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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. Removal of Derivatives Payments Service.
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 24. PAYMENTS FREE OF DELIVERY

24.1 PAYMENTS FREE OF DELIVERY CONCEPTS

CHESSE batch settlement has traditionally involved the delivery of units versus payment or the delivery of units free of payment.

All payments free of delivery processed through the CHESSE batch are related or incidental to ASX's core business.

24.1.1 Miscellaneous Payments

Participants may use dual entry settlement notification messages to make miscellaneous payments to other participants via the CHESSE settlement batch. This works in essentially the same way as a dual entry transfers (refer to section 8.4.3). One participant submits the payment request through CHESSE. When the participant counterparty matches the message in CHESSE, CHESSE schedules the payment for settlement through the participant's nominated or default payment facility. These payments are included in a participant's net funds obligation (for transactions in approved securities).

All miscellaneous payments must be between ASX settlement participants and should be related or incidental to the ASX's core business.

CHESSE identifies miscellaneous payments by a set of unique "security codes" that are used to specify the type of payment being made. The following list contains the acceptable payment types:

Payment Type	Security Code	Description
Application money	PYYAPP	Money paid by the beneficial owner through a participant as application monies for an elective corporate action to the issuer or their agent
Claims	PYYCLM	Dividend claims or application money claims made between participants Appropriate circumstances for claims are: <ul style="list-style-type: none"> • If participant B "protects" participant A or one of their clients by paying for an application for an elective corporate action, participant A reimburses participant B • If a failed trade resulted in an entitled holder not receiving a dividend (and for some reason a diary adjustment did not rectify the situation), the money can be exchanged between two controlling participants

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Payment Type	Security Code	Description
Derivatives related	PYYDER	Derivatives- related payments made between ASX Clear clearing participants and participants for initial or variation margins, commissions, et cetera
Dividends	PYYDIV	Dividend payments by a participant (on behalf of the issuer) to the controlling participant of a registered holder
OTC	PYYOTC	Payments related to over-the-counter derivatives transactions between two participants
Portfolio related	PYYPTF	Appropriate circumstances for portfolio-related payments are: <ul style="list-style-type: none"> • Cash portion of a portfolio for a client that has transferred a portfolio from one controlling participant to another controlling participant • Refinancing of portfolios moved between one controlling participant to another, e.g. margin lenders, where money is moved independent to but counter of securities
Securities Lending	PYYSLN	Payments related to securities lending, e.g. collateral and rebates
Settlement related	PYYSET	Settlement-related payments
Takeovers	PYYTKO	Payments of takeover proceeds from the controlling participant to the participating holder
Warrant related	PYYWAR	Payments from a warrant Issuer to the applicant's controlling participant e.g. cash component of a primary market application following a securities application for units of a warrant

The following table provides some suggestions as to what to include in the Supplementary Ref field of the Dual Entry Settlement Notification.

Security Code	ISIN Code	Suggestions for Supplementary Ref field
PYYAPP	AU000PYYAPP0	HIN; underlying ASX security code, e.g. rights code
PYYCLM	AU000PYYCLM2	Underlying ASX security code; number of units
PYYDER	AU000PYYDER4	Daily settlement obligation
PYYDIV	AU000PYYDIV7	HIN; Underlying ASX security code
PYYOTC	AU000PYYOTC1	Deal identifier

Security Code	ISIN Code	Suggestions for Supplementary Ref field
PYYPTF	AU000PYYPTF1	Identify payment as either: <ul style="list-style-type: none"> REF: refinancing, or TRANS: transfer then include client's name or surname
PYYSLN	AU000PYYSLN6	Identify type of payment as: <ul style="list-style-type: none"> REBATE: cash rebate ADD COL: additional cash collateral RETURN COL: return of cash collateral
PYYSET	AU000PYYSET8	HIN; Underlying ASX security code
PYYTKO	AU000PYYTKO4	HIN; Underlying ASX security code
PYYWAR	AU000PYYWAR2	HIN; Underlying ASX security code

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

PROCEDURE

Note: This procedure is practically the same as the dual entry transfer procedure described in section 8.4.3.

- 24.1.1.1 The two participants involved in the miscellaneous payment agree to the details.
- 24.1.1.2 One of the participants (the “originating” participant) sends a demand dual entry transfer request to CHES.

Requirements and/or suggestions for the Dual Entry Settlement Notification message fields are as follows:

Field	Values
Settlement Amount	MUST be greater than zero
Transaction Basis	MUST be 'F'
Settlement Date	A valid settlement date in CHES
HIN	Not mandatory – use only if you are directing payment to a HIN-specific payment facility. If not specified, the default payment facility will be used.
Receiving PID/Payer PID	Participant paying funds
Delivering PID/Payee PID	Participant receiving funds
Participant Ref	Not mandatory – internal reference information
Supplementary Ref	(see above for suggestions)

Field	Values
Transaction ID	A valid transaction ID in CHES
Unit Quantity	MUST be zero
Part-Settlement	MUST be 'Y' or blank
Underlying Ref	Not mandatory – internal reference information

24.1.1.3 CHES validates the transaction and notifies the participant if it has been rejected.

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

CHES matches the miscellaneous payment amounts within a \$1.00 tolerance limit. In the event that a settlement amount difference is within the tolerance, CHES schedules the transaction for settlement at the lower of the two amounts notified. The value of the tolerance amount is initially \$1.00.

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

24.1.1.5 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.

An unmatched response from CHES 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, CHES sends the participant an unmatched settlement notification message on the basis of the counterparty's notification to CHES. CHES 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, CHES will attempt to match and process it as per step 24.3.3.

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

24.1.1.7 CHES includes matched miscellaneous payments transactions in the funds obligation (for transactions in approved securities) for the appropriate batch settlement cycle.

CHES removes unmatched messages as part of its regular housekeeping.

Message Reference Table

Section	Message Number and Description	Sender	Recipient
24.1.1.2	101 Dual Entry Settlement Notification	Participant	CHESS
24.1.1.3	518 Rejected Transaction	CHESS	Participant
24.1.1.4	166 Scheduled Dual Entry Settlement Instruction	CHESS	Participant
24.1.1.5	194 Unmatched Dual Entry Request	CHESS	Participant
24.1.1.6	102 Unmatched Dual Entry Settlement Notification	CHESS	Participant

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