



# CHES replacement

# Business Design Document

## SRN Enquiries and Issuer Sponsored Holdings

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DRAFT



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## Change Log

Version Date	Changes
22 March 2024	Draft version provided to BDWG members for review and comment.
23 April 2024	<ul style="list-style-type: none"><li>Removed considerations IS_4.1.4, IS_4.1.10, IS_4.1.12, and IS_4.2.5. Functionality specified in consideration IS_4.1.4 is merged into consideration IS_4.1.2.</li><li>Updated Issuer Registry response times in IS_4.1.13 and IS_4.2.4.</li><li>Updated wording in Section 3 and considerations IS_4.1.6 and IS_4.2.2 clarifying that standardisation of Issuer Registry matching and validation rules apply to registration details.</li><li>Split consideration IS_4.2.1 into two considerations (IS_4.2.1A and IS_4.2.1B) and updated the considerations with simpler and clearer wording.</li><li>Updated wording in considerations IS_4.1.7 and IS_4.3.5 clarifying additional Issuer considerations when returning Issuer sponsored holding details to Participants.</li></ul>
19 August 2024	Revised format and wording changes.

## 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 Working Group meeting held on 23 April 2024, the agenda was focused on improving the SRN enquiry and issuer sponsored sales processes. This document provides an overview of the discussion points and proposed industry design considerations for new or changed functionality relating to SRN enquiries and Issuer Sponsored Holdings 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**.

## Document Scope

This document outlines the proposed industry design considerations for implementing the end-state workflows between the CHESSE sub-register and the Issuer sponsored sub-register proposed for Release 2.

This document considers the following business and system processes relating to the sub-register service:

- SRN and Holding Balance Enquiries (and the enquiry of other details from the Issuer sponsored sub-register);
- Issuer to CHESSE sponsored transfers and conversions; and
- CHESSE to Issuer sponsored transfers and conversions.

Standardisation and formatting of registration details is intended to be considered in the BDWG on registration details and investor information, which is currently scheduled for June 2024.

In addition to industry design considerations for the CHESSE replacement system, this document also proposes that Issuer Registries develop, outside of CHESSE/CHESSE replacement, a common set of matching rules to be implemented across all Registries that will provide further efficiencies to the above processes and give Participants more certainty as to the outcome of these processes. This is anticipated to be progressed via the AFMA Registries forum.

## 1. SRN Enquiries and Issuer Sponsored Holdings design considerations for CHESSE replacement

### 1.1. Issuer Registry common matching rules

Issuer Registries currently require registration details on workflow messages to match with the registration details in their respective systems to successfully respond to SRN enquiry and Issuer to CHESSE sponsored conversion requests. Similarly, optionally supplied SRN and matching registration details are used to create a new SRN or to allocate the transferred/converted securities to an existing SRN for CHESSE to Issuer sponsored transfers or conversions.

Inefficiencies in the current process primarily arise due to each Issuer Registry using proprietary matching rules for registration details. For example, where one Issuer Registry requires an exact match of registration details provided to successfully process the request, another Registry may accept minor variations such as “St” instead of “Street”, or differences in salutation such as “Ms” instead of “Dr”.

ASX proposes that Issuer Registries agree on a standardised set of matching rules for registration details that can be implemented across all Registries. This would give Participants more certainty as to when a rejection can be expected and allow for joint resolution of common mismatch issues. Standardised matching rules could be developed independently to the CHESSE replacement project via the AFMA industry working group.

ID	Industry design considerations	Scope
IS_1.1	ASX proposes that Issuer Registries agree on a standardised set of matching rules for registration details for use in Issuer sponsored sub-register enquiry workflows and Issuer sponsored to CHESSE sub-register transfer and conversion requests.	Registries to agree on the feasibility, appropriate solution and timing.
IS_1.2	ASX proposes that Issuer Registries agree on a standardised set of matching rules for registration details that (if not met) result in a new SRN generated for a holding transferred or converted to the Issuer sponsored sub-register.	Registries to agree on the feasibility, appropriate solution and timing.

## 1.2. Issuer sponsored sub-register enquiry workflows

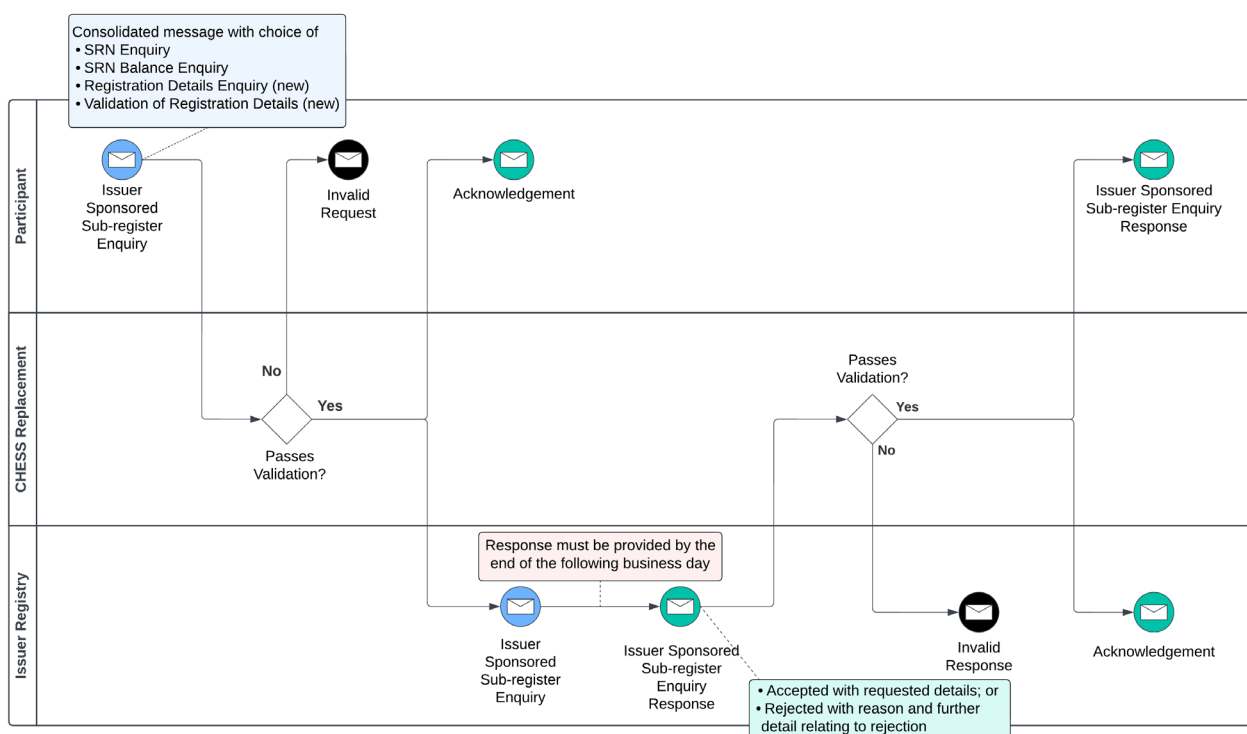


Diagram 1.2 - Demonstrates the Issuer sponsored sub-register enquiry workflow process.

CHES currently allows Participants to request Issuer Registries to provide the following details from the Issuer sponsored sub-register through separate workflows:

- SRN details for a specific holder (SRN Enquiry); and
- Holding balance for an SRN (SRN Balance Enquiry).

Industry stakeholders have asked ASX to consider the following business benefits and outcomes to enhance the existing Issuer sponsored enquiry process:

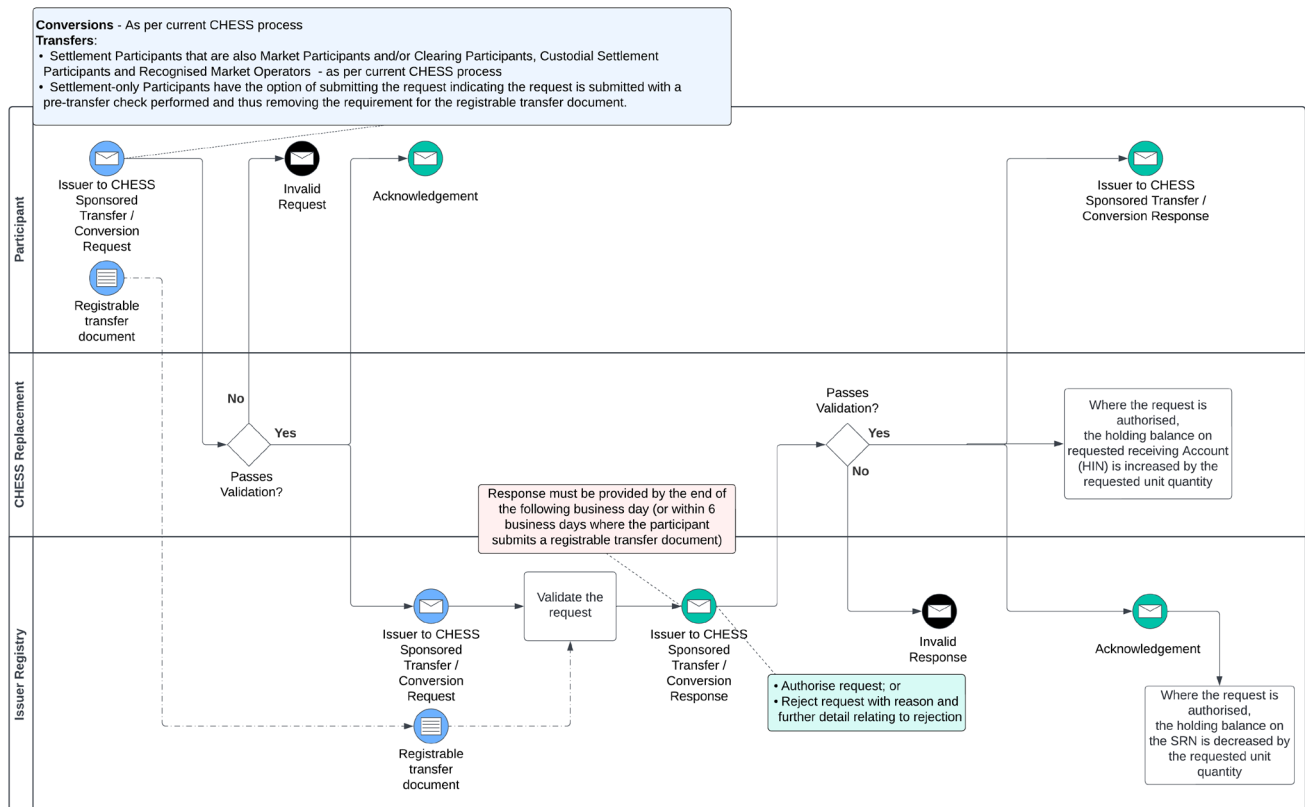
- Reducing reliance on paper forms and on manual processes to retrieve SRN registration details;
- Providing more detailed SRN information, allowing for the return of more details (including multiple SRN details where holders have more than one SRN) and more granular information on the holdings in the Issuer Sponsored subregister (such as available balances and holder status).;
- Enabling more effective resolution of mismatch issues, providing richer information in rejection messages to help participants resolve mismatch issues more effectively, such as the available balance and any holding locks that apply
- Supporting a more timely response to SRN enquiries, increasing automation to reduce the time required to respond to an SRN enquiry to same business day.

In response to feedback received, ASX is considering the following industry design considerations for Release 2 of the CHES replacement project.

ID	Industry design considerations	Scope
IS_1.2.1	The CHES replacement system should support a workflow that allows a Participant to request an Issuer Registry to determine the SRN for a specific holder by providing registration details (as per the workflow that currently exists in CHES).	Release 2

ID	Industry design considerations	Scope
IS_1.2.2	The CHES replacement system should support a workflow that allows a Participant to request an Issuer Registry to provide the holding balance and registration details for an SRN and a verification detail provided (i.e. an attribute of the registration details such as postcode).	Release 2
IS_1.2.3	The CHES replacement system should support a workflow that allows a Participant to request an Issuer Registry to verify and validate the registration details for a specific holder (registration details) and SRN provided.	Release 2
IS_1.2.5	The CHES replacement system should, where possible, unify the set of messages used to initiate the Issuer sponsored sub-register enquiry workflows.	Release 2
IS_1.2.6	Issuer Registries should validate the Issuer sponsored sub-register enquiry workflows where applicable to a standardised set of matching and validation rules for registration details common across all Issuer Registries.	Refer to Section 3
IS_1.2.7	<p>The CHES replacement system should support enhanced response messages to the Issuer sponsored sub-register enquiry workflows that allows Issuer Registries to provide the following details where they are available and the SRN is accessible to CHES for sale and enquiry purposes:</p> <ul style="list-style-type: none"> <li>• SRN;</li> <li>• Registration details;</li> <li>• Holding balance;</li> <li>• Available balance;</li> <li>• Holder status (e.g. active or locked and locked reason if applicable); and</li> <li>• Cum entitlement balance (if applicable).</li> </ul>	Release 2
IS_1.2.8	The CHES replacement system should support the details of multiple SRNs to be returned in the event multiple SRNs are found in the enquiry process by the Issuer Registry.	Release 2
IS_1.2.9	The CHES replacement system should support a rejection message for Issuer sponsored sub-register enquiry workflows that allows Issuer Registries to provide Participants with enhanced rejection reasons, and some or all of the registration details to help Participants remediate and resolve SRN and registration details mismatches.	Release 2
IS_1.2.10	The CHES replacement system should provide the Issuer sponsored sub-register enquiry workflows via a user interface.	Release 2
IS_1.2.11	The CHES replacement system should reduce the time for an Issuer Registry to respond to an Issuer sponsored sub-register enquiry from 6 days to the same business day (when received with appropriate time to allow for processing).	Release 2

### 1.3. Issuer sponsored to CHES sub-register transfers and conversions



*Diagram 1.3 - Demonstrates the Issuer sponsored to CHES sub-register transfer and conversion processes.*

Currently, settlement-only Participants are required to receive and provide the Issuer Registry a document signed by, or on behalf of, the holder (a "registrable transfer document") in relation to an Issuer sponsored to CHES transfer, unless meeting a certain qualifying criteria (i.e. the Participant is a 'Custodial Settlement Participant'), or the Participant is "dealer", being persons that are Market Participants and in some cases, Clearing Participants).

As part of the first iteration of the CHES replacement project (prior to the CHES replacement project solution re-design), we had proposed that the Issuer sponsored to CHES transfer workflow be modified to mandate a pre-transfer check that would remove the requirement in Issuer Registries to manually receive and process a registrable transfer document and reduce the processing time for transfers to be completed.

ASX understands that settlement only Participants remain supportive of the proposal to implement a more efficient Issuer sponsored to CHES transfer process, with industry stakeholders wanting to ensure that rejection rates for this process remain low and that there is an easy way to resolve rejections that occur.

Industry stakeholders have also asked ASX to consider enhanced messaging to allow for richer information in Issuer sponsored to CHES sub-register transfer and conversion rejections to help Participants resolve mismatch issues.

Additionally, Industry stakeholders have requested that wherever possible, no Participant should be required to undertake more onerous pre-transfer checks than they are currently required to do.

In response to feedback received, ASX is considering the following industry design considerations for Release 2 of the CHES replacement project.



ID	Industry design considerations	Scope
IS_1.3.1	The CHES replacement system should support an Issuer sponsored to CHES transfer process (as per the current process in CHES) that allows Settlement Participants that are also Market Participants and/or Clearing Participants, Custodial Settlement Participants and Recognised Market Operators to perform their own pre-transfer validation checks without the requirement to provide registration details for the source holding on the Issuer sponsored sub-register for matching and validation by the Issuer Registry.	Release 2
IS_1.3.2	The CHES replacement system should allow Settlement-only Participants the option to provide the source holder details on an Issuer sponsored to CHES transfer request message where a pre-transfer check is performed. This requires the Issuer Registry to complete additional validation matching on the holder details provided and removes the requirement for the registrable transfer document.	Release 2
IS_1.3.3	Issuer Registries should validate Issuer sponsored to CHES sub-register transfer and conversion requests against a standardised set of matching and validation rules for registration details common across all Issuer Registries where registration details are provided.	Refer to Section 3
IS_1.3.4	The CHES replacement system should support a rejection message for Issuer sponsored to CHES sub-register transfer and conversion requests that allows Issuer Registries to provide Participants with enhanced rejection reasons, and some or all of the registration details to help Participants remediate and resolve SRN and registration details mismatches.	Release 2
IS_4.2.4	The CHES replacement system should reduce the time for an Issuer Registry to respond to an Issuer sponsored to CHES sub-register transfer and conversion from 6 days to the same business day where a transfer document is not required (when received with appropriate time to allow for processing).	Release 2

#### 1.4. SRN response on CHES to Issuer sponsored transfers and conversions

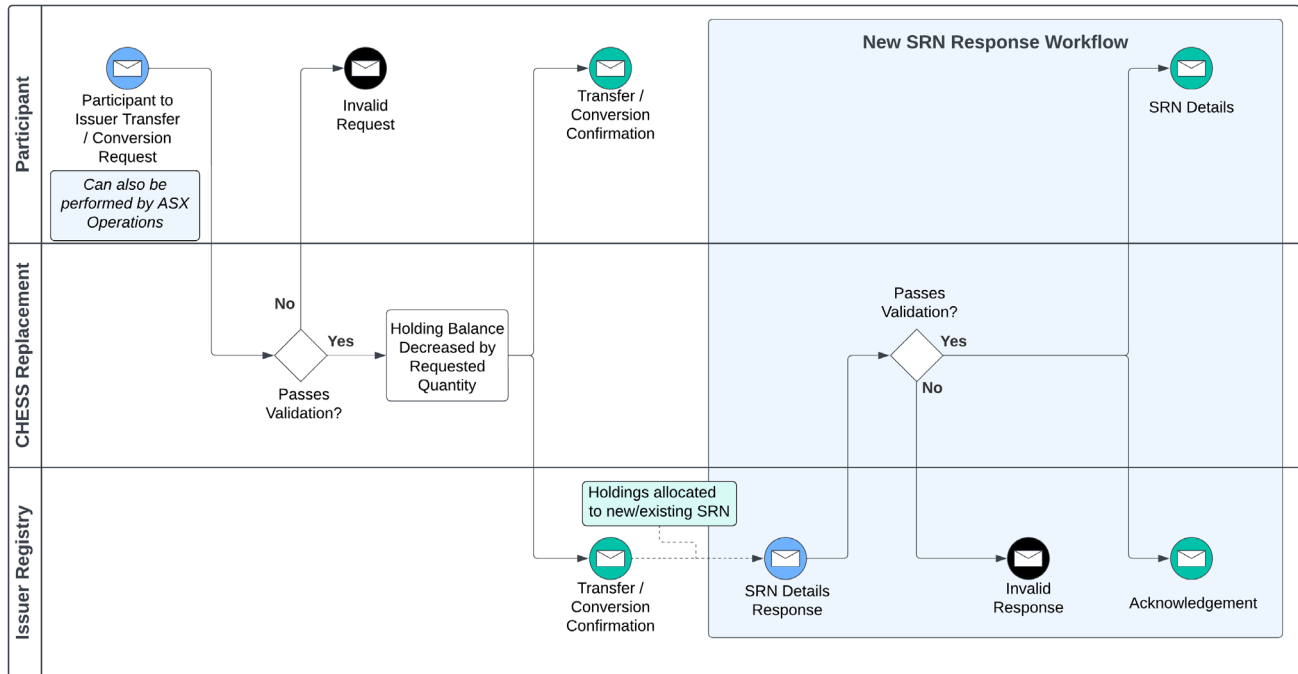


Diagram 1.4 - Demonstrates the CHES to Issuer sponsored to sub-register transfer and conversion processes and the proposed process for an Issuer Registry to provide an SRN response.

The current CHES to Issuer sponsored transfer or conversion does not provide an Issuer Registry the ability to respond.

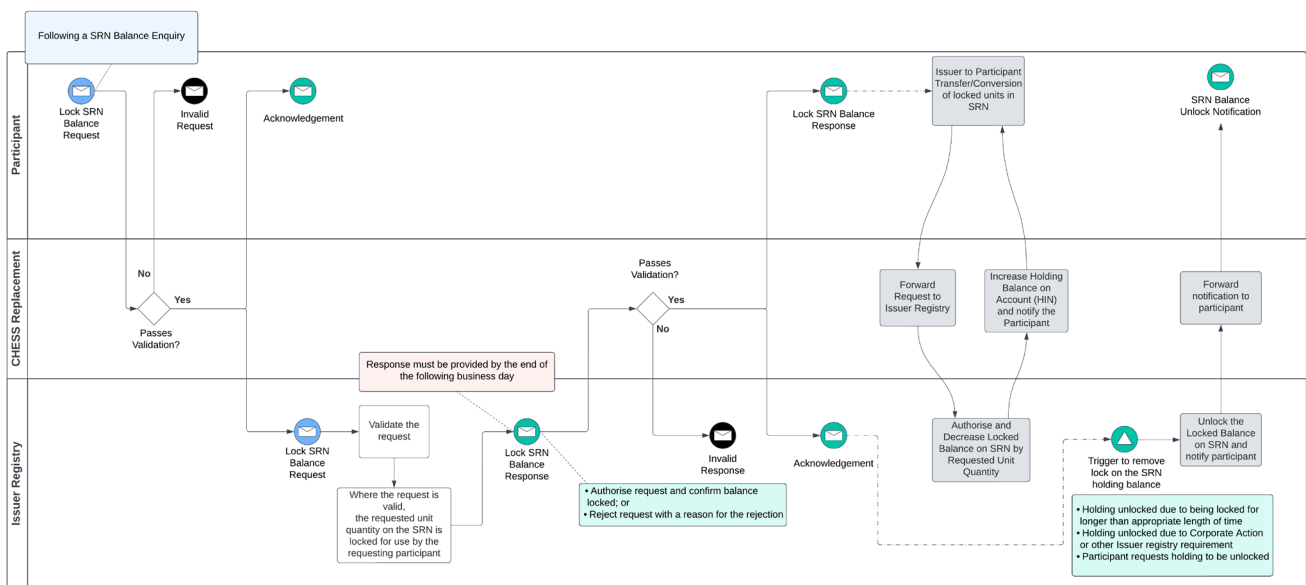
Issuer Registries provide SRN details to holders for the transferred/converted holdings outside CHES within 5 business days. The time it takes for Participants to obtain SRN details can cause processing delays and issues in cases such as the management of de-listed securities, transfers to overseas registers, and providing SRN details to their clients (where requested and authorised to do so).

ASX is considering the following industry design considerations for Release 2 of the CHES replacement project to allow Issuer Registries to provide the SRN allocated to the holding in response to the transfer/conversion request.

ID	Industry design considerations	Scope
IS_1.4.1	The CHES replacement system should support a message in response to CHES to Issuer Sponsored transfer and conversion requests that allows Issuer Registries to provide Participants with the SRN details of the holding created/updated on the Issuer sponsored sub-register.	Release 2
IS_1.4.2	The CHES replacement system should support an enhanced CHES to Issuer sponsored transfer message or conversion that allows a Participant to indicate to the Issuer Registry that they have received consent to receive the SRN allocated to the transferred/converted holding.	Release 2
IS_1.4.3	The CHES replacement system should support the movement of securities off the CHES sub-register upon receipt of a valid request (as is performed currently in CHES) prior to response being received.	Release 2

ID	Industry design considerations	Scope
IS_1.4.4	The CHES replacement system and Issuer Registries should support an appropriate length of time for Issuer Registries to send a response with SRN details to the Participant (e.g. by the end of the following business day).	Release 2
IS_1.4.5	<p>ASX should provide rules, procedures, and/or guidance (as appropriate) to ensure that the privacy of the registered holder(s) remain protected, additional risk is not introduced, and any other obligations on the Issuer (pending further analysis) are not compromised when Participants indicate they have consent to receive the SRN on the CHES to Issuer sponsored transfer or conversion.</p> <p>Subject to further analysis, these rules could include:</p> <ul style="list-style-type: none"> <li>The SRN received by the Participant is used only for the purposes of providing the SRN information to the registered holders and that this information is discarded after an appropriate period of time.</li> </ul>	Release 2

### 1.5. Permit an Issuer sponsored holding lock



*Diagram 1.5 - Demonstrates the potential process for a Participant to lock holdings on the Issuer sponsored sub-register as well as how the locked holdings could be used by the Participant (e.g. in an Issuer to CHES Sponsored transfer), and the possible triggers that would relinquish the lock.*

Participants may allow investors to sell securities held on the Issuer sponsored sub-register, following an SRN balance enquiry, with the securities transferred or converted to an account under the control of the Participant once the trade is executed.

In the time between the SRN balance enquiry and the transfer/conversion of securities in preparation for settlement, there is a risk of a change to the SRN holding that could adversely impact the Participant's ability to settle.

The ability for Participants to request a temporary lock on Issuer sponsored holdings would ensure that adequate securities are available for the Participant to meet their settlement obligations where a trade is placed prior to the transfer or conversion of shares.

ASX is considering the following industry design considerations for further assessment on the backlog following CHES replacement Release 2.

ID	Industry design considerations	Scope
IS_1.5.1	<p>The CHES replacement system should support a set of workflows to lock/unlock a holding on the Issuer sponsored sub-register that could include:</p> <ul style="list-style-type: none"> <li>• The ability for a Participant to request a holding to be locked;</li> <li>• The ability for a Participant to transfer/convert a locked holding;</li> <li>• The ability for an Issuer Registry to relinquish the lock and inform the Participant (e.g. in the case of a corporate action); and</li> <li>• The ability for a Participant to remove the lock.</li> </ul>	Post Release 2 consideration
IS_1.5.2	The CHES replacement system and Issuer Registries should support an appropriate length of time for the holding to be locked in which Participants can transfer/convert or unlock a locked holding (e.g. 5 settlement days).	Post Release 2 consideration