

ASX

CHES Replacement

Business Design Working Group –
Registration Details and Investor Data

20 June 2024



**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 capturing decision and actions
- Dial in details (audio only):
 - +61 2 7208 4607
 - Phone Conference ID: 894 466 671#
- Presentation materials were distributed before the meeting and will be published on the website

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 – Agenda and Objectives

02 – Current State Overview

03 – Registration Details

04 – Additional Investor Information

05 – Additional functionality

06 – Next Steps



01 – Detailed Agenda & Objectives

01 – Introduction

Detailed workshop agenda

01 – Introduction

02 – Current State

03 – Registration Details

04 – Investor Information

05 – Additional Function

06 – Next Steps

Topic	Duration
Introduction <ul style="list-style-type: none">Detailed AgendaWorkshop Objectives	20 mins
Current state <ul style="list-style-type: none">OverviewCustomer user journeySurvey Recap	30 mins
Registration Details <ul style="list-style-type: none">Holder and address structureForeign Residency Indicator	40 mins
Break	15 mins
Additional Investor Information <ul style="list-style-type: none">OverviewTax Details (TFN, ABN, FATCA/CRS)Bank Account DetailsDRP and BSP	45 mins
Additional Functionality	20 mins
Next Steps	10 mins
Total workshop duration	3 hours

01 – Workshop objectives

Key Objectives and outputs

01 – Introduction

02 – Current State

03 – Registration Details

04 – Investor Information

05 – Additional Function

06 – Next Steps

The purpose of the 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 Registration Details and Investor Information
- Identify pain points in relation to the communication of information between Holders and Share Registries
- Agree on any proposed solutions in the context of Release 2 and 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.

01 – Workshop principles

Our principles

01 – Introduction

02 – Current State

03 – Registration Details

04 – Investor Information

05 – Additional Function

06 – Next Steps

Principles

- Evaluate the relevant investor information that is required by CHESSE Users going forward
- Understand and clarify where the information is captured throughout the value chain
- Identify where the data is being captured, mastered and stored and the role of CHESSE in this process
- Identify any opportunities for improvement in the data collection and synchronisation
- Develop an industry standard format and guidelines for registration details to be finalised and agreed during the detailed design phase of the project.
- Implement a sustainable data model that can provide a pathway to support future market and regulatory needs
- Ensuring existing data can be migrated to the new format, reliably
- Leverage the existing capability of the TCS BaNCS platform
- Utilise industry investment and work completed in the previous project
- Avoid increasing risk to the delivery of Release 2 CHESSE replacement



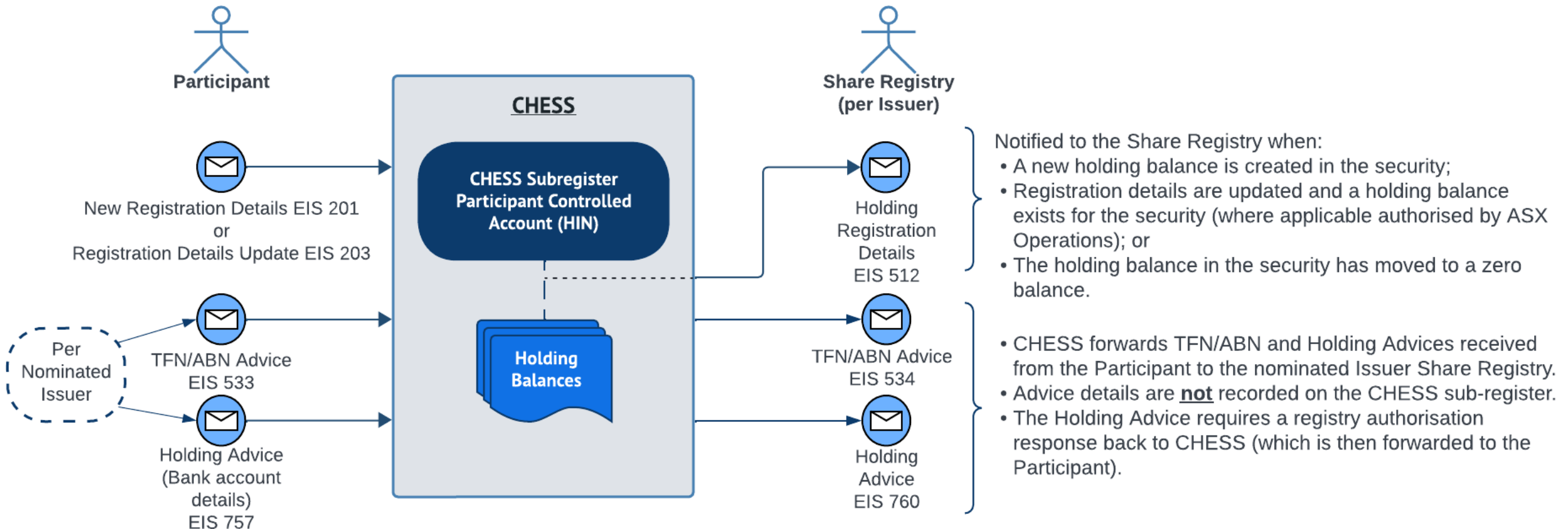
Are there any additional principles or considerations?

02 – Current state

- Customer user journey
- Message statistics
- Survey recap
- TCS BaNCS features

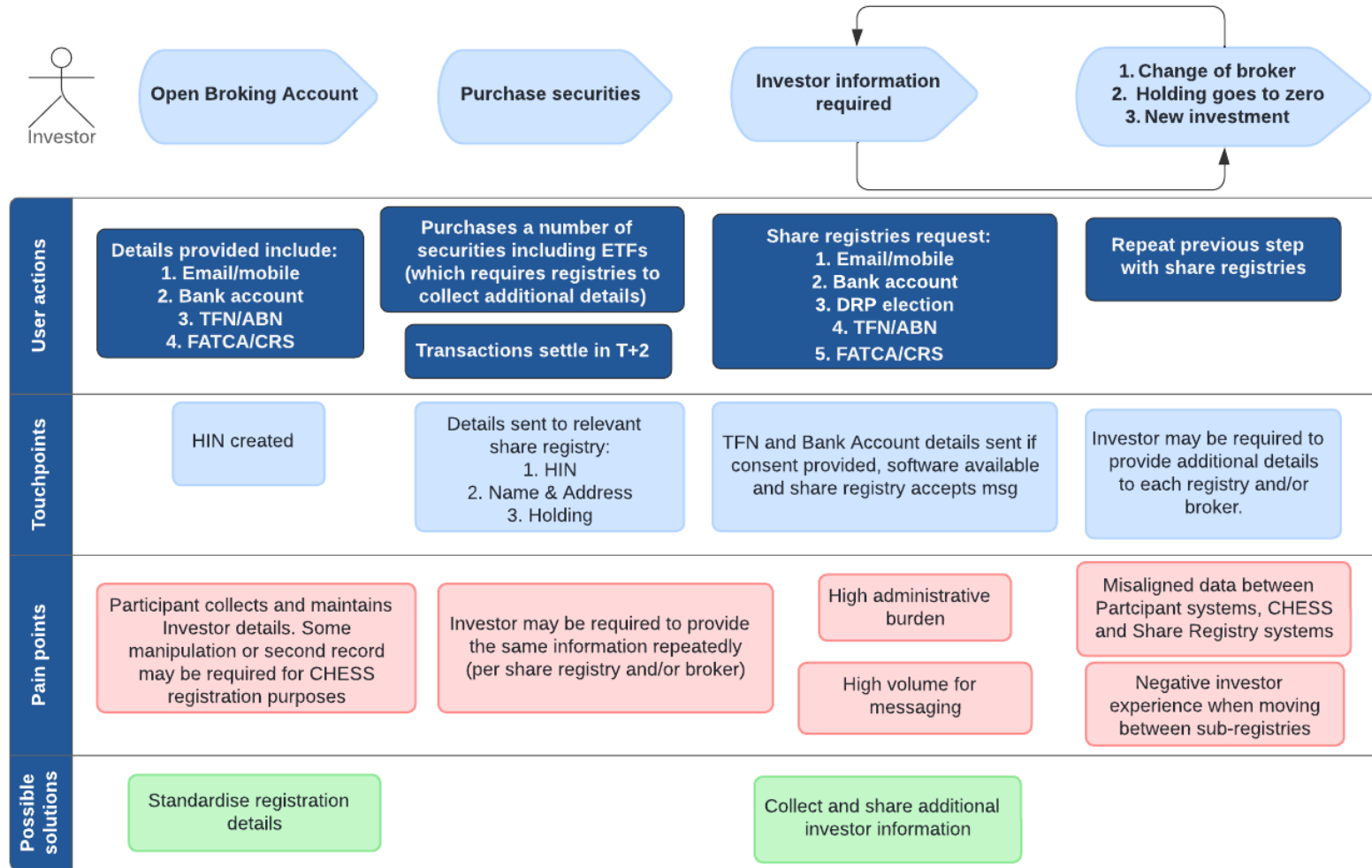
02 Investor Data – current state

CHES message flow



02 - Customer user journey

Investor purchasing a portfolio of securities



02 – TFN / ABN and Bank Detail transmission

Message volumes on a typical trading day on 31 May 2024

01 – Introduction

02 – Current State

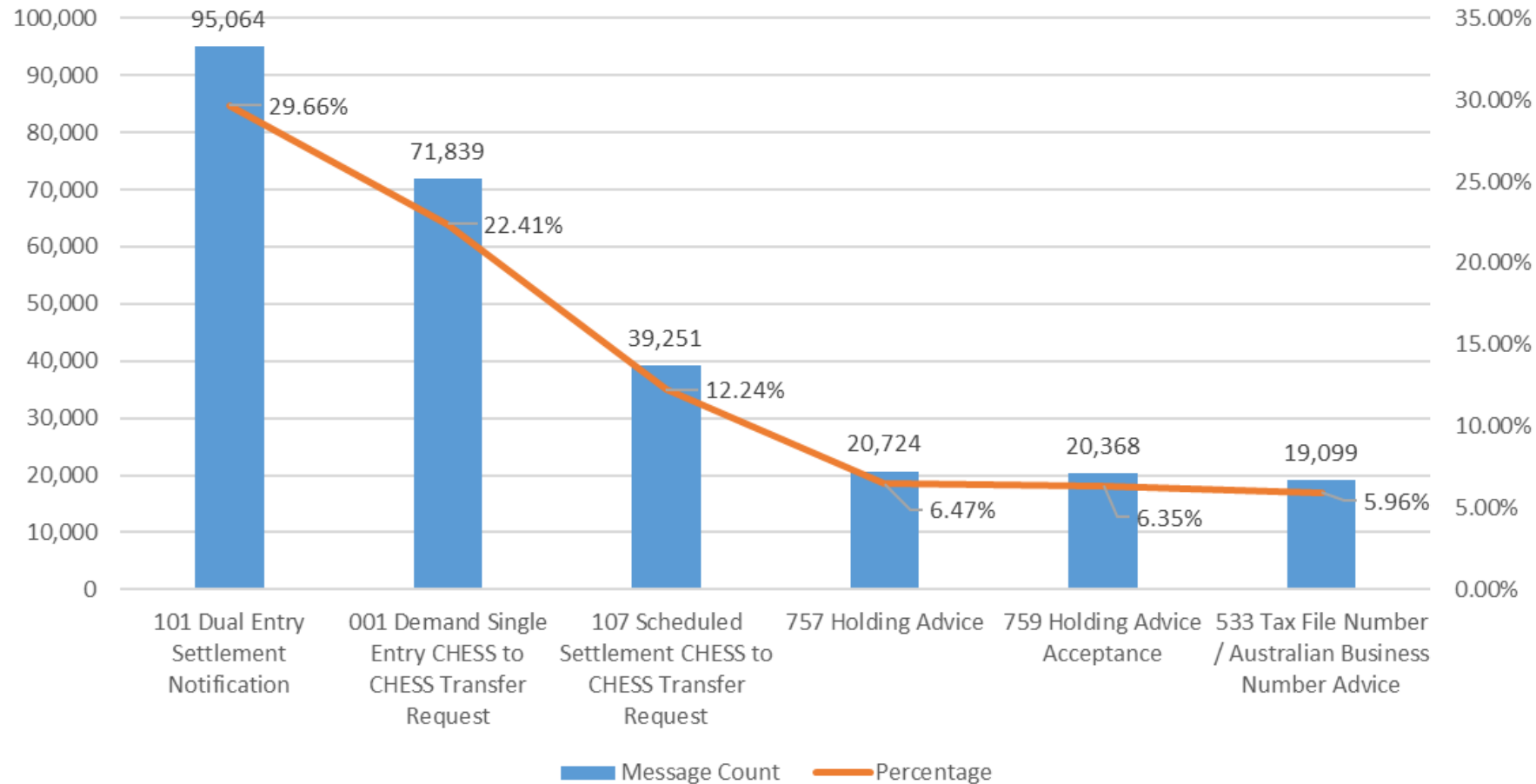
03 – Registration Details

04 – Investor Information

05 – Additional Function

06 – Next Steps

Top 6 CHESS messages on a typical trading day



- On a typical trading day with minimal registry adjustments or partial bulk change of sponsors transactions, we will have less than 500,000 messages in CHESS
- **Three of the top six messages are related to Investor Data,** with approximately 19% (60,191) messages attributable to bank details and TFNs, sent on this date.

02 - Holding Advice and TFN / ABN Messages

For the period of 28 March 2023 to 17 May 2024

01 – Introduction

02 – Current State

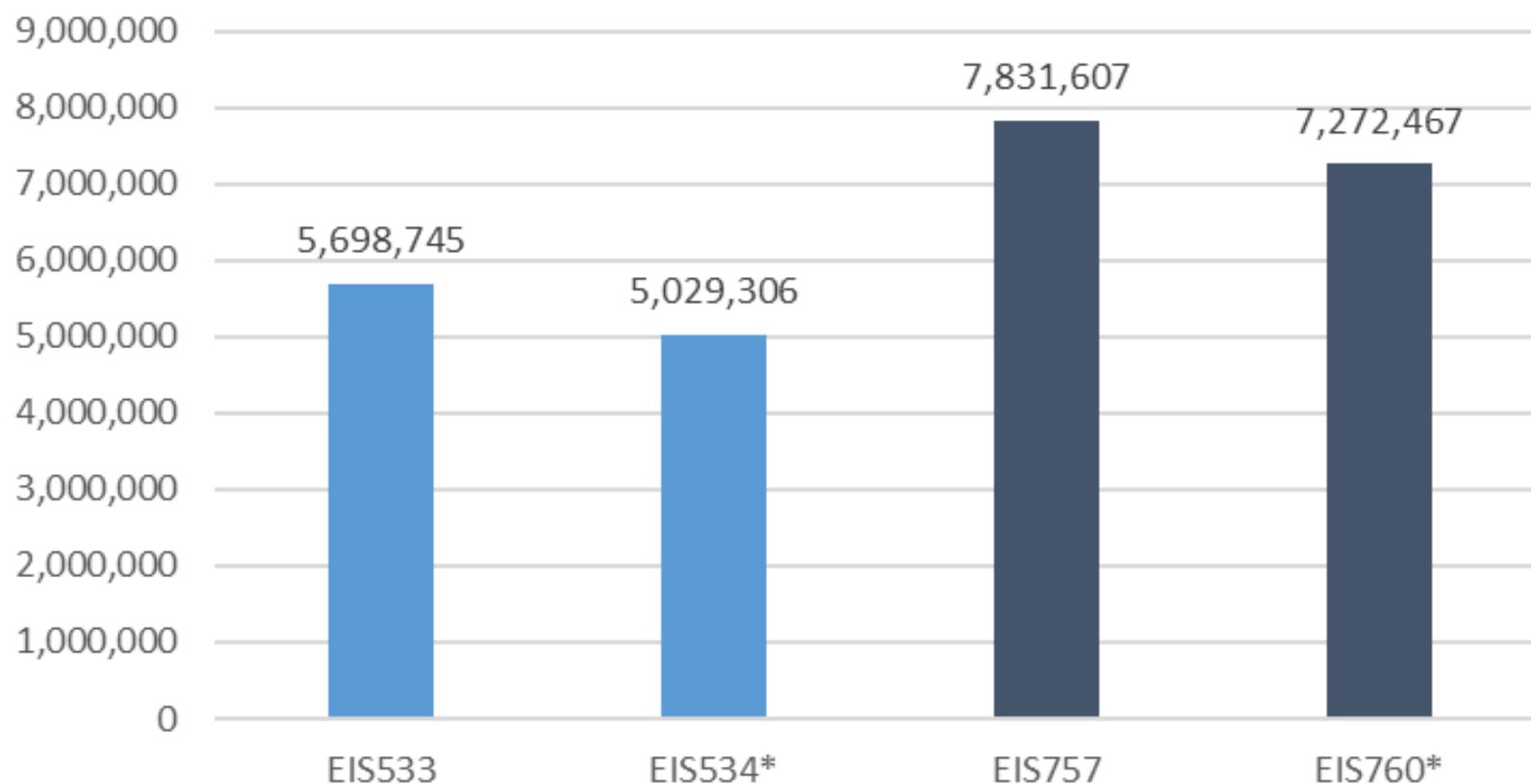
03 – Registration Details

04 – Investor Information

05 – Additional Function

06 – Next Steps

Count of TFN/ABN and Holding Advice messages



- **EIS533** Tax File Number / Australian Business Number Advice from the Participant
- **EIS534** CHESS notifies the Share Registry of updated tax information
- **EIS757** Holding Advice (bank account details) submitted to CHESS by a Participant
- **EIS760** CHESS notifies the Share Registry of bank account details. The Registry is expected to either **accept** or **reject** these details

*Does not include 534/760 messages to unit registries for mfun

02 – Scope Objectives & Survey

Recap – Registration Details and Investor Information

01 – Introduction

02 – Current State

03 – Registration Details

04 – Investor Information

05 – Additional Function

06 – Next Steps

1.1 Standardise, improve and better synchronise the data sharing between Participants and Share Registries

Problem

- The current format for Registration Details was designed around the **constraints of an address label**
 - This is inconsistent and limited in its ability to reliably capture investor information.
 - This results in misaligned data between Participant back-office systems, CHESS and Issuer sub-registers – all of which impact the investor's experience
 - Differences in data representation can cause issues when moving between sub-registers
- There are gaps in the synchronisation of investor data between Participants and Share Registries (in relation to tax information, bank account details and FATCA/CRS data).

Industry Proposed Solution

- Develop an industry standard format and guideline for registration details that can be leveraged across all sub-registers
- Evaluate the relevant investor information that is required (currently, or in the future) to be captured throughout the value chain
 - Identify where this data is captured, mastered and stored
- Identify any opportunities for improvement in the data collection and synchronisation, and any role CHESS can play in this process
- Implement a sustainable data model that can easily support future market and regulatory needs

Business Benefits

- Standardisation of information and streamlined processes for investors
- Consistency for all parties
- Future proofing

Risk/Challenges

- Risk in relation to data security, storage, access, hygiene, who certifies and updates the data
- Industry wide education and alignment is required to understand the systems and processes of Share Registries and Participants
- Concerns around any centralisation of data
- Challenges with the representation of legacy data in existing systems
- Reconciling conflicting details provided by investors to Share Registries and Participants

02 - Previous Survey Playback

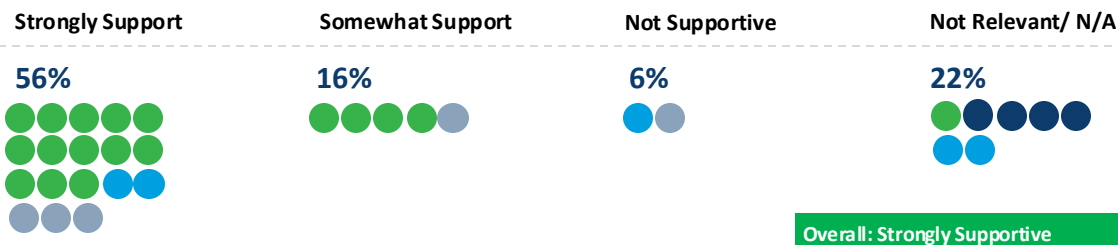
Registration Details

Scope Objective 1.1

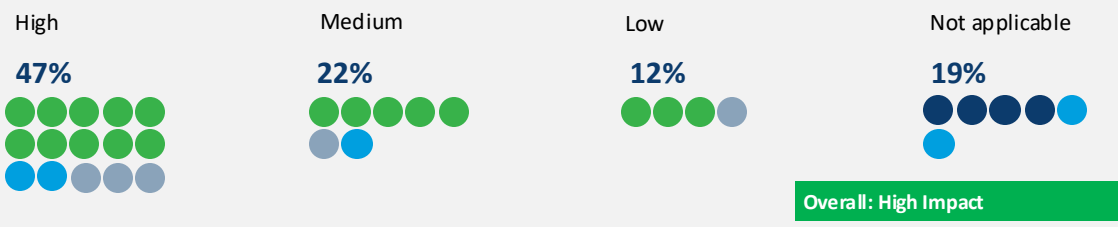
Registration Details and Investor Information

Standardise, improve and better synchronise the data sharing between participants and share registries

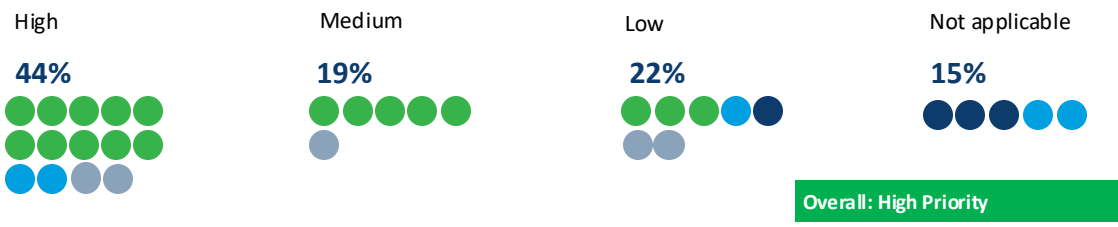
Recommendation



Organisation Impact



Priority



Insights

C&S Participants

Broadly, those who were supportive indicated that benefits include reduction in messaging and administrative burden. The ability to streamline payment processes through sharing additional investor information will ensure consistency for all parties.

Software Providers

Supportive software providers highlighted the solution needs to solve for bank account details and the relevant owner of this data.

Share Registries

Share registries that were supportive highlighted that ideally additional data sets to support regulatory requirements should be in scope in R2 (or even current CHES) and a solution would be of advantage to the entire industry. Others indicated that more information would be needed to assess any changes.

02 – Survey Replay

Registration Details

Registration Details

Recommendation

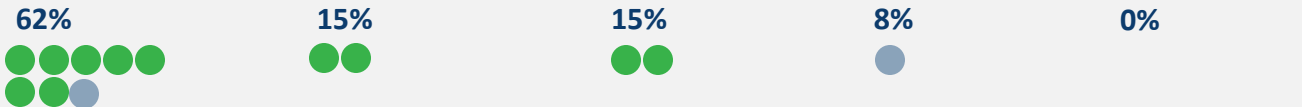
Strongly Support Somewhat Support Neutral Not Supportive Not Relevant/ N/A

Do you support the ability to transmit additional (beyond current scope) investor data between Participants and Share Registries for listed securities?



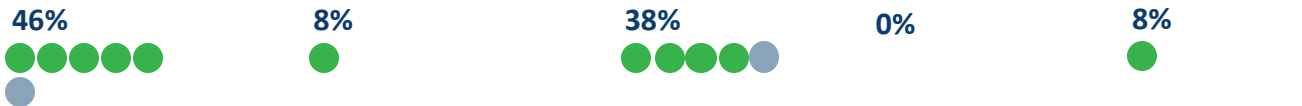
Overall: Supportive

Do you support the ability for the ASX to capture and record additional investor data against a HIN. The stored Investor data will include any standing instructions that to be used as a default to auto-notify Share Registries when there is a new holding and/or update to existing details?



Overall: Strongly Supportive

Do you support greater standardisation (i.e. alignment) of registration details across both Broker and Issuer Sponsored Sub-registers?



Overall: Supportive

Insights

C&S Participants

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

- LEI
- FATCA/CRS
- TFN/ABN/Exemption codes
- Bank account details
- Company code
- DOB
- Mobile number
- DRP and BSP standing instructions
- Support of 4-6 holders

Benefits include: Reduction in messaging and administrative burden; ability to streamline payment processes.

Share Registries

Investor information should be provided to an Issuer in certain circumstances. E.g. FATCA/CRS details where an issuer has an obligation to report to a regulatory agency for ETF's, MIT's. Additionally, email, mobile numbers and other details should be shared for all new investors.

There is currently an obligation for both ASX and Issuers to confirm a change of registration details to investors – a universal approach should be adopted for CHES accounts.

02 – TCS BaNCS Functionality

Accounts Overview

01 – Introduction

02 – Current State

03 – Registration Details

04 – Investor Information

05 – Additional Function

06 – Next Steps

TCS BaNCS supports both a **name on register model** (for example in Finland), and **depository models** (as used in Canada).

Account setup can be supported by both **User Interface** and **ISO 20022** messaging.

Attributes currently supported include:

- ISO 20022 compliant address information
- Tax information (including FATCA/CRS)
- Additional contact details
- Bank account information
- Up to 8 individually recognised holders

- **Additional features** (not currently planned to be used for CHES Replacement) include:
 - Ability to set up an individual client in the system and setup a link to one or multiple accounts of the same controlling participant.
 - Ability to share common attributes between participants.
 - Hierarchical omnibus accounts.
- The system supports the ability to **generate unique identifiers**:
 - At the account level - this will be used for the HIN.
 - For each individual holder - usage of which can be evaluated in the context of the previous solution.

03 – Registration Details

- Standard vs additional information
- Investor and address structure
- Account and holder hierarchy
- Foreign residency indicator

03 – Registration Details vs Additional Investor Information

Overview

01 – Introduction

02 – Current State

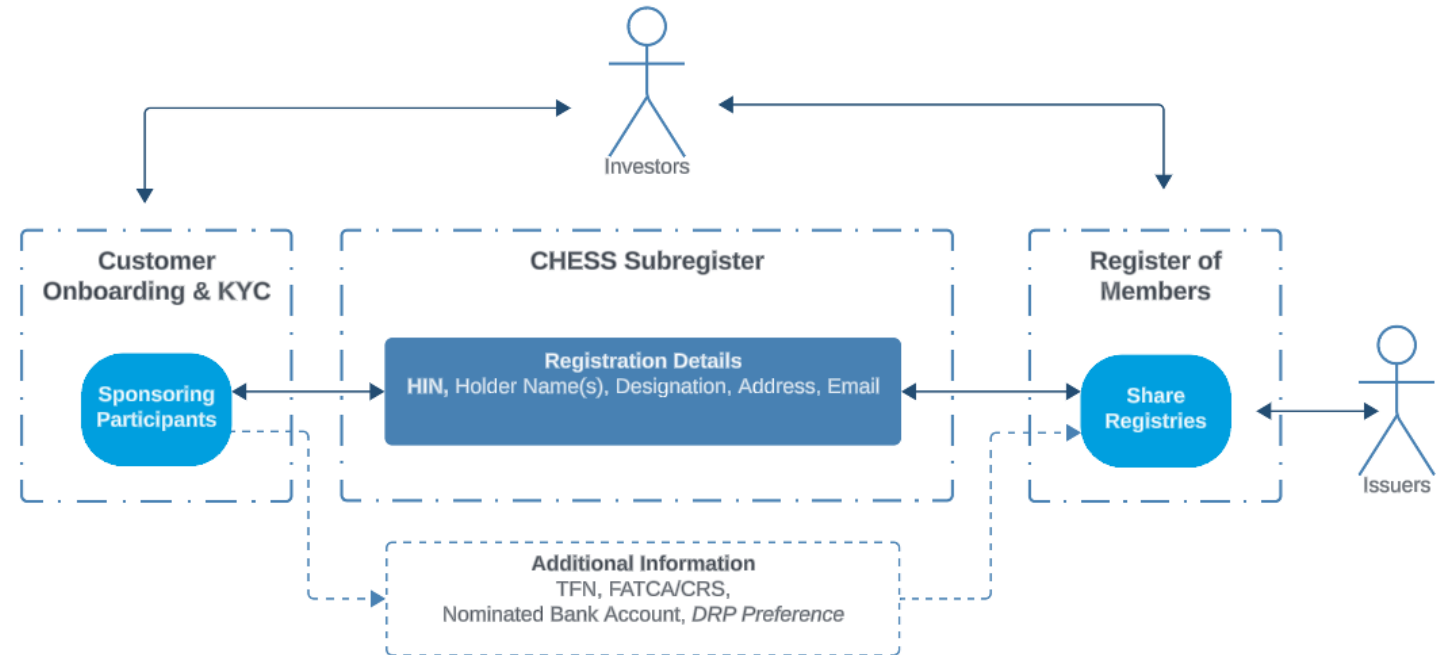
03 – Registration Details

04 – Investor Information

05 – Additional Function

06 – Next Steps

- The CHES Replacement project aims to modernise the format of registration details recorded on the CHES sub-register.
- Registration details will continue to comprise of name, address, communication preference and residency indicator. Feedback is sought on the best way to structure this information for the market.
- CHES Replacement will also continue to facilitate the communication of additional investor information and will consider changes to make this more reliable and effective.



03 – Registration Details

Proposed uplift of current format

01 – Introduction

02 – Current State

03 – Registration Details

04 – Investor Information

05 – Additional Function

06 – Next Steps

- Together with the industry, we propose to standardise and uplift the existing CHES format to support:
 - the entry of full names and designations without abbreviations
 - up to six holders to accommodate self-managed superannuation funds with up to six trustees (this will be discussed in more detail later in this session)
 - addresses captured in a structured account format with clearly delineated fields, and
 - communication preferences including emails
- Where applicable, the format will leverage global standards such as ISO 20022.
- We propose that the industry align on an agreed, standardised format for registration details and establish guidelines on how details should be entered and maintained.
- Registration details will continue to be sourced by the Participants, recorded in CHES and communicated to Share Registries.



Is email address and registered address sufficient to communicate with the investor? Should any other information be captured (e.g. mobile number)?

03 – Investor and address structure

Update from 180 character format

In the previous CHES Replacement Project, the registration details were proposed to be upgraded from the current 180 characters format, to an ISO standard format allowing for:

- Clearly delineated address lines
- Standardised formatting rules
- More allowable characters

A registration details conversion tool will be offered to assist with transforming data.

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
1	M	R		J	A	C	K		R	U	S	S	E	L	L		+		M	S		D	E	B	O	R	A	H		
2	R	U	S	S	E	L	L																							
3	<	T	H	E		R	U	S	S	E	L	L		F	U	N	D	>	,											
4	U	N	I	T		2																								
5	2	0		B	R	I	D	G	E		S	T	R	E	E	T														
6	S	Y	D	N	E	Y		N	S	W																				



Are there any changes to this format that should be considered?

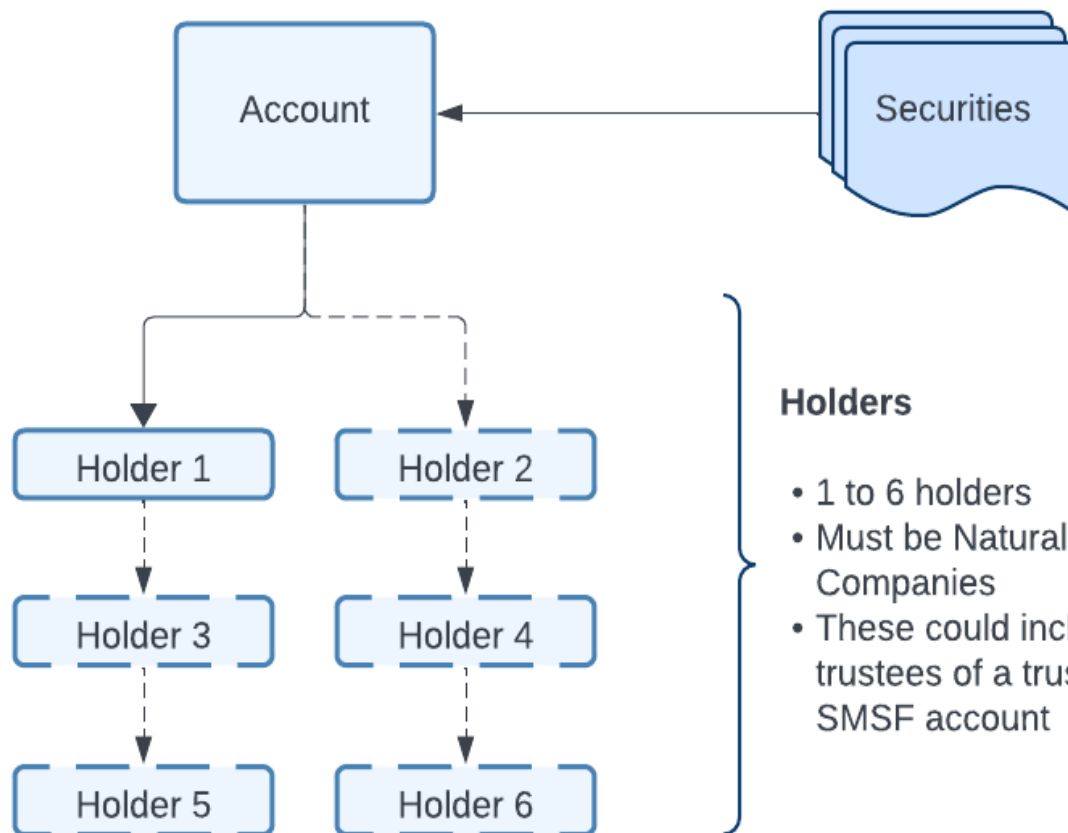
Attribute	Details
Account Name	MR JACK RUSSELL + MS DEBORAH RUSSELL
Account Designation	THE RUSSELL FUND
Account Mailing Addressee Line	MR JACK RUSSELL + MS DEBORAH RUSSELL
Account Address Line 1	UNIT 2
Account Address Line 2	20 BRIDGE STREET
Account Address Line 3	
Account Town Name	SYDNEY
Account Country Sub-Division	NSW
Account Post Code	2000
Account Country	AU
Registered Holder 1 Name	MR JACK RUSSELL
Holder Type	INDIVIDUAL
Registered Holder 2 Name	MS DEBORAH RUSSELL
Holder Type	INDIVIDUAL

03 – Account and Holder hierarchy

Examples of an account hierarchy

Details held on the account
HIN
Account name (i.e. holders)
Designation
Account type
Registered Address
Residency indicator
Communication preference
Email (where applicable)

Details for the holder
Name



Holders

- 1 to 6 holders
- Must be Natural Persons or Companies
- These could include trustees of a trust e.g. SMSF account

- Whilst SMSF legislation permits up to six individual trustees, the permitted number of holders is subject to restrictions in each Issuers constitution.



Each holder is allocated with an internal reference. We will review the usage of these with the industry in the ISO design working group.



If up to 6 trustees on a self-managed super fund account could be recorded on CHES, what impacts would there be on your organisation?

03 – Registration Details

Extended communication with Share Registries

Problem statement

Currently, registration details are shared with the Share Registry on a per-issuer basis whilst there is a non-zero holding in an issued security. This includes providing the registration details when a holding is established, and providing updates to registration details as they change.

However, once a holding reduces to zero there is no further communication with the Share Registry for that issuer, meaning:

- Share Registries are **not kept up to date of registration details changing** after the holding goes to zero;
- Share Registries are **not kept informed of cancelled HINs**

We have received feedback that this approach can cause issues where there is a need to continue communications with holders for a zero holding, particularly in the case of long running corporate actions (e.g. schemes of arrangement).

Proposal

As a result, we are exploring whether the period which registration details are communicated with Share Registries is extended, including notification when those HINs are cancelled.



Would extending the communication timeframe with Share Registries improve investor experience? Are there any challenges with this approach?

03a – Foreign Restricted Securities

03a – Scope Objectives & Survey

Recap – Foreign Restricted Securities

01 – Introduction

02 – Current State

03 – Registration Details

04 – Investor Information

05 – Additional Function

06 – Next Steps

1.2 Foreign restricted securities - Review and simplify the current processes for holdings and transfers

Problem

- Custodial Participants noted that managing omnibus accounts with mixed residency results in the Share Registry requesting any units with foreign restricted securities being forced to move to a new HIN regardless of the underlying clients residency. In some cases, there are restrictions on US ownership and the underlying clients do not have a US residency.
- Maintaining two accounts to account for domestic and foreign owner securities increases operational effort and introduces additional risk/challenges for custodians. However, this is currently required as a work around to avoid divestment of holdings and maintain confirmed foreign holdings.

Industry Proposed Solution

- Industry feedback from Participants, Share Registries and Industry Associations) has requested ASX review and simplify the current processes for holding FOR securities to ensure it aligns with intent of the rule and is not a hindrance.
- FOR rules are used to support issuing companies who have restrictions or limits on foreign ownership as a means to manage levels of foreign investment in their securities.

Risks/Challenges

- Changes in Operating rules, Listing and Settlement may be required.
- Consideration of investment policy/legislation.
- Detailed review of the FOR flag, impacted messages and error codes required.
- Current and future technical capability to build new functionality.

Scope Objective 1.1

Foreign Restricted Securities

Review and simply the current processes for holdings and transfers

Recommendation

Strongly Support

33%



Somewhat Support

40%



Not Supportive

4%



Not Relevant/ N/A

23%



Overall: Somewhat support

Key | ● C&S Participant ● Software Providers ● AMO ● Share Registries

Insights

Industry feedback indicates a majority of members are somewhat supportive of this objective, however a large cohort of Custodial Participants with high business impacts strongly support improving the foreign ownership flag to reduce administrative burden. One organisation was not supportive because they are satisfied with the current process.

03a - Foreign Residency Indicator

Review of purpose and future use

01 – Introduction

02 – Current State

03 – Registration Details

04 – Investor Information

05 – Additional Function

06 – Next Steps

Foreign Ownership Restriction (“FOR”) is a mandatory attribute stored on the Account (HIN) that records whether any Holder is considered a “Foreign Person” for financial products with a foreign ownership restriction. It is currently a requirement that an investor is recorded as “F”(foreign), “D” (domestic) or “M” (mixed) in CHESS. Foreign residency definitions are provided by each issuing company and can change from one security to another.

There are currently two purposes for the Foreign Ownership Restriction flag:

1. **Aggregate foreign ownership restrictions** – flagging holders that are considered foreign for the purposes of maintaining aggregate foreign ownership restrictions. For example, Telstra has a 35% limitation on foreign ownership of fully paid ordinary shares.
2. **Foreign person exclusions** – the “F” flag is applied to securities which have Foreign Person exclusions, and the foreign person ownership level is zero. This includes US persons who are not Qualified Institutional Buyers (QIBs), as defined under section 5 of the US Securities Act.

03a - Foreign Residency Indicator

Review of purpose and future use

01 – Introduction

02 – Current State

03 – Registration Details

04 – Investor Information

05 – Additional Function

06 – Next Steps

In the current design "Domestic" does not mean resident of Australia, or similar. It means that the holder is not considered a Foreign Person per the definitions of an Issuer's constitution, whereas "Foreign" means the holder is considered a Foreign Person. In most cases (excluding TLS) flagging a HIN as "Foreign" would trigger a divestment in any FOR securities held.

As an alternative, we are exploring whether this be improved such that the process can cater more easily for both aggregate foreign ownership restrictions and foreign person exclusions and to simplify the terminology used.

Where the HIN is used to hold securities that appear on the FOR list, the HIN could include a specific declaration indicating either:

- **Non-foreign person** (per definitions of the issuers constitution)
- **Non-US person** (per the definitions of the US securities act)
- **US person QIB / QP** (per the definitions of the US securities act)

Any HINs not holding securities in the FOR list would not need to be flagged. This would replace the need for HINs to be flagged as "Domestic" where the holder is registered overseas but no FOR securities are held.



Would the suggested changes assist in improving the process for Foreign Restricted securities? Would there still be a need for a "Mixed" HIN under this design?

03a - Foreign Residency Indicator

Review of purpose and future use

01 – Introduction

02 – Current State

03 – Registration Details

04 – Investor Information

05 – Additional Function

06 – Next Steps

Security Codes (as at 11/06/2024)	Restriction	Foreign Ownership Level	Residency Indicator (current design)	Future Usage
CHR, VTI, ALX, NYR, OBL, EBR, ENL	Excluded US Person Prohibited	Zero	Domestic only	Must indicate Non US Person
360, KED, GQG, SNX, NGL, NGLO, IMR, RVS, TBN, NGI, UBI, UBIO	Excluded US Person Prohibited excluding QIB / QPs	Zero	Domestic only	Must indicate Non US Person or US Person QIB/QP
CARRA, ERAR, TWER	Eligible investors only	Zero	Domestic only	Must indicate Non Foreign Person
TLS	Aggregated foreign ownership restriction	35% overall 5% per individual shareholder	Domestic, Mixed or Foreign	Non Foreign person means not subject to aggregate foreign ownership restrictions. Mixed Foreign person triggers existing reporting arrangements for omnibus accounts

Note: Flags may apply to securities set up temporarily for corporate action events.



It is not an ASX requirement for securities with an aggregate foreign ownership restriction to be registered as an FOR security. Some securities (e.g. Qantas) have opted to manage this restriction outside of CHES.

04 – Additional Investor Information

04 – Additional Investor Information

Overview

01 – Introduction

02 – Current State

03 – Registration Details

04 – Investor Information

05 – Additional Function

06 – Next Steps

- To enhance the investor experience, synchronise data sharing within the industry and reduce the need for high message volumes, some industry Participants have requested that the CHESSE Replacement system should allow for the collection and communication of additional investor information linked to a CHESSE holding on an optional basis.
- This may help to improve overall investor experience by collecting information already captured by Participants and automatically relaying this to Share Registries for each holding.
- We are exploring whether CHESSE should support additional investor information, including:
 - **Tax information** including TFN, ABN and FATCA/CRS - to improve the investor experience and reduce the need for them to provide the information multiple times to their Participant and each Share Registry.
 - **Bank account details** - to ensure a default bank account can be provisioned with any new holding, reducing the need for cheques.
 - **Dividend Reinvestment Plan (DRP)** preferences as a default setting on the HIN – noting due to a number of constraints we don't propose this can be stored.

04 – Capture and storage of data

Considerations to be discussed

01 – Introduction

02 – Current State

03 – Registration Details

04 – Investor Information

05 – Additional Function

06 – Next Steps

- Registration details and additional information sourced by Participants, could be recorded in CHES and communicated to Share Registries automatically when a new holding balance is created or when details are updated by the Investor.
- Share Registries would continue to have ultimate responsibility for the information that comprises the register of members and the additional information would only be intended to be as a reflection of the Investor information sourced and maintained by the Participant.
- Share Registries could accept or reject the additional information from CHES, as well as continue to accept information directly from the investor.
- The capture and storage of additional information may also allow the industry to streamline the collection of data to support the management and portability of Investor holdings in CHES.
- The information would only be used for the purposes of simplified communication and any specifically identified and agreed clearing and settlement use cases (e.g. foreign restricted securities).



What guidelines could be implemented to ensure the currency and accuracy of data?

04 – Tax File Number / Australian Business Number

Possible improvements to current pass-through functionality

01 – Introduction

02 – Current State

03 – Registration Details

04 – Investor Information

05 – Additional Function

06 – Next Steps

- Some Participants and Share Registries have requested the ability to add TFNs and ABNs against a holder of an account in CHESS and use this as a default value provided to Share Registries upon acquisition of a new holding.
- Feedback received indicated that recording TFNs and ABNs as part of a holder record in CHESS would:
 - minimise the need for high message volumes between participants and share registers where there are new holdings, or where a holding increases from zero;
 - reduce the administrative burden on the industry and investors to provide this information repeatedly; and
 - help to resolve issues where a TFN is not collected by the Share Registry resulting in tax being withheld incorrectly.
- In response to this feedback, ASX is considering whether this proposal would be possible from a technical, legal and regulatory perspective.
- Should this proposal be agreed, investors would continue to have the ability to provide their tax details to a Share Registry directly.
- It is vital to note that detailed consideration and assessment would be required to explore the ability for ASX to retain TFNs to ensure compliance with the relevant laws, regulatory obligations, and privacy requirements.



What are the specific use cases and benefits to your organisation of having tax details retained for re-use on a HIN?

04 – Tax Residency Self-Certification

FATCA/CRS details

01 – Introduction

02 – Current State

03 – Registration Details

04 – Investor Information

05 – Additional Function

06 – Next Steps

Data Required	Details collected could include (as applicable)
Account investor type	<ul style="list-style-type: none">The type of investor on the account (HIN):<ul style="list-style-type: none">An individual holder or joint holders; orAn entity such as a company, trust, partnership, superannuation fund, etc <p><i>Note: this determines the data requirements for the FATCA/CRS self-certification.</i></p>
Entity specific details	<ul style="list-style-type: none">Entity type (e.g. financial institution; active/passive non-financial entity, US entity etc)Identifiers applicable to the entity and investor type (e.g. GIIN, ACN, ABN, listed market and ticker code)Other information such as foreign financial institution status and jurisdiction
Tax residency details <i>(of individual & joint investors, entities, and other related parties where applicable such as beneficial owners and controlling persons)</i>	<ul style="list-style-type: none">Legal name of person or entityRegistered addressDate of birthForeign tax residencyForeign tax residency countriesForeign TINs or TIN absent reason



For which products do Issuers require a FATCA/CRS self-certification from investors?

Would industry benefit from us collecting a comprehensive set of FATCA/CRS details or do we only need to cater for a limited number of common scenarios?

How would an organisation that receives the information confirm if the information is current or accurate?

04 – Bank Accounts

Possible improvements to current pass-through functionality

01 – Introduction

02 – Current State

03 – Registration Details

04 – Investor Information

05 – Additional Function

06 – Next Steps

- Participants could be provided with the ability to add a single "nominated" bank account against a HIN that would be the default bank account provided to share registries upon acquisition of a new holding.
- This would minimise the need for Participants to send through bank accounts for new holdings or again where a holding increases from zero.
- Recording a default bank account in CHESS may also allow the ability for the bank account to be shared in other scenarios (if agreed) such as:
 - Takeover acceptances
 - Compulsory acquisitions
 - Other corporate action use cases
- Simplifying how a bank account is communicated will help to limit the scenarios where a bank account is not known, and a cheque must be provided.
- Investors would continue to have the ability to update their bank details directly, including the ability to specify different accounts for different issuers.
- Additional foreign bank accounts could also be collected for payments in foreign currencies.

04 – DRP/BSP Preferences

Allow for the submission and recording of DRP/BSP preferences

01 – Introduction

02 – Current State

03 – Registration Details

04 – Investor Information

05 – Additional Function

06 – Next Steps

Industry Request

- Some Participants have requested the ability for a default DRP/BSP election to be held in CHES and communicated for automatically all holdings.
- The rationale for this is that there is risk where DRP elections are unknowingly removed when to holdings are temporarily reduced to zero. This is an issue particularly in the case of omnibus accounts.

Potential challenges with the industry request

- A default election recorded in CHES may be problematic as the details of each DRP plan needs to be specifically accepted.
- DRP plans can be introduced after the preference is recorded and can also be suspended/reinstated.
- The determination of whether to retain the DRP instruction when a holding goes to zero is dependent on each issuer's constitution.

Possible Alternative Solution

- An alternative option would be to allow DRP elections as a pass through on a per-Corporate Action Elections basis. This could be used by Participants to automate the election of DRP from the announcement of the Corporate Action.
- It would also have the benefit of allowing:
 - Partial acceptances that change for each Corporate Action;
 - Nomination of payment in a foreign bank account



This will be discussed in more detail in the Corporate Actions working group in July as part of an overall approach for Corporate Action elections

05 – Additional functionality

05 – Additional CHES functionality to consider

Industry requested functionality

01 – Introduction

02 – Current State

03 – Registration Details

04 – Investor Information

05 – Additional Function

06 – Next Steps

1. **Lost shareholders** - the ability for an Issuer to notify an ASX Participant of lost shareholders
2. **Notification to Issuers of a cancelled HIN** – to confirm that a holding is no longer broker sponsored so the Share Registry can assist investors directly
3. **HIN enquiry function** – the ability for Share Registries to request the status and registration details of an Investor with no holdings



How would the inclusion of this additional functionality improve your business processes?

06 – Next Steps

- Review the draft Business Design Document when received in approximately 2 weeks and provide feedback to us within the required timeframe
- Upcoming BDWG sessions:
 - **11 July** – Corporate Actions DRP, Entitlements, Distribution Information & Payments
 - **21 August** – Corporate Actions Cum Entitlement Balance Review and Settlement Design Part 2
- 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.



QUESTIONS?



Disclaimer

© 2024 ASX Limited (ABN 98 008 624 691)

This document provides general information only. ASX Limited (ABN 98 008 624 691) and its related bodies corporate (“ASX”) makes no representation or warranty with respect to the accuracy, reliability or completeness of the information. To the extent permitted by law, ASX and its employees, officers and contractors shall not be liable for any loss or damage arising in any way (including by way of negligence) from or in connection with any information provided or omitted or from anyone acting or refraining to act in reliance on this information.

© 2024 ASX Limited ABN 98 008 624 691

THANK YOU.

