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Office of General Counsel
ASX Limited
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Attention: Cliff Richards

Via email: regulatorypolicy@asx.com.au

Dear Mr Richards

CHESS Replacement

Link Administration Holdings Limited and its related bodies corporate (**Link Group**) administers financial ownership data and drives user engagement, analysis and insight through market-leading technology. Through our Corporate Markets Division, we provide the following services: shareholder management and analytics; stakeholder engagement; share and unit registry; employee share plan management; and company secretarial services.

In respect of CHESS Replacement, Link Group has welcomed the opportunity to participate in the technical and industry working groups facilitated by the ASX. We look forward to a continuing dialogue, including participation throughout the development, testing and implementation of CHESS Replacement. We note ASX's intention for focussed stakeholder sessions and as a Market Participant, Link Group would welcome the opportunity to participate in future business forums. Furthermore, Link Group is available to meet ASX in our capacity as an S&P/ASX100 Issuer.

We have some high level observations to CHESS Replacement: New Scope and Implementation Plan, April 2018 Consultation Paper described below. Our technical observations and specific responses to the new features for CHESS Replacement are set out in Appendix A and B, respectively. Our submission has regard to ASX's own guiding principles for CHESS Replacement, namely:

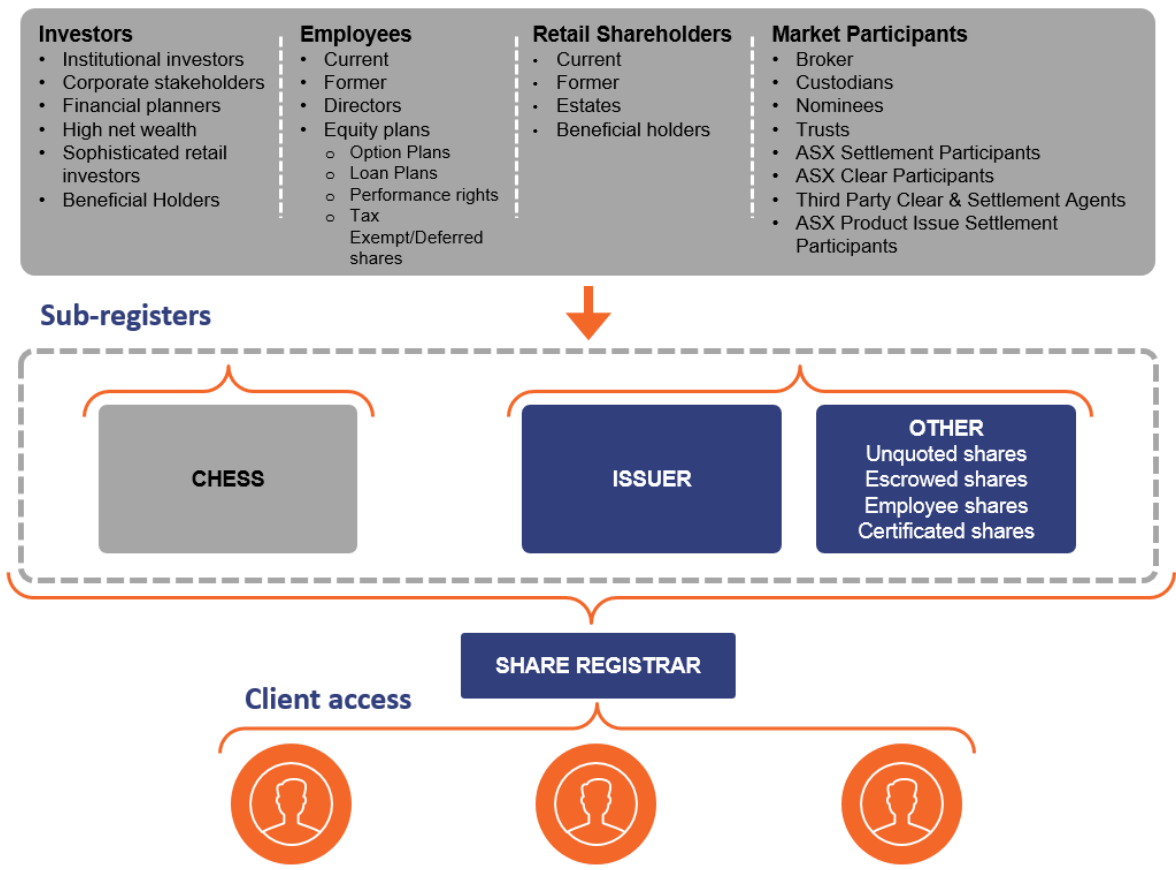
- operate for the benefit of Issuers and end investors (*with particular emphasis on this value*)
- take future needs into account
- accessibility
- ease of integration and global interoperability
- availability, reliability and performance
- privacy and security
- operational efficiencies
- compliance



1. Entirety of the listed market ecosystem

Link Group believes the solution to be delivered by CHES Replacement does not contemplate the entirety of the ecosystem that comprises an Issuer’s register of members and investors. The current ASX proposal ignores a significant component of a listed Issuer’s register (refer to the diagram below). Issuers currently have access to their entire register via an appointed registrar (the single source of truth) including Issuer sponsored holders, CHES holders, beneficial holder data, employee data and unquoted securities. Registrars are agents for Issuers who in turn own the data recorded on these registers. The existing construct operates for the benefit of Issuers and end investors.

Share Registry Ecosystem



When CHES was first established, the ASX was a much different organisation to the commercial market participant that it is today. Understandably, ASX has approached the project from its current position in the market. We acknowledge the ASX’s engagement with various Market Participants to date however given the large number of interested participants within an Issuer’s ecosystem, Link Group strongly encourages the ASX to seek



a view independent of its own commercial participation to help it, and the industry, navigate through future changes.

2. Technology advance vs functionality creep

Link Group supports technological progress and innovation. We believe however that ASX's proposal represents a significant change in both business and regulatory outcomes, rather than a true technological change. The ASX is proposing to allow the extension of CHES Replacement to Issuers and their investors directly. Link Group sees a potential for this to create inefficiencies in the market via the duplication, complication and conflict of investor records. We have elaborated on this through our commentary in Appendix B.

Further Link Group questions whether the proposed solution can really be represented as true Distributed Ledger Technology ("DLT"). Not only does the solution not encompass the full ecosystem but the ledger will not be fully distributed to participants, including Issuers. Instead, ASX will retain the "single source of truth". This conflicts with the fact that, as described above, the register of members belongs to Issuers.

3. Access permission and cost

The provision of share registry and related services in Australia is already a very competitive and innovative market. While Link Group acknowledges the future opportunities of a true DLT and ASX's aspirational goals for CHES Replacement, we believe that steps should be taken to ensure Issuers are protected from future fee increases that may take place if record keeping is centralised in the short term and competition lessened. Such protection should extend to fee increases in the medium and long term as well as the short term.

We note ASX has sought specific stakeholder feedback to assist in the planning for the delivery of the new system on the basis that previous consultation has not been garnered with regard to connectivity options nor the proposed migration and implementation plan. Link Group would be grateful for the ASX to disclose proposed charges and access permissions associated with accessing a centralised ledger.

Correspondence in relation to Link Group's submission can be directed to me at the below.

Yours sincerely,

A handwritten signature in black ink that reads "Paul H. Gardiner". The signature is written in a cursive, flowing style.

Paul Gardiner
Chief Executive Officer
Technology and Innovation & Corporate Markets
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02 8280 6003



Appendix A – Technical responses

In this section, Link provides its relevant feedback on the specific matters raised by ASX with regard the proposed migration and implementation plan. Additionally we welcome the opportunity to participate in all working groups established to facilitate transition planning.

Are there any important new business requirements that are not captured in Chapter 2 (or otherwise in Appendices 1 or 2) that should be included? If so, your feedback must provide a detailed description of the business requirement and outcome sought, process flow(s) to support the requirement, a supporting rationale, any relevant stakeholder input and regulatory considerations

One of the greatest industry challenges that a large number of our Clients are facing is compliance pursuant to the Foreign Account Tax Compliance Act (“FATCA”) and the Common Reporting Standard (“CRS”).

All accounts opened by individuals or entities on or after 1 July 2017, must complete a self-certification prior to opening the account. This process allows the Reporting Financial Institutions including our Clients to determine whether the account holders are foreign residents for tax purposes, and report those account holders who are, to the ATO.

In the listed environment it is not possible to collect the self-certification information prior to the account being opened unless it is collected via CHESS. At present this self-certification is not occurring prior to opening the account and therefore registries have implemented processes post trade to assist our Clients to meet their obligations under FATCA and CRS. The collection of a self-certification after a financial account has been opened (a “post-trade solution”) does not technically comply with the requirements.

Link would encourage the ASX to consider supporting the self-certification requirements as part of the CHESS Replacement project.

Do you have specific feedback on the proposed testing and release management strategy (Chapter 7) and the proposed migration and implementation approach (Chapter 8)

ASX is proposing a single cutover weekend from CHESS to the new system. We note ASX’s consideration of to the technical, operational, risk and regulatory implications as well as its desire to manage the transition phase in an efficient and effective manner. We believe that coupling a significant technical change with the proposed functional changes into a Day 1 scope creates a level of unnecessary risk to the industry. We believe a phased approach to implementation (technology followed by functional change) would mitigate this risk and deliver a better outcome.



Further we would suggest the delivery timelines are ambitious.

- ***Is there particular information that you will need to assist you with your transition planning?***

We note the Consultation Paper provides no insight into the process/timeline with regard:

1. Introduction of messaging not currently available in ISO20022 standards and which will be required to support Day 1 operations. We request further information about this process particularly as it is our understanding there are existing messages required for continuity that are not yet in ISO 20022 standards.
2. Engagement with Market Regulators having regard to the significant changes required to ASX Listing Rules; ASX Settlement Rules; ASX Operating Rules and potentially the Corporation Act. Link Group would like to see the ASX include provision for this scope of works within the project timeline.

Corporate Actions STP Phase 2 Project

Link is supportive and recognises the benefits and efficiencies anticipated as a result of the Corporate Actions STP Phase 2 project. We are unclear as to the benefit that input by investors, as indicated by the ASX, would garner.

We recognise that all facets of a corporate action – announcement, processing and management, are critical to the orderly functioning of the equities market and Link Group looks forward to actively participating in the consultation process when it commences.



Appendix B – Consultation Paper Response Matrix

New features for CHES Replacement

Reference	Feature	Response	Risks/Benefits	Comments
2.2.1	Account Information – Common Investor Number (“CIN”)	<ul style="list-style-type: none"> • In order to provide further commentary it would be of benefit to understand the specifications relating to the proposed CIN. • We note the CIN is optional what, if any analysis has been conducted as to the adoption of this function by Market Participants/Investors, for example <ul style="list-style-type: none"> ○ system development will be required to facilitate new identification fields – to understand the expected participation would be of benefit ○ in addition to a Participant’s ability to use either the current User Identification Code (“UIC”) or a Business Identification Code (“BIC”) – as a party identifier) 	<ul style="list-style-type: none"> • It is proposed the CIN can be linked to CHES and Issuer sponsored holdings (both directly and indirectly). As there is currently no relationship between an Issuer Sponsored holding and a Participant we have concerns with regard the lack of information available relating to the authorisation process to be implemented to allow a “link” to occur 	<p>We express concern from a privacy perspective should access by third parties to Issuer Sponsored holding details be accessible without relevant authorisations/consent</p>



<p>2.2.2</p>	<p>Account Information – Additional Investor Information</p>	<ul style="list-style-type: none"> We challenge whether the proposed business solution satisfies the problem statement identified via Stakeholder input whereby the provision of an electronic mechanism for notifying beneficial holder details to a central point to be disseminated to Registries for Share Purchase Plans and other corporate action events whereby the provision of this additional data was a requirement/pre-requisite. 	<ul style="list-style-type: none"> The rationale provided ie: greater efficiencies for issuers, settlement participants and underlying beneficiaries has the potential to make it more attractive for issuers to extend corporate actions eg; SPP's to underlying beneficiaries, does not align with current practice. ASIC Class Order 9/425 avails participation in certain circumstances in a Share Purchase Plan to beneficial holders, whilst also requiring written certification. 	<p>The new functionality proposes to support the provision of this information via a system solution which we believe is not consistent with the solution Market Participants sought</p> <p>We would challenge whether the frequency of the provision of the additional data set warrant the structural systematic changes required to support the outcome. (It is our experience that less than ten schedules (additional data) are received per SPP.</p>
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<p>2.2.3</p>	<p>Account Information – Centralised data capture and storage</p>	<ul style="list-style-type: none"> ASX states that a centralised depository would reduce costs associated with the duplication of the capture and storage of additional data sets and reduce the operational cost of client on-boarding One data set to be collected is a Legal Entity Identifier, a reference number not currently collected, we anticipate an additional structural change (investor record) required to support this. 	<ul style="list-style-type: none"> Duplication - The current share registry landscape allows for the provision of static data by investors directly through varied channels – email; online; paper based; phone - we anticipate a potential data conflict 	<p>The provision of this additional data by Participants is currently available in CHES (as per the list below) however we understand the cost of the provision of this data by Participants is prohibitive and thus not typically provided currently. TFN's, ABN's – MT007; MT009; MT068</p> <ul style="list-style-type: none"> o email addresses, email purpose - MT201 o bank account – MT757 <p>We don't believe the ASX's proposal will yield a better outcome for Issuers</p>
<p>2.2.4</p>	<p>Account Information – Standardised registration details</p>	<ul style="list-style-type: none"> Name and address formats currently extend to 180 characters and are based on recommendations provided by Australia Post. To date there is no visibility as to the business rules that under pin the structured content required to support the new convention. Links research indicates that occurrences of 	<ul style="list-style-type: none"> The intention to move to ISO global standards whereby name and address fields are separated and extended in character length will serve to create complexities and non-conformity to current postal standards. 	<p>Whilst Link supports the standardisation of registration details we argue the proposed solution will not resolve the challenges expressed by a few Industry participants</p>



		<p>mismatching resulting from Issuer Sponsored to Chess conversions today, arises from:</p> <ol style="list-style-type: none"> 1. different name and/or address between two records; OR 2. non-adherence to the business rules available to support current protocols <ul style="list-style-type: none"> • Link understands a need to introduce measures to support changes to the Superannuation Industry (Supervision) Act and recognise the flexibility the new ISO standard provides here. We note that the permitted space on a mailed item is 95x35mm. 		
2.2.5	<p>Pre-settlement – Settlement lock for CHESS holdings</p>	<ul style="list-style-type: none"> • No Issuer/Registry impact 		



2.2.6 -	Pre-settlement – Settlement lock for issuer sponsored holdings	<ul style="list-style-type: none"> The ability to apply a holding lock to Issuer Sponsored holdings exists currently. Whilst we support the ability to place a holding lock on an Issuer sponsored holding as is proposed we request further information with regards the impact of cost to our clients, and the authorisation process expected to be imposed 	<ul style="list-style-type: none"> Holding locks on SRN's is standard market practice currently. We would be grateful if ASX can confirm how the integrity of an existing holding lock is expected to be facilitated 	We express concern from a privacy perspective should access by third parties to Issuer Sponsored holding details be accessible without relevant authorisations/consent
2.2.7	Pre-settlement – Bilateral transaction matching	<ul style="list-style-type: none"> No Issuer/Registry impact 		
2.2.8	Pre-settlement – Transfer of novated equities transactions between clearing participants	<ul style="list-style-type: none"> No Issuer/Registry impact 		
2.2.9	Pre-settlement – Additional preliminary payment notifications	<ul style="list-style-type: none"> No Issuer/Registry impact 		



<p>2.2.10</p>	<p>Pre-settlement – Single access point to validate SRN</p>	<ul style="list-style-type: none"> • We express concern from a privacy perspective should access by third parties to Issuer Sponsored holding details be accessible without relevant authorisations • We would like to understand the cost implications of sharing data on a daily basis with the ASX 	<ul style="list-style-type: none"> • Potential for an increase in incidents of fraudulent behaviour as has been seen in recent times (12A requests) • Significant risk associated with the disclosure of personal information where no agreement/sponsorship arrangement exists • Data migration risk (daily transfer of Issuer register is proposed) 	<p>We express concern from a privacy perspective should access by third parties to Issuer Sponsored holding details be accessible without relevant authorisations/consent</p> <p>Having given consideration to its obligations under the Privacy Act we note ASX has ceased the provision of the CHES Master File to share registries. We would consider the provision of Issuer Sponsored data to ASX to be contra to an Issuers obligations under the Privacy Act</p>
<p>2.2.11</p>	<p>Settlement – Non-batch DvP bilateral settlement</p>	<ul style="list-style-type: none"> • No Issuer/Registry impact 		



2.2.12	Settlement – Settlement message enhancements	<ul style="list-style-type: none"> No Issuer/Registry impact 		
2.2.13	Settlement – Settlement in foreign currencies	<ul style="list-style-type: none"> No Issuer/Registry impact 		
2.2.14	Settlement – Optional early settlement	<ul style="list-style-type: none"> No Issuer/Registry impact 		
2.2.15	Settlement – Auto Borrow	<ul style="list-style-type: none"> No Issuer/Registry impact 		
2.2.16	Corporate Actions – Electronic elections for DRP and BSP	<ul style="list-style-type: none"> We see some merit in availing the opportunity to submit a DRP (and BSP) via a Controlling Participant on behalf of a sponsored client however refer to the risks identified 	<ul style="list-style-type: none"> Duplication of Dividend Reinvestment Plan maintenance leading to increased risk to an Issuer In ability to validate Investor consent should the functionality be extended to Issuer Sponsored Holdings 	<p>We express concern from a privacy perspective should access by third parties to Issuer Sponsored holding details be accessible without relevant authorisations/consent</p>



2.2.17	Corporate Actions – Electronic acceptance for entitlement offers	<ul style="list-style-type: none"> • Link is supportive of enhanced functionality that would allow participants to submit acceptances with or without payment on behalf of their sponsored clients. • We note functionality already exists that allows for the electronic notification of acceptances in such events as Off Market Takeovers, Off Market buybacks and Reinvestment Offers 	<ul style="list-style-type: none"> • As above, we have concern with regard the feasibility of submitting applications and application monies on behalf of investors for whom a Participant did not have a clear relationship with (Issuer Sponsored holders). • What is the methodology to which Investor Consent (Issuer Sponsored holders) will be provided? • We express concern with the regard the pricing model imposed on Issuers that underpins this proposed functional change 	Application and payment functionality is available currently via registries directly. Investors can submit applications and monies either online or paper based.
2.2.18	Corporate Actions – Electronic payment for entitlement offers	<ul style="list-style-type: none"> • Refer above comments 		Electronic acceptance any payment (where applicable) must be a single transaction
2.2.19	Corporate Actions – Transfer of cum entitlement balances	<ul style="list-style-type: none"> • Link is supportive of this function on the basis that regulatory compliance is maintained ; and system limitations are imposed so as there is no adverse impact on the dividend calculation and payment process as administered by share registrars on 	<ul style="list-style-type: none"> • Provision of this functionality must include time limits ie: cum entitlement balance movements cannot be effected post a record date for a corporate action 	



		behalf of Clients		
2.2.20	Reporting – Continuous holding balance information	<ul style="list-style-type: none"> • The benefit in real time balances is reliant upon the level of transparency availed to Issuers via their Share Registries. • To support the rationale presented by Issuers at round table discussions that would enable them to “view their entire register in real time”, Link would argue this is better served being provided by Share Registries as there are components of an Issuers register not contemplated within CHES Replacement such as Employee shares, Performance Rights; Unquoted Securities etc 		
2.2.21	Reporting – Electronic provision of holding statements and notifications	<ul style="list-style-type: none"> • Supportive of this initiative however we would welcome further consultation as to where the responsibility for all investor communications should reside ie: with an Issuer or their Share Registrar • We would encourage ASX to consider electronic communication strategy to be opt out, that is to say that participants on behalf of their clients should have to take an affirmative 	<ul style="list-style-type: none"> • Cost savings for an Issuer • The opportunity for participants to provide email addresses is currently available in CHES and the take-up rate is relatively low compared to email addresses being provided directly by investors to the share registry. We do not believe the ASX’s proposal will yield a better outcome for Issuers (refer Table 	



		<p>action to receive hard copy statements and other notifications</p> <ul style="list-style-type: none"> • Further we see more benefit in a two-way approach whereby registries collecting email addresses from investors directly (given the current available sources for provision of this and other data sets) could send to CHESS (for those sponsored clients) – we would anticipate a far greater success rate. 	A)	
2.2.22	mFund – Real Time Cash settlement, ‘hold’ status and transfer capability	<ul style="list-style-type: none"> • Given there was no opportunity to discuss this outcome during the consultation process and understand the problem statement this functionality aims to resolve, Link would welcome the opportunity to further explore this change with the ASX 		
2.2.23	mFund – sharing investor details, automation of regular payments and switching between funds	<ul style="list-style-type: none"> • Given there was no opportunity to discuss this outcome during the consultation process and understand the problem statement this functionality aims to resolve, Link would welcome the opportunity to further explore this change with the ASX 		



2.4.1	Account information – Aggregated view of holdings	<ul style="list-style-type: none">• We note the ASX intends to give investors access to the new system through ASX provided functionality and further considers extending this access to Issuers and Regulators	<ul style="list-style-type: none">• We see little to no benefit in this functionality as access to data at this level is currently available	
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2.4.2	Corporate Actions – Electronic processing of dividend claims	<ul style="list-style-type: none"> Supportive of the initiative on the basis there is no impact either administratively or from a regulatory perspective to an Issuers register of shareholders, in particular during the administration of dividend/distribution payments and provision of tax reports 		
2.4.3	Corporate Actions – Electronic Proxy voting	<ul style="list-style-type: none"> Link supports the introduction of a “Record Date” concept for the determination of entitlements to voting eligibility. The industry is driving innovation in the proxy voting space and this must continue in a cost effective manner 	<ul style="list-style-type: none"> Depending on the functional solution, we have concern with regard the risk introduced resultant from duplicating the administration required to support voting outcomes – CHES holders are only part of a register of members 	We express concern from a privacy perspective should access by third parties to Issuer Sponsored holding details be accessible without relevant authorisations/consent
2.4.4	Participant Structures – Participant models for clearing and settlement services	<ul style="list-style-type: none"> No Issuer/Registry impact 		



Table A

YEAR	EMAILS_ACCEPTED	CHESS	REGISTRY
2013	905,198	2.63%	97.37%
2014	669,492	6.62%	93.38%
2015	1,084,862	3.96%	96.04%
2016	1,116,878	11.33%	88.67%
2017	1,055,345	4.56%	95.44%
2018	601,850	4.98%	95.02%

Requirements not being progressed

We acknowledge those identified business requirements gathered through the consultation process that ASX has opted not to pursue and we support that decision. We refer to those items in section 2.5 (item numbers 2.5.1 to 2.5.8).

CHESS functionality being decommissioned

We understand there are existing business services (Section 2.6; item numbers 2.6.1 and 2.6.2), process flows and message models currently supported by CHESS that will be decommissioned. With the exception of the Securities Transformation message (MT 421) we support such decommissioning.

We express our concern with regard the decommissioning of the Securities Transformation message given it offers our clients (Issuers) a cost effective solution to share issuances in certain corporate action events. We seek an undertaking by the ASX that the decommissioning



of this message type will not result in increased transactional fees to Issuers for those events that previously would have utilised the Securities Transformation message type.