

The transition to T+2 settlement

Important information on changes to the settlement period for sharemarket trades

What is changing?

The settlement period for Australian sharemarket trades will be shortened by one day. Settlement of your trade will be required to occur two business days after the day a trade takes place. This settlement period will be called T+2 (trade date plus 2 business days). The change to T+2 settlement is proposed to take place for trades conducted on or after Monday 7 March 2016, with the date to be confirmed by ASX.

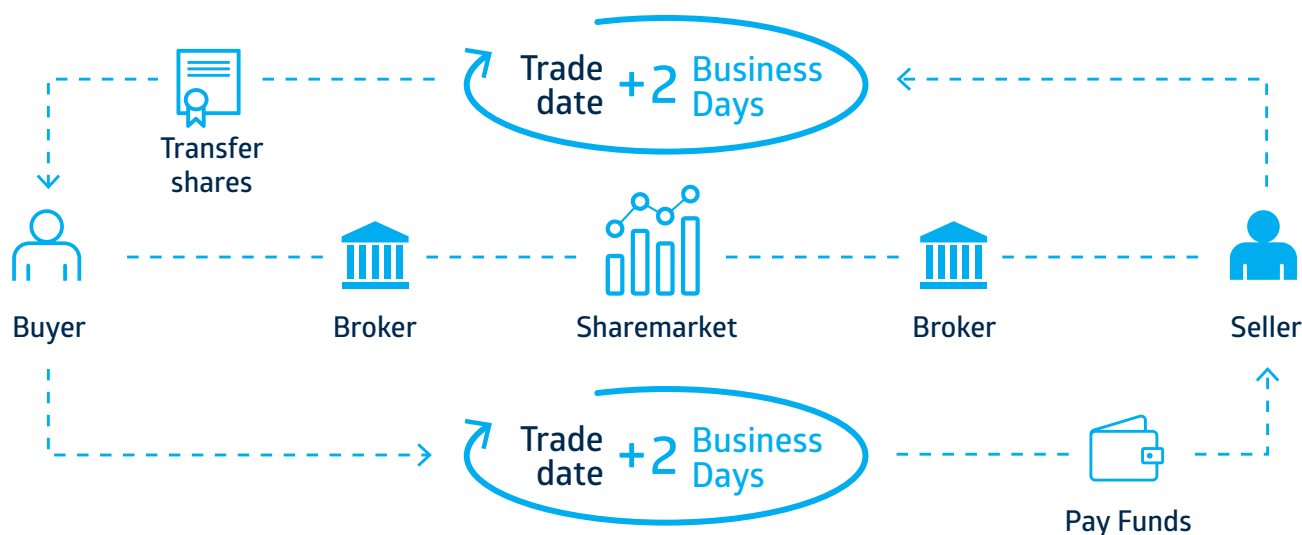
This change will affect all financial products traded on a securities market¹ in Australia, including shares, units, bonds, hybrids, CDIs, exchange-traded Australian Government Bonds, exchange-traded products (including exchange-traded funds), warrants and instalments.

Settlement - what is it?

When you buy or sell shares² through your broker you contract to exchange the legal ownership of those financial products for money. This exchange is called settlement. In today's market, standard settlement occurs three business days after a trade takes place. This is called T+3 (trade date plus 3 business days). The proposed change to T+2 will impact the settlement process as demonstrated in the following diagram:

Once a trade is executed, your broker or agent will then proceed to make preparations for settlement of the trade. If you have sold shares, your broker will transfer the shares out of your name in preparation for settlement. On the morning of settlement your broker will deliver the shares to the ASX for market settlement³. If you have bought shares, your broker will make preparations to fund the purchase on the settlement day.

CHESS (Clearing House Electronic Subregister System) operated by ASX Settlement is the system that performs market settlement.



1. This change will affect trades executed on all licenced securities and managed investment markets operating in Australia. Trades executed on these markets are settled via the Clearing House Electronic Subregister System (CHESS) which is operated by ASX Settlement Pty Ltd.
2. This document refers to shares for ease of reading, however most of what is described in this document applies to other types of financial products traded on licensed securities markets in Australia including units, bonds, hybrids, CDIs, exchange-traded Australian Government Bonds, exchange-traded products (including exchange-traded funds), warrants and instalments.
3. Where the broker also acts for a buying client in those shares, delivery can occur directly to the buyer on the settlement day.



Why the change?

Faster settlement means quicker access to your money after selling your shares and earlier delivery after purchasing shares. Since 1992 ASX has improved the settlement cycle, from T+5 to T+3 in 1999 and soon to T+2. This keeps our market globally competitive, reduces risk and improves efficiencies in the securities market.

How will this change impact corporate actions such as dividends?

In conjunction with the shortening of the settlement period to 2 business days, it is also proposed by ASX to reduce the period between two important dates for corporate actions – the ex date⁵ and the record date⁶.

When the settlement period becomes T+2, the ex period for corporate actions will be reduced from 3 business days to 2 business days (inclusive of the ex date and the record date). Using dividends as an example, this means that if you buy shares before the ex date you will receive the dividend. If you buy shares on or after the ex date you will not receive the dividend.

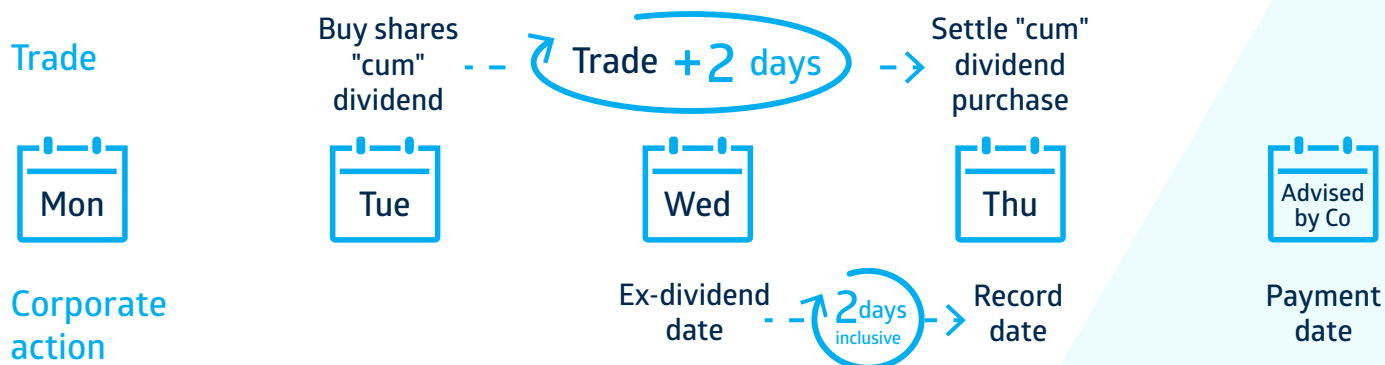
Your arrangements with your broker

A little bit of housekeeping goes a long way to making settlement of your share trades efficient. T+2 means one less day for both parties of the trade to be ready to provide either shares or cash to settle the trade.

Some tips to help make things as smooth as possible:

- Have an established relationship with a broker, ideally with CHESSE holdings⁷ - CHESSE holdings are easier for you and your broker to keep track of
- Keep your holding details handy – have your HIN or SRN⁸ on hand when contacting your broker
- Ask your broker to send contract notes electronically - confirmations by mail should be avoided
- Fund your share purchases efficiently - your broker may get in touch with you to set out the range of funding arrangements they will support under T+2. For example, the use of cheques for payment may no longer be viable, as the length of time required to clear the funds may exceed the settlement period. Your broker may suggest the use of electronic funds transfer (EFT) or direct debit, BPay or a cash management account. Your broker may also require an earlier deadline for the funds to be paid. It is important for you to work with your broker to agree the best funding arrangements that will ensure settlement occurs on time and therefore reduce any potential failed settlement costs.

Sample process for a share purchase on the day before the ex-dividend date compared to the corporate action timeline



Need more information?

If you have any questions about these changes, please speak to your broker or agent.

You can also contact ASX customer service by phone: 131 279

4. Corporate actions include dividends, rights issues, bonus offers etc.
5. The ex date is the date on which shares change from being quoted "cum" (or entitled) to "ex" (or not entitled) for a corporate action.
6. The record date is the date used in determining who is entitled to a dividend or other entitlement associated with a share. Those on the register on the record date are eligible for the entitlement.
7. A CHESSE holding can be sponsored by a broker (may be referred to as "broker sponsored") or certain other participants in the settlement facility provided by ASX Settlement Pty Ltd other than brokers, and are identified with a Holder Identification Number (HIN).
8. SRN is a Securityholder Reference Number - it references a holding held on the issuer sponsored subregister.

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