



AIRA
AUSTRALASIAN
INVESTOR RELATIONS
ASSOCIATION

AUSTRALASIAN INVESTOR RELATIONS ASSOCIATION

ABN 66095554153

GPO Box 1365, Sydney NSW 2001 |

t +61 2 9872 9100 e administration@australasianir.com.au w australasianir.com.au

1 November 2024

ASX Limited and ASX Settlement P/L
20 Bridge Street
Sydney NSW 2000

PO Box H224
Australia Square NSW 1215

Attention: Steven Hannan

by email: EquityPostTrade@asx.com.au

Cash Equities Clearing, Settlement and Issuer Services - Pricing Policy Consultation Paper

The Australasian Investor Relations Association (AIRA) is pleased to submit a public submission into the consultation on the exposure draft of new Pricing Policy for CHESS Issuer Services fees and charges and prospective CHESS pricing policy.

AIRA is the peak body representing investor relations practitioners in Australia and New Zealand. The Association's 160 corporate members now represent over A\$1.2 trillion of market capitalisation, over 80% of the total market capitalisation of companies listed on ASX.

We exist to provide listed entities with a single voice in the public debate on corporate disclosure and to improve the skills and professionalism of members. Our vision and purpose are that investor relations enables and creates sustainable value for all capital market stakeholders by building and strengthening market confidence in listed and unlisted entities.

AIRA's submission focuses on the expected Issuer experience and what benefit or detriment we anticipate from the change to current issuer service fee outcomes as outlined in the proposal.

The current Code of Practice ASX Cash Equities Clearing and Settlement Code of Practice (April 2024) (Code of Practice) and past report of ASX's management accounts on the apportionment of costs and resources devoted to CHESS functions limits itself to the clearing and settlement activities. Neither the Code of Practice nor published management accounts has addressed costs and resources devoted to issuer services.

Based on the historical reported percentage of revenue in ASX's Securities and Payments division, roughly equal share of revenue is paid by those who are categorized by ASX as Cash Markets Clearing, Cash Markets Settlement and Issuer Services.

AIRA's submission is informed by an examination of ASX's annual reports from FY 2024, FY 2023 and FY 2022 and published clearing and settlement management accounts sourced from ASX's website for the same periods. We have extrapolated from this what might reasonably be argued would be the management accounts for issuer services and therefore all the major actors consuming CHES services. We have set out these facts and our calculations in Appendix A.

In spite of the choice of the Building Block Method ('BBM') as the cornerstone of the new pricing policy, CHES services and their price inputs are not generic for each user cohort. Whilst BBM is a widely used pricing model used across other regulated industries, the services for CHES users are not a single commodity. Issuer services do not call on regulatory capital, a settlement standby facility or risk capital. Clearers do not rely on end-of-day holding balances for their reconciliation but do rely on a reconciled net broker obligation reporting of the trades they are to settle. Settlement participants do rely on ASX Clear being the counterpart in the event of another participant's default and inability to complete settlement obligations, do not rely on CHES's report of changed registration details of their clients or end of day holding balances for their position reconciliation.

Issuer services are predominantly predictable activities of:

- base load end-of-day requested reporting of CHES balances and cum balances;
- random reporting of registration details for new CHES holders, changes to existing CHES holders, and report of terminating CHES holders;
- pass through of investor's static data sourced by participants – predominantly TFNs, ABNs and bank account details;
- end -of-month print and despatch of holding statements for sponsored CHES holders whose account balance has changed; and
- processing of simple Holding Adjustments transactions from corporate actions.

A large proportion of the current end-of-month holding statement process duplicates the compulsory reporting ASX Listing Rules require of an issuer and the reporting the Corporations Act requires of a product issuer in relation to transaction confirmation statements to retail investors.

The base load demands on an efficient provision of services to issuers are demands on computing resources, long established transaction processes and an efficient exchange of month end data with a contracted mail house.

The pricing policy should clearly assess the layers of resources ASX must put in place for each CHES user cohort, not the overall cost recovery of the total of ASX's costs, including a reasonable return on investment commensurate with the commercial risks and regulatory risk capital involved.

In addition, a reduction in revenue should reflect a failure by ASX to adapt and respond to the changing requirements of CHES users' and investors. An example is the poor adoption and poor implementation of electronic access to CHES holding statements. The implementation in AIRA's opinion both has not put the onus on change in investors' hands and has not delivered a robust product suited to the more active investors.

1. Do you agree with the proposal to implement a materiality threshold(s)? Please justify your response.

Yes, this will assist to smooth the rate of change in fees for CHESSE users. But the materiality thresholds for over and under recovery proposed are too low.

2. If yes, should the materiality threshold below the revenue requirement (for an under-recovery process) and the materiality threshold above the revenue requirement (for an over-recovery process) be the same, or should there be a different threshold for each (i.e. two thresholds)? Please provide a justification for your response.

The materiality thresholds of \$1 million documented in the policy will be too shallow. A % change on calculated historical CHESSE revenue in 2022 (\$225m), 2023 (\$189m) and 2024 (\$185m) and therefore over recovery or under recovery will create too much thrash and insignificant refunds or extra fees and charges.

AIRA anticipates the 'over recovery' for delisted issuers would not result in any refunds being issued, so would form a buffer in ASX's reserves. For the September 2024 quarter¹ ASX reported 46 issuers were delisted in the Financial Year to date and for June 2024² ASX reported 156 issuers delisted in the full financial year. AIRA does believe that the disenfranchised refunds for delisted issuers and the \$1 - \$2 million in settlement fail fees ASX collects each year would be useful reserves for improved investor communication and education. AIRA believes that education of investors about what CHESSE Replacement will mean for them and the expanded transaction options at a participants disposal will be important for investors' decision making on the best fit for their current and future needs.

3. Do you agree with the proposal to implement a materiality threshold dollar value amount of \$1 million for both under and over-recoveries relative to the revenue requirement? If not, please provide an alternative dollar value amount suggestion(s) and justify your response.

No, materiality thresholds of \$5m (circa 2.5%) before triggering a refund of over recovered amounts and \$10m (circa 5%) for under recovered amounts are in AIRA's opinion better benchmarks.

Both thresholds are significantly less than what ASX would require an issuer to report to the market on material changes to earnings guidance.

¹ <https://www.asx.com.au/content/dam/asx/about/media-releases/2024/54-04-october-2024-asx-group-monthly-activity-report-september-2024.pdf>

² <https://www.asx.com.au/content/dam/asx/about/media-releases/2024/30-04-july-2024-asx-group-monthly-activity-report-june-2024.pdf>

4. Which of the two options for an under or over-recovery beyond the proposed materiality threshold are you most in favour of? Please provide a justification for your selection.

Option 2,

- Material over-recoveries are immediately reimbursed to users for each year in which a material over-recovery occurs; and
- Material under-recoveries are immediately invoiced to users for each year in which a material under-recovery occurs.

so that contingencies in an Issuer or CHES users' annual budget do not need to be raised and adjusted.

5. Are there any other aims, objectives or considerations which we should take into account in determining which under or over-recovery option to proceed with?

Whilst CHES Replacement functions and the timing of their release have been discussed but not yet decided, the future is sure to require an uplift in what CHES delivers for its users and investors. ASX should provide for a suitable reserve and active process of improvement.

The readiness for T+1 settlement is an obvious near-term process to solve for and to communicate to investors. Every investor who buys or sells on market will be affected in some way, and not just by the shortening of days between trade and settlement.

The active plan by Treasury to remove Direct Entry and cheques from the Australian payment landscape by 2030 is another obvious near-term change to solve for and to communicate to investors. Whilst CHES today is just a messenger between participant and the issuer for bank account details there will be many millions of embedded bank account details in share registers and broker back-office systems to reconfigure into the unique Payd alias for a target bank account that Treasury believes will be a workable substitute. These changes will need to be made for just about every client payment record in financial institutions far and wide and many other service providers' systems of record all by 2030.

The current e-statement function for CHES holding statements has limiting features that will need to be overhauled to enable it to effectively reach more investors; particularly the investors with more complex needs and relationships with more than one stockbroker or non-broker participant.

6. Do you agree with the proposal to implement the first 'fees review trigger' as described? Please provide a justification for your response.

AIRA believes that the fee review trigger cannot just be on aggregate overall revenue from CHES users, but needs more granular input into the cost drivers for each of the separate user cohorts; clearing, settlement and issuers to protect against one or more cohorts cross subsidising another service. AIRA believes the transparency offered to clearing and settlement functions must now expand to transparent disclosure of ASX expenses and revenue, including those specific to issuers, and other general expenses apportioned across the issuer services.

For example, in the planned four or five-year term between CHES Replacement Release 1 (trade reporting and clearing) and Release 2 (the remainder of initial scope) ASX will be utilising BaNCS system for only one cohort. The settlement and issuer user cohorts should not be burdened with the costs of a system that they enjoy no benefit from and are limited to current CHES's features and functions.

If trade value and settlement volumes grow and require ASX to put aside more than the reported capital of \$245.8m³ for clearing or larger settlement standby credit facilities than the current \$750m Bilateral committed liquidity facilities and capital of \$206.6m⁴ for settlement to service that growth, issuers should not be subsidising clearing and settlement for standby facilities or risk capital they do not consume or directly benefit from.

If the number of active investors with HINs grow or the number of new listings expand by hundreds of issuers, on the current subscription model, issuers should not be seeking subsidy from clearing and settlement for services they do not consume. Though some additional transaction volumes would be expected in this setting and some benefit to settlement participants from higher trade volumes, if done at profitable rates.

7. Do you agree with the proposal to implement the second 'fees review trigger' as described? Please provide a justification for your response.

AIRA believes the under and over recovery fee review triggers use materially different \$ threshold trigger points.

Whilst ASX represents that it has always adopted a prudent approach to managing its expenditure and cost base is a prudent consumer, it is the only entity who can choose to capitalise its higher expense load.

A higher under recover trigger will encourage ASX to maintain its prudent approach.

8. If implemented as proposed, do you consider that the fees review triggers will strike the optimal balance between ensuring that the CS services fee schedules consistently align with annual revenue requirements, and minimising the frequency of adjustments to those fee schedules?

No comment.

³ Extract Cash Market Clearing Management Income Statement 30 June 2024

"The ASX Group provides capital and liquidity to ASX Clear Pty Ltd and also undertakes capital expenditure in relation to cash market clearing infrastructure. Capital provided to clearing of cash market transactions is attributed to cash market clearing with reference to regulatory requirements and a risk based assessment.

⁴ Extract Cash Market Settlement Management Income Statement 30 June 2024

"The ASX Group provides capital and liquidity to ASX Settlement Pty Ltd and also undertakes capital expenditure in relation to cash market settlement infrastructure. Capital provided to the settlement of cash market transactions is attributed to cash market settlement with reference to regulatory requirements and a risk based assessment."

9. How will your organisation be impacted by the potential frequency of adjustments to the CS services fee schedules based on the operation of the two proposed fees review triggers? Please justify your response, including whether the impacts would be the same for a downward vs an upward adjustment to the CS services fee schedules.

AIRA is a representative of issuers, and not a direct consumer of CHES services so does not have a view on this.

10. Should ASX consider implementing any other fees review triggers? If yes, please describe the trigger(s) in detail.

AIRA believes a material shift in risk capital and settlement standby facilities assigned to clearing and settlement, adoption of T+1 settlement and the full BaNCS system delivery and function load for CHES Replacement Release 2 would be other triggers for fee reviews.

During the anticipated gap between 'Release 1', which sets up the capacity to transition to T+1 settlement and 'Release 2' the benefits of reduced risk margins and reduced capital outlay accrue primarily to stockbrokers⁵ and ASX.

ASX has never published an externally available business case for the abandoned CHES Replacement project. Fees and charges and the responsibilities for their use for new discretionary services promoted for CHES Replacement Release 2 will be triggers for decisions by participants to offer the services and take up optional models for some back-office systems. ASX still avoids the topic of CHES Replacement fees and its business case.

ASX has not yet published any educated estimate of or basis for transaction fees for any of the existing clearing and settlement functions that will transition to Release 1, and existing subregister functions or any new subregister functions for Release 2.

CHES was built and fees and charges set off a 1998 base of 200,000 holders (double the original 1992-95 design estimates of 100,000 holders) and a range of broker-to-broker trade of 8,000 to 30,000 daily trades. Many of the current fees and charges for settlement participants are still based on the original fees and charges pricing from 1994-96. ASX does not seem to have passed on the efficiency dividend to CHES's users that ASX would have experienced from a significant increase in the system's scale and revenue. AIRA believes the fee review triggers must be transparent about the efficiency dividend ASX will receive from the modernisation of its technology stack.

11. Do you support a commencement date of the new Policy of 1 January 2025? Please provide an explanation for your support or alternative suggestion(s).

Yes, provided the subscription fee model freeze for issuers continues to 1 July 2025.

⁵ US Depository Trust & Clearing Corporation (DTCC) estimating that removing one day's exposure to risk could translate into a 41% reduction in the volatility component of CCP margin requirements. [https://securities.cib.bnpparibas/t1-settlement-ready/#_ftn1]. In context Margin represents the majority of collateral held by the ASX CCPs: during the Assessment period the CCPs collectively held around \$6 billion in margin, relative to a total of \$900 million in pooled financial resources. <https://www.rba.gov.au/payments-and-infrastructure/financial-market-infrastructure/clearing-and-settlement-facilities/assessments/2016-2017/special-topic-on-ccp-margin-arrangements.html>

Additional revenue sources

ASX has created new information services ⁶, off the back of new mandatory corporate action announcement functions imposed on Issuers by ASX Listing Rules. The mandatory corporate action announcement functions imposed on Issuers by ASX Listing Rules removed a significant clerical process from ASX's cost base.

These new corporate action and reinvestment plan record information services sold by ASX, would be essential for many CHESS users to take, or clerically remanufacture, to make CHESS Replacement function for them.

The fees ASX published for the new corporate action information services was 60% more than the closest equivalent service ⁷ previously used by CHESS users. The old information services will likely prove to be redundant for active interaction with CHESS Replacement for the suite of active Release 2 corporate action subregister services. Most market participants out of necessity will be subscribers to the current corporate action information services sold by ASX. Most market and settlement participants will out of necessity have to subscribe to the new more expensive corporate action and reinvestment plan record information services sold by ASX.

Redevelopment cost on capital account

AIRA believes ASX should be providing an overall budget and regular account of its current multi-year redefined CHESS Replacement project as these costs will form ASX's rebased capitalised cost of its new system, a key contributor to CHESS fees.

ASX has derecognised its historical capitalised costs of CHESS Replacement systems and associated work and wrote off \$251.9m after it acknowledged its failed investment in CHESS Replacement. This significant write off is the almost the same amount as ASX reported for its FY23 Securities and Payments revenue (\$258.4m).

In 2023 ASX provided for up to \$70.0 million to eligible stakeholders to support participation for the successful progress and completion of the CHESS replacement project. There was a \$15 million rebate pool available for clearing and settlement participants to be paid in August 2023 and a development incentive pool of up to \$55 million available for stakeholders that meet the eligibility criteria. In FY23 ASX incurred \$17.8 million pre-tax (\$12.5 million after tax) for the development incentive pool and accrued \$15.0 million pre-tax (\$10.5 million after tax) for the participant rebate.

These written off and provided amounts compare poorly with the cost of ASX's original concept to finished product CHESS development (1992-96):

- computer equipment;
- software;
- salaries and consultants;
- negotiation and legal advice for legislative changes, negotiation with the competition regulators, negotiation with state revenue authorities on FID and stamp duty matters;
- external audit process;

⁶ Inspired by most potential CHESS users' requirements expressed in the 2017 round of working groups for a 'golden source of truth' for corporate actions parameters. The service is ASX's ISO 20022 Real Time Corporate Actions service.

⁷ ASX's ISO 20022 Real Time Corporate Actions service

https://asxonline.com/content/dam/asxonline/public/documents/schedule-of-fees/asx_015360.pdf
comparison 03001065 Master List & Corporate Actions EOD Internal use – Enterprise Licence (\$5,990)to
03001071 Master List & Corporate Actions Intraday or Real-Time Internal use – Enterprise Licence (\$9,600)

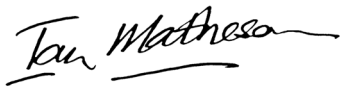
- full sets of internal and external user documentation; and
- full implementation for CHESSE user's transition to the new system and contingencies of \$34.65m funded from the reserves in the Securities Industry Development Account (SIDA).⁸

ASX delivered the original CHESSE project on time and on budget and was not required to compensate systems developers or participants for a delayed implementation.

In conclusion

AIRA's submission is based on a desire for CHESSE users, investors and ASX to get the best outcome from the significant investment of time, energy and funds put to the task of replacing a system and process that has been in operation for thirty years but is due for retirement.

Yours sincerely,



Ian Matheson
Chief Executive Officer

^{8 8} <https://treasury.gov.au/sites/default/files/2019-03/Document-6-13.pdf>. Appendix 1

Appendix A

Summarised management accounts for clearing and settlement and extrapolation for issuer services

Participant fees represent annual and initial fees paid by settlement participants for admission to or participation in ASX Settlement Pty Limited. Fees are recognised in the period earned.

Cash market settlement represents fees earned for the settlement of cash market trades transacted on ASX and other venues. Cash market trades include equities, interest rates, warrants and exchange traded funds. Fees are based on a fixed charge on the number of settlement messages. These fees are recognised at settlement date.

Revenue sharing rebate represents the amount of cash market settlement fees rebated to settlement participants. The amount of the rebate represents 50% of the growth in revenue (pre-rebate) from cash market settlement in the current period over the prior comparable period. Rebates are recognised in the period the revenue is earned.

Management income statement – cash market settlement						ASX Annual report	
			\$m 2024	\$m 2023	\$m 2022		All ASX FY2024
Revenue							
Cash market settlement			63.10	63.80	73.90		
Revenue sharing rebate			-	-	-		
Settlement fail fees			1.30	1.80	2.50		
Technical services & Participation fees			1.10	1.20	1.20		
Operating Revenue			65.50	66.80	77.60		
Expenses							
Staff			-26.10	-21.20	-16.90		\$ 240.50m Staff 1,193 FTE
Equipment			- 4.70	- 4.10	-3.60		\$187,770 ⁹
Occupancy			- 1.00	- 0.90	-0.70		
Administration			- 5.70	- 4.40	-3.10		
ASIC supervision levy			- 0.09	- 0.20	-0.40		
Operating expenses			-38.40	-30.80	-24.70		
EBITDA			27.10	36.00	52.90		
Depreciation and amortisation			-8.9	-0.8	-1.00		
Average Capital			206.60	208.20	300.70		
Management income statement – cash market clearing						ASX Annual report	
			\$m 2024	\$m 2023	\$m 2022		All ASX FY2024
Revenue							
Cash market settlement			64.30	68.40	80.60		
Revenue sharing rebate			-	-	-4.80		
Settlement fail fees			0.10	0.10	0.10		
Technical services & Participation fees			0.30	0.30	0.30		

⁹ For a product that is largely has no staff intervention and systems returning responses to participant inputs. Some daily monitoring of performance of settlement and bank responses.

Appendix A

Summarised management accounts for clearing and settlement and extrapolation for issuer services

Operating Revenue		64.70	68.80	76.20			
Management income statement – cash market clearing (cont)							
Expenses						\$ 240.50	Staff 1,193
Staff		-24.90	-19.80	-15.70		123.52	FTE
Equipment		- 4.50	- 2.80	-2.70		\$200,806	
Occupancy		- 0.90	- 0.70	-0.60			
Administration		- 4.70	- 4.20	-3.10			
ASIC supervision levy		- 0.90	- 0.20	-0.40			
Operating expenses		-35.90	-27.70	-22.50			
EBITDA		28.80	41.10	53.70			
Depreciation and amortisation		-5.6	-0.6	-0.90			
Average Capital		245.80	270.10	294.50			
Management income statement – issuer services (theoretical)						ASX Annual report	
		\$m 2024	\$m 2023	\$m 2022		All ASX FY2024	
Revenue							
Issuer services (actual)		58.10	60.61	61.36			
(theoretical)		Issuer services revenue / clearing revenue drives expenses calculation					
Revenue sharing rebate		-	-	-			
Settlement fail fees		-	-	-			
Technical services & Participation fees		1.10	1.20	1.20			
Operating Revenue		59.20	61.81	62.56			
Expenses						\$ 240.50	1,193
Staff		-23.88	-19.05	-13.87		118.46	FTE
Equipment		- 4.30	- 3.68	-2.96		\$187,770 ¹⁰	
Occupancy		- 0.91	- 0.81	-0.57			
Administration		- 5.22	- 3.95	-2.55			
ASIC supervision levy		- 0.08	- 0.18	-0.33			
Operating expenses		-34.39	-27.67	-20.28			
EBITDA		24.81	34.14	42.28			
Depreciation and amortisation		- 8.14	- 0.72	-0.82			
Average Capital		-	-	-			

¹⁰ For a product that is largely has no staff intervention and systems returning responses to participant and issuer announcement inputs. Some daily monitoring of performance of end of day processes and corporate actions set-up.

Appendix A

Summarised management accounts for clearing and settlement and extrapolation for issuer services

Apportioned over all major ASX expense lines

		FY24 \$m	FY23 \$m	FY22 \$m
Employee expenses		240.50	198.60	171.70
Equipment		57.60	52.60	47.80
Occupancy		10.90	9.90	8.90
Administration		47.30	43.70	31.60
Variable		13.00	12.20	15.50
ASIC levy		14.80	7.40	7.70
Operating expenses excluding regulatory expenses		384.10	324.40	283.20
Regulatory expenses		8.40	13.30	-
Total operating expenses		392.50	337.70	283.20
Depreciation and amortisation		37.00	36.90	50.30
Total expenses		429.50	374.60	333.50

			\$m 2024	\$m 2023	\$m 2022	% of ASX total		
Expenses						FY24	FY23	FY22
Staff			- 74.88	- 60.05	-46.47	31.1%	30.2%	27.1%
Equipment			- 13.50	- 10.58	-9.26	23.4%	20.1%	19.4%
Occupancy			- 2.81	- 2.41	-1.87	25.8%	25.8%	24.3%
Administration			- 15.62	- 12.55	-8.75	33.0%	33.0%	28.7%
ASIC supervision levy			- 1.07	- 0.58	-1.13	7.2%	7.2%	7.8%
Operating expenses			- 108.69	86.17	-67.48	27.7%	27.7%	25.5%
EBITDA			80.71	111.24	148.88			
Depreciation and amortisation			- 22.64	- 2.12	-2.72	61.2%	5.7%	5.4%

Exceeds 18% - the share of overall ASX revenue attributed to CHES services

An example of ASX's approach to growing fees it charges to issuers is the largest category of active messages used by issuers, across the 2,000+ listed companies.

The CHESS Replacement Technical Committee was informed on 7 March 2024 that a total of 6,387,065 Holding Adjustments and 167,977 Securities Transformations had been processed in the preceding 15 months. The most significant uses were for issue of the product of Dividend Reinvestment Plans (4.1m) and Scheme of Arrangement implementation (473k).

Holding Adjustments and Securities Transformations are the only transactions an Issuer can use to update the holdings of investors in the CHESS subregister in response to an issue of new shares; from a dividend reinvestment plan, rights issue, share purchase plan, placements and initial public offer or reflect the results of a capital reconstruction ¹¹. These transactions have experienced a fee increase (before GST) of:

- +25% between 2008 and 2010
- +20% between 2010 and 2012; and
- another +~66% between 2012 and 2022 (at the cheapest current tiered rate charged).

The Holding Adjustment or Securities Transformation transaction flow that has not changed in form or complexity since 1994, but has significantly increased in volume since 1994, has not been subject to a public justification process in relation to the significant increase in the fees charged. These essential and irreplaceable services that must be obtained from CHESS appear to be priced on what the market will bear not what the Issuer must take from CHESS because the rules require it.

The consequences of every Holding Adjustment or Securities Transformation on a sponsored CHESS holding is the production of a record in a CHESS Holding Statement costing the issuer \$1.10 in 2012-2022 and since July 2022, \$0.50 per posted statement. This cost of Holding Statements to issuers is charged without regard to the requirement by ASX Listing Rules or the Corporations Act ¹² to provide a much more detailed account of the reason and value exchanged in relation to the addition or reduction of securities in the investor's account or the significant change in how investors' interact with their service providers.

¹¹ EIS #425 Holding Adjustment and #421 Securities Transformation

¹² s1017(f)

Effective from 1 September 2008

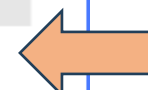
4. Clearing & Settlement Services for Issuers & Registries

Table 4.1 Registry Services

Product Code	Description	GST Exclusive Fee \$AUD	GST Inclusive Fee \$AUD	Basis	Billable CHESS Messages
04900260	Provision of CD Containing Registration Details ⁹	150.00	165.00	Per CD Supplied	N/A

Table 4.2 Holder Notifications & Recordkeeping

Product Code	Description	GST Exclusive Fee \$AUD	GST Inclusive Fee \$AUD	Basis	Billable CHESS Messages
04900200	CHESS Holding Statements	1.00	1.10	Per Statement	N/A
04900205	CHESS Holding Statement – Special Message	100.00	110.00	Per Message Per Month	N/A
04900210	CHESS & Sub-register Transfer & Conversion	0.20	0.22	Per Message Received	402, 404, 406, 408, 412, 414, 416, 418
04900215	Notification of Holding Details Update	0.20	0.22	Per Advice	759
04900220	Notification of Tax File Number	0.20	0.22	Per TFN Notification	534
04900225	Holding Adjustments & Transformations	0.20	0.22	Per Message Request	421, 425, 512
04900110	Report Requests & Enquiry Output ¹⁰	0.20	0.22	Per Message Request	503, 505, 514, 538 ¹¹ ,



Page 11 of 12

		Fee \$AUD	\$AUD		
04900005	DvP Settlement / Miscellaneous Payment ¹²	1.60	1.76	Per Request to Create a Settlement Obligation with Value	101
04900255	Primary Market Facilitation Fee	2,000.00 Minimum	2,200.00	Issue Value: \$0 to \$25m	Per Request
		Ad valorem of 0.8 Basis Points	+10%	\$25m to \$150m Calculated at 0.008% of the value of the offer	
		Fixed at 12,000.00	13,200.00	\$150m to \$250m	
		Fixed at 15,000.00	16,500.00	Greater than \$250m	



Effective from 4 January 2010

Page 12 of 14

4. Clearing & Settlement Services for Issuers & Registries

Table 4.1 Registry Services

Product Code	Description	GST Exclusive Fee \$AUD	GST Inclusive Fee \$AUD	Basis	Billable CHESS Messages
04900260	Provision of CD Containing Registration Details	150.00	165.00	Per CD Supplied	N/A

Table 4.2 Holder Notifications & Recordkeeping

Product Code	Description	GST Exclusive Fee \$AUD	GST Inclusive Fee \$AUD	Basis	Billable CHESS Messages
04900200	CHESS Holding Statements	1.00	1.10	Per Statement	N/A
04900205	CHESS Holding Statement - Special Message	100.00	110.00	Per Message Per Month	N/A
04900210	CHESS & Sub-register Transfer & Conversion	0.25	0.275	Per Message Received	402, 404, 406, 408, 412, 414, 416, 418
04900215	Notification of Holding Details Update	0.20	0.22	Per Advice	739
04900220	Notification of Tax File Number	0.20	0.22	Per TFN Notification	534
04900225	Holding Adjustments & Transformations	0.25	0.275	Per Message Request	421, 425, 512
04900110	Report Requests & Enquiry Output ⁹	0.20	0.22	Per Message Request	503, 505, 514, 538 ¹⁰



Table 4.3 Primary Market Facility (PMF)

Product Code	Description	GST Exclusive Fee \$AUD	GST Inclusive Fee \$AUD	Basis	Billable CHESS Messages
04900005	DrP Settlement / Miscellaneous Payment ¹¹	1.60	1.76	Per Request to Create a Settlement Obligation with Value	101
04900255	Primary Market Facilitation Fee	5,000.00 Minimum	5,500.00	Issue Value: \$0 to \$50m	Per Request
	Ad valorem of 1 Basis Point		+10%	\$50m to \$250m Calculated at 0.01% of the value of the offer	
	Fixed at 25,000.00		27,500.00	Greater than \$250m	



Table 4.4 Offer Administration

Effective 13 September 2012

4 Clearing & Settlement Services for Issuers & Registries

4.1 Registry Services

04900260 Provision of CD Containing Registration Details

4.2 Holder Notifications & Recordkeeping

04900200 CHESS Holding Statements

04900205 CHESS Holding Statement - Special Message

04900210 CHESS & Sub-register Transfer & Conversion

04900215 Notification of Holding Details Update

04900220 Notification of Tax File Number

04900225 Holding Adjustments & Transformations

\$150.00

\$1.10

\$100.00

\$0.30

\$0.30


\$0.30

\$0.30



The other transactions issuers are charged to complete in CHESS after a participant initiates them like transfers and conversions to or from CHESS did not go up in price.

Each of the fees that went up by 50% are long established transaction types in most common use, that have no other alternatives, are simple to respond to or produce, and have not been subject to any updated process or CHESS responsibility, so why has ASX increased these specific fees so spectacularly?



Product Code	Service	Number of HINs	Rate per HIN	Flat Fee	Additional per HIN fee	Effective Date	
04900257	Investment Product Issuers ³ – Subscription fee per HIN ⁴	1 to 50,000	\$3.00	Nil	\$3.00 for each HIN	1-Jul-2022	
		50,001 to 150,000	\$2.00	\$12,000	\$150,000 plus \$2.00 for each HIN above 50,000		
		150,001 to 300,000	\$1.00	\$12,000	\$350,000 plus \$1.00 for each HIN above 150,000		
		>300,000	\$0.50	\$12,000	\$500,000 plus \$0.50 for each HIN above 300,000		
Holding Adjustments							
Product Code	Service	Charge Basis	Message	Number of adjustments	Rate per adjustment	Total Amount	Effective Date
04900226	Holding Adjustments	Per message request	421, 425	1 to 500	\$2.50	\$2.50 for each adjustment	1-Jul-2022
				501 to 1,250	\$1.50	\$1,250 plus \$1.50 for each adjustment above 500	
				>1,250	\$0.50	\$2,375 plus \$0.50 for each adjustment above 1,250	

The tiered HIN based subscription fee model and tiered ranges of charges for Holding Adjustments and Securities Transformations show a further significant change to the cost per transaction fee of \$0.50 (at the cheapest bulk rate), a 67% uptick in fee rate between 2008 and 2022.¹³

At the low volume rates the Holding Adjustments fees have increased from \$0.20 to \$2.50, a 1250% increase. The high fees at the bottom tier of fees for Holding Adjustments and Securities Transformations will have added to the cost of small issuers making small placements. ASX often also collected the minimum \$7,500 Primary Market Facility fee on these placements.

It appears the reduction in Holding Statement charge from circa \$1.00 to \$0.50 for print and post statements has been partially underwritten by the minimum \$0.20 increase (and significant \$2.20 increase for the low volume tier and \$1.20 increase at the mid tier) in Holding Adjustment / Securities Transformation fee. A significant proportion of passive shareholder's change in holding will be tied to DRP reinvesting half yearly income flows, and so will be a cause of the issue of Holding Statements, despite the issuer being obliged to report the dividend/reinvestment to its shareholder. Another negotiation point for issuers in relation to CHESS Replacement functions and system improvements.

¹³ <https://www.asx.com.au/issuers/issuer-services/tools-and-resources?#fees> and <https://asxonline.com/content/dam/asxonline/public/documents/schedule-of-fees/asx-issuer-services-schedule-of-fees.pdf>