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ASX Limited
20 Bridge Street
Sydney NSW 2000

Computershare Investor Services Pty Limited

ABN 48 078 279 277
GPO Box 7045
Sydney NSW 2001 Australia
Telephone 61 2 8234 5000
www.computershare.com

Attention: Ben Jackson/Rob Nash
By email: consultations@asx.com.au

Not confidential

Dear Ben and Rob

Market Management Consultation - July 2022

Thank you for the opportunity to comment on ASX's Market Management consultation published in June 2022. We make this submission in our role as share registry and employee share plan administrator for approximately 750 issuer clients in Australia and New Zealand who are listed on ASX.

Our feedback relates solely to aspects of the consultation that directly relate to issuers, including those who operate employee share plan schemes.

Computershare is supportive of ASIC's expectations to support the resilience and robustness of the Australian equity market, as outlined in Report 708. The trading outage that occurred on 16 November 2020 and another operational incident the following day¹ created a high degree of uncertainty and confusion across all stakeholders.

Computershare's comments outline a number of actual and potential impacts of the main trading outage on the issuer community with a view to ensuring that an issuer voice is present in considerations to avoid, or, at the very least, improve the management of these events should they occur again. The consultation in its current form is silent on the broader impacts and considerations on issuers and investors.

Further, it is important to us and the entire ecosystem that the equity market, encompassing trading, clearing and settlement, function efficiently and with certainty. Recent events and observations across other ASX-led projects have created a degree of uncertainty that can be improved upon with better planning, communication, and execution.

Corporate and employee events – impacts

In addition to the financial trading opportunities lost, a range of corporate events have the potential to be adversely affected by the inability for investors to transact during a trading outage. The scope of these events may extend to employer/employee remuneration timetables.

Depending on the time of year, the number of events or the impact of an outage on issuers and investors, including employee share plan participants, can vary significantly from one day to the next. This impact can only be assessed 'in the moment' and remains an unknown while the status of the market remains in a state of flux, as occurred on the 16 November.

We assessed 6 areas for actual and potential impact. Our assessment of 'actual' impact is based on the number of scheduled events underway during the 16 November outage. 'Potential' impact is variable and may depend on the time of year, size/profile of transaction or volume of concurrent activities. We

¹ i.e. the significant delay to CHES Settlement on 17 November 2020, unrelated to the trading outage.

rated the overall actual impacts on the issuer community of the outage on 16 November as 'low to moderate'.

Area & considerations	Actual² (Low/Med/ High)	Potential³ (Low/Med/ High)
1. AGM or scheme meetings <ul style="list-style-type: none"> • Ability for an investor to buy in or increase a holding to be able to vote for a meeting is impacted • In contested meetings, the inability to vote may affect meeting outcomes • Should timelines for impacted events be modified? 	Med	High
2. M&A (off-market takeovers) <ul style="list-style-type: none"> • Investors unable to buy or sell and settle a position before the close of an offer. This may impact takeover event thresholds or access to takeover funds. • Timelines for events could be impacted with a potential requirement for an extension to the offer. 	Low	Med
3. Dividends or distributions <ul style="list-style-type: none"> • Investors unable to buy or sell and settle securities prior to a record date, potentially throttling demand on the share price. • In dividend season, the effects would be dramatically increased 	Low	Med
4. Rights and capital raisings <ul style="list-style-type: none"> • Investors unable to buy or sell securities and settle prior to announced rights events with a record date • Investors unable to buy or sell and settle tradable rights • Seller loses the value of the tradable right, buyer misses opportunity to participate, issuer misses out on new capital and shareholder • Timelines for events could be impacted – potential requirement for an extension to an offer. 	Low	Med
5. Employee share plans and dealing <ul style="list-style-type: none"> • Vesting events involving on-market purchases at risk due to inability to purchase and settle. This may lead to employer non-compliance with plan rules and impact an employee's ability to trade and manage tax impacts of vesting. • Companies have limited trading windows for senior executives and a missed opportunity to trade could result in large financial impacts on those executives. 	Low	High
6. Share Registry operations <ul style="list-style-type: none"> • Operational teams balance the critical events of the day. The impact varies depending on the events listed above and the nature of projects and issuers involved. • Stakeholder management is a key management consideration 	Low	Med

Table 1 - Issuer impacts, actual and potential

Communications during an outage

Clear communication is a key factor in the ability to manage the impact of an outage. As we have outlined above, stakeholders such as Computershare have a broad range of considerations to manage which may require communicating with issuers to provide impact updates. Depending on the nature of the outage, such as the settlement delay on the 17 November, the number of impacts could be vast, requiring teams to activate their own Business Continuity Plans if the issue remains unresolved⁴.

² Relating to events underway on 16 November 2020

³ Depending on time of year, volume and type of events underway

⁴ In that instance, there was no certainty whether settlement would complete on that day and whether standard end-of-day activities would occur.

Early notification of the 16 November 2020 trading outage occurred via word of mouth, which was confirmed via ASX social media updates and ongoing monitoring the ASX System Status Page. While ASX's status page was updated every 30 mins, the updates contained little information that could be used to assess how significant the outage was and if trading would resume for the day. This hindered our ability to plan and communicate with our own impacted internal and external stakeholders.

Answers to specific questions:

Question 4.2: We consider 30 minute updates to the ASX Systems Status Page to be appropriate. However, ASX should seek to release new significant information as soon as it is available.

Question 4.4: We consider that the proposed expanded scope of content updates to the ASX Systems Status Page to be appropriate. ASX should ensure the expanded information updates are understood by all stakeholders across the ecosystem, not just those immediately impacted. We also support the use of social media to complement formal communication, where appropriate.

In addition, the proposed declaration of a backstop time will provide some certainty to stakeholders in the event of a trading outage. We make no comment on the time proposed.

While the scope of this consultation relates to a market outage, other operational issues such as the delay to CHESSE Settlement (17 November 2020) may require a different communications approach and should be considered in due course.

ASX's approach to project management and risk

Given its critical role in the market, ASX's risk is a shared risk across all stakeholders and consequences affect the entire market. ASIC's assessment of the trading outage on 16 November was that:

"the ASX Trade system was not ready to go-live considering ASX's near zero appetite for service disruption. This was the case even though the formal implementation readiness processes were completed and verified by multiple parties without objection to go-live"⁵.

We have observed similar challenges in past projects (new ASX website, October 2020) and current implementations (Signal B, 5 project implementation adjustments to-date), as well as those still in development (CHESSE Replacement⁶, governance, project design, technology, testing approach).

ASX's planning has appeared to overlook impacts on the broader market and has raised questions across the marketplace on ASX's ability to manage project and implementation risk. In these examples, the consequences of ASX's decisions are felt across the market and impact overall confidence. In view of the developments underway, it is critical that ASX improve its understanding of the impacts of its decisions and enhance its approach to contingency planning for implementations and ongoing operations.

International precedent

Our experience in other jurisdictions gives us visibility of other approaches to market wide Business Continuity Planning (BCP) and communications. While a number of these have been in the domain of clearing and settlement activities, they reveal a more proactive and inclusive approach to BCP communications and the assessment of market-wide impacts.

We recommend ASX investigate global best practice frameworks and work with local stakeholders to align Australia's financial markets with others to improve certainty for all related parties. Improved

⁵ From: <https://asic.gov.au/about-asic/news-centre/find-a-media-release/2021-releases/21-220mr-update-on-the-independent-expert-review-of-november-s-asx-trade-outage/>

⁶ As announced by ASX on the 3 August 2022, now subject to a significant delay

scenario planning for market wide issues with key infrastructure, supported by documented and tested protocols, should be a key outcome from this consultation process.

A number of international scenarios are worthy of review, including:

- LSEG arrangements for trading outages - Section 11 of MIT201 - Guide to the Trading System⁷,
- Euroclear is required to have robust arrangements for industry-wide communications and BCP which includes an annual 'desktop' BCP exercise, across all stakeholder groups, including registries, and
- Management of Euroclear's September 2020 outage which triggered BCP arrangements, including the movement of Corporate Events to the following day (process refined after review).

If you have any questions or would like to discuss further, please contact me at marnie.reid@computershare.com.au or on 0413 005 728.

Thank you again for the opportunity to provide feedback.

Yours sincerely



Marnie Reid
CEO Issuer Services AUS&NZ
Computershare Investor Services

⁷ Available at: https://www.lseg.com/sites/default/files/content/documents/MIT201%20-%20Guide%20to%20the%20Trading%20System%20Issue%2014-91_0.pdf