

21st December 2021

Office of General Counsel
ASX Limited
20 Bridge Street
Sydney NSW 2000

Attention: Ms Diane Lewis
By email: regulatorypolicy@ASX.com.au

Dear Ms Lewis,

Submission - CHES Replacement Tranche 3 and Combined Rule Amendments Consultation Paper

Please see below for our comments on tranche 3 of the proposed rule changes, and the combined rule amendments addressing all tranches, noting our perspective as a share registry considering the interests of our issuer clients, their investors and other stakeholders.

We have not considered the implications for other market participants or the interoperability of the proposed rules between multiple market participants. We have made the assumption, and equally the market must rely on, all other parties individually performing their own rigorous review of these rules to ensure their suitability for their specific purposes.

The feedback we provide here is at this point in time and may be subject to change as new information becomes available through parallel workstreams such as industry testing. In addition, we reserve the right to continue our engagement with ASX and its regulators while we, and the rest of the industry, continue our work across the integration of the legal, technology and operational elements of this project. We further note that we have not yet received an agreed, revised, draft of Rule 16.14.1 from ASX.

We also have concerns, that have been raised with ASX and its regulators, around the quality and effectiveness of the rule consultation process given the scale of these change and the lack of meaningful industry participation in the consultation process. Specifically:

- The absence of multi-lateral engagement (e.g. workshops) to facilitate the industry coming together to discuss, question and share insights and perspectives in the proposed rule changes. ASX dismissed the need for industry workshops to assist market participants and stakeholders. We believe that this will have a detrimental impact on the quality and quantity of market feedback and note that this was the only workstream not to include ASX facilitated industry discussion groups.
- Historically both ASX and its regulators have relied heavily on the consultation process as a control to provide comfort that the proposed rule changes can be relied upon to operate effectively in practice. Past experience with tranches 1 and 2 of the rules has shown very low engagement and formal participation in this consultation process is unlikely to be any different. This raises a question of what is effective engagement if all stakeholders are to rely on this process.

- Consultation is not just about giving stakeholders the opportunity to have their say, it is also, as much about ensuring that the rules work, achieve the same outcome as the new platform (and vice versa) and are not detrimental to the market. In our view, this can only be achieved if all actors/participants/stakeholder in the market have actively engaged in the process. Given a project of this magnitude, it is not a sufficient control to conclude that everything works because participants had an opportunity to speak up but chose not to do so.

Given the importance of the rule framework to the fair and orderly operation of our market, we see this stage gate as a major milestone. It is the first time that the market can assess the proposed changes in their entirety and only now is there an opportunity as part of the next phase of due diligence, to analyse the interoperability of the rules with the market procedures and the design and functionality of the new technology. Due consideration of this must be given in the next phase of the project.

We also think it is timely to bring together other material and related items that remain a material concern at this stage in the project, to understand how they will influence the remainder of the project and its outcome.

- **April 2023 Go Live Date:** The industry is currently working to a go live date of April 2023. This date was announced by ASX in October 2020. Subsequent to that time, there has been at least four material events that in our view create risk around the achievability of this date, and which could not have been contemplated by ASX at the time this timeline was set. These are:
 1. Capacity Limitations of The New Technology (Netting): This issue, which came to light as a result of the need to restrict volumes in the Australian market following March 2020 activity, identified the need to ensure sufficient future ('headroom') capacity would be available under ASX's new technology stack. As we understand it the assessment concluded that there would not be sufficient headroom in the new technology and alternate measures needed to be taken. This took the form of major technology and process changes, which for the large part were pushed back to market participants who were then required to complete a substantial amount of rework to accommodate the late-stage changes.
 2. November 2020 Market Outage and The Resultant IBM Report and Recommendations: Following the market outage in November 2020, an independent review of the internal circumstances that lead to the outage was commissioned by ASX and completed by IBM. The high-level findings of this review were delivered publicly on 23 August 2021, and include extensive recommendations that vary in complexity, scope and lead time.
 3. Appointment of An Independent Expert (IE) Over the Chess Replacement Project: Under the conditions that have recently been placed on ASX licenses, an IE is to be appointed to review the findings of IBM and to ensure that those learnings are applied to the Chess Replacement Project. The terms of reference of this engagement are not yet known to the industry who will undoubtedly seeking to rely on the work of the IE to give them extra confidence in the final deliverables of the project.
 4. Extended Lockdowns Attributable to CV19: Sadly, much of the Australian population was under strict lock down conditions for much of 2021. As in the previous year, this has a material impact in the ability of businesses and individuals to operate at their full capacity for an extended period.

If there is any risk around the timing of the April 2023 'go live' date, it is imperative that the ASX and its regulators are transparent and timely in communicating this risk to the market to prevent critical resource wastage, unnecessary financial loss and material opportunity cost to market participants.

- **Risk Register:** ASX has not provided the industry with transparency of the project risks as they may pertain to and impact market participants.

- **Business Case:** ASX has not provided the industry with a business case or measures of success that stakeholders can apply to support the project, other than a general need to replace ASX's aging technology.

We look forward to continuing our engagement and discussions as we approach the transition to the new platform. In our view, there remains a significant amount of work to do across all disciplines of the project and a highly co-ordinate execution plan, and one that all participants have a high degree of confidence in, to ensure project risk is kept to an acceptable level and to maximise the likelihood of successful implementation.

Review of proposed Rule Amendments

This package of rule amendments is a significant document – both in sheer size as well as scope and impact. It has taken considerable effort and resource to review. The challenges of reviewing documentation on this scale has been unfortunately exacerbated by the inefficient approach adopted to the rule amendments. Contending with iterative amendments to the same rules through various tranches and post-consultation responses; mark-up of rules against obsolete versions of the current rules, then revised is problematic. Resourcing a team with appropriate legal, technical and operational experts to undertake this review limits many stakeholders' ability to adequately comprehend the changed regulatory position.

Adequacy of consultation

We have expressed to ASX our regret that the package was not accompanied by efforts by ASX to directly engage and educate stakeholders on the intent and impact of the rule amendments, e.g. via rule-focussed workshops or guides. The ASX has previously undertaken such efforts for significant regulatory change, such as the phased introduction of CHESS, and this provided invaluable guidance to stakeholders on the intended application of rules to particular User groups.

Despite devoting significant resources to this review, we remain concerned that not all issues will be identified through this process and there remains risk of regulatory gaps or unintended consequences that will only be identified 'live' as we all proceed beyond the Day-1 implementation. Such issues will likely only be apparent in the medium to long term when there is an operational issue where clarity on the way forward cannot be identified from the rules.

Our comments on the rule amendments are focussed on the impact for issuers and the administration of their securityholders' positions and entitlements. We have accordingly excluded comment on topics not directly related to this focus, while noting that topics such as the integrity of the settlement process are of intrinsic concern to all market stakeholders.

Alignment with technical structure of system

We remain concerned with potential lack of coordination between technical specifications and the rule-making process. In our prior responses, as well as this one, we have highlighted instances where the rules and system design are not aligned. We have already communicated with ASX regarding a critical misalignment between technical structure and the draft tranche 3 rules with respect to the aggregation of multiple Users' UICs for authentication, detailed below.

We have also experienced situations where there was no technical review of system changes made following significant amendments to the rules during the consultation process. For example, in response to the changes to DRP, our team queried ASX regarding further workshops to cover the changes made through ASX's rule response but were advised that this was not deemed necessary. However, a year later we identified an error during CDE testing resulting from changes in message flow, which we have communicated with the ASX team.

Our first opportunity to assess this is now in progress as we work through the recently provided accreditation scenarios that will allow us to test, amongst other things, examples of alignment between technical expectations and industry standards.

We therefore urge ASX to take strict action to ensure that the regulatory and technical structures are tightly aligned and that, following this third rule consultation process, any subsequent technical changes arising from amended rules are properly tested and subjected to industry review.

Absence of cost impact for issuers

We also must note that despite expressing our concerns with potential cost impacts for issuers, we have had to review this combined rule package still without visibility of the attendant ASX costs of various new and existing processes. We understand that ASX has now further deferred communication with issuers on costs until Q1 2022, and thus we cannot respond to this consultation in a manner that properly measures the full impact of rule changes for our issuer clients. For example, while ASX has verbally advised that DRP enrolments made via the new CHESS functionality will not result in a fee to issuers there is no formal confirmation that can yet be relied on for our assessment. ASX has also indicated that Corporate Action processing will not form part of ASX's 'flat per holder fee', and therefore the impact of rule changes for lapsed securities still cannot be quantified.

A. Comments on specific Tranche 3 Rule Amendments

1. Static and pass-through investor data

Rules 8.19.7 – 8.19.12 regarding notice of Foreign Bank Account details raise concerns with the effectiveness of this mechanism that we recommend you reconsider.

ASX has expanded the ability for the submission of banking details which are passed through CHESS to issuers to include **foreign bank account details and currency elections** however the mechanism and supporting guidance has practical limitations which will impact its usefulness.

Computershare primarily facilitates payments to foreign bank accounts by domestic direct credit administered through an international bank¹. This provides a more cost-effective service for investors, avoiding the cost of wire transfers which would otherwise be debited from net proceeds by their bank. While we also provide an optional international wire service, this requires investor consent to pay the associated fees.

Through workshops and technical feedback process, ASX declined to provide guidance to participants on the most effective way to submit foreign banking details i.e. domestic direct credit details for a foreign bank account.

While Computershare's international wire service could facilitate payments using wire instructions, there is no mechanism for the participant to indicate the securityholder's consent to the service's terms and conditions for offering a foreign payment option, including consenting to payment of associated fees. We are unable to accept wire payment instructions without such consent in place, and if we were to accept wire details via CHESS we would require separate and time-consuming action outside the CHESS-facilitated instruction to obtain consent and reconcile to the electronic notification before accepting it.

Additionally, while issuers are entitled to reject Foreign Bank Account details notified via CHESS, there is no apparent mechanism for a participant to check whether an issuer is supporting foreign bank

¹ These payments are therefore processed by international banks using local identifiers.

payments or (per the issues noted above) whether they support wire payments versus international direct credit.

Combined, these practicalities will lead likely to a high number of rejections of foreign banking details supplied via CHES.

In short, **there is no effective mechanism for participants and issuers to communicate regarding the availability of foreign payment services and the terms on which they are offered.** This risks considerable wasted effort on both sides, with participants inputting details that in many, if not all, cases we will be required to reject on behalf of our issuer clients. This may also trigger operational and currency risk for the investor. We urge ASX to reconsider the proposed operation of this facility before proceeding with the requirement.

2. Issuer Sponsored to CHES Transfers

In our response to the tranche 1 draft rules, we detailed our concern with the proposed changes to Issuer Sponsored to CHES Transfers, which **create a new and inappropriate liability risk for issuers.** While it is useful to finally see the proposed changes to these provisions marked up against the current version of the Rules in tranche 3, enabling a more comprehensive review, we reiterate our strong concerns with these provisions.

As you are aware, these provisions were already subject of a consultation by ASX in 2019 and the conclusion of that consultation offered a significantly different response to the subsequent changes then introduced in tranche 1. ASX introduced a new category of Custodial Settlement Participant, subject to certain eligibility requirements, which would be able to effect Issuer Sponsored to CHES transfers without requiring submission of the paper transfer form. In our view, this was a reasonable compromise between our mutual desire to minimise paper requirements and maximise straight through processing, while ensuring investor protection and not imposing increased risk on issuers.

In tranche 1, ASX abandoned that balanced position from the 2019 consultation, thereby removing the eligibility requirement. ASX has not provided any additional rationale and has not addressed our serious concerns since. We therefore reiterate our position as documented in our tranche 1 response and position stated in the original 2019 consultation.

3. System authentication and set-up

A highly critical concern with the tranche 3 draft rules relates to the amendments in Rule 16.14.1 regarding the **aggregation of multiple UICs**, which does not reflect our understanding of how the replacement system is intended to operate.

In our meeting with ASX of November 3rd, we communicated our concerns with the drafting of this rule. We appreciate the open dialogue between our organisations on this topic, and ASX's acknowledgement of the substance of our concerns, subsequently affirmed in writing. We note that ASX undertook to re-draft the rule to accurately reflect the intended operation of the new system, to allow Third Party Providers to utilise a unique set of authentication credentials to aggregated multiple UICs of multiple Users in a manner similar to the current AIC construct. We understand that the re-drafted rule will be made available for review at a point after the current consultation has closed, in order to also reflect any further comments. As we have not had the opportunity to review any revisions to the draft rule as yet, we have documented here our specific concerns with the existing draft rule, as expressed verbally to ASX.

We note that ASX has not provided a revised draft to demonstrate how the existing market structure is recognised given the significant concerns we raised, that included questioning the underlying intent of the original drafting. We understand from our discussions that it is

not ASX's intent to disintermediate share registry relationships with issuers. The absence of a suitable draft rule, however, means we are unable to say this policy issue is settled, even as this consultation process draws to a close.

Amended Rule 16.14.1, as currently drafted, would be a significantly regressive step in efficiency and cost-effectiveness for service providers connecting to the new system on behalf of multiple User clients. It is also contrary to our understanding – confirmed by ASX staff – of the intended technical operation of the system. CHES at present allows the aggregation of multiple UICs to one AIC – there is no limitation that the UICs and the AIC must be allocated to the same individual User. Indeed, the AIC is not specifically allocated to a User – it references a connectivity point, known as a Recognised Physical Access Point, to be authenticated not an entity. The intent of this approach, in the many years of operation of CHES, includes allowing a Third Party Provider that represents multiple Users (each with their allocated UICs) to utilise one authentication point (AIC) for all or a number of their clients.

This feature has been particularly important for issuers, who overwhelmingly outsource CHES interface and administration to their share registry, as the registries are thus able to aggregate the UICs of their various issuer clients under one (or more) AIC for authentication and connectivity. This facilitates efficient and cost-effective authentication and connectivity.

ASX staff have repeatedly confirmed to us that the new system is intended to retain this overall construct, albeit via new authentication mechanisms and terminology. However, the amendments to Rule 16.14.1, as currently drafted, are not consistent with this. The draft rule requires that a User request allocation of a unique set of authentication credentials, to which multiple UICs of a User can be aggregated. This disturbs the existing approach by a) requiring that authentication credentials can only be issued on request of a User; and b) that the multiple UICs belong to one User rather than permitting aggregation of the UICs of multiple Users.

We appreciate that ASX has acknowledged the inadequacies of the current draft and its intent to redress these. We accordingly seek here to document **our strong concern that the revised rule should properly reflect the intended technical structure, as communicated, and retain the flexibility provided by the current rules and system to facilitate the services of Third Party Providers**. Left unchanged, Rule 16.14.1 would cause significant cost and inefficiency for issuers and their registries. We accordingly look forward to reviewing the revised draft rule in due course and reserve our final comments until that time.

4. Transitional rules

New section 19 to the rules makes various provisions for transitional arrangements in the migration to the new system, including with regard to **migration of holder record data**. Prior to the release of the tranche 3 draft rules, we again appreciated the opportunity for an open and constructive discussion with ASX regarding our concerns with the Holder Record data migration and are pleased to see that the draft rules include a number of provisions to support requirements to 'cleanse' Holder Record data prior to migration and also the role of ASX in cleansing some data during the migration event.

In part, this clarifies and addresses certain concerns we raised in our response to the tranche 2 rule amendments. However, we must reiterate our concern with the overall strategy for migration of Holder Record data, whereby participants, ASX and issuers (via their registries) are effectively required to each re-format data to the standards required by the new system. This contradicts a fundamental principle that CHES registration data is controlled and amended only by the relevant controlling participant for the HIN and risks creation of divergent data sets across the market for CHES holdings.

Participant remediation of registration data

Draft Rule 19.2.1 allows ASX to direct Participants, if ASX considers that a Holder Record may be non-compliant with the new registration standards, to 'consider' if such non-compliance exists and, if so, requires the participant to remediate the non-compliance. Rule 19.2.2 also requires participants to remediate non-compliant CHESS registration details if they 'become aware' of such non-compliance. The participant will indemnify ASX and the issuer under Rule 19.2.5 if a) they provide incorrect details in the course of such remediation; or b) they fail to remediate a non-compliance after either receipt of a direction under rule 19.2.1 or they become 'aware' of such per Rule 19.2.2.

While we appreciate that this provides some framework for rectification of non-compliant registration data prior to migration, which is the optimal timing, we are concerned that gaps remain. We question why the 'consideration' under Rule 19.2.1 is not simply and directly a requirement to 'determine' if the data is non-compliant. Moreover, under Rule 19.2.2 we question why participants are not subject to a direct requirement to review all Holder Record data and determine if any is non-compliant, and if so to rectify accordingly, rather than the lesser standard of rectification only if they become 'aware'. The passivity of this requirement does not seem likely to achieve full review and remediation across all holders and all participants.

As participants are responsible for creating, maintaining and updating CHESS Holder Records, we consider that they should be required to actively review all Holder Records and remediate non-compliant data. Correspondingly, the participant should indemnify ASX and issuers for any losses etc suffered as a result of a failure to thus identify and rectify non-compliant data, rather than the more limited indemnity offered by draft Rule 19.2.5 at present.

We note that the current provisions of the participant indemnity in Rule 19.2.5(a) include actions taken by participants to remediate data prior to the Effective Period of Rule 19.2.2. To be clear, we appreciate the intent of indemnifying issuers for losses arising from action taken by the participant that precedes effectiveness of the transitional Rule 19.2.2 but which has the same effect as Rule 19.2.2 actions. However, we note that both Rule 19.2.2 and Rule 19.2.5 are effective, per the Procedures, 6 months prior to the Old System Close Date. We therefore query how Rule 19.2.5 can apply retroactively to actions taken to remediate non-compliant data prior to effectiveness of Rule 19.2.2 if the indemnity provision itself is not effective until the same date as Rule 19.2.2, and if such retroactive operation of the indemnity is intended how this could be administered in the event of a loss arising prior to the Effective Period? The application of these provisions should be clarified.

Risk of divergent data resulting from migration

We also regret to see that the draft transitional rules do not make provision for rectification of, and liability for, any divergencies that may eventuate post-migration from the strategy adopted. We note that ASX is advocating use of its (optional) 'Registration Details Tool' by Users and their Third Party Providers as a mechanism to provide consistency in migration to the new registration standard. In our view, the requirement for this tool itself speaks to the risk of divergency in data arising from the migration strategy.

As we have discussed with ASX, the liability terms that ASX seeks to impose on users of the tool create legal risk for users that is separate from the existing liability framework for administration of holdings that is well-established.

In our view, these gaps in remediation of divergent data arising from migration, and the potential liability for loss arising from such divergency, should also be addressed in the transitional rules. Any attempt to reallocate risk to users of the tool, by way of bilateral terms of use for the tool, should be avoided.

Updating Entity Type

Where the post-migration Entity Type for a Holder is recorded as 'unknown' in the new system, draft Rule 19.2.12 will require participants that are otherwise updating Holder Record details in accordance with Rule 8.18 to also update the Entity Type at that time. This partially addresses our concern raised in response to the tranche 1 rules with respect to the updating of this field. However, the requirement is contingent on the participant otherwise acting to amend Holder Record details rather than pro-actively requiring them to update this field for all 'Unknown' types post-migration. We query why this more passive approach has been adopted and seek your explanation regarding any potential impact arising from the inaccurate field type prior to updating.

B. Comments on Combined Rule Amendments

We are pleased to see that some changes have been made to the tranche 1 and tranche 2 draft rules to address concerns that we had raised in our submissions to those tranches and to the Revised Implementation Timetable consultation, including:

- Removing the draft rule that would allow ASX to add new data elements to CHESS Holder Records without prior and specific rule amendment.
- Critical re-scoping in the administration of elections for dividend reinvestment plans ('DRP') and bonus share plans ('BSP') to alleviate duplication of data and unnecessary complexities.

Additionally, while we continue to support the introduction of electronic entitlement acceptances and related RTGS electronic payment for entitlement offers, these have been deferred from Day 1 implementation to address concerns raised with elements of the service. At the appropriate time, we urge ASX to revisit the technical and legal design of this functionality prior to its reintroduction to the scope.

1. Dividend Reinvestment Plan and Bonus Share Plan Election Messaging

With reference to the revisions to Rule 5.19A, we appreciate the re-design and re-scoping of the DRP/BSP functionality but have some queries with respect to the consolidated amendments to the rules.

Under the revised provisions, Plan Records for plans in operation prior to the system migration will be created only if sufficient information is publicly available, and accordingly it is likely that a number of pre-existing plans will not be subject of a Plan Record. We have no mechanism to validate whether a plan has a Plan Record when responding to related messages, and it is our understanding from a technical perspective that ASX will only transmit messages to an issuer/registry if ASX has created a Plan Record i.e. we should not receive election-related messages where there is no ASX Plan Record. However, this control feature is not apparent on the face of the revised rules. While many of the requirements under Rule 5.19A are specifically only triggered if ASX creates a Plan Record, other provisions (outlined below) imply that some election-related messaging may be transmitted in the absence of a Plan Record. It is critical that there is no uncertainty in the legal obligations related to handling of election messages and therefore we urge ASX to clarify the points below and ensure alignment between the rule provisions and the technical structure of the election facility.

Cancellation of Election

Rule 5.19A.4(a)(ii) provides for participants to seek to cancel an election recorded by an issuer, *including* an election notified under Rule 5.19A.2(b)(ii) and confirmed under Rule 5.19A.2(c). This provision is not expressly subject to ASX creating a Plan Record for the plan and the use of 'including' suggests to us that ASX intends to allow Participants to cancel elections that were notified to the issuer by other means e.g. direct submission by the Holder to the issuer/registry, even if there is no ASX Plan Record. Based on our technical understanding however, we should not receive such messages unless a Plan Record is

created. ASX needs to therefore confirm the intended operation of this rule and how it aligns with the technical design? There should be no scope for misinterpretation in these provisions.

Enquiry Facility

Likewise, Rule 5.19.9, regarding the enquiry facility, does not appear constrained to those plans with a Plan Record i.e. on the face of the rule, participants may enquire regarding the election status of a CHESS holding for a plan for which there is no Plan Record. ASX should again confirm whether this is the intended operation of the rule and thus of the new enquiry facility. If so, we query the intent of this functionality since participants cannot lodge an electronic election in respect of such plans.

Additionally, we would like to clarify the extent of the issuer indemnity provided under Rule 5.19A.10. An issuer that provides an election status in response to a participant request via the enquiry facility is taken to warrant the accuracy of that election status recorded by it *at the time that the message was transmitted*. Rule 5.19A.11 further provides an issuer indemnity for any loss etc suffered by the participant, ASX or the holder in the event that the election status as notified was not accurate at that time. It is important to understand that the election status communicated via the enquiry facility is a warranty regarding the entitlement of the holder to participant in the Plan at that time, not at record date. It is entirely possible that a holder whose election has been validly recorded may become ineligible to participate under the plan rules when validated again on the record date, e.g. the holder may subsequently breach domicile requirements etc. We suggest it would be appropriate to note this as a caveat to the indemnity to ensure there is no potential misunderstanding regarding the entitlement of a holder based on the reporting of an election status at a particular point in time.

2. Holder Record Locks and Holding Adjustments

Computershare commented extensively on new rules relating to application of Demand, Settlement and Holder Record Locks and the impact on administration of Holding Adjustments in our responses to tranche 1 and tranche 2. We are pleased to see some concerns have been remediated via the post-tranche 2 amendments to Rule 8.15.19.

However, the interaction of the subregister status and Holder Record Locks imposed by court order remains unclear and we have been seeking clarity on this point for several years now. Will Holder Record Locks continue to prevent adjustments applied by an issuer if a subregister is closed or suspended, e.g. to allow a registry to debit down holdings pursuant to a Scheme of Arrangement? If the court-ordered Holder Record Lock does not restrict issuer holding adjustments during a suspended or closed subregister status then the registry will be able to conclude processing of the Scheme. If the Holder Record Lock remains effective, preventing issuer holding adjustments in that subregister status, then the affected securities cannot be debited by the registry. Despite best efforts to check holding statuses, it remains plausible that a Holder Record Lock will be applied just prior to commencing processing and this will impact completion of the Scheme administration.

Resolution of the interaction between security state and Holder Record Locks is important to support these various aspects of administration and the completion of corporate action processing. Further, if we are unable to debit securities from Locked holdings where the subregister is suspended or closed, we question whether this puts our issuer client at risk of breaching draft Rule 8.14.2, which requires completion of processing on lapsed etc subregisters. We accordingly urge ASX to finally resolve these queries and establish the necessary operational and regulatory certainty for issuers, and us as their agents.

Recommendations

As stated in our June 2018 consultation response, Computershare acknowledge the need to replace the aging incumbent CHES technology platform and we are supportive of the introduction of new technologies where the benefits and costs are transparently considered.

As the industry and ASX jointly approach the 12 months count down to the scheduled go live of the new market-wide system in April 2023, there remains an opportunity to improve confidence and transparency for the remainder of the project.

On this basis we make the following recommendations:

- The ASX provide the industry with details of what changes can be expected as a result of the implementation of the recommendations from the IBM Report, and how this will impact and benefit stakeholders in the CHES Replacement project.
- The independent expert, as referred by ASIC in the ASX's license conditions, should proactively and meaningfully engage with market participants beyond ASX.
- ASX should provide formal avenues to engage stakeholders collaboratively and across market segments, to ensure findings, issues and solutions are timely and transparently shared to allow for knowledge sharing, "defect resolution" and modifications to be delivered, as well as improved efficiency and accuracy (subject to privacy where appropriate), particularly as new learnings come to light in the first half of 2022.
- ASX should also consider an accreditation process to ensure that key market participants are conversant in the new rules and procedures and that they have the technical, operational and resources available to support the new system.
- ASX should communicate publicly (progressively through 2022, e.g. at least 2 or 3 times in 2022 and finally before the system goes live in April 2023), that all necessary testing and accreditations to ensure an orderly, safe and effective cutover to 'new CHES' is being and has been completed successfully and provide details of any issues or carry over action items.

This will provide market participants with transparency around any residual risk since:

- (i) the viability of the April 2023 go live date will not otherwise be confidently known until Q1, 2023, as the slowest party will ultimately dictate the official launch date, and
- (ii) any party or parties that are not properly prepared (beyond simple technical accreditation), could introduce operational risks for other market counterparties by not having all the necessary resources or knowledge necessary to do business per new system workflows and commercial contracts, per the new rules.

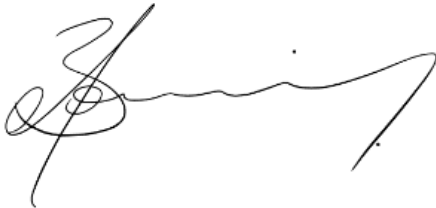
ASX's project timetable which sets out all the things that must happen between now and April 2023 is already very tight and, in our view, it remains subject to a high degree of risk. This risk is exacerbated by the need for ASX to finalise the rules framework, factoring in the 4-week non-disallowance period and 6-month exposure timeframe prior to the live-date, previously committed to by ASX.

We reserve the right to engage with ASX and industry regulators throughout 2022 in the lead up to the final rules being submitted by ASX to regulators, including if absolutely necessary, during the non-disallowance process.

As noted above, in our view, there are a range of critical deliverables and important decisions and discussions that remain open and outstanding on important technical elements of the project, including around testing and implementation. Computershare looks forward to engaging in those discussions and providing formal and informal feedback along the way.

Should you have any questions in relation to the above comments, please contact Ann Bowering ann.bowering@computershare.com.au or Paul Conn paul.conn@computershare.com.

Yours sincerely,



Ann Bowering

CEO Issuer Services, Australia and New Zealand



Paul Conn

President, Global Capital Markets

Cc: Council of Financial Regulators and related agencies
c/o Dodie Green, Senior Manager, Market Infrastructure (ASIC)