for Software Providers but optional for other CHESS users, and why is testing on the Monday following MDR also marked as Optional? And has E&Y in its role of providing an independent external assessment of the cutover and migration strategy agreed with these activities being classed as optional given they would reduce go-live risk if classed as mandatory for all CHESS users?	It is expected that either relevant CHESS users or software providers participate in one or both phases. However, ASX is now reviewing the strategy with regards to Inflight Migration Testing and Post MDR day 1 participation, including revisiting what is mandatory versus optional. Inflight migration testing in ITE-M and post MDR day 1 testing will also be a key part of the re-plan engagement to seek stakeholder feedback.

Topic	Question	Answer
Contingency planning	**At the recent Business Committee meeting ASX advised that it is working on what steps will be taken if a CHESS user (or multiple users) are not ready in time or experience issues at go-live. When will ASX share the outcome of that analysis and the process that will be followed?**	ASX are still in the early stages of planning for a CHESS user not being ready in the lead up to go live and/or issues experienced over the go live weekend. The impact to a user not being ready differs depending on the role they play across the market, and subsequently we need to consider this as we plan. For example, a payment provider not being ready would have different considerations to a clearing and settlement CHESS user type not being ready. ASX will share with Business Committee members and in a future implementation and transition working group webinar once the analysis and scenario testing is complete.
Documentation	**The messaging and its SWIFT MyStandards documentation do not educate systems developers about all the rules compliance. None of the discussion or materials presented to systems developers in the ISO20022 Technical Subcommittee touched on any of the new or changed ASX Settlement Operating Rules being built behind the scenes by ASX.**	The documentation ASX publishes on CHESS replacement such as in MyStandards, draft operating rule amendments, messaging requirements etc. in the technical documentation site are not always stand-alone but instead should be reviewed in combination. ASX can also provide updates to published documentation under change control. CHESS users should have a team of co-ordinated specialists - developers, operations, compliance etc. – to review ASX published documentation to assess any impact.