

Friday, 1 March 2019

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Attention: Mavis Tan  
By email: [mavis.tan@asx.com.au](mailto:mavis.tan@asx.com.au)

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Dear Ms Tan,

**Simplifying, clarifying and enhancing the integrity and efficiency  
of the ASX listing rules: Consultation Paper**

Computershare appreciates the opportunity to provide feedback on the consultation paper: 'Simplifying, clarifying and enhancing the integrity and efficiency of the ASX listing rules'. Computershare (ASX: CPU) is a global market leader in transfer agency and share registration, employee equity plans, mortgage servicing, proxy solicitation and stakeholder communications. We also specialise in corporate trust, bankruptcy, class action and a range of other diversified financial and governance services.

Founded in 1978, Computershare is represented in all major financial markets and is renowned for its expertise in high integrity data management, high volume transaction processing and reconciliations, payments and stakeholder engagement. Many of the world's leading organisations use us to streamline and maximise the value of relationships with their investors, employees, creditors and customers. For more information, visit [www.computershare.com](http://www.computershare.com).

Thank you for the opportunity to speak directly with your representatives during the consultation period. We found it a useful opportunity to share a broader view on a number of important items. We welcome further discussion on these and other items in the consultation. Our comments below relate to our role as Share Registry to over 800 listed issuers in Australia.

In summary, we are supportive of the proposal to simplify and enhance the integrity and efficiency of ASX's listing rules and our comments on the consultation paper relate to a small number of items. In particular, we are mindful of the potential for increased administrative burden on the issuer community and we have indicated where some changes may not be practical within the proposed timeframes. We have also identified the potential for unintended consequences which we recommend you consider further.

For simplicity, our comments and recommendations are presented in the attached table for your consideration.

We trust that our remarks assist in the discussion regarding these proposed changes. Please do not hesitate to contact me on the details provided below for any questions.

Yours sincerely,



**Greg Dooley**

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Consultation reference	Title	Computershare Comments
2.5	Disclosure of voting results at meetings of security holders	<p>We support the proposed changes to rule 3.13.2, however, we offer the following comments:</p> <ol style="list-style-type: none"> <li>Amended rule 3.13.2(e) states <i>"regardless of how the resolution was decided, the aggregate number of +securities for which valid proxies were received before the meeting, showing separately:"</i></li> </ol> <p>We <b>recommend</b> that this new section also include the aggregate number of securities which have been voted "For", "Against" or "Abstain" via a direct vote. There are a number of listed companies who have amended their constitution to allow their securityholders to use direct voting to cast their vote instead of appointing a proxy.</p> <ol style="list-style-type: none"> <li>Rules 3.13.2(e) (iv) and (v) require discretionary votes to be reported separately between those held by the chair of the meeting and those held by someone other than the chair of the meeting.</li> </ol> <p>Section 251AA of the Corporations Act only requires a company to record in the minutes of a meeting the total number of proxy votes exercisable by all proxies validly appointed, specifying the number of votes the proxy may vote at the proxy's discretion. There is no requirement to separately record the discretionary votes held by the chair of the meeting and those held by someone other than the chair of the meeting.</p> <p>While this information can be provided, it should be clear what this change is seeking to achieve as our analysis over several segments, including large and small issuers, indicates that discretionary votes given to a proxy other than the Chair of the meeting are negligible.</p> <p>Please also <b>note</b> the following typographical error:</p> <p>Rule 3.13.2(f) states <i>"if the resolution related to the adoption of the entity's remuneration report and the outcome constitutes a "first strike" under section 250U(a) or a "second strike" under section 205U(b) of the Corporations Act, that fact,"</i>.</p> <p>The reference to section <b>205U(b)</b> should be <b>250U(b)</b>.</p> <p>In addition, we refer you to the following note included at the end of ASX LR 3.13.2:</p> <p><i>"Note: a security holder is regarded as formally abstaining from voting on a resolution considered at a meeting if they attend the meeting in person or by proxy or other representative and decline to vote on the resolution."</i></p>

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		<p>In our view, the note, as drafted, is not correct. Securityholders, or their representatives attending a meeting, need to <b>cast an abstention vote</b> in a poll to be counted, as these votes are reportable. Votes held by security holders who <b>decline to vote</b>, either because they leave the meeting prior to the poll being called or deliberately decide not to vote, should not be classified as abstention votes.</p> <p>Regarding attending proxies who decline to vote, directed votes held by proxies are voted by the Chair as per the securityholder's instruction. Any discretionary votes held by the proxy should not be considered as an abstention as no such direction was given by the securityholder.</p>
3.3	CHESS Depository Interests (CDI)	<p>We support ASX's proposal to introduce the new Appendix 4A "Statement of CDIs", with its clear and dedicated purpose of informing the market on the updated number of CDIs on issue. The new form will bring some consistency to the announcement format.</p> <p>We provide the following 2 comments in consideration of additional administrative overhead on some CDI issuers that this change could trigger:</p> <ol style="list-style-type: none"> <li>1. There are a number of CDI issuers who have a low volume of CDI issuance/cancellation transactions, particularly foreign issuers that do not also have a listing outside of Australia. For these issuers, it is often the case that the balance of CDIs does not change from month to month.</li> </ol> <p>We <b>recommend</b> that a CDI issuer only be required to submit an Appendix 4A where a change in CDI balance has occurred.</p> <ol style="list-style-type: none"> <li>2. There are also issuers who have a number of different CDIs quoted.</li> </ol> <p>For such issuers, could you please confirm how they are expected to provide details of each of their multiple CDI securities? i.e. within the same form or by submitting a separate form per CDI security?</p> <p>We <b>recommend</b> that the administrative impact on CDI issuers be considered more fully.</p>
4.4	Eliminating the need to apply for a number of standard waivers	<p>The following refers to the additional change to rule 14.11, which addresses the need to grant a standard waiver under this rule.</p> <p>Computershare understands that this waiver is not applied for by many issuers. We <b>recommend</b> that guidance be provided on responsibilities and assurances to avoid any new administration concerns for both issuers and share registries.</p>

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		<p>An example of where such a concern could exist is for resolutions relating to the ratification of past issue of securities. The participating securityholders in an issue of shares can be large in number, anywhere from hundreds of securityholders for smaller issuers through to thousands for larger issuers.</p> <p>For these resolutions, who is responsible for identifying nominees, trustees, custodians or other securityholders' holding securities in a fiduciary capacity on behalf of a beneficiary on the issuer register? How are these fiduciary securityholders identified to ensure correct voting exclusions are applied? This information is only available to the custodian responsible for the securityholding.</p> <p>How does a share registry or issuer ensure a written confirmation from the beneficial holder has been received by the registered fiduciary securityholder? Is it necessary for either the share registry or issuer to be informed that such a written confirmation has been received?</p>
4.5	Standard forms	<p>Computershare supports the introduction of online forms which will streamline the collection and validation of details required for information purposes. We provide the following additional comments:</p> <ul style="list-style-type: none"> <li>• Newly designed forms should not create new administrative hurdles for issuers with regard to their drafting and input. We suggest that any validation performed on values entered should prevent 'fat finger' errors without restricting issuers from entering legitimate values;</li> <li>• The suggested 14 day notice period may not be sufficient for issuers to review proposed changes. We <b>recommend</b> that a more suitable time period, such as 28 days, be considered.</li> </ul> <p>In addition, for proposed changes to those forms that are removed from the Listing Rule review process, we <b>recommend</b> ASX provide a feedback mechanism for issuers to respond in advance of those changes being made live.</p>
5.0	Updating timetables for corporate actions	<p>We have a number of comments regarding proposed changes to Appendix 7A:</p> <p>a) Regarding sections:</p> <ol style="list-style-type: none"> <li>1. Bonus issues,</li> <li>2. Standard pro rata issues (non renounceable),</li> <li>3. Standard pro rata issues (renounceable),</li> <li>4. Accelerated non-renounceable entitlement offers,</li> <li>5. Accelerated renounceable entitlement offers and simultaneous accelerated renounceable entitlement offers, and</li> <li>6. Accelerated renounceable entitlement offers with retail rights trading,</li> </ol>

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		<p>where the timetables previously stated that an issuer <b>must</b> tell option holders that they cannot participate in an issue without first exercising their options, the language has been softened to “entity <b>should</b> also consider the rights of convertible security holders to participate in the issue and what, if any, notice needs to be given to them in relation to the offer.”</p> <p>Does ASX no longer have a view that option holders <b>must</b> receive notice ahead of an issue? Our concern is that the use of the word ‘<b>should</b>’ does not give a definitive expectation as opposed to the word ‘<b>must</b>’.</p> <p>We <b>recommend</b> that clearer wording be used to avoid confusion.</p> <p>b) Regarding 2. Standard pro rata issues (non renounceable) [p148-149], the step on day 9 refers to “next business day after rights trading ends”. We note that there is no rights trading in a non-renounceable offer.</p> <p>We <b>recommend</b> that this step be removed.</p> <p>c) Regarding 9. Return of capital by way of in specie distribution of securities in another entity [p162-163], the new timetable seems to have been written for a scenario where shareholders are receiving an in specie distribution of securities in a <b>new entity</b>.</p> <p>For an in specie distribution of securities in an <b>existing entity</b>, it may be more accurate to refer to a ‘transfer’ of securities rather than an ‘issue’ of securities. Also, as the securities being transferred are likely already quoted, we would expect that an Appendix 2A would not need to be lodged.</p> <p>We <b>recommend</b> that clearer wording be used to avoid confusion.</p>
5.1	Dividends and distributions	<p>As discussed during our meeting with David Barnett and Kevin Lewis of your office on 18 February 2019, it is important that the revised rule provides for the distinction between methods for obtaining securities for allocation to securityholders enrolled in a dividend or distribution reinvestment plan. We are concerned about how the date of allocation of the securities may impact certain of our issuer clients.</p> <p>For issuers who issue <b>new</b> securities there are no concerns regarding the proposed timing of issuance occurring no later than 5 business days after payment date.</p> <p>For issuers who purchase <b>existing</b> securities on-market for allocation to securityholders enrolled in a dividend or distribution plan, it can be the case where the purchase and settlement process may take longer than 5 days after</p>

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		<p>payment date due to market liquidity or other purchase volume restrictions. We understand that these transactions will not require a new Appendix 2A, however the same timetable is in use for both issuance and purchase transactions.</p> <p>We <b>recommend</b> that the terminology used for this rule should only encapsulate new issuances. We also <b>recommend</b> that ASX discuss this timetable changes with issuers who are known to purchase on market and are known to take longer than the proposed 5 days. These issuers may be adversely affected by this change.</p>
5.4	Option expiry notices	<p>We <b>recommend</b> providing a definition of the 'current market price' to be used within the rule.</p> <p>In short, when the issuer is determining if they are required to send option expiry notices, it should be clear which date is to be used for obtaining the 'current market price' for comparing 50% of the current market price against the exercise price.</p>
5.6	Opening date of an issue to existing security holders	<p>Amended rule 7.10 appears as though it would also apply to Security Purchase Plans. If this is the case, we <b>recommend</b> that the Security Purchase Plan timetable in Appendix 7A include the same opening date requirement as in rule 7.10.</p>
5.12	Equal access buy backs	<p>The new requirement for issuers to lodge their final Appendix 3F "<i>no later than half an hour before the commencement of trading on the next business day after the offer closing date</i>" is not practical given the logistics of closing an offer and completing the necessary audit, reconciliation and reporting of tenders received. In addition, where a scale-back may need to be applied, the logistics necessary to complete the transaction will increase.</p> <p>We <b>recommend</b> that the lodgement time for this final Appendix 3F be revised to be "within 1 business day of the offer closing".</p>
5.13	Security Purchase Plans	<p>As per our comments relating to 5.6 - Opening date of an issue to existing security holders, we <b>recommend</b> that the Security Purchase Plan timetable in Appendix 7A include the same opening date requirement as in rule 7.10.</p>
5.14	Deferred settlement trading	<p>Computershare supports the ongoing use of deferred settlement trading and the potential for revised timeframes where practical. We provide the following comments:</p> <ul style="list-style-type: none"> <li>• <b>Deferred settlement trading should continue</b> Computershare considers that deferred settlement trading periods should continue to be permitted and are a</li> </ul>

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		<p>necessary tool for the reduction of risk for investors, allowing them to trade earlier than they would otherwise be able to under a non-deferred trading timetable.</p> <ul style="list-style-type: none"> <li> <b>Duration of deferred settlement is aligned to logistics of the transaction</b>            The duration of deferred settlement periods should remain flexible so as to allow for different issuer transaction requirements and sizes. As ASX will be aware, the transition from deferred settlement to normal trading is typically triggered by the despatch of holding statements and the timing for this is driven by the size of the company register and associated logistics.         </li> </ul> <p>We note that under Appendix 7A of the ASX Listing Rules, certain timetables, for example a Reorganisation of capital, include standard timing requirements for deferred trading. There may be an opportunity to review these, however careful consideration must be given to the practical logistics associated with the current mailing requirements.</p> <ul style="list-style-type: none"> <li> <b>We support the removal of paper processes, however the requirement for paper remains</b>            We wish to note we are strong advocates for the removal of paper processes. Wherever possible, we take advantage of email addresses we hold on behalf of our issuer clients to reduce issuer costs and provide a digitally streamlined service, however again caution that while there remains a requirement to physically post statements, the practical logistics of this process must be carefully considered. For IPOs in particular, the shareholding is new and the allocation and secure distribution of the investor's Securityholder Reference Number is vital.         </li> <li> <b>Deferred settlement trading exists in other markets</b>            We note that deferred settlement trading is utilised frequently in corporate action events in other countries. It is known variously as 'when issued' trading in the US and 'grey market' trading in the UK.         </li> </ul>
6.0	Monitoring and enforcing compliance with the listing rules	<p>In order to provide greater certainty to issuers, we <b>recommend</b> that ASX provide clear and detailed guidance in relation to the scope and deployment of ASX's monitoring and enforcement powers, as well as in respect of ASX's approach to appeals and precedent.</p>
7.8	Voting exclusions	<p>We provide the following comments relating to changes to voting exclusion statement in rule 14.11:</p> <ol style="list-style-type: none"> <li>           The removal of the reference "<i>to votes cast by a person chairing a meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides</i>" may have the unintended consequence of excluding discretionary votes of securityholders who are entitled to vote where they have appointed the chair of the meeting as their proxy and if the chair is subject to a voting exclusion.         </li> </ol> <p>The removed text served to ensure that the discretionary votes of these securityholders were counted and not lost.</p>

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		<p>We <b>recommend</b> that this text be reinstated.</p> <p>2. As discussed during our meeting with David Barnett and Kevin Lewis of your office on 18 February 2019, this change may also create a possible misalignment between Corporations Act and the ASX Listing rule. This misalignment may have the unintended consequence of discretionary votes by eligible securityholders who appoint the Chair of the meeting as their proxy not being included in the vote if the chair of the meeting is subject to a voting exclusion.</p> <p>Section 250R(5) of the Corporations Act allows the Chair of the meeting to vote discretionary votes on the remuneration report with an express authority from the securityholder authorising the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the key management personnel (which includes the Chairman) for the company or if the company is part of a consolidated entity, for the entity.</p> <p>In addition, if a resolution is remuneration related (e.g. resolution under ASX listing rule 10.14 “Approval required to acquire securities under an employee incentive scheme”) then the discretionary votes cast by a person who is entitled to vote can be voted by the Chairman of the Meeting via an expressed authority even though the resolution is connected directly or indirectly with the remuneration of a member of KMP in accordance with section 250BD(2) of the Corporations Act.</p> <p>In the above, the Chair of the meeting is authorised to vote undirected votes given by a securityholder entitled to vote even if the chair is subject to a voting exclusion via an expressed authorisation from the securityholder.</p> <p>We <b>recommend</b> that changes to this rule be reviewed.</p>
9.2	GN 11 Restricted Securities and Voluntary Escrow	<p>Regarding the proposal that restriction notices be sent to affected holders by electronic mail or post no later than 5 business days prior to an issuer’s anticipated date of admission to the official list, we note that the completion of escrow arrangements usually happens late in the IPO process. In addition, under an IPO where Deferred Settlement Trading is not a feature, holding statements for unrestricted shares are usually required to be despatched 3 business days prior to the anticipated date of admission.</p> <p>We <b>recommend</b> that the timeframe for this requirement be reconsidered.</p>

--END of COMMENTS--