



Information Paper: ASX Data Governance under CHESS and CHESS Replacement

December 2020



Contacts

For general enquiries, please contact:

Sally Palmer – Deputy General Counsel
T: 02 9227 0920
E: sally.palmer@asx.com.au

Jacqueline Oliver – Legal Counsel
T: 02 9227 7112
E: Jacqueline.oliver@asx.com.au

Media enquiries, please contact:

David Park - Corporate Communications Advisor
T: 02 9227 0010
E: david.park@asx.com.au

Contents

Purpose	3
Scope	3
1. ASX group-wide Data Governance Framework	3
1.1 ASX Data Management Policy	4
1.2 ASX Data Handling Procedures	4
1.3 ASX Data Breach Response Plan	5
2. ASX Data Governance Arrangements under CHES	5
2.1 Background: legal and regulatory framework within which ASX Settlement operates	5
2.2 Framework for collection, use and disclosure of data	6
2.3 Confidentiality of data	7
2.4 Security of data	8
2.5 Access to data	9
2.6 Data integrity and quality	10
2.7 Arrangements for compliance with data protection laws	11
Annexure 1 – Information about individual holders received by CHES	15
Annexure 2 – Overview of new or modified data under the new system	17

Purpose

The purpose of this paper is to explain ASX's data governance arrangements under CHES in relation to functions performed by ASX Settlement. It also explains the limited updates that will be made to the data that is received by CHES and how it will be managed under the CHES replacement system. In addition, as part of ASX's ongoing focus on privacy and data protection across its organisation, ASX is making enhancements to its existing robust arrangements in relation to privacy and protection of data received by CHES, which are outlined in this paper.

Terms defined in the ASX Settlement Operating Rules and associated Procedures (**ASXSORs**) and used in this paper have the meaning given to them in the ASXSORs (this includes terms such as participant, holder, issuer and subregister). In this paper references to "ASX Settlement" are to ASX Settlement Pty Limited and references to "ASX" are to the ASX Group.

Scope

CHES is the core system used by ASX Settlement to perform its functions and provide its services in connection with the clearing and settlement of trades and other post trade services facilitated under the ASXSORs.

This paper relates to ASX's data governance arrangements under CHES and the new system that will replace CHES. Accordingly it is relevant to Day 1 functionality under the new system and the functionality for electronic acceptance and payment for entitlement offers (previously referenced as part of 'release 1.1') that will be included in a future release after Day 1.

Following the implementation of the new system, any new services or applications in relation to the ledger that may be proposed in future outside of CHES, which involve the collection, use or disclosure of data, would be subject to their own specific data governance arrangements which would depend on the nature of the particular service or application.

1. ASX group-wide Data Governance Framework

ASX has a group-wide Data Governance Framework designed to ensure that the data received and held across the organisation will be adequately protected and appropriately handled. This framework applies to all data across ASX, including data received by CHES. The framework includes accountability and oversight arrangements and group-wide processes and procedures for the management of data. It includes rules, controls and systems to support the delivery, management and protection data, including arrangements to protect the privacy and confidentiality of information where relevant. Key features of the framework include:

- *Accountability and oversight arrangements:* ASX has accountability and oversight arrangements for the management of data across its organisation, with defined roles and leadership with responsibility for data governance. The ASX Data Governance Group (**DGG**) chaired by the ASX Chief Operating Officer (**COO**) meets regularly and is responsible for decisions in relation to the handling of data across ASX and approving data management policies and procedures. The DGG provides executive leadership and oversight of the implementation of data management practices across ASX. Its members include the Senior Manager Data Governance, ASX Chief Information Officer, Group General Counsel, Chief Risk Officer, Chief Financial Officer and commercial Executive General Managers. The ASX Senior Manager Data Governance has day to day responsibility for the implementation of data management policies and procedures and reports directly to the COO.

- *Data management policies and procedures:* ASX has policies and procedures for data management designed to ensure that data is managed in a consistent manner and in accordance with any applicable legal and regulatory requirements across the data lifecycle. The key policy in this regard is the ASX Data Management Policy which sets out how data is managed across ASX and the key principles for managing data across all stages of the data lifecycle, including responsibility for data and data classification. It applies to all ASX staff, including employees, contractors, consultants and directors. The ASX Data Management Policy is supported by other related ASX policies and procedures, including the ASX Data Handling Procedures, Data Breach Response Plan, and Data Retention Policy.
- *Appropriate processes and systems for handling data:* ASX uses processes and systems for handling data that are stable, secure and reliable. ASX classifies the data it holds by reference to the sensitivity and criticality of the data. Based on the classification, relevant controls are applied and robust systems used to protect the confidentiality, integrity and availability of the data.
- *Staff training and awareness:* ASX staff receive annual training on privacy and data management principles. Additional awareness campaigns are run and training is provided to staff on an ad hoc basis as appropriate for new initiatives involving data.

1.1 ASX Data Management Policy

The ASX Data Management Policy sets out how data is managed across ASX, including:

- The classification of datasets and application of relevant controls in accordance with the ASX Data Handling Procedures
- Decision-making authority and responsibilities in relation to the handling of data across ASX, including the authority and responsibilities of the DGG and the responsibilities of staff who manage datasets across the organisation.

1.2 ASX Data Handling Procedures

The ASX Data Handling Procedures (**Procedures**) provide guidance on the implementation of the ASX Data Management Policy. They outline the following criteria for assessing the sensitivity of a dataset, including:

- *Confidentiality:* The need to protect against unauthorised disclosure of the data
- *Integrity:* The need to protect against unauthorised or inadvertent modification of the data
- *Availability:* The need to ensure the continued accessibility and availability of the data.

A dataset is assigned a ranking in accordance with the Procedures following an assessment of its sensitivity. The Procedures set out the minimum controls that must be applied depending on the sensitivity ranking of a dataset, which may include physical barriers, access protections including use of passwords and encryption, data validation controls, reconciliation of the data to its source, and disaster recovery plans and testing.

The data received by CHES has been assigned a level 4 ranking (being the highest sensitivity ranking used by ASX) in accordance with the Procedures. This ranking reflects the nature of ASX Settlement's obligations under the operating rules and applicable data protection laws with respect to data received by CHES, including with respect to maintaining confidentiality of the data and the need to maintain its integrity and availability in order for ASX Settlement to perform its functions and provide its services under the ASXSORs.

The key controls applied to protect the data received by CHES are outlined in section 2 below.

1.3 ASX Data Breach Response Plan

ASX has a Data Breach Response Plan (**Plan**) which forms part of ASX's Risk Management Framework. The Plan sets out the relevant lines of authority and procedures to be followed by ASX staff in the event of an actual or suspected data breach. The Plan applies to all data held across ASX, including data received by CHESS.

The key objectives of the Plan include enabling ASX to contain, assess and respond to a data breach in a timely manner, mitigate any potential harm to affected parties, and comply with ASX's obligations under privacy laws, the operating rules and its other contractual arrangements.

2. ASX Data Governance Arrangements under CHESS

Within the overarching group-wide framework for data governance, ASX has arrangements in place with respect to data received by CHESS that are shaped by the legal and regulatory framework within which ASX Settlement operates.

This section explains the key features of ASX's data governance arrangements under CHESS. It also outlines the limited updates to the data received and how it is managed under the new system. As part of ASX's ongoing focus on privacy and data protection across the organisation, ASX is making enhancements to its existing robust arrangements in relation to the privacy and protection of data received by CHESS which are outlined in this section.

2.1 Background: legal and regulatory framework within which ASX Settlement operates

The data governance arrangements in place for CHESS are shaped by ASX Settlement's functions and obligations as a licensed clearing and settlement (**CS**) facility operator under Part 7.3 of the Corporations Act 2001 (Cth) (**Corporations Act**).

As a CS facility licensee, ASX Settlement is required to, among other things, do all things necessary to ensure the facility's services are provided in a fair and effective way, comply with the Financial Stability Standards (**FSS**) published by the Reserve Bank of Australia (**RBA**) and do all other things necessary to reduce systemic risk. The FSS include requirements to minimise operational risk and design systems to ensure a high degree of security. The RBA assesses on an annual basis the ASX CS facilities' compliance with the FSS, as well as the CS facilities' more general obligation under the Corporations Act to do all other things necessary to reduce systemic risk.

ASX Settlement is also required under the Corporations Act to have operating rules dealing with the activities or conduct of the facility, or persons in relation to the facility, for the facility to ensure as far as reasonably practicable that systemic risk is reduced and the facility is operated in a fair and effective way. In satisfaction of this requirement ASX Settlement has made the ASXSORs, which deal with matters prescribed under the Act and the Corporations Regulations 2001 (Cth). The prescribed matters include:

- With respect to the operating rules, the regulated services provided by the CS facility, including the means by which obligations of parties to transactions relating to financial products will be met through the CS facility; matters relating to risk in the CS facility; access to the CS facility; and procedures to be followed by participants to address risks that are relevant to the CS facility.
- With respect to the procedures, arrangements to ensure the integrity and security of systems (including computer systems); identifying and monitoring risks that are relevant to the CS facility, and the

development of rules and procedures to address those risks; and the exchange of appropriate information relating to participants and their activities that are relevant to the CS facility, with other CS facilities, financial markets, the Australian Securities and Investments Commission (**ASIC**) and the RBA.

The ASXSORs establish rules dealing with data received by CHESS and the purpose for which it is provided. In the event of any conflict between the ASXSORs and ASX's broader data governance framework, the ASXSORs would prevail.

Any change to the ASXSORs may be disallowed by the Minister (or ASIC as the Minister's delegate), having regard to the consistency of the change with ASX Settlement's obligations under Part 7.3 of the Corporations Act.

The ASXSORs have effect as a contract under seal between ASX Settlement and all facility users, including participants and issuers.¹

2.2 Framework for collection, use and disclosure of data

The collection, use and disclosure of data received by CHESS is governed by the ASXSORs. The rules specify what data needs to be provided and the purpose for which it is provided. If ASX Settlement intended to collect new data under CHESS in future, this would be subject to the usual rule amendment process.

ASX Settlement uses and discloses data received by CHESS in accordance with the framework under the ASXSORs to perform its functions and provide its services. If ASX Settlement intended to use or disclose data received by CHESS for another purpose in the future, ASX Settlement would ensure that any such use or disclosure (including any access provided to third parties) would be in accordance with the operating rules (including any relevant rule amendments made via the usual rule amendment process) and any applicable data protection laws.²

Updates to data received under the new system and associated rule changes

Under the new system the collection, use and disclosure of data received by CHESS will continue to be governed by the ASXSORs as described above.

There will only be limited changes to the data received by CHESS and the purposes for which it will be used under the new system: See Annexure 2 for an overview of the changes. The associated rule amendments and the rationale for the changes are (and will continue to be) explained in detail in the CHESS replacement rule amendment consultation papers. In summary, new or modified data to be received by the new system will be provided on an optional basis (such as when investors choose to provide electronic notifications through CHESS under the new Dividend Reinvestment Plan (**DRP**) / Bonus Share Plan (**BSP**) election functionality) or otherwise represents limited changes to the way existing data is collected under CHESS today, as a result of new ISO messaging fields that are related to information inherent in current CHESS, or modifications to enhance communication of investor details to mFund issuers to assist them to comply with their regulatory reporting obligations (US Foreign Account Tax Compliance Act (**FATCA**) and Common Reporting Standard (**CRS**)).

¹ This is recognised in s822B of the Corporations Act.

² See section 2.7 below in relation to ASX's arrangements for compliance with data protection laws.

2.3 Confidentiality of data

The ASXSORs contain express restrictions on the disclosure of data to protect it from unauthorised access or disclosure. The security and access arrangements for CHESSE described in sections 2.4 and 2.5 below support the maintenance of confidentiality of data received by CHESSE.

The ASXSORs do permit ASX Settlement to disclose information regarding its participants and their activities to ASIC, the RBA, the Australian Prudential Regulation Authority (**APRA**), an approved market operator³, an approved clearing facility⁴ and any governmental agency or regulatory authority: See ASXSOR 3.8.1.

ASX Settlement is required to take all reasonable measures to protect from unauthorised use or disclosure information provided to it in confidence by or on behalf of a participant pursuant to the ASXSORs: See ASXSOR 3.8.2. In certain circumstances disclosure of information will not be prohibited under ASXSOR 3.8.2, including where disclosure is required by law, where the disclosure is to a related body corporate of ASX Settlement (for the purpose enabling it to assess the participant's compliance its operating rules or a contractual arrangement), where the disclosure is to an approved market operator or approved clearing facility (for the purpose of enabling it to assess the participant's compliance with its operating rules or procedures), or where the information is requested by a governmental agency or regulatory authority, including a market operator, clearing house or clearing and settlement facility, in the proper exercise of its powers relating to the order and good government of participants or the efficient, honest, fair, competitive and informed trading, clearing and settlement of financial products: See ASXSOR 3.8.2.

Unless required under the rules or by law, the ASXSORs restrict the disclosure by ASX Settlement of information about financial products in a holding other than to the holder, their controlling participant, the issuer or the bid offeror (in the event of a takeover): See ASXSOR 8.11.3. This restriction is subject to ASXSOR 8.11.4 which permits ASX Settlement to disclose information regarding financial products in a holding to ASIC, the RBA, APRA, an approved market operator, an approved clearing facility, the home regulator of a foreign clearing house, or the Securities Exchanges Guarantee Corporation (**SEGC**), where requested by that body in the proper exercise of its powers and in order to assist it in the performance of its regulatory functions (or in the case of the SEGC, its regulatory or other functions).

The ASXSORs restrict the disclosure by participants and issuers of Holder Identification Numbers (**HINs**), controlling participant identifiers (**PIDs**) and Security holder Reference Numbers (**SRNs**) (for issuer sponsored holders) other than to the holder or their duly appointed attorney, agent or legal personal representative, the controlling participant (if the holding is a CHESSE holding) or ASX Settlement, unless required by the rules or law or with the holder's express consent: See ASXSOR 8.11.1. Where a participant seeks from an issuer or another participant the SRN and holding balance details of an issuer sponsored holding, the HIN of a CHESSE holder or the PID of a controlling participant, the participant warrants that it is the duly appointed agent of the holder for the purpose of obtaining those details and indemnifies the issuer or other participant in respect of an unauthorised request: See ASXSOR 8.11.2. These are important

³ ASX Settlement has approved ASX Limited and Chi-X Australia Pty Limited as approved market operators in relation to the services specified in the Procedures and for the purpose of the rules and procedures pertaining to those services: See ASXSOR 2.13.1 and Procedures Section 2.

⁴ ASX Settlement has approved ASX Clear Pty Limited as an approved clearing facility: See ASXSOR 2.13.1 and Procedures Section 2.

safeguards to protect the rights of holders, since the loss or unauthorised disclosure of such information may increase the risk of fraud.

Updates for the new system

ASXSORs 8.11.1 and 8.11.2 will be updated to include restrictions on the disclosure of Universally Unique Identifiers (**UIDs**), which will be allocated by the new system to each named holder of a holder record.⁵

2.4 Security of data

ASX maintains high standards of security for CHESS, in accordance with its legal and regulatory obligations as a CS facility operator.

These include obligations to comply with the FSS. In particular, FSS 14 (Operational Risk) provides that plausible sources of operational risk, both internal and external, should be identified and their impact mitigated through appropriate systems, policies, procedures and controls, and systems should be designed to ensure a high degree of security and operational reliability and should have adequate, scalable capacity.⁶

ASX's security arrangements and controls for CHESS include:⁷

- Documented policies and procedures (including risk management policies such as conditions and restrictions for system use, good password protection practices and virus protection)
- Restricted access to operating systems, applications, databases and underlying records (including role based security mechanisms)
- User administration and access management
- A documented security strategy that includes appropriate tools and techniques to prevent, detect, respond to and recover from security incidents.

ASX's arrangements for the maintenance of security and confidentiality over the data of facility users are subject to an annual independent audit in accordance with Section 12.3 of the ASXSORs and Procedure 12.3.1.

Security design under the new system

In designing the new system, ASX has taken a layered approach to security enforcements designed to ensure continued end-to-end security of the CHESS platform under the new system, spanning channel security and

⁵ Tranche 1 Rule Amendments Consultation Paper, Attachment A, row 3; Tranche 1 Rule Amendments: Response to Consultation Feedback, Attachment A, rows 1 and 5.

⁶ See also the RBA's Guidance on FSS 14 at 14.3.4: "... A securities settlement facility also should have sound and robust information security policies, standards, practices and controls to ensure an appropriate level of confidence and trust in the securities settlement facility by all stakeholders.... Data should be protected from loss and leakage, unauthorised access and other processing risks, such as negligence, fraud, poor administration and inadequate recordkeeping. A securities settlement facility's information security objectives and policies should conform to commercially reasonable standards for confidentiality, integrity, authentication, authorisation, non-repudiation, availability and auditability (or accountability).": <https://www.rba.gov.au/payments-and-infrastructure/financial-market-infrastructure/clearing-and-settlement-facilities/standards/201212-new-fss-ris/pdf/attachment-5.pdf>.

⁷ For further information, see ASX's qualitative disclosures under the Principles for Financial Market Infrastructures dated December 2019, pages 111-115: <https://www.asx.com.au/documents/asx-compliance/pfmi-disclosure-framework.pdf>.

Distributed Ledger Technology (**DLT**) security. The design contains overlapping controls for network access, ledger access, and data access. Each access channel by which a user may access data received by the new system will be subject to its own specific security measures. The controls to protect access channels leverage global standards for authentication, authorisation and encryption.

For example, the security controls for the ledger API will include the use of private transaction layer security (TLS) keys that can only be used from the user's ASX Net IP addresses, and the issue of short-lived authorisation tokens which must be presented each time a user issues a command to the DLT. Authorisation tokens will contain the user's DLT (data) access rights which will be enforced by the DLT.

Physical security of data will be maintained through data infrastructure held in the ASX Australian Liquidity Centre, and through the encryption of physical disks on which data is stored.

2.5 Access to data

The ASXSORs provide the framework for access to data received by CHES, including the parties that can access data and restrictions on disclosure. Security and access controls are in place to ensure that access to data is limited to entitled facility users performing a function in relation to that information (including participants and share registries acting on behalf of issuers).

Access to the data by ASX staff, including contractors, is restricted to ASX administrative and technical personnel who need to access that data. Particular restrictions on access apply in relation to TFNs (see further section 2.7.7 below).

Data access arrangements under the new system

Under the new system, the operating rule arrangements dealing with access to data will remain unchanged unless specified in the rule amendment consultation papers (for example, the rule amendments associated with the DRP/BSP election functionality and access to TFNs by ASX Settlement).

The new system is built on a permissioned distributed ledger, with all users, regardless of their connection choice, subject to an on-boarding process governed and managed by ASX. The new system design and the security protections described above will allow ASX to ensure that only authorised users can access the data to which they are entitled across all access channels, including the ledger API.

Issuers will receive an additional type of data access through the ledger API access channel which will provide them with the ability to access ledger state information to which they are entitled as it is updated in CHES (subject to the issuer having subscribed to ledger API access).

ASX will maintain transactional and message reporting databases for various reporting and query use cases, which will be accessible by authorised users via message based reporting and/or the CHES user interface. ASX's existing controls for server and database access will apply to these data sources.

2.6 Data integrity and quality

The ASXSORs include requirements designed to ensure the completeness, validity and accuracy of data received by CHES.

Participants are under an obligation to ensure that all information they give to ASX Settlement is complete, accurate and not misleading. If a participant becomes aware that information which it has previously given to ASX Settlement was or has become incomplete, inaccurate or misleading, the participant must promptly notify ASX Settlement in writing: See ASXSOR 6.2.2.

Indemnities in the ASXSORs incentivise the participant to ensure the validity and accuracy of information provided about holders: See ASXSOR 8.7.4 (in relation to unauthorised or incorrect details provided on establishment of a holder record), ASXSOR 8.18.5 (in relation to unauthorised or incorrect requests to change registration details) and ASXSOR 8.18.11 (in relation to unauthorised or incorrect requests to change a residency indicator).

ASX also intends to introduce a new indemnity in the ASXSORs to incentivise the participant to ensure that personal information provided in relation to a holder under CHESS is correct and complete. In addition, ASX intends to introduce a new ASXSOR that would require a participant to take reasonable steps to obtain corrected details from a participant sponsored holder where the participant becomes aware that the registration details recorded in the holder record for that holder are incorrect, as a result of a returned or undelivered CHESS holding statement or other notice sent to the holder.⁸

The operating rules specify what authority or direction the participant must obtain from the holder and the information that the participant must maintain and provide to ASX Settlement in connection with effecting changes to such information: See, for example ASXSOR 8.18.1 (a participant must not effect a change of registration details without prior written authority of the holder, and must retain that written authority) and ASXSOR 8.18.9 (a participant must notify ASX Settlement of a change to a residency indicator recorded in a holder record in respect of an issuer of FOR financial products if directed by the holder or if the participant becomes aware that it is incorrect).

Data integrity under the new system

The ledger represents a verifiable audit trail of all transaction activity. Users accessing information on the ledger via ledger API access can rely on it as real-time and auditable source of truth information. All users accessing information, regardless of the access channel used, will be accessing information obtained from the ledger which represents the source of truth information. Controls will be in place to ensure the integrity of data extracted from the ledger into reporting databases (including controls to ensure completeness of data and reconciliation processes to ensure accuracy of data).

In addition, as part of the operating rule amendments to facilitate the implementation of the new system, new or amended operating rules are being introduced to protect the integrity of data provided to CHESS. See:

- Amendments to ASXSOR 8.18.4⁹ (while under the new system changes to registration details will be electronically processed by ASX Settlement, a participant must still maintain documentation to support the request and provide this to ASX Settlement on request)
- Amendments to ASXSOR 8.18.8¹⁰ (while under the new system changes to holder type and removal of a holder record will be electronically processed by ASX Settlement, a participant must maintain documentation to verify that a requested change of holder type or removal of a holder record is correct and that the participant is authorised to request the action, and provide this to ASX Settlement on request)

⁸ These new rules will be addressed as part of a further rules consultation planned for Q3 2021 covering the tranche 3 and consolidated draft rule amendments for the new system.

⁹ Tranche 1 Rule Amendments Consultation Paper, Attachment A, row 10.

¹⁰ Tranche 1 Rule Amendments Consultation Paper, Attachment A, row 11.

- New ASXSOR 8.18.14¹¹ (indemnity in relation to an unauthorised or incorrect request to change holder record details under new ASXSOR 8.18.12, which is being introduced to reflect new system functionality that will allow additional information to be maintained in a holder record).

Data quality under the new system

ASX will adopt the ISO 20022 messaging standard for the new system. The introduction of ISO 20022 will streamline the existing suite of messages, facilitate more efficient processing and provide an inherently higher quality data set.

In particular, the new system (through the use of ISO 20022 messaging) will support the standardisation of the format of holder registration details recorded on the CHESS subregister. The ISO 20022 standard significantly expands the 180 character limit under existing CHESS for the holder's name and address, and separates the name and address into distinct fields. The standardisation of these details will conform to the Australia Post address presentation standards.¹²

2.7 Arrangements for compliance with data protection laws

2.7.1 Overview

ASX Settlement receives information about individuals in CHESS in the course of performing its functions and providing its services under the operating rules. This includes personal information such as holder names, addresses and security balances. Participants can optionally transmit through CHESS certain details including TFNs, Australian Business Numbers (**ABNs**) and Exemption Codes - such 'pass through' information is not retained by ASX Settlement except in records of messages received or sent by CHESS - it does not form part of the holder record details recorded by ASX Settlement in CHESS. The table at Annexure 1 shows the information received by CHESS (including new or modified data under the new system) about holders who are individuals, and the purposes for which that information is provided.

ASX's data governance arrangements under CHESS are consistent with its obligations under applicable data protection laws, including the Privacy Act 1988 (Cth) (**Privacy Act**) and Australian legislation regulating the collection, use and disclosure of TFNs. The key features of these arrangements are outlined below.

While its operations are primarily based in Australia and governed by Australian law, ASX provides services to both domestic and international customers and accordingly seeks to ensure that its arrangements meet relevant and applicable global standards, to allow customers overseas to have confidence in ASX's handling of their data. Since the EU General Data Protection Regulation (**GDPR**) is generally recognised as representing a high watermark for privacy regulation internationally, ASX has had regard to the relevant GDPR requirements in its arrangements for personal information received by CHESS.

ASX Settlement expects that participants and issuers that collect, use and disclose data under CHESS will comply with their own obligations under applicable data protection laws. However, ASX is proposing new operating rules as additional measures to incentivise participants to ensure that personal information they

¹¹ Tranche 1 Rule Amendments Consultation Paper, Attachment A, row 12; Tranche 1 Rule Amendments: Response to Consultation Feedback, Attachment A, row 5.

¹² See further CHESS Replacement: New Scope and Implementation Plan Consultation Paper, section 8.3.

provide under CHESS in relation to a holder is accurate,¹³ and to incentivise issuers to ensure that personal information they receive under CHESS is not subject to misuse or unauthorised disclosure.¹⁴

2.7.2 Transparent management of personal information

ASX's privacy statement (available on the ASX website) explains what personal information ASX receives and how ASX handles that personal information. ASX is updating its privacy statement to include additional information for investors whose personal information is received by CHESS, including how their personal information is collected, the purposes for which it may be used or disclosed and the parties to which it may be disclosed. The updated privacy statement is expected to be published in late 2020.

ASX expects participants and issuers to comply with their disclosure obligations under privacy law: See ASXSOR Guidance Note 6: Privacy Matters which states that, having regard to its privacy obligations, an ASX settlement participant should acknowledge in its privacy policy and in its privacy information collection statements that it may be obliged to provide personal information about individuals to ASX under the ASXSORs and that the information may be used by ASX for its purposes (for example, in the course of ASX's compliance activities).

In addition to the information provided to individuals when their personal information is collected, for example, by their controlling participant, ASX is introducing a privacy notice in the CHESS holding statements and notifications sent by ASX Settlement to holders under the ASXSORs, including a link to ASX's privacy statement, to further ensure that individuals are made aware of how their personal information received by CHESS is handled.

Disclosure updates for the new system

The updates that will be made to ASX's privacy statement will include information about the limited changes to the information received by CHESS under the new system, including the details described above.

2.7.3 Lawful basis for processing personal information

In accordance with the Privacy Act, personal information received by CHESS under the ASXSORs is limited to what is reasonably necessary for one or more of ASX Settlement's functions or activities under the operating rules.¹⁵ This includes use or disclosure that is required by ASX Settlement to comply with its legal and regulatory obligations as a licensed CS facility operator under the Corporations Act, including to monitor and enforce compliance with the operating rules.

ASX Settlement only uses or discloses personal information received by CHESS for the purposes for which it was collected under the ASXSORs and will not use or disclose that information for any other purpose unless it is permitted to do so under applicable privacy laws, for example, where required by law or court order.¹⁶

¹³ See section 2.6.

¹⁴ These new rules will be addressed as part of a further rules consultation planned for Q3 2021 covering the tranche 3 and consolidated draft rule amendments for the new system.

¹⁵ See ASXSORs Section 1.1. See also Annexure 1 which describes the specific purpose for which information is collected.

¹⁶ See for example Australian Privacy Principle 6 which specifies circumstances in which personal information may be used or disclosed for a purpose other than the purpose for which it was collected (a 'secondary purpose').

For example, ASX Settlement will use and disclose holder email addresses received by CHES for the primary purpose for which those details were collected, being the provision of electronic communications (CHES statements and notifications) to holders by ASX Settlement and/or issuers (depending on the holder's communication preference). ASX Settlement will not use those details for any other purpose (such as direct marketing) in the absence of an applicable exception under privacy laws (as noted above).

With respect to the GDPR, personal information of individuals located in the EU is received by CHES and processed by ASX Settlement in the pursuit of its legitimate interests to provide its services to participants, issuers and investors in accordance with the ASXSORs and to comply with its legal and regulatory obligations. This includes the wider social and economic benefits of ASX Settlement's obligations to provide a fair and effective service (including the provision to investors of a means of transferring and registering share ownership that is secure and efficient). ASX Settlement can rely on those legitimate interests as a lawful basis for processing that information under the GDPR, because the interests it pursues are legitimate, its processing is necessary to achieve those interests, and those interests are not overridden by the interests or fundamental rights and freedoms of the individual ('balancing test'). In applying the balancing test ASX Settlement has had regard to factors including the nature and source of its legitimate interests and their significance, the nature, purpose and use of the information that is collected under the operating rules, and the safeguards in place to prevent any undue impact on individuals (including measures to ensure the security, confidentiality and accuracy of the information).

2.7.4 Security and accuracy of personal information

Please refer to sections 2.4 and 2.6 above for a summary of arrangements that are in place to incentivise participants to ensure that personal information provided under CHES is accurate and kept up to date, and arrangements to maintain the security of personal information received by CHES.

2.7.5 Retention of personal information

ASX has a Data Retention Policy which specifies retention periods for documents maintained by the organisation. ASX does not keep personal information unless that information is needed for a purpose for which it may be retained under applicable privacy laws (a 'permitted purpose').

ASX Settlement needs to retain certain records of personal information received by CHES for permitted purposes which include performing its functions and providing its services to holders, participants and issuers in accordance with the ASXSORs (including providing a trusted, secure and reliable source of records for transactions in approved financial products) and maintaining CHES subregister records on behalf of issuers to allow them to meet their data retention obligations under the Corporations Act in respect of the register of members. In accordance with its legal obligations, ASX Settlement will delete or de-identify any personal information that it no longer needs for a permitted purpose.

2.7.6 Complaints handling and individual rights requests

ASX has appointed a Chief Privacy Officer to manage privacy enquiries and complaints. ASX's privacy statement contains information on how individuals can contact ASX to make an enquiry, take steps to exercise their rights in relation to their personal information held by ASX, or make a complaint. ASX has internal procedures for ASX to respond to a request from an individual to exercise their rights in relation to their personal information held by ASX.

2.7.7 Legislation regulating Tax File Numbers (TFNs)

ASX Settlement has arrangements in place to ensure that it complies with legislation that regulates the collection, use and disclosure of TFNs.¹⁷ A participant may notify a TFN, ABN or Exemption Code on behalf of a holder to an issuer through CHESS. These details are used by issuers for tax reporting purposes, including for the purposes of compliance with any tax withholding requirements with respect to dividend or distribution payments.

TFN, ABN and Exemption Code details are subject to particular restrictions on disclosure under the ASXSORs: See ASXSOR 8.19.5 (restricts disclosure by ASX Settlement to anyone other than the issuer nominated by the participant and prohibits ASX from using the details for any other purpose).

TFN, ABN and Exemption Code details are transmitted to issuers in messages on a 'pass-through' basis only, and are only retained by ASX Settlement in message records with TFNs masked. ASX Settlement has controls in place to ensure that a TFN would only be un-masked by specific ASX staff in limited circumstances, such as to address technical issues with messages. These existing controls on the unmasking of TFNs will be formalised in a new ASXSOR which specifies the circumstances in which ASX Settlement may view or access a TFN and confirms that if ASX Settlement does so, this will only be done on behalf of the relevant participant in ensuring that the participant can comply with its TFN obligations.¹⁸

¹⁷ The Taxation Administration Act 1953 (Cth), Income Tax Assessment Act 1936 (Cth), Privacy Act 1988 (Cth) and Privacy (Tax File Number) Rule 2015.

¹⁸ This new rule will be addressed as part of a further rules consultation planned for Q3 2021 covering the tranche 3 and consolidated draft rule amendments for the new system.

Annexure 1 – Information about individual holders received by CHES

The table below summarises the information received by CHES about holders who are individuals, including new or modified data to be received under the new system. Unless otherwise indicated, the information listed below is provided by the controlling participant on behalf of the holder.

Information	Key purpose(s) for collection
Holder Record details	
<i>Holder Identification Number (HIN)</i> (generated by the system)	To identify a holder of financial products on the CHES subregister, and link the holding details maintained on the CHES subregister with the holder's registration details
<i>Registration Details:</i>	
• <i>Holder Name</i>	To record holdings on the CHES subregister
• <i>Account name</i> (generated by the system using holder name(s))	To record holdings on the CHES subregister
• <i>Address</i>	To record holdings on the CHES subregister, and to allow postal communications from ASX and issuers
• <i>Email Details</i> (if any): <ul style="list-style-type: none"> ○ <i>Email address</i> ○ <i>Email Purpose</i> 	To allow ASX to send holding statements and notifications to the holder electronically and to allow issuers (generally via their share registry) to communicate electronically with a holder for purposes relating to their holding. The Email Purpose identifies whether the holder wishes to receive electronic communications from the issuer only, ASX only or both ASX and the issuer, and is specified as part of the Communication Preference (below). Where the holder wishes to receive electronic communications from the issuer only or both ASX and the issuer, ASX will pass on the email address to the issuer.
• <i>Residency indicator</i>	This code indicates whether any holder is considered a 'Foreign Person', to assist issuers to comply with foreign ownership restrictions
<i>Holder Type</i>	To indicate the capacity in which a participant: (a) establishes a holder record; (b) controls a CHES holding (e.g. direct, participant sponsored)
<i>Ownership Type</i>	To indicate whether a holding is a joint or single holding, to enable the new system to determine whether details about more than one holder need to be recorded
<i>Communication Preference</i>	To identify whether a holder wishes to receive communications electronically or by post from ASX and/or the issuer
<i>Universally Unique Identifier (UUID)</i> (generated by the system for each named holder)	To identify each named holder. Where there are joint holders, each individual holder will be allocated a UUID
<i>Entity Type</i> (for each named holder)	Indicates whether the holder is an individual or company. Used to enable the new system to determine what additional information about a holder may be recorded
<i>Mailing Addressee Line</i> (generated by the system)	To enable the address for the HIN to meet Australia Post postage requirements
mFunds only - information provided on initial mFund application	
<i>Mobile phone number</i> (for the HIN)	May optionally be provided to the unit registry in the event the registry needs to contact the investor e.g. to clarify information as part of the application process
<i>Address</i> (for each named holder)	Required on initial mFund application, to be passed through to mFund issuers to assist them to comply with their regulatory reporting obligations (FATCA and CRS)
<i>Date of birth</i> (for each named holder)	Required on initial mFund application, to be passed through to mFund issuers to assist them to comply with their regulatory reporting obligations (FATCA and CRS)

Information	Key purpose(s) for collection
<i>Tax residency details</i>	Required on initial mFund application, to be passed through to mFund issuers to assist them to comply with their regulatory reporting obligations (FATCA and CRS)
<i>Bank account details</i>	Required on initial mFund application where partial distribution reinvestment plan or cash distribution is elected, to be passed through to mFund issuers for electronic direct credit of distributions
<i>Distribution preference</i>	Required on initial mFund application to communicate distribution preference of the investor (full distribution reinvestment plan, partial distribution reinvestment plan or cash)
<i>Details of investor's advisor (if any)</i>	Required on initial mFund application for the purpose of investor communications and in connection with KYC requirements
Dividend Reinvestment Plan (DRP) or Bonus Share Plan (BSP) election information and entitlement acceptance information	
<i>DRP or BSP elections (or cancellation of elections) (may be provided by controlling participant or by an issuer under enquiry functionality)</i>	To allow controlling participants to process DRP or BSP elections (or cancellations of elections) through CHES on behalf of holders, and to allow controlling participants to query the current status of elections under the CHES replacement system
<i>Entitlement acceptance information</i>	To allow controlling participants to process entitlement acceptances through CHES on behalf of a holder
Other information that may be transmitted through CHES	
<i>TFN / ABN / Exemption Code details</i>	These details may be provided to the issuer for tax purposes, including for the purposes of compliance with any tax withholding requirements with respect to dividend or distribution payments
<i>Bank account details</i>	To facilitate electronic direct credit of distributions and other payments from time to time as authorised or required by an issuer
<i>Security holder Reference Number (SRN) of an issuer sponsored holder (may be provided by controlling participant or by an issuer under SRN enquiry functionality)</i>	To support the processing of a conversion or transfer of a holding from the issuer sponsored subregister to the CHES subregister
<i>Holding balance in respect of an issuer sponsored holding (may be provided by an issuer under SRN enquiry functionality)</i>	See above
Information about financial products held in CHES, including:	
<i>Units held</i>	To allow ASX to provide its services under the operating rules, including to maintain the CHES subregister on behalf of issuers
<i>Security code</i>	See above
<i>Holding movements</i>	See above
Information about the status of a CHES holding, including:	
<i>Locked or unlocked status</i>	For the management of holding locks and holder record locks (for example, if a holder is declared bankrupt or pursuant to a court freezing order), and demand locks and settlement locks (to enhance operational certainty for transactions in the new system)
<i>Sub-positions</i>	For the management of sub-positions in accordance with the operating rules (for example in the case of a takeover acceptance)

Annexure 2 – Overview of new or modified data under the new system

The limited changes to the data in relation to participants, accounts and holders received by the new system are summarised below. For more information on the rationale for the changes and associated ASXSOR amendments, please refer to the relevant rule amendment consultation paper(s).

- **Changes due to technical requirements for ISO 20022 messaging:** The new system will facilitate the recording of structured data about accounts and holders. The following will be new mandatory data fields: “Ownership Type”, “Communication Preference” (mandatory for sponsored accounts only, optional for all other accounts), “Mailing Addressee Line”, “Entity Type” and “UUID”. Although these will be new dedicated data fields, the information is not new as it is inherent in existing CHES today.¹⁹
- **Changes required as a result of new optional functionality to address new business requirements:**
 - *DRP and BSP election information:* Controlling participants will be able to process elections (or cancellations of elections) made in respect of a DRP or BSP through CHES on behalf of holders (there may be multiple elections for a CHES holding). Where controlling participants choose to use this functionality, the information will be provided to CHES and CHES will pass it on to the issuer (and their share registry). Issuers will be required to notify of issuer-instigated cancellations (e.g. due to zero balance or plan suspension) of an election that had been notified through CHES. In addition, a new enquiry functionality will be provided via CHES for controlling participants to request details of existing DRP or BSP elections, with issuers to be required to process such requests.²⁰
 - *Electronic entitlement acceptance information:* Controlling participants will be able to submit acceptance of entitlement offers, and payment in respect of such acceptances, electronically through CHES on behalf of a holder. CHES will maintain and update a record of acceptance and payment status, and notify parties of updates to that record. The use of this functionality will require provision of bank account details connected to the electronic payment facility to facilitate straight-through-processing of RTGS payments.²¹
 - *Non-batch DvP bilateral settlement:* It will be optional to make cash payment through CHES (with demand transfer) on DvP basis. This functionality will require provision of bank account details connected to the payment facility to facilitate straight-through-processing of RTGS payments.²²

¹⁹ The new and changed functionality in relation to account and holder creation (including changes to holder details) and the new business requirements to which this functionality relates are explained in the Tranche 1 Rules Amendments Consultations Paper, Section 1.2.

²⁰ Tranche 2 Rule Amendments Consultation Paper, Section 1.2; Tranche 2 Rule Amendments: Response to Consultation Feedback, Attachment A, row 1.

²¹ Tranche 2 Rule Amendments Consultation Paper, Sections 1.3 and 1.4; Tranche 2 Rule Amendments: Response to Consultation Feedback, Attachment A, row 28. As indicated in ASX’s Response to Consultation Feedback on the CHES Replacement Revised Implementation Timetable released 28 October 2020, electronic acceptance and payment functionality for entitlement offers will not form part of Day 1 CHES replacement system functionality, and will be included in a future release. Accordingly, rules supporting that functionality (included in the Tranche 2 draft rule amendments) will be removed from the rules package for Day 1, and revised timing for these rules will be considered following Day 1.

²² Tranche 1 Rule Amendments Consultation Paper, section 1.11; Tranche 2 Rule Amendments Consultation Paper, section 1.4.

- **mFunds only - new or expanded data for regulatory purposes:** ASX is modifying existing system requirements to enhance communication of investor details from participants to mFund issuers. This will allow a richer set of data to be provided in relation to the foreign tax status of investors to assist mFund issuers to comply with their regulatory reporting obligations (FATCA and CRS). This has not resulted in any amendments to the ASXSORs, which already provide for the capture of all required investor and tax residency details for mFund products.²³
- **Changes to existing functionality or re-engineered functionality:**
 - *SRN enquiry functionality:* ASX is formalising in the ASXSORs the operation of existing CHES functionality for settlement participants requesting details of an SRN or obtaining the holding balance of an issuer sponsored holding, and issuer obligations to process such requests. This functionality will also be extended to market participants of an approved market operator that are subject to the National Guarantee Fund (NGF) or compensation arrangements under Division 3 of Part 7.5 of the Corporations Act. This functionality is expected to support, as occurs today, identification of SRN details to facilitate transfers and conversions to the CHES subregister.²⁴
 - *Provision of foreign bank account details:* The new system will enable participants to notify an issuer of the details of foreign bank accounts where payments are made in currencies other than AUD. This represents a change from the current system which facilitates the communication of Australian ADI account details only. The acceptance of bank account details transmitted to an issuer will remain at the issuer's discretion.²⁵
 - *BIC (Business Identifier Code):* The new system will allow participants to use a business identifier code (**BIC**) as an alternative identification code to a PID. A BIC is used to identify financial services institutions, with SWIFT being the designated registration authority for BICs. Participants can request that a BIC is used as a PID. Participants will need to nominate the PID to which the BIC relates, and any message which refers to a BIC will be treated as a message referring to the nominated PID. A BIC will not be included in calculating the allowed number of PIDs under the operating rules.²⁶

²³ ASXSOR 18.3.1 and Procedure 18.3.1(f) and (g).

²⁴ Tranche 1 Rule Amendments Consultation Paper, Section 1.9; Tranche 1 Rule Amendments: Response to Consultation Feedback, Attachment A, rows 27, 30 and 32.

²⁵ This change will be addressed as part of a further rules consultation planned for Q3 2021 covering the tranche 3 and consolidated draft rule amendments for the new system.

²⁶ This change will be addressed as part of a further rules consultation planned for Q3 2021 covering the tranche 3 and consolidated draft rule amendments for the new system.