



28 April 2022

Mr Greg Yanco  
Australian Securities and Investments Commission  
Level 5, 100 Market Street  
NSW 2000

Email: [Greg.Yanco@asic.gov.au](mailto:Greg.Yanco@asic.gov.au)

Dear Mr Yanco

**Re: CHES Replacement**

AFMA has been keen to support the CHES replacement project to a successful conclusion since its commencement.

Participants have recently become increasingly concerned about the timing of the CHES project given the tight timings for the integration of vendor software and industry testing.

ASX's recent announcement that it is looking at changing the delivery date is a welcome one both for the increase in project timeline (noting this will increase costs for firms), as well as the opportunity for a reassessment of project risk and planning.

A key concern from members is that more detailed information is needed from ASX to understand what is required from a resourcing perspective and to build confidence that industry testing will be sufficient to provide assurance.

Testing must be commensurate with the risk profile of the project. A 'big bang' approach is a higher risk approach and requires extensive high volume, variable scenario testing to ensure it has the best chance to go well.

AFMA has assembled the following statements with a view to assisting ASIC's work in this space. We note that a range of views exists in the membership on whether there should be a parallel run and we present some views both ways.

## **Dashboard**

1. AFMA would support ASX publishing to relevant parties a periodic project dashboard/summary/RAG status across the critical measures or milestones on a no-names basis across all stakeholders including vendors to bring transparency to overall market readiness. It would be helpful if the same status report could provide ASX's views of challenges being faced on a thematic basis.
2. Vendor readiness is particularly important for many firms, as the code needs to be delivered for integration work to start and must be low in bugs.

## **Transparency**

3. Participants need detailed information on the testing release planning rollout. This is required in order to have knowledge of the timing risk. For example, what will happen if 90% of participants are ready?
4. Participants also seek specific information on the testing that is due to happen over the next 9 months.

## **Interaction with Cboe upgrade**

5. Cboe migration also has resource contention with CHES replacement. While this would be reduced by a delay to CHES Replacement, a required (and appropriate) change to Cboe's date could increase the contention.
6. Members note there is a degree of operational risk here for CHES Replacement, as firms take data feeds from Cboe required for clearing/settlement. A two month lead-time ahead of CHES Replacement is not ideal. Members suggest a six month minimum gap.

## **Interaction with 708**

7. Participants note contention from completion of both CHES and Cboe before Rep 708 can be implemented (with reasonable timeframes needed to embed).
8. Participants' timetable for 708 is very likely dependent on CHES budget/resources and therefore may be postponed in line with CHES delay.
9. Participants and CBOE are supportive of not upgrading connections to CBOE until the trading system is replaced.

## **Increased industry testing**

10. Industry-wide testing at scale and load would reduce project risks.
11. Given the complex nature of the project, industry will need a number of test rounds before brokers can enter into Industry Wide Testing (IWT). Additionally, the details for IWT and data migration are not yet available in detail. Despite this, functional tests for the Migration Dress Rehearsal (MDR) are already planned. Overall, the timelines for the testing phase are very tight and could result in a suboptimal delivery and go-live preparedness.

## Revised timing

12. More time is needed for contingency (beyond a delay for ASX's vendor – need to expand the timeline). 3 or 4 months would not be sufficient to be helpful given the level of compression of testing timelines.
13. The selected date should be realistic and firm, to avoid further timing changes.
14. Members are also of the view that a long weekend is needed for the rollout.

## Fall back and contingency planning

15. CHES replacement does not appear to have a full fall back plan. Much smaller internal projects at brokers will always have a roll back plan.
16. ASX needs to articulate what good looks like in terms of go-live (and what issues would postpone a go-live), what could go right and wrong at go-live, and what would be the response to different go live scenarios playing out. Again, the more information provided by ASX the better.

## Parallel run

*Views are mixed on the cost/benefit of a parallel run:*

### *Against:*

17. A member estimated the build time for a connector to enable a parallel run could see a significant project extension required of up to 24 months.
18. A change to a gradual implementation is a major project for some vendors bringing increased cost and increased risk from the delay to the industry owing to constrained volumes and an ageing CHES system. We prefer a big bang with good testing and contingency given where we are now.

### *For:*

19. Migration from CHES to the new CSP system is a complex activity due to the sheer number of brokers and other stakeholders involved in the project. We believe the current plan to move all market participants over to CSP in a single release is very risky as each market participant and other stakeholders could be at different levels of maturity and readiness with their systems and/or operational processes. An issue with one (or more brokers) could jeopardise the entire go-live.
20. We recommend, that similar to the Singapore approach, the CSP release is done in multiple batches where brokers can select to go-live in a certain batch. This will give brokers some flexibility, provide ASX with improved control over the time period to finish the migration and de-risk the go-live. Participants would have the ability to fall back if they have issues, and it provides ASX the ability to enhance and iron out wrinkles progressively.
21. Complex operational changes could then be done in phase 2 and go for a big bang go-live in phase 2. This would be ok because all the brokers would be on the new flow and could better focus on the operational aspects of the change

For the remainder of the project AFMA has agreed to facilitate direct meetings with market participants and ASIC, we support ASIC increasing its industry dialogue through this mechanism and trust that ASIC will also similarly engage with key vendors and other relevant parties.

For more information or if you have questions in relation to our letter please do not hesitate to contact me at [djeffree@afma.com.au](mailto:djeffree@afma.com.au) or 02 9776 7993.

Yours sincerely

A handwritten signature in grey ink that reads "Damian Jeffree". The signature is written in a cursive, slightly slanted style.

Damian Jeffree  
**Senior Director of Policy**