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Australian Securities and Investments Commission
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ASX ANNOUNCES PRODUCT BASED SOLUTION FOR CHESSE REPLACEMENT – INDUSTRY CONSULTATION ON NEXT PHASE TO COMMENCE IN 2024

ASX has completed its reassessment of the solution design to replace CHESSE and will proceed with a product based solution to be delivered by global technology provider TATA Consultancy Services (TCS). The CHESSE replacement project will now move to the next phase of detailed design and implementation, with further stakeholder consultation to commence in the first quarter of 2024.

Key points

- ASX has today entered into an agreement with TCS for the delivery of its TCS BaNCS for Market Infrastructure product, which offers a modular technology platform for clearing and settlement services. ASX considers that the chosen product will allow it to provide a reliable, supportable and scalable platform that meets the needs of the Australian market now and into the future. It can satisfy the licence obligations of ASX Clear and ASX Settlement, and is capable of supporting potential new services and innovation from ASX or other providers.
- ASX proposes to implement the new platform in two main releases, with the clearing service to be delivered in a first release, and the settlement and sub-register services to follow in a second release. This staged approach is expected to reduce overall delivery risk and should help manage impacts on industry stakeholders, as compared to a single cut-over approach.
- Stakeholder input has been key to the decision announced today, including input from the CHESSE Replacement Technical Committee, the ASX Business Committee and the Cash Equities Clearing and Settlement Advisory Group (**Advisory Group**). The next formal consultation with stakeholders will commence in the first quarter of 2024 and will cover the high level project plan and an indicative timeline for the releases, including the design, scope and timing for each of the releases. The indicative timeframe for implementation of the first release (the clearing service) is 2026, and the scenarios being considered for the second release (the settlement and sub-register services) estimate implementation in 2028 or 2029. The delivery timeframes are subject to a number of factors including stakeholder consultation and detailed planning.
- Given the scale and complexity of the CHESSE replacement project, ASX has also today entered into an agreement with Accenture to support ASX's project delivery in the role of solution integrator. Accenture will provide additional capability and capacity in technology project delivery and industry expertise.
- The estimated cost for the first release (clearing) of the project is between \$105 and \$125 million, to be incurred over multiple years, with the FY24 capital expenditure component captured in ASX's existing FY24 capital expenditure guidance. The scope, timing and cost of the second release (settlement and sub-register) is expected to be determined in late 2024 following stakeholder consultation.

The selected product and its benefits

TCS is a recognised global technology services provider and the selected product is used to provide services in multiple markets worldwide, including in Finland, South Africa and New Zealand, and is currently being implemented in Canada. The TCS product has been significantly developed over recent years to accommodate the diverse clearing and

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settlement models and account structures used in different regions globally. This includes support of direct holding structures, which is expected to minimise the amount of customisation required to support the Australian market. At the same time the product's design is well suited to supporting the introduction of new features and services in the future.

ASX Managing Director and CEO Helen Lofthouse said: "When we took the decision to reassess the CHES replacement solution design, we wanted to select a solution that would serve the whole market, and to do that we needed extensive input from our customers and industry stakeholders. We significantly increased engagement during 2023 and the selected product, implementation approach and scope reflect discussion and feedback from various forums.

"We had clear objectives for our selection process. These included meeting current and future market needs and our licence obligations, enabling a safe transition from the incumbent platform, minimising industry impacts where possible, and having the capability to provide interoperability and facilitate future innovation as driven by market demand."

"This next phase of the project will be a multi-year undertaking and ASX will maintain our investment in the current CHES platform to ensure it continues to operate efficiently and reliably until the replacement is implemented."

The TCS product is expected to meet the needs of today's market and provide important industry and customer benefits, including:

- **Improved scalability:** Maintaining high operational and resilience standards, while providing improved scalability and the ability to support future market growth as required. The selection criteria included that this service will be able to meet an initial minimum daily trade registration volume of twice projected volume stress levels, currently 15 million trades; and that it will be able to scale further as the market grows.
- **Staged implementation:** The product's modular design supports a staged implementation of the main releases, which should allow stakeholders to better manage change load and provide lower overall delivery risk as compared to a single cut-over approach.
- **Reuse of industry investments:** The significant effort made by industry stakeholders relating to workflow development and global messaging standards is expected to remain relevant for potential reuse. This remains subject to consultation on scope and detailed design.
- **Interoperability:** Modular architecture will enable un-affiliated market operators and clearing and settlement facilities, and other providers, to access and interoperate with the individual clearing, settlement and sub-register services using standardised interfaces.
- **Innovation:** The solution can provide for connectivity with alternate technologies, including distributed ledger technologies and other emerging technologies. This will support future innovation by creating opportunities for new services to be introduced by ASX or other providers as driven by market demand.

Industry input to solution decision

The decision to proceed with the TCS product was made following extensive evaluation of potential solution options and product vendors. The decision takes into account industry input on the project objectives and scope from the CHES Replacement Technical Committee and the ASX Business Committee, and has been made with the benefit of advice provided by the Advisory Group. ASX welcomes the advice of the Advisory Group, which will be outlined in a Communique to be published later today.

Ms Lofthouse said: "The input from the Business Committee, the Technical Committee and the Advisory Group has been critical in supporting us to proceed towards an outcome that will best serve the whole market. I'd like to thank all of the people who participate through these various forums for their contribution and I look forward to continuing our work together as we progress this next phase of CHES replacement."

Next steps

ASX will hold briefings with key industry and other stakeholders on the solution design and industry work plan. Formal consultation on the high level project plan and timeline will commence in the first quarter of 2024. Updates will be provided as part of the consultation process as the delivery plan and timeline are refined.

ASX will communicate with eligible stakeholders under the development incentive pool for the CHES Replacement Partnership Program alongside industry consultation, and will seek their input on the milestones for further payments from the pool.

Financial aspects

ASX has previously stated it has prioritised technology modernisation, which includes CHES replacement, as part of its five year strategy. The estimated cost for the first release (clearing) of the project is between \$105 and \$125 million to be incurred over multiple years, with the FY24 capital expenditure component captured in ASX's existing FY24 capital expenditure guidance. FY24 total expense growth guidance of between 12% and 15% also allows for the first release of this project.

The scope, timing and cost of the second release (settlement and sub-register) is expected to be determined in late 2024 following stakeholder consultation. ASX also continues to evaluate the planning and sequencing of its technology modernisation projects more broadly, and will consider any implications for future capital expenditure guidance and update the market on any changes to that guidance as appropriate.

ASX's medium term capital expenditure plans will be supported by ASX's flexible capital management strategy including the expected issue of a corporate bond of between \$200 and \$300 million (subject to market conditions) and a dividend payout ratio range of between 80% to 90% of underlying net profit after tax.

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: Monday 20 November 2023 at 10.00am (Sydney time)

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

Conference ID: 1003 5045

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