



ASX

AUSTRALIAN STOCK EXCHANGE

Exchange Centre, Level 5, 20 Bridge Street, Sydney NSW 2000
Telephone: 1300 300 279, Internet: www.asx.com



ASX

AUSTRALIAN STOCK EXCHANGE

CHESS

Clearing House Electronic Subregister System

Contents

What is CHESS?	2
What benefits does CHESS offer investors?	3
Do I have a choice of where I register title to my shares?	3
How do I register my shares on the CHESS subregister?	4
How do I register my shares on the issuer subregister?	4
Who controls the transfer or movement of shares?	5
What are the main differences between the CHESS subregister and the issuer sponsored subregister?	6
Should I hold my shares on the CHESS subregister or the issuer sponsored subregister?	6
Are the shares I hold on the CHESS subregister safe?	7
Is there a guarantee against frauds and failures?	8
When will I receive CHESS Holding Statements?	8
Why are notices sent to me?	9
Can I have more than one CHESS sponsor?	9
Can I move my CHESS holdings between CHESS sponsors?	10
How do I change my name and/or address in CHESS?	10
How do I convert shares from the issuer sponsored subregister to the CHESS subregister?	10
How do I convert a CHESS sponsored holding to the issuer sponsored subregister?	11
How can I effect an "off-market" transfer?	11
How can I pledge my shares as collateral for a loan?	11
If I have a query about my holding, whom do I contact?	12

What is CHESS?

If you buy or sell financial products such as shares in a listed company, you must exchange the title or legal ownership of those financial products for money. This exchange is called settlement.

For financial products traded on the Australian Stock Exchange, settlement is effected by a world-class computer system called CHESS, which stands for the Clearing House Electronic Subregister System.

CHESS is operated by the ASX Settlement and Transfer Corporation (ASTC), a wholly owned subsidiary of the ASX. ASTC authorises participants such as brokers, custodians, institutional investors, settlement agents and so on to access CHESS and settle trades made by themselves or on behalf of their clients.

2

Usually, three business days after a buyer and seller agree to a trade, CHESS effects the settlement of that trade. It does this by transferring the title or legal ownership of the shares while simultaneously facilitating the transfer of money for those shares between participants via their respective banks. This type of settlement is called Delivery versus Payment (DvP). It is irrevocable.

In addition to performing settlement, CHESS electronically registers the title (ownership) of shares on its **subregister**. This registration is secure and is an efficient means for holders to register title of their shares if they intend to trade them.

In summary, CHESS performs two major functions for the ASX:

- it facilitates the settlement and clearing of trades in shares; and
- it provides an electronic subregister for shares in ASX listed companies.

CHESS performs these and other functions for a diverse range of financial products, including shares. To make it easier to read, this brochure talks about shares. However, most of what it says also applies to the other types of financial products approved for settlement via CHESS, including warrants, stapled securities, company issued options, units in trusts, and so on.

What benefits does CHESS offer investors?

CHESS benefits investors by providing a means of transferring and registering ownership of shares that is:

- secure;
- efficient;
- convenient;
- seamless; and
- cost effective.

Do I have a choice of where I register title to my shares?

Yes. As a shareholder, you can choose to register the legal title to your shares on either:

- the CHESS subregister, maintained by ASTC; or
- the issuer sponsored subregister, maintained by the company who issued the shares. Most companies engage a share registry to administer their subregister on their behalf.

Registration in both subregisters is by electronic means. No paper certificates are issued for either subregister. However, a few foreign companies listed on the ASX may still offer paper certificates.

The principal register for any particular company is made up of the combined holdings registered on both the CHESS subregister and issuer sponsored subregister.

Irrespective of which subregister you use to hold shares, you will need to go through a stockbroker if you want to trade them.

How do I register my shares on the CHESSE subregister?

To register your shares on the CHESSE subregister, you arrange with an authorised participant (usually your stockbroker or their settlement agent) to sponsor you on CHESSE. This "CHESSE sponsor" will ask you to sign a sponsorship agreement that sets out the terms and conditions under which they can operate your holdings on the CHESSE subregister on your behalf. This in no way changes your legal ownership of the shares.

CHESSE shareholders are allocated a Holder Identification Number or HIN, which is similar in concept to a bank account number. Your HIN uniquely identifies you as the holder of shares on the CHESSE subregister. Following your registration, ASTC will send you a notification of your HIN. Keep this notification in a safe place as a record of your sponsor and your HIN. You should protect your HIN in the same way you protect your bank account number and not disclose it to anyone, unless required to do so under in the normal course of business or by law.

If you wish, you may enter into a sponsorship agreement with more than one CHESSE sponsor. If you do, you will have a different HIN for each of your CHESSE sponsors.

How do I register my shares on the issuer sponsored subregister?

If you do not have a CHESSE sponsorship agreement with your stockbroker or have not provided the stockbroker purchasing shares for you with a HIN, your shares will be registered on the issuer sponsored subregister by default.

You do not require a formal sponsorship agreement with a company to register your shares on their issuer sponsored subregister.

For each issuer sponsored holding, you will be allocated a unique Securityholder Reference Number or SRN by the relevant issuer. Your SRN uniquely identifies your holding on the issuer sponsored

What are the main differences between the CHESSE subregister and the issuer sponsored subregister?

On the CHESSE subregister you have only one HIN (for each CHESSE sponsor) that identifies all of your holdings in all of the companies you have invested in. As most shareholders have only one CHESSE sponsor, one HIN identifies their entire portfolio.

On the issuer sponsored subregisters, you have one SRN for each holding. If you have a portfolio of shares you will have a number of SRNs, one for each company you have invested in.

To hold shares on the CHESSE subregister you must have a formal sponsorship agreement with a CHESSE sponsor. No formal agreement is required for you to hold shares on the issuer sponsored subregister.

To change your registration name, address, or notification of Tax File Number, et cetera for your shares on the CHESSE subregister, you need to contact only your CHESSE sponsor. For shares on the issuer sponsored subregister, you need to notify the share registry of each company in which you hold shares.

Should I hold my shares on the CHESSE subregister or the issuer sponsored subregister?

If you hold your shares on the issuer sponsored subregister and wish to sell them, you must advise your stockbroker of the share registration details, including the SRN, so your stockbroker can convert the shares from the issuer sponsored subregister to the CHESSE subregister in order to settle the trade. This conversion must be completed in time for settlement or else the stockbroker will incur a fee, which they may pass on to you. Currently the time to settle a trade is "T+3" or "trade date plus 3 business days".

If you hold your shares on the CHESSE subregister and you wish to sell them, your CHESSE sponsor can move your shares for settlement without the need of a transfer. This is both easy and efficient.

Taking this into account, some of the factors you might consider when deciding which subregister to hold your shares on include:

- Issuer sponsored shareholders may be inconvenienced by the need to communicate precise details of their holdings to their stockbrokers and bear the risk of incurring fees if a conversion from the issuer sponsored subregister is not completed in time for settlement;
- CHESSE sponsored shareholders enjoy hassle-free settlement and are not exposed to the risk of incurring fees arising from a failed settlement;
- Investors dealing with more than one stockbroker may experience settlement delays and possible fees when securities are transferred between different stockbrokers for settlement. Such investors may prefer to hold their shares on the issuer sponsored subregister.

Are the shares I hold on the CHESSE subregister safe?

Yes, your shares are safe for the following reasons:

- Transactions on a CHESSE holding can only be effected by the CHESSE sponsor. By law your CHESSE sponsor may access your CHESSE holding only when you have given them specific instructions to do so. Your CHESSE sponsor must authenticate your identity when you give them instructions. We suggest that you check that your stockbroker has adequate security measures in place to ensure that when you call they can verify your identity, for example by means of a password or PIN.
- The Corporations Act and the ASTC Settlement Rules regulate the actions of all ASTC participants, such as stockbrokers, and what sort of transactions they can perform against the CHESSE subregister.
- ASX audits ASTC participants to ensure they comply with ASTC Settlement Rules and relevant legislation.

ASTC does not issue routine statements for holdings of renounceable rights. However, a statement for these securities will be provided if you request it through your CHESSE sponsor or the share registry.

You can request a CHESSE Holding Statement at any time through your CHESSE sponsor. The requested statement will list all the transactions that have occurred since the previous statement. Your CHESSE sponsor may charge for this service.

Why are notices sent to me?

ASTC sends you notices to inform you of any changes to your registration details or any change to your holding that is not covered by the routine holding statements. Some of the types of notices you may receive include:

- Change of name and/or address;
- Change of sponsor;
- Takeover offer acceptance;
- Buyback offer acceptance; and
- Collateral reservation.

For more information, ask your CHESSE sponsor.

Can I have more than one CHESSE sponsor?

Yes. There are several ways in which you can manage a relationship with more than one CHESSE sponsor:

- Establish a separate sponsorship agreement with separate stockbrokers and operate separate portfolios by always selling shares through the stockbroker who bought them for you. You will need to manage a HIN for each stockbroker.
- Establish sponsorship through one stockbroker. If you trade through another stockbroker, advise that stockbroker of your sponsorship arrangements and instruct them to transfer your shares to or from your CHESSE sponsor. You must also instruct your CHESSE sponsor to deliver or receive the shares as a result of the trade. Your CHESSE sponsor may charge a fee for this.
- Appoint a non-broker such as a trustee company or margin lender as your CHESSE sponsor. When you trade with a stockbroker, instruct them to settle into your HIN with your CHESSE sponsor.

Can I move my CHESSE holdings between CHESSE sponsors?

Yes. You can move either your entire CHESSE holding or part of your CHESSE holding from one CHESSE sponsor to another. If you are moving your entire CHESSE holding, you should be able to keep the same HIN.

How do I change my name and/or address in CHESSE?

To change your registered name and/or address, contact your CHESSE sponsor and provide them with the details and the paperwork necessary to verify the changes. Your CHESSE sponsor makes the changes in CHESSE. Once the changes are effected, ASTC will mail you a CHESSE notice confirming your new details.

How do I convert shares from the issuer sponsored subregister to the CHESSE subregister?

To convert shares from the issuer sponsored subregister to the CHESSE subregister:

- Enter into a sponsorship agreement with your preferred CHESSE sponsor. You will be allocated a HIN.
- Give your CHESSE sponsor the details of your issuer sponsored holdings, including the SRNs of the issuer sponsored holdings, and instruct them to move these holdings onto the CHESSE subregister. Remember, your SRN can be found on your issuer sponsored holding statements.

Your CHESSE sponsor will convert your issuer sponsored holding to the CHESSE subregister. ASTC will confirm the conversion by mailing you a CHESSE Holding Statement for each security transferred.

How do I convert a CHESSE sponsored holding to the issuer sponsored subregister?

To convert a holding to the issuer sponsored subregister, give appropriate instructions to your CHESSE sponsor, who will arrange the conversion. Your sponsor may charge a fee for this service.

How can I effect an "off-market" transfer?

If you are sponsored in CHESSE and wish to transfer your shares to another party "off-market" (perhaps to gift them to someone), either:

- Instruct your CHESSE sponsor to make an off-market transfer of the shares to the other party; or
- Instruct your CHESSE sponsor to convert the shares to the issuer sponsored subregister. When this is done, complete an Australian Standard Transfer form, available from the share registry, to effect the transfer from your issuer sponsored holding.

For more information, ask your CHESSE sponsor.

How can I pledge my shares as collateral for a loan?

There are several ways of pledging your shares as collateral:

- If your lender also has access to CHESSE, they may act as the CHESSE sponsor of the shares you wish to pledge;
- You might transfer the shares into the name of the your lender's nominee company; or
- Establish a three-way agreement between yourself, your CHESSE sponsor and the lender whereby the CHESSE sponsor agrees not to transfer the shares without the lender's authority.

If I have a query about my holding, whom do I contact?

As a sponsored CHESSE shareholder, your first contact for any enquiry should be your CHESSE sponsor. This includes queries into transactions on your CHESSE holding statement and any queries regarding your registration name and address on CHESSE.

If you have a query related to matters handled by the share registry, for example dividend reinvestment participation, rights acceptance, dividend payment instructions, etc., you may need to contact the relevant share registry. However, your CHESSE sponsor is advised of any changes to your holding initiated by the share registry, so they may be able to answer your query themselves.

