



24 April 2024

Email: CHESReplacement@asx.com.au

Stephen Hannan
Senior Manager, Equities
ASX Limited
PO Box H224
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Dear Mr Hannan

CHES REPLACEMENT: CONSULTATION PAPER ON STAGED IMPLEMENTATION APPROACH AND IMPLEMENTATION OF RELEASE 1 (CLEARING SERVICES)

The Stockbrokers and Investment Advisers Association (SIAA) is the professional body for the stockbroking and investment advice industry. Our members are Market Participants and Advisory firms that provide securities and investment advice, execution services and equity capital-raising for Australian investors, both retail and wholesale, and for businesses. Practitioner Members are suitably qualified professionals who are employed in the securities and derivatives industry. The history of the stockbroking profession in Australia can be found [here](#).

SIAA members include clearing and settlement participants (Participants) as well as external vendors and CHES users developing in-house systems. SIAA is a member of the ASX Business Committee and attends the meetings of the ASX Technical Committee as an observer. SIAA is also a member of various CHES Replacement working groups. We thank ASX for its open engagement with industry stakeholders on the project so far through these fora.

We welcome the opportunity to provide feedback on the Consultation Paper on staged implementation approach and implementation of release 1 (Clearing).

While the consultation mostly deals with matters relevant for Market Operators, feedback on the key issues for our members is set out below. We have only provided feedback on the questions relevant to Participants and vendors.

Staged implementation

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

We are supportive of the approach to separate the CHES Replacement Project into two stages. As Release 1 (Clearing) is a much smaller release, it gives Participants and their vendors time to digest the changes and implement BCP and other procedures. It will also reduce implementation risk, both internally and across industry, spread project and technical workloads and minimise disruption to Participants.

Members have the following general feedback on the proposed staged implementation:

- Participants would appreciate some 'showcasing' from TCS BaNCS of the BaNCS for Market Infrastructure product. They are particularly interested in a presentation that includes key feature capabilities, product insights and understandings, and productivity opportunities for Participants.
- While the engagement from ASX across its working groups has much improved and is welcomed by Participants, the information provided by the ASX is still at a very high level and is lacking in detail for Participants to understand the full impacts of the proposals. For example, material for working groups is often circulated too close in time to the meeting to allow for effective feedback. For this reason, some Participants have not yet allocated dedicated project resources and are unable to do so until the timing, design and likely impact of the proposals are clear.
- Some Participants do not yet fully understand how the proposals will impact on their downstream business systems and platforms, such as integration points, internal systems and APIs. The previous CHES replacement project required Participants to undertake significant work to external supporting systems. In doing so they deployed significant resources and time at some cost. Participants need to know how much work will be required on external supporting systems and platforms for new CHES as this will impact on their ability to comply with the proposed project implementation timelines. Participants also need to understand whether this work falls within the eligibility criteria for participation in the CHES Replacement Partnership Program. It appears that unless a system connects to CHES there will be no financial support offered under the CHES Replacement Partnership Program. This is not ideal if Participants will incur significant costs in undertaking this downstream system work.
- Some Participants will require a gap after the implementation of Release 1 (Clearing) to get ready for Release 2 (Settlement) and will find it challenging to support the implementation of Release 2 (Settlement) earlier than 2028.

Design, scope, and schedule for Release 1 (Clearing)

Question 2 – Please provide feedback on the design, scope and schedule for Release 1 (Clearing)

We support the design, scope and schedule for Release 1 (Clearing). The lift in market volume capacity in Release 1 is important to the industry. Our members are broadly comfortable with the implementation of Release 1 (Clearing) in Q1 2026.

Members have provided us with the following specific feedback on this question:

- As netting will move from current CHES to the BaNCS system but netting messages will still be routed through current CHES, Participants and vendors will need to undertake a significant amount of regression testing to ensure that this new system works.
- Participants need ASX to confirm if there will be migration of data for deferred settlement transactions at the time of cutover. If migration of data is unavoidable and results in a need to conduct mapping from current CHES to CHES Replacement, this will increase the impact on Participants and vendors.
- We note that CHES User Clearing Regression and AMO Parallel testing is intended to be scheduled between November 2025 and March 2026 for implementation by the end of Q1 2026. That means that the regression testing will begin in the lead up to Christmas 2025. Since staff of Participants and their vendors take annual leave over January, ASX may not receive feedback on the regression testing until February/March 2026 which is close to the implementation deadline. ASX may want to reconsider the timing of the testing in light of this.

Release 1 Industry Testing approach

Question 3 – 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 Clearing and Settlement Participants and Software Providers? Please provide supporting detail.

We are supportive of the proposed scope and approach for the industry test phase.

Members have provided us with the following specific feedback on this question:

- As Release 1 includes a bridge between current CHES and the BaNCS system, the test plan must include messages across that bridge. Volume testing will be particularly important.

We also repeat the comments made in answer to question 2 about the migration of data for deferred settlement transactions.

Release 1 Industry Testing duration

Question 4 – As a Clearing and Settlement Participant, how much time will be required to complete regression testing for impacted messages?

We have been provided with the following feedback on this question:

- Participants will need more information on the type of testing required nearer the time in consultation.
- The time required to complete regression testing for impacted messages will depend on whether there will be migration of data for deferred settlement.
- At least a two-month window may be necessary with three months advance notice to schedule and complete testing.

- As the testing window is over the Christmas period, we repeat the previous point about the challenges that may cause for testing, taking into account the availability of staff.

Conclusion

If you require additional information or wish to discuss this submission in greater detail please do not hesitate to contact SIAA's policy manager, Michelle Huckel, whose contact details can be found in the covering email.

Yours sincerely

A handwritten signature in black ink, appearing to read 'J Fox', with a stylized flourish above the 'x'.

Judith Fox
Chief Executive Officer