

22 June 2018

Mr. Cliff Richards  
Office of General Counsel  
ASX Limited  
20 Bridge Street  
Sydney NSW 2000

By email: [regulatorypolicy@asx.com.au](mailto:regulatorypolicy@asx.com.au)

Dear Cliff,

### **Re: CHESS Replacement: New Scope & Implementation Plan**

Computershare welcomes the publication of ASX's Consultation Paper, 'CHESS Replacement: New Scope and Implementation Plan'. We have joined other market stakeholders in committing significant time and resource to discussions with ASX on its intentions for CHESS replacement over the past two years, and in informing and educating our Issuer clients on the potential impacts.

#### **Introductory Comments**

Computershare is highly supportive of the introduction of new technologies that will deliver operational efficiencies for stakeholders, including the introduction of distributed ledger technology (blockchain), if properly deployed for the benefit of all stakeholders. We commend ASX on its efforts to apply and implement this forward-thinking technology for the Australian market. We have partnered with ASX for 25 years on the development and management of the post-trade infrastructure, and while we address areas of concern below regarding specific aspects of the proposed CHESS replacement system, we look forward to further collaborating with ASX to continue to enhance the efficiency and competitiveness of Australian post-trade processes and systems.

The Consultation Paper outlines significant functional changes with highly consequential impact for stakeholders, and for the Australian market's settlement and registration structure. However, we are concerned with the lack of detailed explanation of the intended 'features' of the new system, including the absence of any financial analysis or business case to support the claimed benefits for the market or broader economy, despite broad claims in the Paper to this effect. The Paper does not facilitate a full understanding of the inter-relationship between and across the functional changes being proposed, and thus it is difficult for stakeholders to establish a clear view of the over-arching changes to the market infrastructure that will occur. We understand that, subsequent to release of the Paper, ASX has engaged in discussions with select stakeholders to clarify aspects of the changes. This has exacerbated the lack of broad market comprehension of ASX's intended outcomes.

Despite being referred to as a Consultation Paper, the ASX is not seeking input on its intended system features. The formal consultation relates to a very narrow set of questions primarily related to

managing implementation. Instead, the Paper positions various industry and Working Group discussions as being supportive of the documented system features. We question whether this is a fair and balanced statement in the context of Issuers and registries.

We have engaged in extensive consultation with our clients about this process and received the following feedback:

- Relatively few of our clients were engaged in discussions directly by ASX.
- Of those clients who were engaged in discussions, most initiated contact with ASX to participate, after being advised by us that Issuer sessions were being held.

Some clients who attended the sessions advised us that they felt they were “talked at” as opposed to being “consulted with”. The feedback we received therefore does not support claims that Issuers were broadly consulted with, and of those of our clients who were involved in the consultation process a number have since asked us for advice and guidance.

In our view, Issuers have only recently become aware of the extent of the CHES replacement project and the consequences it may have for them, having thus far viewed it largely as purely a technology ‘switch’. A number of clients have advised us that they have had more information on the substantive impact of the CHES replacement project from us than from ASX. In our recent discussions, they have raised concerns addressed in our response below, including:

- The risks of extending ASX’s monopoly
- The role of regulators
- Privacy concerns for shareholder data
- Data ownership and control.

Our understanding, based on the Working Groups held in 2017, was that stakeholders were discussing business issues of concern, to which ASX would then revert to the Groups to propose solutions. We are therefore concerned to see certain features included as ‘Day One’ requirements that were not presented by ASX. In our experience, substantive discussion among the participating stakeholders was relatively uncommon and we do not believe that the majority of items received a ‘consensus’ or robust support from the Groups, given the lack of detail made available.

Throughout the stakeholder dialogue and Working Groups that preceded release of the Paper, we raised a number of important questions with ASX, some of which remain unanswered. We had also been advised by ASX that the CHES replacement project would not alter the structure of Issuers’ share registers. Based on our review of the Paper, if the proposed features are implemented as proposed, this reassurance provided by ASX is inaccurate and we anticipate there will be substantial impact on register structure.

Our review of the Paper identified only 4 items that are of clear and direct benefit to Issuers. For those features proposed in the Paper that otherwise impact Issuers and their registries: a significant majority (27) require more information to enable a better assessment of the impact; and a discrete number (6) of them are not justified based on a balanced cost/benefit analysis. (As various features include multiple elements, some features fall into both of the latter ‘buckets’ of Issuer impact analysis.) Our detailed review of the features is provided in Section 2.

One of the 4 items of direct benefit for Issuers, electronic CHES holding statements, is a service that registries – operating in a competitive commercial environment – have been providing to their Issuer clients since 2009 for Issuer Sponsored holders. Electronic communications is a service that is not

contingent on new technology such as distributed ledgers. Even with this technology, ASX is not positioned to deliver electronic statements as it does not at present record holder email addresses, which is data that has been collected by Issuers and their registries since 2009 to deliver various other e-communications to CHESS sponsored holders. By contrast, Computershare already holds email addresses for approximately 52% of CHESS sponsored holdings. However we cannot presently extend our e-delivery services to our Issuer clients for CHESS sponsored holding statements as ASX rules mandate issuance by ASX, and gross transaction data is not yet provided to the Issuer by ASX.

In our view, delivery of CHESS holding statements should be a contestable service for Issuers rather than ASX continuing to mandate its monopoly service. A contestable environment would have allowed Issuers and CHESS holders to benefit from electronic delivery at the same time it was made available to Issuer Sponsored holders. While stakeholders agreed to ASX issuance of statements at the inception of CHESS as a mechanism to ensure investor confidence in the new system and securities holding mechanism, in our view this rationale is no longer applicable as all stakeholders recognise the integrity of these systems. If delivered by ASX at the same time as registries adopted this, we conservatively estimate that Issuers could have saved \$30-40m since that time. This assumes a 40% adoption rate (which is lower than our current 52% email coverage noted above) and using competitive pricing for e-communications compared to the current regulated fee for paper statements. As e-communication adoption rates continue to increase, these savings for Issuers could more than double. In our view, the rationale for needing to send statements to investors is no longer applicable as all stakeholders have confidence in the integrity of ASX's platform.

Our response accordingly addresses our comments on all relevant elements of the Consultation Paper. In Section 1, we address key policy and market structure principles raised by the Paper. In Section 2, we address our detailed comments on the technical and operational aspects of the intended features; and in Section 3 we address issues arising from the Appendices. Comments on migration planning, testing and implementation are addressed in Section 4.

## 1. Policy and market structure principles

### *Reconfiguration of market structure and securities administration*

The Consultation Paper presents an array of 'Day One' and 'Post Day One' features that ASX intends to deliver through the CHESS replacement system. When considered in the context of their impact on market functions and the roles of various market actors, Computershare's view is that ASX's proposals reach significantly beyond a technical system upgrade and replacement for CHESS and instead present a reconfiguration of the commercial services performed by various market actors, centralising roles and functions at ASX that are currently provided by competitive commercial service providers.

**In our view, it is critical that there remains a clear demarcation between ASX's role as licensed market operator, with rule-making authority, and the roles and functions of competitive service providers, including share registries.**

In particular, while Computershare appreciates that ASX is seeking to introduce efficiency enhancements as well as upgrade and optimise the technical capabilities of the platform, we are concerned that ASX also appears to be using the CHESS replacement project as an opportunity to redefine the existing structure relating to share registers, including significantly broadening the scope of the operation of the CHESS sub-register and the commercial services that will be provided to Issuers and investors. In our view, this represents a significant change to the business architecture of CHESS and the ASX business model that underpins it. It is a departure from longstanding principles that support CHESS.

The Australian securities registration model for listed securities operates as a dual structure, with choice of CHESS and Issuer sponsored sub-registers to record securityholdings. The CHESS sub-register has a *subsidiary* function to the Issuer's Register of Members. ASX does not currently take an active role in administering securityholdings. Its role with regard to the CHESS sub-register is intended, as agreed with stakeholders at the time it was developed, to be narrowly confined to a minimum set of clearly defined mandatory processes necessary to facilitate clearing and settlement. Thus, under the current structure, various data flows are sent by ASX to share registries as data elements for the compilation and ongoing management of the principal Register of Members, on behalf of Issuers. The impact of the features outlined in the Paper will substantively alter this structure, if implemented in the form proposed by ASX, with the effect of creating separate and duplicative reporting to Issuers.

A key example of this is the requirement that Issuers provide a daily file of the Issuer sponsored sub-register to ASX, to centrally manage SRN enquiries. This is a major reversal of the current flow, centralising registration information at ASX rather than at the Issuer's appointed registry agent. However our analysis (detailed below in Section 2 at ASX Ref. 2.2.10) indicates that this will not address the underlying procedural concerns expressed by stakeholders, and yet is likely to create inefficiency for CHESS Participants, investors and Issuers; and may increase Issuer costs.

Various proposed features will also result in the duplication by ASX of functions already performed by share registries. If implemented as proposed, data held and maintained by share registries on behalf of their Issuer clients, to facilitate administration of securityholdings, and various processes and administrative actions will also be replicated, creating new risks and costs.

Further, we have a residual concern that ASX may in future seek to amend its Listing Rules and Settlement Operating Rules to transfer additional key share register administration functions to itself, leveraging its central position in the market infrastructure and using the driver of the CHESS redevelopment project, thereby potentially reducing competition for such services. Specifically, ASX executives have in recent months repeatedly referred to the benefit of accelerating payments of dividends to investors as a core rationale for introducing distributed ledger technology. Yet despite ASX consulting listed Issuers on this point, there was nothing to this effect included in the Consultation Paper. Dividend payments were mentioned briefly at the Working Group, where we confirmed that payment is already received on payable date. It is therefore not clear what ASX is actually seeking to address on this topic through its continuing public statements, even post-issuance of the Paper. At present, the ASX Listing Rules are – rightly in our view - entirely silent in terms of when Issuers should pay dividends to their shareholders. As ASX and other stakeholders would be aware, Issuers follow different payment schedules depending on the size of their investor base and complexity of their payments (which may also include elections for stock in lieu of cash).

Based on our analysis, there are many questions that need to be discussed to fully assess ASX's proposals. The Consultation Paper is helpful in advancing our understanding but it does not provide sufficient certainty of what the entire proposed changes are and the associated impact. We find it curious therefore that ASX management is able to brief sell-side analysts on what it thinks the impacts of the proposal are before stakeholders have had a proper opportunity to assess that themselves through an informed consultation process with ASX and with industry regulators. Engagement with Issuers and registries particularly needs to improve. As ASX knows, Computershare has on a number of occasions requested participation in the Business Committee, without success.

We have outlined below in Section 2 our specific concerns with the various intended features of the CHESS replacement system.

### *Data ownership and control*

The proposed developments will result in a substantial expansion of the scope of CHESS sub-register services and the centralisation of shareholder and beneficial owner data on ASX's systems. ASX has however not addressed all the purposes for which it will hold such data; the controls that will be applied to it; the costs to access it; and the uses to which ASX and other parties may seek to apply the data, either 'Day One' or thereafter. This shareholder data, essential to the makeup of securities registers and the administration of securityholder rights, is owned by Issuers, and they will expect to retain such ownership and control.

ASX is an agent for Issuers in administering shareholder data, as stated in ASX Settlement Operating Rule 5.2.1. It can act only in a manner that is prescribed by its agreement with Issuers, including the provisions of the Listing and Settlement Operating Rules, or by any separate terms agreed with Issuers. ASX's role in respect of shareholder data under the Rules is narrowly circumscribed, with the clear intent to facilitate its responsibilities with respect to clearing and settlement, as presented in ASX Settlement Operating Rule 3.1.1. It is unlikely that ASX could alter the scope of the platform without significantly changing the Settlement Operating Rules (and potentially corresponding Listing Rules) to compel Issuers to deal with ASX in this manner. What is surprising is that ASX has however already publicly called for fintech developers to build software solutions on top of its central platform.

Without a clear understanding of the regulatory framework to support the CHESS replacement system, it is very difficult to determine what outcomes ASX is seeking to achieve; this in turn runs the risk of creating general uncertainty about the scope of new CHESS and the impact from transitioning from the current system. It is far from clear whether such services will be mandatory or optional for Issuers. Both approaches raise significant though different concerns, including duplication of infrastructure, if services are optional; and competition issues, if such services are mandated.

A particular feature of concern to us is ASX's required provision of a daily file of the Issuer Sponsored sub-register (ASX ref. 2.2.10). It is stated that this feature will facilitate validation of SRNs by Participants. If progressed, it will entail a substantial transfer of shareholder data to ASX. As detailed in our comments in Section 2, this is wholly disproportionate to any market need. Computershare administers approximately 3.5 million Issuer Sponsored holdings, which would need to be transferred daily under this requirement, and yet we receive on average only 60 SRN enquiries daily and 9 balance enquiries. Other mechanisms can readily address market requirements. It is also unclear how else the Issuer Sponsored securityholder data may be applied. We are very concerned with the potential data privacy implications of this transfer of data and its potential use in the delivery of other current and future requirements, including the call for new solutions for be built on the ASX central platform.

We also note that, in direct contrast to this requirement being imposed on Issuers and registries, ASX has just reviewed its own policy for provision of the CHESS master-file to registries, used for validation of CHESS holder details. ASX advised us on 13<sup>th</sup> June that it will cease providing the CHESS master-file with immediate effect, citing concerns regarding its obligations under the Privacy Act. **It is highly anomalous for ASX to require Issuers and their registries to provide a daily file of all Issuer Sponsored sub-registers to ASX, in light of ASX's own data privacy policy review and concerns.**

**In light of our serious concerns with provision of the daily file to ASX we take the view that this requirement should not be progressed.** Please note that in addition to our comments on the daily file itself, we have addressed in Section 2 the operation of those features that are

dependent on ASX's receipt of the daily file, including the centralised SRN facility, which raise further operational and cost/benefit concerns.

We are further concerned that ASX will seek to use its rule-making capacity to provide it with additional commercial rights beyond the scope of its clearing and settlement functions, and leverage the CHES system replacement project to create commercial opportunities for itself and other parties with respect to use of Issuers' shareholder data across both sub-registers. A number of clients have also expressed this concern to us.

Before any extension of ASX's collection and control of shareholder data into its proposed central repository, ASX must clearly establish the purpose for which the data will be collected, and the uses to which it will be put by ASX or other parties. ASX should not have the capacity to use its rule making powers to entrench a right to utilise or license Issuers' shareholder data for its own commercial benefit.

Any such right should be subject to a clear and unambiguous agreement with the relevant Issuer having regard to the legislative restrictions on the use of shareholder data and shareholders' rights of privacy in respect of their personal information. This is consistent with the contractual obligation of share registries with regard to use of our Issuer clients' data. As noted above, regardless of whether such agreement is optional or mandatory, the push by ASX into this area raises efficiency, cost and potentially competition issues.

#### *Registry interface*

Computershare continues to be supportive of the adoption of innovative technology to improve market efficiency, including distributed ledger, or blockchain, technology. Our technical concerns with the proposed CHES replacement system are not with the underlying technology itself, but rather **we query whether the proposed configuration of the distributed ledger will provide benefits to all stakeholders and ensure continued access for all stakeholders, including Issuers and share registries.**

Computershare has made repeated requests for clarification of the technical and interface access arrangements for share registries. These arrangements remain uncertain to us. ASX should ensure that its new systems are deployed in a manner that provides registries with at least equivalent interface capabilities as occurs in the existing system to support the activities and functions under the current environment. The current proposals suggest ASX specifically intends to extend its business model to bypass share registries in the provision of data and services to Issuers and investors, rather than making it explicit that existing services will continue to be provided by share registries based on information flows from the subsidiary CHES sub-register to an Issuer's register of members, via its share registry if it employs one (as most major public companies presently do).

We understand that User access to the replacement system can occur via ISO messaging or 'node' access to the blockchain technology that the new system will employ. While work has been undertaken to address several of the gaps in ISO 20022 standards for registration messaging, these do not fully replicate the current highly efficient interface between CHES and share registries for register updates and various core registration processes. ASX has stated that its Participants may utilise a node, allowing a more dynamic interaction and better leveraging the technology's benefits, however this level of clarity has not been provided to Issuers and share registries. The cost implications of such access have also not been addressed. As a result there remains significant uncertainty about access arrangements by Issuers and / or their share registries.

**In our view, registries require the ability to have ‘write’ access to the blockchain via a node to most effectively replicate the current dynamic interface for administration of registration processes.** ASX has however indicated that only it will have the capacity to ‘write’ to the blockchain, therefore centralising registration of transactions and ownership of securities on the CHES sub-register. This stands in direct contrast to the current model where ASX acts as a mere conduit to reflect and record transactions initiated by registries and CHES Participants on the CHES sub-register.

This is another critical alteration of the fundamental principles underlying the Australian registration model, inserting ASX as central controller and weakening the dynamic capacity for share registries to create transactions, for example in respect of corporate actions.

Logically, the deployment of distributed ledger technology should result in the effective distribution of the ledger to also include Issuers and their registries, so they may continue to update the CHES sub-register. The proposed deployment is anomalous given the dual sub-register structure that exists today, where registrars, on behalf of Issuers, control register management, including the application of electronic messages to and from CHES.

**ASX must specifically address its intended deployment model for nodes to access the distributed ledger, including protections that will be established to ensure that the ledger is not subsequently reconfigured and distributed in a manner that violates Issuers’ data rights, shareholder rights, or interferes with the market for commercial services provided by registries to their Issuer clients.**

#### *Extension of features to beneficial owners*

A number of the presented features include facilitation of beneficial owners holding securities on the CHES sub-register via custodians. Beneficial owners may arrange with their custodian for a Common Investor Number (‘CIN’) to be recorded to represent their position even in an omnibus custody account that represents multiple holders (see ASX ref. 2.2.1). Optionally, ASX proposes that custodians may also submit corporate action elections and acceptances in respect of underlying beneficial owners as a result of the features introduced in ASX ref. 2.2.16 & 2.2.17 (and potentially proxy votes in ‘Post Day One’ under ASX ref. 2.4.3); and have their data collated centrally under ASX ref. 2.2.2 and 2.2.3.

We appreciate and support the Issuer interest in improved transparency and the underlying investor interest in improving the efficiency of participation in corporate events. However, these developments pose operational and technical concerns that we address in Section 2. They also raise questions of corporate governance and investor protection that have not been subject of analysis and discussion with Issuers. These issues require an informed dialogue to ensure that they do not introduce legal uncertainty for Issuers and investors, before such features are finalised or progressed.

For instance, how does the optional application of a CIN to ‘identify’ an investor who holds through a pooled account impact the rights of the identified investor vis a vis other investors, who also claim entitlement via that pooled account? In the event of insolvency of the custodian, what are the implications for managing investor claims where there is a shortfall in the total omnibus position?

How does this impact the investor’s rights in the securities and how does this interact with established Australian law and with the Issuer / shareholder and beneficial investor / custodian contractual terms? Is the CIN visible to Issuers and therefore does it have any flow-through impact

on Issuers and create legal or trust responsibilities toward the identified investor? Similar questions arise if beneficial owner information is linked to a CHESS account (ASX ref. 2.2.2).

The extension of these features to beneficial owners is being treated as an operational and technical issue without regard to the regulatory and legal principles that are impacted. In addition to our comments in Section 2 below on the administration of these features, **discussion is necessary between Issuers, investors and regulators regarding these principles and the impact on established Australian law in areas such as shareholder rights and intermediary insolvency.**

Additionally, if these features are optional, the question arises whether this data will be useful in practice. We understand that larger custodians at least take the view that the proposed solution is not viable, negating the attractiveness for Issuers or their share registry in being able to obtain that beneficial owner data efficiently for investor relations purposes. If usage is limited to retail broker nominees, it will not achieve any significant benefit from an investor relations perspective. It also prompts the question whether Issuer costs will increase as a result of ASX managing such data centrally on behalf of retail brokers and / or their customers, e.g. for reporting and administration of corporate actions, if such arrangements are subsequently promoted by ASX.

## 2. Comments on CHES replacement features 'Day One' & 'Post Day One'

Our comments on those 'Day One' and 'Post-Day One' features of relevance to our services and to our clients are provided below. Where relevant, we have also included a suggested alternative approach to address the underlying market requirements.

ASX Ref.:	Topic:	Computershare Comments	Computershare Proposed Approach
Section 2.2 New Features targeted to be implemented Day 1			
2.2.1	Account Information – Common Investor Number ('CIN')	<p><b>The CIN should not be embedded in the central market infrastructure, with associated development costs for all Users, particularly Issuers. The concept will not offer sufficient benefit to the market. It also raises significant operational, technical and legal questions that have not been addressed by ASX.</b></p> <p>This issue was covered cursorily in Working Group discussions and has not been subject to sufficient analysis. These concerns must be addressed before this feature can be further considered.</p> <p>While we note the argument for potentially allowing a unified portfolio view for investors, there is no substantiation of the number of investors to whom this may be beneficial, i.e. those using multiple holdings structures. Associated development costs are not supported by any business case analysis.</p> <p>The Consultation Paper also hints at other potential uses, such as for beneficial owner identification for Issuers. However, the CIN is not a market-wide concept and we question how useful the resultant beneficial owner data could be for Issuers. The CIN is considerably different from the New Zealand 'Common Shareholder Number', which supports a distributed share register structure and is comprehensively embedded in New Zealand market systems and infrastructure.</p> <p>We understand that ASX has discussed with some market stakeholders that the CIN is intended for use by retail investors only, although the Paper does not express this limitation. If so, this increases our concern with the limited applicability and usefulness of the CIN, and further indicates that this should not be a mandatory market development.</p>	<p>The CIN should not be included in the CHES replacement project. If market participants and investors agree that it provides some benefit to them, then it could be developed as a separate commercial service by ASX for such participants and their clients.</p>

		<p>Further questions include:</p> <ul style="list-style-type: none"> <li>- Will the CIN for CHESS accounts be reported to the Issuer (via their share registry)?</li> <li>- What would Issuer obligations be in respect of CINs?</li> <li>- Costs for access to CIN information.</li> <li>- The treatment of joint holders is not addressed and associated operational and legal issues of entitlement must be addressed.</li> <li>- The use of a CIN for validation of the shareholder, as opposed to a HIN or SRN, is unclear and may create potential risk.</li> <li>- There is no explanation of how the CIN would be created, managed or applied for Issuer Sponsored holders and how ASX and share registries would communicate this.</li> <li>- As it relates to beneficial owners holding via CHESS nominee accounts, how will Participants be required to reconcile the total securities balance in the account and the number of securities to which the investor with a CIN is entitled?</li> </ul> <p>As detailed in Section 1, this proposal creates important corporate governance and investor protection issues that must also be addressed before further consideration of development.</p>	
2.2.2	Account Information – Additional Investor Information	<p><b>This proposal lacks critical information to enable an informed assessment, including a cost/benefit analysis for Issuers (and their agents), Participants and investors.</b></p> <p>This raises numerous legal and operational questions unanswered in the Paper, including:</p> <ul style="list-style-type: none"> <li>- How Settlement Participants will be required to reconcile their nominee accounts to ensure accurate reflection of entitlement for the ‘disclosed’ investor vis a vis other investors holding via that nominee account.</li> <li>- How frequently the Settlement Participant will be required to update the information linked to their CHESS account, and how this may impact calculation of entitlements.</li> <li>- How liability for any error due to incomplete or incorrect information reporting will be apportioned.</li> <li>- How this information will be reported to Issuers and their registries.</li> <li>- Associated costs to Issuers for accessing the information, in addition to registry development requirements.</li> </ul>	<p>This feature should not be included in the CHESS replacement project. If market Participants and investors agree that it provides some benefit to them, then it could be developed as a separate commercial service by ASX for such Participants and their clients.</p>

		<ul style="list-style-type: none"> <li>- How it is required to be reflected on the Register of Members and the implications of this.</li> <li>- How many 'layers' of beneficial ownership will be eligible to be disclosed, and the consequential impact of this for reconciliation of entitlements through the chain of ownership.</li> <li>- Operational complexities are exacerbated due to fragmented processes and holder identifiers.</li> </ul> <p>For beneficial holder information at the institutional level to be useful for Issuers, it must be provided on a market-wide uniform basis, and be current (updated). Fragmented and 'out of date' data potentially increases complexity and costs for Issuers and may be redundant.</p>	
2.2.3	Account Info – Centralised data captured & storage	<p><b>This feature is very ambiguous and we question how it can be a 'Day One' deliverable in light of the distinct lack of information on operation of the central repository; and the purposes and intended uses of the collected data.</b> It does not address who will input, update, and maintain the 'additional information'. This is critical, particularly as the data to be captured is personal information with attendant data protection risks. It also poses significant operational issues for coordination with investor information held by share registries on behalf of Issuers. We question how ASX's central repository, which would not include all shareholder data, and Issuers' registry records, which are a 'master-file' for the entire securities issuance, will interact.</p> <p>As noted in Section 1, such data is owned by Issuers and ASX's role in relation to shareholder data is limited. ASX should not seek to leverage it for commercial benefit without express Issuer, and potentially shareholder, consent.</p> <p>We also note that, based on Working Group discussions, a key driver was capture of DRP information to prevent loss of elections in the event that a holding falls to 0 for a period of time. However, each Issuer administers their DRP in accordance with individual plan rules. A standardised election across all companies may not be possible given the variable and diverse nature of plan rules across the market.</p> <p>Operational questions that are not addressed include:</p> <ul style="list-style-type: none"> <li>- Whether ASX would provide this service as a 'store and forward' facility or seek to use this information for other purposes/services to Issuers and investors.</li> </ul>	

		<ul style="list-style-type: none"> <li>- Will investors be forced to update values solely via their broker?</li> <li>- Can an Issuer remove a value that is found to be invalid (e.g. rejected bank accounts)</li> <li>- Are emails intended to form part of the data set? The proposal does not address emails.</li> <li>- Can an Issuer accept and apply an update directly from an investor, e.g. via a campaign or an unsolicited update? These are currently received via channels such as online services, call centres, and mail.</li> <li>- Can an investor elect to use different bank account details for different investments?</li> <li>- Do these details become mandatory for an investor to provide?</li> <li>- Will sponsoring brokers be required to populate the central store?</li> <li>- Are there privacy concerns, particularly around the centralisation and automatic population of TFN's?</li> </ul> <p>ASX's fees relating to the provision and maintenance of these details are not presented.</p>	
2.2.4	Account Information – Standardised registration details (+8.2 HIN Cleanup + 8.3 Cleansing)	<p><b>In our view, the requirement to review all existing registration details and implement a new standardised format is unjustified and should not be progressed. The costs to Issuers and share registries, as well as brokers and custodians, of undertaking this initiative across all securityholdings will be highly significant.</b> In excess of 20 million holdings will need to be reviewed and potentially amended. By contrast, there is no substantiation of any benefit.</p> <p>The Paper references potential benefits in reduced duplication of accounts and more accurate identification of holdings. There is no substantiation of the scale of any such concerns provided. Computershare's internal analysis shows these issues to be minor. Duplicated accounts in the same company occur in no more than 2.5% of holdings across Issuer sponsored and CHESS sub-registers, and the majority of such instances are nominee accounts with varying account designations. Further, we question how the proposed feature will prevent "like" accounts being established, noting also that this may be a deliberate investor choice.</p> <p>Concerns relating to the volume and cause of failed conversion and enquiry requests are not consistent with Computershare's analysis. Computershare's systems automatically 'cleanse' requests to account for a range of common abbreviations such as St/Street. Rejections for conversion requests and SRN enquiries are solely based on absolute different name and/or address details e.g. joint</p>	Share registries should convene discussions to agree market standards a consistent validation routine to be applied to minimise rejections while ensuring integrity of transfer and conversion processing is maintained.

	<p>accounts vs single accounts, married name vs maiden name, deceased estate trustees and addresses, differing street addresses (not St/Street), and use of middle name. Based on this, as previously advised to ASX, Computershare's statistical rejection rates are extremely low and justified.</p> <p>Our experience indicates that adoption of an agreed and consistent validation routine for transfers and conversions, such as that described above, would best resolve any market-wide issues with rejection rates. Modifying the standard and extending the size of the format of registration details will not change the statistical outcome and may only exacerbate the problem through the additional 'space' available to enter unnecessary (and unmatchable) values. Concerns with regard to migration to the new standard and notifications to securityholders are addressed in Section 4 below.</p> <p>The cost of review and cleansing of existing holdings across the market will be significant. Development will also be required to support the new registration standards. This will entail review of all systems, forms (online and paper), and stationery to ensure space for the new larger format. Additionally, our analysis shows that only 0.0021% of the Issuer Sponsored holdings that we administer have registration details with more than 160 characters. For CHESS, only 60 HINs across our client records have registrations exceeding 160 characters, and none have more than 167 characters. This further evidences the lack of justification for imposing such significant costs on Issuers and registries.</p> <p><b>We note also the requirement to increase the maximum number of joint holders to four, from the current three, due to SMSF requirements. In our view, ASX should discuss this requirement with the Australian Tax Office to seek SMSF conformity with existing Australian market standards in this regard, or agree ongoing practical solutions to address the specific need.</b> Moving to a maximum of four joint holders will have legal and operational implications, and associated costs, across all Issuers and their registries that are not justified on the basis of the specific requirements for one class of holding. Additionally, we understand there is discussion on increasing the SMSF standard to six joint holders, which will exacerbate this concern.</p> <p>Our analysis, based on a sampling of major clients' registers, indicates that a considerable majority of SMSF holdings are registered in the name of corporate trustees, an approach that is recommended in</p>	
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		<p>the industry as best practice and is expected to continue to increase. For those holdings registered directly, our analysis shows that again a considerable majority are in the name of individual members not joint holders.</p> <p>Analysis of the share registers managed by Computershare indicates that the vast majority of joint accounts have no more than two holders. Approximately 0.5% of holdings have three joint holders, across an analysis of nearly 10m holdings, while 16% have two joint holders. The maximum number of joint holders is specified in the Constitution of many Issuers, reflecting the existing market norm, these commonly specify three. As above, all systems, forms and stationery would need to be updated to cater to the requirement, at appreciable cost for no substantiated benefit. Requiring all Issuers to conform to a new standard of four holders may also require changes to some Issuers' Constitution.</p>	
2.2.5	Pre-settlement – Settlement lock for CHESS holdings	<p>We would appreciate clarification of some specific points in relation to this feature:</p> <ul style="list-style-type: none"> <li>- Whether the application of the lock will be included in ASX reporting to the Issuer;</li> <li>- Whether the application of a lock will prompt issuance of a holding statement (which will be of most relevance if the lock is released without a subsequent transfer of securities from the locked holding for settlement purposes); and</li> <li>- How ongoing registry processing requirements may be impacted by the application of a lock. For example, whether corporate actions can continue to be administered to locked holdings, and if not how these will be addressed.</li> </ul>	
2.2.6	Pre-settlement – Settlement lock for Issuer Sponsored holdings	<p><b>The application of pre-settlement holding locks to Issuer Sponsored holdings requires further discussion and clarification of legal and operational details before progressing.</b></p> <p>Operational issues that require clarification include:</p> <ul style="list-style-type: none"> <li>- How do share registries validate the entitlement of a Settlement Participant to seek application of a pre-settlement holding lock to an Issuer Sponsored holding?</li> <li>- How will the request to apply a holding lock be communicated to the share registry and what are the associated processing controls and turnaround times?</li> </ul>	

		<ul style="list-style-type: none"> <li>- Will the ASX Settlement Operating Rules include a new indemnity for Issuers (and by association their registries) for application of a holding lock to an Issuer Sponsored holding, in reliance on a message transmitted from a Settlement Participant via ASX? In the event of a lock being applied to an account without due authorisation by the holder, any loss to the holder from lack of access to their securities or otherwise from application of the lock cannot be considered the liability of the Issuer or their share registry.</li> <li>- Please advise if any change to the National Guarantee Fund will be sought, to cover any possible loss or damage to an Issuer Sponsored shareholder in the event of an incorrectly applied holding lock, e.g. where the Settlement Participant includes incorrect account details.</li> <li>- We also seek clarification that the subsequent transfer of the securities from the Issuer Sponsored holding into the settlement process would be covered by NGF protection, on the basis of the Settlement Participant's originating instruction.</li> <li>- Please clarify how corporate action processes, any off-market transfer instructions and other holder administration functions received directly by the registry will be handled during the time that a lock is applied.</li> </ul>	
2.2.10	Pre-settlement – Single access point to validate SRN	<p><b>Computershare does not support the requirement to provide a daily copy of the Issuer Sponsored sub-register for each securities issue to ASX, which ASX intends to use to provide a centralised access point to validate SRNs. It would impose a significant burden on Issuers and their registries. It raises legal and operational concerns, and is an unprecedented and unjustifiable insertion of ASX into functions performed by share registries in the administration of the Issuer Sponsored sub-register. As highlighted in Section 1, we are particularly concerned with the data privacy implications of this requirement.</b></p> <p>This issue was not addressed in the Working Groups and has not been subject to prior consultation or analysis.</p> <p>As discussed in respect of item 2.2.4 above, and advised to ASX on several occasions, our analysis clearly refutes claims that this feature would appreciably reduce rejection rates for SRN enquiries. Computershare's systems automatically 'cleanse' requests to account for a range of common</p>	<p>Share registries and Participants should convene discussions to agree market standards for validation routines, to be applied at point of entry of SRN enquiries by Participants and at point of validation by registries.</p> <p>The existing central access point for Participants via CHES messaging should be</p>

	<p>abbreviations such as St/Street. In our experience, rejections for SRN enquiries are solely based on <u>absolute</u> different name and/or address details e.g. joint accounts vs single accounts, married name vs former name, deceased estate trustees and addresses, differing street addresses (not St/Street), and use of middle name. Further, our analysis revealed multiple identical requests using the same erroneous name and or address values.</p> <p>Our analysis therefore demonstrates that rejection rates are driven by substantive input errors by Participants, in some instances completely incorrect holder names or totally different addresses.</p> <p>Centralising enquiry management through ASX will not address this concern, unless ASX proposes to significantly reduce tolerance levels for validation, which risks introducing concerns for integrity and investor protection. We query the investor risk of ASX adopting lower tolerance routines for validation to reduce enquiry rejection rates which may give rise to ‘fishing’ attempts using reduced data points in enquiries.</p> <p><u>Our analysis also indicates that we receive on average 60 requests for SRN enquiries daily, and on average 9 balance enquiries, across the 3.5m Issuer Sponsored holdings maintained.</u> Requiring daily provision of the whole Issuer Sponsored sub-register for every Issuer is entirely disproportionate to this market demand.</p> <p><b>The issue of SRN validation can more readily and cost effectively be resolved through registries working with Participants to establish market standards for validation routines both at the point of entry and for all share registries.</b> The existing central access point for Participants via CHES messaging should be replicated in the CHES replacement system.</p> <p>The proposed operation of this feature is unclear. Data content is unknown and thus the validation criteria is uncertain. Provision of a daily file would of its nature be static and thus there is no guarantee that a holding will not have altered intraday. It is not known whether the use of this static source would therefore prevent the share registry from performing operations on the Issuer Sponsored sub-register intraday, including name / address maintenance, off market transfers and corporate action processing.</p>	<p>replicated in the CHES replacement system.</p>
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		<p>ASX has not established what the 'Day One' or future uses of Issuers' securityholder data will be, nor its intended controls to prevent unauthorised disclosure or use.</p> <p>This requirement poses additional concerns for international Issuers listed in Australia, and Australian Issuers with international listings. Any potential delay in intra-day processing on the Issuer Sponsored sub-register will also impact administration of cross-border securities movements, and increase settlement risk for cross-border trading.</p>	
2.2.12	Settlement – Settlement message enhancements	We support the new system allowing key messaging, such as corporate action processing and holder administration, to continue to be processed during the batch settlement process.	
2.2.16	Corporate actions – Electronic elections for DRPs and BSPs	<p><b>Key elements of this feature require clarification. Subject to such clarification, we are <u>conditionally</u> supportive of ASX facilitating electronic elections for DRPs and BSPs for direct CHESSE holders, passing elections to the registry for validation and processing, via the CHESSE replacement system.</b></p> <p><b>We cannot support this in respect of Issuer Sponsored holders, for reasons discussed below in relation to integrity of processing on the Issuer Sponsored sub-register. We also have substantial concerns with the extension of this feature to allow multiple cumulative elections for CHESSE holdings, due to reconciliation and integrity concerns, and propose that further detailed analysis of the impact of this element of the feature be required before progressing.</b> These latter two elements of the feature (Issuer Sponsored holders and nominee owners in CHESSE) were not covered in the Working Group discussions on this topic.</p> <p>With regard to CHESSE holdings, we seek more detail regarding ASX's intentions with respect to receipt and processing of the elections. If ASX intends to act merely as a conduit to pass the election through to the registry for normal validation and processing, we support this additional channel. If ASX proposes to duplicate registry processing of the election, such as validating against DRP rules, calculating entitlement and processing allocations, we cannot support this as it is an unnecessary and</p>	<p>The requirement should address ASX acting as a conduit for electronic elections for DRPs and BSPs in respect of direct CHESSE holdings only.</p> <p>For nominee holdings, rather than multiple individual elections per HIN, consideration should be given to facilitating multiple elections where the subsequent election entirely over-rides earlier elections, to minimise</p>

	<p>inefficient duplication of function. It will introduce unnecessary risk in management of the DRP and BSP elections.</p> <p>Market standards should be established in the event of ASX acting as a secondary conduit to existing registry election channels, to establish rules such as which election prevails in the event of a shareholder submitting both direct to the registry and via their Participant to ASX. A further Working Group dialogue should formulate these principles.</p> <p>ASX should clarify its intended fee structure for this feature, particularly with respect to any fees to Issuers. ASX-mandated fees applied to Issuers for passing through elections lodged via an additional channel is likely to increase Issuer costs and duplicate infrastructure for receiving and handling elections.</p> <p>We are opposed to this mechanism being extended to Issuer Sponsored holders. Registries have no mechanism to validate whether a Participant is indeed acting on behalf of the Issuer Sponsored holder. There is no mechanism to ensure investor consent to the election, which creates risk for Issuers and registries as well as for investors. It would also impose development costs that are unsupported by any analysis from ASX regarding demand from Issuer Sponsored holders to submit elections via a broker.</p> <p>We are also concerned with the implications of extending this feature to allow multiple elections for CHESS nominee holders. We are concerned that this will result in the equivalent of 'over-voting' of the nominee account for elections. With multiple elections potentially over a period of time, it will be necessary to reconcile each election to ensure that the total number of elections for the CHESS holding does not exceed the total securities balance. Each additional election would require recalculation and it is entirely unclear how an 'over-election' would be treated. For example, are all elections for that holding then invalidated and the Participant required to resubmit after reconciliation? This could impose a significant processing burden on both Participants and registries. Such details, and the associated risks, require detailed discussion before ASX proceeds.</p>	<p>reconciliation and rejection risks.</p>
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		An alternate solution could be to allow Participants to submit additional elections but have each subsequent election over-ride prior elections. This will reduce the risk of 'over-electing' and consequent reconciliation and rejection handling concerns.	
2.2.17	Corporate actions – Electronic acceptances for entitlements offers	<p><b>Our position on this feature mirrors that above in 2.2.17. Key elements of this feature require clarification. Subject to such clarification, we are conditionally supportive of ASX <u>facilitating</u> electronic acceptance of entitlement offers for direct CHESSE holders, passing the acceptance to the registry for processing.</b></p> <p><b>We do not support this for Issuer Sponsored holders, as it impacts the integrity of processing on the Issuer Sponsored sub-register. We also have substantial concerns with the extension of this feature to allow multiple elections for CHESSE holdings, due to reconciliation and integrity concerns, and propose that further detailed analysis of the impact of this element of the feature be required before progressing.</b> These latter two elements of the feature (Issuer sponsored holders and nominee owners in CHESSE) were not covered in the Working Group discussions on this topic.</p> <p>Further discussion is necessary with regard to the correlation between acceptances and subsequent commitment to settlement of the corporate event. While an increase in visibility of intention to accept the offer is potentially beneficial to Issuers, the more important information is actual commitment to settlement. It is not clear how these elements will be coordinated.</p> <p>ASX should also clarify its intended fee structure for this feature, particularly with respect to any fees to Issuers. ASX-mandated fees applied to Issuers for passing through acceptances lodged via an additional channel is likely to increase Issuer costs and duplicate infrastructure for receiving and handling acceptances.</p>	<p>The requirement should address ASX acting as a conduit for electronic acceptances for entitlement offers in respect of direct CHESSE holdings only.</p> <p>For nominee holdings, rather than multiple individual acceptances per HIN, consideration should be given to facilitating multiple acceptances where the subsequent acceptance entirely over-rides earlier ones, to minimise reconciliation and rejection risks.</p>
2.2.18	Corporate actions – Electronic payment for	<p><b>Key elements of this feature require clarification. Subject to such clarification, we are conditionally supportive of ASX <u>facilitating</u> electronic payments by CHESSE holders to Issuers, subject to immediately passing the funds through the registry for validation and</b></p>	<p>The requirement should address ASX acting as a conduit for electronic</p>

	entitlement offers	<p><b>processing. We do not support this in respect of Issuer Sponsored holders, to ensure integrity of processing on the Issuer Sponsored sub-register.</b></p> <p>For CHESS holdings, we recognise that this is potentially beneficial for Participants and Issuers. Payments from institutional investors, for example, can be impacted by BPay limits and internal mandates. Delivery of large value cheques entails risks for Issuers and investors and therefore enhanced electronic mechanisms are preferred. We note however the lack of key details that would permit better assessment of the feature.</p> <p>In particular, we note the Paper does not address what the payment process will be and how reconciliation of payments, and validation and reconciliation of the electronic acceptance with the payment, will be conducted. <b>Payments would need to be remitted to the registry to process on behalf of the Issuer in a very timely manner, and support registry reconciliation controls to ensure integrity of the corporate event.</b></p> <p>With regard to Issuer Sponsored holdings, we consider that this channel is inappropriate. This feature is linked to electronic acceptances in 2.2.17 above, which in our view should also not be extended to Issuer Sponsored holders as registries have no mechanism to validate whether a Participant is indeed acting on behalf of the Issuer Sponsored holder or to ensure investor consent to the election. This creates unacceptable risk for Issuers and registries as well as for investors. It would impose additional development costs that are unsupported by any analysis from ASX regarding demand from Issuer Sponsored holders to submit payments via a broker. For Issuer Sponsored holders there is no indication that existing payment mechanisms are problematic or inadequate.</p>	payments by CHESS holders to Issuers only.
2.2.19	Corporate actions – Transfer of cum entitlement balance	<p><b>We question the underlying purpose for this requirement, and are concerned with the lack of a business case to support it, in light of development costs that would be incurred by Issuers and registries. In our view, this feature should not be a ‘Day One’ requirement due to the need for further information.</b></p> <p>We note the rationale relating to securities lending. However, in the absence of any cost-benefit analysis we are concerned that this will impose development costs on Issuers and registries without Issuer benefit or an established market need. We are also concerned that this feature could be used</p>	

		for other purposes, for example to support short-selling or 'dividend stripping' activities which may be detrimental to our Issuer clients, or potential misuse of franking credits (which should be discussed with the Australian Tax Office).	
2.2.20	Reporting – Continuous holding balance information	<p><b>Computershare has advocated for real-time reporting of gross transactions on CHESSESS holdings to Issuers. We therefore support introduction of this feature by ASX. We would appreciate further clarification of the channel for transmission of this data and how it will interact with existing CHESSESS register reporting.</b></p> <p>Real-time or at least contemporaneous gross balance reporting will be beneficial for Issuers, improving visibility of CHESSESS holdings. This will allow Australian Issuers to enjoy international best practice in this area, comparable to that for example enjoyed by UK Issuers who receive real-time reporting of gross CREST transactions.</p> <p>The benefits for Issuers will be optimised by allowing rapid integration into the total Register of Members, allowing Issuers to have equivalent access to CHESSESS transactions as currently received for Issuer sponsored. We note that the Consultation Paper does not provide details regarding channel for transmission of the data, and we look forward to engaging with ASX in the near term to further understand how this is intended to occur.</p>	
2.2.21	Reporting – Electronic provision of holding statement and notifications	<p><b>Computershare supports the electronic provision of holdings statements and notifications to CHESSESS holders. This function should not however be controlled by ASX. The issuance of holding statements on behalf of Issuers, who are invoiced regulated fees by ASX, should be subject to competitive market service offerings.</b></p> <p>The move to electronic statements is positive. It is unclear if ASX intends to correspondingly reduce Issuer fees for such statements to reflect efficiencies from electronic dissemination, but we would urge ASX to address this issue. As noted above however, we see no ongoing justification for holding statements and notifications to be undertaken by ASX, as required under ASX rules. Issuers should be able to manage all their shareholder communications, CHESSESS and Issuer Sponsored, on an equal basis and to appoint their agent of choice in this regard, leveraging the existing relationship between Issuer</p>	The issuance of CHESSESS holding statements should be subject to competition, and not be a regulated function of ASX.

		<p>and investor and utilising existing infrastructure (including email address where already held). The application of regulated fees for this service is also anachronous. A competitive service structure would allow Issuers to more efficiently and cost effectively manage their shareholder communications campaigns and responsibilities.</p> <p>ASX proposes to collect email addresses from settlement Participants. Such email addresses should be passed also to the Issuer's share registry. As detailed in our submission to ASX on the Business Requirements for the CHES Replacement (dated 28<sup>th</sup> October, 2016), stakeholder discussions regarding receiving, updating and maintaining email addresses must take place to ensure efficient and effective electronic communications with investors on behalf of Issuers. <u>Issuers and their registries have communicated with CHES sponsored holders via electronic means since 2009 and it will be critical to ensure coordination and prevent disruption to shareholder communications.</u></p> <p>We note that the Paper queries whether email addresses should be held on the Register of Members, as contemplated under the Corporations Regulations Amendment (Modernisation of Members Registration) Bill 2017. While we are a strong advocate of electronic communications, we refer ASX to Computershare and others' submissions to that Bill, which elaborated on concerns with holding email addresses on the Register of Members.</p>	
Section 2.2 New Features targeted to be implemented Day 1			
2.4.1	Account information – aggregated view of holdings	<p><b>We do not consider that there is sufficient information on this intended 'Post Day One' feature to adequately comment at this point, and cannot support it in its current form.</b></p> <p>Our concerns expressed in relation to features 2.2.1, 2.2.2, 2.2.3 and 2.2.10 are relevant to considering the integrity and management of data that is proposed to be viewable via this feature.</p>	
2.4.2	Corporate actions – electronic	<p><b>We consider that further clarification of this feature is required before it is progressed, and cannot support it in its current form.</b></p>	

	processing of dividend claim	Areas for discussion must include the implications for ATO reporting and the reporting of franking credits. We also query whether this requirement remains valid if ASX proceeds with feature 2.2.19, and how these two items are inter-related. Consideration should also be given to whether this creates the opportunity to invalidly transfer franking credits within the market?	
2.4.3	Corporate actions - electronic proxy voting	<p><b>Key elements of this feature require clarification. Subject to such clarification, we are conditionally supportive of ASX <u>facilitating</u> optional electronic proxy voting for direct CHESSE holders, passing the vote through the registry for processing. While it is not clear if this feature is intended to extend to Issuer Sponsored holders, we would not support such an approach.</b></p> <p><b>We also have concerns with the potential extension of this feature to allow multiple votes for CHESSE holdings, due to governance, reconciliation and integrity concerns, and we propose that further detailed analysis of the impact of this element of the feature be required before progressing.</b></p> <p>With regard to CHESSE holders, we seek more detail regarding ASX’s intentions with respect to receipt and processing of votes. If ASX intends to act merely as a conduit to pass the proxy vote through to the registry for normal validation and processing, we are supportive of the provision of this optional additional channel. However we cannot support this feature if ASX proposes to duplicate registry processing of the vote, such as validating and tabulating votes and reporting vote totals to Issuers as this would be an unnecessary duplication of function that would introduce unnecessary risk in vote administration.</p> <p>ASX should also clarify its intended fee structure for this feature, particularly with respect to any fees to Issuers. ASX-mandated fees applied to Issuers for passing through votes lodged via an additional channel is likely to increase Issuer costs and duplicate infrastructure for receiving and handling votes. Additionally, we note that market standards will need to be established in the event of ASX acting as a secondary conduit to existing registry election channels, to establish rules such as which vote prevails in the event of a shareholder submitting both direct to the registry and via their Participant to ASX. A further Working Group dialogue should formulate these principles.</p>	

		<p>We are opposed to this mechanism being extended to Issuer Sponsored holders. Registries have no mechanism to validate whether a Participant is indeed acting on behalf of the Issuer Sponsored holder, which creates unacceptable risk for Issuers and registries as well as for investors. It would also impose development costs that are unsupported by any analysis from ASX regarding demand from Issuer Sponsored holders to submit proxy votes via a broker.</p> <p>We are concerned with the implications of a potential extension of feature to beneficial owners holding through CHESS nominee accounts. The legal, operational and corporate governance implications of such an extension require careful consideration. Our comments in section 1 are relevant in this context.</p>	
<p><i>2.6 CHESS functionality being decommissioned</i></p>			
2.6.2	Message models	<p>As expressed during the Working Groups, we do not support decommissioning the Securities Transformation message (EIS 421). This is occurring only due to a limitation in the ISO messaging standard and will be detrimental to Issuers. Use of Securities Transformations provides operational efficiencies and cost savings to Issuers, where appropriate based on the nature of the corporate action. Our analysis indicates that this would result in an increase in fees payable to ASX for corporate action processing of approximately 30%, across a sampling of recent corporate actions, based on current fee rates. ASX has not addressed this impact for Issuers.</p>	<p>ASX needs to address cost impact for Issuers of decommissioning the Securities Transformation message, and ensure that Issuers are not disadvantaged.</p>

### 3. Appendices

ASX Ref.	Topic	Computershare Comments
1.C.1	Electronic single access point for corporate action event information	<p>ASX seeks to impose further obligations on Issuers to submit corporate actions announcements in a format that supports ASX's centralised announcements service. This is a fee-based commercial service provided by ASX to Participants and other stakeholders. <b>It is therefore incumbent on ASX to ensure that it does not structure the obligations on Issuers, using its rule-making authority, in an anti-competitive manner that could prevent competition from other providers of announcements services to stakeholders.</b></p> <p>While ASX benefits from selling this central data source to Participants, based on Issuer input, ASX is not subject to any risk for any errors in the data.</p> <p>Work-flow technology supports a range of approaches to allow creation of announcements data that can be validated / approved by Issuers and used as a source for stakeholders. There is no 'natural' market need for ASX to centralise and control this activity. A competitive market for this must be ensured, for the benefit of Issuers and market stakeholders.</p> <p>Issuers must be consulted on any proposed changes, including new data capture fields. These should include only the minimum information required for the market announcement. Any additional data collected, beyond that minimum, must not be unduly burdensome for Issuers, and should not be required primarily for commercial benefit to ASX in selling such data to market stakeholders.</p> <p>We also note that several of ASX's proposed features for the CHES replacement system are an inappropriate insertion by ASX into current commercial services for corporate action administration, as discussed in Section 2 above. In this light, we are concerned that ASX is seeking to combine its Listing Rule authority over Issuers with regard to announcements and the design of the CHES replacement system to create an environment where it can further centralise end-to-end corporate action administration in a manner that damages the current commercial environment.</p>

1.C.2	Transparency through life cycle of corporate actions	Computershare supports ensuring the market is informed of material changes in corporate actions. We note however that this should not impede Issuer flexibility and discretion in managing the administration of the corporate action. For example, detailed information on management of a scale-back cannot be released ahead of completion of the offer, as it is necessary to determine the scope of the over-subscription to assess the action required.
1.C.3	Standardised DRP and BSP elections	Computershare supports this proposal, subject to ensuring that there are: <ol style="list-style-type: none"> <li>1. Appropriate processes to manage compliance with DRP rules, e.g. to ensure no duplication of elections; and</li> <li>2. These elections are passed through directly to the share registry by ASX.</li> </ol>
1.C.4	ISIN for entitlement in non-renounceable rights issue	Computershare supports this development.
1.C.5	Spin-offs involving entitlements in securities in foreign jurisdictions	Computershare understands that this may be beneficial for custodians. While we do not see any direct concern for Issuers and registries in this requirement as presented, the details are unclear and further discussion should occur.
1.C.6	Share purchase plans	Computershare seeks ASX's clarification of this proposal; it is unclear from the Paper what ASX is intending.

1.C.7	Review deferred settlement trading processes	<p>We support further review of the use of deferred settlement trading, and stakeholder discussion regarding appropriate approach. In our view, this should be separated from the STP Phase 2 proposals.</p> <p>Any discussion regarding standardising timings however needs to consider the impact on shareholder communications. Under ASX rules, holding statements must be issued prior to the commencement of regular trading, to ensure communication of new SRNs, and the timing for this is driven in large part by the size of the corporate action and the logistics of the issuance of paper statements and associated communications. Despite ongoing encouragement of electronic communications, accommodation of print mailings is likely to remain necessary for some time, and in the interests of equal treatment of all securityholders these factors need to be accommodated.</p> <p>The recent ASIC Consultation Paper on Short Selling, which also addresses deferred settlement trading, should be considered in tandem with this review.</p>
2.1	Transfers between sub-registers – custodian off-market transfers	<p>Computershare supports this change, on the basis that Issuers will not be exposed to new risk as a result of the warranties and indemnities provided under the Corporations Regulations from the Settlement Participant whose PID is included in the message for the transfer in favour of Issuers and holders. We seek ASX’s confirmation however that it will engage in necessary discussions with ASIC and Treasury to update the Corporation Regulations are appropriately to ensure that such protections carry through to the new system environment.</p>
2.2	Corporate actions – takeover offers	<p>We support this change.</p>

#### 4. Testing, migration & implementation

Computershare will welcome the opportunity to discuss the detailed testing, migration and implementation requirements with ASX as the development moves forward. We are unable to comment substantively on the timetable at present, as the level of information currently available regarding the full development requirement for registries is not adequate. We urge ASX to clarify the requirements imminently, in view of the timeline it has laid out. We are also concerned that the indicative timeline provided in the Paper does not address sign-off for associated regulatory changes. In the absence of regulatory certainty, we will not be able to progress development of new requirements for the replacement system. ASX should provide visibility of the regulatory sign-off timeline and requirements as soon as possible.

We have outlined below some key considerations for the testing, migration and implementation planning.

##### *Registration details migration and clean-up*

Please refer to our comments with respect to ASX Ref. 2.2.4 above. In addition to those comments, we note:

- The migration of registration details on existing holdings to a new standard would involve re-factoring, by our estimate, over 20 million existing shareholdings across the market.
- In addition, Issuer records include unlisted classes and employee share plans, which are highly likely to also be impacted for consistency.
- The migration would require a high level of coordination across all market stakeholders and involve significant risks, the impacts of which may not be immediately apparent.
- In conjunction with the development and operational impacts of this change, which we address in Section 2, the migration effort and risks additionally remain unjustified.

We also note that Issuers are responsible for maintaining historical shareholder records for a range of purposes. It is unclear if such records are required to be included in the migration; however if so this will substantially increase the number of impacted shareholder records, to 50 million or more and further exacerbate the risks.

ASX Ref. 8.2 outlines a HIN 'clean-up' operation. While we appreciate the drivers for such a 'clean-up' as the CHES replacement system is implemented, again this would require close coordination across stakeholders. The consequences of retiring HINs would require careful consideration, including whether:

- To retain identified holdings that have monetary payments due, e.g. for 'lost' shareholders with uncollected dividends.
- Prior HINS for closed holdings could be 're-used', which we recommend against.

Issuers could continue to use the HIN as a supplemental reference for historical reporting and record searches. In our view, this operation should be performed separately to the overall system migration.

## Concluding comments

We are committed to continuing to support market-wide efforts to deliver a CHES replacement system that supports market efficiency and integrity, and balances the benefits and costs fairly among stakeholders, including Issuers. We look forward to a continued dialogue that incorporates the interests and concerns of Issuers and share registries. Future stakeholder dialogue should be transparent, including ensuring publicly-available documentation of discussions.

As a key stakeholder, we continue to believe that Computershare should be represented on the Business Committee. Our lack of participation has resulted in some notable gaps in expectations regarding what Issuers and registries have expected from the replacement system as compared to ASX's proposals.

We urge ASX and its regulators to consider our comments in this light, and to address the concerns highlighted with various aspects of the proposed features of the CHES replacement system to ensure that the interests of Issuers and their registries are more effectively represented.

For any queries or comments on the detail of our submission please refer to the following:

- For issues relating to policy aspects, please contact Claire Corney at [Claire.Corney@computershare.com](mailto:Claire.Corney@computershare.com) or +1 212 805 7159;
- For issues relating to technical and operational matters, please contact Leanne Bailey at [Leanne.Bailey@computershare.com](mailto:Leanne.Bailey@computershare.com) or 8234 5390.

Please also feel free to contact either of the under-signed. We look forward to understanding ASX's intended engagement process for the next steps in the CHES replacement project, both with regard to the specifics of our submission and more broadly with market stakeholders.

Yours sincerely,



**Paul Conn**  
President, Global Capital Markets  
Computershare Limited



**Greg Dooley**  
Managing Director  
Computershare Investor Services Pty Ltd

cc: Council of Financial Regulators (care of: [Dodie.Green@asic.gov.au](mailto:Dodie.Green@asic.gov.au))