



CHES replacement Business Design Document

Registration details and investor information

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DRAFT



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Change Log

| Version Date | Changes |
|-------------------|---|
| 16 August 2024 | Draft version provided to BDWG members for review and comment. |
| 30 August 2024 | <ul style="list-style-type: none">Updated consideration REG_2.3 to include additional wording for clarification. <i>'This intends to allow for the automation of manual procedures (currently conducted outside of CHESS) for managing an account with a 'mixed' flag, if deemed applicable.'</i>Moved consideration REG_3.1.3 from Tax details section to REG_3.3.6 Bank account details section. |
| 30 September 2024 | <ul style="list-style-type: none">Updated consideration REG_2.3 to include additional wording due to stakeholder feedback. Previous consideration: <i>The CHESS replacement system should support the ability for a Participant with an omnibus account to specify the number of shares that are attributable to a foreign owner. This could provide an automation of manual procedures (currently conducted outside of CHESS) for managing an account with a 'mixed' flag, if deemed applicable.</i> New consideration: <i>'Consideration should be given as to whether the CHESS replacement system could automate some or all of the reporting of foreign owners within a mixed account omnibus structure. This could provide a degree of automation of an existing, manual process (currently conducted outside of CHESS), if deemed applicable.'</i> |

Overview

This Business Design Document is intended to complement and inform the corresponding proposals set out in the document titled 'Consultation on the Scope and Implementation of CHES replacement Release 2 (Settlement and Subregister)' (**Consultation Paper 2**), published on 2 August 2024. With a view to obtaining industry views on a range of additional scope items for CHES replacement, ASX established the [Business Design Working Group \(BDWG\)](#), which commenced in December 2023.

In a BDWG meeting held on 20 June 2024, the agenda specifically focused on registration details and investor information held in the CHES system. This document provides an overview of the discussion points and proposed industry design considerations for new or changed functionality relating to registration details and investor information for the CHES replacement system but does not represent an actual solution design. The industry design considerations set out in this document may provide context to proposals on the topic contained in Consultation Paper 2 and are subject to further analysis, consultation and change. We make no commitment to design the CHES replacement system in accordance with the information set out in this document.

CHES replacement background

ASX is committed to contributing to the modernisation of Australia's cash market through the CHES replacement project, to support the market's dynamic nature and respond to evolving needs for scalability, flexibility and innovation.

ASX has proposed that the CHES replacement system will be implemented in two releases:

- **Release 1** will replace the clearing component of CHES and introduce Financial Information eXchange (FIX) messaging for trade registration for all Approved Market Operators (AMOs). ASX on Release 1 and published its on 28 June 2024. ASX is targeting the implementation of Release 1 between mid-March to end-April 2026.
- **Release 2** will replace the settlement and subregister functionality, deliver improved corporate action functionality and make further enhancements to clearing. Release 2 will also introduce global standard ISO 20022 messaging interfaces for Participants, Share Registries and Payment Providers.

This document relates to items proposed to be delivered in **Release 2**.

1. Document Scope

This document outlines the proposed industry design considerations for standardising and formatting registration details and investor information, and implementing enhanced workflows between the CHESSE sub-register, the Issuer sponsored sub-register and Participants for Release 2.

This document considers the following business and system processes relating to registration details and investor information:

- Standardised registration details
- Foreign restricted securities
- Additional investor information including bank and tax details
- Additional requested functionality in CHESSE

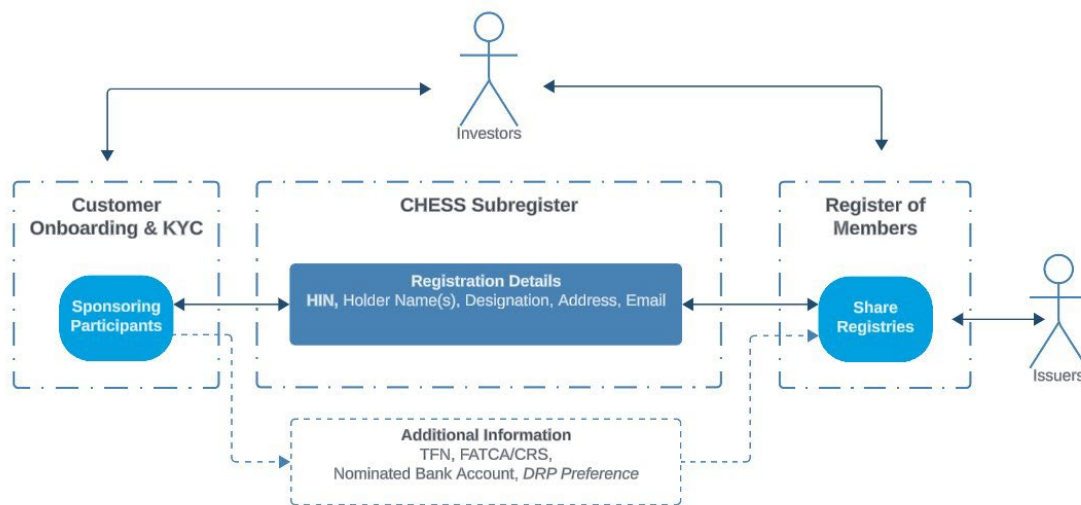


Diagram 0.1 - Portrays the difference between registration details and additional investor information

2. Standardisation of registration details

Currently in CHESSE, accounts are created with basic registration details including name, designation, address and are limited to a 180-character format. Participants send registration details to Issuers of listed products via a Share Registry where there is a new holding or where registration details are updated.

ASX proposes that the CHESSE replacement system will support the standardisation of registration details for investors recorded on the CHESSE sub-register. The standardised format will adhere (where applicable and relevant) to ISO 20022 global messaging standards and will continue to include the name, address and communication method for investors.

ASX proposes to standardise and uplift the existing CHESSE format to support:

- the entry of full names and designations
- up to four joint holders (the industry considered six joint holders, however working group feedback indicated a preference of four holders)
- addresses captured in a structured account format
- communication preferences

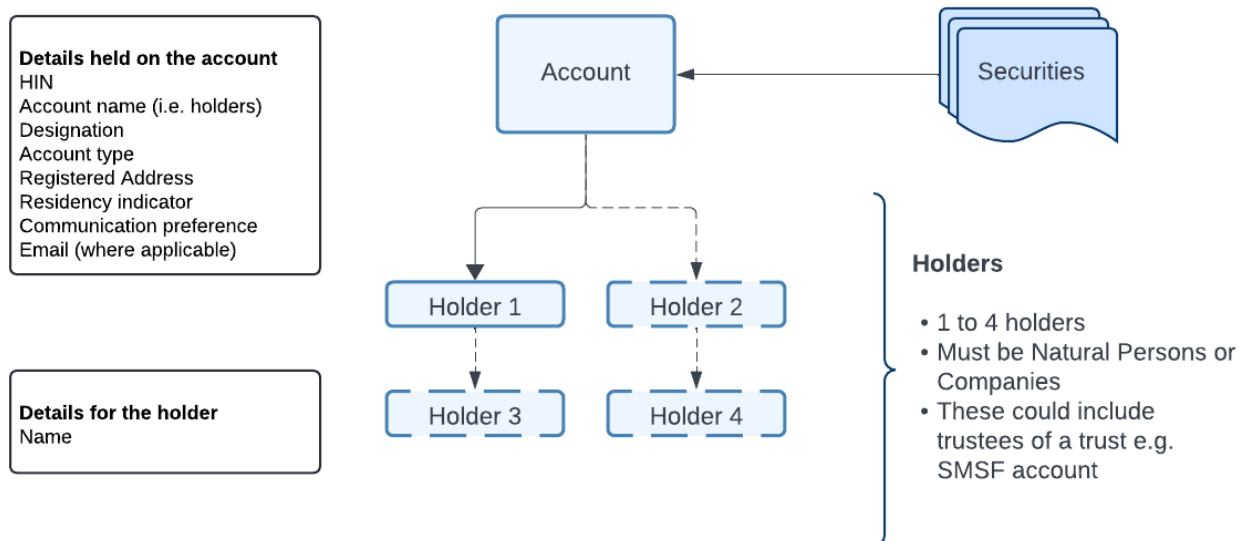


Diagram 1.1 – Proposed account hierarchy

A standardised format seeks to minimise instances where multiple holdings are created by one or more participants for the same holder resulting from inconsistently recorded registration details. The standardised format aims to improve operational efficiency and reduce costs associated with managing holdings and conversions between the CHESS sub-register and Issuer Sponsored sub-register.

| Current registration details | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|------------------------------|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|--|--|--|--|--|--|--|--|--|--|--|--|
| 1 | M | R | J | A | C | K | R | U | S | S | E | L | L | . | M | S | D | E | B | O | R | A | H | | | | | | | | | | | | |
| 2 | R | U | S | S | E | L | L | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3 | < | T | H | E | R | U | S | S | E | L | L | F | U | N | D | > | . | | | | | | | | | | | | | | | | | | |
| 4 | U | N | I | T | 2 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 5 | 2 | O | B | R | I | D | G | E | S | T | R | E | E | T | | | | | | | | | | | | | | | | | | | | | |
| 6 | S | Y | D | N | E | Y | N | S | W | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| New registration detail format | |
|--------------------------------|--------------------------------------|
| Attribute | Details |
| Account Name | MR JACK RUSSELL + MS DEBORAH RUSSELL |
| Account Designation | THE RUSSELL FUND |
| Account Mailing Addressee Line | MR JACK RUSSELL + MS DEBORAH RUSSELL |
| Account Address Line 1 | UNIT 2 |
| Account Address Line 2 | 20 BRIDGE STREET |
| Account Address Line 3 | |
| Account Town Name | SYDNEY |
| Account Country Sub-Division | NSW |
| Account Post Code | 2000 |
| Account Country | AU |
| Registered Holder 1 Name | MR JACK RUSSELL |
| Holder Type | INDIVIDUAL |
| Registered Holder 2 Name | MS DEBORAH RUSSELL |
| Holder Type | INDIVIDUAL |

Diagram 1.2 – Comparison of current CHESS registration details and new proposed format

ASX plans to continue working with the industry to establish clear guidelines in relation to recording registration details, standardisation formats and maintenance processes in the CHESS replacement system. Additionally, ASX plans to provide a Conversion Tool to assist the industry to transition existing holder registration details to any new standardised format.



As a result of feedback received, ASX is considering the following industry design considerations for Release 2 of the CHES replacement project.

| ID | Industry design considerations | Scope |
|---------|--|------------------------------|
| REG_1.1 | The CHES replacement system should support (where relevant) the standardised ISO 20022 format for registration details including but not limited to: <ul style="list-style-type: none">• Full names and designations without abbreviations• Individual holder records• Addresses capture in a structure format with clearly delineated fields• More allowable characters. | Release 2 |
| REG_1.2 | The CHES replacement system should support at least four joint holders on an account, with the ability to include additional holders post Release 2. | Release 2 |
| REG_1.3 | The CHES replacement system should support Investor communication preferences such as Post or Electronic (ASX only, Issuer only, or Both). | Release 2 |
| REG_1.4 | The CHES replacement system should support holding Investor communication details such as email addresses and mobile numbers. | Release 2 |
| REG_1.5 | ASX should provide clear guidelines in relation to recording registration details, formats for standardisation, and rules for how details are to be entered and maintained on the CHES replacement system. | Release 2 |
| REG_1.6 | ASX should provide a clear process to address the transition of a fourth investor to the CHES sub-register. | Release 2 |
| REG_1.7 | The CHES replacement system should support an extension of the period which registration details are communicated to Share Registries for accounts with zero holding balances. This is required where there is a need to continue communications with holders for zero holdings, particularly in the case of long running corporate actions (e.g. schemes of arrangement). | Release 2 |
| REG_1.8 | In the future, the industry could consider supporting the inclusion of additional details that link to the identity of an Investor for identification and payments purposes such as ConnectID, myGovID and PayID. | Post Release 2 consideration |

3. Foreign restricted securities

Foreign Ownership Restriction (“FOR”) is a mandatory attribute stored on the Account (HIN) that records whether a Holder is considered a “Foreign Person” for financial products with a foreign ownership restriction. It is a current CHES requirement that an investor is recorded as “F” (foreign), “D” (domestic) or “M” (mixed). Foreign residency definitions are provided by each issuing company and can change from one security to another.

Currently, the Residency Indicator is utilised for the purposes of:

- **Aggregate foreign ownership restrictions** – flagging holders that are considered foreign for the purposes of maintaining aggregate foreign ownership restrictions.
- **Foreign person exclusions** – the “F” flag is applied to securities which have Foreign Person exclusions, and the foreign person ownership level is zero. This includes US persons who are not Qualified Institutional Buyers (QIBs), as defined under section 5 of the Securities Act of 1933 of the United States

In CHES currently, “Domestic” does not mean ‘resident of Australia’, or similar. It means that the holder is not considered a Foreign Person pursuant to an Issuer’s constitution. “Foreign” means the holder is considered a Foreign Person. In most cases, flagging a HIN as “Foreign” would trigger a divestment in any FOR securities held.

Following industry feedback, ASX is consulting on whether the Residency Indicator used in CHES could be replaced with the ability to specifically identify information in relation to exclusions that may apply to a given holding. This could include the ability to indicate that a HIN belongs to a non-foreign person, non-US person, or that a person is considered a foreign person for the purposes of aggregate foreign ownership restrictions.

As a result of feedback received, ASX is considering the following industry design considerations for Release 2 of the CHES replacement project.

| ID | Industry design considerations | Scope |
|---------|--|-----------|
| REG_2.1 | <p>The CHES replacement system should support the ability to specifically identify a holder who is a:</p> <ul style="list-style-type: none"> • Non-foreign person (per definitions of the Issuer’s constitution) • Non-US person (per the definitions of the US Securities Act) • US person QIB/QP (per the definitions of the US Securities Act) | Release 2 |
| REG_2.2 | The CHES replacement system should support the provision of instructions for foreign ownership restriction attributes on a per Issuer basis. | Release 2 |
| REG_2.3 | Consideration should be given as to whether the CHES replacement system could automate some or all of the reporting of foreign owners within a mixed account omnibus structure. This could provide a degree of automation of an existing, manual process (currently conducted outside of CHES), if deemed applicable. | Release 2 |

4. Additional investor details

A number of industry stakeholders have requested that the CHES replacement system be designed to hold and communicate additional Investor Information linked to a CHES holding to Share Registries where a Participant elects (on an optional basis) to provide this information. Industry feedback suggests this may improve the overall investor experience by ensuring information already captured by Participants is more efficiently communicated with Share Registries. This could include allowing for information to be communicated on acquisition of a new holding, limiting the need for investors to provide the same information to multiple parties.

In addition to information that is passed through in current CHES, ASX is exploring whether the following additional information could be held in the CHES replacement system and communicated to Share Registries:

- Tax File Numbers (TFNs), Australian Business Numbers (ABNs) and Australian Company Numbers (ACNs);
- Foreign Account Tax Compliance Act (FATCA) / Common Reporting Standard (CRS) details such as tax residency and foreign tax identification number(s);
- Bank account details

ASX is exploring whether the CHES replacement system should provide this functionality. ASX is considering the laws applicable to the collection of this information, and what controls and/or restrictions would be necessary and appropriate regarding the collection, use and control of this information (including any necessary rule amendments).

We do not propose to change any existing Share Registry process relating to information that comprises the Issuer register of members, including the acceptance of information directly from an Investor.

4.1. Tax File Numbers, Australian Business Number and Australian Company Numbers

CHES currently allows an Investor to authorise a Participant to lodge Tax File Numbers (TFNs), Australia Business Numbers (ABNs) and taxation exemption codes to an Issuer for a holding. TFN and ABN advice messages are not recorded on the CHES sub-register. These details are passed through CHES from Participant to a Share Registry when received by CHES.

Some industry stakeholders have requested the ability to add TFNs, ABNs and ACNs against a holder in CHES and use this as a default value provided to Share Registries upon acquisition of a new holding. Industry feedback indicated this would provide the following benefits to the industry:

- Minimise the need for high message volumes between participants and share registers where there are new holdings, or where a holding increases from zero;
- Reduce the administrative burden on the industry and Investors to provide this information repeatedly; and
- Help to resolve issues where a TFN is not collected by the Share Registry resulting in tax being withheld incorrectly.

As a result of feedback received, ASX is considering the following industry design considerations for Release 2 of the CHES Replacement project.

| ID | Industry design considerations | Scope |
|-----------|--|-----------|
| REG_3.1.1 | The CHES replacement system should support the ability collect additional details such as TFNs, ABNs and ACNs to be recorded against each holder of an account in CHES on an optional basis. | Release 2 |
| REG_3.1.2 | The CHES replacement system should support a workflow that allows TFNs, ABNs and ACNs that are recorded against a HIN to be used as a default value which is relayed to Share Registries upon the acquisition of a new holding, when details are updated by an Investor or other applicable scenarios. | Release 2 |

| | | |
|-----------|--|-----------|
| REG_3.1.4 | ASX should provide guidance on the controls and/or restrictions on the use and control of this information to limit the purposes of simplified communication to clearing and settlement use cases. | Release 2 |
| REG_3.1.5 | The CHES replacement system should support a workflow that allows a Participant to remove default settings when there is a change of Controlling Participant for an account. | Release 2 |

4.2. Tax Residency Self-Certification (FATCA/CRS) details

Issuers of certain financial products have an obligation to report Tax Residency Self-Certification (that is, FATCA/CRS) details to regulatory agencies. ASX understands that some Participants collect this information when opening an account for an Investor, however this information is not currently shared with Share Registries who have their own processes to collect these details from Investors where required.

Some examples of this information include:

- **Account investor type** which determines the data requirements for the FATCA/CRS self-certification:
 - Individual or joint holders
 - Entity type such as company, trust, partnership, superannuation fund
- **Entity specific details:**
 - Entity type (e.g. financial institution; active/passive non-financial entity, US entity etc)
 - Identifiers applicable to the entity and investor type (e.g. GIIN, ACN, ABN, listed market and ticker code)
 - Other information such as foreign financial institution status and jurisdiction
- **Tax residency details** of individual/joint investors, entities and other related joint parties where applicable:
 - Legal name of person or entity
 - Registered address
 - Date of birth
 - Foreign tax residency
 - Foreign tax residency countries
 - Foreign TINs or TIN absent reason

Industry stakeholders have asked ASX to consider enhancing CHES to allow sharing tax residency details. This change may improve the Investor experience by removing the need to continue to separately provide these details to each Issuer and improve the quality of ATO reporting.

As a result of feedback received, ASX is considering the following industry design considerations for Release 2 of the CHES Replacement project.

| ID | Industry design considerations | Scope |
|-----------|--|-----------|
| REG_3.2.1 | The CHES replacement system should support the ability collect tax residency self-certification details to be recorded against each holder of an account in CHES on an optional basis. These details may include but is not limited to account investor types, entity specific details and tax residence details. | Release 2 |
| REG_3.2.2 | The CHES replacement system should support a workflow that allows tax residency self-certification details that are recorded against each holder of a HIN to be used as a default value which is relayed to Share Registries upon the acquisition of a new holding, when details are updated by an Investor or other applicable scenarios. | Release 2 |

| | | |
|-----------|---|-----------|
| REG_3.2.3 | The CHES replacement system should support a workflow that allows tax residency self-certification details to be collected for a Self-Managed Superfund (SMSF) or a trust rather than the named holders on an account. This may also be the beneficiaries of a trust who are not the named holders. | Release 2 |
| REG_3.2.4 | The CHES replacement system should support a workflow that allows the pass through of information to an Issuer only for products where there is an obligation to report these details such as ETFs, Dual Access Funds, MITs, MISs and any other applicable product. | Release 2 |
| REG_3.2.5 | ASX should consider and evaluate the Intergovernmental agreements which regulate the responsibilities of entities that are able to collect and certify tax residency self-certification details when establishing the workflow and procedural guidelines in relation to FATCA/CRS data. | Release 2 |

4.3. Bank account details

Industry stakeholders have provided ASX feedback they consider it to be a priority to find ways to limit scenarios where a bank account is not known, and a cheque must be provided to the Investor. A potential option to streamline the sharing of these details is by enhancing the ability of CHES to store and communicate bank details for account holders.

As a result of feedback received, ASX is considering the following industry design considerations for Release 2 of the CHES Replacement project.

| ID | Industry design considerations | Scope |
|-----------|--|-----------|
| REG_3.3.1 | The CHES replacement system should support the ability to add a single nominated bank account to be recorded against a HIN in CHES on an optional basis. | Release 2 |
| REG_3.3.2 | The CHES replacement system should support a workflow that allows bank details that are recorded against a HIN to be used as a default value which is relayed to Share Registries upon the acquisition of a new holding, when details are updated by an Investor or other applicable scenarios. | Release 2 |
| REG_3.3.3 | The CHES replacement system should support a workflow that allows Participants or CHES to continue to share bank account details to an Issuer where a holding has a zero balance for an agreed timeframe. | Release 2 |
| REG_3.3.4 | The CHES replacement system should support a workflow that allows Participants or CHES to share bank account details in scenarios such as: <ul style="list-style-type: none"> • Takeover acceptances • Compulsory acquisitions • Other corporate action use cases as appropriate. | Release 2 |
| REG_3.3.5 | The CHES replacement system should support the ability to add foreign bank account details for payments in foreign currencies to be recorded against a HIN in CHES on an optional basis. | Release 2 |
| REG_3.3.6 | The CHES replacement system should support a workflow that allows a Share Registry to accept or reject the additional information from CHES. | Release 2 |

4.4. Dividend Reinvestment Plan (DRP) and Bonus Share Plan (BSP) preferences

Some Participants have requested the ability for a default DRP/BSP election to be held in CHESS and communicated automatically for all holdings. This change would address instances where DRP elections are unknowingly removed when holdings are temporarily reduced to zero, particularly in the case of omnibus accounts. Potential challenges with this request include the requirement for each DRP to be specifically accepted for each issuer, when a DRP is suspended and rules regarding when a DRP instruction goes to zero.

ASX proposes to allow DRP elections as a pass through on a per-corporate action election basis. The details of this proposal will be included in a future Business Design Document for corporate actions as part of an overall approach for such elections.

5. Additional functionality

Based on additional feedback from Share Registries around operational challenges for holders with no holdings ('zero holdings'), HIN cancellation processes and validation of registration details as part of allotments, ASX is also exploring opportunities to enhance information sharing arrangements (where practical and supported within the applicable regulations).

As a result of feedback received, ASX is considering the following industry design considerations for Release 2 of the CHESS Replacement project.

| ID | Industry design considerations | Scope |
|---------|---|------------------------------------|
| REG_4.1 | The CHESS replacement system should support a workflow that allows an Issuer via the Share Registry to notify a Participant of a lost shareholder. | Release 2 |
| REG_4.2 | The CHESS replacement system should support a workflow that allows a Participant or ASX to notify Share Registries of the cancellation of a HIN. | Release 2 |
| REG_4.3 | The CHESS replacement system should support the ability for Share Registries to request the status and registration details for an Investor with zero holdings. *This requires further industry consideration regarding verification requirements for access to this data, legal and compliance requirements. | Release 2 |
| REG_4.4 | The CHESS replacement system should support the ability for Share Registries to provide updated registration details for an Investor to a Participant where details are provided directly by the Investor. This requires further industry consideration regarding relevant legal and compliance requirements, procedures and acceptance criteria. | Post Release 2 consideration |