

20 September 2024

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Dear Sirs,

RE: CHESS Replacement: Consultation on the Scope and Implementation of CHESS Replacement Release 2 (Settlement and Subregister (Consultation Paper))

Who we are

Governance Institute of Australia (Governance Institute) is a national membership association that advocates for a community of governance and risk management professionals, equipping over 8,000 members with the tools to drive better governance within their organisation.

Our members have primary responsibility in listed entities for developing governance policies, ensuring compliance with the Australian Securities Exchange (ASX) listing rules and supporting the board on all governance matters. We regularly contribute to the formation of public policy through our interactions with Treasury, ASIC, APRA, ACCC, ASX, ACNC and the ATO. We are a founding member of the ASX Corporate Governance Council. We are also a member of ASIC's Business Advisory Committee and the ASIC Registry Business Advisory Group, the ASX Business Committee and the ACNC Sector Users Group.

Governance Institute and its members have been actively involved in the CHESS Replacement Project (Project) since 2017 and have provided feedback on many aspects of the Project.

This Submission does not address the technical detail of Consultation Paper. As we have noted previously our members' knowledge of, and ability to engage the more technical aspects of the Project is limited. While listed companies have a legal obligation to maintain share registers, they typically outsource this function to specialist share registry providers and rely on their technical expertise.

Our members consider the adoption of a staged approach to implementation of the new System will assist in mitigating industry risk and workload which was one of their chief concerns about previous iterations of the Project.

The following issues are of interest and concern to our members:

- **Stakeholder consultation and communication** – our members continue to encourage ASX to continue active consultation with all Project stakeholders. It will be fundamental to the Project's future success that ASX continues to communicate clearly and engage with its stakeholders

about the Project so that issuers and other stakeholders understand what is planned and how it will impact them.

- **T+1** – while our members note the decision to defer implementation of T+1 until after CHES Replacement our members encourage ASX to continue monitoring global developments to ensure Australia does not fall behind its international competitors.
- **Costs and benefits for issuers** – our members acknowledge the substantial industry costs incurred to date as well as the significant workload ahead. Our members remain keen to understand how the new system will function and the cost to issuers and note ASX has recently released a consultation paper on pricing. They encourage ASX to ensure transparency about the costs of using the new system and the market efficiencies to be gained at the earliest opportunity and whether issuers will share in any efficiencies and costs savings generated by the new System. Our members would also encourage ASX to work with brokers, registries and other Project stakeholders to better enable digital communications.
- **Corporate actions** – our members note the complexities referred in the Consultation Paper around corporate actions and encourage ASX and other stakeholders to arrive at a solution that ensures these are completed efficiently.
- **Release 2 Implementation Timeline** – our members note that it is now planned to implement Release 2 as one release. We have previously expressed concerns around a ‘big bang’ approach but also acknowledge the significant work carried out recently to assess this approach to implementation. Our members encourage rigorous industry testing and multiple dress rehearsals so that all involved can have a high level of confidence that the implementation will proceed smoothly.
- **Proxy voting** – our members agree this should be out of scope of Release 2 but would be interested in being involved in any discussions about this issue.

Please contact me or Catherine Maxwell, GM Policy and Research if you have any questions in connection with this submission.

Yours faithfully,



Megan Motto
CEO