

28 July 2020

Keith Purdie
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By email: chessreplacement@asx.com.au

Dear Keith

CHESS REPLACEMENT: REVISED IMPLEMENTATION TIMETABLE CONSULTATION

The Stockbrokers and Financial Advisers Association (SAFAA) is the professional body for the stockbroking and investment advice industry. Our members are Market Participants and Advisory firms which 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 proposed extension of the timetable by 12 months is a welcome move by ASX, in light the upheaval in global markets and business operations arising from COVID-19 and the staged release of the Rule Amendments. Members did not have confidence that the full picture of the technical, legal and operational impact and requirements could be understood until the release of the final tranche of Rule Amendments, after which under the original timetable there would have been only in the order of six months for all necessary system changes to be completed before the CHES Replacement system went live. The consultation on a revised timetable is therefore also welcome.

Consultation on revised timetable

SAFAA notes that the CHES Replacement: Revised Implementation Timetable Consultation Paper (the Consultation Paper) sets out five questions, the responses to which are expected to be provided by Market Participants and other stakeholders directly implementing the CHES replacement technology. At the ASX Business Committee on 22 July, ASX advised that the consultation paper was not designed for responses from industry associations.

Notwithstanding this, SAFAA notes that it is impossible for our Members to categorically respond 'Yes' to the first question, which is: "Can your organisation meet the revised implementation timetable with a go-live date of April 2022? — YES/NO."

SAFAA is of the view that given that pricing, connectivity or capacity remain unknown in relation to this project, it is simply not feasible for any organisation to respond 'Yes' without significant caveats being attached to the response. There is no business case available for organisations to review so that they can assess the impact on their business and functionality and rule changes are still to be provided in full. Moreover, the impact of COVID-19 on businesses remains another unknown, given that the circumstances in Victoria at present highlight the challenges of a second wave of the pandemic potentially leading to further lockdowns in other states, particularly NSW. Teams are still working remotely and the economic impacts are visible but not fully known in all respects.

SAFAA is of the view that for ASX to rely on positive responses to Question 1 would be problematic, given the number of unknowns that can affect the capacity of any organisation, including ASX, to meet its revised timeline.

As we noted in our response to the consultation on Tranche 2 of the Rule Amendments, our Members note that the level of detail about what will be involved in implementing the system remains limited, and the full picture will not be known until the final Tranche 3 Rule Amendments are released later this year.

Yours sincerely

A handwritten signature in black ink, appearing to be 'J Fox', with a long horizontal stroke extending to the right.

Judith Fox
Chief Executive Officer