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## Context of this Document

The ASX 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 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.

### 19.1.1 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
1.7	Dec 2010	Updates to include name changes within ASX Group and ASX Operating Rule books.
2.2	May 2013	Updates to include the introduction of Government Bond Depository Interests
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
<a href="#">3.7</a>	<a href="#">Dec 2021</a>	<a href="#">Replaced ASX Settlement Bulletin with ASX Market Notice (refer to 19.4)</a>

## SECTION 19: CHESS DEPOSITARY INTERESTS

### 19.1 CDI CONCEPTS

Some issuers listed on the ASX are incorporated in countries that do not recognise electronic registration of foreign securities as legal title to those securities. In addition, these issuers may not recognise the electronic transfer of securities. In order to assist transactions in these foreign securities in Australia, ASXS introduced CHESS Depositary Interests (CDIs). CDIs are approved financial products and can therefore be registered, transferred and converted electronically via CHESS.

If a foreign issuer issues CDIs over their foreign securities, then the holder of the CDI obtains “beneficial ownership” of the foreign securities. Beneficial ownership (sometimes referred to as the equitable interest) means that all the economic benefits associated with the foreign securities (such as dividends, rights issues, bonus issues, etc.) are passed onto the CDI holder from the entity that retains the legal title to the foreign securities.

Government Bond Depositary Interests were introduced in 2013 and were designed to allow investors to obtain the economic benefits of Government Bonds without holding legal title.

There are a number of different features attributed to Government Bond Depositary Interests, where the underlying product is an Australian Government Bond, and other approved financial products that use the CDI structure. These differences are highlighted in this section and other interrelated sections but are nonetheless specifically addressed under *Section 30: Exchange-traded Australian Government Bonds*.

Participants should also refer to the ASX Settlement Operating Rules and Procedures relevant to Principal Financial Products that are Government Bonds.

CDIs are a type of depositary receipt. Depositary receipts are an internationally accepted means of settling transactions in foreign securities.

There are three types of CDIs:

- CHESS Units of Foreign Securities (CUFS);
- Depositary Interests (DIs); and
- Government Bond Depositary Interests (GBDIs).

For CUFS, the legal title of the foreign securities is held in the name of an Australian depositary nominee. The CDI holder gains beneficial ownership from the depositary nominee.

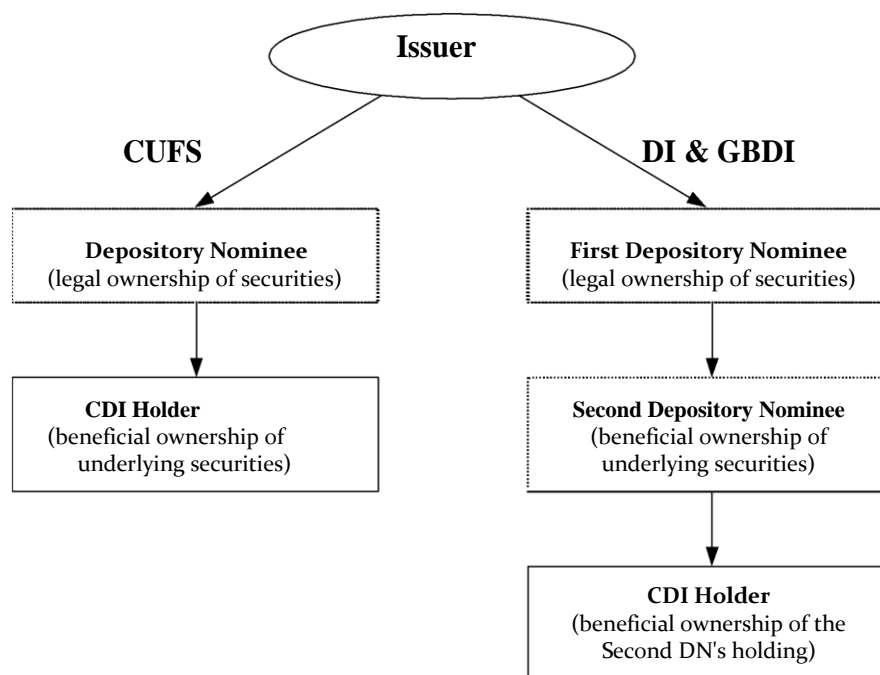
DIs have a different legal structure that results in at least two tiers of

beneficial ownership. The legal title of the foreign securities is held in the name of a nominee agent, typically a settlement and deposit system such as Clearstream, Euroclear or Central Depository Pty Ltd (CDP). The Australian depository nominee gains beneficial ownership from the nominee agent. This forms the first tier of beneficial ownership. Subsequently, the CDI holder gains beneficial ownership from the Australian depository nominee, which creates the second tier of beneficial ownership.

Government Bond Depository Interests have a similar legal structure to DIs. For definitional and transparency reasons GBDIs have their own regime. See later chapter on GBDIs.

CHESS Depository Nominees Pty Ltd, a subsidiary of ASX group of companies, offers the standard CDI depository service. However, foreign companies may use another depository service provider for CDIs if they wish.

The following diagram illustrates the differences between the three types of CDIs:



CDIs can be issued on a ratio basis whereby each CDI represents a multiple or a fraction of the underlying foreign securities or Government Bond. The procedures in this section assume that there is a one-to-one relationship between CDI financial products and the underlying foreign securities or Government Bonds.

For the avoidance of doubt, Title in relation to Government Bonds under the ASX Settlement Operating Rules refers to equitable or beneficial title, and not legal title, where the Government Bonds are held in the Austraclear System.

For more information on CDIs, refer to the guidance note in the ASX Listing Rules.

### 19.2 CDI REGISTERS

The CDI concept utilises a CHES subregister and an issuer sponsored subregister.

Unless otherwise agreed between an issuer and ASX Settlement, in addition to a CHES subregister, an issuer must administer an Issuer Operated Register.

These two subregisters record holdings of beneficial ownership, not legal ownership in the underlying foreign securities or Government Bonds. The aggregate of all holdings on these two subregisters is represented by a single security holding legally registered in the name of the Australian depository nominee on the foreign register for CUFS and a single beneficial ownership registered in the name of the Australian depository nominee for DIs or GBDIs.

### 19.3 CDI TRANSACTIONS AVAILABLE IN CHES

The CDI structure enables the following transactions, where applicable, in financial products to be effected electronically through CHES:

- Issuer sponsored to CHES conversions and transfers
- CHES to CHES transfers
- CHES to issuer sponsored conversions and transfers

These transactions are dealt in the same manner as transactions in non-CDI financial products.

However, a CHES to Issuer Sponsored and or Issuer Sponsored to CHES Demand Transfer or Conversion is not permitted for Government Bond Depository Interests.

Transactions in CDIs do not constitute a change in the legal ownership of the underlying foreign securities or Government Bond, as the name on the title does not change. However, in the case of transfers, the beneficial ownership does change from one CDI holder to another.

### 19.4 IDENTIFICATION OF CDIS

The approved financial product's description contains a reference to CDIs (e.g., Ordinary/CDIs) alerting participants that the financial product is a CDI. The ISIN code for a CDI financial product will be allocated by ASX. It will differ from the ISIN code of the underlying foreign securities or Government Bond.

Participants are able to distinguish a CDI from other approved financial products by checking the value of the CHES Exception Indicator field disseminated via ASX Signals. Additionally, when a quoted financial product is eligible to be settled, participants are notified via [ASX Settlement bulletins](#) [ASX Market Notice](#). Participants are also notified through the regular [ASX Settlement bulletin](#) [ASX Market Notice](#) to participants. Publications such as the daily diary may also be used to identify CDIs.

### 19.5 CORPORATE ACTIONS

The CDI concept requires corporate actions to be administered by the issuer rather than the Australian depositary nominee. Under the ASX Settlement Operating Rules, the issuer must recognise CDI holders as if they were the legal owners of the underlying foreign securities or Government Bonds for the purposes of corporate actions. Under the ASX Settlement Operating Rules, the depositary nominee must acknowledge that a distribution made to CDI holders discharges the issuer's obligation in respect of that corporate action.

CDI holders have the same rights as holders that have the foreign securities or Government Bonds legally registered in their own name, with the exception of voting arrangements.

CDI holders are given the right to vote on a poll (whereupon proxies can be counted) via the depositary nominee. However, CDI holders are not able to personally vote via a show of hands at a holder meeting. This does not apply to holders of GBDIs as voting rights for these holders are specifically excluded by the ASX Settlement Rules.

19.6 TRANSMUTATION OF CDIS

The following diagram illustrates the transmutation of CDIs.

Foreign Registry Service

Foreign Register {

Name	Rego Details	Shares	Name	Rego Details	Shares
Sally Sue,	1 Blue St, NY, NY	10	Peter Pie, 2 Walle Ave, San Diego, CA		20
Marge Mell,	55 Round Rd, KC, MO	25	.		
.			.		
.			.		
.			.		
.			.		
.			.		

Australian Registry Service

Principle Register {

Name	Rego Details	Shares
CHES Depository Nominee P/L,	20 Bridge, NSW	100

Allotment / Adjustment of CDIs

CHES Subregister		
Name	Rego Details	CDIs
Annie Smith,	1 Tie Pl, Sydney, NSW	30

Issuer Sponsored Subregister		
Name	Rego Details	CDIs
Joshua Jones,	8 Vale Terr, Perth, WA	70



### 19.6.1 Transmutation of Foreign Securities to CDIs

The transmutation of foreign securities to CDIs is the process of converting a holder's legal title in foreign securities into an allotment of CDIs with the same registered name as the foreign securities. This holder moves from legal ownership to beneficial ownership of the transmuted securities.

Once the transmutation has been completed, the holder of the new CDIs can easily convert the CDIs between the Issuer sponsored subregister and the CHESSE subregister via CHESSE.

The transmutation of CUFS requires two transactions that are effected simultaneously:

- The first transaction is a transfer of legal title from the holder to the Australian depository nominee. The original foreign certificates are cancelled; the Australian depository nominee's holding is increased, either by a new or additional issue of certificates or by increasing the electronic holding, depending on the procedures and legislation regulating the foreign registry.
- The second transaction is an allotment of CDIs to the former holder, held on either the CHESSE subregister or the issuer sponsored subregister, depending on the procedures of the Australian registry. The registered owner of the CDIs is the former owner of the foreign securities.
  
- The transmutation process for DIs requires three transactions that are effected simultaneously:
  - The first transaction transfers legal title of the foreign securities from the holder to the nominee agent. The original certificate is cancelled and a new one issued in the name of the nominee agent.
  - The second transaction registers the Australian depository nominee as beneficial owner of the underlying foreign securities with the nominee agent.
  - The third transaction is the allotment by the Australian registry of CDIs to the holder who originally owned the foreign securities.

In some cases, if the holder has beneficial ownership of the underlying foreign securities, the first transaction is not necessary.

The issuer must ensure that the total number of CDIs issued reconciles with the Australian depository nominee's holding.

Transmutations should not occur during an ex period as the foreign registry may apply any associated entitlement incorrectly.

The transmutation procedures for any specific CDI depend on the legislation of the foreign country and the agreed role of the Australian registry with the

foreign registry. It is the responsibility of the Australian registry to organise the transmutation procedures with the foreign registry, which includes the reconciliation of the Australian depository nominees holding.

Australian registries should make their transmutation procedures available to participants or holders, upon request.

### Australian Registry Working Independently of a Foreign Registry

In most situations, the Australian registry works independently of the foreign registry. The transmutation procedure for this arrangement is typically as follows:

- The holder (with perhaps the assistance of their participant) provides their certificates to the Australian registry.

They also complete any necessary forms (e.g. a CREST Transfer form for UK securities,) and may provide a letter including all the details of the holder's request for the transmutation.

- The Australian registry sends the request and any supporting documentation to the foreign registry.
- The foreign registry agrees to the transmutation, cancel the certificates, and either issues a new certificate or electronically increases the holding of the Australian depository nominee. The foreign registry notifies the Australian registry of this transaction.
- The Australian registry records the new Australian depository nominee's holding for their reconciliation responsibilities on the principle register and allots CDIs in the name of the holder. The allotment is generally to the issuer sponsored subregister unless the Australian registry permits allotment to the CHESSE subregister.

### Message Reference Table

Message Number	Description	Sender	Recipient
425	Holding Adjustment	Registry	CHESSE
518	Rejected Transaction	CHESSE	Registry

### Australian Registry Acting as Branch Office of a Foreign Registry

In some situations, the Australian registry acts as a “branch office” of a foreign registry. The Australian registry controls a small portion of the foreign register and has the right and the ability to both cancel certificates and issue new certificates. Certificates issued by an Australian branch office are recognised only in Australia for the purposes of trading. The certificate represents legal ownership in foreign securities but it is registered on the Australian register as opposed to the foreign register.

In order for the securities to be sold on a foreign market, a “removal” transaction must take place whereby the certificate issued in Australia would be replaced by a certificated issued by the foreign registry and registered on the foreign register. The Australian issued certificate does allow the holder the right to vote by a show of hands at a company meeting. However, the company may have to contact the Australian registry to verify the validity of the holder.

Though a branch office for the foreign registry has the right and ability to cancel and issue certificates registered on the Australian register, they would be required to communicate the details of their actions to the foreign registry. This communication would assist the foreign registry controlling the register as a whole.

The transmutation procedure for this arrangement is typically as follows:

- • The holder provides their certificates and any required documents to the Australian registry, either directly or through their participant.
- • The Australian registry, in communication with the foreign registry, cancels the holder’s certificates.
- • The Australian registry increases the Australian depository nominee’s holding by issuing a new certificate or electronically increasing the holding.
- • The Australian registry allots CDIs in the name of the holder, generally on the issuer sponsored subregister.
- • The Australian registry reconciles the total number of CDIs on issue with the Australian depository nominee’s holding that is registered on the principle register.

If the holder does not wish to transmute their entire holding to CDIs, then the Australian registry may be required to issue a new certificate for those securities to remain in certificated form.

The ASX Settlement Operating Rules allows participants and registries to use the set of CHES messages originally developed for the purpose of transfers between the CHES subregister and the outdated certificated subregister to assist in the transmutation process.

### Message Reference Table

Message Number and Description	Sender	Recipient
406 Certificated to CHES Transfer Authorisation Request	CHES	Registry
405 Registry to CHES Transfer Authorisation	Registry	CHES
407 Registry to CHES Transfer Rejection	Registry	CHES
426 Applied Registry Authorisation Response	CHES	Registry
425 Holding Adjustment	Registry	CHES
518 Rejected Transaction	CHES	Registry

### Australian Registry Acting as Co-Transfer Agent of a Foreign Registry

In some situations, the Australian registry acts as a “co-transfer agent” for the foreign registry. The Australian registry controls a small portion of the foreign register. As such, it would have the right and the ability to both cancel certificates and issue new certificates for the underlying foreign securities on behalf of the foreign registry. Any certificates issued by a co-transfer agent are considered of a “global nature” and as such would be accepted overseas as legal title to the foreign securities.

The transmutation procedure for this arrangement is typically as follows:

- • The holder provides their certificates and any required documents to the Australian registry, either directly or through their participant.
- • The Australian registry, in communication with the foreign registry, cancels the certificates.
- • The Australian registry increases the Australian depository nominee’s holding by issuing a new certificate or electronically increasing the holding.
- • The Australian registry allots CDIs in the name of the holder, generally on the Issuer Sponsored subregister.
- • The Australian registry reconciles the total number of CDIs on issue with the Australian depository nominee’s holding that is registered on the principle register.

If the holder does not wish to transmute their entire holding to CDIs, then the Australian registry may be required to issue a new certificate for those securities to remain in certificated form.

The ASX Settlement Operating Rules allows participants and registries to use the set of CHES messages originally developed for the purpose of transfers between the CHES subregister and the outdated certificated subregister to assist in the transmutation process.

### Message Reference Table

Message Number and Description	Sender	Recipient
406 Certificated to CHESS Transfer Authorisation Request	CHESS	Registry
405 Registry to CHESS Transfer Authorisation	Registry	CHESS
407 Registry to CHESS Transfer Rejection	Registry	CHESS
426 Applied Registry Authorisation Response	CHESS	Registry
425 Holding Adjustment	Registry	CHESS
518 Rejected Transaction	CHESS	Registry

### 19.6.2 Transmutation of CDIs to Foreign Securities

A transmutation of CDIs to foreign securities is the process of converting a holder's CDI holding into foreign securities with the same registered name as the CDI holding. The holder moves from beneficial ownership to legal ownership.

The transmutation process requires two transactions for CUFS that are effected simultaneously:

- • The first transaction is a reduction by the Australian registry of the holder's CDI holding by the requested quantity.
- • The second transaction is the reduction of Australian depository nominee's holding in the foreign securities by the equivalent amount (by either cancelling sufficient certificates or reducing its electronic holding) and at the same time the issuing of the new certificate in the foreign securities in the name of the holder.

The transmutions of DIs require three transactions that are effected simultaneously:

- • The first transaction is the reduction in the holder's CDI holding by the Requested quantity.
- • The second transaction is a reduction by the nominee agent in the beneficial ownership of the Australian depository nominee by the requested quantity.
- • The third transaction is the transfer of legal title of the foreign securities from the nominee agent to the name of the CDI holder, and the issue of a new certificate in the name of the holder.

If the holder wishes only to convert from a CDI to the first level of beneficial ownership, then the last transaction of a DI transmutation would not be required.

The issuer must ensure that the total number of CDIs issued reconciles with the Australian depository nominee's holding.

Transmutations should not occur during an ex-period as the foreign registry

may apply any associated entitlement incorrectly.

The transmutation procedures for any specific CDI are dependent on the legislation of the foreign country and the agreed role of the Australian registry with the foreign registry. It is the responsibility of the Australian registry to organise the transmutation procedures with the foreign registry. Upon request by either a participant or a holder, the Australian registry is to make available their transmutation procedures for any CDI they administer.

### **Australian Registry Working Independently of a Foreign Registry**

In most situations, the Australian registry works independently of the foreign registry.

If the CDIs are registered in CHESSESS, the holder makes a request to their participant; the Australian registry may require the CHESSESS registered CDIs to be converted to the issuer sponsored Subregister prior to the transmutation process.

If the CDIs are held on the issuer sponsored subregister, then the holder makes a request to the Australian registry.

Either way, the request should be in writing. Forms (e.g. a CREST Transfer form for UK securities) may be required.

The Australian registry adjusts (reduces) the holder's CDI holding by the requested amount and reduces their record of the Australian depository nominee's holding on the principle register.

At the same time, the Australian registry sends the request to the foreign registry along with any required supporting documentation.

The foreign registry either cancels the appropriate number of certificates held by the Australian depository nominee or electronically reduces the holding.

The foreign registry either issues a new certificate in the name of the holder or electronically increases the holder's holding.

For this type of arrangement, the principle register would have only one entry, being the Australian depository nominee.

### Message Reference Table

Message Number and Description	Sender	Recipient
416 CHES to Issuer Sponsored Conversion	CHES	Registry
425 Holding Adjustment	Registry	CHES
518 Rejected Transaction	CHES	Registry

### Australian Registry Acting as Branch Office of a Foreign Registry

In some situations, the Australian registry acts as a “branch office” for the foreign registry. The Australian registry controls a small portion of the foreign register and has the right and the ability to both cancel certificates and issue new certificates. Certificates issued by an Australian branch office are recognised only in Australia for the purposes of trading. The certificate represents legal ownership in foreign securities but it is registered on the Australian register as opposed to the foreign register.

In order for the securities to be sold on a foreign market, a “removal” transaction must take place whereby the certificate issued in Australia would be replaced by a certificated issued by the Foreign registry and registered on the foreign register. The Australian issued certificate does allow the holder the right to vote by a show of hands at a company meeting. However, the company may have to contact the Australian registry to verify the validity of the holder.

Though a branch office for the foreign registry has the right and ability to cancel and issue certificates registered on the Australian register, they would be required to communicate the details of their actions to the foreign registry. This communication would assist the foreign registry controlling the register as a whole.

The transmutation procedure for this arrangement is typically as follows:

- If the CDIs are registered in CHES, the holder makes a request to their participant; the Australian registry may require the CHES registered CDIs to be converted to the issuer sponsored Subregister prior to the transmutation process.

If the CDIs are held on the issuer sponsored subregister, then the holder makes a request to the Australian registry.

Either way, the request should be in writing. Forms (e.g. a CREST Transfer form for UK securities) may be required.

- The Australian registry adjusts (reduces) the holder’s CDI holding by the requested amount.
- The Australian registry cancels the appropriate number of certificates held by the Australian depositary nominee or electronically reduces their holding in the foreign securities.

- The Australian registry issues a new certificate in the name of the holder.
- The Australian registry reconciles the Australian depository nominee's holding that is registered on the principle register with the total number of CDIs on issue.

The ASX Settlement Operating Rules allows participants and registries to use the set of CHES messages originally developed for the purpose of transfers between the CHES subregister and the outdated certificated subregister to assist in the transmutation process.

### Message Reference Table

Message Number and Description	Sender	Recipient
416 CHES to Issuer Sponsored Conversion	CHES	Registry
425 Holding Adjustment	Registry	CHES
518 Rejected Transaction	CHES	Registry
414 CHES to Certificated Transfer	CHES	Registry

### Australian Registry Acting as Co-Transfer Agent of a Foreign Registry

In some situations, the Australian registry acts as a “co-transfer agent” for the foreign registry. The Australian registry controls a small portion of the foreign register. As such, it would have the right and the ability to both cancel certificates and issue new certificates for the underlying foreign securities on behalf of the foreign registry. Any certificates issued by a co-transfer agent are considered of a “global nature” and as such would be accepted overseas as legal title to the foreign securities.

The transmutation procedure for this arrangement is typically as follows:

If the CDIs are registered in CHES, the holder makes a request to their participant; the Australian registry may require the CHES registered CDIs to be converted to the issuer sponsored subregister prior to the transmutation process.

If the CDIs are held on the issuer sponsored subregister, then the holder makes a request to the Australian registry.

Either way, the request should be in writing. Forms (e.g. a CREST Transfer form for UK securities) may be required.

- The Australian registry adjusts (reduces) the holder's CDI holding by the Requested amount.
- The Australian registry cancels the appropriate number of certificates held by the Australian depository nominee or electronically reduces their holding in the foreign securities.



- The Australian registry issues a new certificate in the name of the holder.
- The Australian registry reconciles the Australian depository nominee's holding that is registered on the principle register with the total number of CDIs on issue.

The ASX Settlement Operating Rules allows participants and registries to use the set of CHESS messages originally developed for the purpose of transfers between the CHESS subregister and the outdated certificated subregister to assist in the transmutation process.

### Message Reference Table

Message Number and Description	Sender	Recipient
416 CHESS to Issuer Sponsored Conversion	CHESS	Registry
425 Holding Adjustment	Registry	CHESS
518 Rejected Transaction	CHESS	Registry
414 CHESS to Certificated Transfer	CHESS	Registry

### 19.6.3 Transmutation of Government Bond Depository Interests

In the case of a Principal Financial Product that is a Government Bond, a Principal Financial Product to CDI Transmutation or CDI to Principle Financial Product Transmutation may only be initiated by a Holder that is approved by ASX Settlement to initiate such Transmutation or by the Government Bond Issuer acting under an authority granted by a Holder.