



Implementation & Transition Working Group

Questions from webinar | 16 December 2020

The following table provides ASX's response to relevant questions asked by Implementation & Transition working group members during the webinar held on 16 December 2020. Please email chessreplacement@asx.com.au if you have any additional questions or require further clarification.

Topic	Question	Answer
DRP/BSP functionality	To ensure that participants are fully informed of the securities, and not just the Issuers that are eligible to have DRP and/or BSP standing instructions processed by the CHES Replacement application, what information resource will ASX publish or make available that lists each DRP/BSP eligible security and the important enabling or limiting parameters of those plans that participants should be aware of?	<p>Information pertaining to those Issuers who operate a Dividend Reinvestment Plan and/or a Bonus Share Plan is provided by the Issuer to their ALMO (Approved Listing Market Operator).</p> <p>This information will be available to participants through the public announcement channel of the ALMO.</p> <p>Further details relating to this can be found in the response to the tranche 2 rule amendments here.</p> <p>ASX will further review the establishment of an initial list, detailing those Issuers that have active DRP/BSP's at a point in time, for sharing with the market.</p>
DRP/BSP functionality	The draft ASX Settlement Operating Rules inform us a 'plan record' will be used by ASX to manage the flow of valid standing instruction flows or stop invalid instruction flows. What information does this plan record capture? Will it be validated by those who run each plan and what will be distributed to participants and CHES Users?	<p>A pre-requisite for the processing of DRP/BSP elections is the creation of a Plan Record at the Issuer (not security) level in CHES rather than a Corporate Action Record (as was previously consulted on). A Plan Record is established following notification to ASX Settlement by the Issuer, of a DRP/BSP Plan (following the public release of the relevant market announcement on the relevant ALMO public announcement platform). This requirement is supported by new ASX Settlement Operating Rules. The notification to ASX Settlement will contain no additional information beyond that provided to the ALMO and released on the ALMO's announcement platform. ASX Settlement will record that a DRP is active.</p>

<p>DRP/BSP functionality</p>	<p>The DRP/BSP election and enquiry functions have been brought forward to Day 1 Requirements. It is mandatory for Issuers to support these functions but optional for participants to use. Is it going to be mandatory for participants' software solutions to support the use of the functions? If not, why not? Making it mandatory for the systems to support the functions will provide an incentive for participants to use the functions.</p>	<p>From a participant perspective, usage will be optional. For participants that do utilise the service, they will need to ensure their system has been technically accredited and must demonstrate operational readiness.</p> <p>As CHES Replacement is multi-channel, some participants may choose to use systems outside of their traditional back office system including the CHES UI for DRP/BSP processing.</p> <p>From an Issuer perspective, usage is mandatory. This means that Issuers must be able to respond, that is accept or reject, a participant's request and will need to ensure their system has been technically accredited and each Issuer, or their appointed share registry, must demonstrate operational readiness.</p> <p>It should be noted there are synergies with the ISO 20022 messages used to support this service, with takeover and buyback workflows, which will potentially reduce development effort.</p>
<p>DRP/BSP functionality</p>	<p>[In relation to DRP elections], can multiple partial elections be sent to CHES for a total holding or is there only a single election allowable for total shareholding?</p>	<p>Multiple partial DRP and BSP elections may be submitted to CHES on an aggregated basis.</p>

<p>Account structures</p>	<p>The increase in the number of joint holders that can be registered, from 3 to 4, was said to be due to the need to comply with the SIS legislation. How will the current Bill that will amend the SIS Act to allow up to 6 members of a SMSF (and hence up to 6 trustees) be dealt with? Will market participants be required to allow up to 6 joint holders?</p>	<p>Changes being made in respect of account and holder functionality include transitioning from the current recording in CHESS of Holder Record details in an unstructured 180 character free text format to the recording of this data in a structured format against certain data elements that aligns with ISO 202022 standards. In the current design for the new system this allows for up to four joint holders per HIN to be recorded (identified separately in a “Holder” object).</p> <p>Under the existing unstructured format for recording holder registration details in CHESS, the number of holders that may be identified for each HIN is not system determined but instead tied to the practical 180 character limitation on recording the holders’ names, address and any other relevant registration details (leading to potentially different numbers of joint holders facilitated across holdings).</p> <p>The redesign allows for recording of account and holder details to respond to maximum holding requirements, e.g. under the Superannuation Industry (Supervision) Act (SIS Act) as well as Issuer constitutions, reflecting current specifications for SMSFs which allow up to four individual trustees to hold fund assets but providing the flexibility to accommodate up to six individual trustee holders for a SMSF, if required.</p> <p>Notwithstanding the redesign, settlement participants continue to be subject to rules based restrictions on establishing a Holder Record with more than three joint holders unless permitted under the Issuer’s constitution (reflecting restrictions in most Issuer constitutions).</p> <p>ASX will have regard to the progress of the current Treasury Laws Amendment (Self-Managed Superannuation Funds) Bill 2020 - which seeks to amend the SIS Act to allow up to 6 individual members or a SMSF, and therefore up to 6 individual trustee holders, as well as any increase of the number of joint holders permitted under Issuer constitutions, in considering whether it should increase the number of holders permitted beyond the current design which allows for up to four joint holders per HIN to be recorded.</p> <p>Further information on such aspects, including foreshadowing the potential legislative change to allow up to 6 individual trustee holders for SMSFs is addressed in row 7 of Attachment A to the Tranche 2 Rule Amendments Response to Consultation available here.</p>
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NBO	Given ASX is generating a Net Position Report why can't the ASX provide a NBO message i.e. what the obligation is for each participant by security/HIN/BOM?	ASX expects the design of the Net Novated Position Report to be one of the design considerations that will be consulted on with customers via focus groups in Q1 2021.
NBO	Are failed obligations expected to be included within the next settlement date i.e. like a continuous netting solution?	<p>Failed settlement obligations will be included in the next settlement batch.</p> <p>For novated obligations the proposal is to retain the existing NRI/NSF model which has already been delivered in CDE. Failed settlements will not be included in future netting cycles.</p> <p>Further detail relating to failed non-novated settlement obligations will be a topic of the focus groups.</p> <p>The proposed Net Novated Position Report only includes gross market trades and does not take failures into consideration.</p>
NBO	Can't the future settlement obligations be reported for any future date now rather than just the next day? New solution does not sound any different on reporting future obligations.	The Net Novated Position Report is expected to be available end of day, after trade capture has ended, and provide a net novated position view for any future settlement date.
NBO	What thought was given (and discounted) to a progressive roll down of net obligations during the day, instead of just an end of day batch like process?	ASX have reviewed other options, including the considerations for a continuous intraday calculation but have determined the most scalable solution is the one presented at the 16 December webinar.
NBO	Define complex corporate actions please that slide 10 talks about.	This will be further elaborated on, and form part of the detailed consideration that will be discussed at the next scheduled I&T webinar in February 2021, and the subsequent focus groups.
NBO	How will the proposed settlement process redesign affect the processes of an mFund PISP?	mFund Settlement services remain unaffected by the currently proposed solution design.

NBO	When is the new settlement reporting expected to be available on Settlement Date and will every bilateral settlement made over a HIN included in this report?	Yes it is proposed that the settlement report is available post the completion of batch settlement on a demand basis and will contain all obligations settled (market trades, bilaterals and unilaterals). The purpose of this report is to assist Participants in resolving reconciliation issues identified in their systems and the Settlement Movement Confirmation generated as part of batch settlement processing.
NBO	Will it be possible to request Novated Net Position Reports be sent unsolicited?	ASX expects this to be one of the design considerations that will be consulted on with customers via focus groups in Q1 2021.
NBO	Will there no longer be a known transaction ID to identify NBOs?	NBOs will no longer be materialised, therefore there will not be a transaction ID to identify. The registered novated Market Trades will be taken directly into settlement.
NBO	Will it be possible to obtain on a demand basis a detailed novated net position report that details all trades included in a net position to resolve reconciliation breaks?	At present the proposal does not include transaction IDs of underlying trades included in the Net Novated Position Report.
CDE 9	In the past HINs in CDE had no apparent identity, how is this changing?	As part of the CDE 9 release, full details of the seeded accounts (HINs) have been published on the technical documentation website, details of each account including name and address attributes can be found in the Accounts and Holders section here .
Data governance	How widely has the [data governance] information paper been distributed so far?	The “Information Paper: ASX Data Governance under CHES and CHES Replacement” has been shared with (i) Business Committee members; (ii) published on ASX’s public website (CHES Replacement and a subpage of ASX Regulatory Framework); (iii) circulated on 16 December in the ‘Listed@ASX Compliance Update’ sent to company secretaries and legal advisers to listed companies; (iv) discussed in the implementation and transition working group webinar on 16 December, and (v) referenced in the CHES Replacement December 2020 newsletter .

Forward stakeholder engagement plan	Pricing day 1 for Issuers is not mentioned in the slide #25, when will this be done?	Issuer fees for like-for-like services will not increase with CHES replacement however ASX is working on a pricing model which includes electronic CHES Holding Statements and passes on savings to issuers. We are working towards engaging with issuers on this pricing commencing from Q1 2021.
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