



# ASX Developments

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# Compliance matters

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General Manager

Listings Compliance

# Compliance Matters

- Listing review process
- Recent rule and guidance note changes
- Upcoming rule and guidance note changes
- Corporate governance consultation
- JORC Code issues
- Current ASX Compliance areas of concern
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# Listing review process

- Listing Rule 1.19: ASX has an absolute discretion in deciding whether or not to admit an entity to the official list and to quote its securities
- Early-stage suitability review process introduced March 2016
- 16 listings rejected March-June 2016; 17 in FY17; 11 in 1H FY18
- Common reasons for rejecting listing applications:
  - ❑ boards with no ASX or industry experience
  - ❑ concerns about solvency/adequacy of capital raising
  - ❑ companies with governance “red flags”
  - ❑ doubts over legality of business (eg US cannabis)
  - ❑ companies with unconvincing business models
  - ❑ companies with an unacceptably short operating history or that are little more than concepts or ideas

## Listings review process (cont.)

- ❑ overseas issuers not able to give a convincing reason for wanting to list in Australia
  - ❑ companies seeking to list without financial or legal advisors
  - ❑ companies with unacceptable structures or operations (eg VIE structures, partial interests, operating subsidiaries with management or promoters as direct shareholders)
  - ❑ companies refused a listing on another exchange
  - ❑ companies or individuals of concern to regulators
  - ❑ promoters, directors or advisers with whom ASX has had prior unacceptable dealings
- ASX publishing each quarter reasons for declining listing and waiver applications (anonymised) – available on Listings Compliance web page: <http://www.asx.com.au/regulation/compliance/listings.htm>

# Recent rule and guidance note changes

- Reverse takeovers amendments 1/12/17
  - ❑ Rule 7.2 exceptions 5 and 6 no longer apply to issues under, or to fund, a “reverse takeover” and so these issues now require approval under rule 7.1
  - ❑ Separate issues can be aggregated if, in ASX’s opinion, they form part of the same commercial transaction
  - ❑ New definition of “reverse takeover” and changes to definition of “associate”
  - ❑ New voting exclusion for rule 7.1
- Changes to listing rules 1.2 and 1.3 also on 1/12/17 to clarify accounts required for listing, with new annexure to GN 1 and changes to GN 12 to provide guidance on ASX’s and ASIC’s respective requirements for financial information for listing prospectuses
- Other changes to GN 1 Applying for Admission – ASX Listings clarifying ASX’s minimum spread, working capital, and good fame and character requirements for directors; the operation of the market capitalisation > \$15m admission test; and the circumstances where ASX will accept an information memorandum

# Recent rule and guidance note changes (cont.)

- Changes to GN 4 Foreign Entities Listing on ASX giving more detailed guidance on the good fame and character requirements for directors of a qualifying NZ entity seeking to list as an ASX foreign exempt listing
- Changes to GN 8 Continuous Disclosure: Listing Rules 3.1 – 3.1B:
  - ❑ expanding the guidance in section 4.15 on ASX's disclosure expectations for material contracts
  - ❑ removing a reference in section 4.20 to disclosing the impact of material contracts on revenue, costs or profits
  - ❑ expanding the guidance in section 5.10 to address the new insolvent trading safe harbour for directors in s588GA of the Corporations Act and what should be disclosed when an entity in financial difficulties requests a voluntary suspension to complete a transaction necessary for its survival
  - ❑ clarifying aspects of example D in Annexure A



# Recent rule and guidance note changes (cont.)

- Changes to GN 12 Significant Changes to Activities:
  - ❑ explaining how and when to seek in-principle advice from ASX on a transaction where rules 11.1.2 and 11.1.3 may apply
  - ❑ giving more guidance on the expected contents of notices of meetings seeking approval under rule 11.1.2 or 11.2
  - ❑ clarifying that rule 11.2 does not apply to a disposal of a main undertaking by an administrator or liquidator
  - ❑ adding further requirements for, and clarifying the accounts that need to be disclosed in or with, an ‘Annexure A’ announcement
  - ❑ as of 9/3/18, requiring “good fame and character” checks for all directors (including existing directors who have been elected by shareholders to the board)
- Consequential changes to GN 16 Trading Halts and Voluntary Suspensions

# Upcoming rule and guidance note changes

- Substantial consultation planned for later this year, including:
  - ❑ rationalising the regime for announcing issues of securities and seeking their quotation
  - ❑ improving the reporting of CDIs on issue by foreign issuers
  - ❑ simplifying notification by profit test listings of continuing profits under rule 1.2.5A
  - ❑ clarifying working capital requirements in rule 1.3.3 for assets test listings
  - ❑ simplifying the escrow regime for restricted securities
  - ❑ expanding the information disclosed in distribution schedules
  - ❑ improving the reporting regime for listed investment entities (LICs)
  - ❑ fixing drafting issues in the 15% placement formula in rule 7.1
  - ❑ streamlining the requirements for entities to access the extra 10% placement capacity in rule 7.1A
  - ❑ allowing security holders to ratify an agreement to issue securities under rule 7.4

# Upcoming rule and guidance note changes (cont.)

- ❑ rationalising the lists of equity issues that can be made without security holder approval under rules 7.2, 7.6, 7.9 and 10.12 and making them consistent
- ❑ amending rule 10.1 to deal more appropriately with agreements to acquire or dispose of substantial assets
- ❑ expanding and rationalising the requirements for notices of meetings in chapters 7 and 10
- ❑ rationalising the rules dealing with the approval of employee incentive schemes by merging rules 10.15 and 10.15A into the one rule
- ❑ amending the list of voting exclusions in the table in rule 14.11.1 for greater consistency and to give greater certainty as to which parties must have their votes excluded
- ❑ fixing inconsistencies in the rules regarding the disclosure of underwriting arrangements
- ❑ giving ASX the power to grant class waivers and removing the need for 6 standard waivers
- ❑ enhancing ASX's compliance powers around imposing conditions, requesting information and publishing censures ...

# Upcoming rule and guidance note changes (cont.)

- removing a number of forms from the appendices to the rules so they can be kept up to date without a rule amendment
- simplifying the agreements for admission and quotation in Appendix 1A, 1B and 1C
- fixing an error in the Appendix 3C Announcement of Buy-Back
- simplifying the Appendix 4G *Key to Corporate Governance Disclosures*
- clarifying the timetables for corporate actions in Appendices 6A and 7A
- a raft of other drafting improvements
- a substantially updated GN 11 on escrow and restricted securities
- a new GN 21 on rules 7.1, 7.1A, 7.4, 7.6 and 7.9
- a substantially updated GN 24 on rule 10.1
- a new GN 25 on rule 10.11
- changes to GN 33 tightening ASX's policy on the automatic removal of long-term suspended entities

# Corporate governance consultation

- Consultation draft of 4th edition of ASX Corporate Governance Council's Corporate Governance Principles and Recommendations due out soon focusing on:
  - ❑ corporate culture and values
  - ❑ social licence to operate
  - ❑ whistleblower policies
  - ❑ anti-bribery and corruption policies
  - ❑ environmental and social risks
  - ❑ diversity recommendations
  - ❑ criteria for directors to be considered "independent"
  - ❑ board charters and skills matrices
  - ❑ director/executive officer contracts and consultancy agreements

# JORC Code issues

- FAQs on use of JORC 2004 results/estimates in announcements of material acquisitions and fund raising and takeover documents now available on ASX Compliance 'Downloads' page (<http://www.asx.com.au/regulation/compliance/compliance-downloads.htm>)
- Disclosure on scoping studies is getting better but ASX and ASIC continue to have issues with scoping studies (especially regarding funding and other material assumptions)
- ASX likely to consult on rule changes to Chapter 5 in 2018 to address:
  - ❑ scoping studies
  - ❑ possible changes to SPE PRMS framework for petroleum projects
- Haoma Mining NL removed from official list for refusal to comply with JORC Code

# Current ASX Compliance areas of concern

- Bitcoin/cryptocurrency/ICOs and medical cannabis
- Revenue projections from contracts made with no reasonable basis and without disclosing assumptions and qualifications (+ not updated when not met)
- Refusal to name counterparties to, or disclose substance of, material contracts (+ not disclosing if contract cancelled or does not proceed)
- Not disclosing or burying bad news
- Fake underwritings
- Entities “fudging” minimum price requirements on mixed rule 7.1/7.1A placements
- Excessive director payments and consulting agreements with related parties
- Breach of share trading policies
- Poor governance/repeated rule breaches
- Use of artificial means to manufacture spread

# Other matters of note

- “Show cause” letters
- Upcoming ASX Online changes to allow issuers to indicate whether an announcement:
  - ❑ is market sensitive
  - ❑ should be cross-released against another ASX listed entity
- ISIN standardisation project
- Market capitalisation data now available on [asx.com.au](https://asx.com.au)



Questions?

# Upcoming changes to announcement lodgement process

Andrew McLeod

Manager Surveillance, MAO

# Upcoming changes to announcement lodgement procedures

- Home
- Company Details**
  - Details
  - Address
  - Directors/Management
  - Key Dates Calendar
  - Company Logo
- E-lodgement centre**
  - E-lodge PDF Announcement
  - ETF basket lodgement
  - E-lodge mFund Announcement
  - View ETF basket Details
  - E-lodge Issuer PDF Announcement
  - Status of Announcements
  - Create Online Forms
  - Manage Online Forms
  - Create Internal Online Forms
  - User Email Preferences
  - External Notifications
  - E-lodgement admin
  - IDS Announcements
  - Maintain Header Text
- Administration**
  - Search Users
  - Create New User

## E-lodge Announcement for ASX - ASX LIMITED

Insert Announcement :

Choose file No file chosen

Select or type below:

select

\*: Indicates price sensitive

Announcement Header :

(Note: This may be released to market)

Market Sensitive:

Yes  No

Please indicate whether you consider this announcement to be market sensitive. This is an indication only. ASX will make the final determination whether an announcement is market sensitive and tag it accordingly. [?](#)

'Market sensitive' means a reasonable person would expect the information in the entity's announcement to have a material effect on the price or value of its securities. Guidance Note 8 Continuous Disclosure: Listing Rule 3.1-3.1B has further guidance on when an announcement might be market sensitive.

Company Name:

ASX LIMITED

ASX Code:

ASX

Need to Cross Release :

Please indicate whether this announcement involves, and should be cross-released against, another ASX listed entity or entities. This is an indication only. ASX will make the final determination whether an announcement needs to be cross released against another listed entity. [?](#)

An example would be an announcement of a takeover offer by your entity for another entity (or vice versa), a material contract between your entity and another entity, or material litigation involving your entity and another entity. Generally ASX will release such an announcement against your entity and the other entity at the same time so that the market in both securities is properly informed.

# Upcoming changes to announcement lodgement procedures

[Home](#)

## Company Details

[Details](#)

[Address](#)

[Directors/Management](#)

[Key Dates Calendar](#)

[Company Logo](#)

## E-lodgement centre

[E-lodge PDF Announcement](#)

[ETF basket lodgement](#)

[E-lodge mFund Announcement](#)

[View ETF basket Details](#)

[E-lodge Issuer PDF Announcement](#)

[Status of Announcements](#)

[Create Online Forms](#)

[Manage Online Forms](#)

[Create Internal Online Forms](#)

[User Email Preferences](#)

[External Notifications](#)

[E-lodgement admin](#)

[IDS Announcements](#)

## Preview e-Lodge Announcement for ASX - ASX LIMITED

Please review your announcement before submitting.

ASX strongly recommends that you preview the entire PDF document checking that: 1) a correct PDF has been selected, 2) no pages are missing, and 3) all content is viewable. In particular if the document contains embedded images please ensure they are viewable and text has not been corrupted in any way. Further details can be found [here](#).

You can preview your announcement document by clicking on the 'Preview File' link below.

**Announcement File Preview :** [Preview File](#)

**Announcement Header Text :** Progress Report

**Company Name:** ASX LIMITED

**ASX Code :** ASX

**Market Sensitive :** Y

**Cross Release :** BLY

**Contact Name :** Andrew McLeod

**Contact Phone :** 92270059

**SUBMIT**

[Cancel](#)

# Upcoming changes to announcement lodgement procedures

- Targeting implementation mid-2018. Exact timing will be announced in a Compliance Update
- Aimed at assisting ASX to make its classification and reduce likelihood of errors
- Tick box for announcement sensitivity and drop down list for cross release indications
- Some announcements automatically classified “market sensitive”
- ASX will retain the final decision as to market sensitivity and whether the announcement needs to be cross released
- The sensitivity indication provided by listed entities will not be released to market
- Preview of [lodgement screen](#)

# Questions?

# CHES Replacement Project

Karen Webb

Senior Manager Equity Post Trade Services

Keith Purdie

Senior Manager Equity Post Trade Services

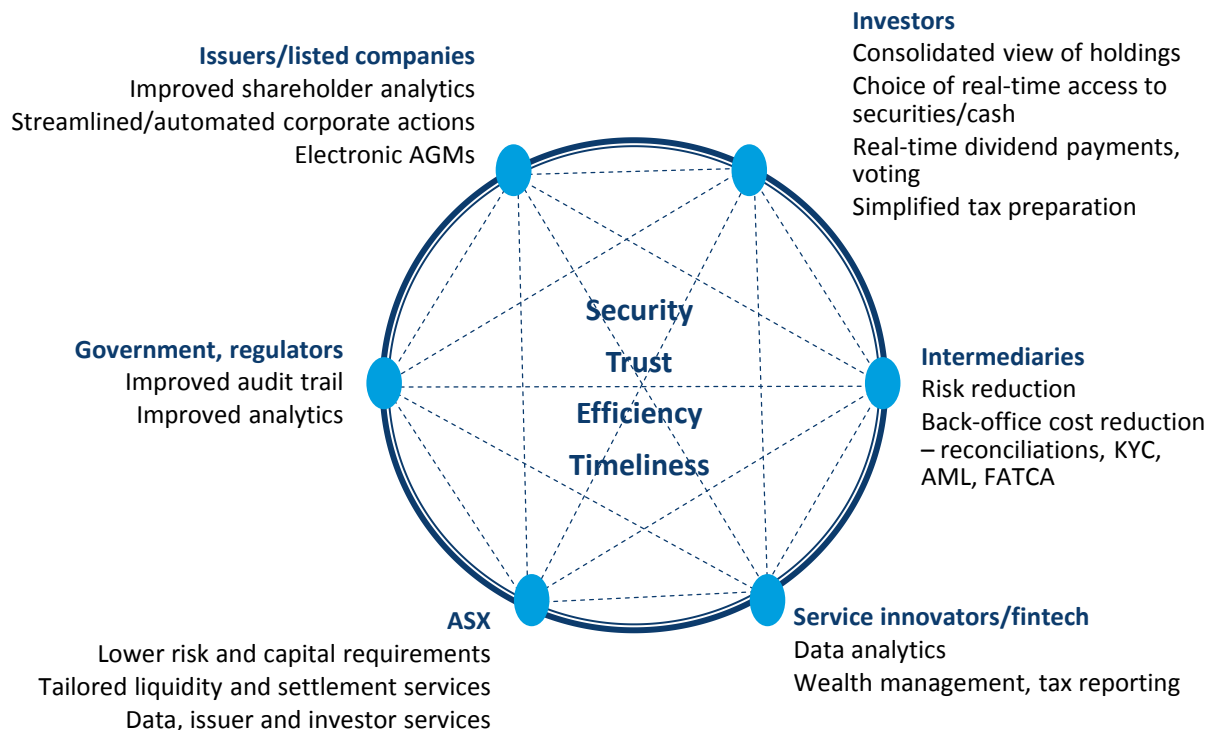
# CHES Replacement Project

- Why replace CHES?
- What is Distributed Ledger Technology and why did ASX choose this path?
- Stakeholder engagement
- What to look out for in the consultation paper
- Issuer considerations for consultation paper response
- Ongoing Issuer engagement



# Why replace CHES?

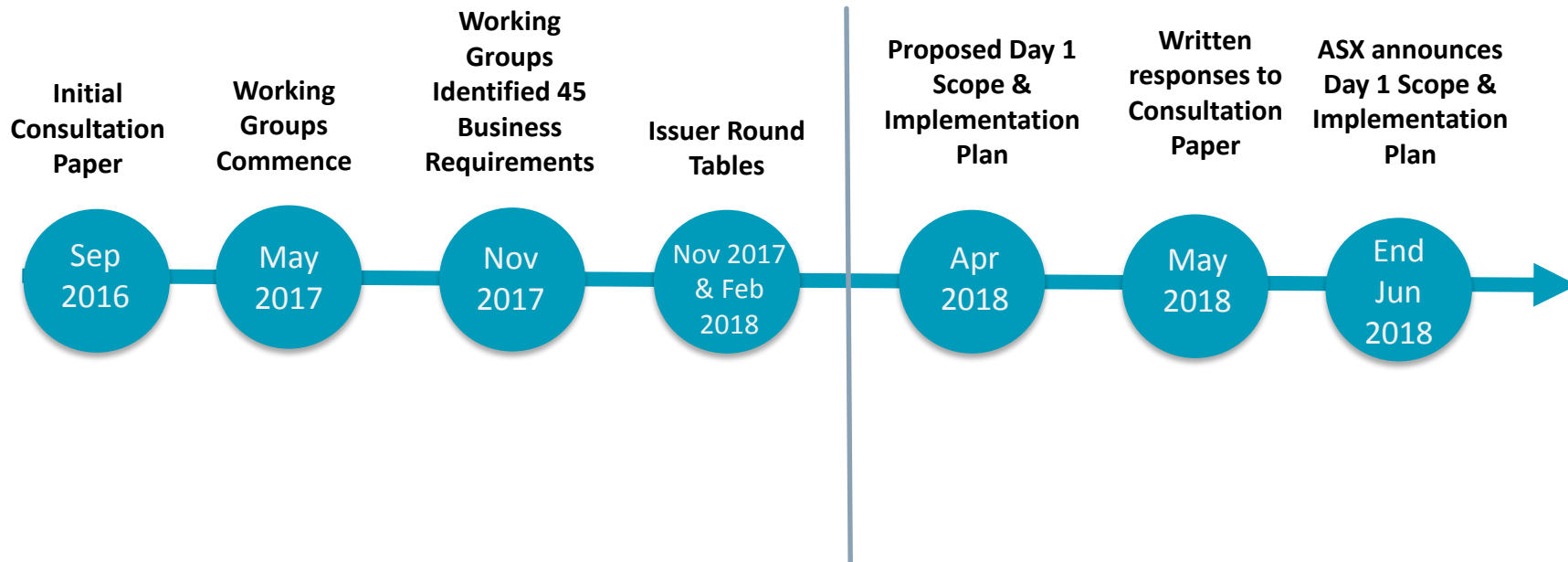
- > CHES facilitates the clearing and settlement of market transactions and provides an electronic subregister for holdings in listed/quoted securities.
- > CHES is over 25 years old and its ageing technology limits opportunities to change and develop new products and services.
- > There is a considerable overhead and inefficiency for the industry in reconciliation activity and syncing with the single source of truth.
- > Opportunity to re-envision how a best practice clearing and settlement service can work.



# What is Distributed Ledger Technology and why did ASX choose this path?

- > A distributed ledger (one example of which is a blockchain) is an append-only database of transactions with two key elements:
  1. A shared, replicated ledger, and
  2. A distributed database synchronising mechanism
- > In a distributed ledger, each transaction references the previous transaction and must be cryptographically signed by the legal approver of the transaction
- > The linked transactions form an exact chain of title over time

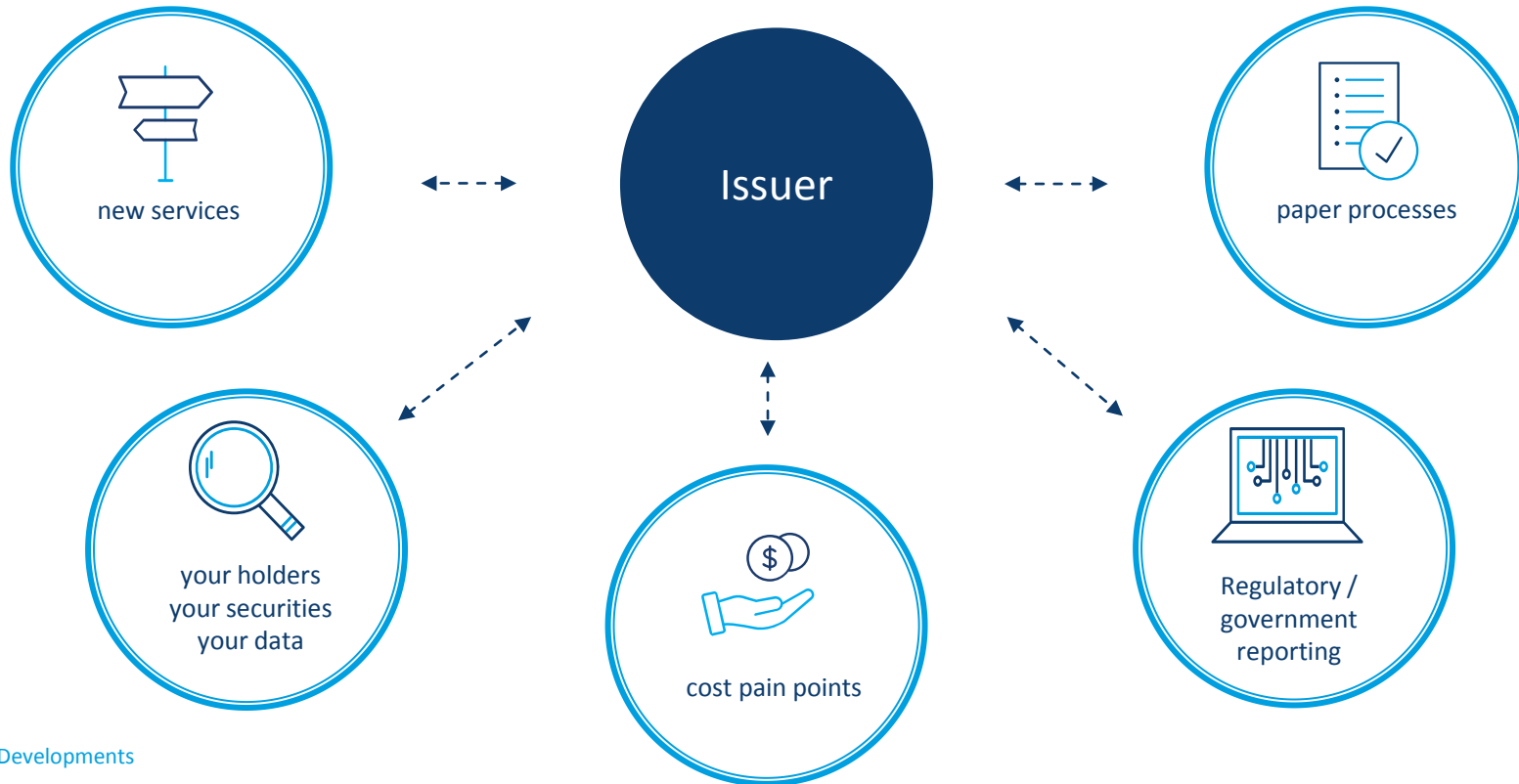
# Stakeholder engagement



# What to look out for in the consultation paper

- 1 Real-time (continuous) holding balances
- 2 Enable Issuer sponsored SRN transparency
- 3 Enhancements to account and holder information
  - Enable capture of beneficial holder information
  - Record and store additional information
  - Standardisation of holder name and address information
- 4 Enhance the management of corporate actions
  - Electronic elections, acceptances and payments
  - Electronic proxy voting
- 5 Electronic CHESS holding statements

# Issuer considerations for consultation paper response



# Ongoing Issuer engagement

- > Round tables
- > Webinars
- > Demonstrations of the CHES replacement software prototype
- > Website, email and market notice updates
- > To get on the distribution list for any email updates please email **CHESReplacement@asx.com.au**



- > Ongoing engagement during build / integration / testing through 2018 & beyond



# Corporate Actions STP Phase 2 project

Karen Webb  
Senior Manager Equity Post Trade Services

# Corporate Actions Straight Through Processing Phase 2 project

Parallel project to CHES Replacement, continuing work to streamline and standardise the announcement, capture and publishing of information about corporate action and capital change events.

Phase 2 includes:

- 1 Enable standardised electronic notification by issuers of remaining corporate action events, including provision for updates through the lifecycle of an event to enhance transparency
- 2 Enable standardised electronic notification of capital changes (e.g. Appendix 3B)
- 3 Enhance the benefits to issuers of the online process, including ETF and other issuers
- 4 Review specific enhancements to certain events as identified by the CHES Replacement working group



Questions?

# Evolve

Giri Tenneti

Senior Manager Issuer Services

# Evolve

- Evolve is ASX's program to assist listed entities
- Retail access mid and large cap: <https://www.asx.com.au/seminars/ceo-connect/>
- Mid and small cap event – assessing demand for retail conference in Sydney
- Listed@ASX magazine
- Listed@ASX Compliance Update: subscribe at [Listings@asx.com.au](mailto:Listings@asx.com.au)
- Research scheme

# Evolve – ASX Equity research scheme

- ASX equity research scheme
  - >\$30m, <\$1bn market cap
  - 10% free float
  - Outside S&P ASX 300
  - Covered by 2 or less analysts
  - Listed for > 6 months
  - Brokers choose the companies

Questions?

Thank you

Listed@asx.com.au