

## SECTION 7 PARTICIPANT CLIENT ARRANGEMENTS

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## SECTION 7 PARTICIPANT CLIENT ARRANGEMENTS

In order to establish a Participant Sponsored Holding, a Sponsoring Participant and the Holder must have entered into a Sponsorship Agreement in accordance with these Rules. This Section 7 sets out:

- (a) who may establish and maintain Participant Sponsored Holdings;
- (b) the mandatory terms and conditions which must be included in a Sponsorship Agreement;
- (c) other terms and conditions which may be included in a Sponsorship Agreement; and
- (d) provisions relating to termination of Sponsorship Agreements, death or bankruptcy of a Holder, fees and charges, termination and other matters.

### 7.1 SPONSORSHIP AGREEMENTS – GENERAL

#### 7.1.1 Establishment of Participant Sponsored Holdings

The only Participants that can establish and maintain a Participant Sponsored Holding are General Settlement Participants and Account Participants.

A Sponsorship Agreement need not be established for a Holding designated as a Direct Holding and meeting those requirements.

Introduced 11/03/04

#### 7.1.2 Breach of Sponsorship Agreement

A breach of a mandatory clause of a Sponsorship Agreement by a Sponsoring Participant constitutes a breach of these Rules and any such breach may be referred to ASX Settlement in order that it may take such action as it considers appropriate in the circumstances.

Introduced 11/03/04 Origin SCH 9A.1.1

#### 7.1.3 Inconsistency with Rules

To the extent that a Sponsorship Agreement is inconsistent with these Rules:

- (a) the Rules will override any such inconsistency; and
- (b) should any of the provisions of an existing Sponsorship Agreement be inconsistent with the provisions in these Rules the Participant must, by giving the Participant Sponsored Holder not less than seven (7) Business Days Notice, vary the Agreement to the extent to which, in the Sponsoring Participant's reasonable opinion, it is necessary to remove any inconsistency.

Introduced 11/03/04 Origin SCH 9A.1.2, 9A.1.6

#### **7.1.4 Bankruptcy of a Holder**

In the event of the Bankruptcy of a Participant Sponsored Holder the trustee of the Holder's estate may elect to remove the relevant Financial Products from the CHESSE Subregister.

Introduced 11/03/04 Origin SCH 9A.1.3

#### **7.1.5 Death of a Holder**

In the event of the death of a Participant Sponsored Holder:

- (a) the legally appointed representative of the Holder's estate may elect to remove the relevant Financial Products from the CHESSE Subregister;
- (b) subject to Rule 7.1.5(a), the relevant Sponsorship Agreement is deemed to remain in operation, with the consent of the legally appointed representative, in respect of the legally appointed representative authorised to administer the Participant Sponsored Holder's estate, for a period of up to three calendar months subsequent to the removal of a Holder Record Lock; and
- (c) if the deceased Holder was a joint Participant Sponsored Holder, the relevant Sponsorship Agreement is deemed to remain in operation in respect of the surviving joint Participant Sponsored Holder.

*Note: ASX Settlement will not regard it as inconsistent with rule 7.1.5 for a participant to agree with the legal representative of a deceased estate that the relevant Sponsorship Agreement will be deemed to remain in force for longer than the three month period referred to in paragraph (b) provided this longer period is not more than 12 calendar months subsequent to the removal of the Holder Record Lock.*

Introduced 11/03/04 Origin SCH 9A.1.3, 9A.1.4, 9A.1.5

#### **7.1.6 Fees and Charges in relation to controlling a Holding**

Where a Sponsoring Participant intends to impose a fee or charge on another person in direct relation to the control of CHESSE Holdings under a Sponsorship Agreement, the Sponsoring Participant must, prior to any fee or charge being imposed:

- (a) prior to controlling a CHESSE Holding on behalf of that person, provide the person with Notice of all fees and charges that may be imposed by the Sponsoring Participant in respect of the control of their CHESSE Holdings; or
- (b) where the Sponsoring Participant intends to impose fees and charges on a Holder who is currently sponsored by the Participant, provide that Holder with Notice of all new or altered fees and charges to be imposed by the Participant in respect of the control of their CHESSE Holdings.

Introduced 11/03/04 Origin SCH 9A.1.7

### **7.1.7 Notice of fees and charges**

A Notice of fees and charges for the purposes of Rule 7.1.6 must include, without limitation, any fee or charge imposed by the Sponsoring Participant in respect of the following:

- (a) a change of Controlling Participant in respect of a Participant Sponsored Holder's CHESS Holding under Rule 8.17;
- (b) a Transfer of Financial Products from the Participant Sponsored Holder's CHESS Holding to a Holding under the Control of another Sponsoring Participant; and
- (c) the Conversion of Financial Products from one Subregister to another.

Introduced 11/03/04 Origin SCH 9A.1.8

### **7.1.8 Information to be provided to Participant Sponsored Holder**

Before a Sponsorship Agreement is executed, a Sponsoring Participant must:

- (a) make available to the applicant the full terms and conditions of the Sponsorship Agreement;
- (b) provide an explanation of the effect of the Sponsorship Agreement to the applicant; and
- (c) inform the applicant of the contact details of a representative of the Sponsoring Participant who can explain the effect of the Sponsorship Agreement.

Introduced 11/03/04 Origin SCH 9A.1.9(a) Amended 04/04/05

### **7.1.9 Copy of Sponsorship Agreement**

A Sponsoring Participant must, on the request of the participant Sponsored Holder, provide a Participant Sponsored Holder with a copy of the executed Sponsorship Agreement:

- (a) within 3 Business Days of execution; or
- (b) at any time thereafter if requested by the Participant Sponsored Holder.

A Sponsoring Participant must notify the Participant Sponsored Holder that they are entitled to receive a copy of the executed Sponsorship Agreement.

Introduced 11/03/04 Origin SCH 9A.1.9(b) Amended 04/04/05

### **7.1.10 Novation of Sponsorship Agreement**

If a Controlling Participant proposes to change the Controlling Participant for a number of Holdings (for example because the Controlling Participant has transferred its business to another Participant) then ASX Settlement will accept a Notice of change of Controlling Participant under Rule 8.17, as if the change of Controlling Participant had been requested by the Participant Sponsored Holder, if:

- (a) no later than 20 Business Days before the proposed change of Controlling Participant, the Participant Sponsored Holder receives from the Controlling Participant a Notice which must incorporate the terms set out in Appendix 4 (a "Participant Change Notice"), setting out details of the proposed change of Controlling Participant and other relevant information about the reasons for the proposed change and the costs (if any) to the Holder of the proposed change;
- (b) any conditions stipulated by ASX Settlement in connection with the transfer have been met;
- (c) a Holder who receives a Participant Change Notice may choose to terminate the existing Sponsorship Agreement by giving Withdrawal Instructions under these Rules to the Controlling Participant, indicating whether the Holder wishes to transfer its Holdings to another Controlling Participant or whether the Holder wishes to transfer its Holdings to the Issuer Sponsored Subregister;
- (d) the novation of the Sponsorship Agreement will not take effect until each Holder has received a Notice from the new Controlling Participant confirming that the new Controlling Participant consents to acting as the Controlling Participant for the Holder, and the Effective Date may as a result be later than the date set out in the Participant Change Notice;
- (e) a Holder will be taken to have consented to the novation by the doing of any act which is consistent with the novation of the Sponsorship Agreement to the new Controlling Participant, on or after the Effective Date, and such consent will be taken to be given as of the Effective Date;
- (f) the existing Sponsorship Agreement continues for the benefit of the existing Controlling Participant in respect of any rights and obligations accruing before the Effective Date and, to the extent that any law or provision of any agreement makes the novation not binding or effective on the Effective Date, then the Sponsorship Agreement will continue for the benefit of the existing Controlling Participant until such time as the novation is effective, and the existing Controlling Participant will hold the benefit of the Sponsorship Agreement (to the extent it relates to a Holding transferred to the new Controlling Participant) on trust for the new Controlling Participant;
- (g) nothing in this Rule will prevent the completion of CHES transactions by the existing Controlling Participant where the obligation to complete those transactions arises before the Effective Date and the existing Sponsorship Agreement will continue to apply to the completion of those transactions, notwithstanding the novation of the Sponsorship Agreement to the new Controlling Participant under this Rule.
- (h) in the event that any of the Holdings comprise AQUA Products, the new Controlling Participant is accredited in accordance with Section 18 of the Rules to facilitate the settlement of AQUA Products.

*Note: Under Rule 7.4, ASX Settlement will not accept a Notice of change of Controlling Participant where the new Controlling Participant is not accredited to facilitate the transfer of AQUA Products.*

Introduced 11/03/04 Amended 04/04/05, 18/12/06, 21/03/14, 15/06/15

### **7.1.11 Termination of Sponsorship Agreement**

The Sponsorship Agreement will be terminated under the following circumstances:

- (a) by notice in writing from either the Participant Sponsored Holder or the Sponsoring Participant to the other party to the Agreement;
- (b) upon the Sponsoring Participant becoming insolvent;
- (c) upon the termination or suspension of the Sponsoring Participant; or
- (d) upon the giving of Withdrawal Instructions by a Participant Sponsored Holder to a Controlling Participant under Rule 7.1.10(c),

and unless otherwise provided in the Sponsorship Agreement, termination under Rule 7.1.11(a) will be effective upon receipt of Notice by the other party to the Agreement.

Introduced 11/03/04 Origin SCH 9A.2.7, 9A.2.8 Amended 04/04/05

## **7.2 CONTENT OF THE SPONSORSHIP AGREEMENT**

### **7.2.1 Acknowledgment by Participant Sponsored Holder**

A Sponsorship Agreement must include the following acknowledgments by the Participant Sponsored Holder:

- (a) before the Participant Sponsored Holder executed the Agreement, the Sponsoring Participant provided the Participant Sponsored Holder with an explanation of the effect of the Sponsorship Agreement and that the Participant Sponsored Holder understood the effect of the Agreement;
- (b) that, in the event of the death or Bankruptcy of the Participant Sponsored Holder, a Holder Record Lock will be applied to all Participant Sponsored Holdings in accordance with Rules 8.15.8 to 8.15.11, unless the Participant Sponsored Holder's legally appointed representative or trustee elects to remove the Participant Sponsored Holdings from the CHESSE Subregister;
- (c) that, in the event of the death of the Participant Sponsored Holder, the Sponsorship Agreement is deemed to remain in operation, in respect of the legally appointed representative authorised to administer the Participant Sponsored Holder's estate, for a period of up to three calendar months subsequent to the removal of the Holder Record Lock pursuant to Rule 8.16.3, unless the Participant Sponsored Holder's legally appointed representative elects to remove the Participant Sponsored Holdings from the CHESSE Subregister;

- (d) in the event of the death of a joint Participant Sponsored Holder, all Holdings under the joint Holder Record must be transferred into new Holdings under a new Holder Record in the name of the surviving Participant Sponsored Holder and the Sponsorship Agreement must be valid for the new Holdings under the new Holder Record;
- (e) where the Sponsorship Agreement is in respect of a joint Participant Sponsored Holding, in the event of the Bankruptcy of one of the Holders, the Controlling Participant will:
  - (i) establish a new Holder Record in the name of the bankrupt Participant Sponsored Holder, transfer the interest of the bankrupt Participant Sponsored Holder into new Holdings under the new Holder Record and request that ASX Settlement apply a Holder Record Lock to all Holdings under that Holder Record, unless the legally appointed representative of the bankrupt Participant Sponsored Holder elects to remove the Holdings from the CHES Subregister; and
  - (ii) establish a new Holder Record in the name of the remaining Participant Sponsored Holder and transfer the interest of the remaining Participant Sponsored Holder into new Holdings under the new Holder Record;
- (f) that if a Transfer is taken to be effected by the Sponsoring Participant under Section 9 and the Source Holding for the Transfer is a Participant Sponsored Holding under the Sponsorship Agreement, then:
  - (i) the Participant Sponsored Holder may not assert or claim against ASX Settlement or the relevant Issuer that the Transfer was not effected by the Sponsoring Participant or the Sponsoring Participant was not authorised by the Participant Sponsored Holder to effect the Transfer; and
  - (ii) unless the Transfer is also taken to have been effected by a Market Participant of an Approved Market Operator or a Clearing Participant of ASX Clear, the Participant Sponsored Holder has no claim arising out of the Transfer against the compensation arrangement applicable to the Approved Market Operator or the Clearing Participant of ASX Clear under the Corporations Act and Corporations Regulations; and
- (g) if the Sponsoring Participant is not a Market Participant of an Approved Market Operator, that neither the Approved Market Operator, nor a Related Party of the Approved Market Operator has any responsibility for regulating the relationship between the Participant Sponsored Holder and the Sponsoring Participant, other than in relation to the Rules relating to Sponsorship Agreements.

Introduced 11/03/04 Origin SCH 9A.2.5, 9A.3.4, 9A.3.5 Amended 21/03/14

## 7.2.2 Mandatory provisions of a Sponsorship Agreement

A Sponsorship Agreement must include provisions to the following effect:

- (a) which identify the CHES Holdings of the Participant Sponsored Holder to which the Sponsorship Agreement relates by specifying the HINs for those Holdings;
- (b) which identify the regulatory regime which applies to the Sponsoring Participant and the name of any regulatory authority from which information as to the status of the Sponsoring Participant can be obtained;
- (c) which identify the regulatory authority or any other body to whom the Participant Sponsored Holder may lodge a complaint against the Sponsoring Participant or any claim for compensation;
- (d) that the Sponsoring Participant is not obliged to transfer Financial Products into the Participant Sponsored Holding, where payment for those Financial Products has not been received, until payment is received;
- (e) which identify the existence, extent and circumstances in which any right of the Sponsoring Participant to exercise a power of sale in respect of a Participant Sponsored Holder's Financial Products will be exercised;
- (f) where the Sponsoring Participant claims that an amount lawfully owed to it has not been paid by the Participant Sponsored Holder, the Sponsoring Participant has the right to refuse to comply with the Participant Sponsored Holder's Withdrawal Instructions, but only to the extent necessary to retain Financial Products of the minimum value held in a Participant Sponsored Holding (where the minimum value is equal to 120% of the current value of the amount claimed);
- (g) subject to Rules 7.2.2(e) and 7.2.2(f), the Sponsoring Participant will initiate any Transfer, Conversion or an action necessary to give effect to Withdrawal Instructions within the Scheduled Time;
- (h) subject to Rule 7.4, the Sponsoring Participant will not initiate any Transfer or Conversion into or out of the Participant Sponsored Holding without the express authority of the Participant Sponsored Holder; and
- (i) which provide for, and give effect to, the novation of the Sponsorship Agreement upon a change of Controlling Participant in accordance with Rule 7.1.10.

For the purpose of Rule 7.2.2(a), where the CHES Holding is a new CHES Holding, the Sponsoring Participant must insert the HIN in the Sponsorship Agreement once the HIN has been allocated to the Participant Sponsored Holder in accordance with Rule 8.7.2.

Introduced 11/03/04 Origin SCH 9A.2.2 Amended 04/04/05, 18/12/06, 21/03/14

### **7.2.3 Mandatory Notifications in a Sponsorship Agreement**

The Sponsorship Agreement must include the following notifications by the Sponsoring Participant to the Participant Sponsored Holder in relation to the Participant Sponsored Holder's rights:



- (a) in the event that the Participant breaches this Agreement, the Participant Sponsored Holder may refer that breach to any regulatory authority, including ASX Settlement; and
- (b) in the event that the Participant is suspended from the Settlement Facility, subject to an assertion of an interest in Financial Products controlled by the Sponsoring Participant, where the assertion is made by either a liquidator, receiver, administrator or trustee of that Participant:
  - (i) the Participant Sponsored Holder has the right, within twenty (20) Business Days of ASX Settlement giving Notice of suspension, to give Notice to ASX Settlement requesting that any Participant Sponsored Holdings be removed either:
    - A. from the CHESS Subregister; or
    - B. from the control of the suspended Sponsoring Participant to the control of another Sponsoring Participant with whom they have entered into a valid Sponsorship Agreement pursuant to Rule 12.19.10; or
  - (ii) where the Participant Sponsored Holder does not give Notice under Rule 7.2.3(b)(i), ASX Settlement may effect a change of Controlling Participant under Rule 12.19.11, and the Participant Sponsored Holder will be deemed to have entered into a new Sponsorship Agreement with the substitute Sponsoring Participant, on the same terms as the existing Sponsorship Agreement.

Where a Participant Sponsored Holder is deemed to have entered into a Sponsorship Agreement in accordance with this Rule 7.2.3(b)(ii), the Sponsoring Participant must enter into a Sponsorship Agreement with the Participant Sponsored Holder within ten (10) Business Days of the change of Controlling Participant.

Introduced 11/03/04 Origin SCH 9A.2.4

#### **7.2.4 Mandatory Notifications – claims for compensation**

The Sponsorship Agreement must include in a prominent position the following notifications by the Sponsoring Participant to the Participant Sponsored Holder in relation to the Participant Sponsored Holder's rights to make a claim for compensation:

- (a) a statement which identifies the compensation arrangements which apply to the Participant Sponsored Holder or if no such compensation arrangements apply, a statement to that effect;
- (b) a statement to the effect that the ability of the Sponsoring Participant to satisfy that claim will depend upon the financial circumstances of that Participant;
- (c) if the Participant is required to lodge a Sponsorship Bond, a statement to the effect that the Participant Sponsored Holder may be entitled to make a claim to ASX Settlement under the Sponsoring Participant's Sponsorship Bond;

- (d) if the Sponsoring Participant is a Market Participant of ASX or a Clearing Participant of ASX Clear, a statement to the effect that a Participant Sponsored Holder may be entitled to make a claim on the National Guarantee Fund for compensation in the circumstances specified under Part 7.5 Division 4 of the Corporations Regulations; and
- (e) if the Participant is not a Market Participant of ASX or a Clearing Participant of ASX Clear, a statement to the effect that the Participant Sponsored Holder is not entitled to make a claim on the National Guarantee Fund for compensation.

Introduced 11/03/04 Origin SCH 9A.2.4

### **7.2.5 Other provisions of Sponsorship Agreement**

The Sponsorship Agreement may, where the parties consider it appropriate, and provided that the provisions do not derogate from the substance of the rights and duties in Rules 7.1.4 or 7.1.5(a), contain provisions dealing with, but not limited to, the following:

- (a) procedures relating to the supply of information and changes of information in order to permit the Sponsoring Participant to comply with the registration requirements under the Rules;
- (b) procedures relating to the lodgement of Derivatives Cover in a Participant Sponsored Holding;
- (c) procedures relating to the provision of a charge or any other interest in the Financial Products in a Participant Sponsored Holding;
- (d) procedures relating to the creation of Subpositions over Financial Products in a Participant Sponsored Holding; and.
- (e) payment for purchases of Financial Products where payment is to be made to another person other than the Sponsoring Participant.

Introduced 11/03/04 Origin SCH 9A.2.3 Amended 23/10/09

### **7.2.6 Benefit of the acknowledgment – [Deleted]**

Introduced 11/03/04 Origin SCH 9A.3.6 Deleted 18/12/06

### **7.2.7 Warranties by Sponsoring Participants – [Deleted]**

Introduced 11/03/04 Origin SCH 9A.3.7 Deleted 18/12/06

## **7.3 ACKNOWLEDGMENT AND WARRANTIES**

### **7.3.1 Benefit of the acknowledgment**

The Sponsoring Participant holds the benefit of any acknowledgment made by a Participant Sponsored Holder in accordance with Rule 7.2.1(f)(i) in trust for the benefit of ASX Settlement and the relevant Issuer.

Introduced 18/12/06 Origin SCH 9A.3.6

### **7.3.2 Warranties by Sponsoring Participants**

If a Transfer is taken to be effected by a Participant under Section 9 and the Source Holding for the Transfer is designated as a Participant Sponsored Holding of the Sponsoring Participant, then the Sponsoring Participant:

- (a) warrants to each of ASX Settlement and the relevant Issuer that there is a current Sponsorship Agreement which complies with this Rule 7.2 in relation to the Source Holding; and
- (b) indemnifies each of ASX Settlement and the Issuer against all losses, damages, costs and expenses arising from there not being a current Sponsorship Agreement which complies with this Rule 7.2 in relation to the Source Holding.

Introduced 18/12/06 Origin SCH 9A.3.7

## **7.4 AQUA PRODUCTS**

### **7.4.1 AQUA Products**

ASX Settlement will not accept a Notice of change of Controlling Participant under Rule 8.17 where Holdings to which the Notice relates comprise AQUA Products and the new Controlling Participant is not accredited in accordance with Section 18 of the Rules to facilitate the settlement of AQUA Products. In this instance, the existing Controlling Participant must convert the AQUA Product Holdings to Holdings on the Issuer Sponsored Subregister. If the existing Controlling Participant fails to convert the AQUA Product Holdings to Holdings on the Issuer Sponsored Subregister, ASX Settlement may convert the AQUA Product Holdings to Holdings on the Issuer Sponsored Subregister.

Introduced 21/03/14

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