

SECTION 20. PRIMARY MARKET FACILITY	20-1
20.1 Primary Market Facility (PMF) Concepts	20-1
20.1.1 Allocation Interests	20-1
20.1.2 Firm Allocations.....	20-1
20.1.3 Institutional Book Builds	20-2
20.1.4 Placements	20-2
20.1.5 Issuers	20-3
20.2 Settlement of Allocation Interests.....	20-4
20.3 Transformation of Allocation Interests	20-5
20.4 Processing an Allocation for a Participant’s Client	20-6

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.
1.8	March 2010	Additional information added to Allocation Interests, Section 20.1.1.
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
3.7	Dec 2021	Replaced bulletins with ASX Market Notices (refer to 20.1.1)

SECTION 20. PRIMARY MARKET FACILITY

20.1 PRIMARY MARKET FACILITY (PMF) CONCEPTS

The primary market facility is an optional service available to issuers. It allows them to use CHESSE DvP to settle allocation interests in the following types of primary market offers:

- firm allocations;
- institutional book builds; and
- placements.

An issuer may request that only certain components of a primary offer be settled in CHESSE DvP. The inclusion of a firm allocation or an institutional book build does not preclude another component of the offer from also being settled by CHESSE DvP.

Primary market facility transactions are not covered by the National Guarantee Fund. Issuer's are required to demonstrate how they intend to manage the associated risk of using CHESSE DvP settlement.

20.1.1 Allocation Interests

DvP settlement cannot settle a financial product that doesn't yet exist.

In order to have a financial product to settle during a primary offer, the issuer creates "allocation interests" in the security they are offering. The allocation interests are first created by the registry allotting the aggregate number of allocation interests to the issuer's settlement agent's nominated HIN. The allocation interests can be then be settled using DvP.

Following settlement, at a given date, the issuer transforms the allocation interest into the offered securities. An allocation interest is not a "security" for the purposes of the *Corporations Act*.

To request the creation of allocation interests, the issuer or their agent completes an Application for Admission of a Class of Transactions in DvP Settlement form to Post Trade Operations. Once the form is processed, sufficient time must be provided for ASXS to inform the market via [bulletins ASX Market Notices](#).

The application form is available from the ASXOnline website (<http://www.asxonline.com>).

20.1.2 Firm Allocations

In firm allocations, the issuer agrees to provide a specified percentage of a primary offer to a market participant.

The offer is a firm offer to sell a security at a set size and price to successful applicants. Accordingly, successful applicants are guaranteed to receive the total parcel of securities for which they subscribed regardless of any scale back provisions.

Firm offers usually settle on a progressive basis over a prescribed period.

Participants are advised of all firm offers by way of ASX Settlement bulletins. The ASX Settlement bulletin details the offer, ISIN Code, the proposed timetable, and other related matters.

In some cases the retail offer application price is based on the outcome of the book build price. When this occurs, DvP settlement with respect to the amount of allocation interests is based on a notional price usually set at \$1.00. When the final book build price is known the issuer register will perform appropriate holding adjustments in order to reconcile to the final price.

20.1.3 Institutional Book Builds

Book Builds are a process in an initial public offering or issue of other securities in which the price expectations of large institutional investors are taken into account by way of a formal competitive process. The result is a mutually agreeable price for the offer.

An institutional book build will usually have one settlement date.

Participants are advised of institutional book builds by way of ASX Settlement bulletins. The ASX Settlement bulletin details the offer, ISIN Code, the proposed timetable, and other related matters.

20.1.4 Placements

A placement is an offer by an already listed company of newly quoted securities. It is a means of raising of capital and/or diversifying investments.

Private placements also occur within the primary market, which are offerings of securities to institutions and sophisticated/professional investors.

The allotment of securities to a participant may be by mutual agreement between the parties. Placements often occur as a form of consideration for a private company or to form an alliance between two companies.

Application moneys may or may not be payable for a placement. The application process is as determined by the parties to the transaction. The placed securities can be issued on any subregister selected by the applicant.

Securities that are allocated through a placement usually rank equally with a security already quoted on ASX. Accordingly, participants need to rely solely on internal controls to ensure that they can meet delivery obligations arising from early trading in placed securities. If the placed securities are a new security, trading does not commence until after the despatch date.

Following a successful application, the settlement procedures are the same as for institutional book builds.

20.1.5 Issuers

The issuer (or its registry) may apply to be a non market participant in CHESSESS for the purposes of a primary offer. Alternatively, if the Issuer does not have access to the CHESSESS DvP system it may appoint an ASXS participant with this access as an agent to act on its behalf.

Under the *Corporations Act*, the Issuer is required to operate a trust account and to pay all application monies into that account. An issuer's agent may operate a trust account in the name of the Issuer, or make alternative arrangements with the issuer for the payment of application monies into the trust account operated by the issuer.

20.2 SETTLEMENT OF ALLOCATION INTERESTS

Once the issuer’s agent has determined a participant’s allotment of allocation interests, the settlement of those allocation interests is essentially the same regardless of the type of primary market offer. This procedure applies equally to:

- firm allocations
- institutional book builds
- placements

PROCEDURE

20.2.1 The issuer’s agent for the primary market offer notifies the participant of their allotment of allocation interests.

20.2.2 The issuer’s settlement agent sends Dual Entry Settlement Notifications to CHES. These notifications have a Transaction Basis of “I” (for IPO) and neither Trade Date nor Stamp Duty fields are applicable.

CHES notifies the participant of unmatched transactions by sending Unmatched Dual Entry Settlement Notifications.

20.2.3 The participant sends a matching Dual Entry Settlement Notifications to CHES. These notifications have a Transaction Basis of “I” (for IPO) and neither Trade Date nor Stamp Duty fields are applicable.

CHES tariffs for processing individual transactions do not apply to ASXS participants if the transaction basis is “I”.

CHES matches the notifications.

20.2.4 On T+2, CHES settles the transactions, which delivers allocation interests to the participant and funds to the issuer.

Message Reference Table

Section	Message Number and Description	Sender	Recipient
20.2.2	101 Dual Entry Settlement Notification	Settlement Agent	CHES
20.2.2	102 Unmatched Dual Entry Settlement Notification	CHES	Participant
23.2.3	101 Dual Entry Settlement Notification	Participant	CHES

20.3 TRANSFORMATION OF ALLOCATION INTERESTS

When the offer closes, the issuer's registry effects the transformation of the allocation interests into the underlying securities.

PROCEDURE

- 20.3.1 The registry sends a Securities Transformation to CHESSE
CHESSE notifies participants of the transformation.

Message Reference Table

Section	Message Number and Description	Sender	Recipient
20.3.1	421 Holding Transformation (FLT)	Registry	CHESSE
20.3.1	018 Effected Holding Transformation (FLT)	CHESSE	Participant

20.4 PROCESSING AN ALLOCATION FOR A PARTICIPANT'S CLIENT

This procedure shows how a participant might process an allocation for a client who wishes to participate in a primary market offer. It includes the steps covered in Sections 20.2 and 20.3.

This procedure is offered as a guide only.

PROCEDURE

- 20.4.1 The participant sends the client an allocation application form, requesting payment for the application in favour of the participant.
- 20.4.2 The client returns the application form and payment to the participant.
- 20.4.3 The participant deposits the client's payment in a trust account.
- 20.4.4 The participant sends a Dual Entry Settlement Notification message to CHESSE. This notification should have a Transaction Basis of "I" (for IPO).
- 20.4.5 CHESSE sends the issuer's settlement agent an Unmatched Settlement Notification.
- The settlement agent checks the number of units requested do not exceed the participant's allocation, then sends a matching settlement notification to CHESSE.
- 20.4.6 CHESSE matches the settlement notifications.
- 20.4.7 On T+2, CHESSE settles the transactions, which delivers allocation interests to the participant's entrepot and funds to the issuer.
- 20.4.8 For participant sponsored clients, the participant initiates a CHESSE to CHESSE transfer (refer to Section 8) to move the client's allocation from the settlement entrepot to the client HIN.
- If the client is sponsored by another participant, the participant effects a dual entry transfer (refer to Section 8) to on-deliver units to the sponsoring participant.
- Registry receives investors' registration details and balances required to establish the holdings throughout the application processing period.
- 20.4.9 For issuer-sponsored clients, the participant initiates a CHESSE to Issuer Transfer (refer to Section 8) to move the client's allocation from the settlement entrepot to the client's issuer holding.
- Registry receives investors' registration details and balances required to establish the holdings throughout the application processing period.
- 20.4.10 On the last day before the allocation closes, the issuer's settlement agent advises the participant of any residual units in the participants allocation.

ASX SETTLEMENT PROCEDURE GUIDELINES

The participant sends a settlement notification message for the residual units to CHESSE, and the issuer's settlement agent matches the settlement notification message.

If the participant doesn't arrange settlement of their residual allocation, the issuer's registry allots the residual units directly to the participant and seek payment outside CHESSE.

Message Reference Table

Section	Message Number and Description	Sender	Recipient
20.4.4	101 Dual Entry Settlement Notification	Participant	CHESSE
20.4.5	102 Unmatched Dual Entry Settlement Notification	CHESSE	Settlement Agent
20.4.5	101 Dual Entry Settlement Notification (I)	Iss. Agent Participant	CHESSE
20.4.6	166 Scheduled Dual Entry Settlement Instruction	CHESSE	Iss. Agent Participant
20.4.7	156 Settled Settlement Instruction	CHESSE	Iss. Agent Participant
20.4.8	001 Demand Single Entry CHESSE to CHESSE Transfer Request	Participant	CHESSE
20.4.8	003 Transferor Submitted Demand Transfer	Participant	CHESSE
20.4.8	005 Demand Dual Entry CHESSE to CHESSE Transfer Request	Participant	CHESSE
20.4.8	512 Holding Registration Details	CHESSE	Registry
20.4.8	510 Holding Net Movement	CHESSE	Registry
20.4.9	007 Demand CHESSE to Issuer Sponsored Transfer Request	Participant	CHESSE
20.4.9	418 CHESSE to Issuer Sponsored Transfer	CHESSE	Registry
20.4.10	101 Dual Entry Settlement Notification (I)	Participant	CHESSE
20.4.10	425 Holding Adjustment (FLT)	Registry	CHESSE
20.4.10	022 Effected Holding Adjustment (FLT)	CHESSE	Participant

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