

Stakeholder Feedback and ASX Response – Electronic Acceptance and Payments for Entitlement Offers

Entitlement Election functionality is not a part of Day 1 CHES Replacement Scope. Refer to ASX's October 2020 response to consultation feedback for further details. All Functional Specification and Messaging content is subject to change in subsequent releases.

Stakeholder Feedback and ASX Response

ASX values the feedback it receives from stakeholders to determine the optimal solution design for each new business requirement. As part of its stakeholder engagement process, ASX has published a summary of the feedback it has received from stakeholders from the relevant Focus Groups and ISO 20022 Technical Committee meetings on the solution design of this new functionality.

This feedback is presented in the form of a table, and lists the key topics raised by stakeholders across both forums. The table provides a summary of stakeholder feedback and ASX's response to that feedback, highlighting where relevant the evolution of the functional specifications of each new business requirement based on stakeholder feedback and further analysis done by ASX. While ASX has considered the issues, comments and suggestions made by each impacted stakeholder, the differing and at times conflicting needs of various stakeholder groups mean that final functional specifications may not support suggestions received or retain aspects notwithstanding concerns raised.

The table does not identify any organisation or individual who raised a particular topic or question for discussion, nor does it intend to capture individual responses received from stakeholders; rather it is intended to be a summary only.

Investor Data

Focus Group	09 July 2019 13 August 2019 26 August 2019 06 September 2019 31 October 2019
Technical Committee	10 December 2019
Number of respondents (on final proposal)	14
Related presentation materials	https://www.asx.com.au/services/iso20022-technical-committee.htm

Topics	Stakeholder Feedback	ASX Response
Electronic Acceptance and Payment for Entitlement Offers – Mandatory or Optional functionality	<p>Participants expressed concern in relation to the potential fragmentation of processes should the use of the CHES Replacement Electronic Acceptance and Payment for Entitlement Offers not be mandated, leading to increased risk and costs.</p> <p>In addition, an Issuer Registry raised concerns on the costs associated with becoming a Settlement Participant; to enable them to make or receive payments for entitlement offers</p>	<p>ASX has announced that Electronic Acceptance and Payment for Entitlement Offers will be Optional from Day 1 but Mandatory by 31 December 2021. For further information, refer to CHES Replacement Scope.</p> <p>For the purpose of effecting the electronic acceptance and payment of Entitlement Offers, ASX proposes to introduce a new type of CHES Participant: "Corporate Action Payments Participant". (for details refer tranche 2 of the ASX Settlement Operating Rules consultation). For further information, refer to the Consultation Paper for Tranche 2.</p>

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<p>Electronic Acceptance and Payment for Entitlement Offers – RTGS Operating Hours</p>	<p>Participants noted the difference between the RTGS cut-off time of 4.30pm and the typical capital raising cut-off time for receipt of funds as being 5pm EST.</p> <p>In addition, it was noted that Participants would need to provide RTGS payment instructions to align with their Payment Provider timelines.</p>	<p>ASX noted Participants' feedback regarding timing under RTGS and that the proposed timing is aligned to existing RITS operating hours.</p> <p>ASX is not seeking to mandate by when Participants, on behalf of investors, are required to submit entitlement offer elections and associated payments when using the CHES Replacement system beyond the event and system deadlines. In practice, acceptances and payments must be received by the Issuer prior to offer close, and, where the CHES Replacement mechanism is used, payment via RTGS must be made prior to RTGS cut-off times.</p> <p>Where users choose to submit an acceptance after the cut-off of 4.30 PM, but prior to offer close, they can continue to do so using existing mechanisms and arrangements as is current practise, for example via Cheque or BPay.</p>
<p>Electronic Acceptance and Payment for Entitlement Offers – Payment Reference</p>	<p>ASX addressed specific questions to Participants and Issuer Registries in relation to:</p> <ul style="list-style-type: none"> • electronic payment processes and requirements under RG107 and; • in relation to tradeable rights where an entitlement number is not received by the buyer of the rights. <p>There was mixed feedback from Participants and Issuer Registries as to the requirement for Entitlement Numbers on Rights Elections.</p>	<p>Noting stakeholder feedback, entitlement acceptance messages may also include the unique reference number from the entitlement and acceptance form or SPP offer document provided by an issuer to holders (unique identifier). This message field will generally be optional, subject to the following qualifications:</p> <ul style="list-style-type: none"> • Where the rights offer is subject to regulated disclosure document requirements, the unique identifier will be required to be included by controlling participants in the acceptance message; and • For SPPs, issuers will be able to prescribe in their offer documents that the unique identifier must be included by controlling participants in the relevant acceptance message. <p>ASX understands that if the relevant rights entitlement has been renounced and traded, offer documents including entitlement acceptance forms are not provided to purchasers. ASX plans to engage with ASIC regarding whether there is any need for relief from section 723(a) and 1016A(2)(a) of the Corporations Act or relevant regulatory guidance for issuers of rights under a regulated disclosure document that have been renounced and traded to a third party.</p>
<p>Electronic Acceptance and Payment for Entitlement Offers – Additional requirements</p>	<p>Both Participants and Issuer Registries supported the inclusion of Share Purchase Plans in the Day 1 requirements for Electronic Acceptance and Payment of Entitlement Offers.</p> <p>Participants and Issuer Registries requested that CHES Replacement include the ability to elect on Oversubscriptions, where this option is a feature of the Corporate Event.</p> <p>Participants and Issuer Registries provided differing views on the request to enable other event types in this service, for example warrant expiry and call payments.</p> <p>Participants requested the inclusion of Beneficial Owner details in the Entitlement Acceptance request.</p>	<p>ASX has confirmed that the provision of beneficial owner details via the CHES Replacement application will not be provided for on Day 1, given:</p> <ul style="list-style-type: none"> • A lack of current industry standardisation, which will require resolution prior to the implementation of a technical solution. • An ongoing requirement to have supporting certifications provided to the Issuer in writing, thus creating a two-step outcome.

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<p>Electronic Acceptance and Payment for Entitlement Offers - multiple elections</p>	<p>Participants requested that the initial proposal for a line by line Entitlement Election and Payment be reviewed so that Participants could make multiple Entitlement Elections and one RTGS Payment.</p>	<p>As a result of feedback ASX has reviewed the proposed solution and CHES Replacement functionality will allow either:</p> <ul style="list-style-type: none"> • line by line Entitlement Elections and RTGS Payments; or • multiple Entitlement Elections and one aggregated RTGS Payment.
<p>Electronic Acceptance and Payment for Entitlement Offers – Refunds and Scalebacks</p>	<p>Participants and Issuer Registries supported the requirement to enable the Issuer Registries to process Scaleback or Refund notifications and payments via CHES Replacement.</p>	<p>CHES Replacement will provide functionality to allow both:</p> <ul style="list-style-type: none"> • a line by line Scaleback or Refund notification and RTGS Payments from the Issuer to the Participant; or • multiple Scaleback or Refund notifications and one aggregated RTGS Payment from the Issuer to the Participant.
<p>Electronic Acceptance and Payment for Entitlement Offers - Fees</p>	<p>Participants and Issuer Registries expressed concern that the fee structure for the use of Electronic Acceptance and Payment of Entitlement Offers functionality should not be prohibitive for Issuers.</p>	<p>Feedback and stakeholder interest in relation to pricing for the new system has been noted. ASX notes that analysis of the pricing for products and services offered in the CHES Replacement application is ongoing.</p>

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