

Australian Custodial Services Association
Level 29, 44 Market Street
Sydney, NSW, 2000

15 August, 2025

Ms Nikola Vanstan
Industry Engagement Manager
ASX Securities and Payments
Exchange Centre, 20 Bridge Street
Sydney, NSW, 2000
Email: Nikola.Vanstan@asx.com.au

Dear Nikola,

Corporate actions functionality in CHESS Replacement

The Australian Custodial Services Association (**ACSA**) is the peak industry body representing members of Australia's custodial and investment administration sector. Our mission is to promote efficiency and international best practice for members, our clients, and the market. Members of ACSA include J.P. Morgan, HSBC, State Street, BNP Paribas Securities Services, BNY Mellon, Citi, Clearstream, and The Northern Trust Company.

Collectively, the members of ACSA hold securities and investments in excess of AUD \$5.4 trillion¹ in value in custody and under administration for Australian clients comprising institutional investors such as the trustees of major industry, retail and corporate superannuation fund, life insurance companies, responsible entities and trustees of wholesale and retail investment funds, and various forms of international investors into Australia.

The ASX's CHESS Replacement program is the most important market initiative Australia has worked through in decades. It is a once-in-a-generation opportunity for the market to lay foundations that will modernise and future-proof Australia's clearing and settlement (CS) landscape.

The second iteration of the program has demonstrated excellent industry engagement and appropriate transparency to ACSA.

Throughout the program, ACSA has advocated for features to be part of the new system which will reduce risk, improve efficiency, and simplify access to the Australian market for domestic and foreign institutions. A key pillar of those asks is creation of a standard and mandatory approach to corporate actions processing, facilitated by the new CHESS platform.

Recent feedback to the industry suggests that the ASX is considering deploying this as an optional rather than mandatory feature, in line with feedback from some segments of the industry.

Making enhanced, standardised corporate actions functionality an optional feature within the new system would increase the risks rather than reduce them. Retaining existing processes alongside improved processes would perpetuate the existing systemic risks, entrench costly inefficiencies from the current market design into the new one, and challenge preparation for and move to T+1 and/or T+0/atomic settlement cycles. Australia's capital markets would be misaligned with global standards;

¹ As at 31 December 2022, <https://acsa.com.au/page/IndustryStatistics>

key global CSDs in North America and Europe treat corporate actions as a core function essential for market integrity.

International Standards and Best Practices

Modern securities markets have deployed straight through processing (STP) for corporate actions as a standard best practice. This involves end to end electronic processes of corporate action events, including issuers' announcements, investor elections for voluntary events, and entitlement distribution. This is performed with minimal manual intervention from participants. International standards such as ISO 15022/20022 messaging, and guidelines from industry groups such as SMPG and ISSA are widely adopted to enable consistent and automated communications.

Institutional investors in major markets expect to submit elections electronically and receive timely confirmation and payment without resorting to manual faxes of forms. ASX CS participants act as a buffer for institutional investors in this regard today by intermediating the varied processes used across Australia's registries and attempting to harmonise them into international formats; but the manual effort and risk involved in doing so hurts the entire market.

Automated corporate actions workflows in global markets typically feature:

- Centralised processing by a CSD or similar infrastructure
- Standardised electronic messages
- Straight through participant elections
- Automated booking of end outcomes
- Whilst not as wide-spread globally, automated process of claims and transformations are also captured; something that CHESS supports today in the event a matched trade fails.

Comparison to global markets

Australia lacks the functionality of key global markets for corporate actions processing:

Market	Overview
United States	The Depository Trust Company (DTC), operates a centralised asset servicing system. They have built out SWIFT capability for elections and payments gradually over the last decade and now remains at the forefront of messaging capability. ¹ In 2022, DTC processed the market's first fully automated election for a voluntary reorganisation event using 20022 messaging ²
Canada	CDS automatically credits cash/stock via entitlement files and/ or MT566. Rule changes to support MT566s were first flagged in 2011 ³
EU	European markets have pursued harmonisation and automation of corporate actions through regulatory standards and CSD infrastructure upgrades. Euroclear, for example, offer MT564, MT565, and MT566 messages for the vast majority of events.

New Zealand	New Zealand is also a user of the BaNCS MI product. Because they operate as a CSD, they offer a full suite of corporate actions messages for the majority of events today.
-------------	--

Australia context

In a blog posted to the ASX website in March 2022⁴, the ASX advised that announcement capture accounts for approximately half of total corporate actions costs borne by brokers and custodians. It follows that the other half of the costs are then borne in the manual processing of elections and payments.

Because CHESS is not a Central Securities Depository (CSD), outside limited use cases CS participants engage directly with share registries for corporate actions processes. The registries maintain excellent standards and service levels in their support of CS participants.

The challenge for CS participants arises from a lack of standardised communication formats, the existence of differing processes between registries, and the resultant divergence from global best practices these lead to.

Were the market left to solve this itself, it is likely that automation levels would ultimately increase to the levels needed to deliver risk reductions and efficiencies required; however they would do so unevenly as different providers work through different solutions.

There is a possibility that each incumbent or future registry in the market would settle on technology approaches and formats that may address risks and issues in the market as pertains to their population of serviced assets, but with result that CS participants and other entities in the financial ecosystem must monitor and build for each registry's capabilities. This will therefore increase complexity over time, rather than decrease it.

ACSA do not advocate for CHESS becoming a CSD; there are many benefits related to direct registry interaction. However, for Australia to modernise and join the world stage CHESS must be a central communication nexus for all corporate actions processes.

The move to T+1 and beyond

The global move toward T+1 settlement, and views on atomic settlement globally, add criticality to these capabilities. When settlement cycles shorten, the timeline around record dates and election deadlines become much tighter.

In the DTCC's paper "Accelerating to T+1: Impact on Corporate Actions Processing", DTCC advised that if corporate actions are manual and not standardized, they become even "riskier and more manually intensive" in a T+1 environment.

Summary

Given Australia's overlap with global time zones, the need to process instructions manually or in a fragmented manner could reduce the attractiveness of the market as an investment destination, if investors find themselves locked out of opportunities because manual processes cannot keep up with compressed settlement timelines.

In a “CSD-less” landscape, it is critical that the industry move together to build on those benefits and obtain the best of both worlds; a market that is nimble, agile, and competitive, but also de-risked, standardised, and accessible for CS purposes.

ACSA encourages the ASX do everything necessary to move the industry forward to create outcomes worthy of this once-in-a-generation modernisation of the market.

If you have any questions in relation to this letter, please contact us.

Yours sincerely



David Travers
Chief Executive office
Australian Custodial Services Association
Email: david.travers@acsa.com.au
Phone: 0466576471

References

¹DTCC.com – Document 22649-25 - July 22 2025

²Global Custodian Magazine – “DTCC automates voluntary corporate actions lifecycle” – June 16 2022

³CDS corporate actions FAQs – No date of publication on site

⁴The case for transforming corporate actions processing in the Australian market – ASX.com.au 04 March 2022

About ACSA

www.acsa.com.au

Custodians provide a range of institutional services, with clients typically favouring a bundled approach to custody and investment administration. Solutions may include traditional custody and safekeeping, investment administration, foreign exchange, securities lending, tax and financial reporting, investment analytics (risk, compliance and performance reporting), investment operations middle office outsourcing and ancillary banking services.

These services represent key investment back-office functions – often representing the client’s asset book of record and essential source data in relation to the investments they hold.

The key sectors supported by ACSA members include large superannuation funds and investment managers, as well as other domestic and international institutions.

ACSA works with peer associations, regulators, and other market participants on a pre-competitive basis to encourage standards, promote consistency, market reform and operating efficiency.

Note: The views expressed in this letter are prepared by ACSA for the purposes of consideration by ASX and should not be relied upon for any other purpose. The comments in this letter do not comprise financial, legal or taxation advice and should not be regarded as the views of any particular member of ACSA.