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## Context of this Document

The ASX Settlement Procedure Guidelines must be read in the context of the ASX Settlement Operating Rules.

Any terms explicitly defined in the ASX Settlement Operating Rules and used in the ASX Settlement Procedure Guidelines should be interpreted according to the definition given in ASX Settlement Operating Rules. This includes terms such as participant, registry, holder, issuer, subregister, and financial product. Because of the large number of these terms, they have not been capitalised for emphasis in this document.

In the interests of readability and comprehension, where a procedure applies only in the context of securities in a listed company, the specific term security has been used instead of the more generic term financial product.

## Change History

Version	Date	Description of changes
1.0	May 2005	Initial version of a merged guideline document incorporating details from both the PPG and IRPG
1.7	Dec 2010	Updates to include name changes within ASX Group and ASX Operating Rule books
2.3	April 2013	References and procedures updated to reflect the reduction of the ex period from 5 to 3 business days. ASX Rule book terminology amendments. Replace the words 'despatch' and 'allot' with 'issue'.
3.1	Jan 2016	ASXOnline document merge.
3.2	Mar 2016	T+2 implementation and change in references from C&S Operations to Post Trade Operations

## SECTION 14. DIARY ADJUSTMENTS

### 14.1 DIARY ADJUSTMENT CONCEPTS

Buyers of securities that have traded cum for a particular corporate action (e.g. payment of a dividend) receive their entitlement directly from the issuer only if they are registered prior to the processing cut-off time on record date. At the cut-off time on record date, the issuer takes a snapshot of its register to determine entitlements. If a cum buyer is not registered by the cut-off on record date, they should claim their entitlements from the seller who, although no longer entitled, remained registered as at close of business on the record date.

The majority of cum transactions settle in time for cum buyers to be registered on or before the record date. However, there are still some transactions which fail to settle by their due dates. To minimise the work involved in handling the entitlement claims of cum buyers who were not registered by the record date, CHESSE includes facilities for the diary adjustment of all outstanding settlement obligations.

Both the outstanding quantity and the outstanding settlement value of a security may be adjusted to reflect the altered obligations between seller and buyer. Settlement dates and security codes for outstanding cum transactions may also be adjusted. New obligations (accruals) can also be created.

Non-value transactions (securities movement only) do not have value adjustments or value accruals applied.

CHESSE supports two modes of diary adjustments for outstanding transactions:

- automatic (CHESSE generated for all relevant transactions); and
- manual (requested by participants for nominated transactions).

Automatic adjustments in CHESSE are routinely triggered by ReferencePoint® records passed to the CHESSE system from internal ASX systems. These records provide CHESSE with the parameters required to perform corporate action adjustments. At the end of the transaction processing on the record date for a corporate action, CHESSE automatically applies adjustments to all outstanding cum settlement transactions in the parent security.

To facilitate the recovery from errors in the initial notification of a corporate action, or in subsequent processing by the ASX, participants may amend automatic diary adjustment processes by cancelling and re-applying the adjustment.

Participants can obtain corporate action diary details either directly from ASX market data or some other source. CHESSE does not notify participants of corporate action diary details.

In applying automatic adjustments, CHESSE calculates the entitlement (cash and/or securities) due on the outstanding cum transaction to the buyer or the additional cash obligation due from the buyer.

Where a security entitlement is due to the buyer, CHESSE creates an outstanding settlement transaction in the entitled securities and may transfer part of the settlement value (cash adjustment amount) from the original outstanding cum transaction to the accrued transaction in the entitled securities. The settlement transaction for the entitled securities settles against payment of the cash adjustment amount. Where concurrent cash and security entitlements are due against a parent transaction, the securities entitlement has its own discrete cash adjustment. CHESSE does not perform cash adjustments on off-market transfers performed in CHESSE.

CHESSE performs four classes of automatic diary adjustment:

- value adjustments (dividends, fixed interest payments, capital returns, calls, application money), which adjust the value of a settlement transaction and may alter the security code;
- restructure adjustments (split, consolidation), which adjust the securities of a settlement transaction;
- accrual adjustments (bonus, entitlement, rights), which create a new accrued transaction and may adjust the value of the parent settlement transaction; and
- security code changes, which give effect to a separate code change which is not associated with some other adjustment (e.g. application money adjustment or reconstruction).

CHESSE notifies participants of a corporate action by sending an Adjusted Settlement Instruction message (128); the Diary Adjustment Type field in that message identifies the type of corporate action as follows:

<b>Diary Adjustment Type</b>	<b>Corporate Action</b>
R (Accrual) M (Application money)	Rights (renounceable) issues
D	Dividend payments
I	Interest payments
B	Bonus issues
T	Capital returns
L	Calls (for limited liability companies)
E (Accrual) M (Application money)	Entitlement (non-renounceable) issues
S (Security split) C (Consolidation)	Capital reconstructions
A	Security code change

Corporate action processing by CHESSE may also trigger other events such as the closure of a subregister for a particular financial product. For example, after the final date for conversions of convertible notes, the CHESSE closes the subregister for the notes.

Adjustments for the following corporate actions are restricted to manual diary adjustment processing:

- Calls for no liability companies;
- Dividend plans; and
- Option exercises and note conversions.

Note: The procedures in this section assume all transactions are being made against payment DvP settlements that will have the settlement amount reduced as a result of the diary adjustment.

**14.2 AUTOMATIC ADJUSTMENT - BONUS ISSUES**

A bonus issue is an issue of securities on a free of payment basis to existing holders of a security (termed the parent security in this procedure).

**PROCEDURE**

- 14.2.1 After the completion of all transaction processing on the record date for a bonus issue, CHESSE determines value and accrual adjustments for all outstanding cum transactions in the parent security.
- 14.2.2 CHESSE adjusts the parent transaction to reflect the accrual owed to the buyer. CHESSE notifies the participant of the changes to the parent transaction.
- 14.2.3 CHESSE notifies the participant of the accrual obligation to be settled. CHESSE determines the settlement date for the accrued obligation according to the issue date for the bonus issue and the prevailing settlement period. CHESSE creates the bonus accrual in the deferred settlement security. If the securities rank equally, there is a further diary adjustment to change the code on issue date + 1.
- 14.2.4 The participant receives the adjustment and accrual details and records the adjusted parent transaction and accrual.
- 14.2.5 The parent transaction and accrual transaction are then treated as independent transactions for settlement purposes.
- 14.2.6 The participant aligns their record with the expected settlement date for the accrual transaction.
- 14.2.7 In the event the issue date for the new bonus issue is moved to a later date, CHESSE notifies the participant with a rescheduled settlement instruction for the accrual. The participant then updates their records and proceeds to settlement of the accrual on the amended date.

**Message Reference Table**

<b>Section</b>	<b>Message Number and Description</b>	<b>Sender</b>	<b>Recipient</b>
14.2.2	128 Adjusted Settlement Instruction (Diary Type B)	CHESSE	Participant
14.2.3	142 Accrued Settlement Instruction	CHESSE	Participant
14.2.3	128 Adjusted Settlement Instruction (Diary Type B)	CHESSE	Participant
14.2.7	124 Rescheduled Settlement Instruction	CHESSE	Participant

### 14.3 AUTOMATIC ADJUSTMENT - CALLS

A call is a corporate action in which an issuer requires holders to pay the unpaid capital on partly-paid securities.

#### PROCEDURE

- 14.3.1 Call adjustments are applied automatically to outstanding settlement transactions in the partly paid securities of a limited liability company. Diary adjustments are not applied for no-liability companies. Participants must make their own arrangements regarding the protection and payment of a call on no-liability companies and the subsequent settlement of the call paid securities.
- 14.3.2 After completion of all transaction processing on the last day for registration of transfers of partly paid securities, CHESSE adjusts outstanding transactions in the partly paid securities to reflect the call money due and the change in security code. The security code may change to an existing security, or, in cases where the call paid security does not rank equally with an existing security, to a new security.
- 14.3.3 CHESSE notifies participants of the adjusted transactions. If the call paid securities are trading on a deferred settlement basis and the securities rank equally, CHESSE creates a subsequent diary adjustment to amend the security code.
- 14.3.4 The participant receives details of adjusted transactions and updates their records. For limited liability securities, the buyer cannot opt out of paying the call. The seller must pay the call and the buyer must reimburse the seller.
- 14.3.5 The participant aligns their records with the expected settlement date for the adjusted call paid transaction.
- 14.3.6 If the issue date is moved to a later date, CHESSE notifies the participant of the rescheduled settlement instructions. The participant updates their records accordingly.

#### Message Reference Table

Section	Message Number and Description	Sender	Recipient
14.3.3	128 Adjusted Settlement Instruction (Diary Type L)	CHESSE	Participant
14.3.6	124 Rescheduled Settlement Instruction	CHESSE	Participant

### 14.4 AUTOMATIC ADJUSTMENT - CAPITAL RECONSTRUCTIONS

A capital reconstruction is the alteration of a company's capital structure in a way that requires cancellation of existing securities and the issue of replacement securities.

#### PROCEDURE

- 14.4.1 On record date + 1, CHESSE adjusts outstanding transactions to reflect the change in securities, change in security code (if applicable) and change in settlement date. The change in settlement date is calculated to be the issue date plus three business days. Pre-reconstructed securities continue to be processed by registries until the close of business on the record date.
- 14.4.2 CHESSE notifies the participant of the adjusted transactions.
- 14.4.3 The participant receives details of the adjusted transactions and updates their records.
- 14.4.4 If the issue date is moved to a later date, CHESSE notifies the participant of the rescheduled settlement instructions.
- 14.4.5 A reconstruction also affects existing holdings and associated subpositions on the CHESSE subregister. CHESSE notifies the participant of each changed holding and subposition (refer to Section 12.3).

#### Message Reference Table

Section	Message Number and Description	Sender	Recipient
14.4.2	128 Adjusted Settlement Instruction (Diary Type S or C)	CHESSE	Participant
14.4.4	124 Rescheduled Settlement Instruction	CHESSE	Participant
14.4.5	022 Effected Holding Adjustment (REC)	CHESSE	Participant
14.4.5	082 Adjusted Subposition	CHESSE	Participant

### 14.5 AUTOMATIC ADJUSTMENT - CAPITAL RETURNS

A capital return is the payment of cash by an issuer to registered holders.

#### PROCEDURE

- 14.5.1 After completion of all transaction processing on the record date for the capital return, CHESSE determines value adjustments for all outstanding cum transactions in the security.
- 14.5.2 CHESSE adjusts the transaction to reflect the capital return owed to the buyer. CHESSE notifies the participant of the changes to the parent transaction.
- 14.5.3 The participant receives the adjustment details and updates their records.

#### Message Reference Table

Section	Message Number and Description	Sender	Recipient
14.5.2	128 Adjusted Settlement Instruction (Diary Type T)	CHESSE	Participant

### 14.6 AUTOMATIC ADJUSTMENT – DIVIDEND & TRUST DISTRIBUTION PAYMENTS

Dividend and trust distribution payments are distributions of cash or securities by an issuer directly to registered holders.

Dividend adjustments are settled as cash.

CHESS has no facility to cater for dividend reinvestment plans (DRP) or bonus share plans (BSP).

CHESS does not make automatic adjustments for trusts that do not declare a distribution amount until after the record date. Claims for these distributions must be lodged and settled outside CHESS.

#### PROCEDURE

- 14.6.1 After completion of all transaction processing on the record date for a dividend, CHESS determines value adjustments for all outstanding cum transactions in the security.
- 14.6.2 CHESS adjusts the transaction to reflect the face value of the dividend owed to the buyer. CHESS notifies the participant of the changes to the parent transaction.
- 14.6.3 The participant receives the adjustment details and updates their records.
- 14.6.4 If the dividend carries a franking credit, the participant makes arrangements with the counterparty to exchange a Transfer Of Franked Dividend certificate outside CHESS (refer to Section 14.12).

#### Message Reference Table

Section	Message Number and Description	Sender	Recipient
14.6.2	128 Adjusted Settlement Instruction (Diary Type D)	CHESS	Participant

### 14.7 AUTOMATIC ADJUSTMENT - ENTITLEMENTS (NON-RENOUNCEABLE)

A non-renounceable entitlement issue is an entitlement to purchase new securities.

The entitlement is non-transferable.

#### PROCEDURE

- 14.7.1 After completion of all transaction processing on the record date for an entitlement issue, CHESSE adjusts the outstanding cum transactions in the security.
- 14.7.2 CHESSE adjusts the parent transaction to reflect the accrual owed to the buyer. CHESSE notifies the participant of the changes in the parent transaction.
- 14.7.3 CHESSE also notifies the participant of the accrual obligation to be settled in due course by delivery of new securities. CHESSE determines the settlement date for the accrued obligation according to the issue date for the new securities plus three business days. The accrual is created in the deferred settlement securities. If the securities rank equally, CHESSE makes a further diary adjustment to change the code on issue date + 1.
- 14.7.4 The participant receives the adjustment and accrual details and records the adjusted parent transaction and accrual. The participant updates their records.
- 14.7.5 The parent transaction and accrual transaction are then treated as independent transactions for settlement purposes.
- 14.7.6 The participant aligns their records with the expected settlement date for the accrual transaction.
- 14.7.7 In the event that the issue date for the new securities is moved to a later date, CHESSE notifies the participant of the rescheduled settlement instruction for the accrual. The participant then updates their records and proceeds to settlement of the accrual on the amended date.
- 14.7.8 Three days prior to the applications close date, CHESSE adjusts the accrual obligations for applications money. CHESSE notifies participants of the adjusted transactions.

#### Message Reference Table

Section	Message Number and Description	Sender	Recipient
14.7.2	128 Adjusted Settlement Instruction (Diary Type E)	CHESSE	Participant
14.7.3	142 Accrued Settlement Instruction	CHESSE	Participant
14.7.3	128 Adjusted Settlement Instruction (Diary Type E)	CHESSE	Participant
14.7.7	124 Rescheduled Settlement Instruction	CHESSE	Participant
14.7.8	128 Adjusted Settlement Instruction (Diary Type M)	CHESSE	Participant

### 14.8 AUTOMATIC ADJUSTMENT – INTEREST PAYMENTS

Interest payments are distributions of income to registered holders of a trust.

Interest adjustments are settled as cash.

CHESS has no facility to cater for re-investment plans.

#### PROCEDURE

- 14.8.1 After completion of all transaction processing on the record date for an interest payment, CHESS determines value adjustments for all outstanding cum transactions in the security.
- 14.8.2 CHESS adjusts the transaction to reflect the interest owed to the buyer. CHESS notifies the participant of the changes to the parent transaction.
- 14.8.3 The participant receives the adjustment details and updates their records.

#### Message Reference Table

Section	Message Number and Description	Sender	Recipient
14.8.2	128 Adjusted Settlement Instruction (Diary Type I)	CHESS	Participant

### 14.9 AUTOMATIC ADJUSTMENT - RIGHTS (RENOUNCEABLE)

A renounceable rights issue is an entitlement to purchase new securities.

The entitlement is transferable.

#### PROCEDURE

- 14.9.1 After completion of all transaction processing on the record date for a rights issue, CHESSE determines the value and accrual adjustments for all outstanding cum transactions in the parent security.
- 14.9.2 CHESSE adjusts the parent transaction to reflect the accrual owed to the buyer. CHESSE notifies the participant of the changes in the parent transaction.
- 14.9.3 CHESSE also notifies the participant of the accrual obligation to be settled. CHESSE determines the settlement date for the accrued obligation according to the issue date for the rights plus three business days.
- 14.9.4 The participant receives the adjustment and accrual details and records the adjusted parent transaction and accrual. The participant updates their records.
- 14.9.5 The parent transaction and accrual transaction are then treated as independent transactions for settlement purposes.
- 14.9.6 The participant aligns their record with the expected settlement date for the accrual transaction.
- 14.9.7 In the event the issue date for the rights is moved to a later date, CHESSE reports a rescheduled settlement instruction for the accrual to the participant. The participant then updates their records and proceeds to settlement of the accrual on the amended date.
- 14.9.8 Rights transactions or accruals that are unsettled at the applications close date are adjusted for application money and to reflect the change in security code. CHESSE notifies the participant of the adjusted transactions. Unlike deferred securities, rights are not listed with a deferred code and there is no code change when they move to fixed (T+2) settlement.

Sellers of outstanding transactions deliver the new stock. When there is more than one payment option they pay the lesser unless the buyer contacts them and provides funds for the difference. If the buyer provides additional funds to take up new securities instead of partly paid securities, the buyer and seller should also agree to alter the accrual to reflect the correct class of securities to be settled. The ASX Settlement Operating Rules contain the timetable for these events including the times in which buyers can instruct sellers to let the rights lapse.

## ASX SETTLEMENT PROCEDURE GUIDELINES

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### Message Reference Table

Section	Message Number and Description	Sender	Recipient
14.9.2	128 Adjusted Settlement Instruction (Diary Type R)	CHESS	Participant
14.9.3	142 Accrued Settlement Instruction	CHESS	Participant
14.9.6	124 Rescheduled Settlement Instruction	CHESS	Participant
14.9.8	128 Adjusted Settlement Instruction (Diary Type M)	CHESS	Participant

### 14.10 AUTOMATIC ADJUSTMENT – SECURITY CODE CHANGE

When a code change arises out of the merger of security classes, the code change is effected before start of business on the business day immediately after the record date.

#### PROCEDURE

- 14.10.1 After the completion of all transaction processing on the day prior to the effective date for a security code change, CHESSE adjusts the outstanding transactions to reflect the code change.
- 14.10.2 CHESSE notifies the participant of the adjusted transactions.
- 14.10.3 The participant receives details of adjusted transactions and updates their records.
- 14.10.4 If the issue date is moved to a later date, CHESSE notifies the participant.
- 14.10.5 A code change also affects existing holdings and associated subpositions on the CHESSE subregister. CHESSE notifies the participant of each changed holding; the participant should update their holdings and associated subpositions.  
Note: Participants are NOT notified of updated subpositions.
- 14.10.6 A code change also affects unauthorised requests associated with the old security code. CHESSE adjusts these outstanding transactions to reflect the code change. CHESSE notifies the participant of each adjusted transaction.

#### Message Reference Table

Section	Message Number and Description	Sender	Recipient
14.10.2	128 Adjusted Settlement Instruction (Diary Type A)	CHESSE	Participant
14.10.4	124 Rescheduled Settlement Instruction	CHESSE	Participant
14.10.5	050 Effected Security Code Change	CHESSE	Participant
14.10.6	050 Effected Security Code Change	CHESSE	Participant

## 14.11 MANUAL DIARY ADJUSTMENTS

CHESS's manual diary adjustment facility enables a participant to apply an adjustment to particular outstanding settlement transactions by mutual agreement between the counterparties.

Circumstances warranting the use of the manual diary adjustment facility are rare.

Under CHESS, the registry maintains the cum entitlement balances in a preserved state after the record date.

Adjustments for the following corporate actions are restricted to manual diary adjustment processing:

- Calls for no liability companies;
- Dividend plans; and
- Option exercises and note conversions.

Additionally, on rare occasions, the diary adjustment details may be unknown on the record date.

For the procedures for changing the details of outstanding settlement transactions, refer to Section 8.6.

### PROCEDURE

14.11.1 Participants directly adjust trades that were either settled incorrectly on an ex basis or not part of the cum entitlement balances; participants can modify an obligation or create an accrual obligation.

Alternatively, participants can use a demand transfer to move the security accrual and settle the funds outside CHESS.

14.11.2 ASXS monitors the modification of trade obligations and participants must maintain documentation to support the modification of an obligation. Participants should use the Underlying Reference field (in CHESS message 121) to link the modification to the supporting documentation.

ASXS monitors the creation of trade accruals and participants must maintain documentation to support the creation of an accrual. Participants should use the Participant Reference and Supplementary Reference fields (in CHESS message 101) to link the accrual to the supporting documentation.

### Message Reference Table

Section	Message Number and Description	Sender	Recipient
14.11.1	101 Dual Entry Settlement Notification	Participant	CHESS
14.11.1	121 Change Settlement Instruction Request	Participant	CHESS

## ASX SETTLEMENT PROCEDURE GUIDELINES

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14.11.1	005	Demand Dual Entry CHES to CHES Transfer Request	Participant	CHES
14.11.2	101	Dual Entry Settlement Notification	Participant	CHES
14.11.2	121	Change Settlement Instruction Request	Participant	CHES

### 14.12 FRANKING CREDITS

CHESS has no facility for processing adjustments specific to franking credits, but CHESS's holding balance reporting may be useful to participants.

Under the ASX Settlement Operating Rules, if the parent settlement instruction does not settle in full by the end of day on the record date for the corporate action, participants are required to transfer the franking credit to the receiving participant or to compensate the receiving participant for the transferee's loss of entitlement to claim the franking credit.