



17 January 2020

Office of General Counsel
ASX Limited
20 Bridge Street
Sydney NSW 2000

Attention: Diane Lewis

email: regulatorypolicy@asx.com.au

**ASA SUBMISSION – RESPONSE TO ASX CONSULTATION PAPER CHESS REPLACEMENT
TRANCHE 1 RULE AMENDMENTS**

Dear Ms Lewis

The Australian Shareholders' Association (ASA) represents its members to promote and safeguard their interests in the Australian equity capital markets. The ASA is an independent not-for-profit organisation funded by, and operating in the interests of, its members. These are primarily individual and retail investors and self-managed superannuation fund (SMSF) trustees, and in relation to this consultation paper ASA particularly represents disintermediated shareholders, or those shareholders who are not represented by full service stockbrokers

ASA also represents those investors and shareholders who are not members, but follow the ASA through various means, as our relevance extends to the broader investor community.

ASA will not respond to all aspects of the consultation paper but will touch on selected points.

1.2. Account and Holder creation (including changes to Holder details)

ASA is supportive of changes which are being made in respect of account and holder functionality, and understands the changes will apply to new holdings rather than requiring existing holder names to change. These changes include:

- Transitioning from recording Holder Record details in an unstructured 180 character free text field currently in CHESS, to recording this data in a structured format against certain data elements that aligns with ISO 202022 standards.
- Allowing for up to four joint Holders per HIN to be recorded in the new system, although settlement participants will continue to be subject to rules based restrictions on establishing a Holder Record with more than three Holders unless permitted under the Issuer's constitution (reflecting restrictions in most Issuer constitutions).

We also support ASX adoption of the two key principles in relation to privacy and data protection in the CHESS replacement solution, which the proposed rule amendments are consistent with:

- Users not being compelled to provide additional investor data, nor will changes be made to the rulebooks that would compel certain stakeholders to provide additional information unrelated to clearing, settlement and other equity post trade services.
- Users only receiving information if they are party to a transaction or business purpose which the information relates to.

Attachment A: Summary of rule amendments

ASA supports the timing and documentation required to enact changes to holder details as noted in change 10 as follows:

10. ASX Settlement must process changes to Registration Details effected by a settlement participant within 2 Business Days of receiving the documentation requested to process the change.

Details will be electronically processed by ASX Settlement. A settlement participant is still required to maintain documentation to support the request, and provide this to ASX Settlement on request.

Attachment B: ASX Settlement Operating Rule and Procedure amendments

SECTION 8 HOLDING FINANCIAL PRODUCTS IN THE SETTLEMENT FACILITY

8.11 CONFIDENTIALITY

ASA is supportive of the addition of the universally unique identifier (UUID, the series of numbers and letters used to identify each named Holder) to the confidentiality condition under 8.11.1

Additional comment

The ASA also reiterates concerns to yet to be determined issues around the replacement of CHESS which will be finalised at a later date.

ASA would like to highlight the importance of clarity of fees and processes in terms of the ultimate investor experience, as well as being able to identify any unintended consequences by favouring some types of transactions over others. For example, where there are high numbers of shareholders it may be that offers to all shareholders are discouraged by the cost paradigm (eg a process that charges for all potential participants being registered as a transaction). We look forward to communication of ASX fee structure as it is developed.

We also note/reiterate there is a risk of yet-to-be-developed processes and fees associated with these future processes which may influence:

- the nature of capital raising in a way that is more prejudicial to retail shareholders than the current system
- record keeping – cost of CHESS statements and reissuing of statements when required

Mindful of the population of retail investors comprising many active investors and an even greater number of infrequent-traders of shares and new investors, clear fees and processes, both in terms of communication of said processes and the design being intuitive for the casual user, are crucial to universal accessibility.

We see there may need to be a process for rectifying or preventing errors by retail shareholders operating without facilitation by a full service stockbroker. During earlier focus group participation, there was been mention of multiple options (in process) risking confusion – we highlight this especially applies to the irregular or new user of new system.

The replacement of CHESSE will facilitate communications by email. ASA will support as opt-out online communication preference but reminds ASX there is a place for hard copy documents where users' access to technology is restricted whether due to individual circumstances or location (for rural and remote shareholders).

If you have any questions about this submission, please do not hesitate to contact Fiona Balzer, Policy & Advocacy Manager on (02) 9252 4244.

Yours sincerely,

A handwritten signature in black ink that reads "John Cowling". The signature is written in a cursive style with a large, looped "J" and a distinct "C".

John Cowling
Chief Executive Officer
Australian Shareholders' Association