

ASX CHESS Replacement

Business Design Working Group

Corporate Actions: Elections and Payments, Offer Admin Facility
and Payment Confirmations

11 July 2024



ASX

ASX acknowledges the
Traditional Owners of
Country throughout
Australia.
We pay our respects to
Elders past and present.

ARTWORK BY: Lee Anne Hall, My Country My People



Housekeeping

Troubleshooting

- Please mute yourself when not speaking
- Please use the 'raise hand' feature on MS Teams if you would like to ask a question
- Please introduce yourself when talking for the benefit of all members
- Meeting is being recorded for the purposes of minute taking
- Dial in details (audio only):
 - +61 2 7208 4607
 - Phone Conference ID: **434 303 539#**
- Presentation materials will be distributed after the meeting

Important Information

Competition Law reminder

Workshop members are reminded to have regard to their obligations under competition law.

In particular, please note that the Competition and Consumer Act prohibits a corporation from engaging with one or more persons in a concerted practice that has the purpose, effect or likely effect of substantially lessening competition.

Agenda

01 – Overview

02 – Scope Objectives and System Features

03 – Corporate Actions (Choice/Payment)

04 – Offer Admin Facility

05 – ISO 20022 Payment Confirmations

06 – Next Steps

07 – Forward Engagement & AOB



01a – Overview

Detailed Agenda, workshop objectives & overview

01a – Introduction

Detailed workshop agenda

Topic	Duration
Overview <ul style="list-style-type: none">Detailed Agenda & Workshop ObjectivesCorporate Actions Ecosystem & ISO 20022<ul style="list-style-type: none">Structured Corporate Actions (with/without elections)	30 mins
Scope objectives and system features <ul style="list-style-type: none">Survey replayTCS BaNCS Corporate Action capabilities<ul style="list-style-type: none">Rights acceptance example	30 mins
Corporate Actions <ul style="list-style-type: none">Corporate Action elections with choice (DRP/BSP)Corporate Action elections with payment (Rights/SPP)	40 mins
Break	15 mins
Offer Admin Facility <ul style="list-style-type: none">Takeovers and Buybacks	20 mins
ISO 20022 Payment Confirmations <ul style="list-style-type: none">High level processes for securities and cash	30 mins
Next Steps & Forward Engagement	15 mins
Total Workshop Duration	3 hours

01a – Workshop objectives

Key objectives and outputs

The purpose of the Business Design Working Group (“BDWG”) is to achieve broad consensus on additional scope for CHES Replacement and to develop the Business Design Document for each objective.

Objectives

- Collect advice and expertise to understand industry needs in relation to Corporate Actions
- Identify pain points and improvements in relation to the current Corporate Actions processes
- Agree on any proposed solutions in the context of Release 2 and/or subsequent releases including any next steps.

Outputs

- Business Design Document that includes:
 - Functional outcomes
 - Process flow (high level)
 - Access channels (e.g. User Interface, ISO 20022 messaging)
 - Any non-functional considerations
 - Any other considerations

The outcomes of a BDWG are not a commitment to scope and do not represent the final design of the system. The outcomes of the BDWGs will be used as input in assessing industry requirements and are subject to further consultation, legal and regulatory assessments.

01a – Overview

Approach for considering Corporate Actions

- A number of industry Participants have requested the ability to leverage CHES to facilitate additional straight through processing of Corporate Action events
- Whilst this functionality is not currently considered a core aspect of clearing, settlement and sub-register services, CHES is well placed to provide additional functionality given its role in the ecosystem (providing connectivity between Participants and Share Registries). We note that comparable functionality is common in other settlement facilities internationally
- Subject to market feedback, ASX may consider providing the technical capabilities for these additional Corporate Action services in Release 2 by leveraging existing capabilities of the TCS BaNCS MI product and adapting them for the Australian market
- Further industry engagement would be sought regarding the functionality, design and implementation timelines of the services outlined in this session. This would include gaining further certainty around anticipated market demand, as well as determining whether the functionality should be made operational *with* or *subsequent to* Release 2
- The optional / mandatory nature of these services and expected take-up by the market will be important in forming this view.



Do you have any suggestions in relation to how these additional Corporate Action services should be handled from a CHES Replacement Project perspective?



01b – Corporate Actions Ecosystem & ISO 20022

01b – Corporate Actions Ecosystem in Australia

Overview

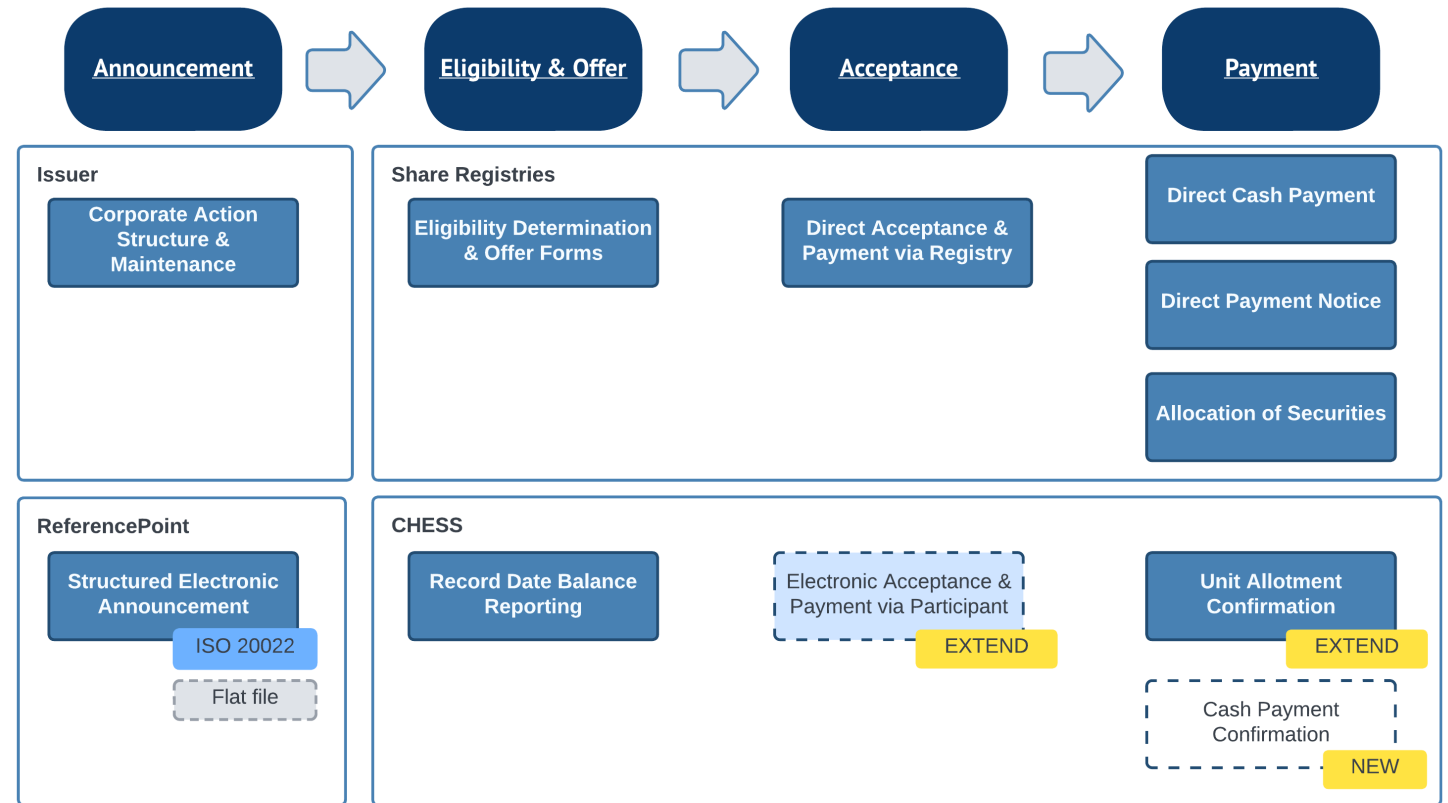
Currently ASX provides structured electronic Corporate Action announcement services via the ReferencePoint service (ISO 20022 / flat file).

In addition, CHES currently provides:

- Record Date balance reporting
- Limited electronic acceptance of Corporate Actions (Takeover / Buyback / reinvestment offer only)
- Confirmations of unit allotment.

Outside of CHES, Share Registries provide:

- Eligibility determination and offer documents
- Acceptance, payment and allocation of securities for all Corporate Actions
- Cash Payments (directly to holders)
- Payment Notices (directly to holders).



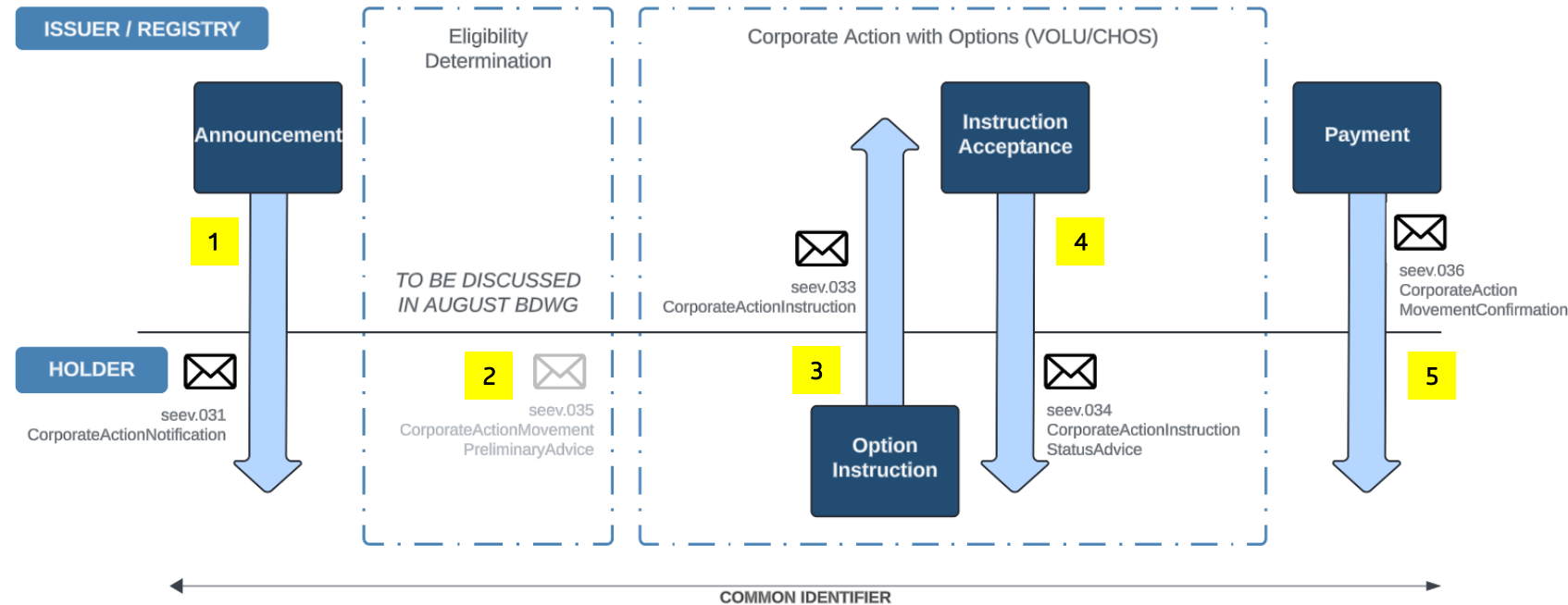
In this session we will consider whether CHES should provide additional functionality to facilitate electronic acceptance & payments and the provision of additional data in relation to unit allotments and cash payments.

01b – ISO 20022 Corporate Actions

Typical flow

ISO 20022 provides a full suite of Corporate Action messages that allow for typical business flows, including:

1. Corporate Action announcements (notifications), including structured options for Corporate Actions with a choice component
2. Communication of eligible balances between parties
3. Corporate Action option instruction processing (for Corporate Actions with options)
4. Corporate Action option instruction status processing to facilitate acceptance / rejection and any other statuses (e.g. pending payment)
5. Corporate Action payment confirmations, supporting cash and securities movements and related information (e.g. tax withholding).



The ability to cancel Corporate Actions (seev.039) and request withdrawal of option instructions (seev.040, seev.041) are also supported and not shown.

01b – ISO 20022 Corporate Actions

ASX ReferencePoint supported structured Corporate Actions - with elections

Name of Corporate Action Event	ISO event Type Code	Message Name	Mandatory or voluntary	Election Supported	Acceptance Payment	Election Type	Distribution
Cash Dividend, Interest Payment, Interest Payment With Principal	DVCA, INTR, PRII	703_001_07_seev_031_001_08, 712_001_05_seev_031_001_08, 713_001_06_seev_031_001_08	MAND (Mandatory) or CHOS (Mandatory with Options)	CHOS only - Foreign Currency	No	CASH	Cash
Dividend with options	DVOP	707_001_07_seev_031_001_08	CHOS (Mandatory with Options)	Yes – DRP, BSP and/or Foreign Currency	No	CASH SECU (Securities)	Cash or Securities
Dividend Reinvestment Plan	DRIP	708_001_07_seev_031_001_08	CHOS (Mandatory with Options)	Yes – DRP, BSP or Foreign Currency	No	CASH SECU (Securities)	Cash or Securities
Rights Entitlement	RHTS	720_001_08_seev_031_001_08	CHOS (Mandatory with Options)	Yes	Yes	EXER (Exercise) LAPS (Lapse) OVER (Oversubscribe)	Securities
Securities Purchase Plan, Priority Issue	PRIO	723_001_07_seev_031_001_08, 717_001_08_seev_031_001_08	VOLU (Voluntary)	Yes	Yes	SECU (Securities)	Securities
Call	PPMT	711_001_04_seev_031_001_08	MAND (Mandatory) or CHOS (Mandatory with Options)	Yes	Yes	LAPS (Lapse) SECU (Securities)	Securities
Company Options Expiry	EXWA	727_001_06_seev_031_001_08	CHOS (Mandatory with Options)	Yes	Yes	LAPS (Lapse) SECU (Securities)	Securities
Mergers	MRGR	715_001_08_seev_031_001_08	MAND (Mandatory) or CHOS (Mandatory with Options)	CHOS only	TBD	CASH SECU (Securities) CASE (Cash & Securities)	Cash, Securities or Cash & Securities
Takeover	TEND	726_001_07_seev_031_001_08	MAND (Mandatory), CHOS (Mandatory with Options) or VOLU (Voluntary)	Yes	No	CASH SECU (Securities) CASE (Cash & Securities)	Cash, Securities or Cash & Securities
Buyback Offer, Other event (e.g. reinvestment offers)	BIDS, OTHR	718_001_13_seev_031_001_08, 728_001_01_seev_031_001_08	VOLU (Voluntary)	Yes	No	CASH	Cash


Additional information: <https://www.asx.com.au/content/dam/asx/Participants/clearing-and-settlement/settlement/asx-referencepoint-iso-20022-real-time-corporate-actions-manual-v3.0.pdf>

01b – ISO 20022 Corporate Actions

ASX ReferencePoint supported structured Corporate Actions – without elections

Name of Corporate Action Event	ISO event Type Code	Message Name	Mandatory or voluntary	Election Supported	Payment Required	Election Type	Distribution
Scrip Dividend, Interest Scrip Dividend	DVSC	721_001_07_seev_031_001_08, 722_001_06_seev_031_001_08	MAND (Mandatory)	No	-	-	Securities
Reconstruction - Stock Split, Reconstruction - Reverse Stock Split – Consolidation	SPLF, SPLR	725_001_06_seev_031_001_08, 719_001_07_seev_031_001_08	MAND (Mandatory)	No	-	-	Securities
Cash Capital Return	DECR	706_001_05_seev_031_001_08	MAND (Mandatory)	No	-	-	Cash
Bonus, Bonus In- Specie	BONU	700_001_05_seev_031_001_08	MAND (Mandatory)	No	-	-	Securities
XR Event	EXWA	748_001_04_seev_031_001_08	CHOS (Mandatory with Options)	No – Information only	-	-	-
Warrant Rollover, Note Conversion	EXWA, CONV	702_001_04_seev_031_001_08, 705_001_06_seev_031_001_08	MAND (Mandatory)	No	-	-	Securities
Name Change or Code Change	CHAN	704_001_07_seev_031_001_08	MAND (Mandatory)	No	-	-	Securities

Additional information: <https://www.asx.com.au/content/dam/asx/Participants/clearing-and-settlement/settlement/asx-referencepoint-iso-20022-real-time-corporate-actions-manual-v3.0.pdf>



02a – Scope Objectives & Survey Playback

02a – Scope Objectives & Survey

Recap – Corporate Action election and acceptance processing

3.2 Provide standardised straight through processing capability for Corporate Action elections and cost-effective associated payments

Problem

- There is not currently a standardised and cost-effective process to manage Corporate Action elections and payments. There are a variety of existing manual methods including online portal, BPAY, email, paper form or fax

Industry Proposed Solution

- Support for a standardised, central process for submitting elections and processing election payments
- This could start with simple events as a phased approach and rolled out to other Corporate Actions

Business Benefits

- Standardised processing will provide greater efficiencies
- Minimise operational overheads and reduces the complexity and administrative burden on Participants

Risk / Challenges

- Large change for the market with associated costs
- Identification of the correct payment mechanism to ensure it is cost effective

3.3 Reduce operational risk in relation to DRP standing instructions

Problem

- There is a lack of visibility for Participants when standing instructions are removed or changed, resulting in operational risk and a degraded Investor experience, where investor preferences are removed

Industry Proposed Solution

- Retention of a 'Standing Instruction' in CHESS that can be automatically resent to the Registry where a holding reduces to zero and is subsequently increased; and/or
- Facility to provide a DRP election for each Corporate Action; and/or
- Notification from the Registry to the Participant where a standing instruction has been removed or altered

Business Benefits

- Provides certainty to Participants, particularly where they have an omnibus holding, that the investor preferences are accurate

Risk / Challenges

- Detailed cost / benefit analysis is required in terms of development and operational impacts.
- Considerations around any data storage

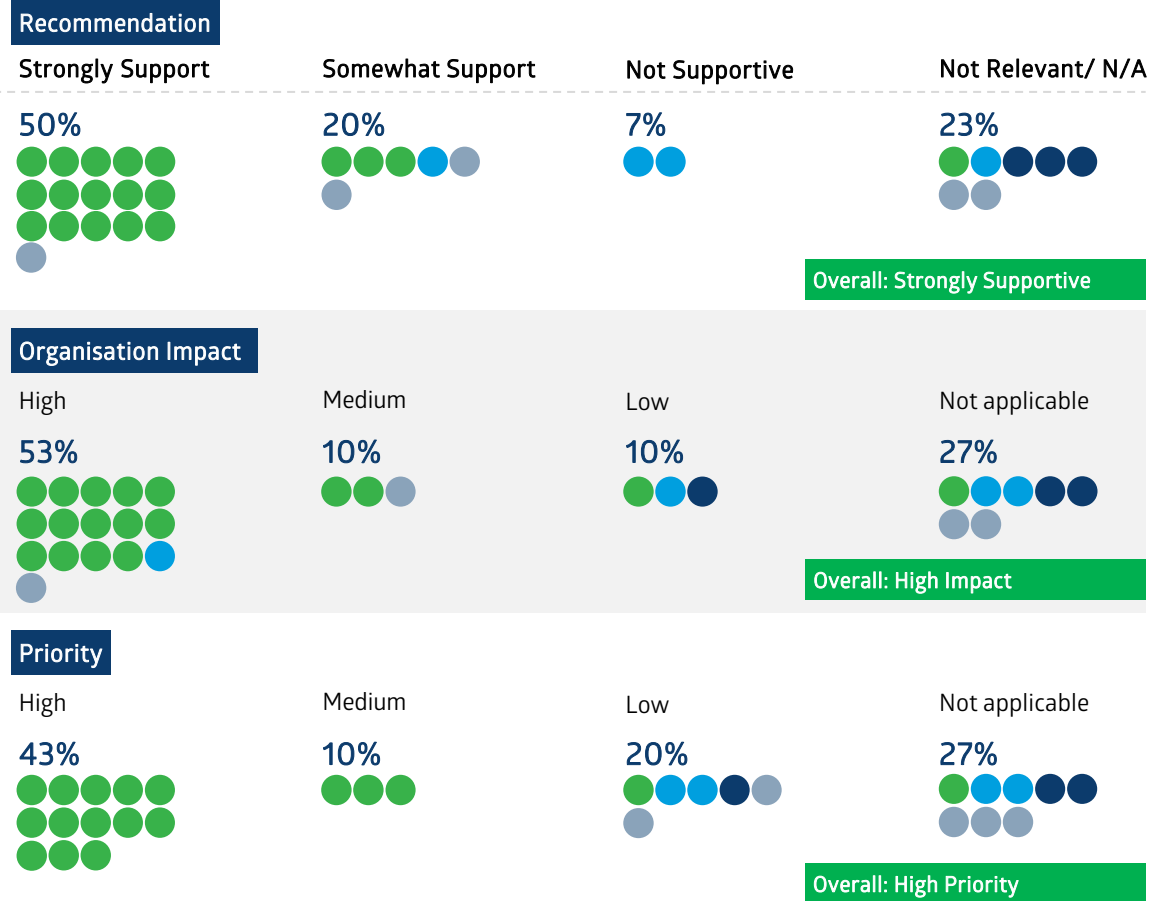
02a – Previous Survey Playback

Standardised processing for Corporate Actions

Scope Objective 3.2

Corporate Action Election and Acceptance Processing

Provide standardised straight through processing capability for Corporate Action elections and cost-effective associated payments.



Insights

C&S Participants

Participants who were supportive indicated that benefits include increased efficiency and significant reduction in risk processing Corporate Actions and administrative burden. However, some Participants would like to ensure resources remain focused on core C&S functionality. Feedback received noted this was not a critical requirement and could be implemented after go live.

Software Providers

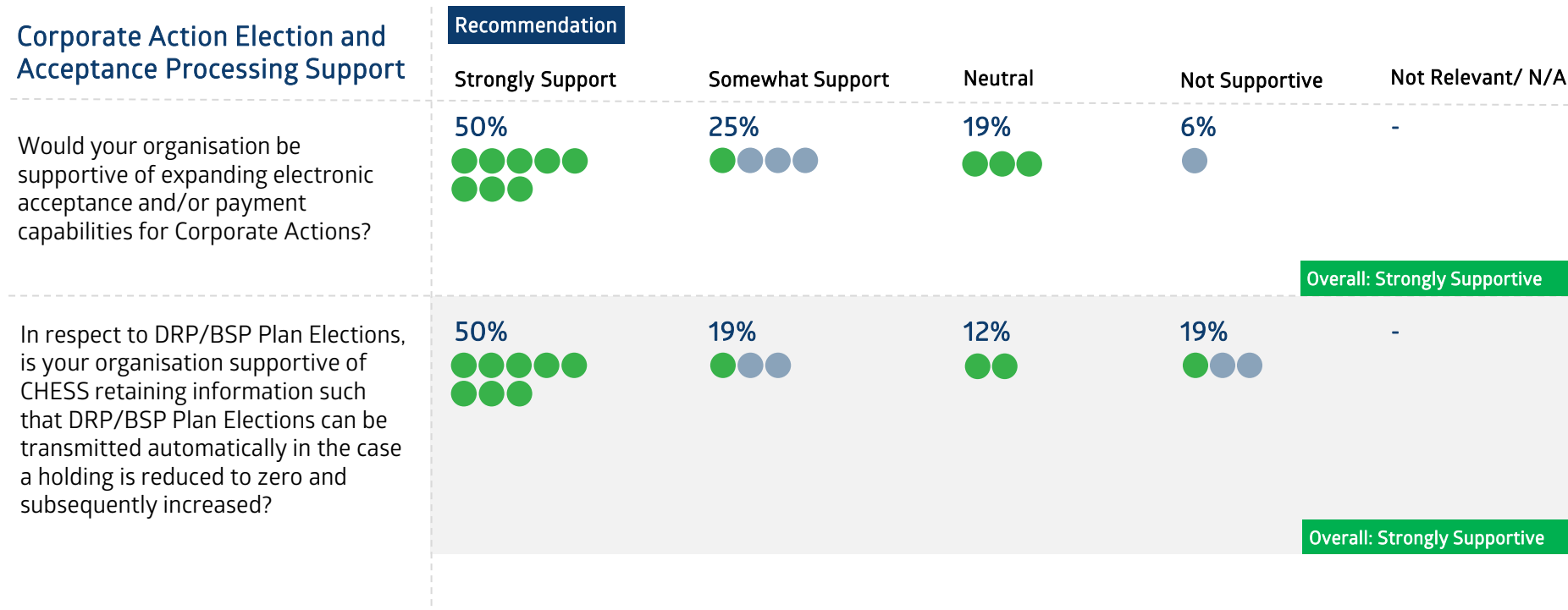
Some Software Providers were concerned about the operational overhead for brokers. Others welcomed discussion on an appropriate solution that introduces a submission and payment mechanism that delivers funds at low operational costs.

Share Registries

Share Registries were open to discussing proposed solutions. Preference for information to be passed through and not stored was also noted.

02a – Survey Replay

Corporate Action election and acceptance processing support



Insights

Some respondents who were supportive recommended the following additional information should be included in CHES:

- Renounceable & Non-Renounceable Rights Acceptances
- Share Purchase Plans
- Option Conversions
- Note Conversions and/or Warrant Exercises
- Calls in Partly Paid Securities

Majority of respondents supportive of CHES retaining information, listed benefits including:

- Reduced admin burden and more clarity to the client
- Reduced manual work to lodge elections
- Continuity of participation for individual holders

However, alongside these benefits, some challenges such as incorrect elections and scale back processing have been noted which will require further analysis.

02a – Scope Objectives & Survey

Recap – Payment Advice & Takeover Processes

3.5 Provide standardised electronic transmission of Corporate Action distribution information to create opportunities for automation and process improvement

Problem

- There is no current facility to notify Participants of the breakdown of information in relation to a distribution/dividend in a standardised electronic format.
- This information is currently communicated via documentation.

Industry Proposed Solution

- CHESS to facilitate the transmission of payment advice notifications when Share Registries have paid out funds/holdings, similar to the current service provided in mFunds
- Payment advice could be expanded to all applicable asset classes - hybrid securities, MIT, MIS, ETFs, Dual Access Funds, REITs, etc.

Business Benefits

- Having a standardised message will align with global best practice and increase efficiency
- Participants will have the ability to build automation off the back of receiving pay-out confirmation messages, that could be value-add for the Investor and their operations teams.

Risk/Challenges

- Cost considerations in relation to build out and messaging fees
- Past optional features offered by CHESS haven't been broadly adopted by the industry
- Messaging shouldn't be the default and should be complimentary to the current mail/email service.

3.6 Evaluate whether ASX can help with the transmission of bank account information in relation to bid offers

Problem

- Share Registries do not get access to bank account details in relation to a Takeover which they require to make payments, this is becoming more important to address with the removal of cheques.

Industry Proposed Solution

- Enable transfer of bank account information to the bid offeror on completion of a successful Takeover.

Business Benefits

- Better investor experience.
- Ensures a process is in place once cheques are phased out.

Risk/Challenges

- Data sharing and legal considerations.

02a – Previous Survey Playback

Electronic notification of Payment Advice

Scope Objective 3.5

Electronic Notification of Payment Advice

Provide standardised electronic transmission of Corporate Action distribution information to create opportunities for automation and process improvement.

Recommendation

Strongly Support

40%



Somewhat Support

27%



Not Supportive

13%



Not Relevant/ N/A

20%



Overall: Strongly Supportive

Organisation Impact

High

40%



Medium

23%



Low

20%



Not applicable

17%



Overall: High Impact

Priority

High

30%



Medium

17%



Low

36%



Not applicable

17%



Overall: Low Priority

Insights

C&S Participants

Supportive Participants noted this would increase efficiencies and reduce risk of Corporate Actions processing. If offered, the plan would be to integrate this information into the trading platform. Other Participants noted that a mandated centralisation of this function is required to ensure all market Participants can take advantage of this feature.

Software Providers

Software Providers have indicated that this function is not a priority for their business.

Share Registries

Share Registries that were supportive highlighted that there was benefit in providing this detail to a controlling Participant and investor, however there may need for some consideration regarding financial compensation relating to this information.

It was also noted that in certain instances, the franking credit amount may not be final. Some companies only determine the franking credit ratio at the close of the financial year.

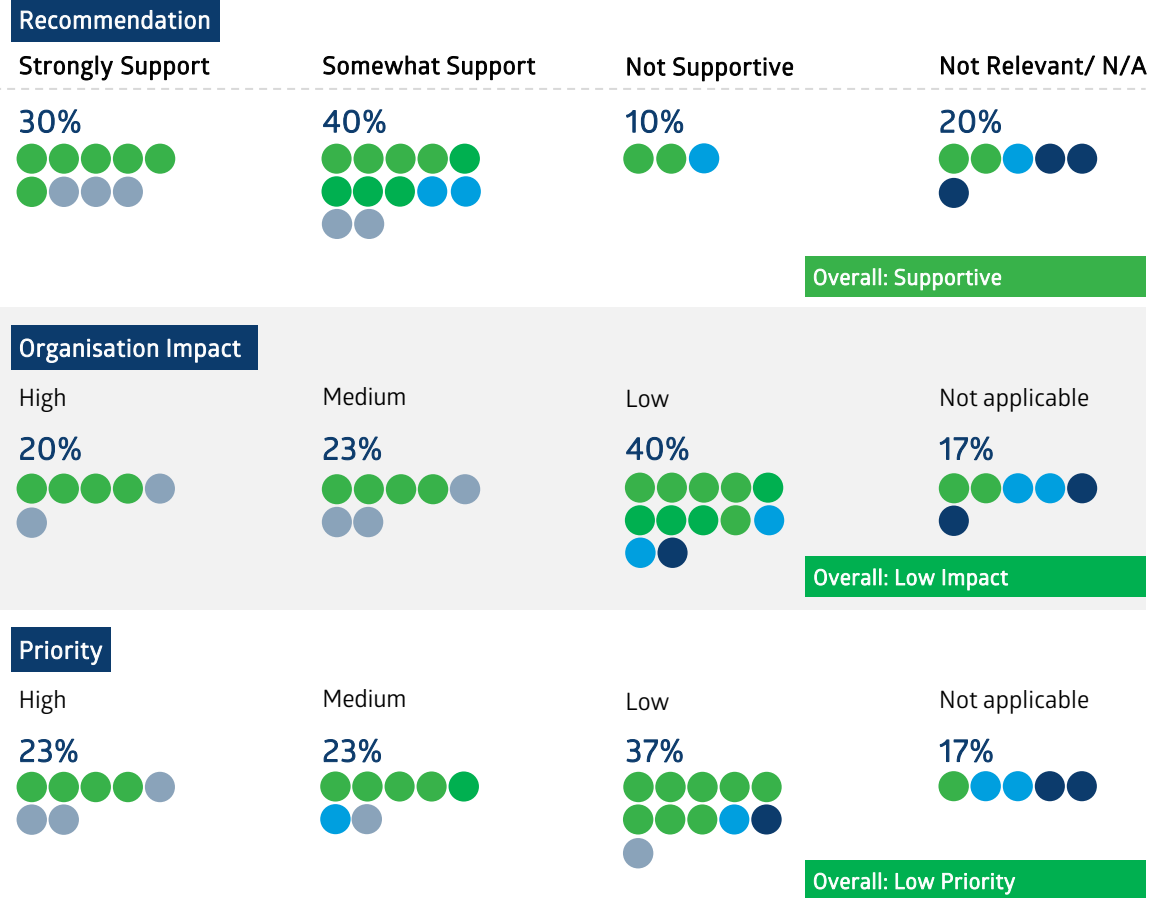
02a – Previous Survey Playback

Other Corporate Action efficiencies

Scope Objective 3.6

Other Corporate Action efficiencies

Evaluate whether ASX can help with the transmission of bank account information in relation to bid offers



Insights

C&S Participants

Broadly, those who were supportive indicated that benefits include reduction in risks, reduction in operational costs and the removal of existing barriers relating to BPAY limitations via the share registry. Quicker exchange of bank account details will allow cash movement to take place faster and mitigating any funding risk. Participants generally noted this would be a positive move for Investors and it could be useful to send default settlement account information which would enable the removal of cheques for Takeovers.

Software Providers

Some Software Providers felt this was a low priority, however, were supportive of the concept if more information on the proposal was provided, noting that liability issues would need to be considered early in the analysis phase.

Share Registries

Share Registries were broadly supportive of this objective stating that cheques were being abolished and a solution for off market Takeover bids must be implemented. Receipt of bank account information from the target is going to become vital and this is analogous to steps taken some years ago to require a target to provide HINs in the Takeover register data.

02b – TCS BaNCS Capabilities

02b – Corporate Actions Capabilities of TCS BaNCS

Capabilities

TCS BaNCS supports a full suite of Corporate Action services that support multiple markets, including those operating full CSDs.

This functionality includes:

- Corporate Action setup, maintenance and announcement
- Option instruction and processing
- Eligibility determination
- Calculation of entitlement
- Disbursement of payments (in cash and securities), including confirmation of disbursements
- Workflows that facilitate the interactions with agents of Issuers (e.g. Share Registries)

Given the unique Corporate Actions ecosystem we currently have in Australia, we plan to leverage elements of the above capabilities to meet the needs of the Australian market.

Cum Entitlement Balances will be discussed in the BDWG scheduled for
22nd August 2024

02b – Corporate Actions Capabilities of TCS BaNCS

Rights exercise example

1. Participant submits option instruction for the acceptance of a rights entitlement, including:
 - Account (HIN)
 - Security (e.g. rights security)
 - Unit Quantity
 - Cash amount (quantity * price)
 - Option number & type (e.g. Option 001 - Exercise, Option 002 - Oversubscribe)
2. Following validation, the option instruction is recorded in the system in a "Pending" status and units are reserved (where applicable)
3. As part of a daily process all option instructions for a Participant in "Pending" status are aggregated and a Payment Free of Delivery (PFoD) instruction is created for settlement and linked to the option instructions
4. Following successful settlement of the PFoD, the option instructions are set to "Confirmed"
5. Subsequently the reserved securities are automatically transferred from the Participant account to an account controlled by the Issuer
6. At applications close, rights securities are automatically lapsed and transferred to an account of the Issuer.



TCS BaNCs provides the following standard features for Corporate Actions:

- **Oversubscriptions** are handled as a separate election without the need to reserve units.
- **Refunds/scalebacks** can be initiated and processed from the Issuer to the Participant.
- Option instructions can be **withdrawn** (with approval from the registry).

02b – Corporate Actions Capabilities of TCS BaNCS

Rights exercise example

INVESTOR OPTIONS

Event ID
Event Type
BP ID
A/c No.
Base Instrument ID
Date Type

Search Quick Search Total No Of Records:6

Page 1 of 1 22

	Option Number	BP ID	Base Security ID	Instructed Balance/Quantity	Confirmed Quantity	Withdrawn Quantity	Additional Quantity	Instruction Status	Instruction Reference	Option Type
Securities	3	RMG02	US87911JLX99	3,000	0	0	3,000	Created	US87911JLX9903	Oversubscribe (
Securities	3	ABR02	US87911JLX99	2,000	0	0	2,000	Confirmed - Pending Funds	US87911JLX9902	Oversubscribe (
Securities	3	ABN02	US87911JLX99	1,000	0	0	1,000	Confirmed - Pending Funds	US87911JLX9901	Oversubscribe (
Securities	2	RMG02	US87911JLX99	3,000	0	0	0	Created	US87911JLX99E3	Exercise (EXER
Securities	2	ABR02	US87911JLX99	2,000	2,000	0	0	Confirmed - Pending Funds	US87911JLX99E2	Exercise (EXER
Securities	2	ABN02	US87911JLX99	1,000	1,000	0	0	Confirmed - Pending Funds	US87911JLX99E1	Exercise (EXER

View a set of instructions for given securities

Quantity locked upon confirmation

Instructions can carry a status (e.g. pending funds)

Instructions can be on Exercise or Oversubscription

02b – Corporate Actions Capabilities of TCS BaNCS

Rights exercise example

The screenshot displays the 'INVESTOR OPTIONS' section of the TCS BaNCS system. It includes a search bar with filters for Event ID, Event Type, BP ID, A/c No., Base Instrument ID, and Date Type. Below the search bar is a table with 10 columns: Security ID, Instructed Balance/Quantity, Confirmed Quantity, Withdrawn Quantity, Additional Quantity, Instruction Status, Instruction Reference, Option Type, A/C Reference, and Exercise Amount/Bid Price. The table contains six rows of data. A red box highlights the 'Additional Quantity' and 'Instruction Status' columns for all rows, and another red box highlights the 'Exercise Amount/Bid Price' column for all rows. Arrows point from the explanatory text below to these highlighted areas.

Security ID	Instructed Balance/Quantity	Confirmed Quantity	Withdrawn Quantity	Additional Quantity	Instruction Status	Instruction Reference	Option Type	A/C Reference	Exercise Amount/Bid Price
1JLX99	3,000	0	0	0	3,000 Confirmed	US87911JLX9903	Oversubscribe (OVER)	RMG02GA000	9,000.00
1JLX99	2,000	0	0	0	2,000 Confirmed	US87911JLX9902	Oversubscribe (OVER)	ABR02GA000	6,000.00
1JLX99	1,000	0	0	0	1,000 Confirmed	US87911JLX9901	Oversubscribe (OVER)	ABN02GA000	3,000.00
1JLX99	3,000	3,000	0	0	0 Confirmed	US87911JLX99E3	Exercise (EXER)	RMG02GA000	6,000.00
1JLX99	2,000	2,000	0	0	0 Confirmed	US87911JLX99E2	Exercise (EXER)	ABR02GA000	4,000.00
1JLX99	1,000	1,000	0	0	0 Confirmed	US87911JLX99E1	Exercise (EXER)	ABN02GA000	2,000.00

Instructions are updated to "confirmed" once paid and updated with a reference to the settlement instruction

Amounts for each instruction are included



03a – Corporate Action Elections with Choice

*Dividend Reinvestment Plans, Bonus Share
Plans & interest elections*

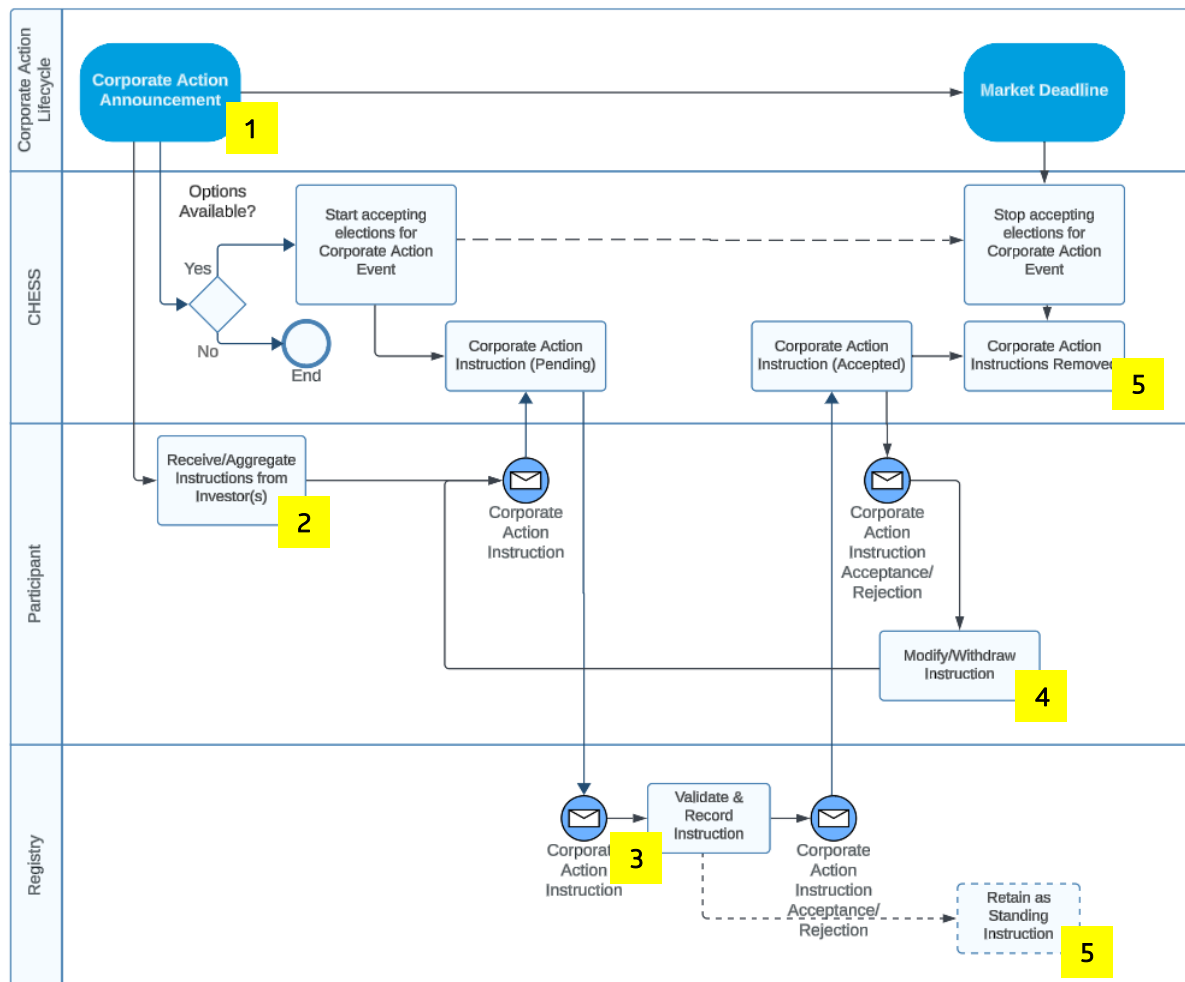
03a – Dividend & Interest Elections

Allow for the pass-through submission of dividend & interest elections

- We propose the system could support elections on Corporate Actions which are structured electronically with a choice component (such as dividend and interest Corporate Actions)
 - Elections would be permitted on a per-Corporate Action basis and would be specific to the options available on the electronically structured Corporate Action announcement
 - Elections submitted via CHESS would need to be accepted by the Issuer's Share Registry
 - This would allow Participants to automate elections from the announcement of the Corporate Action on a per Issuer basis and receive a real-time receipt
- Industry feedback has previously requested that the system should support a single DRP election, per HIN. This is challenging to support given each DRP must be specifically opted into (including accepting the T&Cs of the Issuer's plan), a plan may not initially exist, could be suspended and elections may change between Corporate Actions.
- Elections could support the ability to:
 - Nominate full acceptance of a DRP or BSP option (with a cash default)
 - Nominate a partial acceptance of DRP or BSP option (with a cash default)
 - Nominate a full acceptance of cash (with a DRP default)
 - Nominate a partial acceptance of cash (with a DRP default)
 - Nominate a full acceptance in a foreign currency (with an AUD cash or DRP default)
 - Nominate a partial acceptance in a foreign currency (with an AUD cash or DRP default)
 - Transmission of bank account details (where necessary), including foreign accounts
 - Acceptances could be carried forward to subsequent Corporate Actions (as determined by the Issuer), including partials
 - Acceptances outside of the Corporate Action announcement period could be submitted with a blank value in Corporate Action ID. Acceptances of these would need to be determined by the Issuer / Share Registry.

03a – Corporate Actions with Choice

Proposed high level process



Preliminary view for discussion.
Detailed workflow and sequencing subject to change.

1. Corporate Action Event with Options is announced
2. The Participant receives instructions from underlying Investor(s) and provides an instruction for a given account (HIN)
3. The Registry receives the instruction, validates and records, then responds with an acceptance or rejection
4. The Participant can modify or withdraw their instruction (requiring re-acceptance by the Registry)
5. Once the Corporate Action is complete, the instructions are removed from the system. The Registry can retain the instruction as a future standing instruction.



Should the system allow for DRP elections outside of an announced Corporate Action period?



03b – Corporate Action Elections with Payment

Right Issues, Share Purchase Plans

03b – Elections with Payment

Allow for instructions that require a cash payment

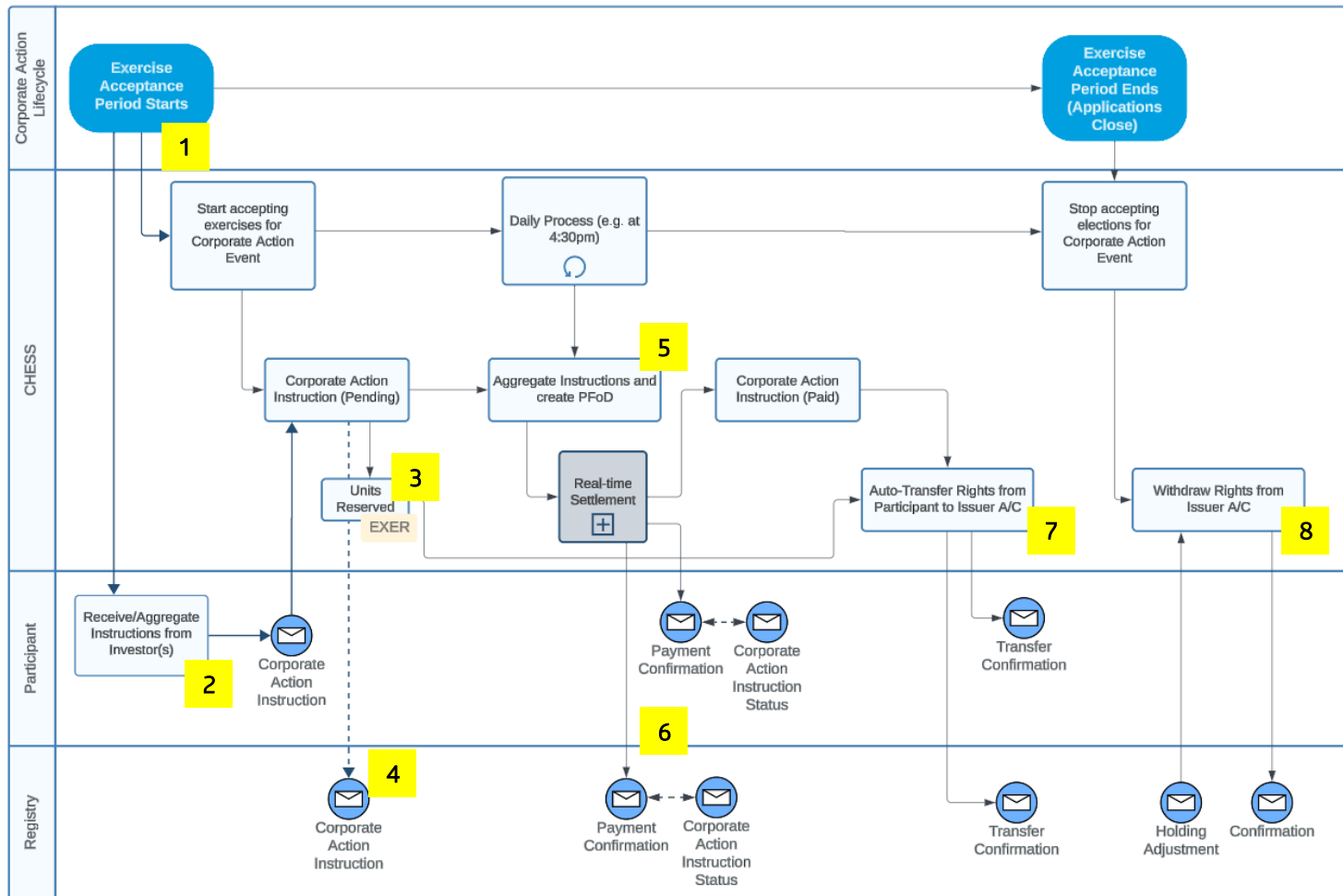
- We propose the system could allow for elections on Corporate Actions which are structured electronically and **additionally, require a cash payment**
 - Elections would follow a similar process to those *not* requiring a cash payment. This would be enhanced to allow the aggregation of amounts across multiple instructions (over multiple accounts) and facilitation of payments between the Participant and Share Registry
 - Elections submitted via CHESSE would need to be accepted by the Share Registry. Instructions that are not accepted would be subject to a refund
 - This would allow Participants to automate elections from the announcement of the Corporate Action through to the market deadline, on a per account or multiple instructions per account basis.
- Elections could support the ability to:
 - Instruct for the exercise of a quantity of securities held in CHESSE (e.g. for Renounceable Rights Issues, Warrant exercises)
 - Instruct to participate in an event requiring a holding, but no specific allocation of a security (e.g. Share Purchase Plans)
 - Instruct to participate in an oversubscription (e.g. for Rights Issues).
 - Where the election is based on an allocated quantity of securities (e.g. rights) these would be locked in relation to the specific Corporate Action (as is the case for Takeovers / Buybacks) and could be transferred to an account of the Issuer
 - It is assumed that refunds for oversubscriptions / ineligible shareholders would also need to be processed in CHESSE for those instructions initially received and paid in CHESSE.



Would it be beneficial to allow the transmission of beneficial owner information in the Corporate Action option instruction, for use with omnibus accounts (e.g. for Share Purchase Plans)?

03b – Elections with Payment

Proposed high level process



Preliminary view for discussion.
Detailed workflow and sequencing subject to change.

1. Exercise period for a Corporate Action with options requiring payment begins
2. Participant receives instructions from underlying Investor(s) and provides a Corporate Action instruction
3. If applicable units are reserved (*e.g. Rights*)
4. The Share Registry receives a notification of the instruction (*if necessary*)
5. As part of a daily process, instructions for a given Participant are aggregated per event and a PFoD instruction is created for real-time settlement
6. Following payment, the option instructions are set to confirmed / paid and notifications sent
7. Following successful settlement, reserved securities are transferred to an account of the Issuer (if applicable)
8. At the end of the Corporate Action period the securities are removed by the Share Registry from the Issuer account.

04 – Offer Admin Facility

Takeovers, Buybacks

04 – Offer Administration Facility

Proposed enhancements

CHESS currently supports elections by Participants on behalf of holders for Takeovers, Buybacks and some other Corporate Action events (such as re-investment offers). ASX proposes to retain and enhance this functionality to allow:

- **Transmission of a bank account** as part of the acceptance message, where the Corporate Action event has a cash payment. Where a bank account is associated with the HIN, this can be pre-populated
- **Acceptances against ISO-standardised option codes**, as communicated in the ReferencePoint ISO 20022 Corporate Action message and replacing the existing proprietary Takeover codes. This information will also continue to be communicated via ASX market notices (as it is today)
- **Automating the processing of finalising Takeovers and Buybacks**, currently undertaken manually by ASX Operations under instruction from the bid offeror, could be replaced with an electronic process allowing for this to be managed by the bid offeror directly.



Are there any additional considerations in relation to Takeovers and Buybacks?



05 – ISO 20022 Payment Confirmations

05 – ISO 20022 Payment Confirmations

Overview

- CHES provides the capability to allow transmission of payment information in relation to Corporate Actions from Share Registries to eligible holders for mFund products. We propose to deliver this feature as an optional enhancement to the existing workflows that are used to debit and credit units from accounts
- Data would be made available for optional use in relation to Corporate Actions paying cash considerations. Further consideration is required regarding the provision of information from Share Registries
- If implemented, this feature would leverage the ISO 20022 standard messages for the communication of payment information, including information such as:
 - Payment amount
 - Tax withholding
 - Franking credits
 - DRP price and units
- The transfer of cash in relation to these Corporate Actions would continue to be paid directly from Issuers (or their Share Registries) to eligible holders, outside of CHES
- This proposed functionality would allow:
 - Participants to build automation where they are responsible for notifying the beneficial owner in relation to Corporate Action information (i.e. for omnibus holdings)
 - Provision of new services by retail brokers, allowing them to provide their sponsored holders with richer information in relation to their holdings.

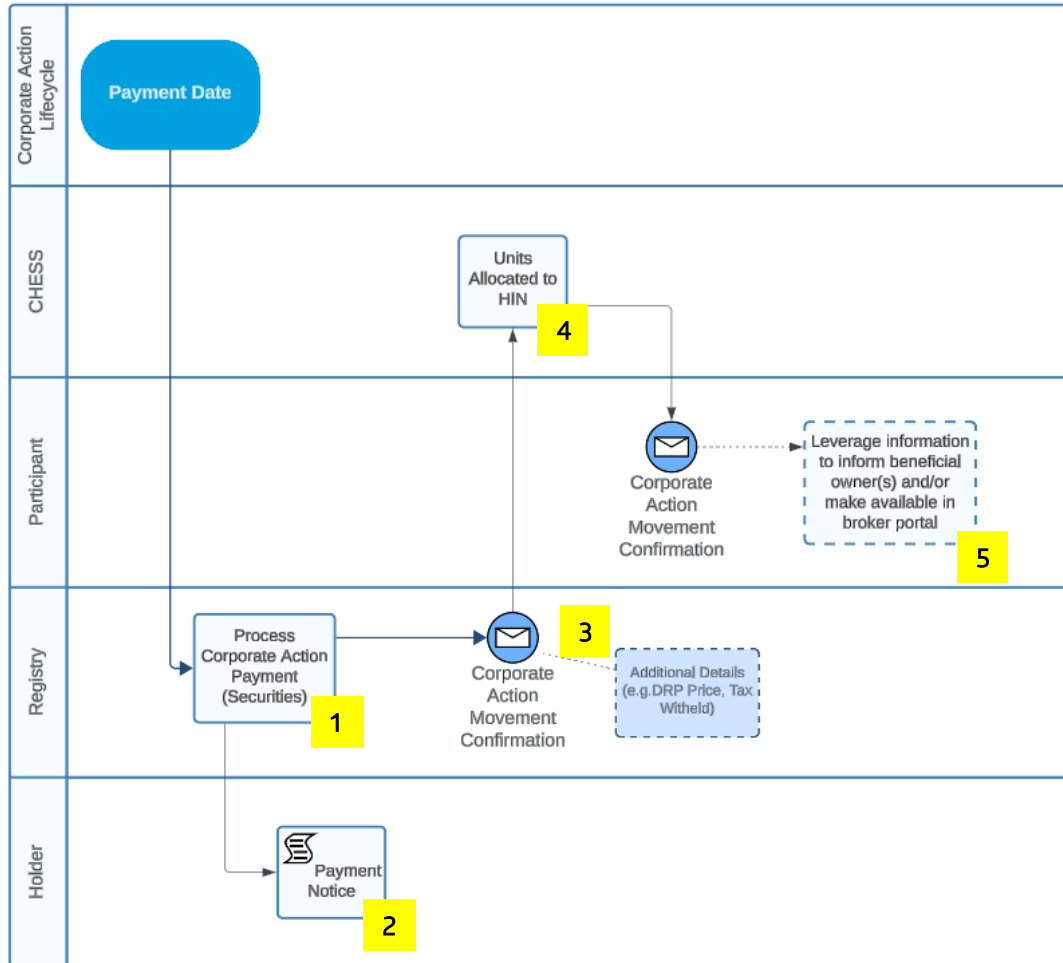


Of the three options below, what is your preference regarding the timing and implementation of this feature?

1. Build and go-live at Release 2
2. Build technical capability and operationalise after Release 2
3. Phased implementation on an opt in or bilateral basis

05 – ISO 20022 Payment Confirmations

Proposed high level process (securities)

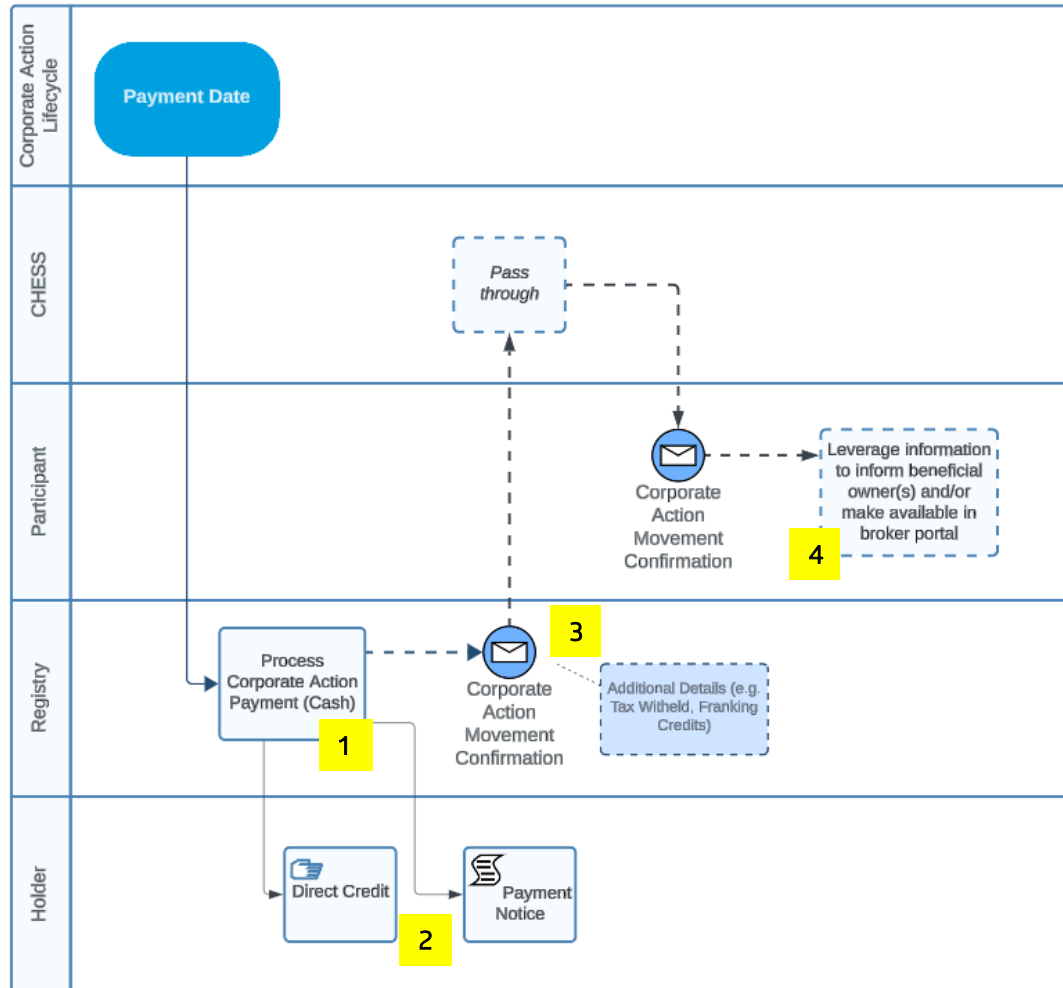


Preliminary view for discussion.
Detailed workflow and sequencing subject to change.

1. Share Registry processes the Corporate Action payment in securities on the payment date
2. Share Registries continue to provide information to holders via existing means
3. The Holding Adjustment message ('Corporate Action Movement Confirmation' in ISO 20022) is used to allocate units to the HIN. This can carry additional information contained within the payment notice (e.g. DRP Price, Tax Withheld, etc)
4. Following successful allocation of units, a confirmation is provided to the Participant including the additional information
5. The Participant can optionally utilise the information for further processing, for example:
 - Automate the information shared with beneficial owners as part of an omnibus structure
 - Provide richer information to holders in relation to their holdings, such as via broker app or portal.

05 – ISO 20022 Payment Confirmations

Proposed high level process (cash)



Preliminary view for discussion.
Detailed workflow and sequencing subject to change.

1. Share Registries process the Corporate Action payment in cash on the payment date
2. Share Registries continue to pay holders directly, and provide payment notices via existing means
3. Optionally (as agreed by Participant and Share Registry) a 'Corporate Action Movement Confirmation' can be passed through CHES in ISO 20022 format. This can include details of the cash payment, such as amount, tax withheld and franking credits.
4. The Participant can utilise the information for further processing, for example:
 - Automating the reconciling and further processing of cash payments received directly
 - Provide information to holders in relation to their holdings, such as via broker app or portal.

06 – Next Steps

06 – Next Steps

- Review the draft Business Design Document when received in approximately 4 weeks and provide feedback to us within the required timeframe
- Upcoming BDWG sessions:
 - **22 August** – Corporate Actions Cum Entitlement Balance Review and Settlement Design Part 2
 - **September (date to be confirmed)** – Market Claims (Diary Adjustments)
- Please inform ASX of any changes to your nominated representatives to CHESSReplacement@asx.com.au
- Complete the feedback request that will be shared with you after this workshop.



07 – Forward Engagement & AOB

07 – Upcoming Engagement

What's on the horizon for the Business Design WG

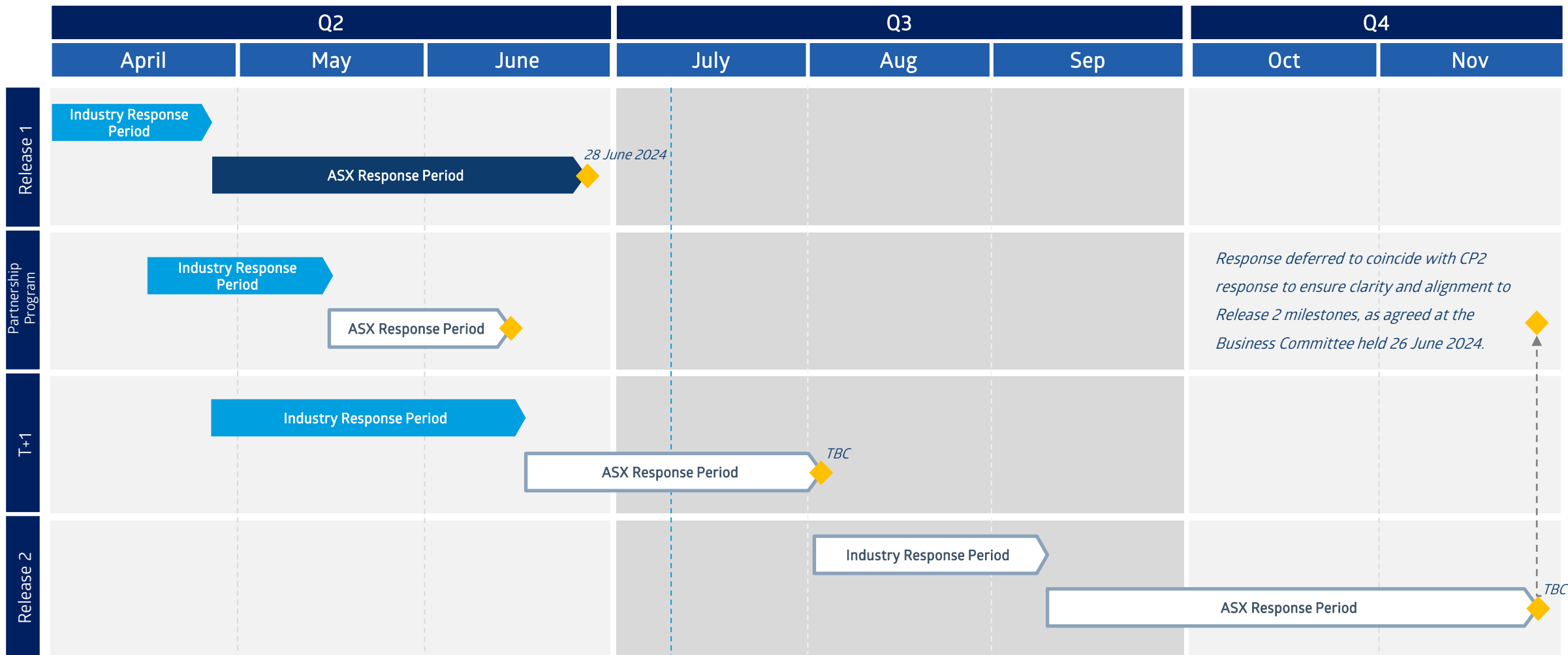
		2023		2024											
		Nov 23	Dec 23	Jan 24	Feb 24	Mar 24	Apr 24	May 24	Jun 24	Jul 24	Aug 24	Sep 24	Oct 24	Nov24	Dec 24
Business Committee	Business Committee		06/12 BC			20/03 BC			26/06 BC			18/09 BC			11/12 BC
	Technical Committee	24/11 TC			07/02 TC	07/03 TC	03/04 TC	08/05 TC	06/06 TC	10/07 TC	07/08 TC	11/09 TC	09/10 TC	06/11 TC	05/05 TC
	BDWG		11/12 Kick-off & Approach (R1)	31/01 Clearing design, trade acceptance and netting	28/02 SRN enquiries and Issuer sponsored holdings	27/03 Data and Connectivity		02/05 T+1	29/05 Settlement design	20/06 Registration details and investor info	11/07 Corporate Actions	21/08 Settlement instructions	TBA Market Claims	TBA (as required)	TBA (as required)
		CY23 Q4		Q1			Q2			Q3			Q4		

Month	Date	Time
Technical Committee		
August meeting	Wednesday 7 Aug	2pm – 3.30pm
September meeting	Wednesday 11 Sept	2pm – 3.30pm
October meeting	Wednesday 9 Oct	2pm – 3.30pm
November meeting	Wednesday 6 Nov	2pm – 3.30pm
December meeting	Thursday 5 Dec	2pm – 3.30pm

Month	Date	Time
Business Committee		
September meeting	Wednesday 18 Sept	12pm – 2pm
December meeting	Wednesday 11 Dec	4pm – 6pm

07 – Public Consultation Update

Indicative inflight & planned CY 2024 public consultation





ASX

Q&A



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Thank you.

