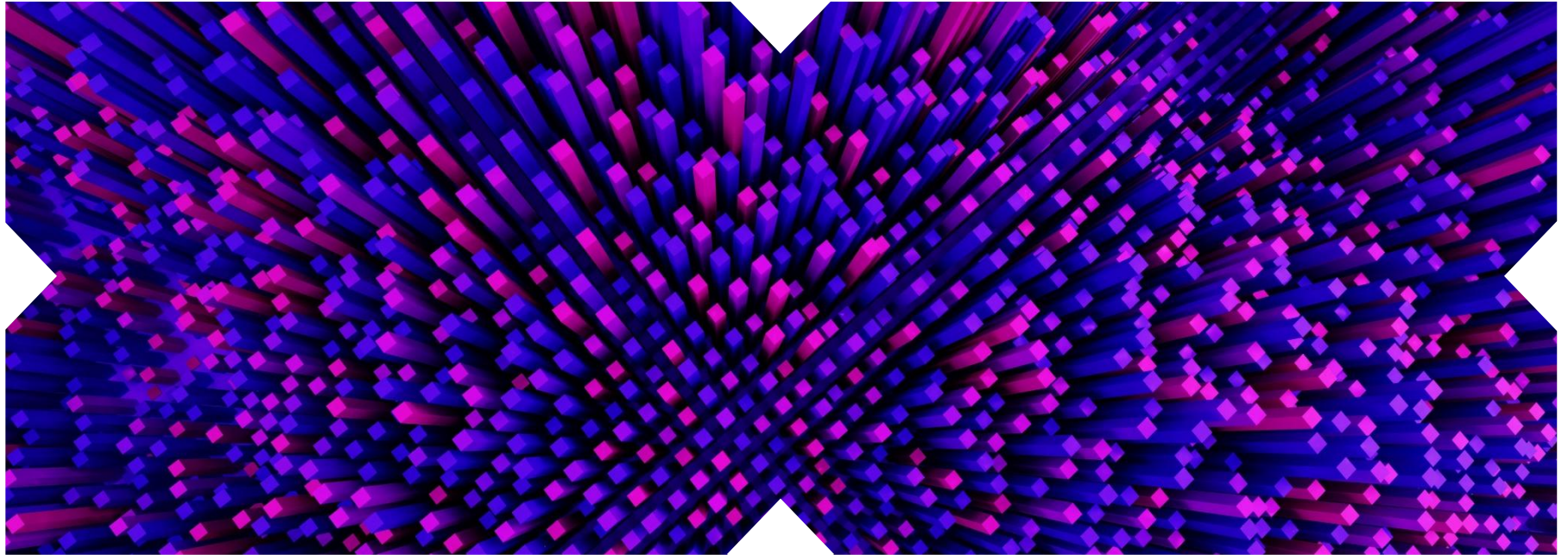


CHESS PROJECT BUSINESS DESIGN WORKING GROUP



RELEASE 2 DROP 4 DEEP DIVE (PART 2)

26 NOVEMBER 2025



Acknowledging Country

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

Artwork by Lee Ann Hall
My Country My People



Housekeeping

Troubleshooting

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- Please introduce yourself when talking for the benefit of all members
- Meeting is being recorded for the purposes of capturing decisions and actions
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Agenda

01	Introduction and Objectives	10 min
02	Working Group Actions	15 min
03	Holding Adjustments	60 min
04	Funds Failure	30 min
05	Change of Controlling Participant & Portfolio Transfer	20 min
06	Provision of TFN / ABN for SRN Holdings	10 min
07	Next Steps	5 min

01 Introduction and Objectives

01 - Workshop Objectives and Outputs

The purpose of this Business Design Working Group session is to refine previously consulted design considerations and gain further customer feedback on the scope of Release 2 Drop 4 of the CHES Project

Objectives

- Collect expertise to refine the design of holding adjustments, default management, change of controlling participant and portfolio transfer processes in the CHES Project
- Play back information collected from previous engagements
- Develop the finalised set of requirements for implementation in the CHES Project

Outputs

- Summary of the session and any applicable actions prepared for the Technical Committee
- Updates to the Business Design Documents (as necessary)
- ISO message construction (scheduled to be finalised by Q2 2026)
- Technical documentation (scheduled to be released by Q2 2026)
- Revised APGs
- Rules Consultation



What outcomes would you like to achieve for your organisation from this workshop?

01 - Proposed Business Design Working Group Sessions - 2025/26

#	Session	Topic(s)	Invitees	Proposed Date	Status
23	Release 2 Drop 4 Deep Dive (2 of 2)	Deep dive into Release 2 Drop 4 changes and business design	All	26 November 2025	Planned
24	Release 2 Drop 5 Deep Dive (1 of 2)	Deep dive into Release 2 Drop 5 changes and business design	All	4 February 2026	Planned
25	Registries Focus Group	Registries focus group on specific registry topics	Registries only	4 March 2026	Planned
26	Release 2 Drop 5 Deep Dive (2 of 2)	Deep dive into Release 2 Drop 5 changes and business design	All	1 April 2026	Planned
27	Migration Scope Deep Dive (#2)	Continued industry discussion on data migration scope and approach	All	May 2026	Planned

BD WGs anticipated to continue through 2026 on a monthly cadence to work through and finalise any outstanding actions, scope changes and prepare for rules and procedures.

*Note: indicative order, subject to change based on industry inputs and further planning. Multiple sessions may be required per topic
Blue denotes an update since last presented*

01 - Completed Business Design Working Group Sessions – 2025

#	Session	Topic(s)	Invitees	Proposed Date	Status
13	Release 2 Drop 1 Deep Dive	Deep dive into Release 2 Drop 1 detailed business design	All	6 February 2025	Completed
14	Registries Focus Group	Registries focus group on specific registry topics	Registries only	13 March 2025	Completed
15	Release 2 Drop 2 Deep Dive (1 of 2)	Deep dive into Release 2 Drop 2 detailed business design (including Transaction Basis Deep Dive)	All	3 April 2025	Completed
16	Release 2 Drop 2 Deep Dive (2 of 2)	Deep dive into Release 2 Drop 2 detailed business design	All	15 May 2025	Completed
17	Release 2 Drop 3 Deep Dive (1 of 2)	Deep dive into Release 2 Drop 3 detailed business design (Corporate Actions, reporting)	All	10 July 2025	Completed
18	Payment Provider Focus Group	Payment provider focus group on planned changes to payment authorisation processes	Payment Providers only	7 August 2025	Completed
19	Release 2 Drop 3 Deep Dive (2 of 2)	Deep dive into Release 2 Drop 3 detailed business design (issuer sponsored, payments)	All	19 August 2025	Completed
20	Non-Batch Payments Focus Group	Industry focus group on the real-time payment channel	All	9 September 2025	Completed
21	Release 2 Drop 4 Deep Dive (1 or 2)	Deep dive into Release 2 Drop 4 changes and business design	All	9 October 2025	Completed
22	Migration Scope Deep Dive (#1)	Industry discussion on data migration scope and approach	All	6 November 2025	Completed

02

Working Group Actions

02 - Business Design Working Group – Open Actions (1 of 2)

#	Action	Raised	Update	Status
BDWG_02	Consider whether there could be an ability to allow transfer of standing instructions in the case of transfer to a new HIN	February 2025 BD WG	Updates provided on slide 32	To be closed
BDWG_04	Consideration of which new fields can be transferred to a new Participant in the case of a Change of Controlling Participant	February 2025 BD WG	Updates provided on slide 33	To be closed
BDWG_06	Consider the process of migrating accounts, including transformations and fields not available in current CHES	February 2025 BD WG	Discussed in migration BD WG – November 2025; follow up in May 2026	Open
BDWG_09	Consider the appropriate rules and privacy implications to allow the sharing of email and mobile number with Registries	February 2025 BD WG	To be considered as part of rules consultation	Open
BDWG_11	Consideration to be given to the complexities of reserved balances and impacts on Registry processes	March 2025 BD WG	To be discussed in Drop 4 BDWG (October)	Open
BDWG_15	Determine an approach for Participants to reconcile holdings, including any new holding notification	May 2025 TC	Presented at ISO WG in November, follow up actions to be presented at December ISO WG	Open
BDWG_18	Consider the optionality, design and obligations in relation to mandatory settlement locks in the accumulation (ISOWG_J04, ISOWG_J05, ISOWG_J06)	August 2025 BD WG	ASX is evaluating whether this could be made optional for those who can manage this in their own systems	Open

02 - Business Design Working Group – Open Actions (2 of 2)

#	Action	Raised	Update	Status
BDWG_21	Provide finalised update in relation to consolidated feedback on hold/release	August 2025 BD WG & September 2025 ISO WG	Outstanding questions remain in relation to close-out, fail fees, rules and obligations To be discussed in future BD WG	Open
BDWG_22	Determine whether SRNs can be provided in response to ASXO initiated conversions	August 2025 BD WG	Updates provided on slide 13	To be closed

02 - Business Design Working Group - Actions

BDWG_22

Determine whether SRNs can be provided in response to ASXO initiated conversions

ASX Response

ASX has reviewed feedback regarding ASX Operations (ASXO) initiated conversions, which most commonly occur during a delisting when units are transferred to the issuer sponsored register.

Since these conversions are initiated by ASXO, Participants cannot provide authorisation from the holder to receive the SRN.

The recommendation therefore, is to maintain the current workflow and for Participants to initiate an SRN Enquiry after a delisting, if an SRN is needed.

If the SRN is not yet available, Registries can indicate this in their response.

Considerations

- ASXO-initiated conversions can involve large volumes and, in certain situations, are time sensitive processes
- Registries have reported that SRNs might not be assigned immediately after a conversion, potentially requiring several days depending on the scenario
- ASX could evaluate whether the fees linked to SRN Enquiries should be adjusted to reflect these specific scenarios
- Validation requirements may need to be altered to allow the SRN enquiries to be possible in these instances.



When a holding is converted by ASX Operations, would the addition of specific conversion reasons be useful for your processes? Which reasons would you suggest?

03 Holding Adjustments

03 - Holding Adjustments

Overview – Current State

Currently, Holding Adjustments (**EIS 425**) and Securities Transformations (**EIS 421**) serve multiple functions. There are 37 active reason codes in use, with 47 documented overall, covering areas such as:

- Issuance and expiry
- Primary market facility
- Corporate action movements (including DRPs, reconstructions, schemes, bonus issues, and distributions)
- Allotments and redemptions (such as for ETFs and warrants)
- Exercise and conversions (warrants, notes, rights issues)
- Divestments.

From September 2024 to September 2025, ASX processed over 4.6 million adjustments, 66% of which were related to DRPs.

Approximately 10% of adjustments are made with a non-specific reason code.

- **Holding Adjustment (EIS 425)** allows for a single increase or decrease of a holding
- **Securities Transformation (EIS 421)** allows for an increase in one security code and a decrease another security code
 - This message is mainly used for the Primary Market Facility, though 30% of transactions are using a non-specific code (ADJ)
- **Effected Holding Adjustment (EIS 022)** messages are provided to Participants per holding balance change
 - This message is also used for some non-registry use cases (e.g. expiring collateral, code changes).



03 - Holding Adjustments by Reason Code

Summarised Statistics Sep 2024 – Sep 2025

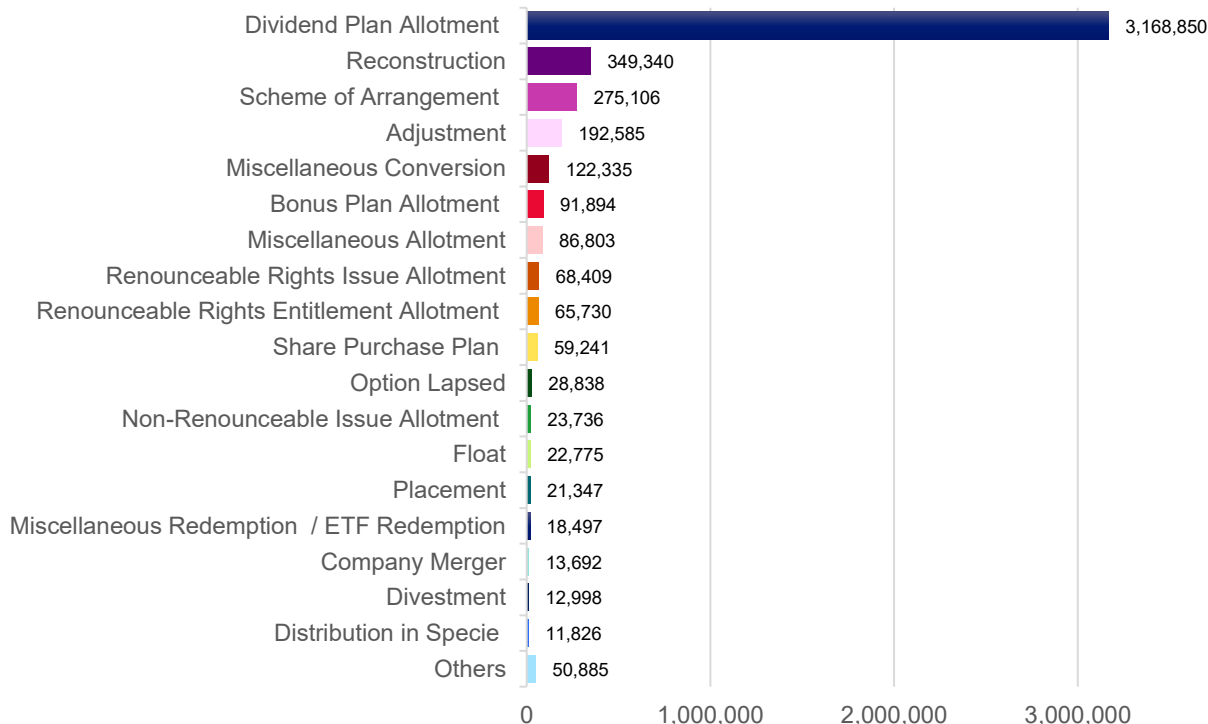
Others (<10k) includes:

Option Allotment, Renounceable Rights Accepted, Allotment Reversal, Bonus Issue Allotment, Compulsory Acquisition by Offeror, Warrant Allotment, Buy-back, Takeover Consideration Allotment, Convertible Note Redemption / Maturity, Adjustment for Foreign Ownership, Warrant Exercise, Income Distribution Allotment, Options Conversion, Call Paid, Convertible Note Allotment

Unused codes includes

Forfeiture of Partly Paid Shares, Scrip Dividend, Share Top-up Plan, Warrant Delivery, Warrant Rollover Application, Warrant Underlying Exercise

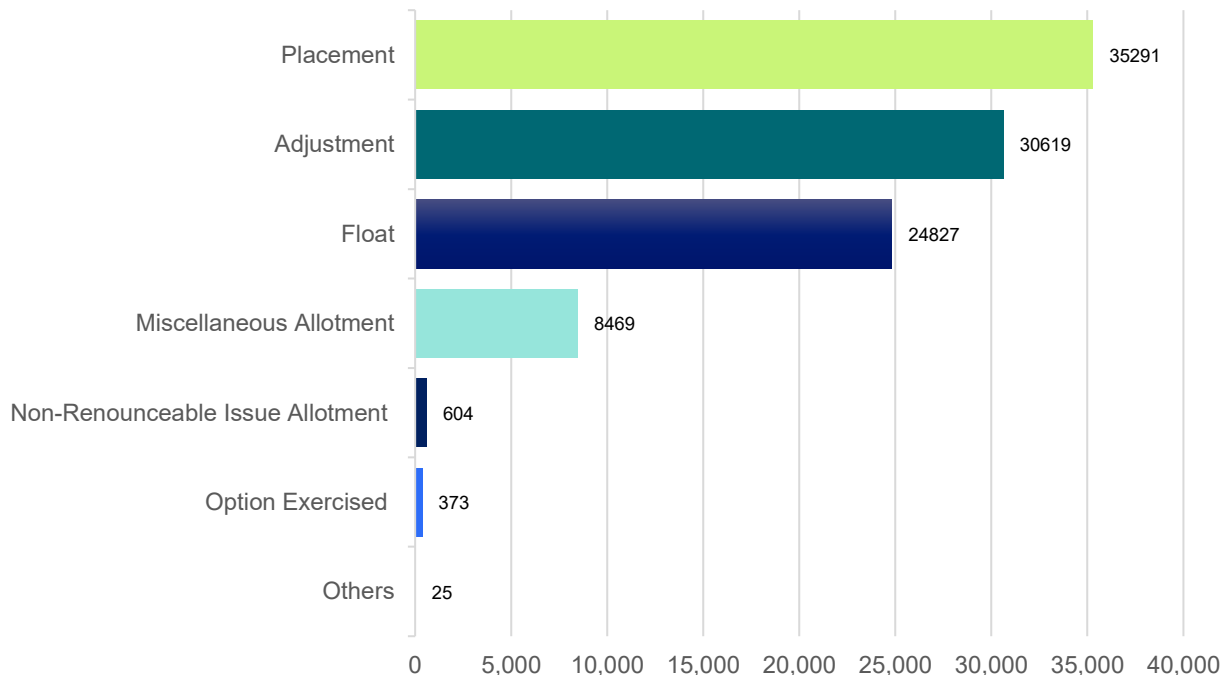
425 messages by reason



03 - Securities Transformations by Reason Code

Summarised Statistics
Sep 2024 – Sep 2025

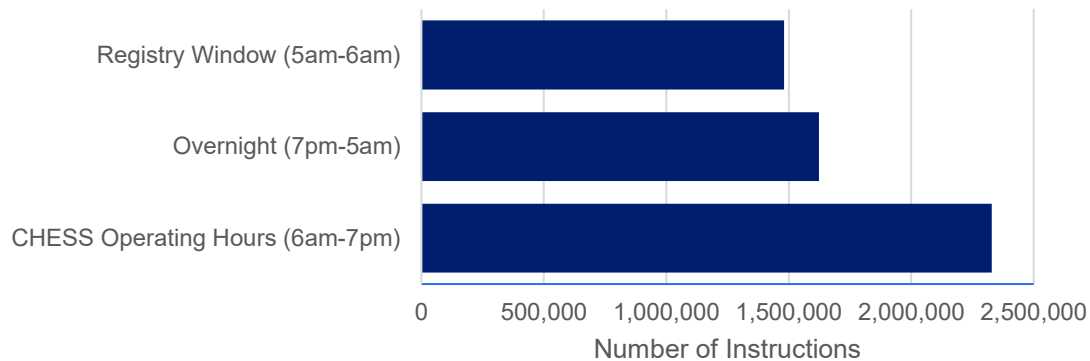
421 messages by reason



03 - Holding Adjustments Times

Summarised Statistics
Nov 2024 – Oct 2025

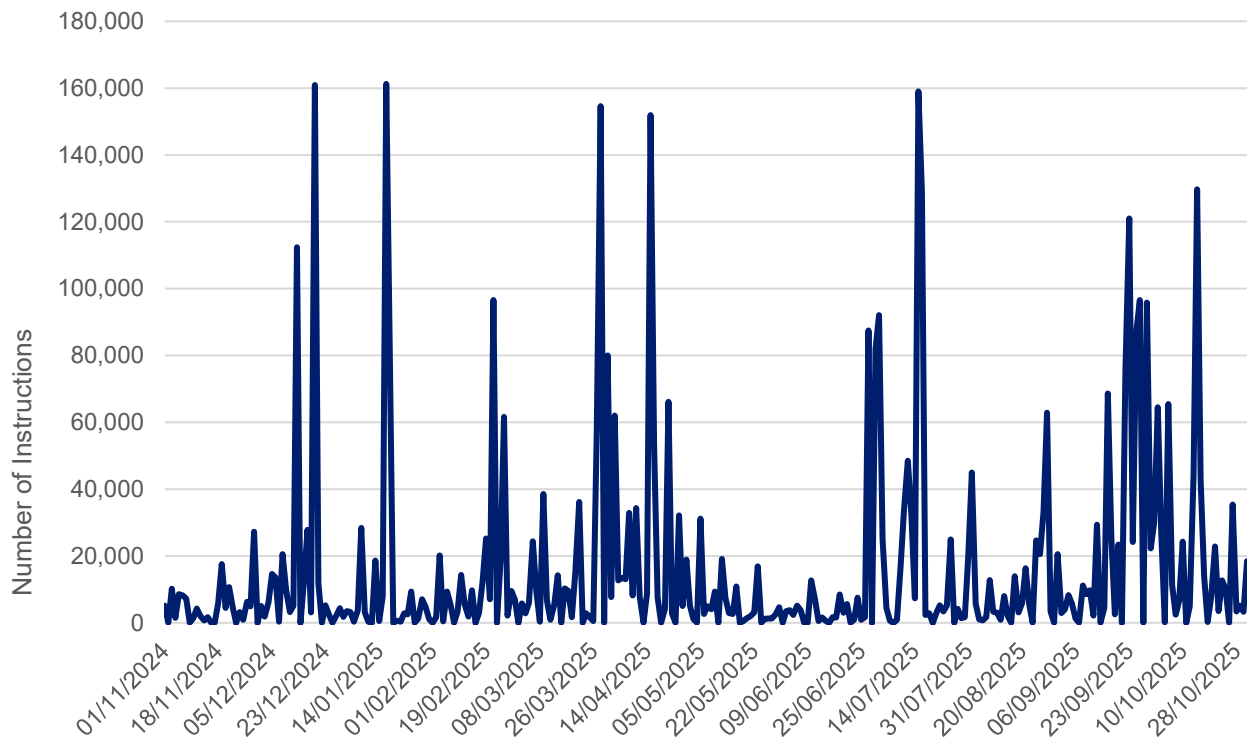
425 messages by the time the holding adjustment instruction is received



03 - Holding Adjustments Daily Totals

Summarised Statistics
Nov 2024 – Oct 2025

425 messages processing over the past year



03 - Holding Adjustments

Key Considerations

- **sese.025** is **MT544 / 545 / 546 / 547** in ISO15022
- **seev.036** is **MT566** in ISO15022



When developing a new solution, the following points have been considered:

- The widespread use of various miscellaneous reason codes currently inhibits automation
 - Participants cannot automatically provide confirmations to their clients when usage is unpredictable
- To achieve full ISO compliance, certain use cases generally recommend settlement confirmations (**sese.025**) for the Participant, while others call for Corporate Action confirmations (**seev.036**)
- Previous market feedback has suggested that we consider:
 - Settlement confirmation messages be utilised for ETF allotments and PMF issuance, enabling participants to more easily initiate on-delivery or client settlement
 - Corporate Action confirmation messages be used for Corporate Action movements, allowing confirmations to be communicated to clients
 - The option to include additional Corporate Action details within Corporate Action confirmations to offer clients more comprehensive information
- Many Corporate Action events occur in high volumes (3.16 million DRPs last year, with the busiest day reaching 160,000) - these are typically handled as batch processes by Registries, requiring active management to prevent disruption to C&S activities
- Certain holding adjustments, such as divestments, are time-sensitive and must be processed without delay
- Currently CHES is closed to Participants between 5am and 6am to provide a window for Registries to process high-volume holding adjustments.

03 - Holding Adjustments

Proposed Approach

Proposal

Using a **sese.023** message for the current holding adjustment use cases is the closest match to a like-for-like implementation of the Holding Adjustment process.

The previous Project adapted the **seev.036** message for holding adjustments. This is intended to be used as a *confirmation* message, not to initiate a transaction. However, changing from this message would require rework for Share Registries from the previous Project approach.

ASX *could* consider building a translation from the **seev.036** messages to **sese.023** messages. However, this would be a complex market specific customisation and would not be re-usable for other markets given how far it diverges from the intended usage of the **seev.036**.

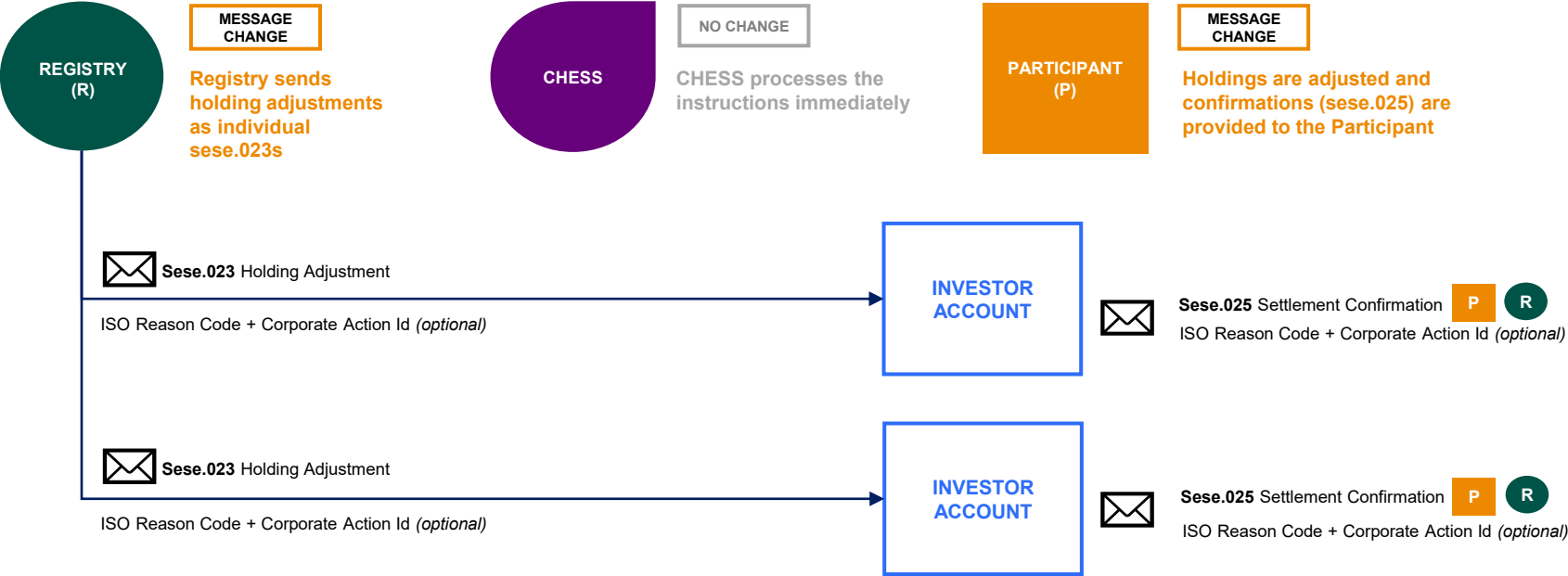
Considerations

- The **sese** messages cannot be used for multiple movements hence cannot replace the **EIS 421** Securities Transformation message
- The **sese** messages can carry an ISO-standard reason code and (optionally) a Corporate Action Event Id
 - They are not suitable for carrying rich corporate action information, however.

03 - Holding Adjustments

Proposed Approach

- **sese.023** was used in the previous Project for takeover transfers
- **sese.023** is also used to trigger conversions between Sub-registers



03 – Corporate Action Movements

Additional Option

Proposal

Using a the **seev.019** message (and **seev.036** confirmations) for specific, high volume, corporate action use cases could provide the market with certain benefits:

- **seev.036** confirmations allow the passing of additional Corporate Action information that can be included in Release 2 and / or provide the option to enhanced in the future
- A single **seev.019** message, with a single confirmation to Registries significantly reduces the message traffic on both sides, enhancing scalability
- Processing high-volume holding adjustments this way may enable CHES to open earlier for Participants.

Considerations

- Solution would need to consider how to handle individual errors (e.g. reject entire request, or process with an exception summary)
- Additional adjustments post Corporate Action process to correct errors / issues would need to use the **sese.023** message
- Message size considerations and / or pagination may be required.



This would be a new workflow, that could replace Holding Adjustments for some scenarios

03 – Corporate Action Movements

Additional Option

Overview

The Corporate Action Payment workflow could be used for specific, high volume, use cases (as agreed by the market).

This *could* include one or more of:

- DRP Allotments (DRIP)
- Bonus Issues & distribution in specie (BONU)
- Scheme of arrangements (MRGR)
- Reconstructions (SPLR/SPLF)
- Rights Issue and/or Exercise (RHDI, EXRI)

In the future, and if agreed by the market, additional Corporate Actions movements could move to this model.

Example message

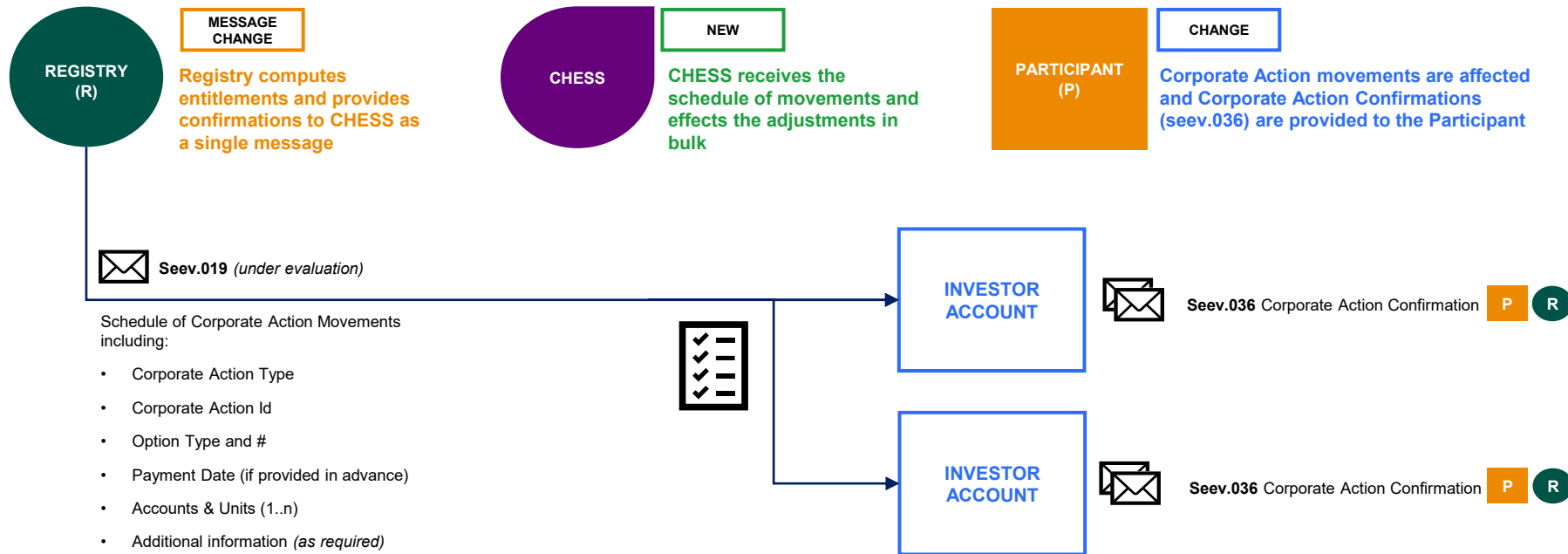
Field	Value
Corporate Action Event Id	01234567
Event Type	DRIP
Option Number & Type	002 / SECU
Security Code	ASX
Securities Movements	1....n
-> Account	HIN - 012345679
-> Units	50
-> Gross Amount	\$1,000
-> Net Amount	\$800
-> DRP Price	\$1.55632
-> Record Date Holding	1,000 units



The **seev.019** has been identified as a potential message that could be used by Registries as more closely matching for the Australian market use case. It is currently used for Agents to instruct a set of Corporate Action movements.

03 – Corporate Action Movements

Additional Option



03 - Holding Adjustments & Corporate Action Movements

Next Steps & Possible Variations

Option	Approach	Benefits	Considerations	ASX Recommendation
1	<ul style="list-style-type: none">• sese.023 message for all current use cases	<ul style="list-style-type: none">• Closest solution to a like-for-like implementation• Close alignment to standards	<ul style="list-style-type: none">• Cannot support a combined increase & decrease (EIS 421)• Change to previous project messages (seev.036 was used)• Low potential to carry richer corporate action information	Go forward
2	<ul style="list-style-type: none">• Adaptation to re-use the seev.036 message from the previous Project	<ul style="list-style-type: none">• Least re-work for the market from previous Project• May be able to support a combined increase & decrease	<ul style="list-style-type: none">• Significant product customisation required• Not readily enabled in the solution to carry additional Corporate Action information• Misaligned with standards	Stop considering
3	<ul style="list-style-type: none">• sese.023 for holding adjustments• Enable seev.019 for specific use cases providing industry benefit	<ul style="list-style-type: none">• Closest alignment to standards – providing correct confirmations to Participants• Enhanced scalability and reduction in message volumes• Extensible to carry additional corporate action information	<ul style="list-style-type: none">• Multiple messages are required to be built and tested• Split approach may cause confusion and misalignment	Keep considering as an option
4	<ul style="list-style-type: none">• sese.023 for all current use cases• Enable seev.036 as a pass-through supplementary message	<ul style="list-style-type: none">• Most flexible implementation• Close alignment to standards	<ul style="list-style-type: none">• Adoption of seev.036 pass-through would be industry driven and difficult for ASX to monitor / govern usage• Difficult to easily link sese.023 and seev.036 together	Keep considering as an option

04 Funds Failure

04 - Funds Failure

Overview

If a payment facility rejection occurs during batch settlement, ASX initiates a procedure known as ‘backout’.

This process generally allows:

- ASX Clear to provide funds, if necessary, when default of a Clearing Participant has been declared
- Recalculation of the settlement result, taking into account any shortfall and injected funds, enabling the settlement process to proceed
- Communication to Payment Providers and Participants about the updated funds obligations
- Rescheduling of novated instructions that fail to settle due to funding shortfalls by way of OTAs (offsetting transaction arrangements)
- Rescheduling of non-novated instructions that fail to settle due to funding shortfall.

The objective of the backout procedure is to:

1. Eliminate the net payment obligation of the Participant short funds
2. Minimise the knock-on impact to other Participants
3. Prevent any increase in the funding obligations of non-defaulting Participants
4. Maximize the value and number of units settled.

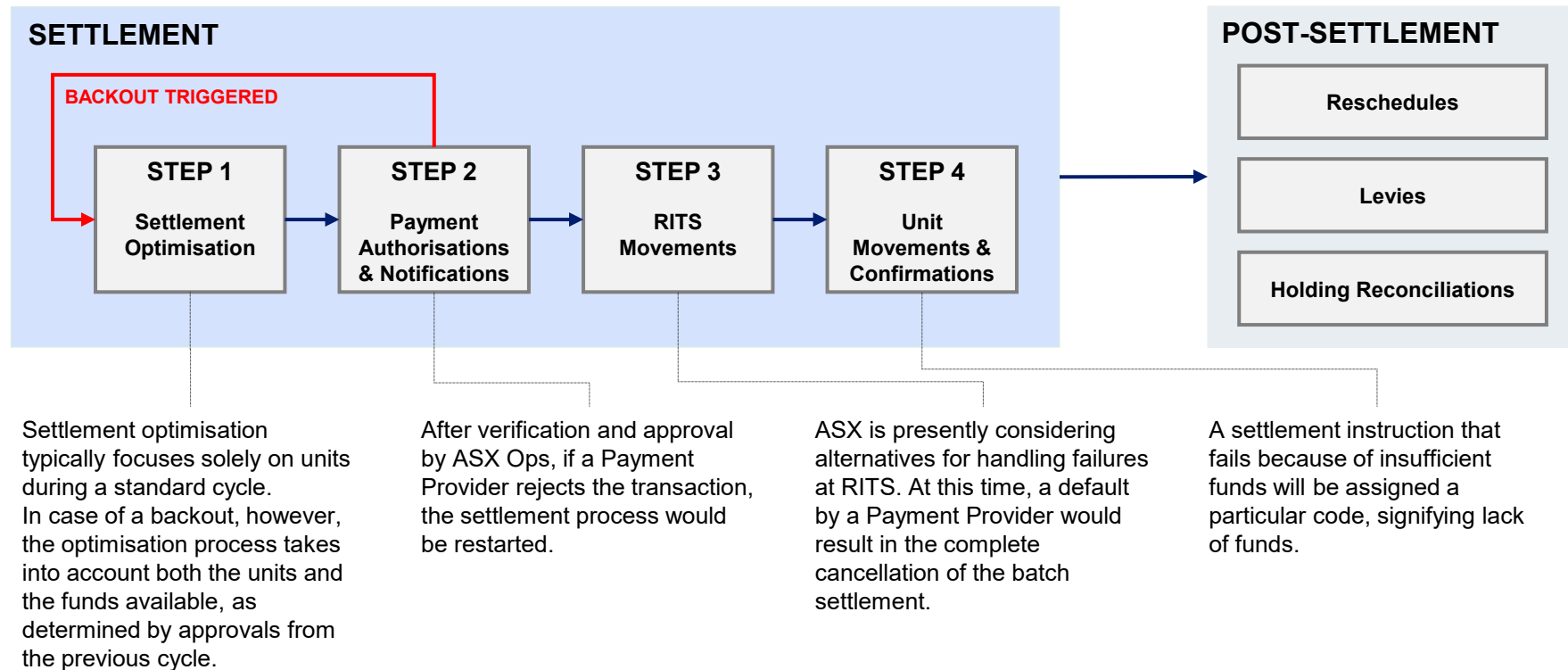
Source: Clearing participant default: an overview



ASX Clear currently aims to provide funding that will, with a high degree of confidence, be able to settle its obligations in the event that the two Clearing Participants with the largest settlement obligations default.

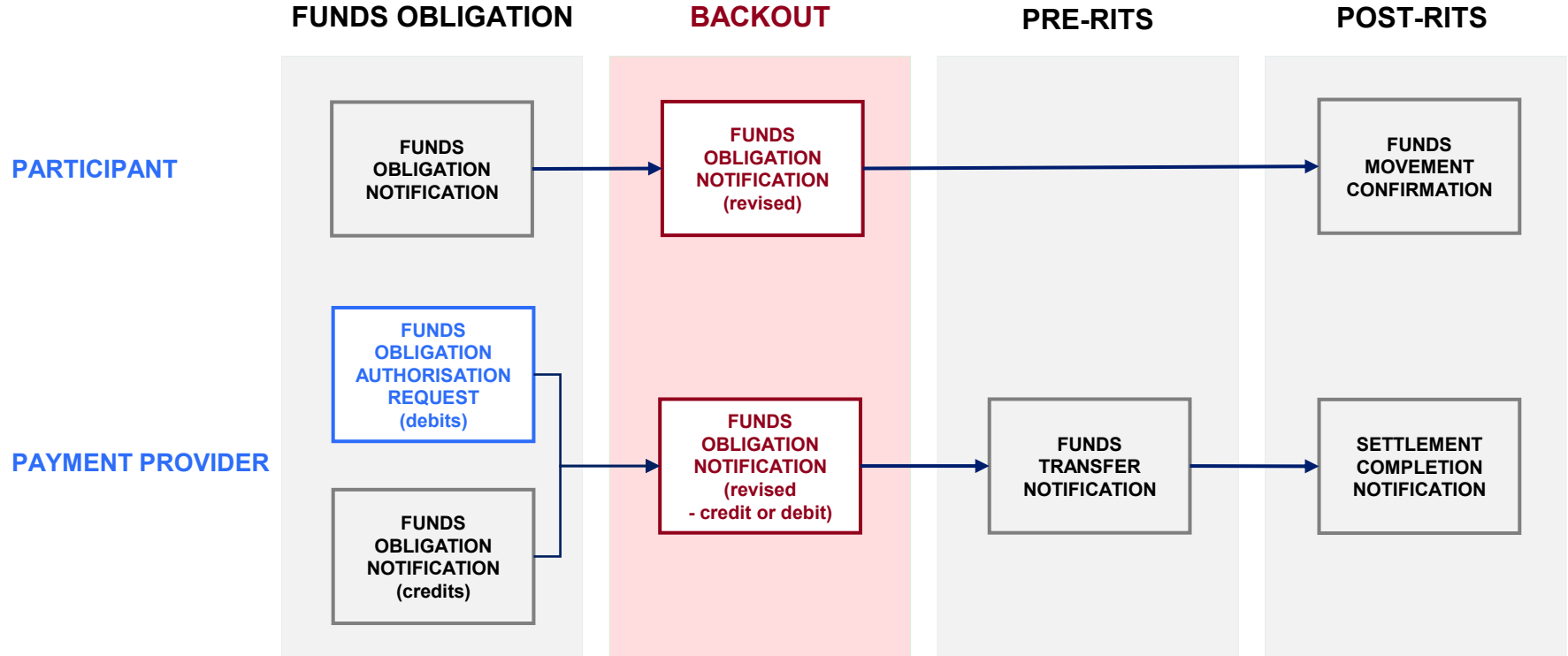
04 - Funds Failure

Overview



04 - Funds Failure

Payment Messages & Notifications



05

Change of Controlling Participant & Portfolio Transfer

05 - Change of Controlling Participant

Overview

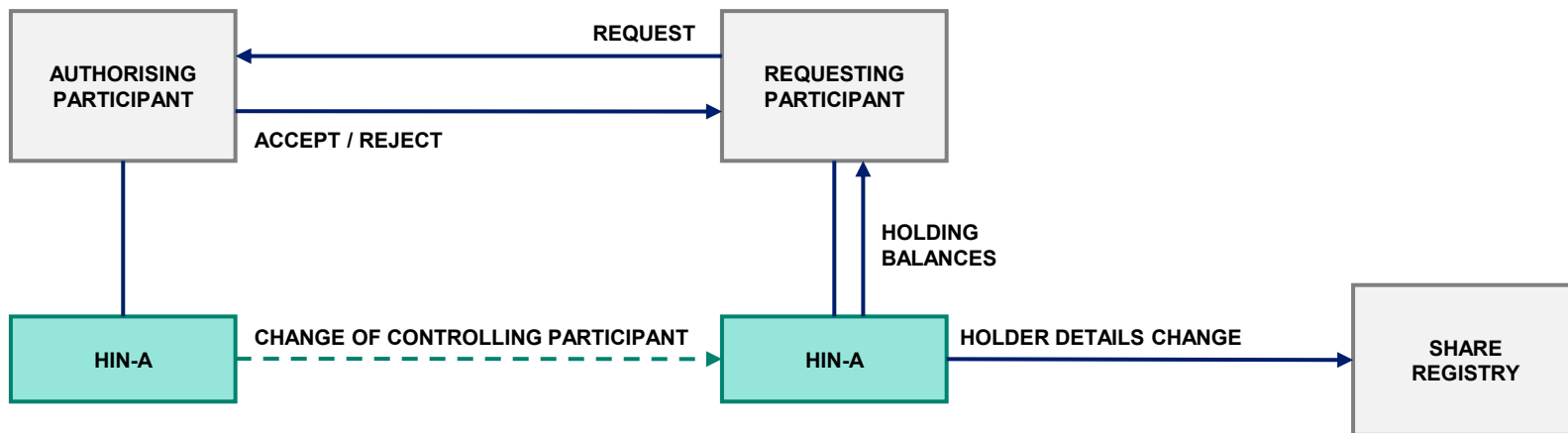


REG_3.1.5 The CHESS replacement system should support a workflow that allows a Participant to remove default settings when there is a change of Controlling Participant for an account.

Change of Controlling Participant allows a Participant to request transfer of a HIN from another Participant.

Upon acceptance, the Controlling Participant's relationship with the HIN is changed, and the Share Registry is notified of a change in holder details.

No other attributes change and ASX currently considers that all fields associated with a HIN (including new fields) would be transferred.



Should there be a way to indicate that some information should be removed at the Share Registry during a Change of Controlling Participant?

05 - Portfolio Transfer

Overview



SETT_1.6 The CHES replacement system should support the ability for the FoP transfer of **all** securities between two accounts (HINs) controlled by the **same** Participant scheduled for a future end of day processing cycle.

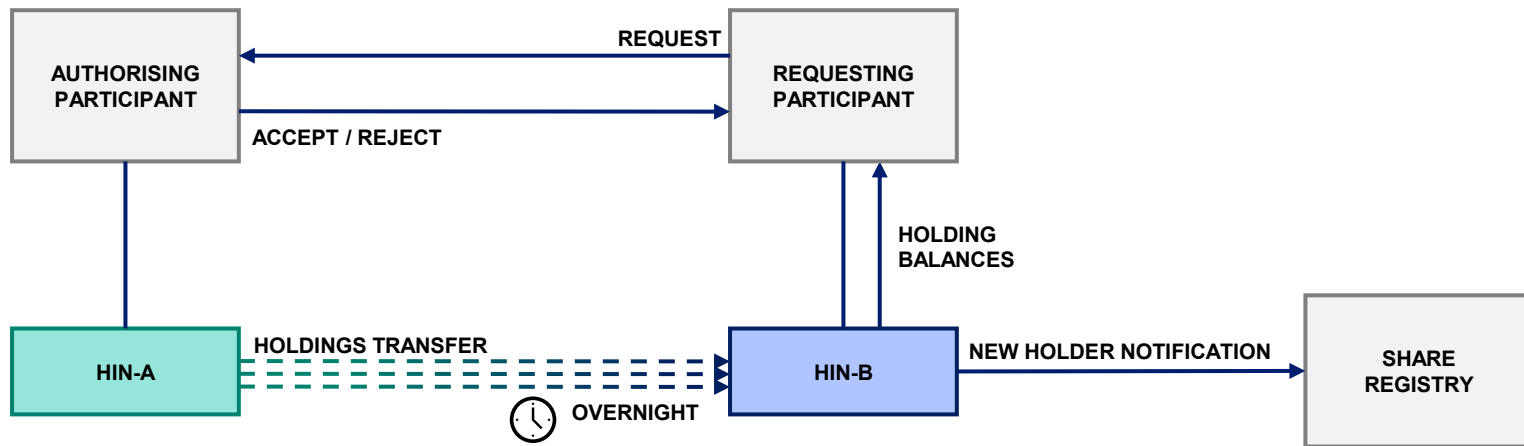


SETT_1.7 The CHES replacement system should support the ability for the FoP transfer of **all** securities between two accounts (HINs) controlled by the **different** Participants scheduled for a future end of day processing cycle **where matching transactions are received**

Portfolio Transfer is an alternative workflow that allows the requesting Participant to request all holdings of a HIN of another Participant be transferred to an *existing* HIN.

Upon authorisation, the request is scheduled and all holdings as at end of day are transferred to the requesting Participant.

The Share Registry would receive new holder notifications for the transferred securities (assuming no existing holding).



Would it be possible for standing instructions to be transferred as part of a portfolio transfer?

06

Provision of TFN / ABN for SRN Holdings

06 – Provision of TFN / ABN for SRN Holdings

Overview

Currently CHESS allows the provision of a TFN/ABN on a CHESS to Issuer Transfer EIS 007 message. These fields have been removed from the transfer messages given the highly protected nature of the TFN.

Current process:

- 18 Participants used this function over a 12 month period between May 2024 to May 2025
- Approximately 10.6% (6,945 out of 65,370) EIS 007 messages contained TFN / ABN data in this period.

Proposed process:

The proposed process going forward may be:

1. Holding is transferred from CHESS to Issuer
2. SRN is provided via a response message from the Registry
3. TFN / ABN is provided in a separate message for the specified SRN.

The solution will not support:

- Validation of an SRN
- Validation of a holding
- Validation of the format of a TFN or ABN
- A response / acceptance from the Registry of this information.



What are the use cases for a Participant to send this information going forward?
Are there any issues for Registries receiving the information on an SRN Holding?

07 Next Steps

06 - Next Steps & Future Topics

Next Steps

- ASX will prepare a summary of this session for the Technical Committee including any actions
- Topics will be progressed via the ISO Working Group with further Business Design Working Groups in 2026 if necessary.

Business Design Working Group:

4 February 2026 & 1 April 2026

- Deep dives into remaining Release 2 scope, including new Corporate Actions functionality.

Registries Focus Group:

4 March 2026

- Dedicated Registries Focus Group to discuss and progress any registry specific matters.



Questions

Appendix

Design Considerations for Drop 4

Business Design Document	Reference	Design Consideration	Slide Reference
Clearing Design	DC_2.4.11	ASX should explore minimising the criteria of trades that are in-eligible for netting.	Covered in October BD WG
Clearing Design	DC_2.4.12	ASX should explore the possibility of: <ul style="list-style-type: none"> · Altering end of day timings to register “as at” trades (including late trades and exchange traded option exercise trades) on the actual trade date; and · Instructing settlement obligations for trades/positions in deferred settlement securities on the resultant/ordinary security code. 	Covered in October BD WG
CEB & Market Claims	MC_3.6	The CHES replacement system should support an automated allocation process that allows a netted obligation to be broken down to bilateral transactions which can be amended or cancelled.	Covered in October BD WG
Settlement Design	SETT_1.6	The CHES replacement system should support the ability for the FoP transfer of <u>all</u> securities between two accounts (HINs) controlled by the <u>same</u> Participant scheduled for a future end of day processing cycle.	Slide 33
Settlement Design	SETT_1.7	The CHES replacement system should support the ability for the FoP transfer of <u>all</u> securities between two accounts (HINs) controlled by the <u>different</u> Participants scheduled for a future end of day processing cycle <u>where matching transactions are received</u>	Slide 33
Registration Details & Investor Information	REG_3.1.5	The CHES replacement system should support a workflow that allows a Participant to remove default settings when there is a change of Controlling Participant for an account.	Slide 32

Design Considerations for Drop 4

Business Design Document	Reference	Design Consideration	Slide Reference
Corporate Actions	CA_4.1	<p>The CHES replacement system should optionally support the ability for the transmission of additional information in the securities movements initiated by a Share Registry (replacing the current “Holding Adjustment” and “Securities Transformation” workflows), such as:</p> <ul style="list-style-type: none">• Corporate Action identifier & option (as applicable)• Securities Movements• Tax Withholding• Franking/Imputation credits• Units price• Carry forward funds.	Slides 5-26

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