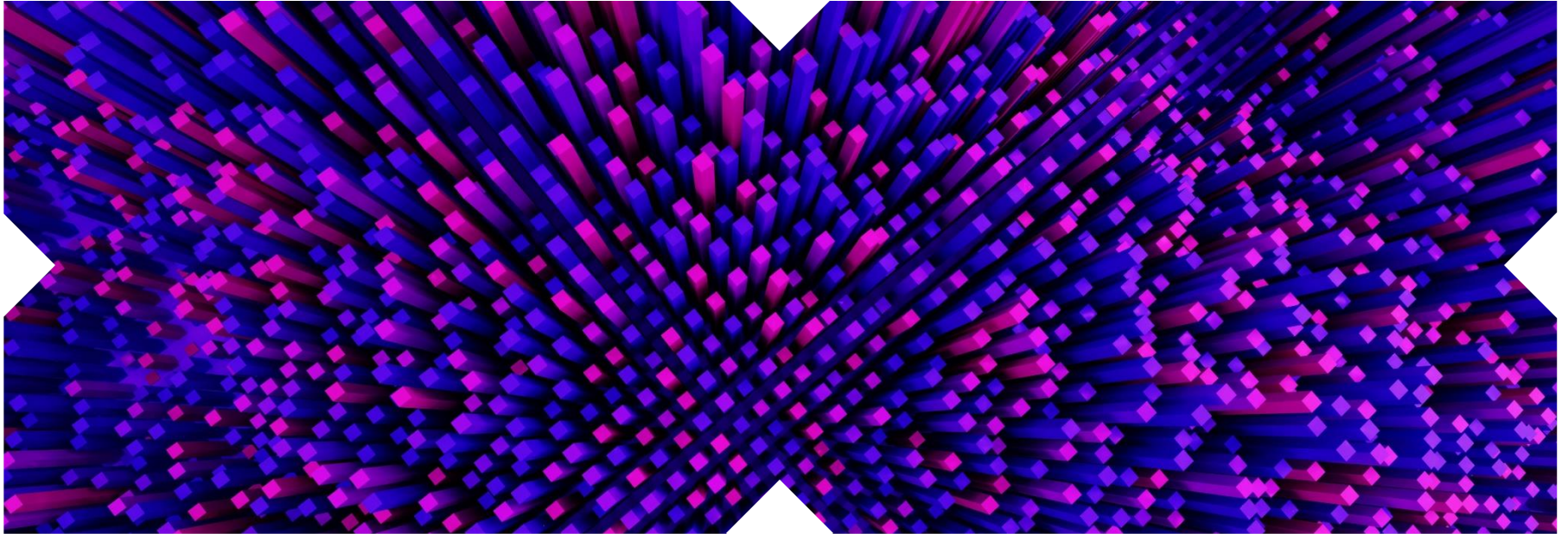# CHESS PROJECT
BUSINESS DESIGN WORKING GROUP

RELEASE 2 DROP 4 DEEP DIVE
9 OCTOBER 2025

ASX

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

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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 decisions and actions

- Dial in details (audio only):

  - +61 2 7208 4607

  - Phone Conference ID: 223 844 197#

- Presentation materials were distributed before the meeting and will be published on the website.

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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.

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Agenda

01	Introduction and Objectives	10 min
02	Working Group Actions	20 min
03	Corporate Actions – Securities Distributions	20 min
04	Manual Claims & Exceptions	20 min
05	Holding Adjustments	20 min
06	Participant Reconciliation	20 min
07	Next Steps	10 min

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01
Introduction and Objectives

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 CHESS Project

Objectives

- Collect expertise to refine the design of Corporate Actions, reporting and settlement instructions processes in the CHESS Project
- Play back information collected from previous engagements
- Develop the finalised set of requirements for implementation in the CHESS 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?

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Proposed Upcoming BDWG Sessions - 2025/26

#	Session	Topic(s)	Invitees	Proposed Date	Status
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	**Planned**
22	Migration Scope Deep Dive (#1)	Industry discussion on data migration scope and approach	All	6 November 2025	**Planned**
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**

BDWGs 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

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Completed BDWG 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**

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02
Working Group Actions

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Business Design Working Group - Actions

Open Actions

#	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 BD WG	To be considered as part of Portfolio Transfers (Drop 4) – November BDWG	Open
BDWG_04	Consideration of which new fields can be transferred to a new Participant in the case of a Change of Controlling Participant	February BD WG	To be considered as part of Change of Controlling Participant (Drop 4) – November BDWG	Open
BDWG_06	Consider the process of migrating accounts, including transformations and fields not available in current CHESS	February BD WG	To be discussed in migration BDWGs – November '25, May '26	Open
BDWG_07	Continue evaluation of Foreign Ownership Restrictions and use of Guaranteed Foreign Transfers	February BD WG	Propose to close, final update provided on slide 13-14	To be closed
BDWG_09	Consider the appropriate rules and privacy implications to allow the sharing of email and mobile number with Registries	February 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 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 TC	Solution design to be presented for final feedback on slide 39-41	To be closed
BDWG_16	Consider the impacts of providing fail information only after payment has completed	May BD WG	To be discussed on slide 15	To be closed

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Business Design Working Group - Actions

Open Actions

#	Action	Raised	Update	Status
BDWG_18	Consider the optionality, design and obligations in relation to mandatory settlement locks in the accumulation (ISOWG_J04, ISOWG_J05, ISOWG_J06)	August BD WG	ASX is evaluating whether this could be made optional for those who can manage this in their own systems	Open
BDWG_19	Consideration of the mandatory matching on "cum" for settlement instructions scheduled during the ex-period	July BD WG	To be discussed on slide 16	To be closed
BDWG_20	Feedback requested from Participants and Share Registries on the appropriate validation criteria for SRN enquiries	August BD WG	Feedback sought via email request, to be discussed on slide 18	To be closed
BDWG_21	Provide finalised update in relation to consolidated feedback on hold/release	August BD WG, September ISO WG	To be discussed on slide 21	To be closed
BDWG_22	Determine whether SRNs can be provided in response to ASXO initiated conversions	August BD WG	Update to be provided in November BD WG	Open

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Business Design Working Group - Actions

Foreign Ownership Restrictions and Use of Guaranteed Foreign Transfers

BDWG_07	Continue evaluation of Foreign Ownership Restrictions and use of Guaranteed Foreign Transfers

ASX Response

ASX has proposed functionality that will allow the current distinct use cases of the Foreign Ownership Facility to be managed in CHESS:

- US Person restrictions (Regulation S securities)
- Aggregate Foreign Ownership restrictions (currently Telstra)

ASX has met with MUFG and Telstra to understand usage of the Foreign Ownership facility, and as a result is proposing:

- **Guaranteed Foreign Transfers** will no longer be supported, this means:
  - Guaranteed Foreign Flag will not be supported on transactions
  - "OR" trades will not be segregated and so it is no longer necessary to maintain a Foreign Entrepot HIN.
- **Residency Indicator** will be retained, with a predictable and simplified definition.

ASX

Business Design Working Group - Actions

Foreign Ownership Restrictions and Use of Guaranteed Foreign Transfers

Field Overview

Field	Value	Definition	Notes
US Person	blank	No holders are known to be a US Person or a US Person QIB/QP	• For Omnibus accounts this should be blank. • If an underlying holder is known to breach Reg. S, they should be segregated into a separate HIN to trigger divestment
US Person	US Person / US Person QIB / US Person QP	One or more holders is known to be a US Person or a US Person QIB/QP	• For existing accounts this is not required to be populated unless Reg. S securities are acquired
Residency Indicator	blank	No holders are known to be a Foreign Person*	
Residency Indicator	Foreign	One or more holders are known to be a Foreign Person*	
Residency Indicator	Mixed	An Omnibus account with a mix of holders (inc. Foreign Persons)	• Continued current additional reporting requirements from the Registry on request and outside of CHESS

*Foreign Person definition will follow the definition currently outlined for Telstra. Other definitions of Foreign Person will not be supported.

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Business Design Working Group - Actions

Timing of Fail Information

BDWG_16	Consider the impacts of providing fail information only after payment has completed

ASX Response

ASX has carefully considered feedback in relation to the timing changes intends to progress with the redesign of the settlement process, meaning fail information will not be communicated until after payment processing.

ASX's objectives is to simplify and rationalise the batch settlement process to ensure it is a lower risk, resilient and performance process. Changing the settlement process in BaNCS to fail transactions earlier would require significant customisation and risk the resiliency of the process.

Considerations

ASX is conscious of the feedback and concern from the market and will be looking at opportunities to ensure the settlement process completes as quickly as is possible. This includes:

- Continued engagements with Payment providers and Participants in relation to automation and minimising the cause of any existing delays

- Identifying opportunities to speed up the process within RITS

- Ensuring any future changes to timing of batch, and CHESS operational hours, considers the time required by Participants to complete settlement activities after batch completion.

ASX

Business Design Working Group - Actions

Mandatory Matching on 'Cum' Update

BDWG_19	Consideration of the mandatory matching on "cum" for settlement instructions scheduled during the ex-period.

Considerations

ASX has carefully considered feedback provided in relation to specifying 'Cum' on the override BOM field in Settlement Instructions during the ex-period.

oBOM on Instructions
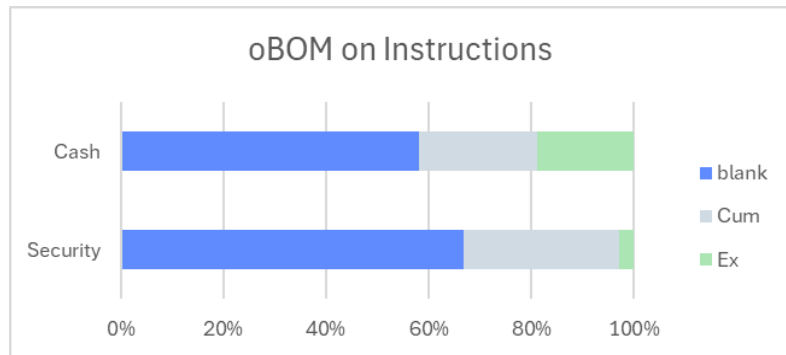
- All Participants rely on determination to some degree, no one overrides every instruction.

ASX Response

ASX's objective is to simplify and streamline business workflows to increase efficiency. The benefits of only specifying 'Ex' by exception, else leave it blank, will allow us to achieve:

- Improved instruction matching → No unexpected deriving outcomes

- Simplified instruction lifecycle
- Reduces reinstruction

→ Increased matching window. CHESS will not need to housekeep Instructions due to oBOM becoming invalid on the Instruction.

- Simplifies CHESS implementation and ongoing maintenance

Note: The logic for determining Basis of Movement on settlement instructions will change slightly:

i.e. 'BOM is Ex if Trade Date is on or after Ex date' will become 'BOM is Cum if the Settlement Date is during the Ex-period'

ASX

Business Design Working Group - Actions

Hold / Release Update

BDWG_21   Provide finalised update in relation to consolidated feedback on hold/release

#	Feedback	Status
1	Hold status should be notified on the allegement	• Incorporated, noting ISO has no facility to update the allegement if the hold is removed
2	Hold status should be shared immediately upon match as opposed to a subsequent process	• Incorporated, hold status is communicated upon allegement and match
3	Application of a hold status should not be permitted after the transaction has been matched	• Incorporated, hold can only be added upon creation
4	Hold status should not be permitted to be placed by the receiver of securities (i.e. the buyer)	• ASX proposes this validation is not enforced in the system as it may be of use in some specific business scenarios (e.g. PMF, ETFs, upstream integrations, off-market transfers), but it could be disallowed under the rules for market obligations against payment
5	Unilateral cancellations should be supported for instructions on hold	• ASX proposes appropriate rules in place to compel a Participant to accept a cancellation or release an on-hold instruction within a reasonable time frame
6	How fail fees should be applied in relation to instructions on hold	• Further ASX evaluation and industry discussion is required on fail fees • It should be noted however that the principal is to encourage instructions to be matched early

ASX

Business Design Working Group - Actions

SRN Validation Criteria

BDWG_20	Feedback requested from Participants and Share Registries on the appropriate validation criteria for SRN enquiries

Considerations

Industry feedback received indicates a strong preference for using **postcode** and / or **country code** as the validating attributes for and SRN Balance Enquiry. These fields are fixed in length - postcode (4 characters) and country code (2 characters) - making them more reliable and easier to match than variable fields such as a holder name or several holder names. The feedback is that relying on non-fixed fields would complicate the matching process substantially.

From an ASX perspective, the new SRN Enquiry process should not be degraded compared to the current approach for the industry, which only uses the first 12 characters of the holder name. It is also important to note that the enquiry function can only be accessed via system-to-system ISO messaging or by a verified user of the external system user interface.

ASX Response

Based on industry feedback, we propose making **postcode** a mandatory verification attribute for addresses in Australia and NZ. For international addresses, the **country code** should be populated as per standard ISO 3166 Alpha-2.

The message requires a holder name as a mandatory attribute which should be populated with: **NONREF**.

ASX

03
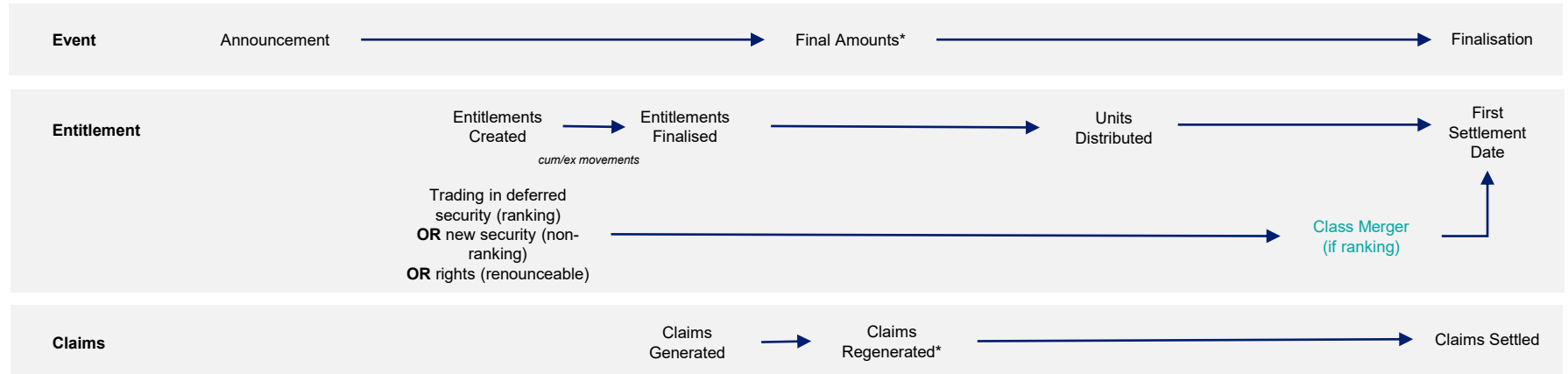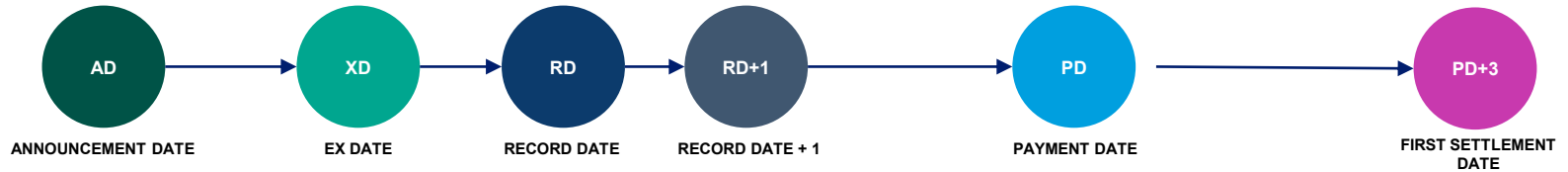# Corporate Actions – Securities Distributions

ASX

Corporate Actions Roadmap

Note: ASX is proposing to bring forward split/consolidation in Drop 4, and move expiries and rollovers to Drop 5

CA Event Code	CA Name	Drop	Cum Entitlement Balance	Claims & Adjustments			Holding Adjustment (by Registry)	Holding Adjustment (by CHESS)	Class Merger	Elections	
				Cash Claim	Securities Claim	Transformation				Without Payment	With Payment
			Drop 3	Drop 3	Drop 4	Drop 4	Drop 4	Drop 5	Drop 5	Drop 5	Drop 5
DVCA	Dividend	Drop 3	Y	Y	N	N	N	N	N	N	N
DVOP	Dividend	Drop 3	Y	Y	N	N	Y	N	N	Y *(new)*	N
DRIP	Dividend	Drop 3	Y	Y	N	N	Y	N	N	Y *(new)*	N
DVSC	Dividend	Drop 3	Y	Y	N	N	Y	N	N	N	N
INTR	Interest Pmt.	Drop 3	Y	Y	N	N	N	N	N	N	N
DECR	Capital Return	Drop 3	Y	Y	N	N	N	N	N	N	N
BONU	Bonus Issue	Drop 4	Y	N	Y	N	Y	N	Y	N	N
RHTS	Rights Issue	Drop 4	Y	N	Y (*2)	N	Y	N	Y	N	Y *(new)*
PRIO	Priority Issue / SPP	Drop 4	N	N	N	N	Y	N	N	N	Y *(new)*
PPMT	Call	Drop 4	N	Y	N	N	Y	N	Y	N	*Future*
MRGR	Scheme	Drop 4	N	N	N	N	Y	N	N	N	*Future*
SPLR	Split	Drop 4	N	N	N	Y	Y	N	Y	N	N
SPLF	Consolidation	Drop 4	N	N	N	Y	Y	N	Y	N	N
EXWA	Options Expiry	Drop 5	N	N	N	N	Y	N	Y	N	*Future*
EXWA	Warrant Rollover	Drop 5	N	N	N	N	Y	N	Y	N	*Future*
CONV	Note Conv.	Drop 5	N	N	N	N	Y	N	Y	N	*Future*
TEND	Takeover	Drop 5	N	N	N	N	Y	N	N	Y	N
BIDS	Buyback	Drop 5	Y	N	N	N	Y	N	N	Y	N
OTHR	Reinvest.	Drop 5	N	N	N	N	Y	N	N	Y	N
CHAN	Code Change	Drop 5	N	N	N	N	N	Y	Y	N	N

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Corporate Action Lifecycle – Securities Distribution

Bonus & Rights Distributions

AD	XD	RD	RD+1	PD	PD+3
ANNOUNCEMENT DATE	EX DATE	RECORD DATE	RECORD DATE + 1	PAYMENT DATE	FIRST SETTLEMENT DATE

Event

Announcement → Final Amounts* → Finalisation

Entitlement

Entitlements Created → Entitlements Finalised → Units Distributed → First Settlement Date

cum/ex movements

Trading in deferred security (ranking)
OR new security (non-ranking)
OR rights (renounceable) → Class Merger (if ranking)

Claims

Claims Generated → Claims Regenerated* → Claims Settled

For Renounceable Rights – Payment Date refers to the payment date of rights securities
For Non-Renounceable Rights / Bonus – Payment Date refers to the payment date of shares

*In some cases, payment amounts for bonus events are not finalised until after record date

ASX

Corporate Action Lifecycle – Bonus / Rights Claims

#	Event Type	Claim On	Claim Date	Payment Type	Value	Security	Settlement Date	Allotted (cancellable)	Change(s)
1	Bonus (Non-Ranking)	Security	Record Date	FOP	-	Bonus Shares (new)	Issue Date + 3	N	FOP (as per previous CHESS R)
2	Bonus (Ranking)	Security	Record Date	FOP	-	Deferred Security	Issue Date + 3	N	FOP (as per previous CHESS R)
3	Bonus (Attaching)	Security	Record Date	FOP	-	Attaching Option	Issue Date + 3	N	FOP (as per previous CHESS R)
4	NR Rights (Ranking)	Security	Record Date	DvP	Application Money * Units	Deferred Shares / New Shares	Issue Date + 3	Y	Single step (not two step per CHESS).
5	NR Rights (Non-Ranking)	Security	Record Date	DvP	Application Money * Units	New Shares	Issue Date + 3	Y	Single step (not two step per CHESS).
6	NR Rights (Attaching)	Security	Record Date	DvP/FOP	Application Money * Units (if applicable)	Attaching Option	Issue Date + 3	Y	Generated on Record Date as opposed to Applications Close
7	Ren. Rights (Rights)	Security	Record Date	FOP	-	Rights Shares (new)	Rights Issue Date + 3	N	No change

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Corporate Action Lifecycle – Rights Exercise

Rights Exercise

AD	**AC**	**PD**	**PD+3**
ALLOTMENT DATE	APPLICATION CLOSE	PAYMENT DATE	FIRST SETTLEMENT DATE

Event → Finalisation

Entitlement
- Rights units issued → Final settlement date
- Units Distributed → First Settlement Date

> To be discussed if allotment of rights units for non-renounceable is required to support elections (Drop 5)

- Trading in deferred security (ranking) **OR** new security (non-ranking) → Class merger (if ranking)

Election
- *Elections Commence → *Elections Conclude

Claims
- Cancel rights settlements (new) → Claims generated (renounceable) → Claims settled

* Drop 5 inclusion

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Corporate Action Lifecycle – Rights Exercise Claims

#	Event Type	Claim On	Claim Date	Payment Type	Value	Security	Settlement Date	Allotted (cancellable)	Change
8	Ren. Rights Exercise (Ranking)	Rights	Application Close	DvP	Application Money * Units + Settlement Amount	Deferred Shares	Issue Date + 3	Y	Rights settlements are cancelled, and claims are generated as new instructions.
9	Ren. Rights Exercise (Non-Ranking)	Rights	Application Close	DvP	Application Money * Units + Settlement Amount	New Shares	Issue Date + 3	Y	Rights settlements are cancelled, and claims are generated as new instructions.
10	Ren. Rights Exercise (Attaching)	Rights	Application Close	DvP/FOP	Application Money * Units (if applicable)	Attaching Option	Issue Date + 3	Y	No change

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Corporate Action Lifecycle – Allotment Process

MC_3.6 The CHESS 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.

Overview

CHESS provides buyer protection in the case of a purchase of rights (renounceable), or securities (non-renounceable), on the assumption that the buyer intends to take up rights.

Given the buyer may not wish to take up rights, and instead lapse their entitlement, CHESS allows the claims to be cancelled/modified.

To achieve this, CHESS currently disables netting to ensure fails are computed on a gross basis, and therefore the claims are bilateral.

In BaNCS an alternative process called "allotment" exists. The allotment process takes a set of net-CCP instructions and converts them to bilateral obligations.

This process is similar to CHESS's isolate counterparty process. It does not reinstate trades and generates the minimum number of obligations required to settle bilaterally.

Current Process

CORPORATE ACTION PERIOD	ADJUSTMENT DATE

Disable netting and settle on gross basis	→	Adjust gross fails	→	Re-enable Netting

Allotment Process

CORPORATE ACTION PERIOD	ADJUSTMENT DATE

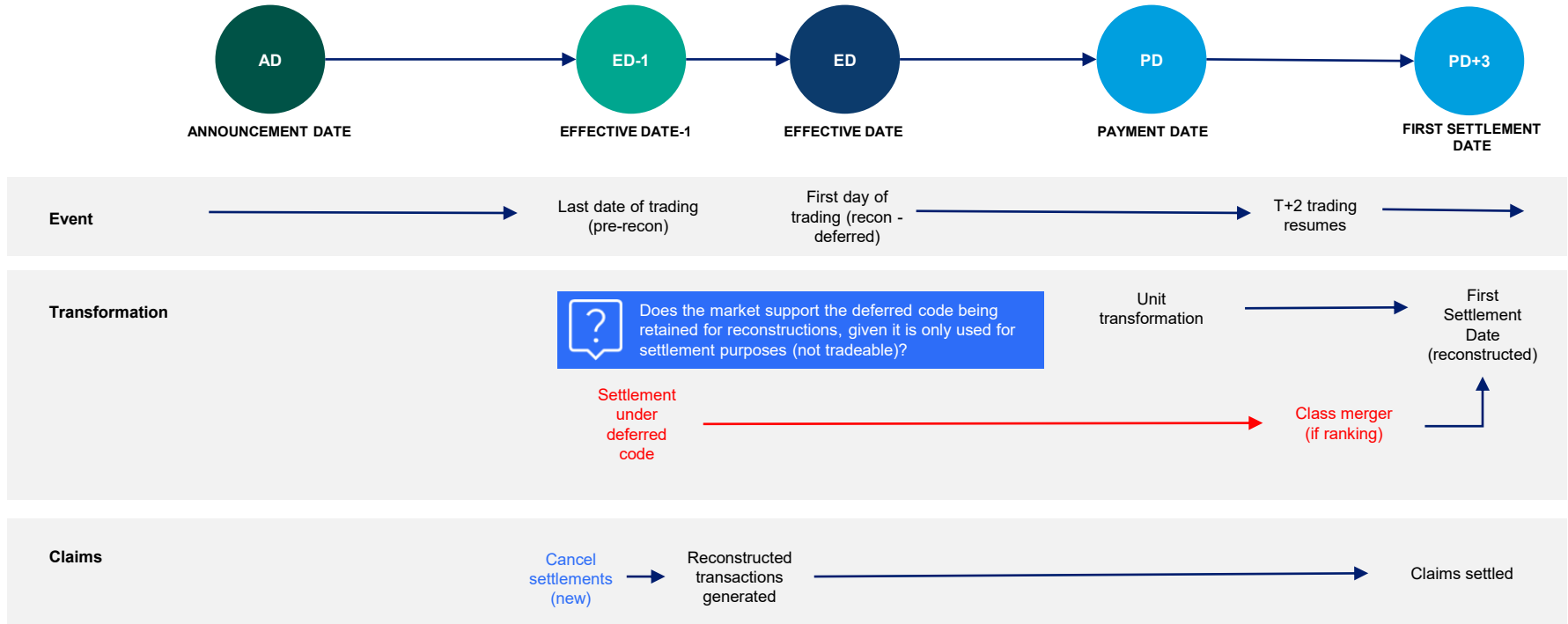| Continue to settle on netted basis	→	Auto-allotment to bilaterals	→	Generate claims on bilateral basis

This process allows the security to remain netted throughout, which minimises the number of instructions

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Corporate Action Lifecycle – Reconstructions

	AD	ED-1	ED	PD	PD+3
	ANNOUNCEMENT DATE	**EFFECTIVE DATE-1**	**EFFECTIVE DATE**	**PAYMENT DATE**	**FIRST SETTLEMENT DATE**

Event

Last date of trading (pre-recon) → First day of trading (recon - deferred) → T+2 trading resumes →

Transformation

? Does the market support the deferred code being retained for reconstructions, given it is only used for settlement purposes (not tradeable)?

Unit transformation → First Settlement Date (reconstructed)

Settlement under deferred code → Class merger (if ranking)

Claims

Cancel settlements (new) → Reconstructed transactions generated → Claims settled

In some cases, payment amounts for bonus events are not finalised until after record date

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Corporate Action Lifecycle – Reconstructions, Calls

#	Event Type	Claim On	Claim Date	Payment Type	Value	Security	Settlement Date	Allotted (cancellable)	Change
11	Reconstruction	Security	Effective Date - 1	FOP/DvP	No change	Deferred Security *(TBD)*	Issue Date + 3	N	Settlements in code under reconstruction are cancelled, and claims are generated as new instructions
12	Calls	Partly Paid Security	Record Date	FOP/DvP	No change	Call Paid	Issue Date + 3	N	Settlements in partly paid are cancelled, and call paid claims are generated as new instructions
13	Priority Issue, Schemes, SPPs	*Automated claims not supported*							

- Calls on partly paid securities occur very rarely (~8, since 2015) and often no claims are required as they are generated only in case of Limited Liability Companies (~2 Call Events on Limited Liability Companies since 2015)
- Currently there are no Partly Paid Securities issued by Limited Liability Companies.

> **?** Is the market supportive of retaining the claims process for these circumstances given the additional build and test required?

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04
Manual Claims & Exceptions

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Manual Claims & Exceptions

CHESS currently facilitates manual claims and exceptions using the following functionality. ASX is proposing to simplify scope, per the below changes:

#	Functionality	Scenario	Proposed change	Rationale
1	Disabling netting	Trades for securities undergoing certain Corporate Actions (e.g. rights, takeovers, buybacks), ensuring fail are generated on a bilateral basis to allow cancellation/modification	Replaced with automatic allotment process (slide 25) or no longer required (slide 30).	Increase in netting efficiency
2	Isolate counterparty	Allows a Participant to request isolation of a transaction from a netted obligation that has failed to settle at least once	Replaced with manual ASXO allotment process (if required) (slide 25)	Very low volume process, not widely supported across the market
3	Bilateral amendment	Currently CHESS allows the ability to bilaterally amend previously agreed settlement instructions, inclusive of gross trades	Replaced with cancel and rebook (per previous project)	Alignment to standards
4	Bilateral cancellation	When the buyer seeks a different outcome than the automated claims process (e.g. lapse a rights entitlement that is no longer in the money)	Retained and supported for non-novated and allotted novated transactions	N/A

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Non-Nettable Trades

Currently, CHESS will disable netting in certain scenarios. As part of the new solution, to simplify build and test for the market and ASX plus aid the overall netting efficiency, it is proposed that this functionality would not be carried forwards and all trades would be made eligible for netting.

#	Scenario	Solution
1	T+1 trades	As previously discussed in the April BDWG, netting timing will change such that T+1 trades will be incorporated into the net
2	Special market trades	As previously discussed in the July BDWG, all trades will be considered on a cum basis and so there is no need not to net special markets
3	Condition codes ineligible for netting – currently OR, BP	OR and BP condition codes will no longer be considered non-nettable
4	Trades for securities undergoing certain Corporate Actions (e.g. rights, takeovers), ensuring fail are generated on a bilateral basis to allow cancellation / modification	Replaced with automated allotment process (slide 25)
5	Trades for securities where the securities distribution is estimated	Replaced with regeneration of claims for estimated Corporate Actions (slide 21 and July BDWG)
6	Non-standard ex-periods (>2 days)	As previously discussed in the July BDWG, basis of movement is being simplified to assume all transactions settling by ex-date are deemed cum unless specifically agreed otherwise
7	Block/unblock from netting	Support being removed in Release 1
8	Non-novated trades	Support being removed in Release 1

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05
Holding Adjustments

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Holding Adjustments

Overview

The process followed in the Australian Market for Holding Adjustments and Securities Transformations are a market specific process, that diverge considerably from international best practice.

Holding Adjustments and Securities Transformations are used in a variety of scenarios, including:
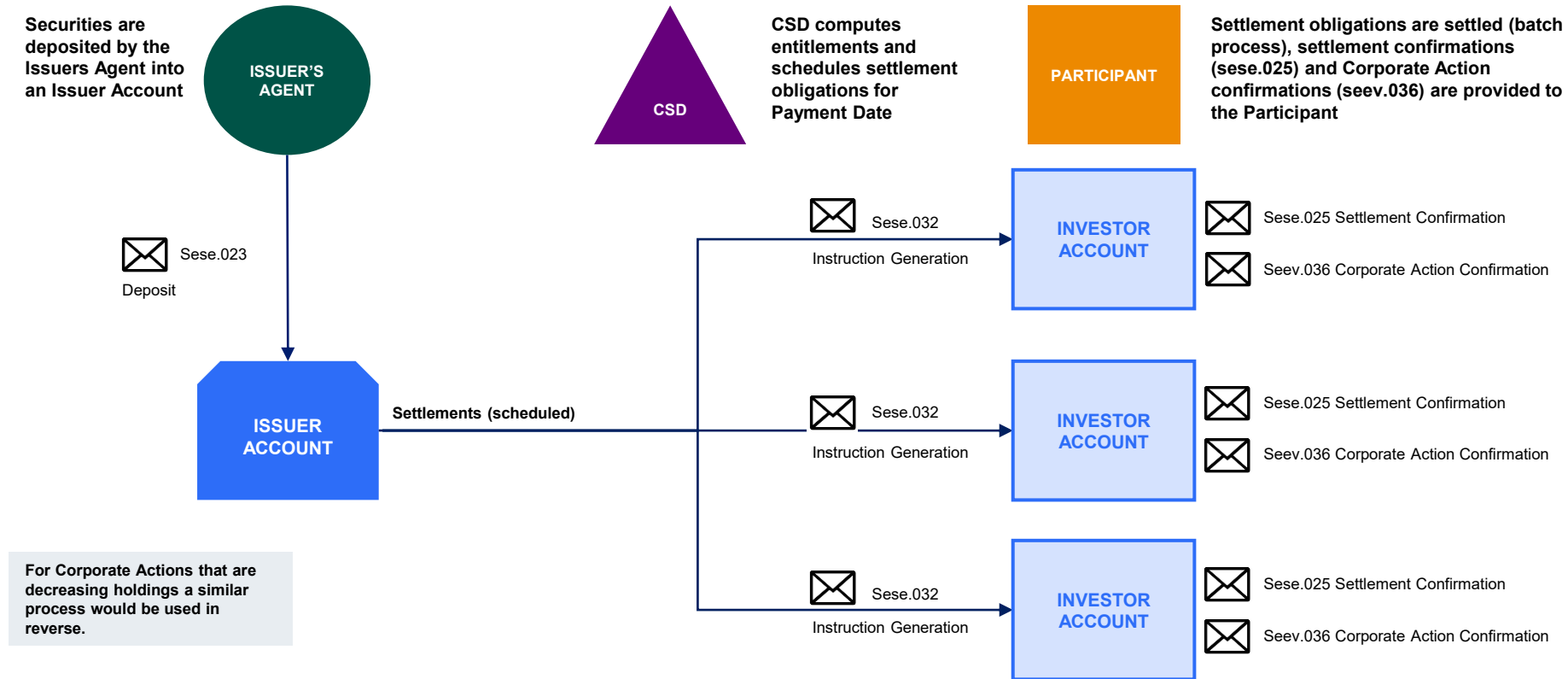
- Corporate Actions (e.g. DRP/Bonus Issues, Reconstructions, others…)

- Expiring Securities (e.g. Warrants, Rights, etc…)

- Security Issuance (including the Primary Market Facility)

- ETF Allotment / Redemption

- Divestments

In most other markets, a CSD (Centralised Securities Depository) is responsible for the calculation and disbursement of securities in relation to Corporate Actions.
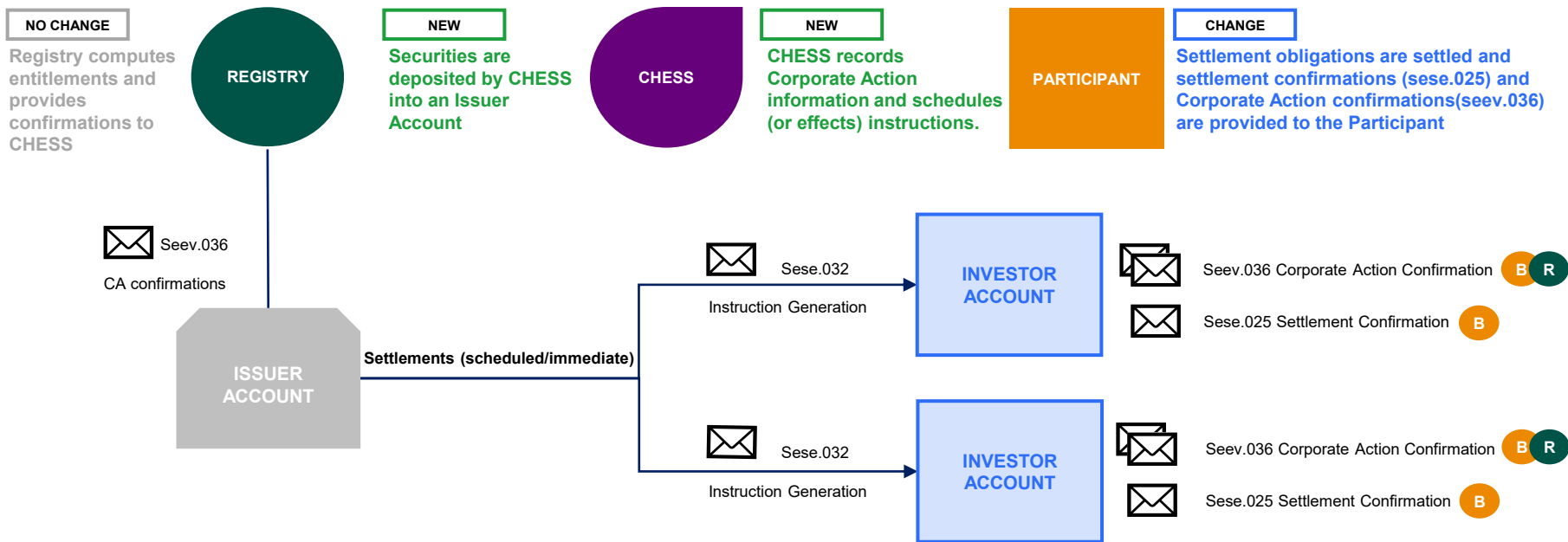
ASX is not looking to change this fundamental difference in CHESS but we are looking to explore with the market ways to align the CHESS process closer to best practice from a processing and messaging perspective.

In the following slides we will outline the typical CSD process, followed by the potential adaptation for CHESS (for discussion).

ASX

Typical Corporate Action Distribution (CSDs) - Overview

Securities are deposited by the Issuers Agent into an Issuer Account

ISSUER'S AGENT

CSD

CSD computes entitlements and schedules settlement obligations for Payment Date

PARTICIPANT

Settlement obligations are settled (batch process), settlement confirmations (sese.025) and Corporate Action confirmations (seev.036) are provided to the Participant

✉ Sese.023

Deposit

✉ Sese.032

Instruction Generation

INVESTOR ACCOUNT

✉ Sese.025 Settlement Confirmation

✉ Seev.036 Corporate Action Confirmation

ISSUER ACCOUNT

Settlements (scheduled)

✉ Sese.032

Instruction Generation

INVESTOR ACCOUNT

✉ Sese.025 Settlement Confirmation

✉ Seev.036 Corporate Action Confirmation

For Corporate Actions that are decreasing holdings a similar process would be used in reverse.

✉ Sese.032

Instruction Generation

INVESTOR ACCOUNT

✉ Sese.025 Settlement Confirmation

✉ Seev.036 Corporate Action Confirmation

ASX

Proposed Adaptation – Corporate Action Adjustments

NO CHANGE

Registry computes entitlements and provides confirmations to CHESS

REGISTRY

NEW

Securities are deposited by CHESS into an Issuer Account

CHESS

NEW

CHESS records Corporate Action information and schedules (or effects) instructions.

PARTICIPANT

CHANGE

Settlement obligations are settled and settlement confirmations (sese.025) and Corporate Action confirmations(seev.036) are provided to the Participant

Seev.036

CA confirmations

ISSUER ACCOUNT

Settlements (scheduled/immediate)

Sese.032

Instruction Generation

INVESTOR ACCOUNT

Seev.036 Corporate Action Confirmation **B R**

Sese.025 Settlement Confirmation **B**

Sese.032

Instruction Generation

INVESTOR ACCOUNT

Seev.036 Corporate Action Confirmation **B R**

Sese.025 Settlement Confirmation **B**

Would **Participants** benefit from receiving **both** a Corporate Action confirmation message (seev.036) and a settlement confirmation message (sese.025) for Corporate Action entitlement disbursements?
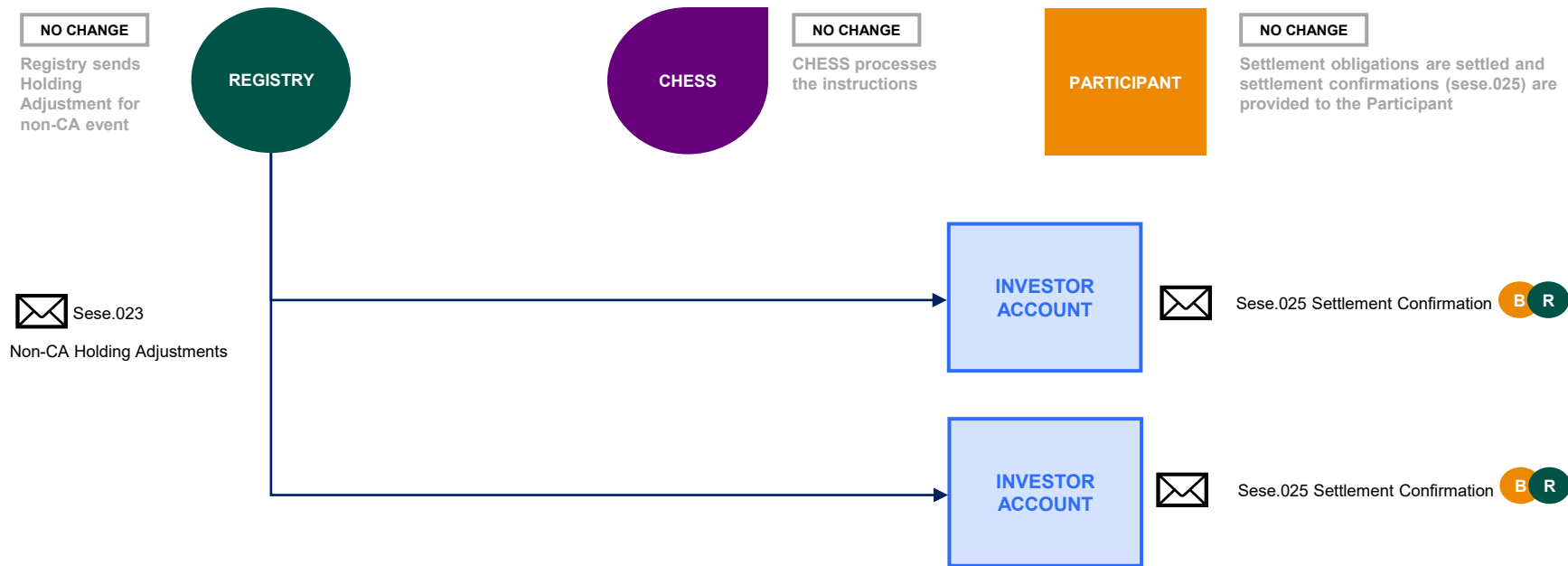
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Proposed Adaptations - Benefits

CA_4.1 The CHESS 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:
Corporate Action identifier & option (as applicable), Securities Movements, Tax Withholding, Franking/Imputation credits, Units price, Carry forward funds.

#	Change	Benefits
1	Separate steps for unit issuance/redemption and settlement	Alignment to global best practice, ensuring the integrity of the register. Aligning the process for all Corporate Actions with equivalent processes for takeovers/buybacks and placements
2	Ability to schedule settlement of instructions for Corporate Actions	Ability to schedule settlements enables the potential for ASX to control the orchestration of high volume transactions, as can be the case for some Corporate Actions (e.g. reconstructions, DRPs). It also allows registries to enter transactions in advance (if necessary)
3	Usage of seev.036 message for issuer registry and Participant confirmations	Seev.036 allows Corporate Action information to be carried and provided to the broker, allowing brokers to automate of distribution of Corporate Action information to holders *Specific fields will be discussed in further detail in the November BD WG*
4	Provision of sese.032 / sese.025 confirmations for the Participants	Sese.032 / sese.025 allows brokers to integrate holding adjustments into their standard settlement processing and aligns to other markets with a CSD model
5	Removal of general-purpose usage (e.g. ADJ codes)	Improves standardisation of a general purpose process that currently and is difficult for brokers to operationally manage and create automation

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Proposed Adaptation – Non-Corporate Action Adjustments

NO CHANGE

Registry sends Holding Adjustment for non-CA event

REGISTRY

CHESS

NO CHANGE

CHESS processes the instructions

PARTICIPANT

NO CHANGE

Settlement obligations are settled and settlement confirmations (sese.025) are provided to the Participant

Sese.023

Non-CA Holding Adjustments

INVESTOR ACCOUNT

Sese.025 Settlement Confirmation   B R

INVESTOR ACCOUNT

Sese.025 Settlement Confirmation   B R

For Non-Corporate Action adjustments, the message will deviate from the previous project, the registry sends a **sese.023** message.

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Proposed Adaptations – Additional Considerations

- Given the general purpose usage of the holding adjustment, the workflow will differ depending on whether the adjustment is in relation to an electronically structured Corporate Action, or another other use case.

- For non-Corporate Action use cases the sese.023 would also be made available to Issuers for direct deposit / withdrawal from an investor HIN in the case this is required (e.g. issuance or divestments).

Use Cases	ISO Message from Registry
Issuance and redemption of units, including: • Unit Issuance and Expiry • ETF Allocation/Redemption • Divestments	Deposit/Withdrawal (sese.023) only
Settlement of electronically structured Corporate Actions, including: • DRP • Bonus Issues • Rights Issues • Takeovers/Buybacks/Reinvestment Offers • Options Expiries, Note Conversions • Reconstructions	Corporate Action Confirmation (seev.036)

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06
Participant Reconciliation

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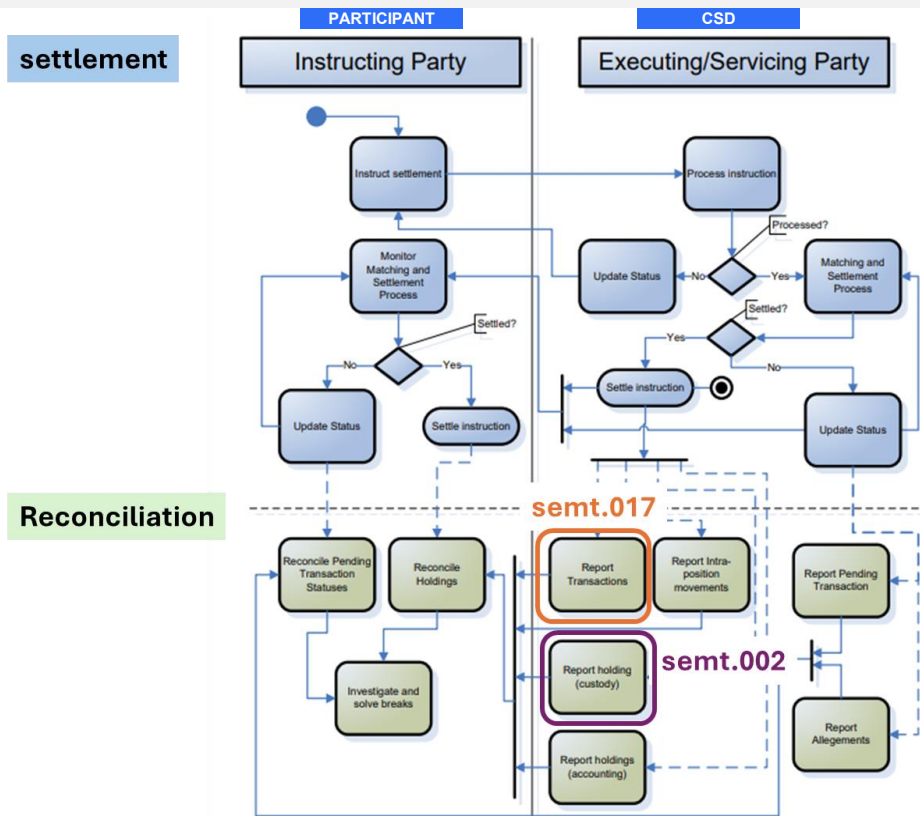# Participant Reconciliation

Overview

In response to concerns raised around reconciliation processes for Participants, ASX has evaluated SMPG best practice in use at other CSDs.

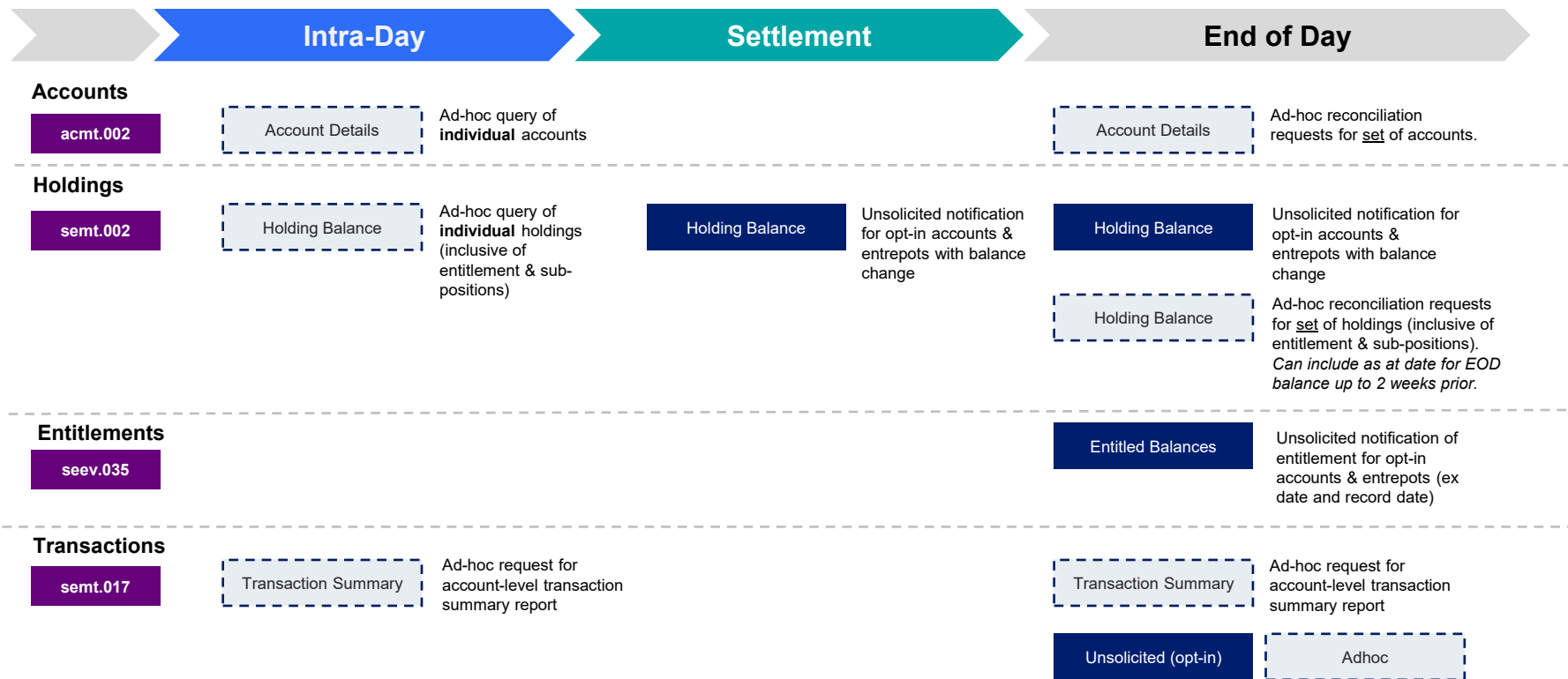The reconciliation process typically involves providing end of day reporting for:

- **Transactions** (semt.017 / MT536)

- **Holdings** (semt.002 / MT535)

Given the high volumes of transactions and accounts in CHESS, ASX proposes that:

- **Holding Reconciliation** (semt.002) is configured to be sent unsolicited for high activity accounts only (e.g. entrepots and omnibus HINs).

- **Transaction Reconciliation** (semt.017) is provided on request only, in the event of an identified reconciliation break.

smpg.info/sites/smpg/files/files/2024-07/SMPG_MP_SR_Securities_Transaction_Posting_Report.pdf

Participant Reconciliation - Overview

	Intra-Day	**Settlement**	**End of Day**

Accounts

acmt.002

Account Details — Ad-hoc query of **individual** accounts

Account Details — Ad-hoc reconciliation requests for <u>set</u> of accounts.

Holdings

semt.002

Holding Balance — Ad-hoc query of **individual** holdings (inclusive of entitlement & sub-positions)

Holding Balance — Unsolicited notification for opt-in accounts & entrepots with balance change

Holding Balance — Unsolicited notification for opt-in accounts & entrepots with balance change

Holding Balance — Ad-hoc reconciliation requests for <u>set</u> of holdings (inclusive of entitlement & sub-positions). *Can include as at date for EOD balance up to 2 weeks prior.*

Entitlements

seev.035

Entitled Balances — Unsolicited notification of entitlement for opt-in accounts & entrepots (ex date and record date)

Transactions

semt.017

Transaction Summary — Ad-hoc request for account-level transaction summary report

Transaction Summary — Ad-hoc request for account-level transaction summary report

Unsolicited (opt-in)   Adhoc

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Participant Reconciliation

Holdings (sample) – semt.002

For accounts which are opted in (omnibus & entrepots), CHESS will provide a semt.002 following batch and at end of day where the balance has changed, including:

- ISIN / Security Code
- New Holding Balance
- Entitlement Balance
- Subpositions (1..n)

Transactions (sample) – semt.017

Where requested for a specified account and security code (either immediately or at EOD), CHESS will provide a semt.017 transaction summary, including:

- Account (HIN)
- ISIN / Security Code
- Opening Balance
- Closing Balance
- Transactions (1…n):
  - Transaction Activity
  - Security Movement Type
  - Delivering/Receiving
  - Unit Quantity
  - Basis of Movement

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07
Next Steps

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Next Steps and Future Topics

Next Steps

- ASX will prepare a summary of this session for the Technical Committee including any actions.

BDWG 6 November

- Deep dive into the scope and approach for migration of CHESS data for Release 2.

BDWG 26 November

- Continuation of Release 2 Drop 4 scope, including Default Management and Change of Controlling Participant.

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Questions

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Appendix

Business Design Working Group | 9 October 2025 | Public

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Design Considerations for Drop 4

Business Design Document	Reference	Design Consideration	Slide Reference
Corporate Actions	CA_4.1	The CHESS 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: •Corporate Action identifier & option (as applicable) •Securities Movements •Tax Withholding •Franking/Imputation credits •Units price •Carry forward funds.	Slide 36
CEB & Market Claims	MC_3.6	The CHESS 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.	Slide 25
Clearing Design	DC_2.7.3	The CHESS replacement system should generate a gross settlement obligation against a Settlement Account (entrepot) for market trades ineligible for netting or ineligible for novation registered in a Position Account associated with the Settlement Account (entrepot) (following registration of the trade).	Propose to descope
Clearing Design	DC_2.7.4	The CHESS replacement system should notify Settlement Participants of the net and gross (i.e. non-netted) settlement obligations that are generated and scheduled for settlement.	No further discussion required
Clearing Design	DC_2.7.5	The CHESS replacement system should optionally notify Clearing Participants of the net and gross settlement obligations that generated and scheduled for settlement.	No further discussion required
Clearing Design	DC_2.7.7	Where a trade cancellation is received by the CHESS replacement system and a gross settlement obligation has already been instructed for Settlement, this settlement obligation should be cancelled and notified to the applicable Settlement Participant.	Propose to descope

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Thank you

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