

25 April 2022

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Submitted by email: issuers@asx.com.au
cc: CFR

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Dear Karen,

This written response by the National Stock Exchange of Australia (NSX) relates to the ASX Group's Discussion Paper (March 2022), *Issuer Services: New Pricing*.

NSX apologises for not making this submission by 14 April 2022 and appreciates the extension provided.

NSX is in a unique position as a market operator which competes with ASX Limited for listing of companies. As a listed entity, NSX utilises services from the clearing and settlement facility (CSF) licence held by ASX Clear Proprietary Limited (ASXC) and ASX Settlement Proprietary Limited (ASXS), i.e. NSX is a customer of ASX Limited, ASXC and ASXS. Furthermore, NSX listed issuers along with ASX Limited's listed issuers are also customers of ASXC and ASXS.

NSX has used the fee calculator provided in the Discussion Paper and concluded that the proposed new pricing to NSX Limited will result in an increase of fees by close to 15%.

Should the *low velocity discount* not be applied this would result in an increase of fees by close to 37%. This is of particular concern as it is a common occurrence to erode or remove discounts by commercial infrastructure providers over time.

Given the nature of NSX's issuers, we can extrapolate that a similar percentage increase will apply to them.

Importantly, this exercise has demonstrated that ASX Group's decision to reduce the fee of CHESSE paper statements from \$1.25 to \$0.50c has clearly had an adverse impact on the fees paid by NSX and its issuers. Arguably this is likely to be the case across the board to all issuers using the centralised services of ASXC and ASXF.

ASX Group has protected, and at the same time increased its overall fees to issuers ahead of any new benefits, features or advancement in the technology of CHESSE by simplistically shifting the basis of its fee calculation. The existing fees, although transaction based, have been in place since (about) 1994-95 and is well established and understood by issuers and within the industry. The annual fee was also linked to the issuer listed annual fee being 10% of that figure and so was easy for issuers to budget. If an issuer has substantial growth in its shareholder base but not the same increase in value of its securities then an issuer is unable to predict easily the consequent costs using the new model. Both a market capital based or an issuer HIN based pricing mechanisms afford no control by the issuer as to how much of the service they wish to consume. This would be particularly more evident at the smaller market cap end where those issuers tend to be more cost/price sensitive.

Given the low take up of electronic CHESSE statements (2,500 electronic statements out of approximately 2 million total statements per month), it is evident that by moving to the proposed subscription-based fee model, ASX Group has in fact preserved and protected the current revenue derived from paper CHESSE statements (at \$1.25 per statement), masking this fee within the subscription. Effectively ASX has also separated itself from the successful transition to electronic statements, i.e. making it irrelevant from a cost perspective to all issuers as they will be paying at least the same total fees they pay now with the current \$1.25 per statement to ASX Group for Issuer Services.

Industry already understands that the costs to take up electronic statements actually rest with the participants who do not pay for the statements so hence have no incentive to do so. Should take up eventually reach a level of critical mass, ASX Group will be centrally positioned to dial up the current free-fee (in place for electronic CHESSE statements) to \$0.50 and preserve its revenue levels. It is submitted that the take up will be very slow over time with Issuers still bearing the cost of paper statements and the impact that this brings to the environment.

NSX has previously raised objections with ASX Group's General Manager of Enterprise Compliance, Anatoly Kirievsky, about the misrepresentation of NSX's branding on proposed electronic CHESSE statements where the ASX logo was



showcased in a confusing manner providing the perception that NSX listed entities were listed on both NSX and ASX Limited. NSX understands that the resulting changes made by ASX Group will only apply to the electronic CHESSE Statements. Given the poor take up of this option by the investors as described above, the visibility of the changes to properly reflect the accuracy of the listing exchange venue will remain low.

In conclusion, NSX cannot identify a valid benefit to change the fee structure and resulting increases for issuer services ahead of any change to the current use, functions and features of CHESSE which is well known and understood.

NSX does not support the proposed changes to fees to issuers which will result in a material increase to itself, its issuers and most likely for all issuers for CSF services provided by ASXC and ASXS through CHESSE.

Please contact me should you have any enquiries relating to this submission.

Your sincerely,

A handwritten signature in black ink, appearing to read 'Chan Arambewela'.

Chan Arambewela

Chief Operating Office