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ASX SETTLEMENT PROCEDURE GUIDELINES

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
1.4	Dec 2008	Reference to SEATS updated to ITS.
1.6	Aug 2009	Update to Basis of Movement table section 11.1.2 as per CHES Release 7.0.
1.7	Dec 2010	Updates to include name changes within ASX Group and ASX Operating Rule books. Reference to SEATS updated to ITS. Inclusion of reference to Approved Market Operators.
2.5	Apr 2014	References 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 11: CORPORATE ACTION PRINCIPLES

11.1 CORPORATE ACTION CONCEPTS

For approved financial products, CHESSE routinely receives notifications of the relevant details of company announcements for corporate actions from the ASX Market Data signal dissemination system. Information disseminated from the ASX Market Data signals trigger corporate action processing events in CHESSE. In exceptional circumstances, details of a corporate action may be entered directly into CHESSE by ASXS.

CHESSE provides no company announcement facilities.

11.1.1 The Ex-Period

The ex-period for a corporate action means the period from the start of day on the ex-date to end of day on the record date.

The ex-date is the date on which the ASX changes the basis of quotation for a financial product to signify that trading in that financial product no longer carries the entitlement to a corporate action. An ex basis of quotation remains for a financial product until the corporate action is completed.

The record date is the date determined by the issuer as the date by which transfers must be received for the purpose of identifying holders entitled to the benefit of a corporate action.

The current ASX protocol for both approved and non-approved financial products is a two business day settlement period and a two business day ex-period for corporate actions.

During the ex-period, CHESSE maintains a temporary cum balance for each holding (in addition to the actual holding balance) and only cum transactions are applied to it.

On record date, the issuer uses the cum balance to determine the entitlements of the corporate action. Financial products are available for delivery as cum settlement only if there is a sufficient cum balance for the holding. All financial products in the holding are available for ex-settlement.

The ex-period can be summarised as follows:

Day 0	Day 1	Day 2
	Ex-period	
Last “cum” quote		
	Ex-date	
	1st “ex” quote	
	<i>CHESSE establishes cum entitlement balances on ex-date</i>	
	<i>CHESSE maintains cum entitlement balances</i>	
	Transactions may be settled “cum” or “ex”	
	Most “cum” transactions settle	
		<i>CHESSE sends cum entitlement balance information to the registry during the ex-period until end of day on record date</i>

11.1.2 Basis of Movement

Both CHESSE and issuer-sponsored subregisters provide for the concurrent registration of cum and ex transactions. They also disassociate the cum entitlement balance from the holding balance. During the ex period, all transactions must be designated either cum or ex for each corporate action in progress.

The following table shows the default basis of movement applied by CHESSE in the absence of a Participant initiated override, during the ex period.

Where a Settlement Participant includes an override basis of movement on

an applicable message type, then the basis of movement implied by the override basis of movement field is applied to the transaction and not the default listed in the table.

Therefore, it is not necessary for a Participant to include an override basis of movement unless the action required is contrary to the basis of movement defaults within CHES.

Transaction type		Default basis of movement
Value settlement instruction.	Trade Date or Trade As At Date is prior to Ex Date	Cum
	Trade Date or Trade As At Date is on or after Ex Date	Ex
Net Obligations	Settlement Date is during the Ex Period	Cum
	Settlement Date is after the Ex period ¹	Ex
Any other settlement instruction (where no trade date is supplied)		Cum
Demand transactions (transfers and conversions)		Cum
Holding Adjustments		Cum
Securities Transformations		Ex

The override code identifies the cum or ex nature of the override and the action to which it applies (e.g. Bonus, Dividend). It always applies to the current or next action of the specified type.

If a cum designated transaction is received after the record date for the corporate action, CHES rejects it. CHES rejects settlement instructions where an override basis of movement is specified and the settlement date falls outside the underlying ex period.

When CHES receives any reporting messages that contain cum entitlement balance information or which refer to a specific corporate action for any other reason, the corporate action is identified by both a “Corporate Action Type ID” and in some reporting messages a “Corporate Action Ex Date”. This is required to ensure the message fully identifies the specific action to which the information relates.

In addition, Settlement Participants should be aware that when there is more than one corporate action occurring at the one time, then more than one override basis of movement may be required to override the defaults. For example, if there is a dividend and a bonus issue occurring at the same time, and the Settlement Participants wished to transfer these securities “ex” both the dividend and the bonus issue, and the default basis of movement for both the dividend and the bonus issue was “cum”, then the particular CHES transfer message should include the override basis of movement of “XD” and “XB”.

¹ The record date is the last day of the ex period (Day 2).

Further explanation of each transaction type:

Value Settlement Instructions

These refer to all settlement instructions which settle Delivery v Payment (i.e. settle both securities and cash) and thus have a settlement value or settlement amount attached to the transaction. These include market obligations both broker/broker trades, as well as 101 – Dual Entry Settlement Instruction messages which include a settlement value and a trade date. The important thing to note here is that this default applies to settlement instructions where the CHES message includes both a settlement value and trade date. They do not include Net Broker Obligations (“NBO’s”) [because the NBO’s have no trade date on the CHES message]. Generally, any settlement instruction with value and with a trade date that falls into this category, if the trade date is prior to the ex date, the default is “cum” (i.e. the trade was traded in the cum market), otherwise the default is “ex” (i.e. the trade was traded in the ex market).

Net Broker Obligations (“NBO’s”)

These refer to netted market trades. CHES netting removes the concept of a trade date on the netted obligations. Therefore, CHES cannot use the trade date as a reference for determining what the default basis of movement is. As a result, CHES uses the original settlement date of the NBO to determine the default. The default here is if the date the NBO was originally due to settle falls within the ex period, then the trade would have been traded in the cum market prior to the ex date, and as a result, the default is “cum”. Conversely, if the date the NBO was originally due to settle falls after the ex period (i.e. any time after the record date), then the trade would have been traded in the ex market on or after the ex date, and as a result, the default is “ex”.

Other Settlement Instructions

These refer to all settlement instructions that do not fall into the category of Value Settlement Instructions or NBO’s. Therefore, this category refers to 101 – Dual Entry Settlement Instruction messages which DO NOT include a settlement value and/or trade date, such as:

- On market 101 messages with no settlement value.
- Off market 101 messages with no settlement value and no trade date.
- Off market 101 messages with a settlement value but no trade date (e.g. securities loan).
- 101 messages with Transaction Basis “I” or “F” that do not include a trade date.

For all these settlement instructions, the default is “cum” irrespective of when the transaction settles. Therefore, these settlements settling before or during the ex period will default to cum.

Demand Transfers and Conversions

These refer to any transfer and any conversion between CHES and issuer controlled subregisters. Some examples are:

- Issuer Sponsored to CHES transfers and conversions CHES to Issuer Sponsored transfers and conversions CHES to CHES demand transfers (001 and 005 messages)
- 105 – Single Entry CHES to CHES Settlement instruction

For all these transactions, the default is “cum” irrespective of when the transaction occurs, even if the transaction is effected during the ex period.

Holding Adjustments

These refer to adjustments to a CHES holding initiated by a share registry. They refer to the 022 – Effected Holding Adjustment message. For these transactions, the default is “cum” irrespective of when the transaction occurs, even if the transaction is effected during the ex period.

Securities Transformations

These refer to the message initiated by a share registry which transforms a CHES holding from one security to another.

They refer to the 018 – Effected Securities Transformation message.

These transactions do not allow for the specification of an override basis of movement and if processed during an ex period the default is “ex”.

11.1.3 Deferred Settlement

The ASX may establish a deferred settlement market for a financial product that has not yet been issued. Deferred settlement markets may be established as a result of a corporate action.

CHES calculates the settlement date for market trades executed within the deferred settlement period as the issue date plus the settlement offset plus the fixed settlement period.

“Issue date” is the date by which the issuer is required to have entered securities into an uncertificated subregister.

“Settlement offset” refers to a time extension used to assist holders to discharge their delivery obligation on the due date following corporate action issues. At present, the settlement offset has a value of one business day. The fixed settlement period is currently two business days. Thus the first settlement date for a class of financial product trading in deferred settlement is currently three business days after the issue date.

11.1.4 Subregister Movements Approaching Record Date

During the ex period, participants may nominate movements onto the CHESSE subregister as ex or cum; alternatively participants may opt to use the CHESSE defaults.

ASX Settlement Operating Rules require that an issuer’s registry complete processing of cum transactions no later than two business days before the issue date for an entitlement.

CHESSE explicitly advises the basis of movement to the participants for transactions initiated during the ex period. Participants with cum transfers or conversions processed as ex by the registry can claim entitlements from their counterparty.

Participants moving financial products onto the CHESSE subregister when a record date is approaching should ensure that the transfer or conversion request is submitted at the earliest opportunity to allow for the Registry’s prescribed turnaround time.

CHESSE rejects participant-sourced transactions designated cum that it receives after the associated record date.

During the ex period registries may nominate holding adjustment movements as ex or cum; alternatively, registries may opt to use the CHESSE defaults.

Registries are unable to override the CHESSE defaults for financial product transformation movements.

11.1.5 Corporate Action Diary Adjustments

In a fixed period settlement environment, the majority of cum transactions settle in time for cum buyers to be registered on the record date. However, some transactions will fail to settle by their scheduled settlement dates. To minimise the work involved in handling the entitlement claims of cum buyers who were not registered by the record date, CHES includes facilities for the diary adjustment of all outstanding settlement obligations (refer to Section 14).

11.1.6 Financial Product Movement Reasons

CHES holding statements issued to CHES holders provide a description for each movement to or from the CHES holding. There are several reasons why financial products are moved within CHES. Some are effected by controlling participants (e.g. CHES to CHES transfers). Others are registry-initiated movements arising from corporate actions. When a registry sends a movement transaction to CHES, they include an indicator to denote the reason why the movement took place.

11.2 REVERSALS (OF FINANCIAL PRODUCT MOVEMENTS)

Registries can, in unusual circumstances, reverse an adjustment or the issue of a corporate action.

11.2.1 PROCEDURE

1. A registry initiates an adjustment or the issue of incorrect entitlements. In such a case, the registry must reverse the entitlement.
2. If the corporate action creates a new holding in a financial product, CHESSE notifies the registry of the holder's name and address. The registry checks the name and address detail sent by CHESSE to ensure the financial products have been issued to the correct holder. If there are any discrepancies, the registry must either amend the name and address detail in their records or reverse the transaction via a further CHESSE message and update the correct CHESSE holding.

Message Reference Table

Step	Message Number and Description	Sender	Recipient
1	018 Effectuated Holding Transformation (REV)	CHESSE	Participant
1	082 Adjusted Subposition (REV)	CHESSE	Participant
1	022 Effectuated Holding Adjustment (REV)	CHESSE	Participant

11.3 EFFECT ON SUBPOSITIONS

Registry initiated transactions have precedence over subpositions held against a CHES holding.

11.3.1 PROCEDURE

1. CHES proportionally adjusts subpositions for security reconstruction transactions (including consolidations and splits) to maintain the existing relationship between the holder and the third party.
2. For other transactions where the holding balance falls below the aggregate subposition balance, CHES reduces the subpositions on a proportional basis until the holding balance equals the aggregate subposition balance.

Message Reference Table

Step	Message Number and Description	Sender	Recipient
1	082 Adjusted Subposition (REC)	CHES	Participant
2	082 Adjusted Subposition (Various)	CHES	Participant

11.4 SUSPENSION OF A CHESS SUBREGISTER

Corporate events such as a scheme of arrangements or the appointment of an administrator to the issuer may require the ASXS to suspend a CHESS subregister from participant activity.

11.4.1 PROCEDURE

1. ASXS suspends the CHESS subregister for a financial product.
2. While the subregister is suspended, CHESS will process only those demand transfer requests initiated by the registry; CHESS rejects any participant initiated demand transfer requests.
3. If the scheduled settlement dates on transactions received during the suspension are prior to the subregister reinstatement date, CHESS rejects the transactions. CHESS notifies the participant of the rejection.
4. The only exception to this is for a trade executed via ASX Trade or other Approved Market Operator platforms; if the settlement date on the trade falls before the reinstatement date, CHESS sets the settlement date to coincide with the first settlement date. The new settlement date is reported on the Notified Trade message that reports all market trades.
5. If there are any outstanding obligations targeting the now suspended subregister, CHESS reschedules them to the issue date plus three business days. CHESS notifies the participants of the rescheduled transactions.
6. If the suspension coincides with a diary adjustment (e.g. the scheme of arrangement includes a reconstruction), CHESS adjusts any obligations outstanding at the time of the subregister suspension. CHESS notifies participants of any adjustments.
7. CHESS continues to maintain subpositions after the subregister is suspended.
8. However, a holding's financial products are not available to the holder. The subposition can only be decreased through an authorised removal request. Increases in subpositions are not permitted.
9. Issuer-sponsored-to-CHESS transfers and conversions submitted

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before the subregister is suspended will not be affected by the suspension. Registries continue to have access to the subregister and should process these transactions as normal. CHESS will reject issue-sponsored-to-CHESS transfers and conversions submitted after the subregister is suspended.

Message Reference Table

Step	Message Number and Description	Sender	Recipient
2	518 Rejected Transaction	CHESS	Participant
2	164 Notified Trade	CHESS	Participant
3	124 Rescheduled Settlement Instruction	CHESS	Participant
3	128 Adjusted Settlement Instruction	CHESS	Participant
3	142 Accrued Settlement Instruction	CHESS	Participant
4	029 Collateral Removal Request	Participant	CHESS
4	085 Takeover Acceptance Removal Request	Participant	CHESS
5	518 Rejected Transaction	CHESS	Participant

11.5 CLOSURE OF A CHESS SUBREGISTER

As a result of certain corporate events (e.g. after reconstruction to a new code, final settlement for nil paid rights, etc) or the revocation of financial product's CHESS approval, ASXS will close the CHESS subregister to all activity.

11.5.1 PROCEDURE

1. ASXS closes the CHESS subregister for a financial product.
2. CHESS rejects all transactions after a subregister is closed. CHESS rejects any transactions received prior to closing that have a scheduled settlement date after the closing date.

Registries may continue to “clean up” the subregister and the subregister is still available for reporting to participants until CHESS archives it. Participants may use this facility to reconcile CHESS closing balances against their internal systems when a subregister is closed.

3. CHESS will archive the relevant financial product twenty business days after it is closed.
4. If the closing date coincides with a diary adjustment (e.g. reconstruction to new code), CHESS adjusts the obligations (note that they may be also rescheduled if adjusted to a new deferred delivery code). CHESS notifies participants of any adjustments.
5. If there is no diary adjustment coinciding with the subregister closure and some obligations remain (e.g. where settlements have failed and been rescheduled), CHESS suspends the settlement instruction pending the outcome of discussions between the participants. CHESS notifies participants of any suspended obligations. CHESS cancels suspended obligations after ten days; they cannot be reinstated to target the now closed subregister.
6. CHESS continues to maintain subpositions after the subregister is closed. However the holding's financial products are not available to the holder. The subposition can only be decreased through an authorised removal request. Increases in subpositions are not permitted.
7. Following a subregister closure, CHESS cancels any transactions awaiting a matching entry. CHESS notifies both participants.

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8. Issuer sponsored to CHES transfers and conversions submitted before the subregister is closed will not be effected by the closure. Registries continue to have access to the subregister and should process these transactions as normal. CHES rejects issuer-sponsored-to-CHES transfers and conversions submitted after the subregister is closed.

Message Reference Table

Step	Message Number and Description	Sender	Recipient
1	503 Reporting Request	Participant	CHES
1	522 Holding Balance	CHES	Participant
2	518 Rejected Transaction	CHES	Participant
3	528 Archive SubRegister	CHES	Participant
4	128 Adjusted Settlement Instruction	CHES	Participant
4	142 Accrued Settlement Instruction	CHES	Participant
4	124 Rescheduled Settlement Instruction	CHES	Participant
5	162 Suspended Settlement Instruction	CHES	Participant
5	116 Cancelled Settlement Instruction	CHES	Participant
6	029 Collateral Removal Request	Participant	CHES
6	085 Takeover Acceptance Removal Request	Participant	CHES
7	116 Cancelled Settlement Instruction	CHES	Participant
8	518 Rejected Transaction	CHES	Participant

11.6 LATE COMPANY NOTICE OF A CORPORATE ACTION

There have been instances where an issuer has failed to advise the ASX of a corporate action until after the record date has passed. When this occurs, the following apply:

- A CHESSE corporate action is not established;
- A CHESSE ex period is not established;
- Cum entitlement balances are not created;
- CHESSE diary adjustment processing cannot be performed; and
- Participants are not given the opportunity to supply an override basis of movement so all movements default to cum.

To verify holder entitlements, participants should use holding balances generated as at the record date. Participants must perform all diary adjustments manually.

11.5.2 PROCEDURE

1. ASXS notifies participants of the late company announcement of a corporate action.
2. Participants request a holding balance report from CHESSE, as at the record date for the corporate action.
3. CHESSE generates the holding balance report as part of standard end of day processing. In the event that the balances have been archived before the error is known, the balances must be retrieved using a Demand Reporting Request from Archival Storage form (Appendix V).

Message Reference Table

Step	Message Number and Description	Sender	Recipient
2	503 Reporting Request	Participant	CHESSE