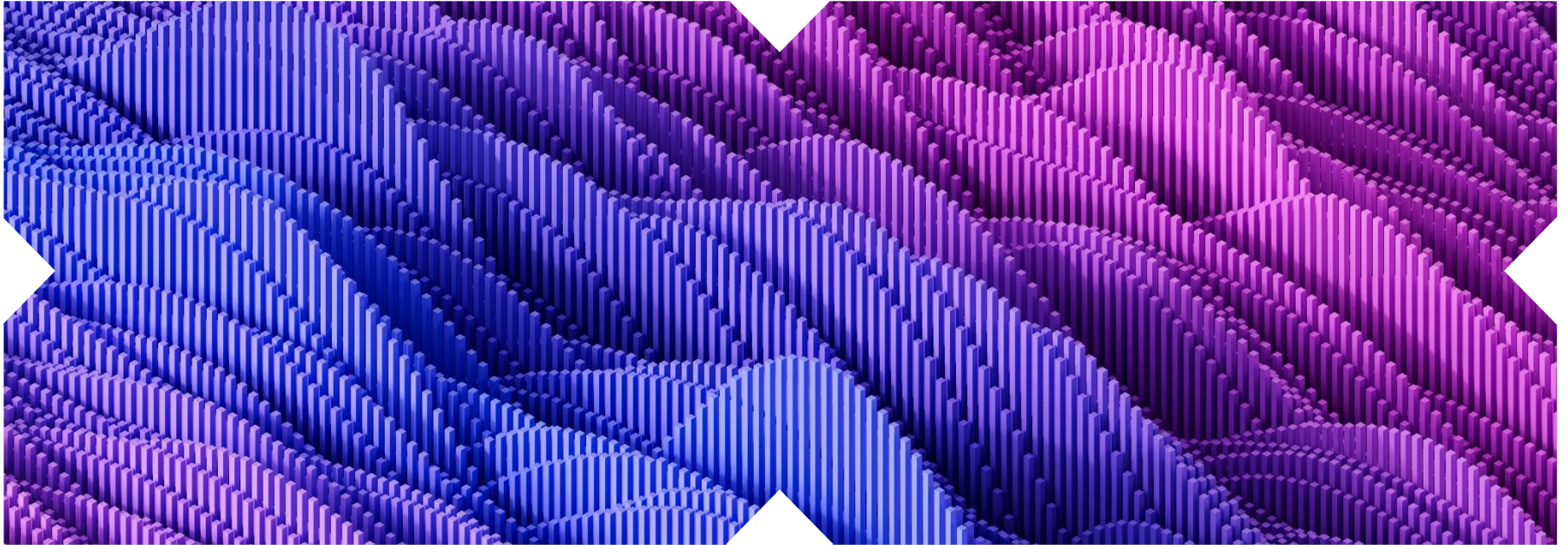


CHESS PROJECT BUSINESS DESIGN WORKING GROUP



ETF DEEP DIVE

7 OCTOBER 2026



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

- 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: 527 227 695#
 - 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	Introduction & Objectives	10 min
02	Working Group Actions	10 min
03	ETF Creation & Redemption Processes	30 min
04	Additional Investor Information	20 min
05	Paperless Communications & Minimum Marketable Parcels	15 min
06	Next Steps	5 min

01 Introduction & Objectives

01 – Introduction and Objectives

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 of the CHES Project

Objectives

- Collect industry input in relation to ETFs in the context of CHES Release 2
- Play back information collected from previous engagements.

Other Matters

- Listing rules questions and feedback should be directed to the Investment Products team
- T+1 planning will be progressed as a separate initiative, noting CHES Release 2 is targeting being 'T+1 ready'
- Tokenisation is being progressed as a separate workstream - please contact ASX if you are not currently engaged but would like to be.

Outputs

- Summary of the session and any applicable actions prepared for the Technical Committee
- Updates to the Business Design Documents (as necessary)
- Any changes required to the CHES R2 solution (if necessary)
- Revised ASX Procedure Guidelines
- Operating Rules Consultation.



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

01 - Proposed Upcoming BDWG Sessions – 2026

Indicative schedule

#	Session	Topic(s)	Invitees	Proposed Date	Status
32	ETF Forum	ETF Deep Dive	All	7 October 2026	Planned
33	Corporate Action Elections – Additional Deep Dive	Additional deep dive discussion to resolve outstanding items in relation to Corporate Action elections	All	4 November 2026	Planned
34	Release 2 Additional Deep Dives	Operational hours, settlement linking, hold and release functionality (continued)	All	2 December 2026	Planned

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

02

Working Group Actions

02 – Business Design Working Group Open Actions

#	Action	Raised	Update	Status
BDWG_21	Provide finalised update in relation to consolidated feedback on Hold / Release	Aug 2025 BD WG & Sep 2025 ISO WG	- Outstanding questions remain in relation to close-out, fail fees, rules and obligations - Discussed in September BD WG, to be discussed further in December BD WG	Open
BDWG_29	Clarify auditability functionality, including Maker / Checker, in relation to the CHES UI	Jun 2026 BD WG	Continuation of discussions around the CHES UI will be planned for future BD WG sessions (month TBC)	Open

03 ETF Creation & Redemption Processes

03 – ETF Creations & Redemptions

Overview

Scope Item	Ref	Scope Objective
ETF Creations and Redemptions	1.5	Reduce operational risk in relation to the current ETF creation/redemption workflow

CHESS Release 2

As part of the CHESS Project Release 2 consultation and scoping, there was an objective to review the existing ETF creation and redemption processes (refer [APG 22.2 & 22.3](#)). The purpose of this review was to evaluate opportunities to reduce operational risk and improve automation.

These topics were discussed in an [ETF Deep Dive](#) in 2024, with an action to re-review following the completion of CHESS Release 2 functional design. The core issues raised in the current workflows were:

- **ETF Creations** - inability for ETF Custodians to link the creation of units via Holding Adjustment to the DvP obligation to the Authorised Participant, preventing automation
- **ETF Redemptions** – removal of units from the ETF Custodian taking place before the DvP obligation with the Authorised Participant has settled, creating operational issues.

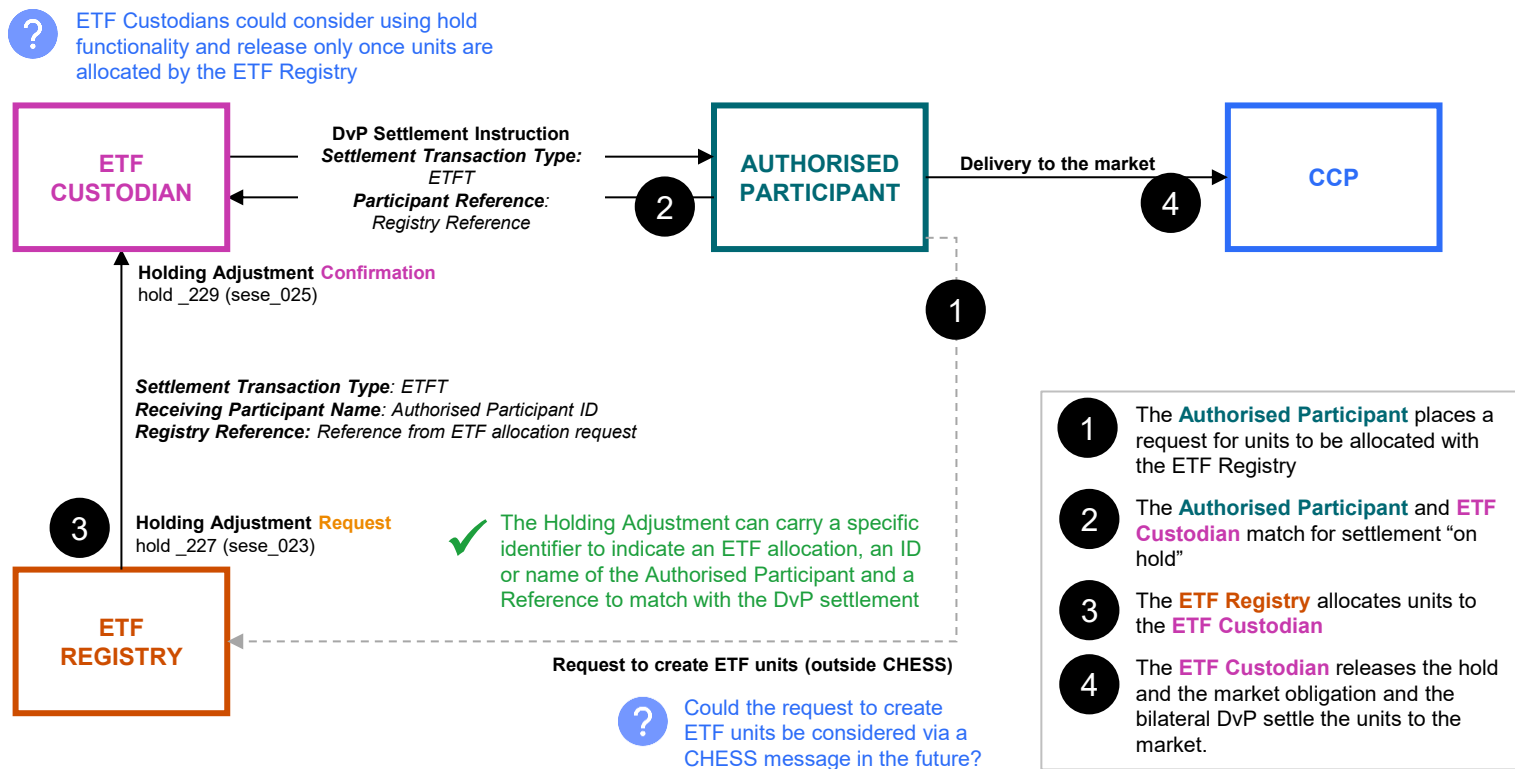
Current CHESS

Included as part of the [current CHESS roadmap](#), ASX is working towards adding an ETF reason code to the Holding Adjustments process.

03 – ETF Creation

Current State

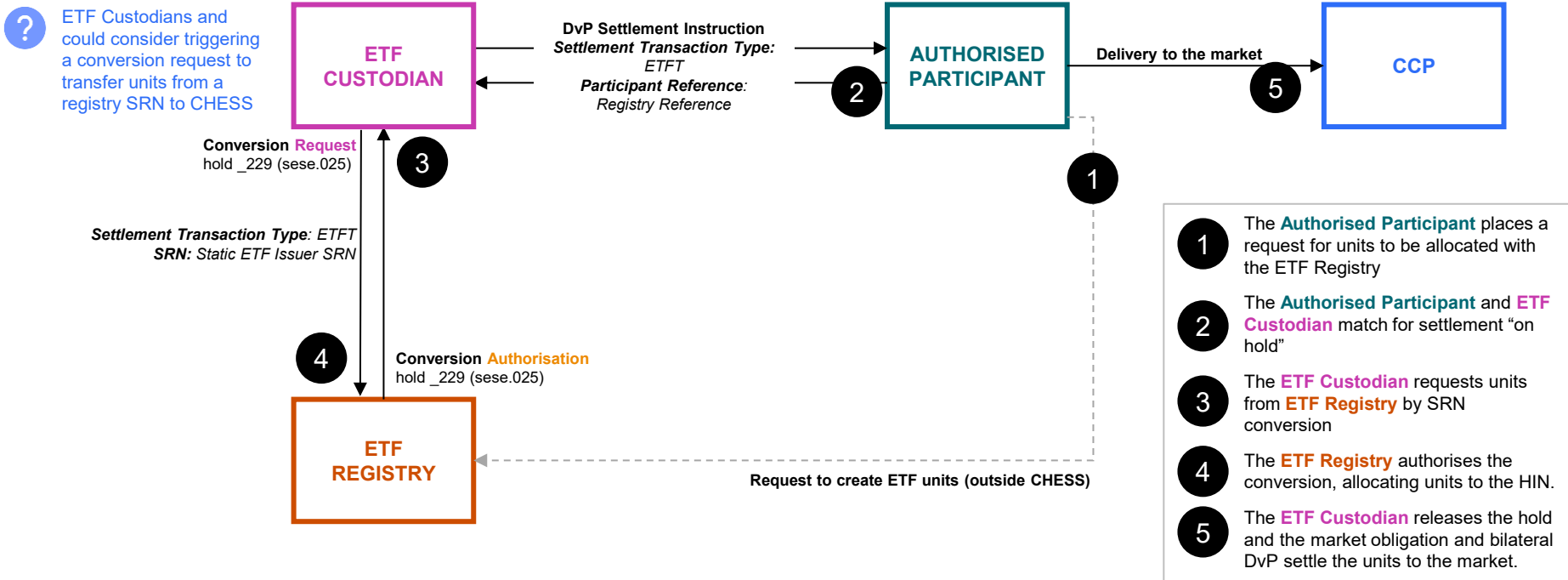
Scope Item	Ref	Scope Objective
Settlement Design	SETT_1.6.1	ASX and CHESS Users involved in the ETF lifecycle should explore enhancements that would improve the ability for Fund Custodians to automate the allocation of newly allotted ETF units to a client account and generate a settlement instruction to the Authorised Participant (AP). This could include inclusion of additional client account information from the Fund Registry in the message, including a specific ETF reason code and/or generating a settlement message rather than an adjustment message to the Fund Custodian.



03 – ETF Creation

Potential Process Enhancement Option

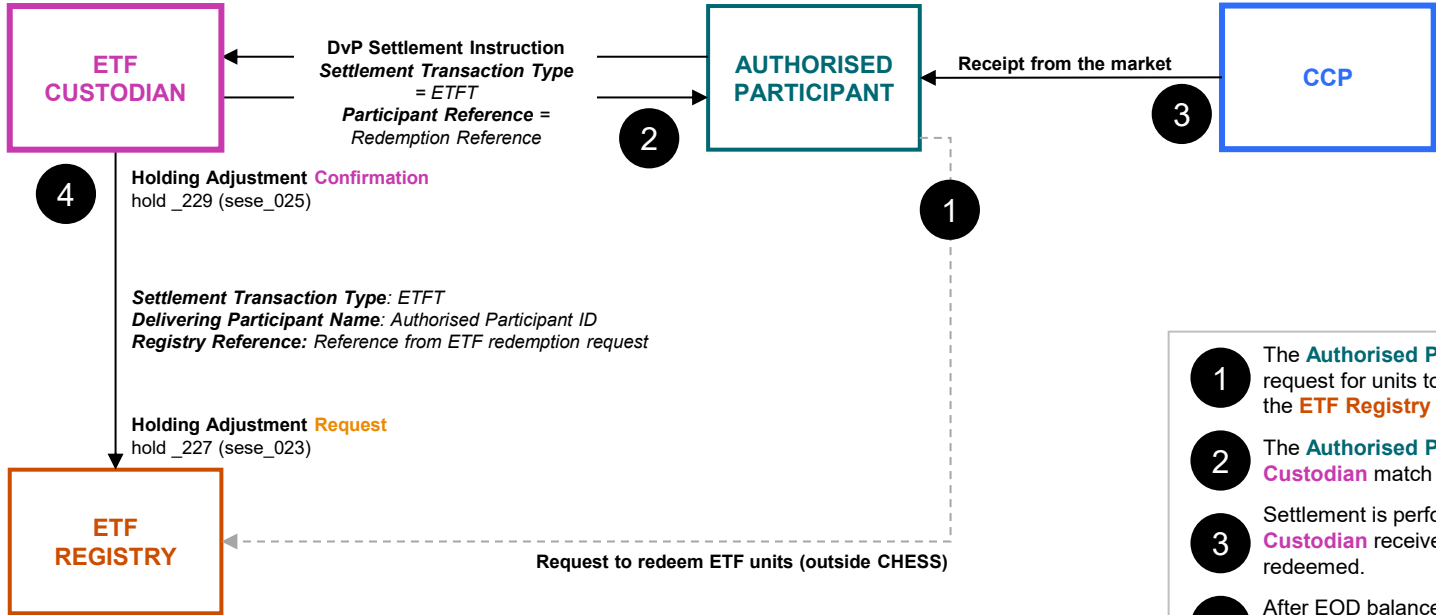
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03 – ETF Redemption

Current State

Scope Item	Ref	Scope Objective
Settlement Design	SETT_1.6.2	ASX and CHES Users involved in the ETF lifecycle should explore enhancements that would reduce risk in relation to the withdrawal of ETF units in the case of a redemption and allow for the time required to be accelerated. This could include allowing the Fund Custodian to trigger the redemption (by way of a conversion), reserving units that are pending redemption as a sub-balance and/or using linking for settlement.

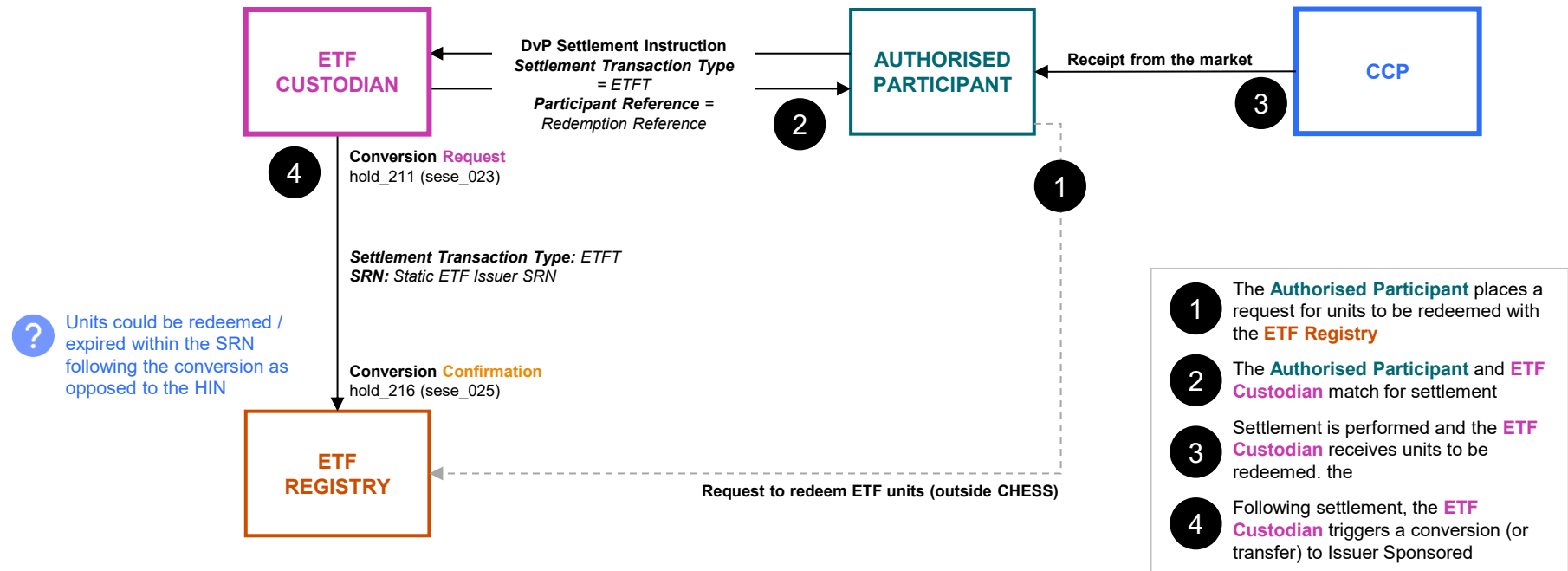


- 1 The **Authorised Participant** places a request for units to be redeemed with the **ETF Registry**
- 2 The **Authorised Participant** and **ETF Custodian** match for settlement
- 3 Settlement is performed and the **ETF Custodian** receives the units to be redeemed.
- 4 After EOD balances are verified the **ETF Registry** redeems units via a Holding Adjustment

03 – ETF Redemption

Potential Process Enhancement Option

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In the current process, a settlement failure can lead the Registry to redeem units before the Custodian's HIN actually holds them. Because of this, we have been asked to consider alternatives whereby the ETF Custodian initiates the redemption instead.

04 Additional Investor Information

04 – Additional Investor Information

Overview

ASX engaged with the industry in [February 2025](#) and separately with the registries in [March 2025](#) to finalise the design of [Additional Investor Data](#).

Data Attribute	Current Proposal for Release 2	For Discussion
Advisor Details	ASX considered adding the following fields related to Advisors: • Advisor Code • Advisor Name • Advisor Email & Mobile • Dealer Group Name • Dealer Group AFL Whilst these fields were supported for mFund, there was limited participant appetite to support this information more broadly for ETFs, and it was not progressed given the complexity of sourcing the information and likelihood of it becoming stale	• ASX could consider enabling a simplified set of fields, as part of the pass-through message currently carrying TFN / ABN information • A change request would be required to be raised and agreed with industry, or • An item could be recorded on the roadmap to be rolled out post Release 2
Email Address	Email remains optional and investor can indicate preference for Postal, ASX and / or Issuer electronic communication	• Refer slide 22
Bank Account	To encourage usage, we are proposing a consolidated message to carry Bank Account and DRP information that will be a mandatory build for Software Providers.	• Registries do not currently accept Bank Accounts in all circumstances (e.g. where a listed company does not currently pay dividends) which can discourage usage
DRP Instruction	DRP is planned to be included in the solution, noting discussions are ongoing and some outstanding work is still in progress	• Refer slide 19
FATCA / CRS	ASX has previously proposed uplifting CHESS messaging to capture FATCA / CRS information shareholders, but this was deemed too complex to store or pass through CHESS given the extensive set of fields and differing interpretations. Additionally, Participants were concerned with any transfer of obligation from the Issuer to the Broker.	• No further discussion required

04 – Additional Investor Information

DRP Elections - Discussion

Support for DRP elections covering listed companies as well as ETF distributions is on ASX's current CHESS roadmap. Treated as new scope for delivery alongside industry, the topic has undergone detailed review within the Business and ISO Design WGs, with an overview [recently](#) provided to the Business Committee.

This plans to support:

- Full DRP election
- Partial DRP election
- Cash election for default opt-in DRPs, with provision of bank account details.

One issue that has arisen is the inconsistent support for partial unit elections across DRP plans, including those of ETF issuers. This causes operational issues for Custodians with Nominee accounts comprising multiple underlying shareholders, as it requires them to operate two accounts (one fully DRP and one with no DRP) and move units between these accounts to reflect investor elections.



ASX therefore asks that ETF Issuers together with their Registries, look at extending partial election support universally, limited to nominee accounts.

This could be assisted by way of an additional flag that is being added that allows a Nominee account to be used for this purpose.

05

Paperless Communications & Minimum Marketable Parcel

05 – Paperless Communications & Minimum Marketable Parcel

Overview

Paperless Communications

- As discussed at the [16 September Business Committee](#) meeting, ASX is evaluating ways to accelerate and incentivise take up of electronic statements to move the industry to fully paperless communications by 2029
- This is intended to provide cost saving opportunities for the market and reduce the opportunities for fraud.

Minimum Marketable Parcel

- ASX is reviewing the current \$500 minimum marketable parcel threshold to assess whether it remains fit-for-purpose
- The review will assess the customer, operational, technology, legal and regulatory impacts across industry to inform whether the current threshold should be maintained, modified or removed.



Paperless communications are an important enabler of Marketable Parcel reform, as reducing the cost of servicing small holdings may assist in addressing Issuer and Registry concerns associated with lowering or removing the current threshold.

05 – Paperless Communications

Proposed Changes

To enable the transition to paperless communications by 2029, ASX is considering and seeking industry feedback on the following potential changes in the CHESS Release 2 solution and the rule framework:

1. **New accounts** created after CHESS Release 2 implementation could require the provision of an email address and / or mobile phone number, and the following options could be removed:
POST – All postal communications
ELEA – Electronic ASX Only
ELEI – Electronic Issuer Only
2. **Existing accounts with email addresses** could be transitioned to 'Electronic - ASX & Issuer (**ELEC**)' as part of the cutover process and the existing email address shared with the Share Registries
3. **Existing accounts with no email recorded:** ASX is considering adjusting the fee structure to a 'broker pays' model, such that these costs could be passed on to the investor directly and are not borne by the Issuer (who does not have control). This is consistent with other industries that have moved to paperless, such as banking and utilities where the customer pays an additional fee to receive paper statements.



This topic invites further industry discussion and engagement in the lead up to 2029

05 – Paperless Communications

Other Matters

Proposed ASXSOR Changes

These changes would be supported by transition rules and changes to the ASXSOR.

The ASXSOR are also proposed to be enhanced with additional provisions that require that Issuers must not use or disclose any Personal Information (including an email address and mobile phone number) provided by ASX Settlement under the Rules to the Issuer for any purpose other than an Approved Purpose. **'Approved Purpose'** is currently proposed to be defined as:

- performing obligations or taking any action under the rules
- maintaining the accuracy of the Issuer's register
- sending information to the Holder that is connected to the Holder's Holding with the Issuer
- any other purpose in respect of which each individual whose Personal Information is being used or disclosed has provided consent, or
- any other purpose for which the Issuer may use or disclose the Personal Information as permitted by law.

Duplicate Email Addresses

Given in many cases Share Registries will have acquired email addresses outside of CHESS, the responsibility to determine how to communicate with a Holder should remain with the Share Registry. Share Registries may apply their own rules to handle scenarios where they have received a different email addresses via CHESS than the one they already hold.

05 – Minimum Marketable Parcel

ETF Framework review

The review will consider whether the current threshold remains appropriate for ETFs, taking a whole-of-market view of the benefits, impacts and potential unintended consequences of any change

Why Review

- Respond to evolving products, platforms and investor needs
- Reduce friction for access, transfers and small holdings
- Reduce complexity and cost
- Maintain proportionate regulation
- Support future market needs

Assessment Scope

- Threshold relevance and product treatment, including ETFs
- Impacts on investors, Issuers, Registries and Participants
- Trading, settlement, servicing and Corporate Actions
- Operational, technology, legal and regulatory impacts

Possible Outcomes

- Retain the current framework and threshold
- Modify how the framework applies
- Target specific products or circumstances
- Reduce or increase the threshold
- Remove the threshold requirement



We are seeking your feedback in this working group or through bilateral engagement – please contact us via CHESSReplacement@asx.com.au or via your Stakeholder Engagement Representative to arrange a bilateral meeting.

06 Next Steps

06 – Next Steps & Future Topics

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

Business Design Working Groups for the remainder of 2026

For the remainder of 2026, ASX plans to utilise the Business Design Working Groups for deep dives on remaining topics, examples of which include:

- Corporate Action Elections (November 2026)
- Operational Hours (December 2026)
- Settlement Linking (December 2026)
- Hold / Release Functionality (December 2026).



Questions

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