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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
1.2	May 2007	Renumbering of this section as the original Section 20 ASX World Link has been removed
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
3.7	Dec 2021	Replaced sending statements with issuing statements (refer to 23.2.1.5, 23.2.2.5, 23.2.3.5, 23.2.4.5, 23.3.5, 23.4.5)

SECTION 23. WARRANTS

23.1 WARRANTS PROCESSING CONCEPTS

Following the release of CHES 6.0 in May 2004, CHES allows processing of call warrants, put warrants and call basket warrants. The warrants functionality includes:

- warrant deliveries;
- warrant exercises*; and
- warrant rollover applications.

Warrant issuer's agents may use sets of single entry transfers to effect the movement of warrants and the underlying securities for these events.

Warrants held in a subposition may not be moved using this functionality.

CHES notifies both the warrant registry and the underlying securities registry of any transfers using standard CHES overnight reporting.

* Note that CHES warrant exercise functionality may only be used for processing call warrants, call basket warrants, instalment warrants and endowment warrants.

23.1.1 Establishing Warrant Issuer's Agent

To access the CHES warrant processing services, the warrant issuer must authorise an ASXS participant to act as a warrant issuer's agent and manage the exchange of CHES messages on their behalf. The participant may be any settlement participant.

The warrant issuer must provide ASX Structured Products with the warrant issuer's agent's details prior to commencing CHES warrant processing. This can be done in the same way that warrant issuers notify ASX Structured Products of a new warrant series.

ASX Structured Products pass the warrant issuer's agent's details to Post Trade Operations, who in turn enter the details into CHES.

Each warrant issuer may nominate one warrant issuer's agent for each class of warrant that they issue.

23.1.2 Reporting for Warrant Issuer's Agents

In addition to the reporting available to them as CHES participants, warrant issuer's agents have access to a subset of CHES registry reporting.

The following balance reports are available to warrant issuer's agents:

- HBL Holding balance
- CEB Cum entitlement balance
- HMV Holding net movement

- CMV Cum entitlement net movement
- TCB Total cum entitlement balance
- TSB Total security balance.

For more information on these reports and CHES reporting, refer to section 16.

23.1.3 Warrant Message Sets

Processing warrant exercises and warrant rollover applications requires the movement of more than one financial product effectively in a single process. For example, a warrant exercise requires the warrant to be returned to the issuer and the underlying securities to be delivered to the investor.

To affect warrant processing, CHES uses “message sets”. Each message in the set effects one of the movements required to process the warrant. CHES will only process the individual messages if it receives a complete and valid set of messages.

CHES identifies the message sets by two fields: Set Transaction Id and Total Message in Set. Each message in the message set must have the same Set Transaction Id, which is unique to the set. The Total Message in Set field for the last message in the set must contain the total number of messages in the set; for all other messages in the set this field contains zero.

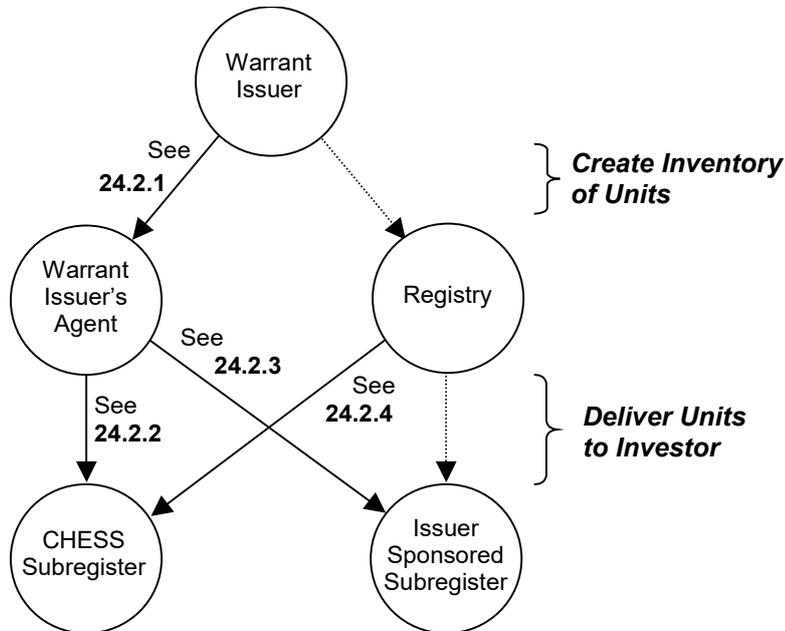
CHES rejects an entire message set if it finds that any of the individual messages in the set are invalid.

CHES effects warrant processing on an intra-day basis. All messages in a set must be received on the same day. At the end of each day, CHES removes any incomplete message sets and notifies the warrant issuer’s agent that sent them.

23.2 WARRANT DELIVERY

A warrant issuer can choose to deliver warrant units through either a registry or a warrant issuer’s agent. The units are then delivered to the investor on either the CHESSE subregister or the issuer sponsored subregister.

Warrants delivery can be summarised as follows:



For details of the procedure for creation of inventory by a registry and delivery of warrant units by a registry to the issuer sponsored subregister, consult the relevant registry.

23.2.1 Create Inventory of Warrant Units for Warrant Issuer’s Agent

If a warrant issuer chooses to use a warrant issuer’s agent to deliver warrant units to investors, they must create an inventory of units for their agent to deliver. These units are held under the control of the agent until used to fulfil successful applications (refer to section 23.2.2).

PROCEDURE

- 23.2.1.1 The warrant issuer makes an offer document public and appoints a warrant issuer’s agent for the issue to fulfil the applications.
- 23.2.1.2 The warrant issuer instructs the registry to create an inventory of warrant units in an “inventory” HIN controlled by the warrant issuer’s agent.
- 23.2.1.3 The registry sends a message to CHESSE to allot the warrant units to the warrant issuer agent’s HIN, with a reason code of WAL (warrant allotment).

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- 23.2.1.4 CHESSE validates the message and, if it is valid, allots the required warrant units to the warrant issuer agent's HIN. CHESSE notifies the warrant issuer's agent and the registry of the holding adjustment.
- 23.2.1.5 ASXS notifies the holder (the warrant issuer's agent) of the adjustment to their holding by issuing a CHESSE holding statement.

Message Reference Table

Section	Message Number and Description	Sender	Recipient
23.2.1.3	425 Holding Adjustment (WAL)	Registry	CHESSE
23.2.1.3	022 Effected Holding Adjustment	CHESSE	W-Issuer's Agent
23.2.1.3	422 Effected Holding Adjustment	CHESSE	Registry

23.2.2 Warrant Delivery By Warrant Issuer's Agent to CHESSE Subregister

If a warrant issuer chooses to use a warrant issuer's agent, they create an inventory of units for the agent to deliver (section 23.2.1). The warrant issuer's agent can then deliver those units to the investor's HIN on the CHESSE subregister using a single entry transfer

PROCEDURE

- 23.2.2.1 The investor sends the warrant issuer a completed application and the relevant cash consideration.
- 23.2.2.2 The warrant issuer instructs the warrant issuer's agent to fulfil the application.
- 23.2.2.3 The warrant issuer's agent sends a single entry transfer request to CHESSE to transfer warrant units from the warrant issuer's agent's HIN to the HIN nominated by the investor.
- 23.2.2.4 CHESSE validates the request. If the request is invalid, CHESSE notifies the warrant issuer's agent. If the request is valid, CHESSE effects the transfer and notifies the warrant issuer's agent and the investor's controlling participant.
- 23.2.2.5 ASXS notifies the holder (the investor) of the adjustment to their holding by issuing a CHESSE holding statement.

Message Reference Table

Section	Message Number and Description	Sender	Recipient
23.2.2.3	025 Single Entry Transfer Request	W-Issuer's Agent	CHESS
23.2.2.4	518 Rejected Transaction	CHESS	W-Issuer's Agent
23.2.2.4	022 Holding Adjustment	CHESS	W-Issuer's Agent
23.2.2.4	022 Holding Adjustment	CHESS	Controlling Participant

23.2.3 Warrant Delivery By Warrant Issuer's Agent to Issuer Sponsored Subregister

If a warrant issuer chooses to use a warrant issuer's agent, they create an inventory of units for the agent to deliver (section 23.2.1). The warrant issuer's agent can then deliver those units to the investor's SRN on the issue sponsored subregister.

For more information, see PPG section 8.3.2, CHESS to Issuer Sponsored Transfer.

PROCEDURE

- 23.2.3.1 The investor sends the warrant issuer a completed application and the relevant cash consideration.
- 23.2.3.2 The warrant issuer instructs the warrant issuer's agent to fulfil the application.
- 23.2.3.3 The warrant issuer's agent sends a single entry transfer request to CHESS to transfer warrant units from the warrant issuer's agent's HIN to the investor's SRN.
- 23.2.3.4 CHESS validates the request. If the request is invalid, CHESS notifies the warrant issuer's agent. If the request is valid, CHESS effects the transfer and notifies the warrant issuer's agent and the registry.
- 23.2.3.5 The registry notifies the holder (the investor) of the adjustment to their holding by issuing a holding statement.

Message Reference Table

Section	Message Number and Description	Sender	Recipient
23.2.3.3	007 Demand CHES to Issuer Sponsored Transfer Request	W-Issuer's Agent	CHES
23.2.3.4	518 Rejected Transaction	CHES	W-Issuer's Agent
23.2.3.4	008 Effected CHES to Registry Movement	CHES	W-Issuer's Agent
23.2.3.4	418 CHES to Issuer Sponsored Transfer	CHES	Registry.

23.2.4 Warrant Delivery By Registry to CHES Subregister

Following a successful warrants application, a registry can effect delivery of warrant units by allotting units to the investor's holding on the CHES subregister.

- 23.2.4.1 The investor sends the warrant issuer a completed application and the relevant cash consideration.
- 23.2.4.2 The warrant issuer forwards the purchasers details to the registry.
- 23.2.4.3 The registry sends a message to CHES to allot the warrant units to the investor's HIN, with a reason code of WAL (warrant allotment).
- 23.2.4.4 CHES validates the message and, if it is valid, allots the required warrant units to the investor's HIN. CHES notifies the registry and the investor's controlling participant of the holding adjustment.
- 23.2.4.5 ASXS notifies the holder (investor) of the adjustment to their holding by issuing a CHES holding statement.

Message Reference Table

Section	Message Number and Description	Sender	Recipient
23.2.4.3	425 Holding Adjustment (WAL)	Registry	CHES
23.2.4.3	022 Effected Holding Adjustment	CHES	Registry
23.2.4.3	422 Effected Holding Adjustment	CHES	Controlling Participant

23.3 WARRANT EXERCISE ON THE CHESS SUBREGISTER

This procedure can only be used to process a warrant exercise for warrant units held on the CHESS subregister. For details of the exercise procedure for warrant units held on the issuer sponsored subregister, consult the relevant registry.

For a warrant exercise, call or call basket warrant units are transferred from the holder to the issuer and the underlying securities are transferred from the issuer to the holder. The warrant issuer's agent affects this with a set of CHESS messages.

For call warrants there are two messages in the message set: one for the warrant transfer (reason code WEX) and one for the underlying securities transfer (reason code WUX).

For call basket warrants, there is one message for the warrant transfer (reason code WEX) and one to transfer each of the underlying securities (reason code WUX).

CHESS allows exercises to be processed up to five (5) business days after the closure of the warrant subregister.

CHESS validates the exercise ratio of warrant units against underlying units based on ASX Signal data, with a tolerance of +1 or -1 units.

PROCEDURE

- 23.3.1 The holder of a warrant on the CHESS subregister sends a request to the warrant issuer to exercise the warrant.
- 23.3.2 The warrant issuer instructs the warrant issuer's agent to fulfil the exercise.
- 23.3.3 The warrant issuer's agent sends a set of single entry transfer requests to CHESS to transfer warrant units from the holder's HIN to the warrant issuer's agent's HIN and to transfer the underlying securities from the warrant issuer's agent's HIN to the holder's HIN (refer 23.4.1 for information on message sets).
- 23.3.4 CHESS validates the request. If the request is invalid, CHESS notifies the warrant issuer's agent. If any one message is invalid, CHESS deems the whole set invalid.
- If the request is valid, CHESS effects the transfer and notifies the warrant issuer's agent and the holder's controlling participant.
- 23.3.5 ASXS notifies the holder (the investor) and the warrant issuer's agent of the adjustment to their holding by issuing a CHESS holding statement.

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Message Reference Table

Section	Message Number and Description	Sender	Recipient
23.3.3	025 Single Entry Transfer Request (WUX) <i>(one for each underlying security transfer)</i>	W-Issuer's Agent	CHESS
23.3.3	025 Single Entry Transfer Request (WEX) <i>(one for the warrant transfer)</i>	W-Issuer's Agent	CHESS
23.3.4	518 Rejected Transaction	CHESS	W-Issuer's Agent
23.3.4	022 Effected Holding Adjustment	CHESS	W-Issuer's Agent
23.3.4	022 Effected Holding Adjustment	CHESS	Controlling Participant

23.4 WARRANT ROLLOVER APPLICATION ON THE CHESS SUBREGISTER

This procedure can only be used to process a warrant rollover application for warrant units held on the CHESS subregister. For details of the rollover application procedure for warrant units held on the issuer sponsored subregister, consult the relevant registry.

For a rollover application, the old warrant units are transferred from the holder to the issuer and the new warrant units are transferred from the issuer to the holder. The warrant issuer's agent effects this with a set of CHESS messages.

For a rollover application, there are two messages in the message set: one for the old warrant transfer (reason code WRL) and one for new warrant transfer (reason code WRL).

The two warrant series must not have the same security code.

PROCEDURE

- 23.4.1 The holder of a warrant on the CHESS subregister sends a rollover application (and any financial consideration) to the warrant issuer.
- 23.4.2 The warrant issuer instructs the warrant issuer's agent to fulfil the rollover application.
- 23.4.3 The warrant issuer's agent sends a set of single entry transfer requests to CHESS to transfer the old warrant units from the holder's HIN to the warrant issuer's agent's HIN and to transfer the new warrant units from the warrant issuer's agent's HIN to the holder's HIN (refer 23.4.1 for information on message sets).
- 23.4.4 CHESS validates the request. If the request is invalid, CHESS notifies the warrant issuer's agent. If any one message is invalid, CHESS deems the whole set invalid.
- If the request is valid, CHESS effects the transfer and notifies the warrant issuer's agent and the holder's controlling participant.
- 23.4.5 ASXS notifies the holder (the investor) and the warrant issuer's agent of the adjustment to their holding by issuing a CHESS holding statement.

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Message Reference Table

Section	Message Number and Description	Sender	Recipient
23.4.3	025 Single Entry Transfer Request (WRL) <i>(one for the old warrant)</i>	W-Issuer's Agent	CHESS
23.4.3	025 Single Entry Transfer Request (WRL) <i>(one for the new warrant)</i>	W-Issuer's Agent	CHESS
23.4.4	518 Rejected Transaction	CHESS	W-Issuer's Agent
23.4.4	022 Effected Holding Adjustment	CHESS	W-Issuer's Agent
23.4.4	022 Effected Holding Adjustment	CHESS	Controlling Participant