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Australian Securities and Investments Commission
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ASX ANNOUNCES IMPLEMENTATION PLAN FOR RELEASE 2 OF THE CHESS PROJECT

Following extensive industry consultation on scope and timing, ASX today announces its implementation plan for the settlement and subregister services (Release 2) of the CHESS system. Industry feedback to the consultation along with ASX's response paper can be found on ASX's website.

Key points

- CHESS Release 2 implementation targeted for 2029 with estimated project costs of between \$270 million and \$320 million
- ASX continues to work towards 2026 for delivery of Release 1 with estimated project costs currently expected to be at the upper end of the previously communicated range of between \$105 million to \$125 million
- Existing capital expenditure guidance remains unchanged and includes allowances for both releases of the CHESS system, noting that expenditure for Release 2 will extend beyond the guidance period
- ASX plans to use the full \$70 million of the CHESS Replacement Partnership Program, subject to other considerations, with the remaining \$37 million to be recognised in FY26 and FY28 as significant items

Background to the CHESS project

In November 2023, ASX announced it would proceed with a product based solution design to replace CHESS. Tata Consultancy Services (TCS) was chosen to deliver the solution using its TCS BaNCS Market Infrastructure product, which offers a modular technology platform for clearing and settlement services. Given the scale and complexity of this project, Accenture was chosen as delivery partner to provide additional capability, capacity and industry expertise.

ASX has previously said that it will be implementing the new platform in two main releases. This staged approach is expected to reduce overall delivery risk and should help manage impacts on stakeholders, as compared to a single release. Release 1 will be clearing services, with settlement and subregister services to follow in Release 2. Work is underway on both releases, which are planned to be deployed on cloud-based services selected by ASX.

Scope and timing for Release 2

Following consultation, ASX is targeting the implementation of Release 2 in 2029, which is expected to allow time for industry preparation and readiness activities. ASX also continues to consult and work with the industry to consider whether to adopt a shorter T+1 settlement cycle. If there is to be a move to a shorter settlement cycle, ASX has received initial industry feedback that it should follow the implementation of the CHESS project.

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Financial aspects

ASX estimates that the project costs for Release 2 will be between \$270 million and \$320 million and will be incurred over multiple years. This reflects the complexity, duration and number of stakeholders involved in the delivery of the settlement and subregister services.

ASX continues to work towards 2026 for delivery of Release 1, with the estimated project costs currently expected to be up to \$125 million, at the upper end of the previously communicated guidance range.

ASX's existing capital expenditure (CAPEX) guidance remains unchanged and includes allowances for both releases of the CHES system, noting that expenditure for Release 2 will extend beyond the guidance period. CAPEX guidance for FY25 to FY27 is for a range of between \$160 million and \$180 million¹ each year, with an aim that CAPEX starts to reduce after FY27. As our CAPEX is primarily to support the technology modernisation program, which includes the replacement of CHES, inherent delivery risks in the program (including timing, scope and stakeholder dependencies) may impact this guidance.

Partnership Program

ASX has also released its response paper to the consultation on the CHES Replacement Partnership Program (Partnership Program), a forward-looking initiative designed to support continued industry participation in the CHES project. Industry feedback to the consultation along with ASX's response paper can be found on ASX's website.

The indicative timeline for delivery of Release 2 also informs how ASX will progress the Partnership Program. ASX has previously said it expects to provide up to \$70 million under the Partnership Program and, following a series of payments, there remains \$37 million to be disbursed which is linked to future project milestones. ASX plans to use the full \$70 million allocation towards the Partnership Program, subject to other considerations, in particular all eligible entities accepting their invitation to participate in the Partnership Program.

Given that future payment milestones have been determined to align to the indicative timeline for delivery of Release 2, ASX will recognise the remaining amount in two tranches aligned with the milestone criteria. This is expected to result in \$22 million being recognised in FY26 and \$15 million in FY28 as significant items, although the payment milestones are subject to change should there be any adjustment to the relevant project milestones.

ASX Managing Director & CEO Helen Lofthouse said: "We continue to prioritise the safe delivery and reliability of the CHES project. This is reflected in our proposal to implement the project over two releases and to implement Release 2 in 2029, which is expected to allow time for industry preparation and readiness activities following extensive stakeholder engagement."

"Our technology modernisation program is part of our strategy to continue to build long term shareholder value. The new CHES system we are implementing is critical market infrastructure and we need to make the appropriate investment to ensure it can provide for the market today and into the future. As we progress this important project, we are continuing our investment for the effective and reliable operation of current CHES."

"ASX understands the importance of ensuring all interested stakeholders have an opportunity to provide feedback so we can implement a CHES system that best supports the interests of the market as a whole. Thank you to everyone who provided a submission to the consultation, and I want to emphasise that we will continue engaging with our stakeholders as we progress delivery of this important project."

¹ CAPEX guidance range of \$160 million to \$180 million excludes \$10 million to \$12 million CAPEX for new office fit out in each of FY25 and FY26

Conference call details

ASX management will host a conference call, including a question and answer session, for investors and analysts at 10.00am (Sydney time) today. Details are below:

Date and time: Tuesday 26 November 2024 at 10.00am (Sydney time)

Pre-register for the conference call: [here](#)

Dial in: 1800 809 971 (Australia) or +61 7 3145 4010 (International)

Conference ID: 1004 3389

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The Board of ASX Limited

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