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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	Cross references to Section 2.1.8 updated to Section 2.1.9.
1.7	Dec 2010	Updates to include name changes within ASX Group and ASX Operating Rule books.
1.9	May 2012	Updates to includes a reference to AMFS section 28.
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
3.7	Dec 2021	Removed reference to fax (refer to 6.3.6)

SECTION 6. CONVERSION BETWEEN SUBREGISTERS

6.1 CONVERSION CONCEPTS

This section describes procedures for moving holdings between the CHESSE subregister and the issuer sponsored subregister. Please refer to section 28 for information regarding conversions of ASX Managed Funds Service products.

There can be no change in registration name or address during a CHESSE conversion process.

For information on how standing instructions are carried forward during conversions, refer to section 5.8.

CHESSE does not effect subregister movement requests while it is processing the daily settlement run. During this period, CHESSE queues any conversion requests it receives for processing after settlement.

6.1.1 Warranties and Indemnities

Under ASX Settlement Operating Rules, participants are required to:

- warrant the authenticity of transfer instructions lodged with the ASXS; and
- indemnify ASXS and/or issuers against losses incurred as a result of unauthorised transfers instructed by participants via ASXS.

Under the transfer of marketable financial products provisions of the Corporations Act, participants have an obligation to provide warranties and indemnities on conversions. Participant indemnities are backed by the National Guarantee Fund (NGF), through the unauthorised transfer provisions of the Corporations Act, which governs the fund.

Non-market participants have no such indemnity. As a consequence, a registry will not effect a conversion request made by a non-market participant for holdings on an issuer-sponsored subregister until they receive signed documentation. Documentation is not required if the registration details on both the issuer sponsored subregister and the CHESSE subregister are identical.

This information also appears in Section 8.1.3.

6.1.2 Carrying Forward of Standing Instructions

Standing instructions may comprise:

- tax file number (TFN) and Australian business number (ABN) notifications;
- direct credits of dividend or interest payments;
- annual report elections; and
- elections in respect of dividend plans.

Issuers will continue to carry forward standing instructions in relation to a holding

- that has been converted except in the following circumstances:
- if the conversion results in the financial products going to an existing holding where standing instructions are already recorded; or
- if an election for any part of that holding has been made in respect of a dividend plan (note that the instructions are carried forward if the holder fully participates in one plan. The instructions are not carried forward where the holder only partially participates in a plan or is in more than one plan); or
- the issuer offers more than one dividend plan and an election for any part of that holding has been made in respect of one or more of those plans.

These are ASXS's minimum requirements for the carrying forward of standing orders. Issuers may introduce further requirements, especially in the case of holdings that are covered by multiple dividends.

This information also appears in Section 5.8.

6.1.3 Conversion Requests Approaching Record Date

When participants submit cum transfers and conversions to registries just prior to or on the record date, registries may process these cum transactions as ex.

CHESS notifies the participant of the basis of movement for transactions initiated in the ex period. Participants with cum transfers or conversions processed as ex can claim entitlements (refer to section 15).

Participants can minimise the likelihood of such claims by submitting cum transactions and any applicable documentation in sufficient enough time to allow for the registry's prescribed turnaround time (refer to the ASX Settlement Operating Rules).

This information also appears in section 8.1.5.

6.2 CONVERSION FROM ISSUER SPONSORED TO CHESS

Before a holder can convert holdings from the issuer sponsored subregister to the CHESS subregister, they must enter into a sponsorship agreement with a participant.

For non-market participants only: Conversion requests are relayed to the issuer's registry via CHESS, but must be supported by signed documentation lodged with the registry. The conversion will not be effected on the CHESS subregister until it has been authorised by the registry. The registry has an obligation to authorise the conversion to CHESS after receipt of the documentation within a designated turnaround time.

CHESS will cancel any conversion requests that remain unactioned after six business days. Refer to APG, Section 10.6 for more information.

PROCEDURE

6.2.1 The participant receives instructions from a client to convert financial product from an issuer sponsored subregister.

The participant records the client's securityholder reference number (SRN) to enable the registry to identify the issuer sponsored holding.

6.2.2 **For non-market participants only:** For conversions requests the participant completes a conversion request document and forwards it to the relevant registry.

The conversion request must be signed by the registered owner.

6.2.3 The participant sends a conversion request to CHESS. If the conversion is designated with a basis of quotation that is different from the current default basis of quotation for the financial product, the participant should designate an override basis of quotation.

If the conversion involves financial product subject to CHESS foreign ownership restrictions (refer to section 2.1.9) and the holder requires the conversion to preserve the "confirmed foreign" status, the participant should mark the conversion message accordingly. For financial product to remain as "confirmed foreign" after conversion, the target HIN and the source holding must be designated as foreign (refer to section 2.1.9). All CHESS validations will be identical to those used for foreign-to-foreign transfers (refer to Section 8.1.6).

6.2.4 CHESS validates the request and notifies the participant that the request is either valid or rejected.

6.2.5 CHESS sends a conversion authorisation request to the registry, which includes the registration details from the nominated HIN

6.2.6 The registry processes the conversion and sends CHESS either a conversion authorisation or a rejection message.

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For requests from non-market participants, the registry will not authorise the conversion until they sight the relevant document.

In addition, the registry will authorise the conversion request only if the existing issuer sponsored holding has sufficient available financial product to cover the amount specified in the conversion request.

- 6.2.7 If the registry authorises the conversion, CHESSE updates the target holding on the CHESSE subregister, or creates a new holding under the existing HIN, with the financial product converted and notifies the participant that conversion has been effected. The request must be processed by the registry within the prescribed turnaround time. (Refer to Appendix 1 - Scheduled Times in the ASX Settlement Operating Rules.)
- 6.2.8 If the registry rejects the conversion, CHESSE notifies the participant.
- When communicating with the registry, the participant should use the value from the Registry Reference field in the rejection message.
- 6.2.9 CHESSE generates a message to the registry confirming that the response has been processed, or notifying a system rejection of the message.
- 6.2.10 The registry must carry forward any standing instructions existing for the issuer sponsored holding to the converted holding.
- 6.2.11 The participant internally processes the conversion to completion and verifies the closing balance of the account.

Message Reference Table

Section	Message Number and Description	Sender	Recipient
6.2.2	017 Issuer Sponsored to CHESSE Conversion Request	Participant	CHESSE
6.2.3	016 Accepted Registry to CHESSE Movement Request	CHESSE	Participant
6.2.4	518 Rejected Transaction	CHESSE	Participant
6.2.5	404 Issuer to CHESSE Conversion Authorisation Request	CHESSE	Registry
6.2.7	401 Registry to CHESSE Conversion Authorisation	Registry	CHESSE
6.2.7	172 Effected Registry to CHESSE Conversion	CHESSE	Participant
6.2.8	403 Registry to CHESSE Conversion Rejection	Registry	CHESSE
6.2.8	076 Rejected Registry to CHESSE Movement	CHESSE	Participant
6.2.9	426 Applied Registry Authorisation Response	CHESSE	Registry
6.2.9	518 Rejected Transaction	CHESSE	Registry

6.3 CONVERSIONS FROM CHESS TO ISSUER SPONSORED

No change of registration name or address can occur with a conversion. If an existing holding on the issuer sponsored subregister is referenced, and the registration details advised in the conversion request do not match the registration details of the nominated holding, the registry will set up a new holding as a result of the conversion.

For holdings converted to the issuer sponsored subregister, a CHESS statement is produced showing the balance of the holding on the CHESS Subregister reduced by the amount of the conversion.

PROCEDURE

6.3.1 The participant receives instructions from a client to convert financial product from CHESS to the issuer sponsored subregister.

6.3.2 The participant sends a conversion request to CHESS.

If the conversion is designated with a basis of quotation that is different from the current default basis of quotation for the financial product, the participant should designate an override basis of movement.

If the conversion involves financial product subject to CHESS foreign ownership restrictions (refer to section 2.1.9) and the holder requires the conversion to preserve the “confirmed foreign” status, the participant should mark the conversion message accordingly. For financial product to remain as “confirmed foreign” after conversion, the source HIN and the target holding must be designated as foreign (refer to section 2.1.9). All CHESS validations will be identical to those used for foreign-to-foreign transfers (refer to section 8.1.6).

6.3.3 CHESS validates the conversion request and notifies the participant of either a valid or a rejected request.

If settlement is in progress, CHESS queues the request for later validation and processing.

6.3.4 CHESS processes the conversion request. CHESS updates the source holding by deducting the conversion quantity. CHESS notifies the participant that the movement has occurred.

6.3.5 The participant records the acknowledgment and verifies the closing balance of the account.

ASXS notifies the holder by way of a holding statement.

6.3.6 CHESS sends the conversion request to the relevant registry, which includes the registration details from the CHESS source holding. The registry is bound to accept conversion details.

If the conversion request specifies an issuer’s securityholder reference number (SRN) and there is any discrepancy between the registry’s registration name and address record and the registration name and address on the conversion request, the registry creates a new holding based on the registration name and address from the conversion request.

When the registry receives inconsistent or inaccurate registration details, the registry should telephone the initiating participant to determine an appropriate solution e.g., an amendment. However, the request must be processed within the prescribed turnaround time. (Refer to Appendix 1 - Scheduled Times in the ASX Settlement Operating Rules.) The financial products in question are deemed to be part of the issuer sponsored subregister pending resolution of the registration details.

- 6.3.7 If the value of the “Location of Register” field is blank or invalid, the registry will default the transfer to the principal register. If the transfer contains a valid country code (refer Appendix C) as the value of the “Location of Register” field, the registry will consider this as a request to be registered on the nominated foreign register. If however, the transfer contains a state as the value of the “Location of Register” field (i.e. NSW, VIC, SA, WA, TAS, ACT, NT), Registries will default all these transfers to the principal register.
- 6.3.8 The registry notifies the issuer sponsored holder of the conversion transaction by way of the next regular holding statement.

Message Reference Table

Section	Message Number and Description	Sender	Recipient
6.3.2	011 CHES to Issuer Sponsored Conversion Request	Participant	CHES
6.3.3	518 Rejected Transaction	CHES	Participant
6.3.4	008 Effected CHES to Registry Movement	CHES	Participant
6.3.6	416 CHES to Issuer Sponsored Conversion	CHES	Registry

6.4 MOVEMENT BETWEEN OFFSHORE AND AUSTRALIAN REGISTERS (SHUNTING)

Shunting is the process of converting dual listed securities from a holding on a foreign market to a holding on the Australian market, or vice versa.

6.4.1 Movement from a Foreign Register

Dual listed securities held on a foreign register are converted to a holding on an Australian register.

PROCEDURE

- 6.4.1.1 The holder sends the certificates and other necessary documents to the foreign registry. The documentation should include an authority to release the new certificate (or the HIN) to an identified participant.
- 6.4.1.2 The foreign registry moves the holding to the Australian register.
- 6.4.1.3 The Australian registry creates a holding on either the CHESSE or issuer sponsored subregister.

6.4.2 Movement to a Foreign Register

Dual listed securities held on an Australian register are converted to a holding on a foreign register.

PROCEDURE

- 6.4.2.1.1 The participant sends a request to the registry, identifying the foreign registry or depository.
- 6.4.2.2 The Australian registry moves the holding to the designated foreign register.
- 6.4.2.3 The Australian registry adjusts the holding on the Australian registry.

Message Reference Table

Section	Message Number and Description	Sender	Recipient
6.4.1.3	022 Effected Holding Adjustment	Registry	Participant
6.4.2.3	022 Effected Holding Adjustment	Registry	Participant

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