



# Implementation & Transition Working Group

Questions from webinar | 6 November 2020

The following table provides ASX's response to relevant questions asked by Implementation & Transition working group members during the webinar held on 6 November 2020. Please email [chessreplacement@asx.com.au](mailto:chessreplacement@asx.com.au) if you have any additional questions or require further clarification.

Topic	Question	Answer
<b>NBO</b>	Can you tell us more about what the issues are with the current NBO design that lead to throughput concerns? Are you able to share at a high level what is envisaged from the redesign so that we can size the rework that is required? If we have no details until Q1 then we will not be able to appropriately plan resourcing/budgets.	Today each executed trade is registered in CHES and scheduled for settlement. If the security for a trade is eligible for netting then all trades for that security are cancelled and replaced by a single NBO (Net Broker Obligation) per security, per C&S participant, and this process runs at the end of day. Given the very high level of netting that occurs, each trade is essentially processed twice, once on registration and once for netting. The netting process is therefore linear to the number of trades it is processing and given there is a defined window to undertake netting each evening, ASX have identified this process as requiring re-design to ensure future scalability. ASX will provide further details on the re-design to the market once complete.
<b>NBO</b>	What is your target date for finalising and publishing the final set of technical specifications for the proposed Net Broker Obligations (NBO) changes?	ASX is targeting to publish the technical specifications for the NBO changes at the end of March 2021, after consultation and design finalisation. In relation to the engagement for these changes, ASX will be inviting all impacted stakeholders to participate in focus groups which will be held in early Q1 with an ISO 20022 Technical Committee to follow.

<b>NBO</b>	In terms of NBO consultation which is to commence late January 2021, what is the expected duration of this consultation? And what is expected milestone dates for publishing of functional specifications, given CDE 10 is scheduled for late June 2021.	The focus groups will most likely run in late January/ early February, and the ISO 2022 Technical Committee soon after that. The release of functional specifications is targeted to be released end March 2021, subject to the consultation process.
<b>NBO</b>	Given the positive impact of the CHES Replacement netting model over CHES NBOs, what is the risk of flow on impacts to participant’s settlement processes if there's no netting of obligations?	<p>ASX is not looking to remove the efficiencies of netting, rather we are looking to remove inefficiencies that stem from specific linear process flows and that might extend into reviewing other process flows.</p> <p>We are not looking at NBO in isolation, we are making sure we look at it holistically and retaining the efficiencies that certain processes provide users in the system.</p>
<b>Scope</b>	Is there an intention to commence discussions on the list of Post Day-1 items in the short-medium term or can we expect to put that work on-hold until closer to 2023?	Our focus remains on the delivery of CHES Replacement Day 1 scope and at this stage we are not contemplating any work on post day 1 scope items in the near term. ASX will communicate further details in due course on when and how it will engage on Day 2 scope items.
<b>Scope</b>	What further engagement will apply for the residual/unscheduled Day 2 features (Corporate Action Entitlements, Payment and Refund)	As has been done for CHES Day 1 functionality, ASX will have a robust engagement process for any Day 2 deliverables. Details on further engagement will be shared in due course but at this stage the focus is on CHES Day 1.

<p><b>Scope</b></p>	<p>As the delay is 2 years from the original go-live of April 2021, can ASX please reconsider moving the Entitlement Offer into the day 1 scope as the confirmed timeline provides additional time for work on the Entitlement Offers. Can we consider potentially replicating the payment solution used for non-batch DVP bilateral settlement for Entitlement Offers? We feel it is both risky and costly to support the two most common corporate events –DRPs and Rights Issues - in different systems and different workflows.</p>	<p>ASX has sought to balance the feedback received from all stakeholders on new features in relation to importance of delivery risk, and stakeholder readiness in the ability to develop to the features from the different types of CHES users. This has resulted in non-batch DvP bilateral settlement, BSP and DRP elections and enquiry and performance scalability being deemed a priority for Day 1 go-live.</p>
<p><b>DRP/BSP functionality</b></p>	<p>The Tranche 2 rules response changed the process flow and functional design of the DRP/BSP election mechanism and that is now part of the Day-1 functionality due in April 2023. Will those features be as specified or subject to a design review?</p>	<p>From an engagement perspective the focus groups and technical committees relating to these supporting messages have concluded, and the technical documentation relating to these features have already been published to our technical documentation portal. As part of the consultation process, ASX again incorporated the feedback across all users in finalizing its design. The consultation on the design and rules is now concluded. We note some changes that have originated from the tranche 2 rules consultation process, which will be published in Q1 2021 for release in CDE11. ASX will provide an update on these changes at the next Implementation &amp; Transition working group in December.</p>

<p><b>Operating Rules - Rights/SPP acceptance and payment</b></p>	<p>With the announcement that this functionality will not be brought forward into Day-1 and is therefore is now post Day-1 functionality, can you please confirm that all of the rules and proposed functionality relating to the allocation of non-renounceable rights to the CHES subregister are also to be removed from scope – e.g. rules including 5.21.1, 5.21.2, 5.21.4, and 5.21.5 which were modified to remove the ‘renounceable’ qualification (i.e. the rules now apply to all rights transactions). Will there be other changes needed to publish procedures relating to this?</p>	<p>As indicated in section 1.14 of the response to consultation feedback on the revised implementation timetable, the rule amendments supporting electronic acceptance and payment for entitlement offers are to be removed from the rules package. This is referred to on page 19 of the response to consultation feedback.</p> <p>The consultation paper for the tranche 2 rule amendments identifies the relevant rule changes in that tranche relating to that functionality. This is referred to in the Summary of Rule Amendments in Attachment A (which references for each of the functionality changes occurring, the rule changes being made) and the Index in Attachment E (which identifies for each rule change, the relevant row in the Summary of Rule Amendments in Attachment A which explains why that change is occurring).</p> <p>The relevant changes will be addressed as part of the further final consultation covering the tranche 3 rule amendments and the consolidated rules package, commencing early August 2021.</p>
<p><b>Operating rules - Non-Takeover offer events</b></p>	<p>P19 of the timeline consultation advised that the proposed rules for these transactions have been removed from scope. Given the change was triggered after the Tranche 2 response process, will we have some visibility of what the issues are? Will there be a longer term plan to re-work and re-introduce this change?</p>	<p>Please note that the relevant removal of functionality and supporting rules referred to on page 19 relates only to the use of the non-takeover offer event functionality to process elections as to alternate forms of consideration under a scheme of arrangement. It does not affect the use of the non-takeover offer event functionality to support the processing of investor acceptances under buyback offers or reinvestment offers, which are proposed to continue.</p> <ol style="list-style-type: none"> <li>1. Feedback received via the Tranche 2 Rule Consultation led to ASX reconsidering the introduction of supporting Scheme consideration elections:             <ol style="list-style-type: none"> <li>a. Limited use cases historically</li> <li>b. Event notification cycle; timeframes between initial corporate action event notification and determination of processing requirements (noting the use of CHES was to be optional)</li> <li>c. Dual investor actions pertaining to Schemes of Arrangement; Voting intentions and Scheme Elections prove problematic (Voting not enabled via CHES)</li> </ol> </li> <li>2. We have no immediate plan to re-work this functionality for Scheme Consideration elections</li> </ol>

<p><b>Operating rules &amp; APG - Release 1.1 features</b></p>	<p>Will the related [Release 1.1] APG and Operating Rules also be removed with the transitional rules from the CSP go-live rules package?</p>	<p>Section 1.14 of the response to consultation feedback on the revised implementation timetable addresses amendments to the operating rules dealing with the release 1.1 features. Rules supporting electronic DRP and BSP election, DRP and BSP enquiry and non-batch DvP bilateral settlement are to be retained in the rules package and are proposed to become effective on Day 1 go live of the new system (in the same way as for other functionality being delivered on Day 1). Conversely, rules supporting electronic acceptance and payment for entitlement offers are to be removed from the rules package, and revised timing for these rules will be considered following Day 1.</p> <p>As a result of these changes to the release 1.1 functionality, the parts of the transitional rules which were to address the post Day 1 timing for enlivening rules for the new functionality in release 1.1 will no longer be required. There will however continue to be transitional rules addressing migration aspects (e.g. in-flight transactions and processes) for the cutover to the new system.</p> <p>The relevant changes will be addressed as part of the further final consultation covering the tranche 3 rule amendments and the consolidated rules package, commencing early August 2021.</p> <p>ASX will also review the APGs to determine any updates required as a result of the changes to the timing for the Release 1.1 functionality, as well as for changes to the solution design for DRP and BSP elections as set out in ASX's response to the tranche two rules consultation feedback which addressed concerns raised through that feedback in relation to that functionality.</p>
<p><b>Connectivity</b></p>	<p>When will further details be available on how to detect the various failure scenarios for the Ledger API as listed in the Connectivity Accreditation overview? Also, when will details be available of the recommended ways to handle these scenarios? Will these failure modes be testable in CDE? If so, which CDE?</p>	<p>ASX is targeting to provide further details in Q2 2021.</p>

<b>Connectivity</b>	Can the connectivity details be shared significantly earlier than 3 months before environments are available? We and others have consistently stated that getting things like security & network design reviewed at large institutions takes a significant amount of time.	ASX will provide connectivity details at least 3 months in advance of the industry test environment opening. However we will look to provide earlier where possible.
<b>Connectivity</b>	Will the security uplift & Access and Identity Management service for the Ledger API be released into CDE (& if so, which CDE) or only become available in ITE1? We would prefer to get to the final connectivity state as far in advance as possible.	There is currently no plan to implement a security uplift or IAM in CDE. These features will be implemented in ITE1, ITE2 and the To-Be-Production environment to support Migration Dress Rehearsals.
<b>CDE</b>	Is CDE 9 on track for delivery this year with the original scope? I.e. will all clearing & settlement functionality (apart from mFunds & what was previously V1.1 functionality) be available in CDE this year?	CDE 9 is on track to be delivered in November 2020. All core clearing and settlement functionality will be delivered in CDE 9 with the exception of some lower used reports and the changes to clearing and settlement functionality to support the significantly higher volumes as outlined in the consultation paper response. In relation to the scope of reporting, some of the lower used reports will not be available for release, and instead these will be incrementally dropped post CDE 9. Any changes to clearing and settlement functionality relating to the NBO (Net Broker Obligation) will be made available in CDE 10, June 2021.
<b>CDE</b>	ASX has said there is an extended period of operation and enhancing the CDE to improve the software provider experience as well. What CDE enhancements are planned?	ASX is committed to increasing its focus on maintaining CDE and improving the customer experience, including increasing the time between resets. ASX will also implement additional test tools which provides issuers or their appointed share registries enhanced testing capability for some multi-lateral work flows which simulates the participant's actions. These include transfer requests from issuer to participant, conversion requests from issuer to participant, participant initiated transfer and or conversion requests from participant to issuer and SRN enquires.

<b>CDE</b>	Considering ITE 1 is a platform for testing non-functional requirements related to performance, and scalability, and with the delay of ITE 1 opening, is there any plan to upgrade CDE with such non-functional requirements so that software vendors can get a glimpse of the necessary adjustments to be done in the application?	There is currently no plan to upgrade CDE to support non-functional testing.
<b>Technical Documentation</b>	Are there any more specific timeframes available for functional specification drops etc?	The forward release plan in the technical documentation portal provides an up-to-date view of the intended release dates for specifications. We encourage everyone to keep abreast of the forward release plan in the technical documentation portal as that is where you will find up to date information about documentation and code drops.
<b>ITE 1</b>	What CDE drop will ITE 1 open with?	ITE1 will open with code drop 11 which is targeting a CDE release in September 2021. ITE1 will open with the full functional payload for Day 1.
<b>Technical Accreditation</b>	With reference to '1.8 Industry-wide performance testing' – when will ASX provide detailed accreditation scripts and target transaction volumes that will be required for software providers to pass for technical accreditation?	<p>Technical accreditation comprises two components: messaging and connectivity. The messaging scripts have been incrementally released to the market this year and due for completion by the end of 2020 for the original day one features. There will however be a subsequent release mid 2021 to account for release 1.1 functions that will now form part of go-live, specifically non-batch bilateral settlement and DRP and BSP elections and enquiry. There may also be some revision as part of the NBO (Net Broker Obligation) scalability changes.</p> <p>The connectivity scenarios are still being worked through and will be delivered in Q2 next 2021. Connectivity test scripts will be iteratively released from Q3 2021 and targeted to be complete by end 2021.</p> <p>Performance testing is not a part of technical accreditation, ASX will however allow both software providers and CHES Users the ability to performance test their interfaces in ITE1 and ITE2.</p>

<b>Software provider readiness</b>	Will ASX improve the tracking and reporting of vendor readiness in the CDE and ITE1 environments as a way of de-risking the longer period until vendor Accreditation?	ASX monitors each software provider's activity (both vendors and those organisations developing in-house) and will continue to work bilaterally and collaboratively with them on their readiness against the overall timeline.
<b>Operational Readiness</b>	What artefacts will ASX review as part of Op Readiness assessment e.g. SOP, System Docs, workflow Scripts per vendor accreditation?	We are working through the details of Operational Readiness and will engage with the market on artefacts towards the end of 2021.
<b>Data set-up</b>	We appreciate ASX agreeing to co-ordinate industry wide testing in the ITE2 environment. To aide data privacy and provisioning, will this phase utilise production Participant and masked migrated data?	ITE will not contain any production data, masked or otherwise. There may be publically visible data such as UICs and security codes. The subscriber technical access agreement, which all clients must sign prior to getting access to ITE2, prohibits the entry of any production data into this environment.
<b>Data set-up</b>	Is migration dress rehearsal the only environment that real, so not de-identified data, will be allowed and is ITE still only allowing de-identified details?	The 'to be' production environment, which is where ASX will be conducting migration dress rehearsals, is currently the only environment that will have unmasked production data.
<b>Pricing</b>	On p22 of the timeline consultation document, ASX mentions that in Q4 2020 – Q1 2021 there will be some 'informal soundings' of ASX Clear and ASX Settlement participants on the proposed new pricing model. Will Issuers and their representatives also have the opportunity to comment on the proposed pricing model?	The "informal soundings" mentioned in the response to consultation feedback will be specific to ASX Clear and ASX Settlement participants i.e. those utilising clearing and settlement services. Engagement will continue with Issuers outside of this which will include discussion on pricing.
<b>Pricing</b>	A further 9-month delay to the disclosure of pricing for clearing and settlement services does not allow sufficient time for CHES Users to determine their CSP operating model or customer charges before live-date.	ASX expects to announce day 1 pricing for clearing, settlement and other services in Q3 2021, more than 18 months prior to go-live.



<b>Project governance</b>	<p>Project governance would definitely help identifying risk early however, successful completion of this project depends significantly on the readiness of vendors and participants as well.</p> <p>Will vendors and participant readiness be part of your governance process, and if so, at what phases?</p>	<p>Working with vendors and all customers of CHES to reach a state of readiness is key to the success of the project. This is an ongoing stream throughout the project plan. Key milestones will include software providers accrediting their software with ASX, as they do today, to allow users of the system to use their software and all CHES users needing to demonstrate their operational readiness and attest to this. Both of these activities are part of the broader governance process.</p>
<b>Registration details tool</b>	<p>When will the migration tool be provided? Is it still this year?</p>	<p>The CHES registration tool (migration tool) is aiming to be available in March 2021. ASX are also on track to publish on our documentation portal at the end of November 2020 further details on requirements and specifications relating to how the tool works, how to interpret data errors, and information on how to install the tool.</p>
<b>CHES UI</b>	<p>Following the confirmation of the April 2023 go-live, can you please confirm when the CHES User Interface will now be available? Will it still be available in Dec 2020?</p>	<p>The CHES User Interface (UI) will be made available along with the opening of ITE1 which is now the end of Nov 2021. ASX also been incrementally adding functional details of the new CHES UI along with sample screen shots in the most recent documentation releases.</p>
<b>mFunds</b>	<p>Consultation Paper Response states there is now more time for mFunds development, however it isn't clear if mFunds is actually mandatory for Day 1?</p>	<p>mFund continues to be an optional service offering as it is in CHES today.</p>
<b>Multi-party workflows</b>	<p>Will ASX restrict optional use of multi-party workflows? When a counterparty has opted out e.g. Bilateral Demand Settlement Instruction, will ASX reject such allegements so the recipient doesn't need to build exception processes for unsupported workflows?</p>	<p>ASX is continuing its evaluation of how optional multilateral workflows are supported in the scenario where certain participants have opted out in using an optional feature. ASX will provide further information in due course.</p>

<b>ASX Support of CHESS Account cleansing</b>	<p>Will ASX support a bulk cleansing of CHESS accounts by Participants in a similar way to the closure of dormant HINs? Can this bypass the standard 203 update and resulting client notification, with changes advised to Issuers (as the likely CHESS e-statement email updates are likely to do).</p>	<p>There is no bulk facility available for ASX to update CHESS registration details on behalf of a Sponsoring Participant. Sponsoring Participants will be able to identify their accounts with non-compliant registration details by running the Registration Details Tool in their environment. Sponsoring Participants are required to remediate non-compliant accounts that are in their control prior to the cut-over weekend.</p>
<b>ASX Guidance Note 10</b>	<p>Is there any impact from the industry delay to Participant's enhanced Guidance Note obligations for Recovery Time Objective (RTO)?</p>	<p>ASX will revisit the recovery time objective (RTO) following the completion of CHESS replacement. Please see the revised <a href="#">Guidance Note 10 – Recovery Time Objective and Notification Requirements</a> for further details.</p>