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ASX ANNOUNCES INCREASED SCOPE AND NEW GO-LIVE DATE FOR CHESS REPLACEMENT

Attached is a media release regarding an increase in the scope and a new go-live date for the CHESS replacement system.

Release of market announcement authorised by:
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Media Release

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After extensive industry consultation and a comprehensive project review, ASX increases the scope of CHES replacement and resets the go-live date to April 2023

ASX has confirmed the new go-live date for the CHES replacement system as April 2023, with increased project scope and a 12-month extension to the proposed date consulted upon mid-year.

This follows careful consideration of the feedback from the 100 organisations that participated in the extensive industry consultation, engagement with regulatory agencies, detailed discussions with our technology partners, and completion of a comprehensive project review.

While most CHES users indicated they could meet the proposed go-live date of April 2022, many asked for extra industry testing, more time to prepare for the new system and additional functionality that reduces manual processes (such as electronic corporate action elections) to be delivered as soon as possible.

The feedback from stakeholders and ASX's own experience show that COVID-19 continues to have an impact on the industry. This includes the effect on collaboration and productivity, the importance of digitising processes and the need to further reduce cutover risk to the new CHES system.

The industry also requested substantially more post-trade processing capacity than what had been contemplated pre-COVID-19. This is in response to the extreme increases in trading volumes on the ASX platform during the most volatile period of the pandemic in March 2020.

This period saw unprecedented 'bursting' of daily trade volumes, with additional trades in early March eclipsing previous records by approximately 3.5 million trades, compared to historical bursts of less than 0.5 million trades. This increase has reset industry and regulator expectations about the possibility of further step increases in daily trading records. The need for the replacement system to scale to much higher processing levels and sooner, is now a Day 1 requirement.

As a result, ASX has adjusted the Day 1 scope and schedule for the CHES replacement system to target significantly more throughput capacity and scalability, more functionality, more industry testing, and more time for users and ASX to prepare.

Dominic Stevens, ASX Chief Executive Officer, said: "ASX has listened to the industry, regulators and its technology partners throughout this project. It is clear that COVID-19 continues to impact the whole industry, including ASX, and this has evolved what our stakeholders want from the CHES replacement system. In parallel, ASX has considered how we can reduce delivery risk, enhance the customer experience and continuously improve project execution. Consequently, we have increased the scope of the project and extended the timeline. The result is a program that provides a significantly enhanced CHES replacement solution on Day 1."

Mr Stevens continued: “The functional scope, capacity, scalability and testing of the CHES replacement system now being developed is greater. It captures the increased requirements of ASX and the industry, and lowers the risk in delivering them. It is also consistent with ASX addressing the expectations of the regulatory agencies that CHES be replaced as soon as it can be achieved safely and that the new system meets the market’s needs.

“By its nature, a consultative process that considers all industry feedback will not satisfy everyone. We acknowledge those who have been working hard and would have preferred a faster delivery time.

“However, replacing CHES is an important and innovative project, with significant long-term benefits for Australia’s financial market users. It is ASX’s responsibility to deliver it in a safe and timely manner, and to consider the feedback from all our stakeholders. We thank all our industry participants, who are working in collaboration with us to ensure the successful delivery of the new system, as well as the ongoing engagement of our regulatory agencies,” Mr Stevens said.

Having completed the review process and set the new implementation schedule, ASX will maintain its strong stakeholder engagement throughout the remainder of the project. As with all projects at ASX, governance is a key focus and an independent assurance program covering key parts of the project is an ongoing feature. Over the period to go-live, the independent assurances will include program management, security, performance capability, operational controls and the approach to the cutover to the new CHES system. These assurances will be provided to the regulatory agencies.

Prior to the implementation of the CHES replacement system, ASX will continue to invest in the current CHES system, including strengthening its resilience, capacity and processing efficiency. ASX is confident the current CHES system will continue to support the industry during the extended timeframe.

ASX’s formal response to the consultation feedback, the key factors driving the project extension and the full implementation schedule for CHES replacement can be found here:

<http://www2.asx.com.au/content/dam/asx/documents/unlinked-docs/chess-replacement-project-response-to-consultation-revised-implementation-timeline.pdf>

Further information about the CHES replacement project is available here:

<https://www2.asx.com.au/markets/clearing-and-settlement-services/chess-replacement>

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