

Implementation & Transition Working Group

Questions from webinar | 23 February 2021

The following table provides ASX's response to relevant questions asked by Implementation & Transition working group members during the webinar held on 23 February 2021. Please email chessreplacement@asx.com.au if you have any additional questions or require further clarification.

Topic	Question	Answer
Netting and settlement workflow	Settlement Failures - 2 messages: (i) There is no mention of Gross Market Trades (GMTs) for partial fail. Is the scope applicable for GMTs? (ii) Please explain the reason for the change from existing sett_130 message	<p>While non-novated market trades do not currently exist, we have catered for them in CHES Replacement, therefore Participants would have to handle these types of trades and the outcome of these as a result of rescheduling, settlement and suspension. Gross Market Trades are handled in 2 ways, if they part fail:</p> <p>1) Where the GMT is non-novated (not interposed by the Clearing House), a partial fail will result in the GMT being split into two components. The first represents the component which will settle in the current batch cycle, and the second component representing the component which will settle in the next batch cycle.</p> <p>2) Where the GMT is novated (interposed by the Clearing House) - the NSF / NRI paradigm will be used to represent the failure. The CHES Replacement System will net all GMT which are novated and represent any failure across these using an NSF and NRI. Refer to Technical Documentation for further information: https://asxchessreplacement.atlassian.net/wiki/spaces/CSP/pages/86836695/Batch%2BSettlement%2BOverview#BatchSettlementOverview-TreatmentofNovatedSettlementInstructions</p> <p>Changes to the sett_130 message will support the changes for partial settlement. Partially Settled Instructions (USSI, BSSI, Non-Novated Gross Market Trades, Novated Rescheduled Instructions) will result in the portion of the obligation remaining to be settled and rescheduled to the next batch settlement cycle, carrying the original Obligation Id; and the portion of obligation settled in the current batch settlement cycle carrying a new Obligation Id with reference to the original Obligation Id. The sett_130 message will be sent for the portion settled in the current batch settlement cycle and will allow Participants to reconcile between the portion of the obligation which is to be settled in the current batch settlement cycle and the portion which is rescheduled to the next batch settlement cycle.</p>

Topic	Question	Answer
Netting and settlement workflow	<p>Accruals for novated GMTs: Trading in rights, entitlements => 128 for application money & code change.</p> <p>Please confirm whether it will be possible to receive accrual sett_140 for novated GMTs?</p>	<p>The accrual sett.140 message will not be generated for individual gross market trades, as these have been replaced by the NRI in settlement. The accrual sett.140 message is generated for NRIs only as it relates to novated gross market trades.</p>
Netting and settlement workflow	<p>Sett_136 / EIS 146 - Net Stock & Funds Movement per HIN, security & basis of movement. Can the following additional information be provided? The purpose is to assist in automation of fully settled transactions.</p> <ul style="list-style-type: none"> ○ Number of partially failed transactions ○ Number of fully failed transactions 	<p>The message is currently contemplated to be enhanced by adding funds (in addition to current securities). We will consider adding fields as suggested during the design phase of the message, and changes to ISO 20022 messages will be subject to review via the Technical Committee (scheduled to meet 26 March 2021)</p>
Netting and settlement workflow	<p>The scope of the isolate counterparty function will be extended to a wider range of corporate action accruals - Please explain or provide an example of context to assist the understanding of this statement</p>	<p>CHESS currently doesn't support the isolate counterparty workflow on accruals. In CHESS replacement, the isolate counterparty workflow will be extended to be available on accruals.</p>

Topic	Question	Answer
Netting and settlement workflow	Settlement Statement Report: <ul style="list-style-type: none"> ○ What time of day will this report be available? ○ Could this be sent as an unsolicited statement after settlement such that we can use the report to translate into 156/sett_119 like settlement messages? 	Settlement Statement Report will be available on a demand basis for an account and security combination. The Settlement Statement Report will assist Participants to investigate reconciliation breaks. The Settlement Statement Report can be requested for the current business date or previous business dates. If requested for the current business date, it must be requested post the completion of batch settlement.
Netting and settlement workflow	Can settlement statement or equivalent be streamed off the ledger?	Settlement statement is a demand report, which can be requested via any access channel (message, UI or ledger API based). The resulting report will be made available via the participant's elected connectivity channel.
Netting and settlement workflow	Will the settlement algorithm follow the same protocol as today when deciding which transactions to fail?	The settlement algorithm will not be impacted by this change. The current technical documentation provides an overview of the underlying principles and other considerations. It is important to note, that the handling of settlement instructions which are elected to partially fail will be different as a result of this change. https://asxchessreplacement.atlassian.net/wiki/spaces/CSP/pages/86836695/Batch%2BSettlement%2BOverview#BatchSettlementOverview-SettlementAlgorithm

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<p>Netting and settlement workflow</p>	<p>Settlement Batch Start Notification</p> <ul style="list-style-type: none"> ○ There is an existing notification to indicate that settlement batch is complete, would it be possible to also receive a notification to indicate start of batch processing at ASX? ○ While cut-off is understood to be 11:30, sometimes it can be delayed and a start notification would aid in consistent automation/triggering the start of processing in third party systems even when a delay has occurred. 	<p>In the event the commencement of batch settlement is delayed, Participants will be notified via a sett_170 Event Notification message. Refer to Technical Documentation link below for further information.</p> <p>Participants are only notified if there is a delay to the 11:30am commencement of batch settlement. If no notification is received, batch settlement will commence on the scheduled time.</p> <p>https://asxchessreplacement.atlassian.net/wiki/spaces/CSP/pages/499155181/Broadcast+Notification+Process</p>
<p>Netting and settlement workflow</p>	<p>Where do trade cancellations fit into the big picture? And when will we be able to cancel trades up to?</p>	<p>With the removal of the NBO, the system will technically be able to support trade cancellations beyond T end of day, noting it requires rule changes and is subject to regulatory clearance. ASX welcomes feedback from AMOs and Participants in relation to this change.</p>
<p>Netting and settlement workflow</p>	<p>Trade Cancellation Restriction of trade cancellation to T & T+1. Ensure that settlement obligation can be reconciled and guaranteed without any change on the morning of S – this is to simplify processing in the lead up to 11:30 cut-off.</p>	<p>ASX continues to engage with AMOs on this topic and will take into consideration feedback received by participants.</p>

Topic	Question	Answer
Netting and settlement workflow	Does this new process replace the current design of asx submitting ISO20022 SECL.02 messages? For netting process?	The Net Broker Obligation process will be deprecated, including all related messages.
Netting and settlement workflow	If the NNDP is a rolling report, when and how often will this be delivered to Settlement Participants - especially if there might be adjustments on morning of settlement day?	The NNDP report is an unsolicited report that is automatically generated at the end of each business day.
Netting and settlement workflow	Is the EIS 170 (Net funds movement) decommissioned? This does not appear in 4.1 Summary of message changes but EIS146 (Net unit movement) description suggests funds movement per payfac is being added.	There is no change to the Net Funds Movement. This has not been included for simplicity and will be incorporated into the solution as per the Technical Documentation.

Topic	Question	Answer
Netting and settlement workflow	For batch settlement changes, the paper made no mention of non-novated gross market trades, please explain?	Existing netting eligibility criteria will be reviewed, but there is no change to novation. All novated market trades will be considered in netting (with no exceptions).
Netting and settlement workflow	Can you please confirm that for non-novated gross market trades that these will be treated the same as the NBO's and assumed settlement for full settlement and for fail processing full and partial the NSF and NRI process will follow?	<p>In the event where a security isn't eligible for novation, it will be registered as a non-novated gross market trade (i.e. not interposed by the Clearing House). Since non-novated gross market trades are not interposed, they are not treated like NBOs, as such a partial fail will result in the GMT being split into two components. The first represents the component which will settle in the current batch cycle, and the second component representing the component which will settle in the next batch cycle.</p> <p>It is important to note that this currently does not exist (and so above is for future proofing purposes only). Currently all trades are novated to ASX when registered in CSP.</p>
Netting and settlement workflow	Is the Net Position used by ASX in the Cash Market Margin (CMM) calculation the nettable-eligible or all novated trades as at end-of T? How can this factor be verified?	The Net Position used in the Cash Market Margin incorporates all novated trades and all previous failures represented as Novated Rescheduled Instructions. Note: Novated Rescheduled Instructions are not incorporated into the Novated Net Delivery Position calculation.

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Netting and settlement workflow	How will deferred settlement EIS164 (trade notifications/obligations) be updated with a settlement date when scrip allocation is made. Currently linkage from EIS134 to 164 via 138 identifies when settlement is scheduled.	When a trade is registered and the security is subject to a deferred settlement period, the CSP will derive the settlement date based on the settlement period and populate this onto the Trade Confirmation (EIS 164 / sett_101). If the settlement date changes post registration, participants will be notified via a rescheduled notification (sett_130) of the new settlement date. The NNDP which is being calculated by the CSP will be continuously updated - removing the instruction from the previous settlement date and including the instruction to the new settlement date. The NNDP report will provide the updated NNDP to the Clearing Participant.
Netting and settlement workflow	Is the Security Statement report available prior to batch settlement, and can this report be scheduled for all DvP settlements rather than demand and per security	The settlement statement report is a report that's requested by the participant, It can be requested after the completion of batch settlement and it's requested on an account, and security, and basis of movement combination. It will provide all the settlement instructions, which contributed to that combination for that settlement date, that have settled in that, for that settlement date. And it cannot be scheduled. It's always on demand.
Netting and settlement workflow	If the EIS134, 138 and 156 are made redundant, will the new report messages of NNDP and Security Settlement attract any tariffs for optional usage	ASX is currently reviewing the billing model, with a target release date of Q3 2021.

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<p>Netting and settlement workflow</p>	<p>How can the value of EIS134 (as enhanced) be validated against scheduled obligations for that Settlement cycle without an explicit list of settled obligations.</p>	<p>The report that's generated, which we're referring to as the NNDP report, will include both value and unit quantity for each account, security and BOM combination. The report also includes a count of the number of gross market trades that contributed to that number, such that users can reconcile the report to trade registration confirmation messages received.</p>
	<p>Does the value and quantity on the EIS146 (sett_136) equal the Novated Net Delivery Position (NNDP) report at start of Batch Settlement?</p> <p>Assuming no because of non-novated obligations such as Bilateral Settlement (BSSI), what is the method for validating all scheduled obligations against ASX Clear?</p>	<p>The value and quantity on the sett_136 incorporates all types of settlement instructions - not just the settlement instructions incorporated into the Novated Net Delivery Position.</p> <p>Where the CSP identifies a NNDP to be fully or partially failed, a NSF will be created to represent the failure (settled in the current batch) and NRI created to schedule these units to the next batch cycle. Refer to technical documentation link below for further information. Participants will be able to use the NSF and NNDP report to validate scheduled and settled obligations. The Settlement Statement can be used to further investigate any reconciliation breaks identified.</p> <p>https://asxchessreplacement.atlassian.net/wiki/spaces/CSP/pages/86836695/Batch%2BSettlement%2BOverview#BatchSettlementOverview-SettlementAlgorithm</p>