

Friday, 10 Aug 2018

Office of the General Counsel
ASX Limited
20 Bridge Street
Sydney NSW 2000

Attention: Gary Hobourn

By email: regulatorypolicy@asx.com.au

Computershare Limited
ABN 71 005 485 825
Yarra Falls, 452 Johnston Street Abbotsford
Victoria 3067 Australia
GPO Box 2975EE
Melbourne Victoria 3001 Australia
Telephone 61 3 9415 5000
Facsimile 61 3 9415 2500
www.computershare.com

Dear Mr Hobourn,

Transfers to the CHESSE Subregister: Consultation Paper

Computershare appreciates the opportunity to provide feedback on the consultation paper: 'Transfers to the CHESSE subregister'. Computershare (ASX: CPU) is a global market leader in transfer agency and share registration, employee equity plans, mortgage servicing, proxy solicitation and stakeholder communications. We also specialise in corporate trust, bankruptcy, class action and a range of other diversified financial and governance services.

Founded in 1978, Computershare is renowned for its expertise in high integrity data management, high volume transaction processing and reconciliations, payments and stakeholder engagement. Many of the world's leading organisations use us to streamline and maximise the value of relationships with their investors, employees, creditors and customers. Computershare is represented in all major financial markets and has over 16,000 employees worldwide. For more information, visit www.computershare.com.

We are supportive in principle of the proposal to increase use of 'straight through' electronic messaging and reduce unnecessary paperwork requirements; however this is contingent on the establishment of appropriate protections for issuers and investors. In our view, based on the issues explored below, the proposals require some refinement to achieve this. We look forward to engaging further with you on this development.

Extent of protections for issuers and transferors

Our primary concern in considering the proposals is to ensure that issuers and investors are adequately protected from the risk and consequences of unauthorised transfers. We understand that the origins of the requirement that settlement-only participants submit the registrable transfer document for this category of transfers is the absence of protection for holders under the National Guarantee Fund ('NGF'). The current proposals will not alter the position with respect to the NGF.

The consultation paper lays out a number of proposed amendments to the Settlement Operating Rules ('the Rules') to protect issuers and transferors. This includes the extension of warranties to issuers under Rule 9.12.5 to include settlement-only participants; and also the extension of ancillary requirements for transfers under Rules 9.12.6 to 9.12.8 with regard to transferor authority and post-transfers checks and (if necessary) rectification measures. The onus is placed on the settlement-only participant to determine what steps they should take to ensure that they are able to provide the requisite warranties under the Rules and Corporations Regulations.

We understand that the proposed removal of the requirement for a transfer document would not impact the scope and application of the statutory warranties and indemnities under the Corporations Regulations. This would continue to provide an avenue of action for issuers and transferors in the event of an unauthorised transfer, in addition to the potential for the participant to commit a statutory offence.

The consultation paper further states that holders will continue to have recourse against a settlement participant where a Sponsorship Agreement is in place between the parties, in the event of unauthorised transfer. It is not however apparent to us how many of the relevant transactions may fall into such a category, i.e. how many issuer sponsored to CHESST transfers are subject to CHESST sponsorship terms, and therefore the extent of the overall investor protection thus offered by the existence of a Sponsorship Bond. Clarification on this issue would be beneficial.

Issuer protections under the revised Rules may be subject to a participant's capacity to meet indemnity obligations

It appears that the protection offered by the Rules is largely to the benefit of issuers, considering the proposed extension of Rule 9.12.5 and our inability to establish the extent of investor protection offered by the Sponsorship Bond in this context. We also consider it likely that investors that suffer loss may look to the issuer to rectify their position in the first instance rather than to the participant, particularly in the event that the investor does not have an established relationship with the participant or is not in a position to take action under the Corporations Regulations in their own right (e.g. due to financial constraints). The onus in many cases may therefore be placed on the issuer to rectify the register in the event of unauthorised transfer, including where a participant identifies the unauthorised transfer through a post-transfer check pursuant to Rule 9.12.7.

In our view, the indemnities and warranties offered by the Corporations Regulations and the proposed Rule changes would provide an acceptable level of 'after the fact' protection for issuers (and transferors, should they pursue directly under the Regulations) in the event of an unauthorised transfer, subject to the capacity of the participant to 'stand behind' its obligation to indemnify. Issuers are therefore exposed to a form of credit risk with regard to the settlement-only participants.

While this exposure exists today, we consider the risk of unauthorised transfer may increase where the relevant transfers can be processed in an automated 'straight through' process. Under the proposals, issuers will lose the potential for documentation review that may expose any irregularities. A similar exposure for issuers does not exist with respect to trading participants due to the NGF.

Qualifying criteria should be considered

We appreciate that many settlement-only participants are regulated entities. Given the potential exposure of issuers to the capacity of a participant to stand behind its indemnities, and absence of an equivalent to the NGF for such participants, we consider that ASX should incorporate qualifying criteria to its proposed removal of the registrable transfer document. This may be based on the regulatory status of the participant, or the provision of some additional form of adequate insurance for the benefit of issuers and transferors. Other options may also deliver the requisite comfort level. Participants that cannot meet such criteria should be required to continue to submit the registrable transfer document, subject to our additional comments below.

In our view, introduction of such a standard will facilitate the removal of transfer document requirement for the majority of settlement-only participants, and deliver on the goal of improved processing efficiency, while ensuring appropriate issuer and investor protection.

Transfer documentation validation

As noted in the consultation paper, the registrable transfer documents submitted by settlement-only participants contain the transferring shareholder's SRN and name, in some cases their address, and a signature purportedly by or on behalf of the transferor. Under the ASX Settlement Operating Rules, the issuer (or more commonly their share registry) must ensure that such details match the issuer's records in relation to the transferor. As records of signatures are not held by issuers or their registries, only the SRN, name and (if provided) address are validated.

You will be aware that, following supportive changes to the ASX Listing Rules in 2011, share registries implemented additional validation controls for review of off-market transfers that occur between

holders wholly on the issuer sponsored sub-register. This includes requiring certain forms of identification documentation from the transferor to authenticate their identity.

Participant validation of transferor consent

It is not apparent to us how settlement-only participants currently validate transferor consent, including the identity of the issuer sponsored transferor and their signature, prior to the initiation of an issuer sponsored to CHESS transfer. As noted above, registries are not able to validate this category of issuer sponsored transfer in the same manner that applies to issuer sponsored to issuer sponsored transfers. We are concerned that there may therefore be a discrepancy between the validation principles observed for transfers initiated by CHESS messaging by settlement-only participants when compared to those followed by registries for issuer sponsored to issuer sponsored transfers.

We urge ASX to therefore review its validation requirements for issuer sponsored to CHESS transfers to remove any such gap in transferor validation and authentication. This should be addressed as part of the proposed changes.

We trust that the above comments assist in the discussion regarding these proposed changes. Please do not hesitate to contact me on the details provided below for any questions.

Yours sincerely,



Greg Dooley

Managing Director, Computershare Investor Services

greg.dooley@computershare.com.au

+61 419 013 131