

Level 4, West Tower
410 Ann Street, Brisbane
QLD 4000 AUSTRALIA

17 January 2020

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

T: +61 (0)7 3331 5555

F: +61 (0)7 3839 7783

info@gbst.com

www.gbst.com

Attn: Ms Diane Lewis, Senior Manager, Regulatory & Public Policy

By email: regulatorypolicy@asx.com.au

Dear Ms Lewis,

CHES Replacement – Tranche 1 Rule Amendments: Response

GBST are consulting broadly and working closely with our clients on the CHES replacement initiative. GBST is drawing on extensive experience with large-scale replacements and migrations of exchange clearing and settlement systems in other global jurisdictions such as SGX and NZX to ensure successful outcomes for our clients.

GBST provides software and services to the financial services industry. The Capital Markets division provides fully integrated solutions for trading, clearing and settlement of multi-instruments, currencies and exchanges for global capital markets.

In Australia, GBST offers GBST Shares, GBST Syn~ and DCA platforms which are the country's most widely used middle-office and back-office equities and derivatives systems.

While GBST does not participate directly in the ASX market as a participant, the clarity of rules including terms used is important for ensuring non-ambiguous requirements to be used for implementation to ensure a good outcome for the broader industry.

This response contains GBST feedback and recommendations.

Any questions relating to this response should be directed in the first instance to:

Yours sincerely,

Sue Schafer

Product Owner, GBST

Consultation Questions Response

The following responses have been provided in relation to the questions raised in the ASX Consultation Paper: Tranche 1 Rule Amendments

Feedback on the operation of the proposed rule amendments and any unintended consequences.

ASX Settlement Operating Rules Feedback (ASXSOR)

Section 2.13 Definitions

The way in which the term Holder Record is now being used under CSP is confusing. The definition describes the Holder Record as including:

"one or more CHESS Holdings, including the Registration Details, the HIN, the Holder Type, Ownership Type, Communication Preference, the UUID for each named Holder and Entity Type for each named Holder".

This means that the holders which form part of the CHESS HIN registration are not what is being referred to when referencing the holder record. It is suggested a new term to replace Holder Record as per the current definition may be appropriate with Holder Record being redefined to represent details for each individual holder.

Section 8.15.11 Controlling Participant must give supporting documents to ASX Settlement if requested

When requested the controlling participant may be requested to supply supporting documentation, supporting documentation is to be referenced with:

"the HIN for the relevant Holder Record and the UUID of the relevant named Holder".

An example UUID from a CDE test environment: b48d1480260811ea80b2bda3c4acd18f

If this reference is to be provided by brokers to external parties, it is suggested a more user-friendly format should be used for the reference to aid accuracy of reported information.

Section 8.17.1 Notice to be given to ASX Settlement

Change controlling participant notification has been updated to indicate both relinquishing and assuming participants:

"must Transmit a Valid Message as to the change of Controlling Participant."

The change in wording implies that there be no ability to request an Appendix H or off-line bulk transfer of HINs after cutover. If this is the intention, it will have impact for system migrations when market participants merge.

The requesting system will need to know the values of all HINs in the relinquishing system in advance to be able to form the requesting messages and operations for the relinquishing system must be on hand to authorise each individual release request. For large volumes this will be untenable.

Section 15.17.1 Holding not to be held jointly by more than three persons

The new ASX application has the ability to record up to four joint Holders per HIN. However, this rule states:

"Unless permitted under an Issuer's constitution, a Participant must not establish a Holding of Allocation Interests that would be held jointly by more than 3 persons."

This will cause disruption to the STP of settlement if brokers are forced to support multiple HINs for an account to support both 3 holders and 4 holders. There is currently no way to determine if an instrument supports 3 or for holders and therefore no way to default a HIN for settlement in this case. Manual intervention would have to occur to assign the correct HIN for purchases in every instance.

Feedback on the potential benefits and impacts to holders and participants of mandating the use of the settlement lock (for client HIN to Settlement Deliveries) (Section 1.12)

The ability to use Accum to support a settlement staging process for both issuer sponsored holdings and client CHES holdings will give some operational efficiencies. Where Accum could only be used to stage issuer sponsored holdings and client CHES holdings must be scheduled to delivery directly from the account HIN, this will mean a split in the supporting operational process.

GBST Contact:

Sue Schafer, Product Owner

sue.schafer@gbst.com