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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	Jul 2007	Cross references to Section 2.2.2.3 updated to Section 2.1.9
1.4	Dec 2008	Cross reference to Section 25 updated to Section 2.1.9
1.6	Aug 2009	The addition of references to Securities Lending transactions as per CHES Release 7.0
1.7	Dec 2010	Updates to include name changes within ASX Group and ASX Operating Rule books.
1.8	Mar 2012	Updates to information regarding Approved Market Operators (section 8.5.3). References to AMFS Section 28.
1.9	May 2012	Removal of references to AMFS section 28. Transfers are no longer available with AMFS.
2.2	May 2013	Introduction of Secondary Matching Flag on Demand Dual Entry messages section 8.2.4
2.5	Apr 2014	Terminological change from 'super participant' to parent participant.
2.9	May 2015	Updates to information regarding Single Entry Transfers and Client Account Segregation (section 8.1.1)
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
3.5	Apr 2017	Section 8.1.1 insertion relating to 'change of trustee' and Section 8.5.3 insertion relating to Transaction Basis (F) 'Facility for non-reportable transactions'
3.6	Oct 2018	Reference to mFund transfers included in 'Transfer Concepts'

Version	Date	Description of changes
3.7	Dec 2021	Removed reference to Fax (refer to 8.3.2.6) Removed reference to SRAA website and form/s (refer to 8.3.1.2)

SECTION 8. TRANSFERS BETWEEN HOLDINGS

8.1 TRANSFER CONCEPTS

This section describes procedures for transferring holdings in approved financial products between holders on the CHES and issuer sponsored subregisters. Please refer to section 28 for information regarding transfers of ASX Managed Funds Service products.

CHES allows for both single and dual entry transfers. The type of transfer that applies in a particular situation can be summarised as follows:

Transferring from	Transferring to		
	CHES holding Controlled by participant "A"	CHES holding controlled by participant "B"	Issuer sponsored Holding
CHES holding controlled by participant "A"	Single Entry transfer	Dual Entry transfer	Single Entry transfer
CHES holding controlled by participant "B"	Dual Entry transfer	Single Entry transfer	Single Entry transfer
Issuer sponsored holding	Conversion (Non-market participants must supply paper form)	Conversion (Non-market participants must supply paper form)	Paper based transfer

8.1.1 Single Entry Transfers

Single entry transfers are used to transfer financial products between two CHES holdings controlled by the same participant.

Participants use single entry transfers for transfer to and from separate holdings used for settlement or clearing. For example, a participant might use a single entry transfers to move financial products from a client HIN to the clearing holding to meet settlement requirements; after settlement a participant might use single entry transfers to move financial products from the clearing holding to a client HIN to apportion the financial product received.

Participants might also use separate holdings:

- to segregate financial products of large clients or to categorise clients;
- to cater for dividend reinvestment plans that require elections to be

made prior to the announcement of the dividend.

CHESS provides two methods for effecting single entry transfers:

- Demand transfers, which are effected immediately upon being received and validated by CHESS, provided that settlement is not in progress. If settlement is in progress CHESS queues transfers for processing after settlement processing has been completed. Instructions for transactions via the demand method may be sent at any time.
- Settlement transfers, which are processed through the CHESS settlement cycle. Instructions for transactions via the settlement method must be received by CHESS no later than the settlement cut-off time on the day of settlement.

Client Account Segregation processing (refer to Section 32) requires the use of a unique single entry CHESS message, including mandatory procedures in connection with the identification of ‘trustable amounts’ on certain sell and buy transactions.

Warrant processing (refer to Section 24) also uses a type of demand single entry transfer.

As an alternative to the controlling participant effecting holding transfers after the establishment of a new HIN, in circumstances where a trustee needs to transfer a large number of holdings to a new trustee and there is no change in beneficial ownership, a Registration Details Update Request (203) message will be deemed to be a Valid Originating Message to request that transfer. In this case, the new trustee will be required to represent to ASX Settlement that its appointment as trustee is valid and that there has been no change in beneficial ownership, and indemnify ASX Settlement against any loss in the event that representation is not correct.

8.1.2 Dual Entry Transfers.

Dual entry transfers are used to transfer financial products between two CHESS holdings controlled by the different participants.

One participant delivers financial products to another to complete the following business transactions:

- sale or purchase of financial products through a market participant;
- sale or purchase of financial products where settlement is via another participant; and
- transfer of assets to or from another trustee or custodian.

CHES provides two methods for effecting dual entry transfers:

- Demand transfers, which are effected immediately they are received and validated by CHES, provided that settlement is not in progress. If settlement is in progress CHES queues transfers for processing after settlement processing has been completed. Instructions for transactions via the demand method may be sent at any time.
- Settlement transfers, which are processed through the CHES settlement cycle. Instructions for transactions via the settlement method must be received by CHES no later than the settlement cut - off time on the day of settlement.

CHES matches dual entry transfers on the following data items:

- Security code;
- Settlement date;
- Counterparty PID;
- Units;
- Basis of movement (explicit or default);
- Transaction basis;
- Settlement amount (value transactions only); and
- Trade date (for value market transactions only);and
- Foreign Guaranteed Indicator.

For additional information about matching dual entry transactions refer to Section 8.5.

Miscellaneous payments (refer to Section 24.3) and Securities Lending (refer to section 8.8) also use settlement dual entry transfers.

8.1.3 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.

This information also appears in Section 6.1.1.

8.1.4 On or Off Market Designation

Dual-entry trade notification and transfer request messages are coded to differentiate between on-market and off-market movements. This is necessary to determine:

- which warranties and indemnities attach to the transfer under the Corporations Act and the ASXS Settlement Operating Rules; and
- whether there is National Guarantee Fund protection for the transfer.

8.1.5 Transfer 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 cum conversions processed as ex can claim entitlements.

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 ASXS Settlement Operating Rules).

This information also appears in Section 6.1.3.

8.1.6 Transfer Requesting a Foreign to Foreign Allocation

For financial products with a foreign ownership restriction, participants can specify "foreign-to-foreign" transfers, which CHESS processes with a "priority allocation".

A priority allocation ensures that, following registration, a foreign buyer is allocated the foreign securities (i.e. securities flagged as foreign in the register) from their foreign seller. A priority allocation can be used when both the buyer and the seller are foreign and the transaction is specifically entered into on the

basis that the seller will transfer financial products flagged as foreign to the buyer.

CHESSE will only process foreign-to-foreign allocations if:

- both parties to the transaction match their settlement obligation with a Foreign Guaranteed Indicator; and
- if the seller's HIN is foreign.

Foreign-to-foreign allocation enables a foreign buyer to register a holding without the risk of subsequently being divested of that holding due to a breach of the foreign ownership restrictions.

The issuer of a financial product with foreign ownership restrictions must accept notifications of residency status through CHESSE and agree to process foreign-to-foreign priority allocations of these financial products. It may be necessary for such issuers to amend their articles of association (e.g. to enable residency notifications to be processed through CHESSE).

Participants wishing to deliver securities subject to CHESSE foreign ownership restrictions as a result of foreign to foreign allocations (FFA) must ensure all the following criteria are met:

- The delivering HIN of the obligation must be designated as "foreign" (refer to Section 5). This includes participant entrepot HINs.
- There are sufficient confirmed foreign securities available in the foreign holding. These confirmed foreign securities are defined as the lesser of the current holding balance and the holding at the start of the day (adjusted by foreign-to-foreign transfers during the day, any confirmed foreign conversions during the day, and registry initiated adjustments into or out of the holding with reason code of "AFO Adjustment for Foreign Ownership").

CHESSE will accept, process, and settle these obligations even if the receiving HIN is not foreign (but reject the obligation if the delivering HIN is not foreign). However, a priority allocation (between the foreign seller and the buyer) will only be notified to the registry if both delivering and receiving HINs are designated as foreign.

To ensure that transactions which are executed on the basis of a priority allocation can be settled and registered on this basis, participants must operate a separate foreign HIN. Otherwise, when attempting to settle a sale the participant will not be able to match a transaction using the foreign guaranteed indicator. When settling a purchase, although the transaction will match and settle even if the buyers HIN is not flagged as foreign, the priority allocation will not be notified to the registry unless the status of the transferee holding is foreign. Therefore, participants need to establish separate foreign accumulation and settlement entrepot HINs.

For additional information on foreign ownership restrictions, refer to Section 2.1.9.

8.1.7 CHESS Tiered Tolerance Model for Matching Settlement Amounts

The tier tolerance model was introduced as part of CHESS release 6.1.

On dual entry settlement notifications with a monetary value attached, CHESS matches settlement amounts within a three-tiered model of settlement tolerance. This model applies to the following transactions:

- Dual Entry notifications (DvP) (EIS 101 messages); and
- RTGS (DvP) (EIS 481 messages); and
- Dual Entry Notifications for Miscellaneous Payments (PFD) (EIS 101 messages); and
- Changed Settlement Instruction Requests (EIS 121 messages).

The three tiers of settlement tolerance are based upon the settlement amount of the transaction:

- Tier 1
For all dual entry settlement notifications with settlement amount equal to or below \$499,999.99, CHESS will match within a \$1.00 settlement tolerance limit; and
- Tier 2
All dual entry settlement notifications with settlement amount from \$500,000.00 to \$999,999.99 will match within a \$10.00 settlement tolerance limit; and
- Tier 3
All dual entry settlement notifications of settlement amount \$1,000,000.00 or greater will match within a \$20.00 settlement tolerance limit.

Where both settlement amounts of the notifications fall within a tier given above, as per the current matching rules, the settlement amount of the resulting transaction will be the lower of the two settlement amounts received on the two notification messages.

In the event the settlement amounts of the dual entry notifications sit across the \$500,000.00 or the \$1,000,000.00 thresholds, the tier of settlement tolerance applied by CHESS is determined by the settlement amount of the first notification message received. If the transaction is matched according to the appropriate settlement tolerance tier, the settlement amount of the transaction will be the lower of the settlement amounts received on the two notification messages.

The following table illustrates the tier model with some examples:

Settlement amount of 1 st 101 message	Settlement amount of 2 nd 101 message	Tier	Settlement Tolerance Amount	Transaction Settlement Amount
\$550,668.25	\$550,676.50	2	\$10.00	\$550,668.25
\$10,550.85	\$10,550.00	1	\$1.00	\$10,550.00
\$1,000,019.80	\$ 999,998.20	3	\$20.00	Unmatched
\$1,000,019.80	\$ 999,999.80	3	\$20.00	\$999,999.80
\$499,985.00	\$500,005.00	1	\$1.00	Unmatched
\$ 999,998.40	\$1,000,017.30	2	\$10.00	Unmatched

8.2 DEMAND TRANSFERS

A demand transfer is a transaction submitted by a participant to effect a movement on a CHES holding which they control. Demand transfers are processed within the time constraints published by the ASX Settlement Operating Rules. The transaction is not included with other transactions and does not involve a transfer of funds through CHES. Demand transactions are not part of the CHES daily settlement run.

Demand transfers may have a transaction basis of “On Market” (trade), “Off Market” or “Stock Lending Activity”.

Demand transfers are effected immediately they are received and validated by CHES, provided that the daily settlement run is not in progress. If settlement is in progress they are queued for processing after settlement processing has been completed. Demand transfer requests may be submitted at any time.

8.2.1 Demand Single Entry Transfer

A demand single entry transfer is used for the transfer of financial products between two CHES holdings that are controlled by the same participant. They are most commonly used to transfer financial product to and from accumulation and settlement HINs.

PROCEDURE

8.2.1.1 The participant determines the required transfers.

Typically these will correspond with individual settlement transactions for the day, or will be the aggregate of those transactions.

8.2.1.2 The participant sends a demand transfer request to CHES.

Priority foreign-to-foreign allocations should be marked accordingly (refer to Section 8.1.6).

8.2.1.3 CHESSE validates the request. If CHESSE is not running the settlement process, it effects the valid transfer; If CHESSE is running the settlement process, it queues the valid transfer and processes it after the settlement process has finished.

CHESSE notifies the participant that the transfer has been either effected or rejected.

8.2.1.4 The participant internally processes the transfer to completion and verifies the closing balance of the account.

Message Reference Table

Section	Message Number and Description	Sender	Recipient
8.2.1.1	001 Demand Single Entry CHESSE to CHESSE Transfer	Participant	CHESSE
8.2.1.3	002 Effected Demand Single Entry CHESSE to CHESSE Transfer	CHESSE	Participant
8.2.1.3	518 Rejected Transaction	CHESSE	Participant

8.2.2 Demand Transfer within a Participant Group

Participant groups (refer to Section 3.6) allow participants to demand transfer financial products between holdings controlled by the parent participant and related participants).

PROCEDURE

8.2.2.1 The participant determines the required transfers.

Typically these will correspond with individual settlement transactions for the day, or will be the aggregate of those transactions.

8.2.2.2 The participant sends a demand transfer request to CHESSE.

One party to this transaction must be the parent participant. CHESSE applies a standing HIN as the delivering or receiving HIN if a standing HIN has been established.

Priority foreign - to - foreign allocations should be marked accordingly (refer to Section 8.1.6).

8.2.2.3 CHESSE validates the transaction. If CHESSE is not running the settlement process, it effects the valid transfer; If CHESSE is running the settlement process, it queues the valid transfer and processes it after the settlement process has finished.

CHESS notifies the participant that the transfer has been either effected or rejected.

Message Reference Table

Section	Message Number and Description	Sender	Recipient
8.2.2.1	003 Transferor Submitted Demand Transfer	Participant	CHESS
8.2.2.2	518 Rejected Transaction	CHESS	Participant
8.2.2.2	010 Applied Transferor Submitted Transfer	CHESS	Participant
8.2.2.2	004 Effected Transferor Submitted Transfer	CHESS	Participant

8.2.3 Demand Dual Entry Transfer

Demand dual entry transfer allows for the transfer of financial products between two CHESS holdings which are controlled by different participants.

Demand Dual Entry Transfers should be used for settling the following types of transactions:

- on-delivery settlements;
- all off-market settlements that have corresponding funds movements outside of CHESS; and
- exceptional circumstances in any situation.

The above convention should be adhered to wherever possible. Participants may vary the convention by agreement with the counterparty.

8.2.4 Secondary Matching Flag

The Australian Custodial Services Association (ACSA) requested additional matching criteria within CHESS settlement messages. This change was introduced to reduce the occurrence of settlement mismatches amongst some ASX Settlement Participants. The change was implemented as part of CHESS Release 8.o.

Participants can use the Secondary Matching Flag field in conjunction with the Supplementary Reference Field. If the Secondary Matching Flag in the Demand Dual Entry CHESS to CHESS Transfer (005) message is populated with Y the supplementary reference field must also be entered.

Only when both participants enter Y in the Secondary Matching Flag field and the Supplementary Reference Field is identical will the 005 message match. Where the Supplementary Reference Field is not identical e.g. spacing, spelling etc. an unmatched Demand Dual Entry CHESS to CHESS message will be generated. Participants can view the details of the Supplementary Reference Field sent by another participant in the Unmatched Demand Dual Entry CHESS to CHESS Transfer (012) message.

In the case where a participant leaves the Secondary Matching Flag field blank the field will default to a value equivalent of N. This means no validation of the Supplementary Reference Field will occur. Alternatively, the Participant can elect to submit N in the Secondary Matching Flag to specifically target the message not to be subject to Supplementary Reference Field validation.

Participants must be aware of the incoming unmatched messages and manage the processing of the Demand Dual Entry CHES to CHES transfers. If messages are left unmatched the normal housekeeping rules will apply. Further information on the validation rules: please refer to External Interface Specification Manual (EIS) section 8.

PROCEDURE

- 8.2.4.1 The two participants involved in the transfer agree to the details.
- 8.2.4.2 One of the participants (the “originating” participant) sends a demand dual entry transfer request to CHES.
- Priority foreign to foreign allocations should be marked accordingly (refer to Section 8.1.6).
- 8.2.4.3 CHES validates the transaction and notifies the participant if the transfer has been rejected.
- 8.2.4.4 CHES checks if the counterparty has lodged a matching request.
- CHES checks if the counterparty has lodged a Secondary Matching Flag and if applicable the Supplementary Reference field.
- If CHES can match the transactions, it processes the transfer and notifies the participant and the counterparty that the transaction has either been effected or rejected (e.g. due to insufficient financial products).
- If settlement is in progress, CHES queues the transfer for later processing.
- 8.2.4.5 If CHES cannot match the transfer request because the counterparty has not yet sent a matching transfer request, CHES notifies the originating participant of the unmatched request.
- CHES notifies the counterparty that a request has been received but is presently unmatched.
- If the counterparty subsequently sends a matching entry transfer request, CHES will attempt to match it and processes it as per step 8.2.3.3,
- 8.2.4.6 A demand dual entry transfer request that is unmatched may be cancelled by the originating participant or by CHES under housekeeping rules (refer to Section 10).
- A participant cannot correct an unmatched demand dual entry transfer request. The request transaction must be cancelled and a new message created (refer to Section 10).
- 8.2.4.7 The participant and the counterparty internally process the transfer to completion.

Message Reference Table

Section	Message Number and Description	Sender	Recipient
8.2.4.1	005 Demand Dual Entry CHES to CHES Transfer Request	Participant	CHES
8.2.4.2	518 Rejected Transaction	CHES	Participant
8.2.4.3	006 Effected Demand Dual Entry CHES to CHES Transfer	CHES	Participant
8.2.4.4	024 Rejected Demand Dual Entry CHES to CHES Transfer	CHES	Participant
8.2.4.5	194 Unmatched Dual Entry Request	CHES	Participant
8.2.4.5	012 Unmatched Demand Dual Entry CHES to CHES Transfer	CHES	Participant
8.2.4.6	037 Demand Dual Entry CHES to CHES Transfer Cancellation Request	Participant	CHES
8.2.4.6	048 Cancelled Demand Dual Entry Transfer Request	CHES	Participant

8.3 TRANSFERS BETWEEN SUBREGISTERS

When transferring holdings between subregisters, the targeted holding must be identified with an appropriate identifier, as follows:

Subregister	Identifier to use for transfers
CHES	Holder Identification Number (HIN)
Issuer-sponsored	Securityholder Registration Number (SRN)

A participant may obtain an SRN directly from the registry (refer to Section 5.14).

8.3.1 Issuer Sponsored to CHES Transfer

This procedure covers the transfer of financial products from an issuer sponsored holding to a CHES holding controlled by a participant.

For non-market participants only: Transfers are relayed via CHES to the issuer’s registry, but must be supported by signed transfer request documentation lodged with the registry. The transfer will not be effected on the CHES subregister until authorised by the registry.

The registry has an obligation to authorise the transfer to CHES within a designated turnaround time after receipt of a transfer request and, for non-market participants only, the supporting documentation.

CHES will cancel any transfer requests that remain unactioned after six business days (refer to Section 10.6).

PROCEDURE

- 8.3.1.1 The participant receives instructions from a client to convert financial product from an issuer sponsored subregister to a CHESSE subregister.
- The participant captures the client's Securityholder Reference Number (SRN) to enable the registry to identify the issuer sponsored holding.
- Where the transfer documentation is supplied to the participant by a person other than the noted transferor, the participant should obtain authorisation from the transferor before effecting the transfer.
- 8.3.1.2 **For non - market participants only:** The participant completes Transfer Form for Non - Market Transactions. The participant can request a Transfer Form by contacting the relevant registry.
- 8.3.1.3 The Participant sends a transfer request to CHESSE.
- Priority foreign - to - foreign allocations should be marked accordingly (refer to Section 8.1.6).
- 8.3.1.4 CHESSE validates the request and notifies the participant that the request is either valid or has been rejected.
- 8.3.1.5 **For non - market participants only:** If the transfer request is accepted by CHESSE, the participant copies the transfer request document and despatches it to the registry.
- 8.3.1.6 CHESSE relays details of the transfer to the registry, seeking authorisation.
- 8.3.1.7 The registry processes the transfer and responds to CHESSE either with a transfer authorisation or a rejection message.
- For non - market participants only:** If the registry has not received the required documentation within five (5) business days of CHESSE processing the electronic message, then the registry is entitled to reject the request with the appropriate reason code. A rejection message is transmitted to CHESSE, including a code identifying the reason for rejection. For rejected transfers submitted by Non - Market Participants, the request document is returned to the lodging Participant (the registry can place cross - reference data in the Registry Reference field for later external communication with the participant).
- The request is required to be processed within the prescribed turnaround time of the message being queued or receipt of the relevant documentation (where required), whichever is later. (Refer to Appendix 1 - Scheduled Times in the ASXS Settlement Operating Rules.)
- 8.3.1.8 If the transfer is authorised by the registry, CHESSE updates the holding on the CHESSE subregister and notifies the participant that the transfer has been effected.

- 8.3.1.9 If the transfer is rejected by the registry CHESSE notifies the participant.
The participant must take verification action outside of CHESSE to investigate and correct the problem, before resubmitting the transfer request.
The participant should use the Registry Reference field carried in the CHESSE message as a cross - reference when communicating externally with the registry.
- 8.3.1.10 The participant internally processes the transfer to completion and verifies the closing balance of the account.
- 8.3.1.11 CHESSE generates a message to the registry confirming that the response has been processed, or notifying a system rejection of the message.

Message Reference Table

Section	Message Number and Description	Sender	Recipient
8.3.1.3	015 Issuer Sponsored to CHESSE Transfer	Participant	CHESSE
8.3.1.4	016 Accepted Registry to CHESSE Movement	CHESSE	Participant
8.3.1.4	518 Rejected Transaction	CHESSE	Participant
8.3.1.6	408 Issuer to CHESSE Transfer Authorisation	CHESSE	Registry
8.3.1.7	407 Registry to CHESSE Transfer Rejection	Registry	CHESSE
8.3.1.7	405 Registry to CHESSE Transfer Authorisation	Registry	CHESSE
8.3.1.8	174 Effected Registry to CHESSE Transfer	CHESSE	Participant
8.3.1.9	076 Rejected Registry to CHESSE Movement	CHESSE	Participant
8.3.1.10	426 Applied Registry Authorisation Response	CHESSE	Registry
8.3.1.10	518 Rejected Transaction	CHESSE	Registry

8.3.2 CHESSE to Issuer Sponsored Transfer

This procedure covers the transfer of financial products from a CHESSE holding controlled by a participant to an issuer sponsored holding.

Transfers are relayed via CHESSE to the issuer's registry.

Where the transferee is an existing holder on the issuer sponsored subregister, the participant should provide the Securityholder Reference Number (SRN) in addition to the holder's registration details. Participants can also lodge tax file numbers and Australian business numbers (refer to Section 5.6.2).

The issuer checks if the holder has an existing holding and updates the financial product accordingly. If the details do not match an existing holding, the issuer

opens a new holding and issues a new Securityholder Reference Number.

PROCEDURE

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

The participant captures the client's Securityholder Reference Number (SRN) to enable the registry to identify the issuer sponsored holding.

Where the transfer documentation is supplied to the participant by a person other than the noted transferor, the participant should obtain authorisation from the transferor before effecting the transfer.

8.3.2.2 The participant sends a demand transfer request to CHESS.

Priority foreign - to - foreign allocations should be marked accordingly (refer to Section 8.1.6).

8.3.2.3 CHESS validates the request and notifies the participant that the request is either valid or has been rejected.

If it is a valid demand transfer, CHESS immediately updates the transferor holding by deducting the transfer quantity. CHESS notifies the participant and the registry.

If the transfer request is received during settlement processing CHESS queues it for processing after settlement.

8.3.2.4 The participant internally processes the transfer to completion and verifies the closing balance of the account.

8.3.2.5 The receiving registry updates an existing issuer sponsored transferee holding or establishes a new issuer sponsored holding as required. If the holder does not already have an issuer sponsored holding then a new issuer sponsored holding is established with the new registration details.

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

8.3.2.7 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 to 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.

Message Reference Table

Section	Message Number and Description	Sender	Recipient
8.3.2.2	007 Demand CHES to Issuer Sponsored Transfer	Participant	CHES
8.3.2.3	008 Effected CHES to Registry Movement	CHES	Participant
8.3.2.3	518 Rejected Transaction	CHES	Participant
8.3.2.3	418 CHES to Issuer Sponsored Transfer	CHES	Registry

8.4 AUSTRALIAN STANDARD TRANSFERS

Australian Standard Transfer Forms (ASTFs) are still an instrument of transfer for off- market transactions where both the transferor and the transferee holding are outside CHES and the transaction is not being processed by a participant.

8.5 SETTLEMENT TRANSFER PROCESS

8.5.1 Notified Trades and Netted Trades

Notified and netted trades apply only to market participants (refer to Section 7).

8.5.2 Single Entry Settlement Transfer

A single entry settlement transfer is a transfer of financial products between two CHESS holdings controlled by the same participant, where the transfer is effected on a nominated day (settlement day).

CHESS aggregates single entry settlement transfers against other settlement transactions for the same holding. In certain circumstances, CHESS will part settle a transfer unless it was marked as not available for part settlement (refer to Section 8.5.5).

Transfers can be designated either cum or ex if the transfer is initiated during a corporate action ex period otherwise defaults apply. If not completed by the record date the settlement transfer can be diary adjusted if designated cum (refer to Section 14).

For information on cancelling a transfer, refer to Section 10.

PROCEDURE

8.5.2.1 The participant determines the required transfer.

8.5.2.2 Typically these will correspond with individual settlement transactions for the day, or will be the aggregate of those transactions.

8.5.2.3 The Participant sends a settlement transfer request to CHESS.

Priority foreign - to - foreign allocations should be marked accordingly (refer to Section 8.1.6).

8.5.2.1 CHESS validates the request and notifies the participant that the transfer has been either scheduled or rejected

8.5.2.2 On settlement day, CHESS processes the transfer through the aggregation process and notifies the participant of the transfer's completion.

8.5.2.3 The participant internally processes the transaction to completion and checks the closing balance of the account.

Message Reference Table

Section	Message Number and Description	Sender	Recipient
8.5.2.2	105 Single Entry Settlement CHES to CHES Transfer Request	Participant	CHES
8.5.2.3	106 Scheduled Single Entry Settlement CHES to	CHES	Participant
8.5.2.3	518 Rejected Transaction	CHES	Participant
8.5.2.4	156 Settled Settlement Instruction	CHES	Participant

8.5.3 Dual Entry Settlement Notifications

Dual entry settlement notifications (101) should be used for the following transactions:

- on market settlements (except on-deliveries);
- free-of-payment off-market settlements (except on-deliveries);
- settling other classes of transactions such as “allocation interests” for primary market facilities (PMFs) admitted under the ASXS Settlement Operating Rules;
- miscellaneous payments related to certain other transactions made under ASXS Settlement Operating Rules (refer to section 24).
- Settling non-ASX listed transactions.

Dual entry settlement notifications between participants may be value (DvP and PFD) and non-value (FOP).

Settlement notifications for value transactions must be matched before settlement cut-off on settlement day. However, by convention among participants, market transactions should not be matched in the last hour prior to settlement cut-off unless explicit agreement has been made with the counterparty. This provides participants with time to arrange loans if necessary. Participants should endeavour to match all market transactions on the business day prior to settlement.

Full DvP settlement of off-market transactions between participants is allowed for all classes of transactions between market participants, non-market participants and market participants, and non-market participants, such as “allocation interests” for PMFs, admitted under the ASXS Settlement Operating Rules.

Deliveries of transactions not qualifying for DvP can be made free of payment (FOP) through dual entry transfers, with the payment made outside CHES.

Miscellaneous payments free of delivery (PFD) can be made through dual entry transfers (refer to Section 24.3).

Settlement notifications of transactions executed or reported on the market of an Approved Market Operator which has been provided with a Settlement Facilitation Service under Rule 4.1A must be identified with the transaction basis Facility for Non-reportable Transactions (F) (refer to section 8.5.4).

Approved Market Operators whom have been provided with a Settlement Facilitation Service (as at April 2017) are National Stock Exchange of Australia Limited, SIM Ventures Securities Exchange Limited and Sydney Stock Exchange Limited.. Matching transactions will be scheduled in batch settlement with all other settlements for that day.

The override basis of movement indicates ex or cum for each current corporate action. The default basis of movement is as follows:

Transaction type	Default basis of movement
Value (DvP) Settlement Instruction	Cum if Trade Date is prior to Ex Date Ex if Trade Date is on or after Ex
Any other Settlement Instruction	Cum
Demand Transactions (transfers and conversions)	Cum

During the ex period of a corporate action, the basis of movement designations for a transaction must match. CHES rejects on initiation settlement instructions where the settlement date lies outside the underlying ex period if an override basis of movement is specified. However CHES will allow participants to reschedule already initiated settlement instructions with an override basis of movement beyond the record date; in this case, CHES diary adjusts the outstanding cum transaction.

For information on cancelling a transfer refer to Section 10.

PROCEDURE

8.5.3.1 The two participants involved in the transfer agree to the details.

8.5.3.2 One of the participants (the “originating” participant) sends a demand dual entry transfer request to CHES.

Priority foreign-to-foreign allocations should be marked accordingly (refer to Section 8.1.6).

8.5.3.3 CHES validates the transaction and notifies the participant if the transfer has been rejected.

8.5.3.4 CHES checks if the counterparty has lodged a matching request.

CHES uses a tiered tolerance model for matching settlement amounts. Refer to Section 8.1.7 for more information on how CHES matches dual entry

notifications.

A settlement date and a trade date must be specified for value (DvP) market transactions. For other transactions the trade date is not allowed but the settlement date must be specified.

If CHESSE can match the transactions, it notifies the participant and the counterparty that the transaction has either been scheduled for settlement or rejected.

8.5.3.5 If CHESSE cannot match the transfer request because the counterparty has not yet sent a matching transfer request, CHESSE notifies the originating participant of the unmatched request.

8.5.3.6 CHESSE notifies the counterparty that a request has been received but is presently unmatched.
An unmatched response from CHESSE implies that either the counterparty has not yet submitted their corresponding settlement instruction or the counterparty has submitted an instruction but the two instructions do not match. If the two instructions do not match and the mismatch is not due to different counterparty identifiers, CHESSE sends the participant an unmatched settlement notification message on the basis of the counterparty's notification to CHESSE. CHESSE cannot resolve these differences. Counterparties must resolve differences between themselves within the time constraints of the fixed period settlement discipline.

If the counterparty subsequently sends a matching transfer request, CHESSE will attempt to match and process it as per step 8.4.3.3.

8.5.3.7 Participants cannot correct unmatched settlement notifications: they must be cancelled (refer to Section 10) and a new transaction created.

Message Reference Table

Section	Message Number and Description	Sender	Recipient
8.5.3.2	101 Dual Entry Settlement Notification	Participant	CHESSE
8.5.3.3	518 Rejected Transaction	CHESSE	Participant
8.5.3.4	166 Scheduled Dual Entry Settlement Instruction	CHESSE	Participant
8.5.3.5	194 Unmatched Dual Entry Request	CHESSE	Participant
8.5.3.6	102 Unmatched Dual Entry Settlement	CHESSE	Participant
8.5.3.9	116 Cancelled Settlement Instruction	Participant	CHESSE

8.5.4 Transaction Basis

The below table, summarises the edit rules that CHESSE applies to Dual Entry Settlement Notification (101) messages for differing values of the Transaction Basis field.

Transaction Basis	Settlement Amount	Trade Date	Stamp Duty
Market (M)	zero	not permitted	not applicable
	not zero	required	not applicable
Off-market (O)	zero	not permitted	not applicable
	not zero	not permitted	Duty Paid (K), Loan (L), or Loan Return (M); other fields not applicable
Facility for Non Reportable Transactions (F)	zero	optional	not applicable
	not zero	optional	not applicable
Miscellaneous Payments (F)	greater than zero	not applicable	not applicable
IPO (I)	zero	optional	not permitted
	not zero	optional	not permitted
Stock Lending Activity (L)	zero	not permitted	not applicable

8.6 MATCHING SETTLEMENT NOTIFICATIONS

When two participants move financial products, both are required to notify CHESSE of the details. However, there is no requirement for participants to uniquely identify the transaction and CHESSE does not match on this basis.

CHESSE matches dual entry transfers on the following data items:

- Security code;
- Settlement date;
- Counterparty PID;
- Units;
- Basis of movement (explicit or default);
- Transaction basis;
- Settlement amount (value (DvP) transactions only); and
- Trade date (for value (DvP) market transactions only); and
- Foreign Guaranteed Indicator.

When two or more transactions have identical values in the matchable fields, the possibility exists that CHESSE will not match one participant’s transaction to their counterparty’s transaction.

For example, a delivering party enters three like transactions in sequence (A, B, C). The receiving party enters only two of the “matching” transactions, C then A. CHESSE matches transactions as it receives them:

<i>Deliverer</i>		<i>Receiver</i>
Transaction A	matches with	Transaction C
Transaction B	matches with	Transaction A
Transaction C	remains unmatched	

In this case, the delivering party believes transactions A and B were successful and that transaction C has failed to match. However, the receiving party believes transactions C and A were successfully matched.

A failure to correctly match may also lead to a failure to correctly settle. For example, consider the same situation as above, but this time the receiving party enters all three transactions, except in a different order to the deliverer.

<i>Deliverer</i>		<i>Receiver</i>
Transaction A	matches with	Transaction C
Transaction B	matches with	Transaction A
Transaction C	remains unmatched	Transaction B

If the delivering party has only enough financial product to satisfy two of the three transactions, CHESSE fails the transaction that has the least knock-on effect. As a result of the mismatch, the delivering party believes transaction B

has failed and the receiving party, transaction A.

8.6.1 Supplementary Reference Fields

Supplementary Reference is an optional field available to participants on settlement dual entry notifications and dual entry demand transfers that may provide some scope in determining how CHES has matched a transaction. CHES notifies counterparties of this field.

There is no standard relating to the use of this field. Participants negotiate any conventions defining its use between themselves.

8.6.2 Cut-offs

Settlement transactions against payment must be matched by settlement cut-off on the settlement day. Non-value (FOP) settlement transactions can be matched up to settlement cut-off on the day of settlement.

In order to enable both the initiating party and the “named” counterparty to actively manage their processes to limit the possibility of transactions failing, **every endeavour must be made by participants to have all settlement instruction messages submitted to CHES on the day prior to settlement.**

If, during this managing process, the parties determine that like transactions have been mismatched, the parties should agree on the transaction to be failed and adjust their records accordingly. One option is for both parties to cancel all the transactions, then re-enter those to be settled.

8.6.3 Unmatched Settlement Transactions

Participants are not required to cancel unmatched transactions. CHES housekeeping automatically cancels unmatched transactions and notifies both participants after the relevant cut-off. However, participants should note that if cancelling of an unmatched transaction is left to CHES housekeeping, the counterparty can still match the transaction prior to settlement cut-off.

Message Reference Table

Section	Message Number and Description	Sender	Recipient
8.6.3	116 Cancelled Settlement Instruction	CHES	Participant

8.6.4 Matched Settlement Notifications

When a transaction fails completely during the initial covering of short financial product positions immediately following settlement cut-off, CHES immediately notifies both parties that the transaction has been rescheduled to the next settlement day.

If, during the initial covering of short financial product positions immediately following settlement cut-off, CHES identifies that a transaction is likely to only part-settle, CHES immediately notifies both parties of the likelihood of part-settlement.

If funds obligations are met by all participants, the prediction is accurate.

When a transaction is part settled, CHES reschedules the remaining portion of it and notifies participants once settlement reporting is available.

Participants can flag transactions in CHES as ineligible for part settlement (refer to Section 8.6.5).

Upon receipt of a message from CHES advising a transaction has been rescheduled, participants should check their records to ensure no like transactions exist.

Message Reference Table

Section	Message Number and Description	Sender	Recipient
8.6.4	192 Part-Settled Settlement Instruction	CHES	Participant
8.6.4	190 Predicted Partial Fail Advice	CHES	Participant
8.6.4	124 Rescheduled Settlement Instruction	CHES	Participant

8.6.5 Accepting Part Settlement

Any settlement obligations may be partly settled by CHES, unless an instruction is specifically flagged as unavailable for part settlement.

If a delivering party has insufficient financial product to fully meet its settlement obligations, CHES may part settle the transaction for the available financial product. For DvP, CHES calculates the funds payable in proportion to the financial product.

When a transaction is to be part settled CHES reschedules the failed portion to the next settlement period and notifies the participant of the rescheduled portion. Participants are advised at the commencement of settlement that a transaction is predicted to part settle. If the funds obligations of all participants are authorised, the predictions are accurate.

A participant may be left with insufficient financial product as the result of a knock-on effect from other settlement failures that were not directly a result of their own failure to cover the net financial product obligation by settlement cut-off time.

Participants may reduce the risk of internal knock-on failure by ensuring there is sufficient financial product to cover their gross delivery obligation in their delivering holdings by settlement cut-off time and not relying on receiving financial product from other parties to cover the net obligation.

Either party to a dual entry transaction may prevent CHES from receiving or delivering partial amounts by specifying a settlement transaction as unavailable for part settlement. Participants can also restrict part settlement of any single participant transaction. If not specifically excluded by one party,

transactions are considered eligible for part settlement. Part settlement is the default for all settlement transactions. While this alleviates the complexities of processing a transaction in two or more parts, it may result in the failure of a large transaction for the sake of a small amount of financial product.

Transactions processed via the demand method will not be part settled. Where the delivering party has insufficient financial product, the transaction fails.

PROCEDURE

- 8.6.5.1 During the settlement process, CHES identifies transactions for part settlement, according to the settlement algorithm (refer to Section 9.3.2) and notifies participants of these transactions.
- 8.6.5.2 CHES records the portion of the obligation that settles in a new settlement instruction. The outstanding portion is reflected in the original settlement instruction. The new settlement instruction has a reference back to the original settlement instruction.
- 8.6.5.3 The participant processes the part settlement for their own records, including splitting the transaction, rescheduling the failed portion, and notifying the appropriate parties.
- 8.6.5.4 The participant takes action to rectify any shortages for which they are responsible and monitors completion in the next settlement cycle.

Message Reference Table

Section	Message Number and Description	Sender	Recipient
8.6.9.1	190 Predicted Partial Fail Advice	CHES	Participant
8.6.9.2	192 Part-Settled Settlement Instruction	CHES	Participant

8.6.6 Adjusting Records

When a mismatch occurs, the two parties will need to negotiate to determine who should adjust their records. It may be that a counterparty cannot arbitrarily select the transaction to be failed. For example, if the counterparty is a custodian or a trustee, they may not be able to act without a client instruction nor may they be able to deliver financial products they do not hold. Generally in the case of a market participant/non-market participant transaction it would be the market participant that would adjust their records.

8.7 CHANGE SETTLEMENT TRANSACTION DETAILS

Participants may, under certain circumstances, change the details of a transaction they have sent to CHESSE.

Single entry settlement transactions cannot be changed, but may be cancelled up until settlement cut-off on the day of settlement.

Matched non-value (FOP) settlement transactions can be changed or cancelled up until settlement cut-off on the day of settlement.

Matched value (DvP) settlement transactions can be changed or cancelled up until settlement cut-off.

Matched miscellaneous payment transactions can be changed or cancelled up until settlement cut-off.

8.7.1 Maintain Settlement Instruction

Maintain Settlement Instruction allows participants to request a change to the settlement detail of a scheduled settlement instruction without recourse to the counterparty as the change will not affect the settlement obligation.

Participants are able to change the HIN (either receiving or delivering) and the part settlement field of a scheduled settlement instruction.

PROCEDURE

- 8.7.1.1 The participant identifies the incorrect transaction and sends a change request to CHESSE.
- 8.7.1.2 CHESSE validates the change request. If the request is valid, CHESSE changes the relevant transaction details. CHESSE notifies the participant that change transfer has been effected or rejected.

Message Reference Table

Section	Message Number and Description	Sender	Recipient
8.7.1.1	125 Maintain Settlement Instruction Request	Participant	CHESSE
8.7.1.2	126 Updated Settlement Instruction	CHESSE	Participant
8.7.1.2	518 Rejected Transaction	CHESSE	Participant

8.7.2 Change Settlement Instruction

Change Settlement Instruction allows participants to make mutually agreed changes settlement instructions.

Due to the introduction of masking of counterparty information on novated market trades from T to EOD on T+2 on November 28th 2005 (Refer to Section 7.6). Changes to settlement instructions resulting from novated market trades can only be 'mutually agreed' via CHESSE messaging only. Hence the procedure outlined below begins from step 8.7.2.2 for novated market trades. Settlement instructions resulting from novated market trades can be changed prior to EOD S-2 (usually T+), when net trades are created in CHESSE.

By mutual agreement, participants can change security code, settlement amount, settlement date, override basis of movement, unit quantity, guaranteed foreign indicator, and settlement instruction status (i.e. from suspended to scheduled).

If participants change the override basis of movement, all overrides that are to apply must be specified, not just those being changed.

For financial products subject to foreign ownership restrictions (refer to Section 2.1.9), participants have the choice of changing an obligation either to or from a foreign to foreign allocation (by adding or deleting the guaranteed foreign indicator).

For miscellaneous payment transactions, participants CANNOT change the payment type (i.e. security code) or the part-settlement indicator. Participants cannot change a miscellaneous payment into a DvP transaction, or set the unit quantity to greater than zero.

PROCEDURE

8.7.2.1 The participant negotiates the change in the settlement instruction with the other participant. CHES does not facilitate this agreement process.

8.7.2.2 The participant checks that the original instruction has been matched by CHES, records the change in settlement details, and sends a request to change the settlement instruction to CHES.

Note: For settlement instruction resulting from novated market trades the procedure to request a change to a settlement instruction begins at this step.

8.7.2.3 CHES validates the request.

If the request is valid, CHES attempts to match the target transaction ID of the update instruction with the target transaction ID of the update instruction from the counterparty. If the IDs match, CHES then applies the matching principles outlined in Section 8.1.2 to the changed details.

For Financial Products subject to foreign ownership restrictions:

If any obligation is to be changed **to** a foreign to foreign allocation, the HIN the obligation references must be changed to a foreign designated HIN (refer to Section 5). For delivering obligations, the HIN must be changed to a foreign HIN **before** the Change Settlement Instruction Request is sent. If this does not occur, the Change Settlement Instruction Request will be rejected.

If a delivering obligation is to be changed **from** a foreign to foreign allocation to one that does not require certainty of registration, the HIN must be changed to a foreign HIN **after** the Change Settlement Instruction Request is sent. If this does not occur, the request to change the HIN will be rejected.

8.7.2.4 If the instruction cannot be matched, CHES stores the instruction and notifies the participant it has received the request as well as the other party to the settlement.

8.7.2.5 When a match has been achieved, CHES changes the settlement details on the transaction and notifies both participants.

8.7.2.6 The participant internally processes the change to completion.

8.7.2.7 If CHES is unable to match the change instructions prior to settlement date, the transaction settles on the original date on the original basis. CHES removes the unmatched Change Settlement Instruction Request via housekeeping (refer to Section 10.3.)

Message Reference Table

Section	Message Number and Description	Sender	Recipient
8.7.2.2	121 Change Settlement Instruction Request	Participant	CHESS
8.7.2.3	518 Rejected Transaction	CHESS	Participant
8.7.2.3	125 Maintain Settlement Instruction Request	Participant	CHESS
8.7.2.4	122 Unmatched Change Settlement Instruction Request	CHESS	Participant
8.7.2.4	130 Requested Settlement Instruction Change	CHESS	Participant
8.7.2.5	128 Adjusted Settlement Instruction	CHESS	Participant
8.7.2.7	118 Cancelled Change Settlement Instruction Request	CHESS	Participant

8.7.3 Cancel Settlement Instruction Change

Cancel Settlement Instruction Change is used to cancel unmatched settlement instruction change requests.

PROCEDURE

- 8.7.3.1 The participant checks that CHESS has not matched the instruction to change the settlement details, internally records the cancellation and sends the request to CHESS.
- 8.7.3.2 CHESS verifies the update instruction has not been matched, cancels the change and notifies the participant of the cancellation. The Participant processes the cancellation to completion. CHESS also notifies the other participant of the cancellation.
- 8.7.3.3 If the update transaction has been matched, CHESS rejects the cancellation. The participant records the rejection and takes appropriate steps to rectify the error.

Message Reference Table

Section	Message Number and Description	Sender	Recipient
8.7.3.1	123 Change Settlement Instruction Cancellation Request	Participant	CHESS
8.7.3.2	118 Cancelled Change Settlement Instruction Request	CHESS	Participant
8.7.3.3	518 Rejected Transaction	CHESS	Participant

8.7.4 Removing a Settlement Instruction from Settlement

Non-market participants can request the removal of a settlement instruction from settlement if a non-participant client involved in the transaction becomes externally administered (e.g. liquidation).

The non-market participant must submit the request before settlement cut-off on the settlement day and the request must be accompanied by documentation that provides evidence of the client's external administration. The participant must submit the request in accordance with the scheduled time specified in the ASX Settlement Operating Rules.

PROCEDURE

- 8.7.4.1 The participant determines that a non - participant client involved in a scheduled settlement instruction has become externally administered.
- 8.7.4.2 The participant completes Appendix S (Request to Remove Settlement Instruction from Scheduled Settlement). One form must be completed for each settlement instruction to be removed from settlement. The participant sends the completed forms to Post Trade Operations along with documentation that provides evidence of the client's external administration.
- 8.7.4.3 Post Trade Operations suspends the transaction from settlement after receiving the appropriate authorisation. CHESSE notifies the delivering and receiving participants to the transaction accordingly.

Message Reference Table

Section	Message Number and Description	Sender	Recipient
8.7.4.3	128 Adjusted Settlement Instruction	CHESSE	Participant

8.8 SECURITIES LENDING

Settlement Participants that enter securities lending transactions under securities lending arrangements are required to tag transactions (using transaction basis 'L' – Stock Lending Activity) to allow for the identification of securities lending activity in CHESSE.

All forms of lending activity; returns, recalls, and collateral (for both non- cash collateral lending and cash collateral lending) are to be entered under the Transaction Basis of 'L'. This applies to all CHESSE messaging where a Transaction Basis is entered.

8.8.1 Transfer between Holdings

Settlement Participants should refer to Section 8 for the procedures to transfer holdings in CHESSE approved financial products between holders and between the Issuer and CHESSE sub registers.

Settlement Participants should refer to Section 11.1.2 for information relating to the basis of movement defaults that CHESSE applies to each type of transfer or conversion when no override basis of movement is entered by the Settlement Participant on the particular message.