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ASX SETTLEMENT PROCEDURE GUIDELINES



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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
1.3	July 2007	Additional information relating to requests for waiver of fail fees has been added to section 18.2. Cross references to Section 2.1.8 updated to Section 2.1.9.
1.4	Dec 2008	Update to fail penalties in section 18.2.
1.7	Dec 2010	Updates to include name changes within ASX Group and ASX Operating Rule books.
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 18. TARIFFS AND LEVIES

18.1 TARIFFS FOR CHESS SERVICES

ASXS charges for the services provided by CHESS. These charges are at least sufficient to cover its operating costs and provide reserves to cover future development needs and revenue downturns in the cyclical environment of the market.

ASXS publishes a full schedule of all charges levied for the use of CHESS services on the ASXOnline website (<http://www.asxonline.com.au>). This schedule includes a cross reference to the CHESS messages which trigger the billing for each service.

18.2 FAIL FEE LEVY (FINANCIAL PRODUCT SHORTFALL IN SETTLEMENT)

ASXS levies a fail fee on participants who enter settlement with a shortfall of any financial product they have an obligation to settle. Unlike other levies, fail fees are not associated with specific transactions; CHESSE determines which transactions will fail whenever there is a shortfall in the settlement process.

A shortfall occurs when there is insufficient financial product in a delivering holding when CHESSE attempts to effect settlement. The shortfall is the difference between the aggregate obligations of the settlement holding and the balance of the holding at settlement cut-off.

For financial products subject to foreign ownership restrictions, a shortfall occurs if the delivery has been marked as a foreign to foreign allocation and there are insufficient “confirmed foreign” financial products in the delivering holding when CHESSE attempts to effect settlement (refer to section 2.1.9).

Knock-on effects to other settlement holdings due to these shortfalls do not incur fail fees.

CHESSE calculates the fail penalty for each holding that fails to meet a net DvP delivery obligation on an ad valorem basis, subject to a minimum fee and a maximum cap. The initial terms are:

- The **ad valorem fee** is calculated at 0.10% of the value of the shortfall (based on the financial product shortfall multiplied by valuation price from the previous day);
- The **minimum fail fee** per settlement holding is \$100.00; and
- The maximum fail fee **cap** per settlement holding is \$5,000.00.

Following the completion of the settlement cycle, CHESSE advises participants of any shortfall details, including the shortfall quantity and fail fee levied, for each settlement holding.

The valuation price determination is defined in the glossary.

The fail fee is calculated on the shortfall outstanding on each and every settlement day. Fail fees are accumulated daily and charged on a monthly basis through the ASXS billing facility. Fees are invoiced by ASX Operations on behalf of ASXS.

ASXS may, at its discretion, reverse a fail fee previously levied on a participant.

In the event that a payment provider refuses to authorise a participant’s payment obligation, the ASXS considers the participant to have defaulted on their funding obligations. This may result in the defaulting participant being suspended from participation in CHESSE.

ASXS may, at its discretion, charge a fail penalty on payment failures where the participant remains solvent. For example, the participant’s payment provider could act in error. The fail fee on payments is based on the financial shortfall multiplied by the official (commercial) overnight money market rate.

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CHESS requires a participant to meet financial product obligations and DvP funds obligations to other participants irrespective of failures to deliver or pay by the due settlement time on the part of the participant's clients.

Responsibility for resolving fails on the part of the client rests entirely with the participant. ASXS does not levy fail fees directly on a participant's clients. Participants have the discretion under ASX Operating Rules to pass on to the client any resulting penalty administration fees; this is an issue between each participant and their clients.

ASXS will consider requests for waiver of fail fees levied should the levy arise through matters outside of the control of the Participant. Application for waiver of fail fees should be made in writing to ASXS.

Procedure

- 18.2.1 CHESS identifies a short position in settlement. CHESS calculates the fail fee for inclusion within the participant's monthly CHESS service invoice.
- 18.2.2 CHESS reschedules a settlement instruction in the settlement process due to a shortfall of financial products and notifies the participant during the settlement process. Part settlements are notified at the end of the settlement process. Fails are given priority in the next settlement cycle.
- 18.2.3 CHESS notifies the participant of fail fees levied due to a shortfall.
- 18.2.4 The participant takes appropriate action to either successfully complete settlement the following day or cancel the transaction. Cancellation requires the agreement of the counterparty.
- 18.2.5 Where ASXS determines that a fail fee should be reversed, it notifies the participant via CHESS and by mail.

Message Reference Table

Section	Message Number and Description	Sender	Recipient
18.2.2	124 Rescheduled Settlement Instruction	CHESS	Participant
18.2.2	192 Part-Settled Settlement Instruction	CHESS	Participant
18.2.3	544 Levy Notification (A)	CHESS	Participant
18.2.5	548 Reversed Levy Notification	CHESS	Participant

18.3 ADMINISTRATION FEES

CHESS automatically applies administration fees to participants for breaches of certain provisions of the ASX Settlement Operating Rules.

The administration fees are intended to encourage compliance with the rules, particularly those provisions where:

- the rule creates a procedural obligation;
- the fact of a breach is readily determined by ASXS;
- frequent breaches will impair the efficiency of CHESS and cause inconvenience to other participants.

Administration fees are accumulated daily and charged on a monthly basis through the CHESS billing facility.

Procedure

18.3.1 CHESS identifies a breach of a rule. CHESS calculates the fee for inclusion within the participant's monthly CHESS service invoice.

18.3.2 CHESS notifies the participant of administration fees levied.

18.3.3 Where ASXS determines that an administration fee should be reversed, it notifies the participant via CHESS and by mail.

Message Reference Table

Section	Message Number and Description	Sender	Recipient
18.3.2	544 Levy Notification (E)	CHESS	Participant
18.3.3	548 Reversed Levy Notification	CHESS	Participant