

28 October 2016

Diane Lewis
Senior Manager, Regulatory & Public Policy
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ASX Limited
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Dear Diane

ASX'S Replacement of CHES for Equity post-trade services: Business requirements: Consultation paper

Governance Institute of Australia (Governance Institute) is the only independent professional association with a sole focus on whole-of-organisation governance. Our education, support and networking opportunities for directors, company secretaries, governance professionals and risk managers are unrivalled.

Our members have primary responsibility in listed companies to deal with the Australian Securities Exchange (ASX) and interpret and implement the listing rules.

Given that the consultation paper deals primarily with the clearing, settlement, asset registration and related post-trade processes — functions of more relevance to other market participants than to our members — we have not responded to the detailed questions set out in the consultation paper but provide general comments.

Governance Institute is in agreement with the guiding principles underpinning the development of the new system that will streamline functions and workflows through the provision of more flexible technology. In particular, we welcome the ASX's reaffirmation of the principle of 'name on register', which underpins transparency of ownership and protection of investor rights; and the retention of the option of 'issuer sponsorship' for those investors that prefer not to have their securities administered by a broker.

We welcome ASX's assurances that the key business functions currently provided by CHES as listed in the consultation paper and matters of security will continue to be supported, and in some instances enhanced by the new system which replaces it. However, we would appreciate further clarification on the approach to functionality for updating and maintaining issuers' registers of members, which the consultation paper does not address. ASX has stated that it will provide issuers with real-time access to the register, which we welcome and would like to understand further, including how this will interact with the register of members.

As regards system capability in a further phase of development after the delivery of the replacement system, Governance Institute supports the introduction of a multi-asset class capability as a feature that could be beneficial for issuers, allowing, for example, debt and equity instruments to be listed.

We are also supportive of any centralised capture and storage of information that could provide efficiencies in regulatory reporting requirements, provided that there are supporting regulatory

changes which would ensure that such information must be made available to issuers to assist them with their regulatory obligations, including those under the Anti Money Laundering and Counter-Terrorism Financing Act (AML/CTF) and Foreign Account Tax Compliance Act (FATCA).

Governance Institute members are particularly interested in any enhancements that will assist issuers to have greater knowledge of the beneficial ownership of securities. We welcome additional engagement with ASX on this and any other relevant matter as foreshadowed.

Yours sincerely

A handwritten signature in black ink, appearing to read 'J Fox', with a stylized flourish above the 'x'.

Judith Fox FGIA
National Director, Policy & Advocacy