

10 August 2018

Office of General Counsel  
ASX Limited  
20 Bridge Street  
**SYDNEY NSW 2000**

Attention: Mr Gary Hobourn

By email: [regulatorypolicy@asx.com.au](mailto:regulatorypolicy@asx.com.au)

## **ASX CONSULTATION PAPER – TRANSFERS TO THE CHESS SUBREGISTER SUBMISSION BY STOCKBROKERS AND FINANCIAL ADVISERS ASSOCIATION LTD**

We refer to the Consultation Paper on Transfers to the CHESS Subregister released by ASX in July 2018 (“the Consultation Paper”). The Stockbrokers and Financial Advisers Association (“SAFAA”) is pleased to provide some brief comments below gathered from members following our consultation process.

Members generally support the idea underlying the proposals, and support the proposed efficiencies that would follow from facilitating the transfer process within settlement-only participants. Members noted that the changes did not have any direct impact on their businesses, and instead were directed at facilitating the processes within settlement-only participants.

Some concerns were however expressed on the following matters, such that there was some opposition to the changes in the form in which they are proposed:

1. The issues of fraud, including cyber risk, must be adequately addressed as part of the proposed changes. There was concern that procedures at some of the settlement participants who are not Trading Participants in relation to fraud prevention, and due diligence on transfer requests, may not be sufficiently

robust. There was concern that by removing the need to check the match of names, the proposals had the potential to facilitate fraud. Providing legal recourse for the holder against the settlement participant was positive, however pursuing redress after the event was not as effective as having the check done beforehand.

It was also noted that the proposal had the potential to create an unfair situation about the obligations on settlement participants who are Trading Participants initiating an Issuer to CHESS transfer, who would still be required to check that the names matched, but the settlement-only participants would not be. This would not be consistent with ASX's obligations for its market to operate fairly to all users.

2. Following on from 1, members expressed concern as to whether any transfers under the new proposal would benefit from coverage under the National Guarantee Fund, and the impact that an increase in claims would have on the NGF (and the entities who are liable to pay to restore the assets of the NGF).

One proposal to address the concerns in 1 would be an additional requirement imposed under the CHESS Rules, that the settlement-only participant provide the issuer with details of the holder's name for the relevant SRN (which could be done electronically), and that the issuer check that the details of the beneficial owner match the issuer's records for that holder prior to authorizing that transfer

We would be happy to discuss any issues arising these comments, or to provide any further material that may assist. Should you require any further information, please contact Peter Stepek, Policy Executive, on (02) 8080 3200 or email [pstepek@stockbrokers.org.au](mailto:pstepek@stockbrokers.org.au).

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Andrew Green'.

**ANDREW GREEN**  
Chief Executive