



# A simple guide to listing and issuing debt on ASX

**Benefits and alternatives for issuers of debt securities**

May 2022



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# A simple guide to listing and issuing debt on ASX

## Benefits and alternatives for issuers of debt securities

March 2022

### Introduction

The purpose of this guide is to provide a brief overview of listing and quoting debt securities on ASX, and the requirements that need to be met for quotation of such securities on ASX Trade.

The term 'debt securities' in this guide refers to 'vanilla' debt securities (e.g. Medium Term Notes carrying a fixed or floating rate of interest, and no conversion rights to equity).

### Wholesale – over the counter (OTC) issuance

- These securities are typically issued on an excluded offer basis (i.e. without a prospectus) to sophisticated/professional investors, pursuant to section 708 of the Corporations Act.
- To satisfy regulatory compliance and investor requirements, wholesale corporate debt issuers are often required to list their securities on an internationally recognised exchange. ASX has a streamlined and internationally competitive listing process for wholesale debt issuers.
- Listing on ASX:
  - satisfies the 'public offer test' for interest withholding tax exemption purposes (see section 128F(3) of the Income Tax Assessment Act 1936 (Cth)) – domestically issued bonds are now marketable overseas, provided certain conditions are met;
  - typically satisfies overseas investors whose mandates require securities to be listed;
  - is a timely and efficient process; and
  - can be cost effective when compared to other exchanges. Both listing and legal fees are in \$A.

Note that securities that are 'listed' and traded OTC are **not** quoted for trading on ASX Trade.

### ASX listed and quoted issuance

ASX provides an efficient, transparent interest rate securities market utilising its existing trading and settlement mechanisms. Organisations choose to raise debt finance through the ASX Interest Rate Securities (IRS) Market to take advantage of:

#### Diversified sources of funding

In a world where funding diversity is almost as critical as the interest cost of debt raised, issuing debt on the ASX IRS market diversifies an organisation's funding exposure away from bank lending and/or offshore wholesale markets.

#### Reduced costs – reduced prospectus requirements

With changes to prospectus requirements and technology advances, many of the previous costs associated with a debt raising have been reduced. For issuers of simple bonds, legislative changes in 2014 reduced some onerous prospectus requirements. Contact ASX for more information [asx.com.au/debtlisting](https://asx.com.au/debtlisting)

### Liquidity and term flexibility

Debt securities quoted on ASX Trade are accessible to all investors, which can greatly increase the potential market for an issuer's securities.

Having alternatives to more traditional funding sources provides greater flexibility for organisations to match their borrowing requirements with investor demand.

### Longer term debt

Many retail investors have a longer investment horizon than that offered by bank term deposits.

The effect of an ageing population and the expanding pool of self-managed super, combined with ASX's efficient and cost effective trading and settlement system, provide a viable funding alternative for borrowers looking to raise term debt.

### Alternatives for clearing and settlement

ASX has two Clearing and Settlement depositories (CSDs) – Austraclear and CHES. Which system to choose will depend on the issuer's requirements. These are summarised in the table on the next page.

#### Austraclear

Austraclear offers Issuers a full range of registry services for issuers of interest rate securities. These include all corporate actions over the life cycle of a security, from origination to maturity. Corporate actions include inscribing securities in the Austraclear Services Ltd (ACSL) wholesale register, making payments, transferring ownership of securities between seller and buyer, and effecting the maturity payments.

The Austraclear Registry provides:

- Efficient and expedient establishment of new issues;
- Seamless fulfilment of all corporate actions relating to an issue
- Electronic notification to investors of new issues and lodgements into the Austraclear system;
- The opportunity to use Austraclear as an Issuing and Paying Agent (IPA); and Access to the Austraclear system, one of the most commonly used financial systems in Australia.

### Acceptable securities

The Registry accepts a broad range of AUD denominated securities. For example, issues of commercial paper, certificated – such as Negotiable Certificates of Deposit (NCD), Promissory Notes (PN) and/or uncertificated commercial paper, such as Short-Term Notes (STN). The Registry also accepts registered securities, for example, Medium-Term Notes (MTN), both fixed coupon and floating rate, and CPI linked bonds.

An Issuer of the debt program is not required to be an Austraclear Participant, however lodgement in the system must be by an Austraclear Participant on behalf of the Issuer. Investors in the issue need to be Austraclear Participants. The Issuer approaches Austraclear to act as Registrar via their solicitor or dealer, and advises Austraclear of all relevant information relating to the Issue. This includes for example, the issue date, denominations, interest payment dates, subscribers, maturity date, and redemption amounts. The capability to invest in AUD securities exists for onshore and offshore issuers. For non-ASX Austraclear Issuers, either local or international, the IPA service is available to facilitate all corporate actions associated with the issue. For more information about Austraclear services, please contact [FISales@asx.com.au](mailto: FISales@asx.com.au).

## CHES

ASX Settlement is the settlement system and electronic securities depository for not only all cash equities but many interest rate securities traded in Australia. Settlement is conducted through the Clearing House Electronic Sub-register System (CHES), which operates a Delivery versus Payment (DvP) multilateral net batch settlement mechanism, exchanging cash for securities irrevocably.

CHES also registers the title (ownership) of securities on its sub-register.

The sub-registry service provides key benefits to brokers and investors:

- For brokers, it reduces risk in facilitating settlement through expediting both the movement of securities in preparation for settlement and the timely allocation of securities to client accounts post settlement. It also enables them to provide a value-add service to investors by managing all of an investor's security holdings in a single account. Because registration is held within the CHES system, brokers can also do this without any additional system development.
- For investors, it has the ability to simplify the administration of a portfolio by consolidating all security holdings into a single account. It also provides investors with comfort and confidence that their holdings are secure and can only be affected through receipt of proper instruction from them (via their sponsoring broker). The CHES system also produces holding statements which independently confirm their security purchases, sales, transfers and holdings.
- For issuers, in addition to providing a cost effective manner to maintain a register of security holders, the sub-register also provides an efficient and accurate mechanism to track entitlements to corporate actions.

## The decision making tree for issuers

A major factor in the choice of CSD is understanding the target investor base and different features and benefits that ASX's two CSD alternatives offer.

## Trading and settlement

### ASX traded and settled

Trading of ASX quoted debt securities is conducted between broking firms who act on behalf of their clients, in the same way as quoted equity securities. The trading is conducted electronically on ASX Trade.

Settlement occurs in the [Clearing House Electronic Sub register System \(CHES\)](#) between settlement participants. CHES provides a register for transfers and holdings of approved securities. The holding balances maintained by the system are the record of legal title and form part of the issuer's register.

Settlement in CHES normally occurs on a 'Trade date plus 2 days' (T+2) basis and the quoted prices for interest rate securities on ASX Trade reflect a T+2 settlement. CHES enables investors to settle ASX interest rate securities electronically, the same way as shares, thereby saving time and money.

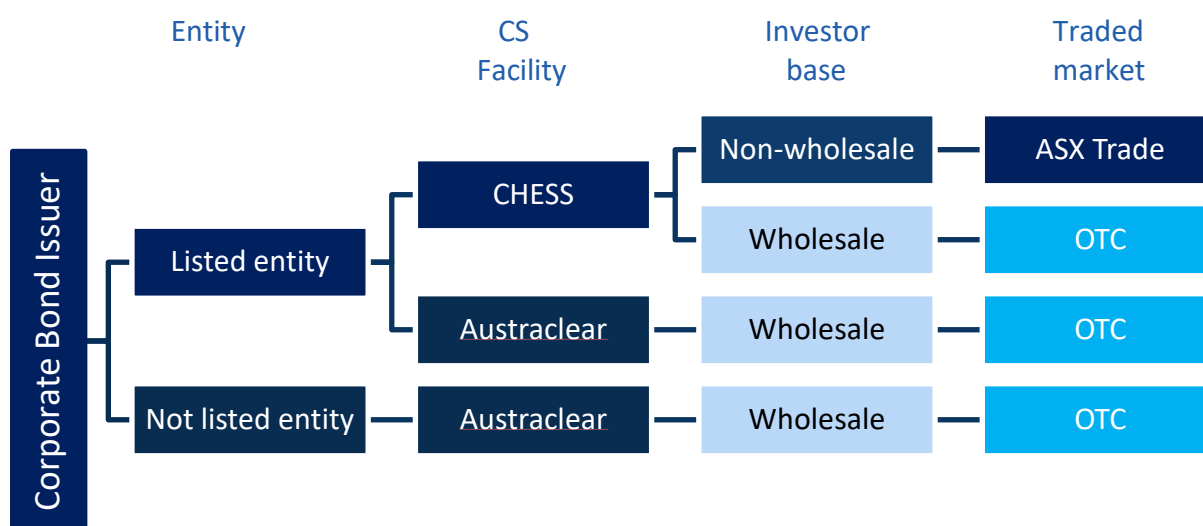
To facilitate CHES settlement, securities need to be held on the register as a 'CHES Sponsored Holding'. Holders have the alternative of having their ownership recorded on the register as 'Issuer Sponsored'. Issuer Sponsored holdings can only be traded on-market and settled in CHES, once converted into a CHES Sponsored holding, which requires the holder to have an arrangement with a broker. Holdings and transfers on CHES are recognised by the Corporations Act as a valid legal title and transfer of that title.

Securities must be 'approved' for settlement in CHES which normally occurs at the time an issuer's securities are quoted on ASX. The information that the issuer provides in its initial application for listing enables ASX to establish a capability to settle the securities in CHES.

\* The costs of trading and settlement for interest rate securities are the same as those for equities.

### Wholesale – OTC traded and settled

Settlement of wholesale market debt securities normally occurs in the Austraclear System. For more information go to [asx.com.au/services/settlement/austraclear.htm](http://asx.com.au/services/settlement/austraclear.htm)



Functionality	Austraclear	CHES
The debt issuer can be listed on the ASX market	✓	✓
Securities can be quoted on ASX Trade		✓
Seasoned securities can be quoted on ASX Trade		✓
Wholesale investors	✓	✓
Non-wholesale (retail) investors		✓
Establishment of new issues	✓	✓
Corporate action fulfilment	✓	✓
Real time gross settlement	✓	
DvP batch settlement		✓
Consolidation of holdings for the holder in a single account (HIN)		✓
Issuing and payment agency services	✓	

## ASX requirements for debt issuers

Below is an overview of the admission, quotation and disclosure/reporting requirements for debt issuers.

### Admission (entry) requirements

The main threshold requirements for debt issuers to be admitted to the official list as an ASX Debt Listing are as follows:

- The issuer must be seeking quotation of debt securities that are “financial products” as defined in the Corporations Act 2001 (Cth).
- The issuer must be either a public company limited by shares, a government borrowing authority, a public authority, or a person or entity approved by ASX. If applying under the latter category, the issuer will generally be required to provide ASX with legal opinions confirming the status of the issuer as a legal entity in its home jurisdiction and in Australia.:
- The issuer must either:
  - a) have net tangible assets of at least \$10 million;
  - b) ensure that all debt securities to be issued by the issuer will be unconditionally and irrevocably guaranteed for the period of quotation of the securities by an appropriate guarantor.
  - c) ensure that the debt securities to be issued by the issuer are rated at least ‘investment grade’ by a credit rating agency approved by ASX, and that no credit rating agency has issued a rating less than ‘investment grade’ in relation to those debt securities.
- If conducting a retail offering of the debt securities, a prospectus must be issued and lodged with ASIC and given to ASX. In addition, the issuer’s structure and the terms of the debt securities to be quoted on ASX must be appropriate for retail securities.
- The issuer must apply for, and be granted, quotation of all the securities that are in the class for which it seeks quotation.
- If the issuer is incorporated overseas, it must be registered as a foreign company under the Corporations Act, and ASX must be satisfied that the entity complies with its constitution and the laws that govern it, as well as the listing rules of its home exchange (if any).
- If the entity is a trust:
  - a) the responsible entity of the trust must be the issuer of the debt securities,
  - b) the trust must be a special purpose trust constituted solely for the purpose of issuing the debt securities,
  - c) where the securities to be quoted on ASX are retail securities, the trust must be a registered managed investment scheme or have an exemption from ASIC; and,
  - d) where the trust is foreign, its responsible entity must be an Australian company or registered as a foreign company under the Corporations Act.
- The issuer must appoint a person to be responsible for communication with ASX in relation to listing rule matters.
- The issuer must execute an [ASX Online Agreement](#).
- The issuer must be approved either to act as an issuer of quoted securities, or to act as a foreign issuer of Chess Depositary Interests (“CDIs”) under the operating rules of a clearing and settlement facility approved by ASX.

### Quotation requirements

The main quotation requirements for debt securities are as follows.

- The issue price or sale price for all of the debt securities for which the issuer seeks quotation must be at least 20 cents in cash.
- The aggregate face value of the debt securities must be at least \$10 million.
- The issuer will need to provide to ASX a copy of the offering document (ie, the prospectus, information memorandum and associated documents) that set out the terms of the debt securities. If there is a trust deed that exists in respect of the debt securities, this will need to be supplied to ASX.



- The debt securities (or, if relevant, the CDIs) that are to be quoted must have been approved under the operating rules of a clearing and settlement facility approved by ASX. Any CHES requirements relating to the company's securities must be satisfied.
- If the debt securities are partly paid securities, there must be a defined call program setting out the date and amount of each proposed call.

### Disclosure and reporting requirements

After an issuer is admitted as an ASX Debt Listing, there are a number of disclosure and reporting requirements with which the issuer must comply. The main requirements include the following:

- Once the issuer is or becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the issuer's quoted debt securities, the issuer must immediately tell ASX that information (this is known as the "continuous disclosure" obligation).
- The issuer must immediately tell ASX any details of any further proposed issue of securities (including where that issue of securities is in a class of securities that is already quoted on ASX).
- The issuer must keep ASX informed as to certain prescribed information regarding decisions that the issuer makes with respect to payment of dividends, distributions or interest on a quoted security.
- Each year the issuer must provide to ASX within prescribed timeframes a copy of any annual accounts that it lodges with ASIC (or, if not required to comply with section 319 of the Corporations Act, any annual accounts that it lodges with the regulatory authorities in the jurisdiction in which it is established).

While the main requirements have been summarised above, you can discuss details applicable to a particular issuer by calling ASX Compliance on (+61) 2 9227 0460.

[Guidance Note 29](#) provides further information to assist issuers looking to apply for admission to the official list of ASX as an ASX Debt Listing.

### Fees and forms to be completed

#### Fees

For details of fees please review [Guidance Note 15 of the ASX Listing Rules - ASX Listing Fees](#) and [Guidance Note 15A of the ASX Listing Rules – Schedule of ASX Listing Fees](#).

If an issuer of debt securities is admitted as a participant of the Austraclear settlement and registry system, they will also need to pay [Austraclear fees](#).

#### Forms to be completed

To apply for admission as an ASX Debt Listing and the initial quotation of debt securities, issuers need to complete the form set out in [Appendix 1B of the Listing Rules](#) along with the accompanying [Information Form and Checklist - ASX Debt Listing](#). To apply for any subsequent quotation of securities following the initial quotation of debt securities, the form provided under [Appendix 2A of the Listing Rules](#) needs to be completed.

Please refer to the indicative timetables at the end of this guide for an indication of the steps in the ASX listing and quotation procedures.

#### Further details about ASX Listing Rules

Please refer to [the Listings Compliance section on the ASX website](#) for a copy of the [ASX Listing Rules](#) for more details of the issues discussed above, particularly [listing rules 1.8 – 1.10](#).



### The first step

We recommend that issuer talk to ASX at an early stage regarding any proposal to apply for admission as an ASX Debt Listing. We are happy to discuss what is involved on a strictly confidential basis to help facilitate your proposal.

## Indicative timetables

### ASX traded debt issuer - indicative listing timetable

Task	Business days																					
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20		
1. Issuer to give ASX the following documents*: A. Prospectus (lodged with ASIC) or equivalent B. <a href="#">Executed Appendix 1B + Information Form &amp; Checklist</a> (with appropriate fee) C. Trust Deed or equivalent D. Request for any waivers																						
2. Where entity is a foreign entity, it must give ASX finalised legal opinions on: A. Status of the notes under the Corporations Act; and B. Recognition as a legal entity in home jurisdiction																						
3. ASX reviews documents provided, discusses issues with the applicant's advisers and prepares management paper (including recommendations)**																						
4. Once offer closed (or if offer underwritten), ASX meets to consider the application for listing an entity as a debt issuer (held on Wednesdays and Fridays)																						
5. ASX to finalise ASX decision and send to entity or its advisers																						
6. Applicant issues debt securities (assuming approval of application by ASX)																						
7. Admission to the Official List (assuming approval of application by ASX)																						
8. ASX releases Offering Documents, Trust Deed/Deed Poll and Appendix IB + Information Form & Checklist on Market Announcements Platform (may be done earlier in some cases)																						
9. Quotation of securities (first quotation date is at least 3 clear business days after despatch of holding statements)																						

\* ASX is happy to look at draft documents ahead of a formal application.

\*\* This time period is also influenced by the offer period.



## Wholesale debt issuer - indicative listing timetable

ASX – ASX; ASX Adviser – AA; Issuer – I; Issuer’s Counsel – IC

Task	Business days															
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1. Issuer to give ASX draft programme documents*: A. Information Memorandum B. Deed Poll C. <a href="#">Appendix 1B + Information Form &amp; Checklist</a> (with appropriate fee)																
2. Where entity is a foreign entity, it must give ASX finalised opinions from lawyers on: A. Status of the notes under the Corporations Act; and B. Recognition as a legal entity in Australia																
3. ASX adviser and issuer to discuss any issues from draft documents and applications.																
4. ASX adviser to prepare management paper for ASX meeting to consider entity application																
5. Issuer to give ASX final documents and executed application																
6. ASX meeting to consider the application for listing an entity as a debt issuer (held on Wednesdays and Fridays)																
7. ASX to finalise ASX decision and send to entity or its advisers																
8. Admission to the Official List (assuming approval by ASX of application)																
9. Release Information Memorandum, Deed Poll and Appendix 1B + Information Form & Checklist on Market Announcements Platform																
10. Quotation of securities																

\* ASX is happy to look at draft documents ahead of a formal application.

## Wholesale debt issuer - indicative quotation timetable

Task	Business days						
	1	2	3	4	5	6	7
1. Pricing Date							
2. Issuer to request ISIN from ASX and provide executed Appendix 3B, Pricing Supplement updated opinions (if not done so previously)*							
3. Issue date of securities**							
4. Earliest quotation date							

\* ASX publicly releases the main documents associated with the issue.

\*\* Assumes a T+2 settlement period, although this is not always the case. The above Indicative Quotation Timetable assumes that any necessary waivers have already been sought and approved.